



# ANNUAL REPORT 2019

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#### **BANK IN FACTS**

#### **UKRGASBANK** today:

- More than 26 years of experience in the financial market.
- Owned by the state beneficiary owner represented by the Ministry of Finance of Ukraine (94.9409% of the share capital).
- One of the group of banks partially owned by the State according to classification of the National Bank of Ukraine.
- Is on the list of state property of strategic importance to the economy and security of the state.
- Represented by 250 branches in all regions of Ukraine.
- One of the five largest banks of Ukraine by assets.
- One of the top ten issuers by the number of active payment cards (according to the National Bank of Ukraine).
- The only bank authorised to provide financial guarantees for customs payments to the State Fiscal Service of Ukraine.
- Represented by professional team of 4,319 employees.
- Payment institution of the Welsend money transfer system.
- Active participant of the Ukrainian stock market.
- Permanent member of the Deposit Guarantee Fund.
- The bank authorised by the Pension Fund of Ukraine and the Ministry of Social Policy of Ukraine to pay pensions and financial assistance.
- Member of international payment systems such as MasterCard International Inc., Visa International Service Association and National System of Mass Electronic Payments.
- The first Ukrainian participant of the Carbon Pricing Leadership Coalition (CPLC).
- The only representative of Ukraine at the SME Finance Forum.
- Makes the top three in 'Best Trade Finance Bank in Eastern Europe, 2018' category according to Global Trade Review, the most authoritative trade finance media.



## 1.1. Composition of the Supervisory Board

- Shrenik Davda Chairperson of the Supervisory Board, Independent Member of the Supervisory Board.
- Artem Shevalov Deputy Chairperson of the Supervisory Board, Representative of the Shareholder the State of Ukraine.
- Yurii Geletii Member of the Supervisory Board, Representative of the Shareholder the State of Ukraine.
- Teimour Bagirov Independent Member of the Supervisory Board.
- 5 Yurii Blashchuk Independent Member of the Supervisory Board.
- 6 Oksana Volchko Independent Member of the Supervisory Board.
- 7 Slawomir Konias Independent Member of the Supervisory Board.

## 1.2. Composition of the Management Board



Chairperson of the Management Board

**Kyrylo Shevchenko** Born in 1972

**Education:** Kharkiv National University of Economics Work experience at banking and financial institutions:

26 years

## 1.2. Composition of the Management Board



First Deputy Chairperson of the Management Board Andrii Kravets Born in 1963

**Education:** Kyiv Institute of Civil Aviation Engineers, Toulouse Business School (France), Kyiv National Economic University

Work experience at banking and financial institutions:

20 years



First Deputy Chairperson of the Management Board Oleksandr Dubrovin
Born in 1981

**Education:** Kremenchuk State Polytechnic University **Work experience at banking and financial institutions:** 16 years



Deputy Chairperson of the Management Board
Nataliia Vasylets
Born in 1974
Education: Kyiv National Economic University
Work experience at banking and financial institutions:
28 years

## 1.2. Composition of the Management Board



Deputy Chairperson of the Management Board
Yevhen Metsher
Born in 1977
Education: Kryvyi Rih Technical University, Kyiv National Economic
University
Work experience at banking and financial institutions:
18 years



Deputy Chairperson of the Management Board
Oleksandr Ihnatenko
Born in 1977
Education: Taras Shevchenko National University of Kyiv
Work experience at banking and financial institutions:
9 years



Deputy Chairperson of the Management Board

Tamara Savoshchenko

Born in 1967

Education: D. S. Korotchenko Kyiv Institute of National Economy

Work experience at banking and financial institutions:

26 years

## 1.2. Composition of the Management Board



Oleksii Berezhnyi
Born in 1959
Education: Taras Shevchenko National University of Kyiv
Work experience at banking and financial institutions:
21 year

Director of the Financial Monitoring Department

## 1.3. Bank Executives That Are Not Members of the Management Board



Chief Accountant
Nataliia Khrustalova
Born in 1970
Education: Kyiv National Economic University
Work experience at banking and financial institutions:
26 years

## 1.4. Strategy for 2020

Strategic activities for 2020 envisage further development of the Bank as an investment attractive financial institution through the implementation of initiatives that will allow the Bank to reach a new level of competitiveness. Increasing the scale of business, increasing profitability and efficiency is a key task for the Bank. At the same time, the Bank will focus its activities on improving flexibility, speed and customer focus, introducing new technologies and educating people of new formation. This will create additional value for the bank and facilitate its further privatisation.

## 1.4. Strategy for 2020

#### Main areas of development:



## Corporate Bank No. 1:

The Bank will use its advantage as a market leader in corporate customer service;



## Investment banking:

The investment banking model will be changed with the expansion of the list of services for the Bank's clients:



## Digital Bank No. 1:

Introduction of the latest customer-oriented digital tools that will allow the Bank to become a leader in the e-commerce market;



## Retail and micro business:

The Bank's activities will be focused on consumer lending and issuing credit cards;



## Synergy of key business areas:

Activation of cross-sales of banking products and increase of return per client;



Development of sales network, optimisation of Head Office and Directorates personnel:

The Bank plans to improve the quality of service and expand the sales network as one of the main distribution channels to strengthen the customer base and optimise the Head Office and Directorates personnel;

## 1.4. Strategy for 2020



## Agile Approach:

Implementation of an agile system of process management and interaction of departments in order to increase efficiency;



## **Development of Green Banking:**

The Bank plans to further develop the Green Banking after stabilisation in the financial market and the settlement of problem issues in the electricity market;



## Acquisition of a share in the Bank's capital by IFC:

The Bank will take all the necessary measures to finalise the loan agreement with the International Finance Corporation, with the subsequent conversion of the loan into a share in the Bank;

## 10

## Corporatisation of the Bank by employees:

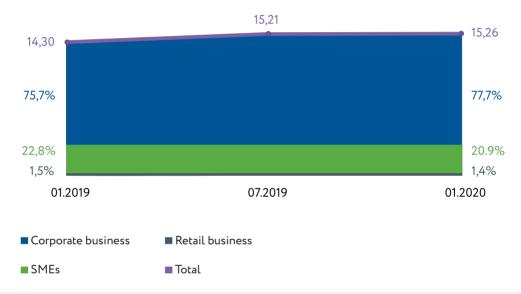
In order to increase the corporate culture and engagement of employees in the results of the Bank's activities, it is planned to implement the possibility of corporatisation of the Bank by its employees.



## 1.5. Green Banking Implementation in 2019

Currently, UKRGASBANK is the driver of green banking in Ukraine. The priority is to finance projects related to the efficient use of energy resources and the reduction of adverse environmental impact (Green Banking Strategy).

As a result of implementation of the Green Banking Strategy, the Bank financed projects for the total amount of 15.26 billion in UAH equivalent as of 1 January 2020. The growth of the green lending portfolio for 2019 amounted to 0.96 billion in UAH equivalent (+6.74%).



As of 1 January 2020, the share of clients in the lending portfolio is:



corporate business - 77.7%, or 11.87 billion in UAH equivalent;



SME - 20.9%, or 3.19 billion in UAH equivalent;



retail business - 1.4%, or 0.21 billion in UAH equivalent

In 2019, the concentration in corporate business projects increased significantly (+2 percentage points), the share of SME projects decreased significantly (-1.9 percentage points), and the share of retail business projects decreased slightly (-0.1 percentage points).

## 1.5. Green Banking Implementation in 2019

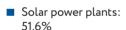
As per calculation, implementation of all green projects financed by the Bank as of 1 January 2019 will reduce CO2 emissions by 1.333 million tonnes per year. The planned saving of natural gas due to implementation of these projects is 803 million m3 per year.

The largest share in the green loan portfolio consists of renewable energy projects – 66.7%, namely:

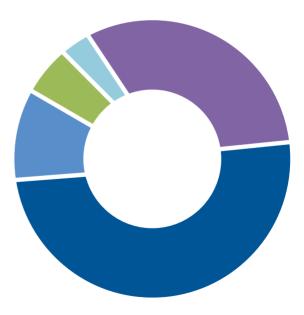
- solar power plants (including rooftop and private) 51.6% of all green projects;
- power plants on biofuel (biogas, biomass) 4.7% of all green projects;
- wind power plants 8.5% of all green projects;
- small hydropower plants 1.9% of all green projects.

The share of energy efficiency projects and green makes 33.3%.

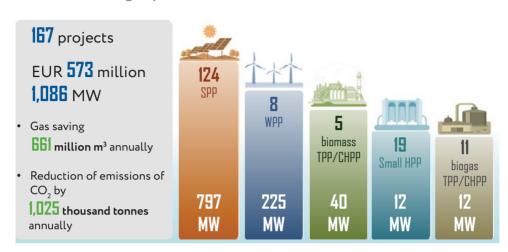
As per calculation, implementation of all renewable energy green projects financed by the Bank as of 31 December 2018 will reduce CO2 emissions by **1.025 million tonnes per year**. The planned saving of natural gas due to implementation of these projects is **661 million m3 per year**.



- Energy efficiency: 33.3%
- Wind power plants: 33.3%
- Biofuel power plants: 4.7%
- Small hydropower plants: 4.7%



## 1.5. Green Banking Implementation in 2019



In 2019, the Bank continued to actively implement the environmental management system internally. Implementation of energy-efficient measures by UKRGASBANK in 2019 reduced water consumption by 1,179 m3 and electricity almost by 35 thousand kWh.

In 2019, the Bank continued to actively implement the procedure of open accreditation of EPC contractors building renewable energy industrial facilities. Specialists of the Bank's technical office perform a detailed expert analysis of the activities of each EPC contractor, including analysis of work experience, business reputation, availability of permits, availability of technical staff and the relevant technical equipment, financial condition, etc.

In 2019, 15 companies submitted applications for open accreditation of EPC contractors to UKRGASBANK, of which 11 EPC contractors were accredited and entered into the public register on the Bank's website.

The Carbon Pricing Leadership Coalition (CPLC), which was joined by UKRGASBANK in 2018, published the annual Carbon Pricing Report 2018–19. Therein, for the first time, experts noted the activities of UKRGASBANK along with such world leaders as World Bank, EBRD, IFC, Ecosphere + (UK) and Garanti Bank (Turkey).

CPLC praised the work of UKRGASBANK for the reduction of lending interests depending on the effectiveness of reduction of CO2 emissions when using loans, as well as the inclusion of information on environmental and social risk management in the Bank's annual report.

Type of activity	Licence (permit) No.	Issue date	Issuing authority	Licence (permit) expiration date (if any)
1	2	3	4	5
Attracting deposits in the form of funds or banking metals from unlimited number of legal entities or individuals	Banking Licence No. 123	6 October 2011	National Bank of Ukraine	perpetual
Opening and maintaining current (correspondent) accounts of clients, including those in banking metals, as well as escrow accounts	Banking Licence No. 123	6 October 2011	National Bank of Ukraine	perpetual
Placement of engaged deposits, including on current accounts, in cash and banking metals on its own behalf, on its own terms and at its own risk	Banking Licence No. 123	6 October 2011	National Bank of Ukraine	perpetual
Non-trading transactions with currency assets	General Licence for Foreign Exchange Transactions No. 123 and the Appendix thereto	6 October 2011	National Bank of Ukraine	perpetual, returned to the National Bank of Ukraine on 8 February 2019

Type of activity	Licence (permit) No.	Issue date	Issuing authority	Licence (permit) expiration date (if any)
Transactions with foreign exchange cash and cheques (purchase, sale, exchange, acceptance, cash logistics) carried out at banks' cash departments or foreign exchange offices	General Licence for Foreign Exchange Transactions No. 123 and the Appendix thereto	6 October 2011	National Bank of Ukraine	perpetual, returned to the National Bank of Ukraine on 8 February 2019
Transactions with foreign currency cash (purchase, sale, exchange) carried out at foreign exchange offices operating under agency agreements entered into between banks and resident legal entities	General Licence for Foreign Exchange Transactions No. 123 and the Appendix thereto	6 October 2011	National Bank of Ukraine	perpetual, returned to the National Bank of Ukraine on 8 February 2019
Maintaining accounts of clients (residents or non-residents) in foreign currency and non- resident clients in the Ukrainian currency	General Licence for Foreign Exchange Transactions No. 123 and the Appendix thereto	6 October 2011	National Bank of Ukraine	perpetual, returned to the National Bank of Ukraine on 8 February 2019

Type of activity	Licence (permit) No.	Issue date	Issuing authority	Licence (permit) expiration date (if any)
Maintaining correspondent accounts of banks (residents or nonresidents) in foreign currency	General Licence for Foreign Exchange Transactions No. 123 and the Appendix thereto	6 October 2011	National Bank of Ukraine	perpetual, returned to the National Bank of Ukraine on 8 February 2019
Maintaining correspondent accounts of banks (non-residents) in the Ukrainian currency	General Licence for Foreign Exchange Transactions No. 123 and the Appendix thereto	6 October 2011	National Bank of Ukraine	perpetual, returned to the National Bank of Ukraine on 8 February 2019
Opening correspondent accounts with authorised banks of Ukraine in foreign currency and carrying out transactions thereon	General Licence for Foreign Exchange Transactions No. 123 and the Appendix thereto	6 October 2011	National Bank of Ukraine	perpetual, returned to the National Bank of Ukraine on 8 February 2019
Opening correspondent accounts with banks (non-residents) in foreign currency and carrying out transactions thereon	General Licence for Foreign Exchange Transactions No. 123 and the Appendix thereto	6 October 2011	National Bank of Ukraine	perpetual, returned to the National Bank of Ukraine on 8 February 2019

Type of activity	Licence (permit) No.	Issue date	Issuing authority	Licence (permit) expiration date (if any)
Attracting and placing foreign currency in the foreign exchange market of Ukraine	General Licence for Foreign Exchange Transactions No. 123 and the Appendix thereto	6 October 2011	National Bank of Ukraine	perpetual, returned to the National Bank of Ukraine on 8 February 2019
Attracting and placing foreign currency in the international markets	General Licence for Foreign Exchange Transactions No. 123 and the Appendix thereto	6 October 2011	National Bank of Ukraine	perpetual, returned to the National Bank of Ukraine on 8 February 2019
Trading in foreign currency in the foreign exchange market of Ukraine [except for transactions with foreign exchange cash and cheques (purchase, sale, exchange) carried out by banks' and agents' cash departments or foreign exchange offices]	General Licence for Foreign Exchange Transactions No. 123 and the Appendix thereto	6 October 2011	National Bank of Ukraine	perpetual, returned to the National Bank of Ukraine on 8 February 2019

Type of activity	Licence (permit) No.	Issue date	Issuing authority	Licence (permit) expiration date (if any)
Trading in foreign currency in the international markets	General Licence for Foreign Exchange Transactions No. 123 and the Appendix thereto	6 October 2011	National Bank of Ukraine	perpetual, returned to the National Bank of Ukraine on 8 February 2019
Attracting and placing banking metals in the foreign exchange market of Ukraine	General Licence for Foreign Exchange Transactions No. 123 and the Appendix thereto	6 October 2011	National Bank of Ukraine	perpetual, returned to the National Bank of Ukraine on 8 February 2019
Attracting and placing banking metals in international markets	General Licence for Foreign Exchange Transactions No. 123 and the Appendix thereto	6 October 2011	National Bank of Ukraine	perpetual, returned to the National Bank of Ukraine on 8 February 2019
Trading in banking metals in the foreign exchange market of Ukraine	General Licence for Foreign Exchange Transactions No. 123 and the Appendix thereto	6 October 2011	National Bank of Ukraine	perpetual, returned to the National Bank of Ukraine on 8 February 2019

Type of activity	Licence (permit) No.	Issue date	Issuing authority	Licence (permit) expiration date (if any)
Trading in banking metals in the international markets	General Licence for Foreign Exchange Transactions No. 123 and the Appendix thereto	6 October 2011	National Bank of Ukraine	perpetual, returned to the National Bank of Ukraine on 8 February 2019
Foreign exchange transactions in the foreign exchange market of Ukraine that are deemed financial services in accordance with Article 4 of the Law of Ukraine 'On Financial Services and State Regulation of Financial Services Markets' and are not specified in Paragraphs 2–17 of Section 2 of the Regulation on the Procedure for Granting General Licences for Foreign Exchange Transactions to Banks and Branches of Foreign Banks approved by Decision of the Board of the National Bank of Ukraine No. 281 dated 15 August 2011	General Licence for Foreign Exchange Transactions No. 123 and the Appendix thereto	6 October 2011	National Bank of Ukraine	perpetual, returned to the National Bank of Ukraine on 8 February 2019

Type of activity	Licence (permit) No.	Issue date	Issuing authority	Licence (permit) expiration date (if any)
Foreign exchange transactions in international markets that are deemed financial services in accordance with Article 4 of the Law of Ukraine 'On Financial Services and State Regulation of Financial Services Markets' and are not specified in Paragraphs 2–17 of Section 2 of the Regulation on the Procedure for Granting General Licences for Foreign Exchange Transactions to Banks and Branches of Foreign Banks approved by Decision of the Board of the National Bank of Ukraine No. 281 dated 15 August 2011	General Licence for Foreign Exchange Transactions No. 123 and the Appendix thereto	6 October 2011	National Bank of Ukraine	perpetual, returned to the National Bank of Ukraine on 8 February 2019
Professional activity in the stock market – depository activity. Depository activity of depository institution	Licence AE No. 263236	28 August 2013	National Securities and Stock Market Commission	From 12 October 2013 for indefinite period

Type of activity	Licence (permit) No.	Issue date	Issuing authority	Licence (permit) expiration date (if any)
Professional activity in the stock market. Mortgage collateral management	Licence AD No. 034432	18 June 2012	National Securities and Stock Market Commission	From 18 June 2012 for indefinite period
Professional activity in the stock market – depository activity. Custody of assets of collective investment schemes	Licence AE No. 263237	28 August 2013	National Securities and Stock Market Commission	From 12 October 2013 for indefinite period
Professional activity in the stock market – depository activity. Custody of assets of pension funds	Licence AE No. 263238	28 August 2013	National Securities and Stock Market Commission	From 12 October 2013 for indefinite period
Professional activity in the stock market – trading in securities. Underwriting	Licence AE No. 294715	14 February 2015	National Securities and Stock Market Commission	From 14 February 2015 for indefinite period

## 1.6. Licences and Permits

Type of activity	Licence (permit) No.	Issue date	Issuing authority	Licence (permit) expiration date (if any)
Professional activity in the stock market – trading in securities. Broker activity	Licence AE No. 294713	14 February 2015	National Securities and Stock Market Commission	From 14 February 2015 for indefinite period
Professional activity in the stock market – trading in securities. Dealer activity	Licence AE No. 294714	14 February 2015	National Securities and Stock Market Commission	From 14 February 2015 for indefinite period

#### 1.7. Affiliated Persons

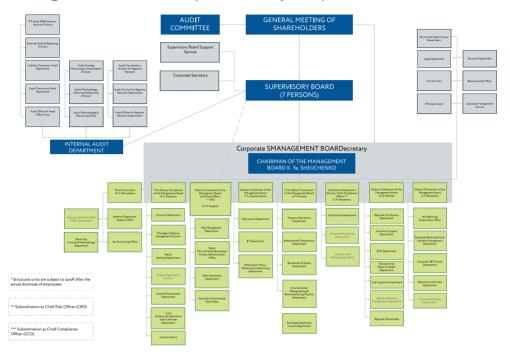
Entity that has a substantial share in JSB 'UKRGASBANK' as of 1 January 2020:

 The State of Ukraine represented by the Ministry of Finance of Ukraine, substantial share of 94.9409%.

Entities in which JSB 'UKRGASBANK' has a substantial share as of 1 January 2020:

- CJSC Clearing House of 'Kyiv Universal Stock Exchange', substantial share of 15%;
- Media-Service LLC, substantial share of 10%.

## 1.8. Organisational Structure (as of 1 January 2020)



#### 1.9. Personnel

Today, UKRGASBANK personnel is an efficient team of highly qualified specialists united by a common goal, who are able to effectively use the accumulated knowledge and experience to achieve the general result. The Bank's employees perform their duties professionally, strive to optimise business processes by using advanced methods and implementing new ideas, flexibility and dynamism as required by the external environment.

During 2019, the management of UKRGASBANK paid a lot of attention to increasing the level of environmental responsibility and awareness of the personnel, supported the environmental initiatives of employees at the Bank level. The Bank's employees took an active part in conferences on green energy and environmental protection.

The Bank is constantly improving its existing HR tools. Thus, for the second year in a row, the employee motivation system has been working effectively. It aims at achieving the set goals and objectives, meeting the planned business indicators, as well as improving the objectivity of assessment of the Bank's structural units.

#### 1.9. Personnel

UKRGASBANK especially focuses on the development and internal career advancement of its employees. The priority is given to internal corporate reshuffle rather than external employment. The talent pool for management positions created last year is being actively used and constantly supplemented with new ambitious and highly professional employees.

During 2019, the Bank management put significant efforts to improve social standards of its employees, and, together with the Bank's trade union, continues implementing the employee support and incentive programmes.

The Bank is constantly improving its approaches to management and development of personnel, as well as guarantees high social standards, decent salary and occupational safety.



## 1.10. History

1993

Registration of Closed Joint-Stock Company Joint-Stock Commercial Bank Hajibey Bank, the predecessor of JSB 'UKRGASBANK'.

1995

The Bank was renamed as JSB 'InterGasBank' and consisted of the Head Office in Kyiv and a branch in Odesa. It started active commercial and financial activities. The Online Banking software was implemented for prompt provision of high-quality services to clients.

## 1.10. History

2003

2004

The Bank was renamed as JSB 'UKRGASBANK', obtained the NBU licence for 1996 transactions with foreign currency assets, joined the REUTERS international system, and started active operation in the foreign exchange market of Ukraine. The Bank was reorganised into JSB 'UKRGASBANK' in the form of open jointstock company. The Bank actively integrated into the gas complex of Ukraine: large gas suppliers, such as State-Owned Joint-Stock Holding Company 'Ukrgaz', Closed Joint-Stock Company 'Intergas', etc., became its clients 1997 The Bank obtained the general licence for carrying out banking transactions. Deloitte & Touche Audit Company audited the Bank under the international standards for the first time. The Bank increased its capitalisation rate as a result of the second issue of shares. That year, the Bank also became a member of the Association of 1998 Ukrainian Banks The Bank issued the third issue of its shares to increase its authorised capital from UAH 6.90 million to UAH 13.95 million. To implement the strategic development plan, the Bank obtained an extension to the licence for attracting 1999 and investing foreign currency in the international markets. The Bank started issuing domestic 'EHEPΓIЯ™' (ENERGY) payment cards and implementing payroll card programmes for its largest clients. That year, the 2000 Bank also became the principal member of Europay International Association. The Bank was renamed as Open Joint-Stock Company Joint-Stock Bank 'UKRGASBANK'. The Bank kept actively promoting banking services in regions and opened 40 regional branches by the year end. 2001 The Commission for Supervision and Regulation of Banks included Open Joint-Stock Company Joint-Stock Bank 'UKRGASBANK' into Group 2 of the Ukrainian banks on the basis of development of its asset and liability 2002 transactions. The Bank expanded its market presence to become represented in 13 regions of Ukraine. The Bank issued its own Visa International IPS payment card. That year, the Bank won the tender for provision of account management services for

The Bank increased the authorised capital to UAH 120 million and was among TOP 20 banks of Ukraine. The Bank issued almost 180 thousand payment cards. The Bank was actively implementing several payroll card programmes for its clients.

placement of funds of the World Bank's Private Sector Development Project.

#### 1.10. History

2005

The Bank's terminals were certified by MasterCard Worldwide, and the Bank started acquiring chip cards of this payment system. A new biometric client identification system was introduced in the depository (MUST-IPRA Depository).

2006

The Bank was approved as a pilot bank for implementation of the IFC's Ukraine Banking Corporate Governance Project. Moody's Investors Service, an international credit agency, assigned B2 long-term foreign currency deposit rating and E+ financial stability rating to the Bank. The rating was projected to be 'stable'. All this contributed to raising a first-time syndicated loan of USD 16 million from foreign banks.

2007

The Bank substantially improved its performance and increased its authorised capital to UAH 500 million. The Bank obtained the second syndicated loan of USD 46 million and the club loan of USD 20 million. Reorganisation of the sales management system by means of migration to a 'single balance sheet' started.

2008

The Bank was categorised as one of the largest domestic credit and finance institutions and increased its authorised capital to UAH 700 million. The syndicated loan of USD 23 million was raised to finance foreign trade transactions of the Bank's clients. The Bank also repaid the USD 20 million club loan and the USD 46 million syndicated loan obtained in 2007 on time and in full. The Bank started offering Forex market transactions to its individual clients as a new service. The Bank was ranked first in terms of information transparency with the highest transparency rating of 71.2% in the history of such studies in Ukraine according to the results of study of TOP 30 Ukrainian banks carried out by the Financial Initiatives Agency together with Standard & Poor's Corporate Governance Rating Service.

2009

Shareholders applied to the Government for the State to inject capital into the Bank due to difficult financial situation in Ukraine in 2009 through its recapitalisation. The Cabinet of Ministers of Ukraine decided to contribute UAH 3.1 billion to the Bank's share capital. Thus, the share capital of the Bank increased to UAH 3.8 billion, and the State represented by the Ministry of Finance of Ukraine became the shareholder of 81.58% of its shares. That year, the Bank was reorganised into a public joint-stock company. Due to financial crisis, the Bank had to optimise its network to reduce administrative costs.

#### 1.10. History

2010

The Bank drafted a new development strategy, demonstrated better financial performance and resumed lending. In the beginning of the year, the share capital of the Bank was additionally increased by UAH 1.9 billion as a result of additional issue of shares, and the participatory interest held by the Ministry of Finance of Ukraine in the share capital increased to 87.72%. The Ministry of Finance of Ukraine included the Bank into the list of commercial banks charged with functions of agents for the purposes of VAT refund in domestic government bonds. The Cabinet of Ministers of Ukraine appointed the Bank as an agent for managing special current accounts of guaranteed suppliers (gas supply companies) and their structural units, as well as companies selling natural gas to gas supply companies. Credit Rating Agency assigned uaBBB long-term credit rating to the Bank with 'stable' outlook and the bank deposit reliability level of '4' (highly reliable).

2011

The Bank's capital was further increased by UAH 4.3 billion to UAH 10 billion, and the participatory interest held by the State increased to 92.9998%. Due to this, the Bank managed to make the appropriate reserves in accordance with the requirements of the NBU and international financial auditors. The Bank maintained a strong competitive position among the largest Ukrainian banks. Credit Rating Agency reconfirmed uaBBB long-term credit rating and debt rating of the Bank with 'stable' outlook and the high reliability ('4') of bank deposits twice during the year. Expert-Rating Agency assigned uaBBB+ credit rating to the Bank and its debt liabilities (bonds of series C, D, E).

2012

The Bank continued implementing its strategy successfully and strengthened its leading position among the largest Ukrainian banks. The Bank became an active participant of the 'Affordable Housing' state programme for individual home loans. Having obtained the licence from the National Securities and Stock Market Commission for professional activity in the stock market in the form of mortgage collateral management, the Bank was granted the exclusive right to provide the relevant services to securities issuers. The Bank fulfilled its obligations to foreign creditors and repaid the USD 23 million syndicated loan issued by the group of international lending banks in 2008.

#### 1.10. History

2013

The net annual profit exceeded UAH 1 billion, and the Bank ranked second on the market in these terms. UKRGASBANK introduced its own Welsend multi-currency money transfer system, which became international in autumn and available in Georgia. The Bank was the first Ukrainian bank to offer special lending programme to apartment house co-owner associations (condominiums). UKRGASBANK joined the Polish Government's 'Financial Support to Export' programme implemented by Bank Gospodarstwa Krajowego, a Polish state-owned bank, and was assigned the EUR 14 million quota.

2014

In 2014, UKRGASBANK ranked as one of TOP 100 companies of Ukraine. UKRGASBANK offered 'Domovychok' universal credit and deposit card, which was recognised by MasterCard to be the mass segment product of 2014 in November. The Information Security Management System of UKRGASBANK underwent international certification in 2014 and was the first system of that kind in Ukraine to get an ISO/IEC 27001:2005 certificate of conformity. Ukrainian Credit Rating Agency reconfirmed its long-term credit rating of uaAA+ assigned to UKRGASBANK with 'stable' outlook and deposit rating of 'A' (top reliability).

2015

The Bank was included into the list of state property of strategic importance for the national economy and security. Short-term stabilisation loans of UAH 922.6 million provided by the NBU were repaid early and in full. The Bank also repaid the USD 200 million deposit lodged by the State Treasury Service of Ukraine together with the accrued interest in full. The Bank successfully completed its merger with PJSC JSCB 'KYIV' within the scope of unique procedure aimed at maintaining financial stability in the Ukrainian banking sector. UKRGASBANK received additional capital injection of UAH 3.8 billion as additional guarantee of its stability. Thus, participatory interest owned by the State increased from 92.9998% to 94.9409%. The Bank underwent its first information security management system monitoring audit successfully and received new ISO/IEC 27001:2013 certificate of conformity (International Standard on Information Security Management Systems). According to ratings of UCRA and Standard Rating Agency, the Bank deposit reliability was ranked highest among Ukrainian banks. The Rating Committee of Expert-Rating Agency confirmed the uaAAcredit rating of UKRGASBANK according to the national scale.

## 1.10. History

2016

In 2016, UKRGASBANK early and in full repaid the stabilisation loans of UAH 3,616.6 million provided by the NBU in 2008–2009 to maintain liquidity and improve its financial position within the scope of the Financial Recovery Programme. The Bank was authorised to settle customs payments and fully organised the work of its 38 branches to provide services to customs offices of the State Fiscal Service of Ukraine.

It ranked within TOP 5 largest Ukrainian banks by assets.

The International Financial Corporation (IFC) and UKRGASBANK signed an agreement for simplified financing for companies that intended to introduce renewable and energy-saving technology and contribute to unlocking the country's 'green' economic potential. UKRGASBANK and the Ministry of Ecology and Natural Resources of Ukraine signed an agreement on interaction and cooperation for implementation of the Bank's ecological and energy efficiency projects. In November, the European-Ukrainian Energy Agency and the Bank signed the Memorandum of Partnership and Cooperation aimed at enhancing Ukraine's energy efficiency and developing 'green' energy.

The German-Ukrainian Fund increased the financing of UKRGASBANK for SME lending more than twice – up to EUR 6.9 million (from UAH 1 million to UAH 24 million).

In order to expand the client base and strengthen the settlement bank status for interbank transactions, UKRGASBANK consented to perform settlement function in the 'ATMoSphere' united ATM network programme.

In 2016, UKRGASBANK was the first Ukrainian bank to start trading via FXAII System, a part of Thomson Reuters FX Trading Dealing, which is the world's largest currency trading platform.

During that year, the Bank kept leadership among leading government bond market participants and depository institutions by its depository assets. It was one of TOP 100 largest taxpayers in Ukraine and became the leading Ukrainian bank that raised funds from local budgets and educational institutions.

#### 1.10. History

2016

The Bank underwent its second information security management system monitoring audit successfully and received new ISO/IEC 27001:2013 certificate of conformity (International Standard on Information Security Management Systems). IBI-Rating Agency reconfirmed uaA+ credit rating of UKRGASBANK with 'stable' outlook. Reliability rating of bank deposits was also confirmed at the level of '5+' (excellent reliability).

Expert-Rating Agency increased UKRGASBANK's credit rating to uaAA+ according to the national scale, which meant very high creditworthiness as compared with other Ukrainian borrowers.

2017

The Bank ranked fourth by its assets among the largest Ukrainian banks. Composition of the Supervisory Board was renewed; number of independent members was fundamentally increased (4 of 7 persons).

UKRGASBANK signed the Memorandum with the German-Ukrainian Fund for development of existing and implementation of new efficient SME lending programmes in Ukraine.

The Bank signed the Memorandum of Cooperation with USAID regarding the 'Municipal Energy Reform in Ukraine' project to implement energy saving programme and increase energy efficiency of Ukrainian cities.

UKRGASBANK joined the IFC Global Trade Finance Programme. It was the first state-owned bank to receive LEI (international legal entity identifier), which allows regulators and risk managers to instantly identify parties to financial transactions, and increases accuracy and reliability of the reported data.

UKRGASBANK, the Ministry of Finance of Ukraine and the IFC signed the Memorandum of Understanding on support of attracting strategic financial investor in the Bank's capital owned by the State.

UKRGASBANK was the first Ukrainian bank to sign guarantee agreement with the European Investment Bank and the European Investment Fund under the EU4Business initiative to support Ukrainian SME lending for the amount of EUR 50 million.

## 1.10. History

## 2017

The Bank started cooperating with JLL Ukraine and state-owned enterprise 'SETAM' within the framework of the Bank's balance sheet assets sale project.

It was the first Ukrainian bank to issue financial guarantee for customs payments to the State Fiscal Service of Ukraine.

It was the first in Ukraine to start providing loans for installation of home-based solar PPs at 0.001% per annum, presented the first ecologically clean payment card in Ukraine and Fan's Card at the open training of the Ukrainian national football team. It started issuing e-licences for Premier-Banking private clients and migrated to its own processing centre.

UKRGASBANK ranked first in the best Ukrainian banks rating for SME services according to Lichnyi Schet platform. It was in the top of Savings Deposit category and one of the three leading Ukrainian banks according to the annual TOP 50 Ukrainian banks rating by Financial Club platform.

UKRGASBANK became one of the three most reliable banks of Ukraine according to Lichnyi Schet rating and was among TOP 10 most reliable Ukrainian banks according to Standard Rating.

It was the only state-owned bank among TOP 10 banks with the highest deposit reliability rating. It occupied the top position of the deposit reliability rating of the state-owned banks according to Standard Rating and was confirmed to be the best in the ECO-bank category in the BUSINESS' 'Financial Oscar' special edition. The annual competition 'Bank of the Year' by Bankir international magazine named it the leading ECO-bank of the year.

## 2018

In early 2018, UKRGASBANK joined the UkrSWIFT Association to further enhance its IT security and strengthen the cybersecurity mechanisms.

With the support of UKRGASBANK and the International Finance Corporation (IFC), the first international trade finance transaction for SME client was carried out under the Global Trade Support Programme. In spring, UKRGASBANK and IFC entered into agreement on implementation of a joint project 'Become a Leader in SME Banking Services'.

#### 1.10. History

2018

Following the Annual General Meeting of UKRGASBANK, 2 new independent members joined the Supervisory Board.

UKRGASBANK joined the Carbon Pricing Leadership Coalition (CPLC) and became the first Ukrainian partner, which would increase support in attracting additional resources for the country, which were required for creation of the greenhouse gas emission pricing system.

The Bank introduced its new EcoBank Online service, which allowed its clients to manage their own accounts via mobile or PC at any time and place convenient to them.

In autumn 2018, UKRGASBANK joined the Polish Government's 'Financial Support to Export' programme implemented by Bank Gospodarstwa Krajowego (BGK), a Polish state-owned development bank, and was assigned a quota.

The Bank continued its work in its main area, green banking. UKRGASBANK provided green loan for construction of unique solar photovoltaic station Solar Chernobyl in Prypiat with the capacity of 1 MW. Since the beginning of 2018, UKRGASBANK has financed 50% of new renewable energy sources that obtained the 'green' tariff. The Bank also initiated a new area of activity – public accreditation procedure for EPC contractors, i.e. general contractors for construction of renewable energy industrial facilities.

IBI-Rating Agency confirmed the reliability rating of UKRGASBANK's deposits at the level of '5+' (excellent reliability) and increased the credit rating to uaAA with 'stable' outlook. Expert-Rating Agency decided to update the credit rating to uaAA+ level. Rurik national rating agency confirmed the reliability rating of deposits at the level of r5 and very high creditworthiness at uaAA+.

2019

In 2019, UKRGASBANK made the top three in 'Best Trade Finance Bank in Eastern Europe, 2018' category according to Global Trade Review, the most authoritative trade finance media.

## 1.10. History

2019

The Bank continued developing as a leading ECO-bank of Ukraine, focusing on financing projects of corporate clients, SME and individuals related to the technologies of energy efficiency, renewable energy, resource efficiency, pollution reduction, etc. UKRGASBANK, as Ecobank No.1 in Ukraine, became the first official party to the Principles for Responsible Banking, created on the basis of an innovative partnership between banks from around the world and the UN international responsible investment initiative. It is a powerful global community that brings together a third of the world's USD 47 trillion in banking capital and is supported by 130 financial institutions from 45 countries.

In 2019, the Bank was the first among Ukrainian banks to become a partner of the Private Financing Advisory Network (PFAN), a global network providing free expert and investment support for 'clean' energy projects.

250 current sale outlets are available to the Bank's clients in 154 settlements of Ukraine. The Bank has over 2.1 million clients, including 2,067,000 retail clients, 63,000 SMEs, and 6,000 corporate clients.

UKRGASBANK actively continued to develop Ecobank Online, its own multi-platform mobile application (Garmin Pay, Google Pay and Apple Pay, cashback, ability to pay utility bills, etc. were introduced), the number of users of which exceeded 257 thousand at the end of 2019.

During 2019, the Bank actively developed trade finance operations. As of the beginning of 2020, the portfolio of these operations amounted to UAH 9.8 billion, including letters of credit opened – UAH 1.9 billion, letters of credit received – UAH 1.1 billion, guarantees provided – UAH 2.8 billion, guarantees received – UAH 2.8 billion, instruments under own liabilities – UAH 1.1 billion.

At year-end 2019, UKRGASBANK received profit of UAH 1,299 million, which exceeds the result for 2018 by more than 65%. The result was due to the following factors: operating income – UAH 4,361 million (in particular, net interest income after credit losses amounted to UAH 2,010 million, non-interest income – UAH 2,156 million), non-interest expenses – UAH 2,603 million, including expenses on expected credit losses on other assets and other reserves of UAH 131 million.

## 1.10. History



UKRGASBANK and the State Innovation Financial-Credit Institution, which promotes investment and provides conditions for innovative business, have started cooperation to implement joint projects in energy saving, energy efficiency, 'green' energy, environmental protection and the development of the needed infrastructure in these areas.

The Bank also became a partner of the Kyiv Kvituchyi social and environmental project. The purpose of cooperation is to plant greenery in the capital, form green culture in Kyiv and, in general, create a comfortable living space in a modern metropolis.

## 1.11. Ratings



## 1.11. Ratings







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## 1.12. Financial Indicators Overview at 2019 Year-End

Main performance indicators of JSB 'UKRGASBANK' as at the year-end based on the financial statements of JSB 'UKRGASBANK' as of the close of business on 31 December 2019

Indicators	2019	UAH thousand	2018	Change %
Balance Sheet				
Assets, including:	119,137,243		82,224,995	44.89%
Cash and cash equivalents	46,412,441		14,035,435	230.68%
Loans to clients and financial lease	38,985,679		45,236,844	(13.82%)
Investment recognised at fair value through other comprehensive income	30,410,368		18,801,478	61.74%
Liabilities, including:	110,882,759		76,468,980	45.00%
Funds of the National Bank of Ukraine	0		4,303,770	(100.00%)
Client deposits	103,359,581		65,121,926	58.72%
Equity	8,254,484		5,756,015	43.41%
Share capital	13,837,000		13,837,000	

### 1.12. Financial Indicators Overview at 2019 Year-End

Indicators	2019		2018	Change
marcators		UAH thousand		%
Statement of Profit and Loss and Other Comprehensive Income				
Net interest (expenses)/ income after the change in the loan impairment provision	2,122,506		2,402,078	(11.64%)
Result on initial recognition of financial assets/liabilities	(2,501)		(5,914)	57.71%
Net fee and commission income	1,064,566		760,891	39.91%
Net profits on investment recognised at fair value through other comprehensive income	65,771		30,966	112.40%
Result from transactions with foreign currencies and derivative financial instruments	300,614		292,890	2.64%
Other income	711,029		173,824	309.05%

### 1.12. Financial Indicators Overview at 2019 Year-End

Indicators	2019	UAH thousand	2018	Change %
Non-interest expenses	(2,917,013)		(2,773,013)	(5.19%)
Net profits/losses	1,288,996		768,698	67.69%

### Position of JSB 'UKRGASBANK' in the banking market as of 1 January 20201

Indicators	Market share
Hidicators	riaiket siiaie
Equity	4.12%
Assets	7.98%
Securities portfolio	7.18%
Loans and receivables of clients, including	4.47%
Corporate clients	4.93%
Retail clients	2.63%
Client deposits, including	9.43%
Corporate clients	13.94%
Retail clients	4.99%

<sup>&</sup>lt;sup>1</sup> Calculated based on the main performance indicators of Ukrainian banks published on the website of the National Bank of Ukraine as of 1 January 2020

### 1.13. Membership in International Payment Systems

UKRGASBANK is a long-term member of the international (MasterCard Worldwide and Visa International Service Association) and national (Prostir) payment systems.

UKRGASBANK, as a principal member of MasterCard Worldwide and Visa International Service Association international payment systems (hereinafter – IPS), has a long experience of cooperation with banks when joining IPS and providing further expert support.

Besides, the Bank holds merchant acquiring licences in two payment systems, which allows it to carry out these activities under the agent scheme developed by the Bank, taking into account the IPS Regulations of MasterCard Worldwide/Visa International Service Association and the applicable laws of Ukraine.

The main advantages include cooperation of UKRGASBANK with the largest processing centres within the servicing of IPS-affiliated/associated participants, such as Ukrainian Processing Centre PJSC, UKRCARD JSC.

The sponsorship services to banks joining IPS remains the priority area of the Bank in the card business development.



### 1.14. Membership in Interbank Associations, Exchanges, Alliances

- JSC 'Stock Exchange PFTS';
- PJSC 'Perspektiva Stock Exchange';
- JSC 'Ukrainian Exchange';
- PrJSC 'Ukrainian Interbank Currency Exchange';
- Universal Commodity Exchange 'House of Contracts UICE';
- Independent Association of Ukrainian Banks (IAUB);
- Professional Association of Capital Markets and Derivatives (PARD);
- Association 'Ukrainian Stock Traders'.

### 1.15. Stand-Alone Structural Units (as of 1 January 2020)

#### List of JSB 'UKRGASBANK' branches (as of 1 January 2020)



### 1.16. International Activity

Cooperation with international financial institutions and organisations, as well as the Bank's participation in international programmes is one of the important areas of the activity of JSB 'UKRGASBANK'. In 2019, the Bank continued to actively establish and develop relations with international institutions and financial organisations. The European Bank for Reconstruction and Development, the Private Financing Advisory Network and the United Nations Environment Finance Initiative became the Bank's new international partners.

1.16. International Activity



### **Private Financing Advisory Network**

In May 2019, JSB 'UKRGASBANK' became the first among Ukrainian banks to be a partner of the Private Financing Advisory Network (PFAN), a global network providing free expert support to green energy projects, including assistance in preparing documentation for attracting financing to projects. The partnership with PFAN is an opportunity to overcome investment barriers between global investors and Ukrainian entrepreneurs and attract investment in promising green projects.



### **European Bank for Reconstruction and Development**

In July 2019, the Bank started cooperating with the European Bank for Reconstruction and Development (EBRD) by joining the Trade Facilitation Programme (TFP) as an issuing bank and a confirming bank. The programme aims at financing export-oriented companies, supporting the country's economic development and creating new jobs. Due to the programme, Ukrainian companies have gained expanded access to trading financial instruments and a range of relevant products. The programme will facilitate the Bank's integration into the regional and global economy through the development of strong trade links and relations between companies and banks in the EBRD's region of operations and beyond. In the same year, the line of trade financing was increased to USD 80 million.



#### United Nations Environment Finance Initiative

In October 2019, the Bank was the first Ukrainian bank to join the Principles for Responsible Banking and became a member of the United Nations Environment Finance Initiative (UNEP FI). The Principles for Responsible Banking define the role and responsibility of the banking sector in shaping the sustainable future and bringing the banking sector in line with the UN Sustainable Development Goals and the 2015 Paris Climate Agreement. Adherence to the Principles and their application in the Bank's activities are in line with the Bank's strategic goals to become the leading green bank in Ukraine. The United Nations Environment Programme is an international partnership between the United Nations and the financial sector that aims to support sustainable development in the financial sector.

- Determination of the goals and main areas of the Bank's activity by the General Meeting;
- Strategic management of the Bank's activities and effective control over the Management Board's activities by the Supervisory Board;
- Timely disclosure of complete and accurate information about the Bank, including its financial status, economic indicators, significant events, ownership and management structure to allow information users to make informed decisions:
- Effective control over financial and economic activities of the Bank in order to protect the rights and lawful interests of the Bank's shareholders and clients.

These principles underlie the corporate governance policy, which is binding upon all the Bank's structural units.

At the current stage of its development, the Bank is characterised by a number of specific features that determine its approaches to building the Bank corporate governance system and impose additional requirements and restrictions on the Bank's activities.

The State represented by the Ministry of Finance of Ukraine holds significant (94.9409%) interest in the Bank's share capital. Such ownership structure of the Bank necessitates the observance of the interests of the State as a shareholder and balancing interests of owners (including the State). Under such conditions, organisation of corporate governance of the Bank envisages creation of transparent and effective model of corporate governance that would ensure balance of interests of all participants of corporate relations and active cooperation with stakeholders (employees, clients, the State, the public, etc.).

The Bank management system is created and operates on the principle of subordination of lower management body to a higher one.



The General Meeting of Shareholders is the Bank's supreme management body that controls all Bank's activities, as well as defines its goals and main areas of activity.

The Supervisory Board is the body that protects the rights of depositors, other creditors and shareholders of the Bank and, within its competence, controls and regulates the activities of the Management Board, but is not involved in the daily management of the Bank.

In order to improve the corporate governance, JSB 'UKRGASBANK' has established the following Supervisory Board committees, which are operating successfully:

- Auditing Committee of the Supervisory Board of JSB 'UKRGASBANK'.
- Risk Management Committee of the Supervisory Board of JSB 'UKRGASBANK'.
- Remuneration, Employment and Corporate Governance Committee of the Supervisory Board of JSB 'UKRGASBANK'.
- Investment Attraction & Development Strategy Implementation Committee of the Supervisory Board of JSB 'UKRGASBANK'.
- Committee on the Tender of Sale of Rights of Claim of PUBLIC JOINT-STOCK COMPANY JOINT-STOCK BANK 'UKRGASBANK' under Loan Agreements and Deeds of Undertaking.
- Committee of the Supervisory Board of JSB 'UKRGASBANK' on Fund Raising in the International Capital Market through 'Green' Bonds.
- 7 IT Development Committee of the Supervisory Board of JSB 'UKRGASBANK'.
- Reputation Incident Management Temporary Committee of the Supervisory Board of JSB 'UKRGASBANK'.

The Management Board is the executive body of the Bank that controls the Bank's daily operations.

During 2019, the Bank continued to work closely with the International Finance Corporation in order to improve its corporate governance, harmonise it with the international corporate governance practices and improve the Bank's investment attractiveness. The Bank will continue to take measures to create effective legal, regulatory and institutional framework for proper corporate governance.

#### Remuneration of Managers of JSB 'UKRGASBANK'

In accordance with the Articles of Association of JSB 'UKRGASBANK' and the Regulations on Remuneration of Members of the Supervisory Board of the PUBLIC JOINT-STOCK COMPANY JOINT-STOCK BANK 'UKRGASBANK', approved by the decision of the General Meeting of Shareholders of JSB 'UKRGASBANK' of 19 April 2019 (minutes No. 1), the procedure for payment of remuneration to members of the Supervisory Board is determined by civil law contracts concluded with each member of the Supervisory Board. Such civil law contract may be either fee-based or gratuitous. The Chairperson and members of the Supervisory Board of JSB 'UKRGASBANK' who are public officers or persons authorised to perform functions of the State discharge their duties under the Articles of Association of JSB 'UKRGASBANK', Regulation on the Supervisory Board of JSB 'UKRGASBANK' and related civil law contracts without remuneration (with possibility of compensation of documented expenses related to their activities as members of the Supervisory Board of JSB 'UKRGASBANK' in accordance with the procedure established by the civil law contracts concluded).



Members of the Supervisory Board of JSB 'UKRGASBANK' who are not public officers or persons authorised to perform functions of the State, but are independent members or representatives of a shareholder, discharge their duties under Articles of Association of JSB 'UKRGASBANK', Regulation on the Supervisory Board of JSB 'UKRGASBANK' and related civil law contracts with remuneration (with possibility of compensation of documented expenses related to their activities as members of the Supervisory Board of JSB 'UKRGASBANK' in accordance with the procedure established by the civil law contracts concluded). The amount of remuneration is established by decision of the General Meeting of Shareholders of JSB 'UKRGASBANK' and consists of the basic amount and additional remuneration for discharge by the member of the Supervisory Board of duties of the Chairperson of the Supervisory Board (20% of the basic remuneration) and for their participation in the work of a Supervisory Board committee (10% of the basic remuneration (irrespective of the number of committees)).

The procedure for remuneration and financial incentives for the Chairperson and members of the Management Board is determined by the Law of Ukraine 'On Joint-Stock Companies', other legislative acts, the Articles of Association of JSB 'UKRGASBANK', Regulation on the Management Board, Regulation on Remuneration of the Chairperson and Members of the Management Board, as well as by civil law and employment contracts (agreements) entered into with the Chairperson and each member of the Management Board.

The amount of remuneration of the Chairman and members of the Management Board, including incentive and compensation payments, as well as performance evaluation criteria, on the basis of which the variable component of remuneration is calculated, is established by a separate decision of the Supervisory Board of JSB 'UKRGASBANK'.



The amount of remuneration of the Chairperson and members of the Management Board, including bonuses and compensation, is established by a separate decision of the Supervisory Board of JSB 'UKRGASBANK'. Remuneration of the Chief Accountant and their deputies is paid under the Collective Contract and Regulation on Remuneration and Financial Incentives for the Employees of PUBLIC JOINT-STOCK COMPANY JOINT-STOCK BANK 'UKRGASBANK'.

1.16. International Activity

## EUROMONEY

### **Euromoney Rating**

The Bank's contribution to the development of 'green' energy and the promotion of sustainable development ideas has been recognised worldwide. UKRGASBANK was the first Ukrainian bank to become the Best Bank for Sustainable Finance in Central and Eastern Europe in 2019 in the Euromoney Award For Excellence 2019 rating.



### **International Finance Corporation**

The International Finance Corporation (IFC) is one of the key partners of the Bank, cooperation with which started as early as in 2016.

One of the key areas in which the cooperation began was a three-year project to build an One of the key areas in which the cooperation began was a three-year project to build an green bank. In 2019, the last stage of the project was completed. Due to it, the Bank has become a leader in financing energy efficient and renewable energy projects in Ukraine.

In 2017, the Bank signed a strategic tripartite memorandum with IFC and the Ministry of Finance of Ukraine, the main purpose of which was to support the preparation of the privatisation of JSB 'UKRGASBANK'. In 2019, the parties began preparing and structuring the relevant agreement, and in November 2019, the IFC Board of Directors approved a decision to provide a loan to JSB 'UKRGASBANK' with the option of conversion into equity.

In 2017, the Bank joined the IFC Global Trade Finance Programme (GTFP) as an issuing bank. GTFP provides the Bank with access to 1,300 banks from more than 100 countries and significantly facilitates the entry of Ukrainian companies into international markets. In 2019, the limit of operations under the programme reached USD 70 million.

In March 2019, IFC and the Energy Efficiency Fund selected JSB 'UKRGASBANK' as a financial partner in the 'Pershi Lastivky' (First Robins) pilot project aimed at implementing energy efficiency measures for condominiums.



### European Investment Bank

Another important area of the Bank's international cooperation in 2019 was cooperation with the European Investment Bank (EIB). In 2017, JSB 'UKRGASBANK' joined the project of Ukraine and the European Investment Bank 'Principal Loan for SMEs and Mid-Caps'.

#### 1.16. International Activity

The Project is aimed at development of SMEs through the expansion of their access to long-term loan resources for financing production needs and business development projects.

JSB 'UKRGASBANK' also continued its cooperation with the European Investment Bank within the framework of the Guarantee Mechanism Project under the agreement signed in 2017. The guarantee mechanism is aimed at supporting lending to Ukrainian SMEs. Its application expands SMEs' access to loans by relaxing the collateral requirements.



## Northern Environmental Finance Corporation

Since 2019, the Bank has cooperated with the Northern Environmental Finance Corporation (NEFCO) under a loan agreement. The purpose of the agreement is to support renewable energy and energy efficiency projects in Ukraine. Under the terms of the agreement, the programme is designed for 7 years and provides funding for SME projects up to EUR 10 million.



#### German-Ukrainian Fund

Since 2012, the Bank closely cooperates with the German-Ukrainian Fund (GUF), which is aimed at supporting Ukrainian MSMEs by providing them with loans for investing in fixed and working capital. During 2019, the Bank cooperated with the German-Ukrainian Fund under 4 programmes:

- Microlending programme, which is the largest GUF programme for MSMEs aimed at financing production, services, agriculture and trade.
- Lending to MSMEs. This programme provides preferential lending conditions to enterprises
  operating in industries considered by NUF as a priority and strategically important for
  economic development (agriculture, food industry, small hotel development, green
  tourism, restaurants and catering establishments, consumer industry, projects related to
  energy efficiency and energy saving, import substitution, increasing labour productivity
  and job creation in underdeveloped/depressed regions).

### 2.1. Major Shareholders (as of 1 January 2020)

As of 1 January 2020, the Bank's authorised capital amounted to UAH 13,837,000,000 and was divided into 13,836,522,922 registered ordinary shares and 477,078 registered preferred shares.

The largest beneficiary owner is the State of Ukraine represented by the Ministry of Finance of Ukraine, which holds 94.940948% in the Bank's authorised capital. No other shareholder holds more than 1.0% of the Bank's authorised capital.

Members of the Supervisory Board of the Bank do not own any shares in the Bank.

Members of the Management Board own 0.000243% in the Bank's authorised capital.

### 2.2. Share Capital Dynamics

No.	Registration date of amendments to the Articles of Association	Authorised capital amount, UAH	
1	December 2002	64,567,571	
2	December 2003	90,000,000	
3	August 2004	120,000,000	
4	June 2005	170,000,000	
5	May 2006	200,000,000	
6	December 2006	300,000,000	
7	May 2007	400,000,000	
8	November 2007	500,000,000	
9	May 2008	600,000,000	
10	December 2008	700,000,000	
11	July 2009	3,800,000,000	
12	January 2010	5,700,000,000	
13	July 2011	10,000,000,000	

### 2.2. Share Capital Dynamics

No.	Registration date of amendments to the Articles of Association	Authorised capital amount, UAH	
14	May 2015	13,204,000,000	
15	August 2015	13,837,000,000	

### 2.3. Dividend Policy

The General Meeting of Shareholders of the Bank takes a decision on payment of dividends on ordinary shares based on the Bank's financial performance in the reporting period. Dividends are distributed among shareholders in proportion to the number of shares they own. Dividends are paid in accordance with the decision of the General Meeting of Shareholders on the terms set forth in the relevant minutes of the General Meeting of Shareholders of the Bank once a year based on the respective calendar year performance from the net profit for the reporting year and/or undistributed profit.

Dividends on ordinary shares are paid within six months after the date of the relevant decision on dividends payment of the General Meeting of Shareholders of the Bank.

If the General Meeting decides to pay dividends within a period shorter than that provided for in the first paragraph of this item, the dividends shall be paid within the period specified by the General Meeting.

Dividends on preferred shares are paid within six months from the end of the reporting year, subject to absence of restrictions established by the banking laws and taking into account individual decisions of the Supervisory Board.

The procedure for annual payment of dividends to shareholders based on performance for the year is determined by the Regulations on Shares and Dividend Policy of the Bank approved by the General Meeting of Shareholders of the Bank in accordance with the applicable legislation of Ukraine.

The Bank pays dividends exclusively in cash.

Dividends are paid on shares for which the placement result report has been registered in accordance with the procedure established by law.

Dividends are paid to shareholders of the same type and class in proportion to number of securities they own, and the dividend payment terms (in particular, due date, method and amount) shall be the same for all shareholders of the same type and class.

Within 10 days from the date of decision to pay dividends on ordinary shares, the Bank shall notify the stock exchange(s) where the Bank's shares are listed of the date, amount, procedure and due date of payment of dividends on ordinary shares.

### 2.3. Dividend Policy

The Bank pays dividends through the depository system of Ukraine.

Dividends are paid in accordance with the procedure established by law, Articles of Association and Regulation on Shares and Dividend Policy of the Bank.

According to the procedure established by the Supervisory Board, the Bank shall notify the persons entitled to receive dividends of the date, amount, procedure and due date of payment.

In case of alienation of shares owned by a shareholder after the date of compilation of the list of persons entitled to receive dividends, but before the dividends payment date, the person specified in the list is still entitled to receive dividends.

When deciding on payment and effecting payment of dividends, the Bank is governed by the laws, in particular, the Laws of Ukraine 'On Banks and Banking' and 'On Joint-Stock Companies'.

Based on the Bank's performance in 2019, the General Meeting of Shareholders of JSB 'UKRGASBANK' did not take any decision to pay dividends. During 2019, no dividends were paid.



### 3. RISK MANAGEMENT

The Bank's risk management system is based on its size, business model, scale of operation, types and complexity of transactions, and provides detection, measurement (assessment), monitoring, reporting, control, mitigation of all significant risks to the Bank, for the Bank to determine the size of the capital required to cover all significant risks inherent in its activities.

The risk management system is based on the allocation of responsibilities among the Bank's units using the model of three lines of defence:



first line - at the level of business units and support units of the Bank;



second line – at the level of risk management units, which include Risk Management Department and Social & Environmental Risk Office, and the Compliance Department;



third line – at the level of the Internal Audit Department in respect of checking and assessing the effectiveness of operation of the risk management system.

#### Risk Management Structure



### **Supervisory Board**

The Supervisory Board determines and approves the risk management strategy, credit policy, risk appetite statement, individual risk management policy, business continuity plan, crisis financing plan, strategy and operational plan for management of non-performing assets and recovered assets, determines risk appetite and sets risk limits, recognises sources of capitalisation and other financing of the Bank, reviews reports on the Bank's risk profile, reviews the results of stress testing, approves the appointment and dismissal of CRO (Chief Risk Officer), identifies cases of prohibition (veto) by CRO, ensures the functioning and control over the effectiveness of the risk management system.



### Risk Management Committee of the Supervisory Board

The Risk Management Committee of the Supervisory Board ensures the availability and maintenance of current internal regulations governing the risk management process and credit policy of the Bank, regularly monitors and analyses the current risk profile accepted by the Bank, monitors compliance with risk appetite indicators in the risk appetite statement.

#### 1.16. International Activity

- Lending to SMEs programme is aimed at financing investment projects of small and medium enterprises in the field of agriculture, hotel and restaurant business and energy efficiency.
- Rural SMEs Business Development Programme is designed to expand lending to MSMEs in rural areas, i.e. settlements with population of up to 100,000 inhabitants.



### **Carbon Pricing Leadership Coalition**

Since 2018, UKRGASBANK is a participant of the Carbon Pricing Leadership Coalition (CPLC). Due to the membership in the coalition, the Bank has the opportunity to promote the development of 'green' financing, as the pricing system for greenhouse gas emissions is aimed at stimulating 'green' investment in the private sector and is able to ensure the necessary development pace of renewable energy sources and energy efficiency in Ukraine.



#### **SME Finance Forum**

Since 2018, the Bank has been a member of the SME Finance Forum, which brings together financial institutions, technology companies and financial development organisations from all over the world to promote innovation and growth of SMEs. Participation in the Forum provides the Bank with new opportunities for SME lending, including access to lending resources and global practices in SME financing.



### Government of the Republic of Belarus

UKRGASBANK successfully cooperates with the Government of the Republic of Belarus under the Program of preferential financing for the purchase of Belarusian goods, which has lasted since 2014 when the Bank and the Government of the Republic of Belarus concluded the Agreement on loans for the purchase in Ukraine of goods produced in the Republic of Belarus. At the end of 2019, the work began on preferential terms for financial leasing of goods produced in the Republic of Belarus.

The corporate governance of JSB 'UKRGASBANK' is organised in accordance with the Ukrainian legislation, the Corporate Governance Principles approved by Decision of the National Securities and Stock Market Commission No. 955 dated 22 July 2014, and the Methodological Recommendations for Corporate Governance Organisation of Ukrainian Banks approved by Decision of the Board of the National Bank of Ukraine No. 814-pu dated 3 December 2018.

The Decision of the General Meeting of Shareholders dated 25 April 2017 (Minutes No. 1) approved the Corporate Governance Code of PUBLIC JOINT-STOCK COMPANY JOINT-STOCK BANK 'UKRGASBANK', which defines the basic principles of corporate governance of JSB 'UKRGASBANK', the structure of corporate governance, loyalty and responsibility of the Bank's officers, the internal control system, disclosure and transparency in the Bank's activities, environmental responsibility, etc.



According to the above Code, the Bank's corporate governance is based on the following principles:

- Protection of the rights and lawful interests of shareholders and equal treatment of all shareholders regardless of the number of shares owned by them and other factors;
- Rational and clear distribution of powers between the Supervisory Board and the Management Board, introduction of adequate accountability and control system, laying the groundwork for timely exchange of information and effective interaction;
- Respect for rights and consideration of the lawful interests of stakeholders (employees, creditors, state authorities and local self-government bodies, etc.) and active cooperation with the same to build prosperity, create jobs and ensure financial stability of the Bank;



### **Management Board**

The Management Board is responsible for the overall approach to risk management and for the implementation of risk management strategies and principles approved by the Supervisory Board. The Management Board of the Bank delegates powers for operational risk management to the collegial bodies of the Bank and sets limits on the powers of such collegial bodies.



### Collegial Bodies of the Management Board

The Credit Council, the Credit Committee, the Committee for Methodological Support of Risk Management of Retail, Small and Microbusiness, the Commission for Non-Performing Liabilities of Borrowers, the Commission for Monitoring Credit Operations of Clients, and the Credit Commissions of Directorates manage credit risk within the powers delegated by the Management Board.

The Assets and Liabilities Management Committee manages liquidity risk, interest rate risk and market risk within the powers delegated by the Management Board.

The Operational Risk Management Committee manages operational risk within the powers delegated by the Management Board.

The Information Security Management Committee manages information risk as a component of operational risk within the powers delegated by the Management Board.



### CRO (Chief Risk Officer) and their subordinate risk management units

CRO and their subordinate risk management units ensure timely identification, measurement, monitoring, control, reporting of significant risks, prepare and submit risk reports to the Supervisory Board, the Risk Management Committee of the Supervisory Board, the Management Board, collegial bodies of the Management Board, develop and maintain methodology, tools and models of risk assessment up to date, ensure coordination of risk management activities with other structural units of the Bank, calculate the risk profile of the Bank, provide monitoring and prevention of violations of risk appetite indicators and risk limits, control approaching of risk indicators to the approved risk border values and risk limits, and initiate measures to prevent violations thereof, perform stress testing, prepare opinions for credit decisions both on new loans and on changes in the terms and conditions of current/existing loans, prepare opinions regarding the risks inherent in new products before their implementation to make appropriate management decisions.



### **Risk Appetite Statement**

The Bank determines (declares) the total risk appetite by setting aggregate risk limits and risk appetite for individual risks by setting risk limits for significant risks, which are defined by the current Risk Management Strategy of JSB 'UKRGASBANK'.

The Risk Management Strategy of JSB 'UKRGASBANK' defines the following risk map:

1.	Credit risk	Probability of occurrence of losses or additional expenses, or failure to receive planned revenues as a result of debtor's/counterparty's failure to fulfil the obligations assumed under the contract.
2.	Liquidity risk	Probability of occurrence of losses or additional expenses, or failure to receive revenues as a result of the Bank's failure to finance its assets or fulfil its obligations in due time.
3.	Interest rate risk	Existing or potential risk to the Bank's revenues and capital that arises out of unfavourable changes in the interest rates in the market. This risk affects both the Bank's profitability and the economic value of its assets, liabilities and off-balance-sheet instruments. The Bank manages the interest rate risk in the business and bank books on a consolidated basis.
4.	Market risk	Probability of occurrence of losses or additional expenses, or failure to receive revenues as a result of unfavourable changes in foreign exchange rates, financial instrument value, etc.
5.	Operational risk	Probability of occurrence of losses or additional expenses, or failure to receive planned revenues as a result of defects or errors in organisation of internal processes, intentional or unintentional actions of employees or other persons, failures in operation of information systems, or as a result of external factors.

6.	Compliance risk	Probability of occurrence of losses/sanctions or additional expenses, or failure to receive planned revenues, or loss of reputation as a result of the Bank's failure to comply with the laws, regulations, market standards, rules of fair practice, corporate ethics, occurrence of conflict of interest, as well as internal documents of the Bank.
7.	Social risk	Probability of occurrence of losses or additional expenses, or failure to receive revenues as a result of danger to health or safety of people, negative impact on local communities, cultural and archaeological heritage.
8.	Environmental risk	Probability of occurrence of losses or additional expenses, or failure to receive revenues as a result of environment pollution, as well as danger to biodiversity.
9.	Legal risk	Probability of occurrence of losses or additional expenses, or failure to receive revenues as a result of failure to fulfil contract terms by a counterparty due to its failure to comply with the laws.

### 4. INTERNAL CONTROL SYSTEM

JSB 'UKRGASBANK' has implemented effective Internal Control System, which comprises effective protection procedures against potential errors, violations, losses or damages and ensures reliability, legality, efficiency and security of banking transactions.

The Internal Control System of JSB 'UKRGASBANK' aims at ensuring effective operation of the Bank, effective management of risks, assets and liabilities, as well as completeness, timeliness and authenticity of accounting records and provision of financial and statistical reporting, etc.

Standards and requirements for the functioning of the Bank's Internal Control System are determined by the Internal Control System Organisation Policy of JSB 'UKRGASBANK' approved by the Supervisory Board of the Bank.

### 4. INTERNAL CONTROL SYSTEM

The Bank ensures the functioning of the Internal Control System by the following means:

- Supervising compliance of the Bank's executives with the Ukrainian laws and the Bank's by-laws;
- Dividing responsibilities in the Bank activities;
- Monitoring the risk management system;
- Monitoring information security and information exchange;
- Implementing internal control procedures;
- Monitoring the Internal Control System;
- Implementing internal audit procedures.



The Bank's Internal Control System is aimed at ensuring the following:

- Effective operation of the Bank, protection against potential errors, violations, losses or damages in its activities;
- Effective risk management;
- Adequacy, comprehensiveness, completeness, reliability, availability, timeliness of providing information to users for making relevant decisions, including submission of financial, statistical, governance, tax and other reporting;
- Completeness, timeliness and authenticity of recording of the Bank's transactions in accounting records;
- Compliance;

### 4. INTERNAL CONTROL SYSTEM

- Effective personnel management;
- Prevention of the use of the Bank's services for illegal purposes, detection and prevention of financial transactions related to legalisation (laundering) of proceeds from crime, terrorism financing and financing of proliferation of weapons of mass destruction.



The Internal Control System covers all stages of the Bank's activities and includes the following:

1

Preliminary control carried out prior to actual performance of the Bank's transactions and ensured in terms of recruitment of personnel, attraction and placement of funds and financial resources, selection of vendors of goods, works and services, development and introduction of new products;

2

Current control carried out in the course of the Bank's transactions and comprising supervision over compliance with the laws and by-laws of the Bank regarding carrying out of such transactions, the relevant decision-making procedure, as well as monitoring of complete, timely and reliable recording of transactions in the accounting records and reporting, control over the preservation of the Bank's property;

3

Follow-up control carried out after transactions of the Bank and comprising verification of feasibility and correctness of transactions, compliance of documents with the established forms and requirements for their execution, compliance of duties performed by employees with their job descriptions, identification of causes of violations and deficiencies, determination of elimination measures, control over fulfilment of the planned performance indicators defined in the Bank's development strategy, its business plans and budget, verification of completeness and reliability of financial, statistical, governance, tax and other reporting generated by the Bank.

### 4. INTERNAL CONTROL SYSTEM

The parties to the Internal Control System of the Bank are the Supervisory Board, the Management Board, the Internal Audit Service, the Chief Accountant and their deputies, heads of Directorates and Divisions of the Bank, the Risk Management Department, Compliance and Methodology Office, heads of separated structural units and employees exercising internal control within the powers determined by the Bank's by-laws.

The Bank's internal control procedures provide for the following:

- Reporting to the Bank's collegial bodies on the risk level of the Bank, budget execution, performance evaluation of the Internal Control Service, compliance with the approved performance indicators;
- Multilevel control over the Bank's activities;
- List of measures (actions) of the Bank to control availability of the Bank's assets;
- List of measures (actions) of the Bank to control access to sensitive information;
- Registration of all Bank's transactions in accounting records;
- Verification of completeness, reliability and timeliness of financial, statistical, governance, tax and other reporting;
- Constant assessment of adequacy and effectiveness of the Internal Control System.



### 5. INFORMATION TECHNOLOGY DEVELOPMENT

Client-Bank Online System has been introduced.

In 2019, the transfer of the critical infrastructure to the new own Data Processing Centre (DPC) was completed. This allowed ensuring the compliance with the requirements of business continuity by placing commercial data in a modern data centre in accordance with security and fault tolerance standards.

A Cisco FirePower internal firewall has been implemented to optimise security without compromising network performance and to implement in-depth monitoring and control to quickly detect and block threats.

In accordance with the Resolution of the National Bank of Ukraine dated 26 September 2019 No. 118, the transition to the international bank account number IBAN was accomplished. The round-the-clock (24/7) mode of service of payments of business clients through the

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The project to improve the Bank's Electronic Document Control System (SED DOCs) in terms of implementing the electronic signature 'Author', integration with ABS 'Scrooge', ERP and IDM systems, automation and transition of a number of documents into the electronic format only, including accounting control documents and movement of fixed assets, documents on compliance risk management, connection to the general electronic document control of online mail exchange with the Postal-Portal decision of the NBU 'Web-FD' was implemented. The project to implement the 'Zberihach' (Custodian) software has been implemented.

To ensure video communication between the Bank and the NBU, the Cisco Expressway system has been implemented.

All workstations of the Bank were transferred from the Microsoft Windows 7 operating system to Microsoft Windows 10.

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### 6.1. Corporate Banking

In 2019, JSB 'UKRGASBANK' significantly strengthened its position in the banking market of Ukraine by such indicators as customer growth, dynamics of liabilities and green loans portfolios, dynamics of documentary business, foreign exchange transactions and commission income.

During the year, 497 new corporate clients were attracted to get service at the bank, including 450 active clients. Also, cooperation with more than 30 client groups – existing clients of the Bank has been activated/expanded. Customers with private form of ownership who were national leaders in key sectors of the economy were identified as targets for attraction. An additional advantage of implementing this approach is ensuring diversification of the client base of corporate business towards clients of the private (non-governmental) sector.

## In 2019, JSB 'UKRGASBANK' provided its services to the following clients:

- Companies of oil and gas, transport, energy industry;
- Defence enterprises;
- Budget and educational institutions;
- Transport and logistics companies;
- Agricultural companies;
- Companies of construction industry and construction materials production;
- Non-bank financial institutions:
- Manufacturers of food and beverages;
- Manufacturers and distributors of medicinal products;
- Manufacturers of machinery and equipment;
- Distributors and retailers of all types of consumer goods, etc.



The banking market of Ukraine has a clearly defined product structure, which is determined by the level of economic development as a whole, so maintaining and improving the Bank's position has become possible due to the development of innovative characteristics of key banking products. The Bank is constantly modernising its product line with focus on offering customers effective ways of mutually beneficial business relations and improving the quality of services in general. Confirmation of the success and effectiveness of the Bank's efforts is that in 2019 it was recognised the winner in Corporate Services among 50 banks of Ukraine, the category Corporate Bank in the group of state-owned banks.

### 6.1. Corporate Banking

## 6.1.1

### **ASSET TRANSACTIONS**

The main lending challenge was to create a qualitative and diversified lending portfolio and develop green lending. JSB 'UKRGASBANK' pursued the well-considered lending policy, carried out asset transactions with strengthening the measures aimed at mitigating credit risks, ensuring high return on transactions, improving quality of lending, and centralising the lending project support.

At year-end 2019, the volume of loans to corporate clients increased by 1.1 billion in UAH equivalent (excluding exchange rate differences), and the total corporate loan portfolio decreased due to the repayment of loans of state-owned companies, and amounted to 34.5 billion in UAH equivalent as of 1 January 2020.

According to the results of 2019, the largest share of corporate loan portfolio is made by loans in the national currency (55%), loans in US dollars and Euro is 23% and 22%, respectively.

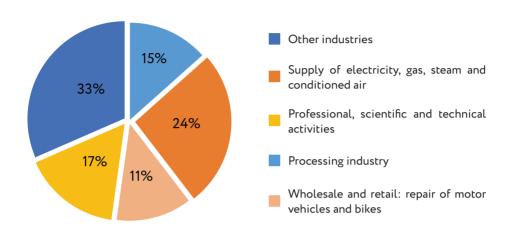
Chart 1. Structure of Corporate Loan Portfolio by Currency, %



The corporate loan portfolio by economic sector is as follows: supply of electricity, gas, steam and conditioned air -24%, professional, scientific and technical activities -17%, processing industry -15%, wholesale and retail trade -11%.

### 6.1. Corporate Banking

Chart 2. Structure of Corporate Loan Portfolio by Industry, %



When lending to corporate clients, JSB 'UKRGASBANK' structures the loan agreement and establishes such additional lending terms that limit the future increase of the debtor's credit risk and entitle the Bank to revise the lending terms, including early repayment of the loan.

Financing was provided in the form of loans, revolving or non-revolving credit lines, including those under master loan agreements for up to 5 years providing that the client may receive any of the Bank's loan products without additional surety by executing an additional agreement if it submits the performance bond to the Bank. In this case the loan repayment schedules and the credit line limit reductions are fixed. Loans are usually repaid on a monthly basis. Gradual repayment schedules are usually applied; non-gradual repayment schedules are applied for seasonal/cyclical clients; no repayment schedules are applied for loans secured by cash collateral. Several banking products have a grace period for repayment of the principal (3 to 15 months), during which only interest is paid. Interest is paid on a monthly basis.

### 6.1. Corporate Banking

### During 2019, the Bank continued selling its loan products to corporate clients:

- Lending within the framework of cooperation with IFC in the areas of energy efficiency technology, renewable energy sources, more efficient use of natural resources (resource efficiency), reduction of polluting emissions into the environment;
- Lending for working capital financing;
- Lending to municipalities;
- Provision of loans within target banking products for purchase of agricultural machinery, vehicles, equipment and tools, including under the international programme with the Republic of Belarus;
- Provision of loans secured by property rights under a bank deposit contract (deposit);
- Provision of guarantees and letters of credit.



Besides, in 2019, JSB 'UKRGASBANK' continued its cooperation with the European Investment Bank under the previous agreements extended to the end of 2020:

- Sub-Financing Agreement with the Ministry of Finance of Ukraine, JSC 'Ukreximbank' under the European Investment Bank's 'Principal Loan for SMEs and Mid-Caps' Project for the amount of EUR 50 million;
- Agreement with the European Investment Bank and the European Investment Fund on introduction of guarantee-based mechanism to cover part of the credit risk in lending to Ukrainian SMEs for the amount of EUR 50 million.

### 6.1. Corporate Banking

## 6.1.2

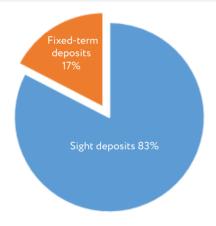
### LIABILITY TRANSACTIONS

During 2019, the activity of JSB 'UKRGASBANK' in the area of resource operations was primarily focused on formation of stable diversified liability base of fixed-term and sight deposits, and granulation of liability base was improved.

Due to the well-considered interest rate policy, flexible deposit terms and active attraction of new clients, JSB 'UKRGASBANK' remains among TOP 3 market leaders in attraction of deposits.

As of 1 January 2020, the amount of funds of corporate clients was 67.6 billion in UAH equivalent, including fixed-term deposits of 11.8 billion in UAH equivalent and sight deposits of 55.8 billion in UAH equivalent.

Chart 3. Corporate Client Funds Portfolio, %



Due to the dominating share of the State in the Bank's authorised capital, the level of trust of companies and organisations in JSB 'UKRGASBANK' remained high enough throughout the year, which, in combination with the client-oriented approaches, allowed the Bank to develop the loyal client base and improve the liability base, including due to the introduction of new products 'Escrow', 'Current account for non-resident legal entities', 'Transfer 24/7'.

During the year, JSB 'UKRGASBANK' actively cooperated with budget institutions, state-owned, utility, agricultural companies, non-bank financial institutions and insurance companies.

Within the framework of cooperation with budget institutions and educational establishments in 2019, JSB 'UKRGASBANK' raised funds of local budgets and educational establishments to deposit and current accounts for the amount of over 5 billion in UAH equivalent.

### 6.1. Corporate Banking

## 6.1.3

### INDIVIDUAL BANKING

During 2019, JSB 'UKRGASBANK' actively developed one of the most promising and priority areas of its activities, VIP-banking. VIP-banking by JSB 'UKRGASBANK' offers professional financial management and individual approach to solving financial issues, quality, convenience, confidentiality, benefits, effective time management and high-quality prompt servicing based on individual package of banking services. The Bank's personal financial manager helps clients to organise their business more effectively through personal consultations, individual servicing mode and a number of key banking products.

VIP-banking involves individual approach and constant improvement of financial products.

JSB 'UKRGASBANK' is a reliable financial partner and assistant in the world of banking services that provides special privileged attitude and professional support by a team of bankers.

### 6.1.4

### **GREEN PROJECTS IMPLEMENTATION**

In 2019, the Bank continued implementing the green banking strategy with the advisory support of the International Finance Corporation for projects related to environmental protection, reduction of polluting emissions, use of renewable energy sources and energy-efficient measures.

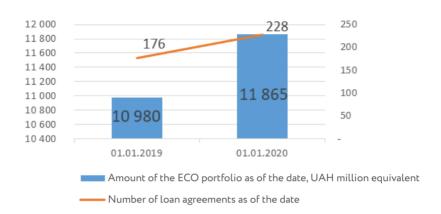


At year-end 2019 (as of 1 January 2020), the volume of corporate green lending portfolio was 11.9 billion in UAH equivalent, or 34% of the total corporate loan portfolio of the Bank.

In 2019, the corporate green lending portfolio grew by 2.3 billion in UAH equivalent (without exchange differences) as compared with the similar indicator at the beginning of the year. The Bank was also recognised as the Best Eco-Bank and became the winner in the Clean Bank category in the group of state-owned banks.

### 6.1. Corporate Banking

Chart 4. Corporate Green Lending Portfolio



### 6. BUSINESS DEVELOPMENT

#### 6.2. SMEs

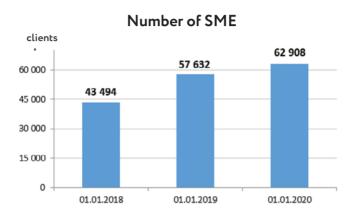
In 2019, the Bank continued developing small and medium-sized enterprises (SMEs) area as one of its priorities. The Bank's activity in SME segment was focused on expanding client base and the range of services, improving quality of servicing the clients, increasing the share of green loans in the loan portfolio, improving procedures for servicing of SMEs.

In 2019, the Bank implemented a project to strengthen its position in the banking servicing in the micro-business market. Under this project, the Bank established a unit for remote servicing of micro-business, changed the criteria for SME client segmentation, introduced new loan products, improved the client portfolio management procedures.



#### 6.2. SMEs

In 2019, the number of SME clients increased from 57,600 to 62,900, or by 9.2% (5,300 clients). 11,300 new SME clients were attracted for servicing at JSB 'UKRGASBANK' in 2019.

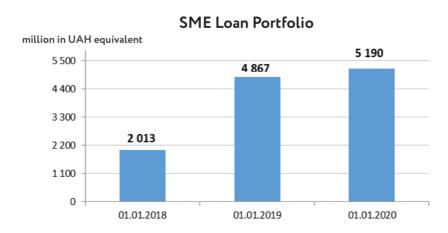


## 6.2.1

# SME ASSET TRANSACTIONS. TOP-PRIORITY SME SUPPORT PROGRAMMES

In 2019, the Bank continued active attraction of SME clients for lending. The SME loan portfolio grew in 2019 from 4,867 million in UAH equivalent to 5,190 million in UAH equivalent, or by 6.6% (323 million in UAH equivalent).

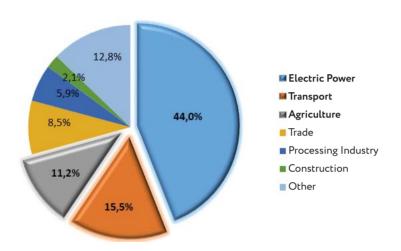
To ensure better client servicing, the Bank improved the existing lending processes and implemented the new ones, which reduced the loan application processing time and simplified the package of documents.



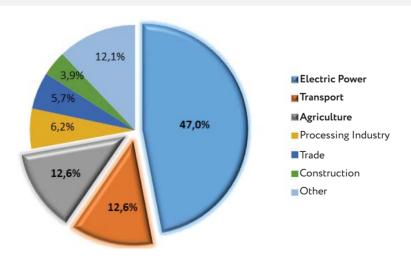
#### 6.2. SMEs

As of 1 January 2020, the largest share (44.0%) in the structure of the SME loan portfolio accounted for clients employed in the electricity sectors, followed by transport (15.5%) and agriculture (11.2%).

### Loan Portfolio as of 1 January 2020 - Breakdown by Industry, %



### Loan Portfolio as of 1 January 2019 - Breakdown by Industry, %



### 6.2. SMEs

In 2019, the Bank expanded the range of loan products for SME clients, taking into account their needs, type of business, market conditions, as well as providing an acceptable level of credit risk. The Bank introduced the following new loan products:

- Energy audit financing;
- Microloan:
- Green loan for energy service companies;
- Unsecured limit for replenishment of working capital;
- Special conditions have been introduced for green loans for energy modernisation measures by condominiums in cooperation with the Energy Efficiency Fund;
- Special conditions for green loans for purchase of vehicles and agricultural machinery have been introduced.



The Bank still holds the leading position in providing specialised products to SME clients under the programmes of the German-Ukrainian Fund (to finance working capital and investment costs), the Republic of Belarus (to finance investment costs for purchase of vehicles, agricultural machinery, equipment and tools) and the State Agency on Energy Efficiency and Energy Saving of Ukraine (to finance investment costs of condominiums and housing associations for energy-efficiency measures).

During 2019, 52 loans for the total amount of 98 million in UAH equivalent were provided under the lending programmes within the framework of cooperation of the Bank with the German-Ukrainian Fund (GUF); as of 1 January 2020, the loan portfolio amounted to 166 million in UAH equivalent (193 loans, 158 clients).

In 2019, 30 loans for the total amount of UAH 76 million were provided under the client lending programme for purchase of new equipment, agricultural machinery and vehicles produced in the Republic of Belarus, for which the Government of the Republic of Belarus provided partial compensation of interest; the loan portfolio in 2019 increased from UAH 145 million to UAH 158 million, i.e. by 9.1% (+UAH 13 million).

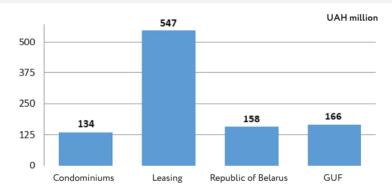


#### 6.2. SMEs

In 2019, 542 loans for the total amount of UAH 259 million were provided under the lending programme for condominiums and housing associations for energy-efficiency measures, within the framework of cooperation of the Bank with the State Agency on Energy Efficiency and Energy Saving of Ukraine; the loan portfolio in 2019 increased from UAH 76 million to UAH 134 million UAH, i.e. by 76.8% (+UAH 58 million). In total, the Bank provided 1,669 loans to condominiums under the programme of the State Agency on Energy Efficiency and Energy Saving of Ukraine for the amount of UAH 604 million.

The Bank actively increased the volume of financial leasing operations. During 2019, 45 leasing agreements worth UAH 918 million were signed, and the portfolio of financial leasing operations for SMEs amounted to UAH 547 million as of 1 January 2020.

### Priority Programmes as of 1 January 2020



## 6.2.2

# RESOURCE TRANSACTIONS. CLEARING AND SETTLEMENT

During 2019, the Bank still had positive dynamics in attracting clients for clearing and settlement servicing and placing their temporarily surplus funds due to unification of the product line and tariff plans, as well as implementation of operational automation projects for more efficient client servicing as part of timely response to the growing business volumes.

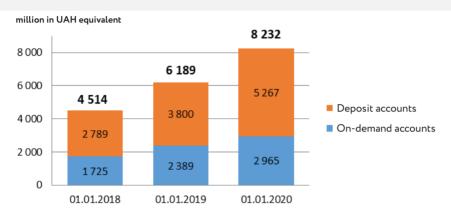
The Bank continued improving its services in 2019, developing and automating processes in order to meet clients' needs, in particular, through the following measures:

- Acceleration of customer payment processes;
- Introduction of promotion offers for certain groups of clients;
- Reduction of paperwork with customers;
- Improvement of the terms for resource operations;
- Development of a remote service system.

#### 6.2. SMEs

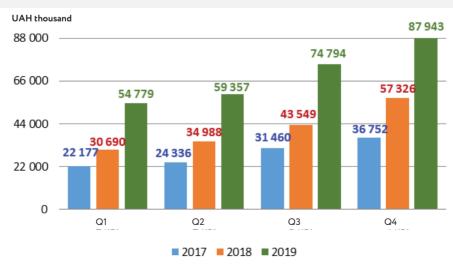
As a result, in 2019 the Bank managed to increase the balances of SMEs' current and deposit accounts from 6,189 million in UAH equivalent to 8,232 million in UAH equivalent, i.e. by 33.0% (2,042 million in UAH equivalent).

#### **SMEs Resources**



In 2019, the volume of the Bank's non-interest income gained from services to SME clients increased from UAH 54.8 million in Q1 to UAH 87.9 million in Q4, and in 2019 reached UAH 276,9 million, which is 66.2% (UAH 110.3 million) more than in 2018 (UAH 166.6 million).

# **Dynamics of Non-Interest Income**



#### 6.2. SMEs

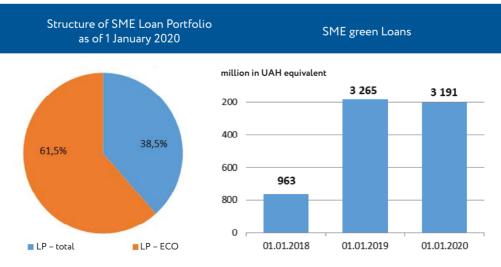
In 2020, the Bank plans to further increase its growth rates and scope of cooperation with SME clients in the following areas:

- Holding of the leading position in the financial market in the area of green lending and introduction of new ECO-products;
- Participation in state and local SME support programmes, including condominiums, agrarians and other clients;
- Expansion of the list of loan products under joint projects with international financial organisations;
- Improvement of banking products and procedures for servicing MSE clients;
- Improvement of clearing and settlement terms and remote servicing by providing highquality service (including remote access) for SME clients.

# 6.2.3 GREEN PROJECTS IMPLEMENTATION

In 2019, the Bank continued implementing the green banking development strategy. Due to implementation of the ECO-bank concept, the share of green loans in the Bank's loan portfolio is constantly growing.

As of 1 January 2020, the green loan portfolio amounted to 3,191 million in UAH equivalent (increase in 2019, excluding exchange rate differences, amounted to +334 million in UAH equivalent). In 2019, 46 loans worth UAH 715 million in total were provided; the share of green loans in the portfolio of SME loans was 61.5% as of 1 January 2020.



6.2. SMEs

# 6.3.1

# **LENDING TRANSACTIONS**

In 2019, JSB 'UKRGASBANK' continued to develop the retail lending segment and strengthen its position in the retail loan market (for mortgaged and unsecured products, as well as credit cards).

Taking into account the current market conditions, the Bank's strategy and economic environment of the country as a whole, special attention was paid to such loan products as mortgage and auto loans to individuals, unsecured loans for purchasing energy-efficient equipment, green loans and credit cards/overdrafts for individuals.

JSB 'UKRGASBANK' made a lot of efforts to accelerate development of mortgage in Ukraine, and stayed the leader in the retail mortgage lending market in 2019. This was achieved due to gradual reduction of interest rates under standard mortgage lending programmes, cooperation with developers, preferential rates for partner programmes in the primary real estate market.

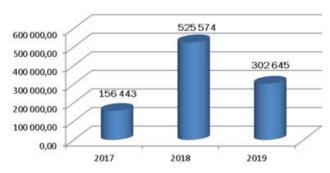


In addition, since December 2018, a new product has been introduced for targeted retail lending – 'Loan secured by real estate', which includes two by-products: provision of a loan secured by client's real estate to invest in real estate in the primary market; provision of a loan secured by client's real estate for any consumer's purposes.

The amount of mortgage loans provided in 2017–2019 amounted to UAH 985 million. At the same time, JSB 'UKRGASBANK' provided 397 mortgage loans to individuals for the total amount of UAH 156.5 million in 2017, in 2018 – 1,018 loans for the total amount of UAH 525.5 million, and in 2019 – 534 loans for the total amount of UAH 302.6 million.

### 6.3. Retail Banking

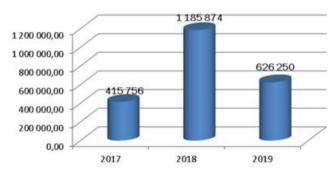
### Dynamics of Mortgage Loans to Individuals in 2017–2019



Amount of loans provided, UAH thousand

During 2017–2019, JSB 'UKRGASBANK' also actively developed auto loans by improving standard loan conditions and implementing new partner programmes. As a result, in 2019 the Bank provided 1,444 auto loans in this area for a total amount of UAH 626.2 million.

### Dynamics of Auto Loans to Individuals in 2017-2019



Amount of loans provided, UAH thousand

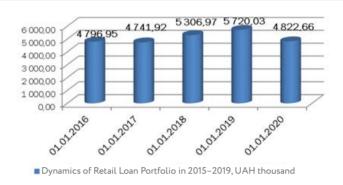
As in the previous years, special attention was paid to high-margin lending products – overdraft for individuals.

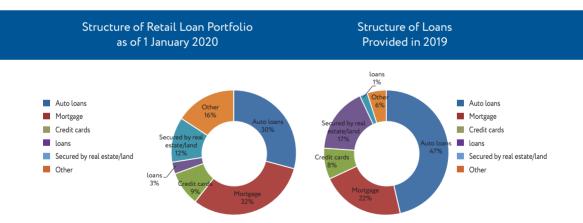
The Bank was actively selling its retail overdraft lending products under its 'Domovychok' programme comprising a deposit and a loan. The result was the establishment of 36,421 overdraft limits for the total amount of UAH 589,605,696 in 2019.

#### 6.3. Retail Banking

The retail loan portfolio of JSB 'UKRGASBANK' in 2019 decreased, as compared to 2018 due to timely repayment of existing loans, based on the dynamics of the loan portfolio over the past 5 years (2015–2019), which increased by more than 16% from UAH 4,796.95 to 4,822.66 thousand.

# Dynamics of Retail Loan Portfolio in 2015-2019, UAH thousand





#### 6.3. Retail Banking

# 6.3.2

# **CLEARING AND SETTLEMENT**

JSB 'UKRGASBANK' offers a full range of clearing and settlement services for private clients and constantly improves the product line.

At year-end 2019, the number of open on-demand accounts (current and card) with JSB 'UKRGASBANK' increased by 51% as compared to the previous year and was 2,710,000 accounts (current and card), of which over 2,329,000 (86%) were card accounts of individuals. At year-end 2019, the total on-demand account balances were UAH 5,529 million, which is almost 23% of the total liability portfolio of individuals. In 2019, the balances of on-demand accounts increased by 34% (UAH 1,409 million) as compared with the previous year.

JSB 'UKRGASBANK' is an authorised bank of the Pension Fund and the Ministry of Social Policy of Ukraine to pay pensions and financial aids. At year-end 2019, more than 166 thousand accounts were opened for pensions and cash benefits, which is 28.5 thousand accounts (or 20.6%) more than in 2018.

# 6.3.3

# **FIXED-TERM DEPOSITS**

Raising deposits from individuals is one of the most important sources of the Bank's resource base. JSB 'UKRGASBANK' offers various deposit products to its clients, such as classic deposits with monthly or end-of-term interest payment, replenishable products or automatically extended deposit programmes with various terms.

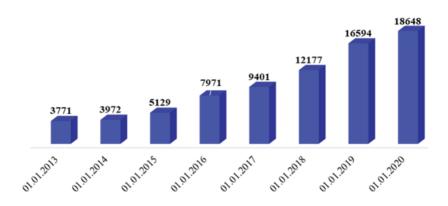
JSB 'UKRGASBANK' successfully fulfilled its goals and exceeded the established targets. The target growth rate of balances of individuals for 2019 was fulfilled by 151.6%.

In 2019, the Bank's retail deposit portfolio increased by 12.4% or UAH 2,054 million as compared to 2018 and reached UAH 18,648 million at the end of the year, which was 77.1% of the total liability portfolio of individuals. The Bank annually demonstrates stable operation and increase of its deposit portfolio.



#### 6.3. Retail Banking

Fixed-Term Retail Deposit Portfolio, UAH Million



The most popular deposit product in 2019 was the 'Fixed-Term Deposit with Extension', classic deposit with end-of-term interest payment and automatic extension and possibility of replenishment.

The average term of deposits in foreign currency increased in 2019.

Over 52% of deposits in USD and over 45% of deposits in EUR were placed for a period of 12 to 18 months.

Almost 37% of deposits in UAH were placed for a period of 6 to 9 months.

At year-end, more than 100,000 deposit accounts were opened, and the number of depositors was more than 75,000, out of which over 20% of clients have concluded several deposit agreements with the Bank. During 2019, the Bank actively attracted deposits in foreign currency to ensure financing of green projects. Therefore, in contrast to previous years, in 2019, the number of retail deposit accounts opened in foreign currency (in USD – 39.3%, in EUR – 12.5%) was 1.8% more than the number of deposit accounts opened in national currency (48.1%).

In 2019, the foreign currency deposit portfolio increased by 32% as compared to the previous year, and at the end of the year amounted to 14.1 billion in UAH equivalent, which was 69% of the deposit portfolio.

Number of deposits in foreign currency increased by 8.2% and amounted to 51.8% of the total number of deposits attracted.

#### 6.3. Retail Banking

# Number of Fixed-Term Retail Deposit Accounts, %



Also, at the end of 2019, JSB 'UKRGASBANK' introduced a new 'Eco-Deposit' product, a special feature of which is its green focus. After placing funds on the 'Eco-Deposit', the Bank allocates a similar amount of funds to finance the Bank's green projects.

Thus, as of the end of the year, more than 7,000 deposit accounts were opened for the 'Eco-Deposit' product, and UAH 1.3 million were attracted.



# **FIXED-TERM DEPOSITS**



#### ATM AND POS NETWORK

To improve servicing of payment cards, the Bank is constantly expanding infrastructure of terminal equipment and the range of services to be provided through the network. During 2019, JSB 'UKRGASBANK' expanded its POS and ATM network, namely, 60 ATMs and 500 POSs were additionally purchased. As of 31 December 2019, the total fleet of ATMs amounted to more than 710 units in more than 220 settlements of Ukraine. Through the ATM network of JSB 'UKRGASBANK' in 2019, customers conducted more than 13,600,000 transactions totalling UAH 20,979 million. In 2019, the Bank had the network of more than 1,700 POSs; turnover by trade transactions increased by UAH 1,078 million as compared with the previous year and exceeded UAH 2,861 million per year.

#### 6.3. Retail Banking

In December 2019, JSB 'UKRGASBANK' and Visa introduced the fare payment technology in municipal transport (trolleybuses, trams and buses) in the City of Vinnytsia – by any contactless means of payment of any bank.



# **Alternative Communication Channels System**

At year-end 2019, a system of alternative channels of communication with customers was introduced, which includes the functionality of communication of contact centre employees with customers through a single window using instant messaging systems: Telegram, Viber, Facebook, SMS, mail. As of 1 January 2020, 3,373 clients sought advice, the number of requests processed was 6,900. Assessment of the quality of service was obtained for 1,872 appeals, of which the highest score received was given to 1,379 appeals, which is 74% of the total amount.



# **Card Products**

As of 1 January 2020, JSB 'UKRGASBANK' was among the TOP 10 member banks of payment systems by number of emitted payment cards and active payment cards in circulation. Thus, as of 1 January 2020, the Bank issued 1,664,502 payment cards.

As of 1 January 2020, the number of issued payment cards increased by 627,924 cards ( $\sim 60.58\%$ ) as compared with the same indicator as of 1 January 2019.

As of 1 January 2020, number of active payment cards increased by 192,684 cards ( $\sim$ 58.21%) as compared with the same indicator as of 1 January 2019.

In 2019, volume of wire payments by means of payment cards increased by UAH 2,230.40 million ( $\sim$ 45%) as compared with the same indicator in 2018. The total volume of transactions in 2019 as compared with the same indicator in 2018 increased by UAH 15,079.70 million ( $\sim$ 43%).

Promotional offers for cardholders, which stimulated clients to make wire payments with cards of JSB 'UKRGASBANK', contributed to increase in the amount of wire payments. In 2019, it also contributed to the increased introduction of the new Tariff Plan terms for payroll card programme packages, which provided no monthly service fee when the client reached a certain amount of wire payments accomplished. Holders of payment cards from JSB 'UKRGASBANK' got the opportunity to pay for purchases using their Android-smartphones, 'smart' Garmin watches, iPhone and Apple Watch via Google Pay, Garmin Pay and ApplePay technologies.

#### 6.3. Retail Banking



# MONEY TRANSFERS AND PAYMENTS



#### **International Money Transfer Systems**

JSB 'UKRGASBANK' continues to actively develop money transfer services via IPSs. In 2019, JSB 'UKRGASBANK' offered its clients to use any of four international money transfer systems, namely Welsend, Western Union, MoneyGram, RIA. These international payment systems are indisputable leaders in the Ukrainian market by number of points of service, speed and amounts of transfers.



#### Welsend

Welsend, an international money transfer system operated by JSB 'UKRGASBANK', was registered with the National Bank of Ukraine and has provided services since 2013.

One of the most important strategic areas of Welsend development is the involvement of legal entities as participants (agents) of the system, as well as expansion of the service network within and outside Ukraine.

As of 1 January 2020, Welsend was a leader of money transfers in Ukraine. The total number of Welsend members is 54 (fifty-four), including residents and non-residents, banks and non-banking financial institutions.

# The main advantages of Welsend are as follows:

- Advanced technology. Welsend is based on Single Window, which takes into account
  process requirements of different banks: integration option from the Automated Banking
  System (in whole or in part) through web services or easy access to the system via web
  interface; general administration module for all money transfer systems, generation of
  various reports, etc.;
- Large number of service points within and outside Ukraine;
- Domestic or international transfers;
- Transfers in UAH to payment cards issued by Ukrainian banks;
- Cross-border transfers in USD/EUR with automatic crediting to payment cards issued by Ukrainian banks;
- Transfers in four currencies: UAH, USD, EUR, RUB;
- Loyalty system for clients and all Welsend members;

#### 6.3. Retail Banking

- Favourable rates for clients;
- · Simple registration and instant money transfer;
- Automatic control of limits of the National Bank of Ukraine and automatic control of financial monitoring.

In 2019, the total volume of money transfers via Welsend was around 1 billion in UAH equivalent:

- to Ukraine: almost USD 12 million and over EUR 7.7 million;
- from Ukraine: over USD 1.25 million and over EUR 37 thousand;
- within Ukraine: over UAH 117 million.

In 2019, transfers sent via the website are rapidly gaining popularity. This service has undeniable advantages in terms of convenience: one can instantly send or receive a transfer without leaving home, even from the smartphone application.

JSB 'UKRGASBANK' cooperates with a non-resident participant (resident of Canada) of Welsend system – Meest Corporation Inc., which provides services to customers through the Perekaz24 website. Due to the cooperation with this Welsend system participant, the system has reached a new, modern level of development, which allowed not only to send cross-border transfers with payments in Ukraine at customer service points in 2019, but to offer customers the service of sending cross-border transfers in USD and EUR with their automatic payment in UAH to the payment cards issued by Ukrainian banks.

From the beginning of 2019 to June 2019, the volume of cross-border transfers with payment to a payment card issued by any Ukrainian bank increased by 25 times, and the volume of such transfers increased by 3 times more by the end of 2019 from July 2019. This evidences the benefits and popularity of this service among customers.

## Advantages of Sending a Transfer to Payment Cards:

- low tariffs;
- possibility to send a transfer to any card issued by any Ukrainian bank;
- sending a cross-border transfer in foreign currency with its subsequent crediting to the payment card in the national currency;
- instant crediting of the transfer to the card;
- minimum information on the sender/recipient;
- saving time for the recipient and sender.

#### 6.3. Retail Banking



#### **Payments**

JSB 'UKRGASBANK' offers a service to individuals and business entities to pay for goods, works and services provided by companies, organisations and individual entrepreneurs.

# 6.3.6

# PREMIER-BANKING

One of the priority areas of retail banking in 2019 was to attract customers in the Premier Banking segment. Thus, in 2019 the number of Premier Banking clients increased by 7,119 customers, from 21,366 customers in 2018 to 28,485 customers at year-end 2019.

The liability portfolio of Premier Banking clients increased by UAH 4 billion, from UAH 10.2 to UAH 14.2 billion. The increase in the portfolio evidences the high-quality service and impeccable personal service provided to Premier Banking clients.

The number of premium packages has more than doubled, from 3,562 at year-end of 2018 to 7,819 at year-end of 2019. Holders of premium cards of JSB 'UKRGASBANK' have the opportunity to connect to an additional concierge service of Mastercard/Visa – a round-the-clock service that performs information and organisational requests and solves any daily problems of clients. The content of the service depends on the card class and includes information and organisational services for Platinum cardholders and a package of exclusive services for Mastercard World Elite/Visa Infinite cardholders.

PREMIER BANKING in JSB 'UKRGASBANK' is a well-developed network of Premier zones in the best branches of the Bank throughout Ukraine, as well as a VIP office in the centre of Kyiv.

# 6.3.7

# **ONLINE BANKING**

During 2019, constant work was carried out to improve the Ecobank Online mobile application and increase the number of services provided to clients. Currently, the main services presented in the application allow customers to make transfers between cards, buy/sell foreign currency, make a request to change the PIN of payment cards, find the nearest ATM or branch, etc. As of 1 January 2020, the number of customers who installed the Ecobank Online mobile application was 257,091.

#### 6.3. Retail Banking

# 6.3.8

# **GREEN PROJECTS IMPLEMENTATION**

Within the framework of the green banking development strategy for retail banking clients, JSB 'UKRGASBANK' implemented banking products aimed at ensuring environmental and energy efficiency objectives.

Financing under the green banking concept is aimed at environmental protection projects, reduction of polluting emissions, use of renewable energy sources and energy-efficient measures.

Since 2017, in support of the green orientation, the Bank has developed and implemented the green energy lending for individuals for purchase and installation of solar power plants, heat pumps or wind power plants.

#### In 2019, the Bank introduced new banking products for retail lending:



Green Sag is an unsecured loan for purchase of cars that will be used for personal and family purposes and apply a hybrid method of connecting engines to the car drive or are driven by an electric motor/motors.



Loan for purchase of charging stations and relevant additional equipment and materials for charging cars, which use both a hybrid method of connecting engines to the car drive, and are driven by electric motors.

#### In addition, JSB 'UKRGASBANK' actively develops and improves other green projects:



ECO-home – a loan for purchase of energy-efficient equipment and/or materials that provide for no partial compensation of the loan by the State Agency on Energy Efficiency and Energy Saving of Ukraine;



ECO-car Loan - a loan for purchase of electric cars for personal or family use;

'Tepla Oselia' (Warm House) – a loan for purchase of energy-efficient equipment and/or materials that provide for no partial compensation of the loan by the State Agency on Energy Efficiency and Energy Saving of Ukraine.

#### 6.4. Trade Finance

At year-end 2019, the Bank conducted trade financing operations (including documentary operations) for the total amount over UAH 11.8 billion. The total portfolio of these transactions as of 1 January 2020 amounted to over UAH 10.5 billion, which is almost 20% more than the similar indicator as of 1 January 2018.

The Bank continues providing its clients and counterparty banks with the full range of trade finance services (including documentary transactions) used as payment (documentary letters of credit and documentary encashment) and security instruments (guarantees and standby letters of credit) under both agreements between residents of Ukraine and foreign economic agreements, without restrictions as to the clients' form of ownership or economic sector according to the Bank's credit policy. In addition, if necessary, the Bank may involve leading international financial and credit institutions to support these transactions in the capacity of confirming and guaranteeing banks.

The Bank issues all types of guarantees according to client's needs (tender guarantees, performance bonds (payment guarantees, advanced bonds, etc.) and, in addition, secures clients obligations before the fiscal revenue bodies (guarantees for payment of VAT in instalments when importing equipment in accordance with the Tax Code of Ukraine and financial

 $guarantees\ for\ payment\ of\ customs\ duties\ in\ accordance\ with\ the\ Customs\ Code\ of\ Ukraine)).$ 



#### 6.4. Trade Finance

The Bank is an active participant in the Global Trade Finance Programme (GTFP) of the International Finance Corporation (IFC) and the Trade Facilitation Programme (TFP) of the European Bank for Reconstruction and Development (EBRD). As of 1 January 2020, the total volume of the Bank's operations within the framework of participation in the above programmes amounted to over 1.1 billion in UAH equivalent. In addition, the Bank continues to increase the amount of direct unsecured (without the need for any collateral) credit limits set for it by leading international banking institutions to support trade finance operations.

The foreign banking partners provide post-financing and discounting services under documentary letters of credit opened by the Bank, which ensures the most convenient mode of contract settlements for the Bank's clients and their counterparties.

In the reporting year, the Bank continued its cooperation with international partners within the framework of trade finance agreements under which credit resources for target financing of import and export contracts of the Bank's clients were attracted.

# 6. BUSINESS DEVELOPMENT

#### 6.5. Encashment and Transportation of Values

In 2019, 11 new encashment units were opened in Zhytomyr, Zakarpattia, Ivano-Frankivsk, Kirovohrad, Mykolaiv, Ternopil, Kherson, Khmelnytskyi, Chernivtsi, Chernihiv regional and Eastern regional directorates.

The fleet of encashment cars has increased from 50 to 108 special vehicles, including 23 cars in the newly created units.

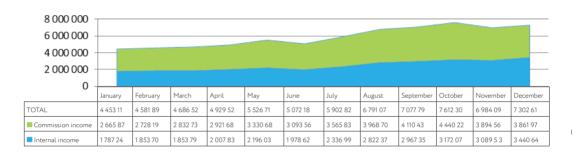
In 2019, 283 contracts for encashment services were concluded, 730 retail outlets and self-service terminals, 415 branches and self-service machines of commercial banks were engaged in the services. Also, as of 1 January 2020, encashment units served 223 branches and 513 ATMs of UKRGASBANK.



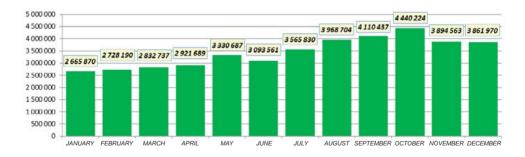
#### 6.5. Encashment and Transportation of Values

In 2019, the encashment units received UAH 70,918.8 thousand from customer service, commercial banks and the network of branches and self-service machines of UKRGASBANK, including UAH 18,836.5 thousand from bank services; UAH 22,576.1 thousand from customers; UAH 29,506.2 thousand from UKRGASBANK network, the share of commission income in the amount of operating income was 58.4%.

# Dynamics of Operating Income of the Encashment Department for 2019



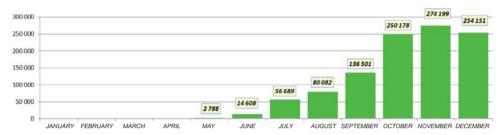
# Dynamics of Encashment Service Commission Income of Encashment Department for 2019



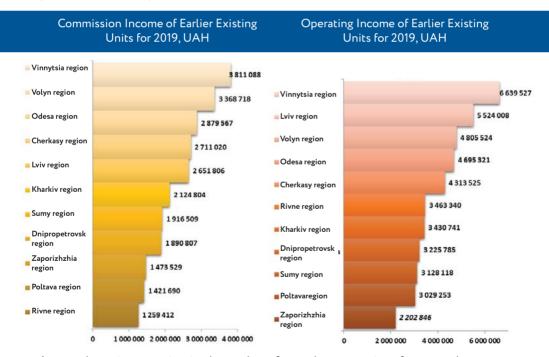
During 2019, the encashment units increased the commission income for the month by 44.9% – from UAH 2,665.9 thousand in January to UAH 3,862.0 thousand in December. The decrease in commission income in November–December 2019 is due to the termination of services of LLC FC 'ATLAS-UKRAINE' (amount of commission income for September–October: UAH 1,076.5 thousand), LLC 'PAYBOX' (amount of commission income for September–October: UAH 311.8 thousand).

# 6.5. Encashment and Transportation of Values

# Dynamics of Encashment Service Commission Income of the Newly Created Units of the Encashment Department for 2019

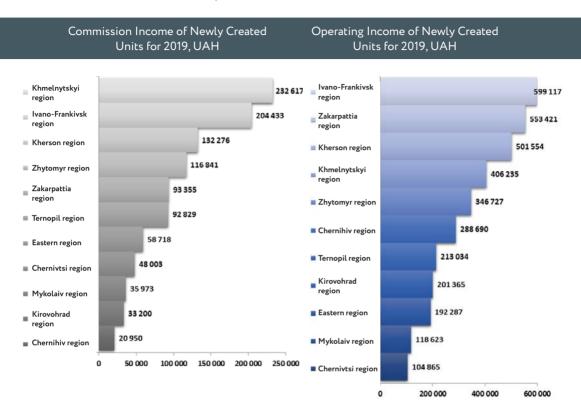


The share of commission income received by newly created encashment units was 6.6% (UAH 254.2 thousand) in December 2019, the share of internal income was 15.4% (UAH 531.0 thousand).



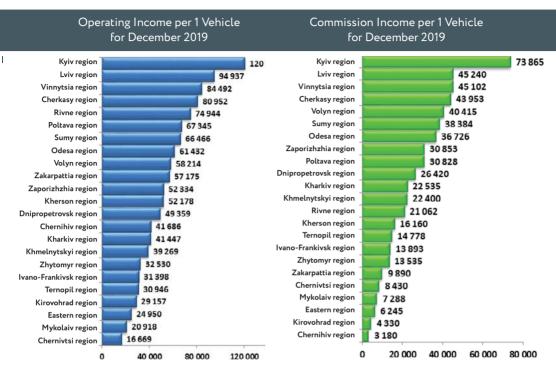
Among the units operating in the market of encashment services for more than a year, the confident leaders in commission income are Vinnytsia, Volyn, Odesa and Cherkasy Directorates. During the year, the encashment units of Lviv and Zaporizhzhia Directorates significantly improved their positions in the regional markets.

# 6.5. Encashment and Transportation of Values



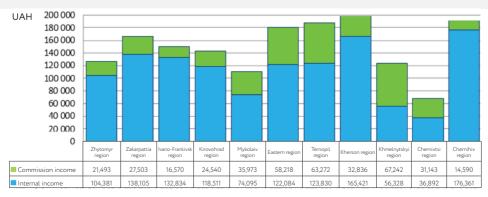
The structure of operating income of newly created encashment units differs significantly – the share of commission income in total income ranges from 7.3–16.9% in Chernihiv, Kirovohrad, Zakarpattia Regional Directorates to 57.3% in Khmelnytskyi Regional Directorate, which is due not only to the availability of a client base, but also to the wide presence and compact location of branches and ATMs of the Directorate.

## 6.5. Encashment and Transportation of Values



In December 2019, the operating income per 1 vehicle averages UAH 65.0 thousand, in the newly created units – UAH 34.1 thousand, in the previously existing ones – UAH 76.7 thousand; commission income per 1 vehicle was UAH 36.0 thousand, in newly created units – UAH 11.1 thousand, in the previously operating ones – UAH 42.4 thousand.

# Income Received by New Encashment Units for the First Three Months of Operation



#### 6.5. Encashment and Transportation of Values

According to the data on the income received by the newly created units for the first three months of operation, the following units have the largest share in the income received:

Commission income

Khmelnytskyi (17.1%), Ternopil (16.1%), Eastern (14.8%) Directorates;

Internal income

Chernihiv (14.1%), Kherson (13.2%), Zakarpattia (11.1%) Directorates.

During the first three months of operation, the largest operating income per 1 car was received by the units of Kherson (UAH 33,043), Chernihiv (UAH 31,825), Ternopil (UAH 31,184) Directorates, which indicates the fastest pace of development of the encashment service in these regions.

The slowest rates of development of encashment service are observed in Chernivtsi, Mykolaiv, Zhytomyr Directorates.

The lowest operating income per 1 vehicle was received by the units of Chernivtsi (UAH 11,339), Ivano-Frankivsk (UAH 16,601), Mykolaiv (UAH 18,345) Directorates.

# Average Monthly Operating Income per 1 Vehicle of Newly Created Encashment Units for the First Three Months of Operation, UAH

	Zhytomyr region	Zakarpattia region	Ivano-Frankivsk region	Kirovohrad region	Mykolaiv region	Eastern region	Ternopil region
Operating income	41,958	55,202	49,801	47,684	36,689	60,101	62,367
Number of vehicles	2	2	3	2	2	2	2
Income per 1 vehicle	20,979	27,601	16,600	23,842	17,345	30,050	31,184

#### 6.6. Investment Business, Securities

JSB 'UKRGASBANK' is one of the most powerful and reliable institutions of the Ukrainian stock market.

The Bank received the first permit for professional activity in the stock market from the Ministry of Finance of Ukraine in 1996.

In 2019, JSB 'UKRGASBANK' carried out transactions in the stock market based on licences of the National Securities and Stock Market Commission, namely: professional activity in the stock market – trading in securities: broker activity – AE No. 294713 dated 14 February 2015, indefinite validity period; dealer activity – AE No. 294714 dated 14 February 2015, indefinite validity period; underwriting – AE No. 294715 dated 14 February 2015, indefinite validity period.



JSB 'UKRGASBANK' also has licence of the National Securities and Stock Market Commission for professional activity in the stock market – mortgage collateral management AD No. 034432 dated 18 June 2012. This is the first and sole licence issued for professional mortgage collateral management in the Ukrainian stock market.

JSB 'UKRGASBANK' is a primary dealer designated by the Ministry of Finance of Ukraine, and, fulfilling the important mandate of the Ministry of Finance of Ukraine, it has undertaken to develop the domestic government securities market in exchange for the exclusive right to participate in placement of domestic government bonds.

In 2019 and at year-end, JSB 'UKRGASBANK' repeatedly ranked among the leaders of securities traders in various ratings.

In 2019, JSB 'UKRGASBANK' entered into more than 5,500 broker, dealer, underwriting contracts for the total amount of more than UAH 108 billion.

As of 1 January 2020, the Bank's securities portfolio increased to UAH 38,486.20 million as compared with 1 January 2019.

### 6.6. Encashment and Transportation of Values

## Securities Portfolio as of 1 January 2020, UAH Million



The structure of the Bank's investments in securities in 2019 changed, in particular, due to a decrease in the share of investments in government securities, as well as investments in highly liquid securities with investment ratings of the world's leading rating companies.

### Structure of Investment in Securities, %



In 2019, the Bank significantly increased the number of transactions on broker services for clients in the stock market. First of all, the volume of investment in domestic government bonds by individuals increased, since investment in government securities is currently profitable, highly liquid and risk-free. These factors are constantly increasing the demand for broker services of JSB 'UKRGASBANK'.

#### 6.7. Retail Banking

# 6.7.1

# TRANSACTIONS IN THE INTERBANK MARKET

JSB 'UKRGASBANK' is an active participant of the interbank market. In its cooperation with counterparty banks, the Bank is guided by the principles of long-term mutually beneficial partnership, and its excellent reputation allows it to work maximally efficiently with a wide range of Ukrainian and foreign banks.

One of the main goals of JSB 'UKRGASBANK' in carrying out transactions in the interbank markets is the efficient cash flow management and achievement of optimal balance between liquidity, risk and profit.

Considering the sufficient level of liquidity and highly liquid surety available during 2019, the Bank carried out a large amount of SWAP foreign exchange transactions and REPO transactions with government bonds of Ukraine.

The Bank also actively carried out transactions in the interbank foreign exchange market, selling or buying foreign currency for both its own needs and at the expense and by order of its clients in order to support export-import operations. The main scope of transactions was traditionally in US dollars or Euros.

# 6.7.2

# TRANSACTIONS WITH GOVERNMENT DEBT INSTRUMENTS

In 2019, the Bank acted as a primary dealer in the government stock market of Ukraine and remained one of the largest market operators. The Bank's strategy in this area was to maintain the achieved volumes and yields on Ukraine's domestic government loan bonds (DGLB). Thus, as of 31 December 2019, the Bank's DGLB portfolio amounted to UAH 8,168.7 million, USD 494.7 million and EUR 22.57 million at face value.

In 2019, the total volume of DGLB buying and selling transactions in the secondary market amounted to about UAH 56.5 billion. As a primary dealer in the government stock market, the Bank carried out buying transactions for the amount of UAH 23.5 billion, USD 562.3 million and EUR 75 million.

# 6.7.3

# TRANSACTIONS WITH BANKING METALS AND CURRENCY IN CASH

UKRGASBANK carries out transactions with currency in cash, banking metals, commemorative coins of Ukraine and foreign-manufactured coins in more than 270 branches throughout Ukraine.

#### 6.7. Retail Banking

The Bank carries out currency exchange transactions in US dollars, Euros, Swiss francs, British pounds sterling, Russian roubles, Polish zlotys, Czech crowns, Romanian leis and Hungarian forints.

JSB 'UKRGASBANK' is a distributor of commemorative coins of Ukraine, souvenirs and related products of the National Bank of Ukraine. During 2019, the Bank provided numismatic products to Bank's clients, individuals and numismatic organisations of Ukraine.

With an extensive branch network, JSB 'UKRGASBANK' carries out the full range of operations with banking gold, including purchase and sale of banking metals and attraction of deposits in banking metals.

# 6.7.4

# **DEVELOPMENT OF CORRESPONDENT RELATIONS**

JSB 'UKRGASBANK' continues developing its own correspondent network, which is quite manifold. As of 31 December 2019, the Bank established correspondent relations with more than 70 banks.

Opening of correspondent accounts, choice of countries, currency of accounts and terms of payments are carried out by JSB 'UKRGASBANK', taking into account the export-import focus of the Bank's clients and in order to meet the Bank's own needs in settlements on foreign exchange transactions.

The Bank maintains relations with correspondents from different regions of the world, in particular from the world's financial centres – New York, London, Frankfurt am Main, Beijing, Vienna, Geneva, etc.

# 6.7.5

# FOREX FOR PRIVATE CLIENTS

As of 2019, JSB 'UKRGASBANK' is a leader in Ukraine in retail margin trading operations. We offer round-the-clock access to cash funds of the global foreign exchange market in 24/5 mode with 48 instruments with market trading conditions for each private client.

#### 6.7. Treasury transactions

#### Main achievements in 2019:



Increase of income from operations due to the most effective management of the portfolio of positions.



Full update of the service website https://www.Forex.ukrgasbank.com/. The modern and convenient site allowed to significantly improve the functionality and communication with the Bank's clients: introduced online customer support through a 24-hour chat on the website and a feedback form. SEO optimisation was performed and a mobile version of the website was created.



Increase of communication channels with customers. During the year, YouTube, Telegram channels and information block were created on the website https://www. Forex.ukrgasbank.com/. News, initial and analytical content are regularly published on all channels. The emergence of new communication channels has increased the interest of existing and potential customers.



Creation of unique educational and analytical content. During the year, more than 80 educational and analytical video lessons on financial topics were created: on trade, macroeconomics, indicators and platform. Video content is broadcast twice a week on our YouTube channel, Telegram channel and at the official website of the service. This is a unique material for the financial market of Ukraine in Ukrainian. Audio podcasts of the Forex market reviews are published every week. The total video viewing has already reached about 900 hours.



Attraction of new and retention of existing customers, increase in the average annual balances on customer accounts due to stable quality and market conditions for access to liquidity in global markets, customer-oriented approach to service, clear algorithm for working with customers, update and implementation of new communication channels and regular publishing of content, professional consultations in real time 24/5 and the analysis of market processes on all tools at the request of clients.



Mitigating operational risks – optimising all internal banking processes related to margin trading transactions to ensure their maximum efficiency.

Own unique analytical content allowed to create additional value for clients, and effective management of positions increased financial result of the Bank from carrying out margin trading transactions.

#### 6.7. Retail Banking

# 6.7.6

# BULLION COINS AND FOREIGN-MANUFACTURED COINS

In 2019, UKRGASBANK continued to sell bullion coins of the National Bank of Ukraine and coins produced by recognised world manufacturers in the market of numismatic products: Mennica Polska (Poland), Perth Mint (Australia), New Zealand Mint, JVP Investment Coins (Germany), Treasures of Oz (Australia).

# **6. BUSINESS DEVELOPMENT**

# 6.8. Depository Activity

JSB 'UKRGASBANK' carries out depository activity on the basis of licences issued by the National Securities and Stock Market Commission, namely:

- Licence for depository activity of depository institution, AE No. 263236 issued on 28 August 2013, valid from 12 October 2013, indefinite validity period;
- Licence for custody of assets of collective investment schemes, AE No. 263237 issued on 28 August 2013, valid from 12 October 2013, indefinite validity period;
- Licence for custody of assets of pension funds, AE No. 263238 issued on 28 August 2013, valid from 12 October 2013, indefinite validity period.

Depository institution of JSB 'UKRGASBANK' offers a full range of high-quality depository services, since it is a client of the National Bank of Ukraine and the Central Depository of Public Joint-Stock Company 'National Depository of Ukraine'. This allows the Bank to carry out transactions with any securities circulating in these depository systems and maintain the circulation of state, corporate and municipal securities.

Depository institution of JSB 'UKRGASBANK' maintains titles to state-owned securities, as well as securities owned by individuals, legal entities, residents or non-residents, collective investment schemes, pension funds, banks and other financial non-bank institutions.

According to ratings of depositary institutions of the Professional Association of Capital and Derivatives Markets, depository institution of JSB 'UKRGASBANK' ranked second in terms of depositary assets at face value maintained by the Bank during 2019.

#### 6.8. Depository Activity

At the end of 2019, JSB 'UKRGASBANK' maintained more than 36,000 securities accounts. The list of securities registered on these accounts includes 881 issues of securities. The amount of depository assets maintained by depository institution of JSB 'UKRGASBANK' reached UAH 250 billion of securities and titles to securities at face value as of 31 December 2019.



During 2019, number of securities issued and maintained by the depositary institution increased from 870 to 881, as the result of which depositary assets increased from UAH 246 billion to UAH 250 billion at face value of the securities maintained by the Depositary Department.

In particular, at year-end 2019, UKRGASBANK maintained 18 government property management entities. They performed securities management of the state-owned property on the securities account opened with the depository institution on behalf of the State of Ukraine and 15 non-state pension funds in accordance with the Laws of Ukraine 'On Management of State Property', 'On the Cabinet of Ministers of Ukraine' and other legislative acts.

#### 7.1. International Money Transfer Systems

During 2019, JSB 'UKRGASBANK' sent/paid transfers using international payment systems created by non-residents – Western Union, MoneyGram and RIA.



# **Western Union**

JSB 'UKRGASBANK' has been working with the system since 2002 as an indirect participant in the Western Union international payment system through a direct participant in PJSC 'Ukrainian Financial Group'.

In total, in 2019, the Bank sent/paid transfers in the amount of about 521 million in UAH equivalent, which is 20% more than last year, using the Western Union international payment system.



# MoneyGram

JSB 'UKRGASBANK' has been working with the system as direct agent of MoneyGram IPS since 2007. The Bank attracts banking financial institutions – residents of Ukraine to the system as indirect participants of the MoneyGram international payment system.

As of 1 January 2020, MoneyGram international payment system had 12 banking institutions as indirect participants attracted by JSB 'UKRGASBANK'. In total, in 2019, JSB 'UKRGASBANK' sent/paid transfers in the amount of over 258 million in UAH equivalent, which is 9% more than last year, using this system.



#### **RIA**

UKRGASBANK has been working with the system as direct agent of RIA IPS since 2010.

Since 2017, JSB 'UKRGASBANK' attracts other banking financial institutions – residents of Ukraine as indirect participants of the RIA international payment system. As of 1 January 2020, RIA international payment system had 5 banking institutions as indirect participants attracted by the Bank.

In total, in 2019, JSB 'UKRGASBANK' sent/paid transfers in the amount of over 117 million in UAH equivalent, which is 15% more than last year, using this system. In 2019, Ukraine was still a recipient of cross-border money transfers. The amount of funds received in Ukraine via international payment systems was almost six times the amount of funds sent from Ukraine in 2019.

#### 7.2. Auto Dealers and Auto Importers

During 2019, JSB 'UKRGASBANK' fruitfully cooperated with more than 450 auto dealers and auto importers under 'Auto on Loan All Inclusive' targeted lending programme. The Bank provided over 1,400 auto loans.

# The Bank's partners include the following leading companies of the Ukrainian automobile market:

Corporation	
'UkrAVTO'	

Leader of the Ukrainian automobile market, general importer and official dealer of more than 20 world-famous automobile brands. The Bank cooperates with the corporation via Express Credit system assisting LLC 'UKRAVTOLEASING', a structural division of Corporation 'UkrAVTO'.

# Corporation 'Bogdan'

One of the leading automobile operators with its own extensive trading and service network, which represents such brands as Hyundai, Great Wall, Jac, Saipa, Bogdan, Subaru, Lifan in the auto loan market. The Bank cooperates with the corporation through assistance lending and insurance company LLC 'Auto Retail Assistance' represented at showrooms of LLC 'Bogdan Auto Holding', LLC 'Hyundai Motor Ukraine' and LLC 'Bogdan Industriia'

# LLC 'Eurocar'

Official distributor of ŠKODA in Ukraine. The company has been operating since March 2003 and is a member of Atoll Holding Group, one of the leading operators in the Ukrainian automobile market. ŠKODA dealership network is one of the largest in Ukraine (30 dealerships as of 1 January 2020) and is recognised as one of the best in Europe in terms of organisation of the service network operation and car service station infrastructure. ŠKODA dealership network offers the fullest possible range of services when buying a car, spare parts or accessories, as well as warranty and service support. High quality of the services provided by Eurocar LLC is confirmed by application of ISO 9001:2008 management system.

# Winner Imports Ukraine

Is a part of Winner Group Ukraine, which has been one of the leaders in domestic automobile business for over 25 years. The company is an official importer of Ford, Volvo, Jaguar, Land Rover, Porsche and Bentley. Since 1992, it has imported more than 120,000 cars and created the dealership network that offers cars, spare parts, service support and world-class user experience in more than 50 dealerships. To ensure the highest level of service, all members of Winner team are trained at Winner College.

### 7.2. Auto Dealers and Auto Importers

Winner Imports

Winner strives to be an example of faithful, transparent and sustainable business, to improve the living standards of its clients and employees by providing first-class products, services and career opportunities.

In the area of green banking development in 2019, the Bank actively cooperates with about 20 electric car dealers on attractive terms. In 2019, to satisfy the needs of customers preferring electric cars to a maximum extent, the 'Green car' unsecured loan was developed for the purchase of electric cars.

# 7. PARTNERSHIP AND COOPERATION

#### 7.3. Real Estate Developers

As of 1 January 2020, the Bank accredited 14 developers and around 50 housing projects in different regions of Ukraine.

The main partners in the primary market real estate lending programmes are as follows:



## Public Joint-Stock Company 'Kyivmiskbud Holding Company'

Leader of the Ukrainian construction industry, the largest and the most known real estate market operator oriented to the needs of medium-income citizens.

The company is aimed at making its products affordable to the widest range of consumers. Kyivmiskbud has been operating in the primary real estate market since 1955, which is 44.2 million square meters of housing built.

#### Currently Kyivmiskbud is:

- 100 organisations united into one construction and investment complex, which can provide turnkey construction services;
- Over 30,000 of highly skilled builders of any expertise, managers of various levels;
- ISO 9001-2000 certified activity of most enterprises;
- ISO 9001-2000 certified management activity of the holding company administrative staff;
- Modern building technologies, equipment, tools and newest construction machinery operated by certified specialists.

#### 7.3. Real Estate Developers



#### Kovalska Real Estate

Industrial and Building Group 'Kovalska' has an excellent reputation of a reliable developer. Each house is built with the use of innovative methods of construction management at various stages of project implementation. This is proven by 15 years of experience and more than 25 successfully implemented residential properties.

The construction business of Kovalska Group is an integral structure of enterprises and subdivisions specialising in implementation of the full cycle of construction as a developer and general contractor: from development of design documentation and construction financing to construction of housing, as well as commercial and industrial facilities. Its own production of construction materials allows them to be independent of suppliers, therefore, always complete construction in due time. It has been in the real estate market since 2002.



# Integral-Bud

For over 17 years, Intergal-Bud has designed and built over 70 projects with the total area of over 3 million square meters. It allows it to confidently hold leadership positions in the construction market and take first place among non-state developers. The geography of the Intergal-Bud representative offices is constantly expanding. Currently, comfortable and modern residential projects are being implemented in Kyiv, Lviv, Rivne, Chernivtsi, Zhytomyr, Uzhhorod and Mukachevo. Intergal-Bud's success driver is the constant desire to meet the high demands of the modern real estate market.

Trust in Intergal-Bud is based on quite reasonable factors: large number of timely constructed projects, high rates of construction, no problematic buildings, the widest regional coverage, construction at the company's own expense. The only desire underpins all of these factors – to provide comfort, confidence and stability in the form of modern European housing.



### JSC 'TREST ZHYTLOBUD-1'

The largest developer in Kharkiv, has been operating for 73 years. During the long period of its operation, it sold 65% of residential buildings of the city, built 20 churches and 35 cultural facilities, received numerous awards and certificates, including those from the Cabinet of Ministers of Ukraine. In 2019, it commissioned around 700,000 square meters of housing in different districts of Kharkiv.

#### 7.4. Cooperation with State Administrations

As of 1 January 2020, in accordance with region, district, municipal programmes of partial reimbursement of interest rates/loans provided to individuals for energy efficiency measures and for the introduction of renewable energy sources, cooperation agreements were concluded with 32 institutions, and compensation was received in the amount of UAH 24,657,014.33 (for 2019). Among them, there are 11 regional state administrations, 18 city councils, 3 district state administrations:

Regional state administrations	City councils
<ul><li>Vinnytsia – UAH 918,928.34</li><li>Lviv – UAH 1,224,110.54</li></ul>	<ul><li>Zolotonosha – UAH 58,642.44</li><li>Enerhodar – UAH 336,378.50</li></ul>
<ul> <li>Rivne - UAH 1,615,680.66</li> <li>Zhytomyr - UAH 153,592.00</li> <li>Khmelnytskyi - UAH 113,352.50</li> <li>Poltava - UAH 273,186.69</li> <li>Kharkiv - UAH 28,845.24</li> </ul>	<ul> <li>Cherkasy – UAH 6,627.57</li> <li>Chernivtsi – UAH 241,066.73</li> <li>Rivne – UAH 42,061.23</li> <li>Sumy – UAH 410,810.50</li> <li>Kharkiv – UAH 521,843.25</li> </ul>
<ul> <li>Chernihiv – UAH 112,606.20</li> <li>Sumy – UAH 398,667.71</li> <li>Ternopil – UAH 271,029.37</li> <li>Chernivtsi – UAH 70,722.15</li> </ul>	<ul> <li>Lviv – UAH 88,633.50</li> <li>Morshyn – UAH 90,127.58</li> <li>Kremenchuk – UAH 157,373.76</li> <li>Novohrad-Volynskyi – UAH 18,762.00</li> <li>Kalush – UAH 21,000.00</li> </ul>
District state administrations	<ul><li>Chornomorsk – UAH 139,975.32</li><li>Drohobych – UAH 38,067.56</li></ul>
<ul> <li>Kryzhopil – UAH 26,060.12</li> <li>Bershad – UAH 8,166.08</li> <li>Yavoriv – UAH 502,801.20</li> </ul>	<ul> <li>Mykolaiv – UAH 1,428,868.04</li> <li>Kramatorsk – UAH 19,252.00</li> <li>Sambir – UAH 9,773.98</li> <li>Khmelnytskyi – UAH 232,800.53</li> </ul>

As well as four institutions: Vinnytsia Regional State Administration, Lviv Regional State Administration, Zhytomyr Regional State Administration, Yavoriv District State Administration and Novohrad-Volynskyi Municipal Council reimburse part of the loan received by individuals from UKRGASBANK for purchase of private rooftop and terrestrial solar power plants with an installed capacity of up to 30 kW once in a fiscal year. In 2019, compensations in the amount of UAH 539,981.20 were received for installation of solar power plants.

#### 7.5. Interaction with the Deposit Guarantee Fund

JSB 'UKRGASBANK' is a permanent member of the Deposit Guarantee Fund since 2 September 1999 (Certificate of a participant of the Fund No. 052 dated 19 October 2012).

UKRGASBANK regularly pays all due fees to the Deposit Guarantee Fund, the amount of which is established by the applicable legislation of Ukraine.

Deposits in JSB 'UKRGASBANK' are guaranteed by the Deposit Guarantee Fund (hereinafter—the Fund). Each depositor is reimbursed in the amount of the deposit (including interest) as of the date of the procedure of withdrawal of the Bank from the market, but not more than the maximum amount of reimbursement of deposits established by the Law of Ukraine 'On Households Deposit Guarantee System' on that date, regardless the number of deposits in one bank.

In case the National Bank of Ukraine decides to revoke the banking Licence and liquidate the bank on the grounds specified in Part 2 of Article 77 of the Law of Ukraine 'On Banks and Banking', each depositor is guaranteed a reimbursement of deposits (including interest) as of the day of start of bank liquidation, but not more than the maximum amount of reimbursement of deposits, set on the date of such decision, regardless of the number of deposits with one bank.

The maximum amount of reimbursement of deposits is set in accordance with Article 26 of the Law of Ukraine 'On Households Deposit Guarantee System' and is \_\_\_\_ two thousand hryvnias \_\_\_\_ (in words). In accordance with Part 4 of Article 26 of the Law of Ukraine 'On Households Deposit Guarantee System', the following funds are not reimbursed:

- 1 transferred to the bank into trust;
- 2 for a deposit of less than 10 hryvnias;
- 3 for a deposit confirmed by a bearer saving (deposit) certificate;
- placed on deposit in the bank by a person who is the bank's related person or was such a person during the year before the National Bank of Ukraine decides to declare such a bank insolvent (in case the National Bank of Ukraine decides to revoke the banking Licence and liquidate the bank on the grounds specified in Part 2 of Article 77 of the Law of Ukraine 'On Banks and Banking' within a year before the date of such decision);
- placed on deposit in the bank by a person who provided the bank with professional services as an auditor, appraiser, if less than one year has passed from the date of termination of services to the date of the decision of the National Bank of Ukraine to declare such bank insolvent (if the National Bank of Ukraine decides to revoke the banking Licence and liquidate the bank on the grounds specified in Part 2 of Article 77 of the Law of Ukraine 'On Banks and Banking' one year before the date of such decision);

#### 7.5. Interaction with the Deposit Guarantee Fund

- placed on the deposit by the owner of a substantial shareholding in the bank;
- for deposits in the bank, on which depositors, on an individual basis, receive interest from the bank under agreements concluded on terms that are not current market terms in accordance with Article 52 of the Law of Ukraine 'On Banks and Banking' or obtain other financial privileges from the bank;
- for a deposit in a bank, if such deposit is used by the depositor as a security for another obligation to this bank, in the full amount of the deposit before the date of fulfilment of obligations;
- 9 for deposits in branches of foreign banks;
- 10 for deposits in banking metals;
- placed on accounts seized under a court decision.

If the depositor has more than one deposit in the bank, the Fund reimburses the amount of the deposit (including interest) as of the date of withdrawal of the bank from the market by the Fund, but not more than the amount of the deposit reimbursement limit set on that day, regardless of the number of deposits with one bank in accordance with Article 26 of the Law of Ukraine 'On Households Deposit Guarantee System'. Reimbursement begins in the manner established by the Fund not later than 20 working days (for banks whose depositors' database contains information on more than 500,000 accounts – not later than 30 working days) from

the date of commencement by the Fund of the procedure of the bank withdrawal from the market.

During the period of interim administration, the depositor acquires the right to receive a guaranteed amount of reimbursement of deposits from the Fund within the maximum amount of reimbursement of deposits under agreements, which expired on the date of commencement of withdrawal of the bank from the market by the Fund, and under bank account agreements.

The Fund has the right not to include funds under bank account agreements in the calculation of the guaranteed amount of reimbursement until full information about the transactions made by the payment system (national and international) is received.

Payment of the guaranteed amount of reimbursement under bank account agreements is made only after the Fund receives full information about the transactions carried out by the payment system (national and international).



#### 7.5. Interaction with the Deposit Guarantee Fund

Reimbursement of foreign currency deposits is made in the national currency of Ukraine after conversion of the amount of the deposit at the official exchange rate of hryvnia to foreign currencies set by the National Bank of Ukraine on the day of withdrawal of the bank from the market and temporary administration in accordance with Article 36 of the Law of Ukraine 'On Households Deposit Guarantee System'.

If the National Bank of Ukraine decides to revoke the banking Licence and liquidate the bank on the grounds specified in Part 2 of Article 77 of the Law of Ukraine 'On Banks and Banking', reimbursement of deposits in foreign currency is made in the national currency of Ukraine after conversion of the deposit amount at the official exchange rate of hryvnia to foreign currency set by the National Bank of Ukraine on the day of commencement of liquidation of the bank.

#### 7. PARTNERSHIP AND COOPERATION

#### 7.6. Concierge Service Companies

During 2019, JSB 'UKRGASBANK' constantly expanded the list of services and additional services provided to customers and holders of premium cards. One of the most popular services is concierge service – an information and consulting service that helps clients to solve any issues and requests.

The Mastercard Concierge service is provided to holders of Mastercard Platinum and Mastercard World Elite premium cards in order to become a personal secretary for the client, to choose the best solution for any issue: search for data and information, booking and buying tickets, check-in and booking hotels, solving household issues, etc.

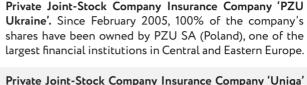


In 2019, JSB 'UKRGASBANK' connected a new concierge service from VISA for holders of Visa Platinum and Visa Infinite premium cards, which will help to address any issues quickly and efficiently 24/7.

For convenience, customers can use the 'concierge service' by registering in the 'concierge' chatbot in Telegram or Viber.

#### 7.7. Insurance Companies

**Private Joint-Stock Company 'TAS Insurance Group'** has been operating in Ukraine since October 1998 and consistently shows high financial results. It is one of TOP 10 domestic insurance leaders and a part of the large investment and financial group.



Private Joint-Stock Company Insurance Company 'Uniqa' entered the Ukrainian market in 2006. It is a part of UNIQA Insurance Group. Currently, the company is one of the leaders of the Ukrainian insurance market and offers all kinds of non-life insurance through a nationwide network.

Private Joint-Stock Company Insurance Company 'Ukrainian Insurance Group' is a modern and dynamic insurance company of national scale with 100% foreign capital. According to the main financial indicators, it is one of TOP 10 Ukrainian insurance companies. Since February 2008, Ukrainian Insurance Group has been a full member of the world-famous Vienna Insurance Group, the leader in the insurance market of Central and Eastern Europe.

Private Joint-Stock Company Ukrainian Insurance Company 'Kniazha Vienna Insurance Group' focuses on individuals and SMEs. That is why the company develops its own branch network throughout the country. This allows it to offer modern insurance products at the best prices in every corner of Ukraine.

**Private Joint-Stock Company Insurance Company 'ARX'** is a member of Fairfax Financial Holdings, the international Canadian insurance group. It has successfully operated on the Ukrainian market for 25 years, 11 of which – under the AXA Insurance brand.

**ARX Life Insurance Company Additional Company** is a member of Fairfax Financial Holdings, the Canadian insurance group. The company provides life insurance services to individuals.

**Private Joint-Stock Company Insurance Company 'Arsenal Insurance'** is a group of likeminded people with a single goal, a team of insurance business professionals. The company has been successfully developing and operating in the Ukrainian insurance market for 14 years.

#### 7.7. Insurance Companies

Company with Additional Liability 'Express Insurance' was founded in 2008 with participation of Ukrainian Automobile Corporation 'UkrAVTO', the leader of the Ukrainian motor transport market. It is a modern insurance company with new approaches to insurance adjustment, which is dynamically developing and constantly improving the client servicing.

Private Joint-Stock Company 'Ukrainian Fire and Insurance Company' was founded in 1992 and has become one of the leading insurance companies in Ukraine for almost 30 years of excellent work. The company is represented throughout the entire territory of Ukraine and has about 50 separate structural units, about 1,000 insurance sales points and client service centres, which operate under agency agreements.

**Private Joint-Stock Company Insurance Company 'VUSO'** was founded on 24 September 2001. Currently, it is a team of 400 professionals who work for clients in more than 30 representative offices throughout Ukraine.

Company with Additional Liability Insurance Company 'ViDi Insurance' was registered in 2007, has indefinite licences for 11 types of voluntary insurance and is a member of ViDi Group, which has been an active participant in the Ukrainian automobile business for many years.



**Private Joint-Stock Company 'PROSTO-Insurance'** has 22 licences of the National Commission for Regulation of Financial Services Markets for insurance activities (9 obligatory and 13 voluntary insurance types). The company's insurance products and programmes are intended mainly for individuals, and this area is of the insurer's priority.

**Public Joint-Stock Company Insurance Company 'Universalna'** is one of TOP 10 insurance companies in Ukraine. The company was founded in 1991, and now operates in all regions of Ukraine. PJSC IC 'Universalna' provides services to private and corporate clients and positions itself as retail insurer.

#### 7.7. Insurance Companies

**Private Joint-Stock Company Insurance Company 'Euroins Ukraine'** started operation in the Ukrainian insurance market in 1992. Euroins Ukraine's strategy envisages activities in all sectors of the Ukrainian insurance market. The company has licences to provide insurance coverage for virtually the entire range of voluntary and obligatory insurance.



**Private Joint-Stock Company Insurance Company 'Persha'** was founded on 24 September 2001. The company has 46 separate structural units in central cities of the regions, 25 district sales centres, 220 full-time employees.

**Private Joint-Stock Company Joint Stock Insurance Company 'INGO Ukraine'** has 25 years of experience in the market. Constantly holding leading positions by payment of insurance indemnity, the company is one of the largest insurance organisations in Ukraine by insurance premiums and assets.

**Private Joint-Stock Company Insurance Company 'Brokbusiness'** has been operating in the insurance market since 15 December 1993. During its work, it has gained considerable experience and took up the firm position among the most dynamic companies in the insurance market.

**Private Joint-Stock Company Insurance Company 'Asko-Donbas Pivnichnyi'.** On 26 March 2019, independent specialised rating agency 'Credit-Rating' confirmed 'uaAins' reliability rating of PJSC IC 'Asko-DP', which means a high level of solvency, reputation and client loyalty of the insurance company, as well as confirmed 'uaA-' credit rating with 'stable' outlook, which means a high level of borrower's creditworthiness.

#### 7.8. Appraisal Companies

# Limited Liability Company 'GBM FINANCE' (LLC 'GBM FINANCE')

Experienced company that has been providing appraisal services since 2006. It specialises in integrated facilities, in particular, property complexes and large professional real estate.

### Group of Companies 'Uvekon'

Has been operating in the Ukrainian market since 1996. The company has a team of highly skilled appraisers with RICS, FIABCI, TEGoVA international certificates. Having the extensive network of 14 branches and 13 representative offices in all regions of Ukraine, it is also included in the list of leading Ukrainian companies that provide services on appraisal of tangible and intangible property, as well as monetary valuation of land plots.

# Limited Liability Company 'PEC ENGINEERING GROUP' (LLC 'PEC ENGINEERING GROUP')

The company has been in the market since 2002, and performs appraisal of almost any kind of assets, including land plots. Widely represented in the regions. Due to the high quality of operation and prompt delivery, it ranks among the leading appraisers that perform work on the Bank's behalf.

# Private Enterprise 'Appraisals & Law Academy' (PE 'Appraisals & Law Academy')

Has been operating in the Ukrainian market since 2002. Provides services on appraisal of property, namely, tangible or intangible items, land plots. Member of the self-regulatory organisations in the field of appraisal. Company employees have international certificates of the European Group of Valuers' Associations (TEGoVA).

# Private Enterprise 'TA-Expert-Service' (PE 'TA-Expert-Service')

Carries out appraisal of tangible and intangible property, including land plots. Has been operating in the Ukrainian market since 2009. Having the extensive network of representative offices in 10 regions of Ukraine, cooperates with many Ukrainian banks in many issues, including collateralised property monitoring.

### 7.8. Appraisal Companies

# Limited Liability Company 'Deloitte & Touche' (LLC 'Deloitte & Touche')

Division of the world-famous conglomerate corporation, which takes the leading place in the world for audit, consulting and related services. The company specialises in corporate finance, appraisal and financial modelling. Experience in the local and international market of more than 20 years. The best results in appraising businesses and assets in the M&A process and financial reporting (including cost sharing, impairment analysis and financial modelling).

# Limited Liability Company 'Businesspartners' (LLC 'Businesspartners')

Has been providing services on appraisal of tangible items, intangible assets, monetary valuation of land plots since 2013.

# Limited Liability Company 'Expert Consulting Union' (LLC 'Expert Consulting Union')

Has been one of the Bank's oldest partners in the field of appraisal since 2010 and till now. The company specialises not only in appraisal, but also in monitoring of goods for sale, examination of construction and reconstruction projects.

# SE 'Baker Tilly Ukraine'

Has been operating in the Ukrainian market since 1999. The company is an independent member of Baker Tilly International and offers high-quality services in the field of audit, consulting, independent appraisal, book-keeping and management accounting.

# Limited Liability Company 'Parus' (LLC 'Parus')

Has been operating in the Ukrainian market since 2006, namely in Odesa and Kyiv regions. The company provides services on appraisal of tangible and intangible property.

#### 7.8. Appraisal Companies

# Limited Liability Company 'RG Satellite' (LLC 'RG Satellite')

Provides services on appraisal of tangible items, intangible assets, monetary valuation of land plots and business consulting.

# LLC'UNION ENTERPRISE OF VALUATION AND EXPERTISE OF SPECIAL OBJECTS AND INVESTMENT UKRAINE' (LLC'SPETSOTSENKA Ukraine')

The company has entered the consulting market of Ukraine under the name of LLC 'SPETSOTSENKA UKRAINE' in 2008. Its HR basis is made up of specialists with considerable work experience, high professional level and higher education in various fields of legal, economic and engineering activities, passed the international and European certification and received RICS and TEGoVA certificates for appraisal activities, are members of the Ukrainian and Russian Appraisers Associations, Association of Real Estate Specialists (Realtors) of Ukraine.

#### LIMITED LIABILITY COMPANY EXPERT AGENCY 'UKRCONSULT'

Has been operating in the Ukrainian market since 2001. The company has many years of practical experience in property valuation in the areas of valuation of objects in tangible and intangible forms, as well as monetary valuation of land plots. The company has a team of highly skilled appraisers with RICS, FIABCI, TEGoVA international certificates.

#### 7.9. Asset Management Companies

During 2019, JSB 'UKRGASBANK' actively cooperated with the following asset management companies:

- Limited Liability Company Asset
   Management Company 'UDP ASSET MANAGEMENT'
- Limited Liability Company Asset Management Company 'CITY ONE ASSET MANAGEMENT'

### 7. PARTNERSHIP AND COOPERATION

7.10. Securities Depositories

# PUBLIC JOINT-STOCK COMPANY 'NATIONAL DEPOSITORY OF UKRAINE'

(hereinafter – the NDU) operates the unified depository record-keeping system and provides depository services. The NDU's exclusive competence is to number (codify) securities and standardise the depository accounting and document circulation by securities transactions, etc.

The Bank has been the NDU's client since 2007 after it had entered into the depository agreement for opening and maintenance of securities account, storage and record-keeping of securities the rights to which belong to the depository institution's depositors.

In 2009, the Bank entered into agreement with the NDU on opening and maintenance of securities account of the issuer and deposited global certificates of both ordinary and preferred shares of the Bank.

#### DEPOSITORY OF THE NATIONAL BANK OF UKRAINE

carries out activities on depository accounting and maintenance of circulation of domestic or foreign government bonds of Ukraine, targeted domestic government bonds of Ukraine, treasury bonds of Ukraine and local government bonds, as well as debt securities that certify lending relationships of local government bodies placed outside Ukraine, and maintenance of corporate transactions of the issuer on securities accounts of clients.

#### 7.11. Stock Exchanges



### JOINT-STOCK COMPANY 'PFTS STOCK EXCHANGE'

(hereinafter – PFTS Stock Exchange) is one of the largest trade organisers in the Ukrainian stock market that maintains interregional system of on-line trading in securities.

The Bank has been a member of PFTS Stock Exchange since 1997 and carries out securities transactions on this exchange both from its own portfolio and by its clients' orders. UKRGASBANK is a shareholder of PFTS Stock Exchange with a share of 0.19% as of the end of 2019.



# PRIVATE JOINT STOCK COMPANY STOCK EXCHANGE 'PERSPEKTIVA'

(hereinafter – Stock Exchange Perspektiva) after being created in 2006, has taken up the leading position in the Ukrainian market due to active implementation of trading, settlement and information technology.

The Bank has been a member of Stock Exchange Perspektiva since 2007 and carries out securities transactions on this exchange.



### JOINT-STOCK COMPANY 'UKRAINIAN EXCHANGE'

(hereinafter – Ukrainian Exchange) is one of the trade organisers on the Ukrainian stock market.

The Bank has been a member of Ukrainian Exchange since its foundation in 2008 and carries out securities transactions on this exchange both from its own portfolio and by its clients' orders.

# 7. PARTNERSHIP AND COOPERATION

# 7.12. Stock Exchanges



# PRIVATE JOINT-STOCK COMPANY 'AGENCY FOR REFINANCING OF RESIDENTIAL LOANS'

(hereinafter – 'ARRL') was established in February 2012. The main areas of activity of ARRL are acquisition of claims under long-term residential mortgage loans issued by mortgage lending banks, as well as attraction of long-term resources for mortgage lending through issuance of ordinary mortgage bonds.

#### 8.1 Financial Result

At year-end 2019, according to financial statements of JSB 'UKRGASBANK' as of the close of business on 31 December 2019, JSB 'UKRGASBANK' received profits in the amount of UAH 1,289 million. The result was due to the following factors: operating income of UAH 4,495 million (of which net interest income amounted to UAH 2,123 million and net non-interest income amounted to UAH 2,139 million), non-interest expenses, including expenses for other reserves in the amount of UAH 3.150 million.

Financial result for 2019 is positive and exceeds the result for 2018 by 68%. The growth of this indicator in 2019 was due to increase in operating income by UAH 1,066 million.

### Financial indicators, UAH million



#### 8.2. Operating income

In 2019, operating income of the Bank amounted to UAH 4,495 million, including net interest income after change in allowance for impairment of loans of UAH 2,123 million, net fee and commission income of UAH 1,065 million, a positive result from the sale of assets held for sale, fixed assets and intangible assets of UAH 432 million, the result from transactions with derivative financial instruments of UAH 142 million, net income from operations with foreign currencies and banking metals of UAH 159 million, bank remuneration from insurance companies and banks of UAH 110 million, fines received in the amount of UAH 59 million, net investment income recognised at fair value through other comprehensive income of UAH 66 million, return on previously written off assets of UAH 38 million, net income from investment property of UAH 17 million, other income of UAH 52 million.

Net interest income after change in allowance for impairment of loans amounts to UAH 2,123 million, including interest income of UAH 9,664 million, interest expenses of UAH 6,924 million, expenses for loan losses of UAH 617 million.

# 8. REVIEW OF FINANCING ACTIVITIES

#### 8.3 Interest income

The largest share in the structure of the Bank's operating income traditionally accounts for interest income, the volume of which increased by UAH 1,548 million (19%) in 2019 and amounted to UAH 9,664 million as of 1 January 2020. The largest share in interest income accounts for corporate business income (48%) and income from asset management (38%).

The net interest spread for 2019 was 3.3%, and the margin was 3.2%.

	20°	19	201		
Areas of activities	Amount of income, UAH million	Share in interest income, %	Amount of income, UAH million	Share in interest income, %	Change, %
Corporate business	4,659.0	48.2%	4,160.7	51.3%	12.0%
SMEs	620.7	6.4%	380.2	4.7%	63.3%
Retail business	519.8	5.4%	400.5	4.9%	29.8%
Financial institutions	202.1	2.1%	118.7	1.5%	70.3%
Asset management and other	3,662.3	37.9%	3,055.7	37.7%	19.9%
Total	9,663.9	100	8,115.8	100.0%	19.1%

#### 8.4 Net non-interest income

The total net non-interest income of the Bank in 2019 amounted to UAH 2,139 million, the largest share of which is broken down as follows: net fee and commission income of UAH 1,065 million, a positive result from the sale of assets held for sale, fixed assets and intangible assets of UAH 432 million, the result from transactions with derivative financial instruments of UAH 142 million, net income from operations with foreign currencies and banking metals of UAH 159 million, bank remuneration from insurance companies and banks of UAH 110 million, fines received in the amount of UAH 59 million, net investment income recognised at fair value through other comprehensive income of UAH 66 million, return on previously written off assets of UAH 38 million, net income from investment property of UAH 17 million, other income of UAH 52 million.

At year-end 2019, the Bank received UAH 1,363 million of fee and commission income, which is UAH 398 million, or 41%, more than the previous year.

#### Fee and commission income by transaction type

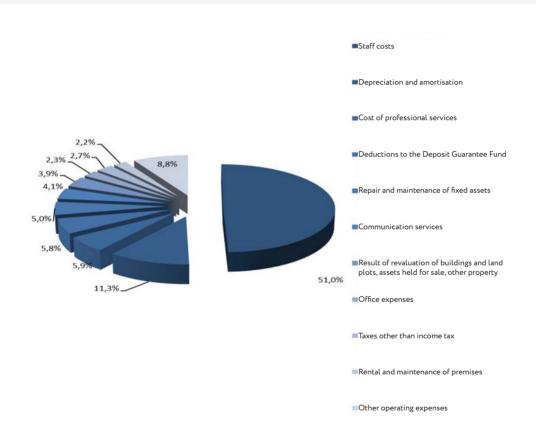
	2	019	2		
Transaction type	Amount of income, UAH million	Share in fee and commission income, %	Amount of income, UAH million	Share in fee and commission income, %	Change, %
Settlement	894.3	65.6%	637.8	66.1%	40.2%
Credit services to clients	156.9	11.5%	108.9	11.3%	44.1%
Agency transactions in the foreign exchange market	142.1	10.4%	117.4	12.2%	21.0%
Guarantees and letters of credit	131.8	9.7%	80.7	8.4%	63.4%
Security transactions	17.6	1.3%	7.3	0.8%	140.6%
Other transactions	20.3	1.5%	13.2	1.4%	54.3%
Financial institutions	1,363.1	100.0%	965.2	100.0%	41.2%
Total	9,663.9	100	8,115.8	100.0%	19.1%

In 2019, the Bank continued developing documentary transactions, which increased the share of fee and commission income from guarantees and letters of credit in the Bank's fee and commission income up to 63%. At the same time, the largest share in the Bank's fee and commission income accounts for the income from settlements (66%).

# 8.5. Non-interest expenses

In 2019, the volume of non-interest expenses, considering the allowance for expected loan losses for other assets and other reserves and income taxes, amounted to UAH 2,917 million. The ratio of administrative and other operating expenses to operating income before change in reserves was 62%.

# Structure of non-interest expenses in 2019



# 9. FINANCIAL STATEMENTS OF JSB 'UKRGASBANK' AS OF THE CLOSE OF BUSINESS ON 31 DECEMBER 2019 (IN SHORT)

PUBLIC JOINT-STOCK COMPANY JOINT-STOCK BANK 'UKRGASBANK'

Financial Statements for 2019

STATEMENT OF FINANCIAL POSITION

As of 31 December 2019

(in UAH thousand)

	Notes	31 December 2019	31 December 2018
Assets			
Cash and cash equivalents	7	46,412,441	14,035,435
Banking metals		1,428	1,754
Due from lending institutions	3	293,570	727,055
Derivative financial assets	9	. 8	523
Loans to clients and financial lease	10	38,985,679	45,236,844
Trading securities		-	333
Investment recognised at fair value through other comprehensive	11	30,410,368	18,801,478
income			
Investment property	12	228,857	278,028
Fixed and intangible assets	13	1,433,633	1,710,795
Right-of-use assets	14	166,159	X
Other properties	15	735,298	799,144
Current income tax assets		-	4,921
Deferred income tax assets	16	_	75,432
Other assets	18	469,802	553,253
Total contra		119,137,243	82,224,995
Total assets		117,137,243	02,224,773
Liabilities			
Funds of the National Bank of Ukraine	19		4,303,770
Due to lending institutions	20	5,734,932	5,825,397
Derivative financial liabilities	9	43,624	1,830
Client deposits	21	103,359,581	65,121,926
	17, 23, 27		
Reserves for guarantees, liabilities and legal risks		478,949	589,528
Lease liabilities	14	131,747	X
Current corporate income tax liabilities	17	21,723	-
Deferred corporate income tax liabilities	16	83,681	
Other liabilities	18	1,028,522	626,529
Total liabilities		110,882,759	76,468,980
Equity			
Share capital	22	13,837,000	13,837,000
Acquired title to shares		(518,439)	(518,439)
Results from transactions with shareholders		(1,102,304)	(1,102,304)
Additional paid-in capital		135,942	135,942
Other reserves	22	830,986	(347,763)
Accumulated deficit	22	(4,928,701)	(6,248,421)
Total equity		8,254,484	5,756,015
Total equity and liabilities			<del></del>
		119,137,243	82,224,995

Authorised and signed on behalf of the Bank's management by:

Chairperson of the Management Board

Kyrylo Shevchenko

Chief Accountant

Nataliia Khrustalova

14 May 2020

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### STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

#### For the year ended on 31 December 2019

(in UAH thousand)

	Notes	31 December 2019	31 December 2018 (reclassified)
Interest income calculated by the effective interest method			
Loans to clients Investment recognised at fair value through other comprehensive income		5,667,839 2,936,018	4,897,602 2,243,828
Deposit certificates of the National Bank of Ukraine Due from lending institutions		726,308 202,070	796,914 118,671
		9,532,235	8,057,015
Other interest income Trading securities Financial lease		131,702 131,702	14,982 43,758 <b>58,740</b>
		9,663,937	8,115,755
Interest expenses Funds of the National Bank of Ukraine Client deposits Due to lending institutions		(50,597) (6,720,606) (135,797)	(185,256) (4,888,782) (81,866)
		(6,907,000)	(5,155,904)
Other interest expenses			
Lease liability		(17,050)	X
		(17,050)	X
		(6,924,050)	(5,155,904)
Net interest income before expenses for loan losses		2,739,887	2,959,851
Expenses for loan losses	7, 8, 10, 11		
	27	(617,381)	(557,773)
Net interest income after expenses for loan losses		2,122,506	2,402,078
Loss on initial recognition of financial assets		(1,787)	(2,605)
Result of transactions on provided loans recognised at fair value through profits/losses	0.4	-	2
Net fee and commission income	24	1,064,566	760,891
Net profit/(losses) resulting from derecognition of financial assets evaluated at depreciated value Profits/(losses) on trading securities		407 11	(3,309)
Net profits on investment recognised at fair value through other		65,771	30,966
comprehensive income Profits/(losses) resulting from derecognition of financial liabilities		(1,121)	-

### STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME (continued)

_	Notes	31 December 2019	31 December 2018 (reclassified)
Net profits on foreign exchange transactions and banking metals Result from transactions with derivative financial instruments Net profits on investment property	25	158,736 141,878 17,009	115,286 177,604 19,712
Other income Non-interest income	26	694,009	157,387
	28	2,139,479	1,252,657
Staff costs Other operating expenses Depreciation and amortisation Amortisation of right-of-use assets Changes of expected loan losses for other assets and other reserves	28 28 13	(1,488,543) (1,186,764) (292,518) (38,088) 88,900	(1,202,617) (934,431) (297,129) X (338,836)
Non-interest expenses		(2,917,013)	(2,773,013)
Profits before tax Corporate income tax expenses	16	<b>1,344,972</b> (55,976)	<b>881,722</b> (113,024)
Net profits		1,288,996	768,698
Other comprehensive income			
Other comprehensive income not to be reclassified as profits and losses			
Revaluation of fixed assets		(31,595)	(4,843)
Corporate income tax related to revaluation of fixed assets		5,687	872
		(25,908)	(3,971)
Other comprehensive income to be reclassified as profits and losses			
Net change of fair value of debt instruments recognised at fair value through other comprehensive income Amount of retained (profit)/loss reclassified to profit or loss upon disposal of debt instruments recognised at fair value through		1,332,211	(566,237)
other comprehensive income  Amount of change in estimated allowances for expected credit losses on debt instruments recognised at fair value through other	22	(65,771)	(30,966)
comprehensive income	22	104,408	11,470
Corporate income tax associated with revaluation of investment recognised at fair value through other comprehensive income	22	(135,467)	
		1,235,381	(585,733)
Other comprehensive income/(losses) after tax		1,209,473	(589,704)
Total comprehensive income/(losses)		2,498,469	178,994
Weighted average number of shares (thousand) Net and adjusted net profits per share (UAH)		13,837,000 0.09	13,837,000 0.06
Authorised and signed on behalf of the Bank's management by:			
Chairperson of the Management Board		Kyryl	o Shevchenko
Chief Accountant		Natali	ia Khrustalova

14 May 2020

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#### STATEMENT OF CHANGES IN EQUITY

For the year ended on 31 December 2019

(in UAH thousand)

	Notes	Share capital	Acquired title to shares	Results from transactions with share- holders	Additional paid-in capital	Other reserves	Accumulated deficit	Total equity
As of 31 December 2017		13,837,000	(518,439)	(1,102,304)	135,942	278,424	(7,005,310)	5,625,313
Impact of IFRS 9		-		-	-	(33,167)	(15,155)	(48,322)
Balance as of 1 January 2018 recalculated in accordance with IFRS 9		13,837,000	(518,439)	(1,102,304)	135,942	245,257	(7,020,465)	5,576,991
Total comprehensive		-	-	-	-	(589,704)	768,698	178,994
income for the year Change in revaluation of securities received from PJSC 'AKB KYIV' Transfer due to disposal	-	-	-	-	- (3,316)	30 3,316	30	
of assets As of 31 December 2018		13,837,000	(518,439)	(1,102,304)	135,942	(3,316)	(6,248,421)	5,756,015
Total comprehensive income for the year Transfer of retained revaluation allowance upon disposal of equity instruments recognised at fair value through other comprehensive	22	-	-	-	-	1,209,473	1,288,996	2,498,469
income		-	-	-	-	59,353	(59,353)	-
Conversion of results of asset disposal		-		-	-	(90,077)	90,077	
As of 31 December 2019		13,837,000	(518,439)	(1,102,304)	135,942	830,986	(4,928,701)	8,254,484

Authorised and signed on behalf of the Bank's management by:

Chairperson of the Management Board

Kyrylo Shevchenko

Nataliia Khrustalova

Chief Accountant

14 May 2020

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#### CASH FLOW STATEMENT (Direct Method)

For the year ended on 31 December 2019

(in UAH thousand)

(in OAH thousand)	Notes	2019	2018
Cash flow from operating activities			-
Interest received		10,666,928	8,259,913
Interest paid		(6,757,390)	(5,073,457)
Fees and commissions received		1,345,311	941,141
Fees and commissions paid		(298,538)	(204,301)
Net result from foreign exchange transactions and banking metals (realised)	25	168,029	(27,734)
Result from transactions with derivative financial instruments		159,265	176,046
Other income received		220,244	154,232
Staff costs		(1,454,261)	(1,175,420)
Other operating expenses		(1,127,629)	(898,099)
Trading result on investments in securities			268
Cash flow from operating activities before changes in operating assets and liabilities			
		2,921,959	2152589
Net decrease/(increase) in operating assets Banking metals		452	5.622
Due from lending institutions		320,286	3,011,562
Loans to clients and financial lease		1,695,103	(12,907,571)
Other assets		103,128	38,844
Net (decrease)/increase in operating liabilities			
Due to lending institutions		(460,014)	2,555,470
Client deposits		45,101,518	5,427,928
Other liabilities		300,293	210,558
Income tax paid			X_
Net cash generated from operating activities		49,982,725	495,002
Cash flow from investment activities			
Acquisition of investment securities		(231,286,990)	(271,887,105)
Proceeds on sale and repayment of investment securities		218,687,205	273,197,064
Acquisition of fixed and intangible assets		(212,379)	(212,773)
Proceeds on sale of fixed assets		217,057	15,059
Proceeds on investment property		14,700	22,411
Proceeds on sale of assets held for sale	15	646,806	48,571
Proceeds on sale of other property	15		10,442
Net cash (used in)/generated from investment activities		(11,933,601)	1,193,669
Cash flow from financing activities			
Proceeds on borrowed funds from lending institutions		1,624,312	1,432,794
Repayment of borrowed funds from lending institutions		(508,228)	(80,214)
Proceeds on borrowed funds from the National Bank of Ukraine		(4,304,156)	15,787,606 (11,902,436)
Repayment of borrowed funds from the National Bank of Ukraine Payment of principal amount of leasing liability		(73,558)	(11,902,430) X
Net cash used in financing activities	34	(3,261,630)	5,237,750
_	٠.	(2,409,504)	(151,676)
Effect of exchange rate changes on cash and cash equivalents			
Effect of expected loan losses on cash and cash equivalents		(934)	(3,597)
Net increase in cash and cash equivalents	_	32,377,006	6,771,148
Cash and cash equivalents at the beginning of the period	7	14,035,435	7,264,287
Cash and cash equivalents at the end of the period	7	46,412,441	14,035,435

Authorised and signed on behalf of the Bank's management by:

Chairperson of the Management Board

Kyrylo Shevchenko

Chief Accountant

Nataliia Khrustalova

14 May 2020