



UKRSIBBANK
BNP PARIBAS GROUP

CONSOLIDATED REPORT ON MANAGEMENT 2019

La banque d'un monde qui change

The bank for a changing world

O banco para um mundo em mudança

Banken for en verden i endring

O banco para um mundo em mudança

La banque d'un monde qui change

Банк для світу, що змінюється

Die Bank für eine Welt im Wandel

mondo che cambia

La banca per un mondo che cambia

Welt im Wandel

La banque d'un monde qui change

بنك يتطور ... لعالم يتغير

The bank for a changing world

Банк для світу, що змінюється

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La banque d'un monde qui change

La banca per un mondo che cambia

Bank zmieniającego się świata

Банк для світу, що змінюється

La banca per un mondo che cambia

Die Bank für eine Welt im Wandel

Банк для світу, що змінюється

O banco para um mundo em mudança

攜手變

通世界

بنك يتطور ... لعالم يتغير

Η τράπεζα ενός κόσμου που αλλάζει

CONTEXT

This CONSOLIDATED REPORT ON MANAGEMENT is prepared according to NBU instruction #373 "On approval of "Instruction about preparation and communication of financial reporting of Ukrainian banks" dated with 4th of April of 2018. This report is an integral part of obligatory annual reporting.

Financials figures are extracted from Consolidated Financial Statements.

AGENDA

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Welcome speech by Chairman of the Management Board

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Dear clients and partners!

During 2019, we have been relentlessly dedicated to building a solid bank generating growth and providing our clients with high quality services.

UKRSIBBANK strategy results in being a universal bank that offers diverse products through a flexible and prudent risk-based approach. We are able to combine strengths and knowledge between business lines in order to provide the most appropriate products to our customers. Growing our client base and increasing loyalty is one of our key objectives.

Combined with a positive macro-economic environment, this strategy has successfully allowed to meet the targets we set in 2018.

The benefits of this strategy have led to generate profitability and growth, and to improve the financial strength of the bank. Simultaneously, starting already by 2018 end, we have concentrated efforts of the Supervisory Board on the reinforcement of the governance of UKRSIBBANK, bringing it further in line with best international standards. 2019 has been the first full year of operations under this renewed governance.

Looking ahead, 2020 will meet new additional challenges.

It will mark the 30th Anniversary of the bank and the 15 years of presence of the BNP Paribas Group in Ukraine. The European leader banking Group is deeply involved in the development of its activities in Ukraine and will continue to share its expertise to offer our customers the best quality services in a safe institution.

"The bank for a changing word"

Adaptation to the changing environment will be our main driver for 2020. Despite headwinds such as evolving in a rate decrease environment or in a context of still prevailing political uncertainties, we shall remain committed to deliver excellent financial results.

We will still contribute to the digital transformation of the banking sector by continuing the implementation of new customer solutions and by constantly improving their experience.

UKRSIBBANK identifies and understands the changes that touch our clients and transforms these changes into opportunities thanks to new high quality services and solutions while contributing to a better future and a positive impact on society.

A change in the organization will also occur in 2020 with the departure of our Chief Executive Officer, Philippe Dumel, after a long and very successful mandate in Ukraine for which the Supervisory Board warmly thanks him. We are happy to welcome our new CEO, Laurent Dupuch. I'm confident that his previous experiences will bring a new dynamic to the bank.

Finally, the commitment and the energy of the UKRSIBBANK employees over the years have been the key component of the bank to reach its targets. We are continuously striving to provide a good place to work and challenging objectives to our employees.

Yours faithfully,

François Benaroya

**Chairman of the Supervisory Board
UKRSIBBANK BNP Paribas Group**



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Dear clients and partners!

Macro-economic environment and Banking sector

During 2019, Ukrainian macro-economic parameters continued to stabilize following 2018 trend.

GDP showed a growth of 3.5%, inflation decreased by nearly 2.3% on average compared to 2018 to reach 9.8% YoY. Following lower inflation, the reference interest rate (2W) decreased progressively during the year from 18% in January to finally reach a level of 13.5% in December. The Hryvnia was rather stable against USD staying in a band 24-28 UAH/USD with a slight appreciation by the end of the year.

After the heavy cleaning by the National Bank of Ukraine in 2015-2017, the banking sector started to make structurally profit in 2018 and 2019, showing a substantial improvement of its situation.



Financial results and commercial achievement

By capitalizing on our universal bank strategy, UKRSIBBANK recorded in 2019 solid results despite operating in a decrease rate environment.

Good dynamic on all businesses was driven by credit solutions to our individual customers, loans to Small and Medium businesses and deposits on Corporate and Individual segments. This trend was illustrated on the NBI growth by 7% despite headwinds such as rate decrease.

Net profit was more than 2.6Bn UAH and our key financial ratios underline the bank solidity. We were able to distribute dividends and reward the confidence of our shareholders in Ukraine activity.

Main Initiatives

During 2019, UKRSIBBANK further invested in enhancing the customer journey through different initiatives while maintaining a safe business environment through data management or additional investments in cyber security in line with the BNP Paribas ambitious standard.

Keeping client satisfaction is still our priority by focusing on Net Promoter Score (NPS).

On digital side, the bank continues its transformation to meet clients' changing needs by offering new services and adapting to the multichannel demands such as contactless payment thanks to Apple pay or FX online.

Aware of the expectation of the society in terms of ethical and socially inclusive solutions, UKRSIBBANK is engaged in diverse programs to meet its corporate social responsibility. Among many initiatives, we have implemented a special program "Women in business" to encourage the success of women entrepreneurs in Ukraine or we are part of the UN initiative HeForShe.

Our employees are the pride of UKRSIBBANK and we continue to invest in our Good Place to Work program to promote employees as change enablers. Our efforts have been rewarded and UKRSIBBANK obtained the Top Employer Europe label early 2020.

I would like to thank all our employees for their engagement and our clients for their fidelity during those years and to wish to UKRSIBBANK many more success going forward.

Best regards,

Philippe Dumel

Chairman of the Management Board

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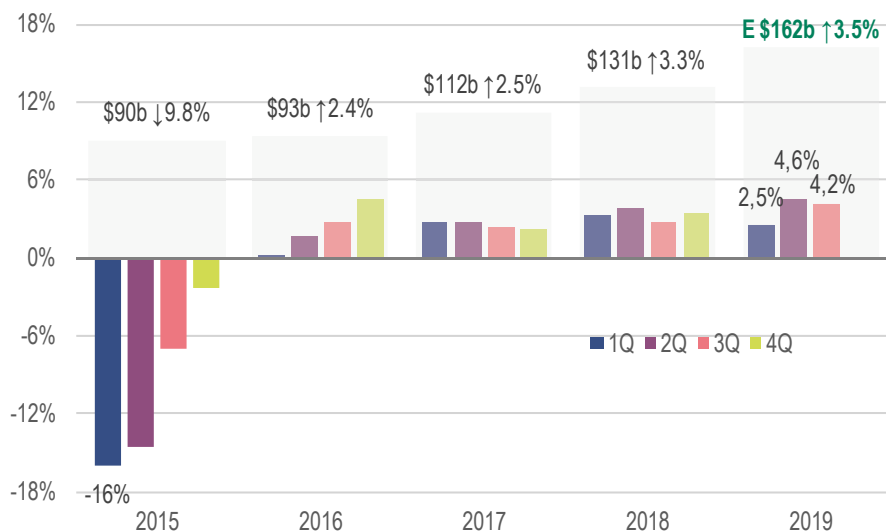
BANK ORGANIZATION

UKRAINE MACROEVOLUTION

Ukraine's economy has been growing for fourteen consecutive quarters in a row. Real GDP growth picked up to 3.6% in the first half of 2019 and 4.2% in the third quarter.

Strong domestic demand remains the key driver. Supported by increasing wages, expanding consumer lending and solid personal money remittances, retail sales are on the way up.

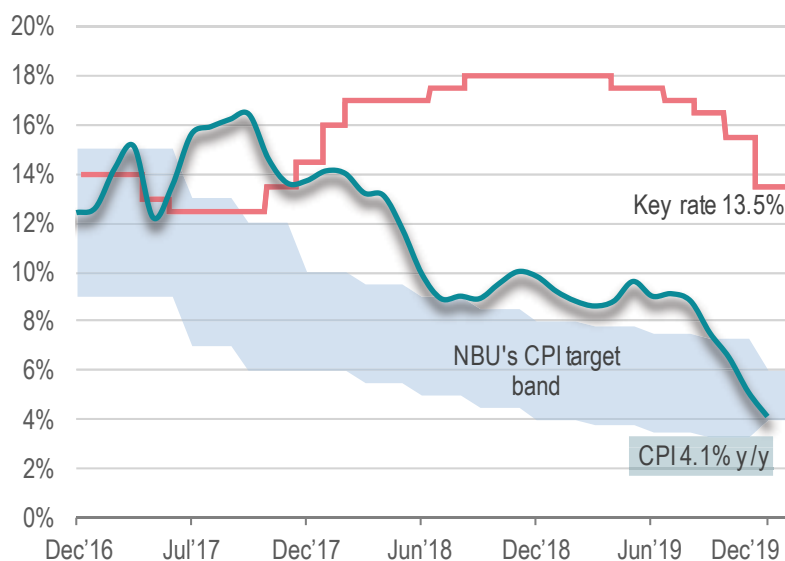
GROSS DOMESTIC PRODUCT (GDP)



Source: Ukrstat, UKRSIBBANK

CONSUMER PRICE INDEX (CPI) VS KEY POLICY RATE, %

Consumer price inflation slowed to surprising 4.1% y/y in 2019, thanks to the sound monetary management, strong local currency and favorable energy prices at the global markets.



Source: NBU

USD/UAH EXCHANGE RATE



Source: NBU



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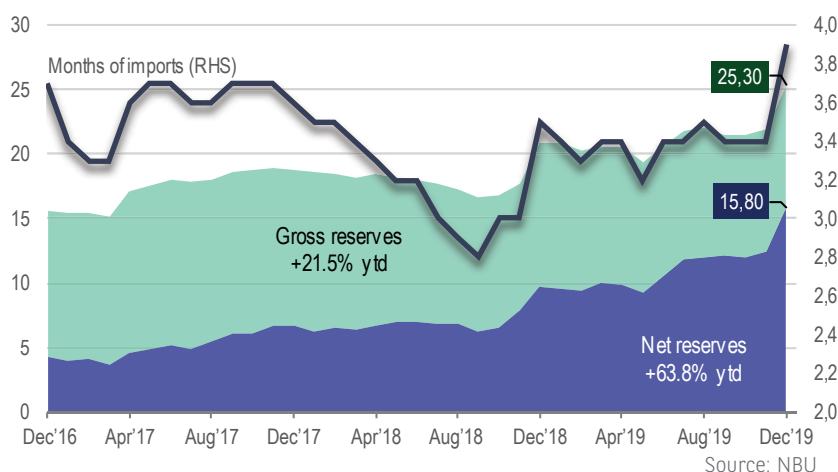
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UKRAINE MACROEVOLUTION

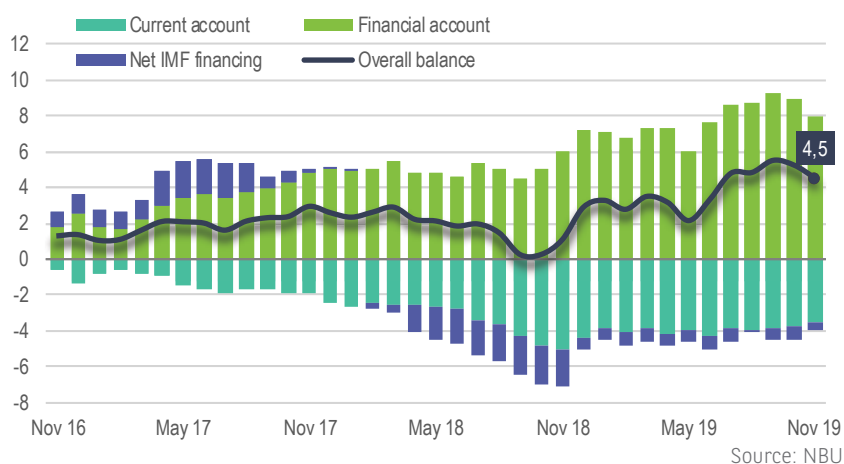
Ukraine reached a preliminary agreement with the IMF on a new three-year loan program worth USD5.5bn. The money will be released after the government completes so-called prior actions. We expect the final approval to be granted in the coming months.

Ukraine's international reserves hit a seven-year high of USD25.3bn in 2019. Steady inflows of foreign capital into local government bonds and active export revenues sales by agricultural companies helped the central bank to increase FX purchases on the local exchange market to USD7.9bn from USD1.4bn a year before.

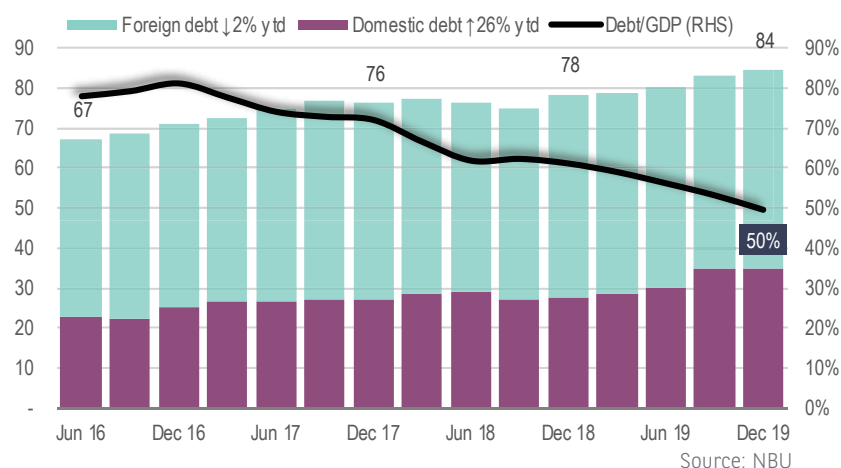
INTERNATIONAL RESERVES, USDBN



BALANCE OF PAYMENTS 12M ROLLING, USDBN



PUBLIC DEBT, USDBN



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BNP PARIBAS IN 2019



BNP PARIBAS

BNP Paribas is a European leader
in the world market of banking
and financial services with almost 200-years history.

198 816

EMPLOYEES

71

COUNTRIES

€ 44.6

BILLION REVENUES

€ 8.2

BILLION NET INCOME
GROUP SHARE

● - Countries of BNP Paribas presence

Source: <https://group.bnpparibas/>

UKRSIBBANK BNP PARIBAS GROUP IS A PART OF THE WORLD FINANCIAL GROUP

BNP Paribas has been awarded as the **“World’s Best Bank for Corporate Responsibility”** for 2019, by Euromoney.

BNP Paribas has been awarded **Top Employers Europe** for the seventh year in a row, with certification in eight countries: Belgium, France, Germany, Italy, Luxembourg, Poland, Ukraine and Turkey.

BNP Paribas has been awarded the **Most ESG Responsible International Bank Global 2019** in the Capital Finance International (CFI) Awards.

BNP Paribas, 1st French bank and 3rd bank worldwide in **“Global 100 Most Sustainable Corporations”** ranking, published at the occasion of the World Economic Forum opening in Davos by the magazine Corporate Knights.



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UKRSIBBANK BNP PARIBAS GROUP FOR TODAY

BEING THE BANK FOR A CHANGING WORLD



Nowadays, **UKRSIBBANK BNP Paribas Group** is a universal bank that holds the top line of financial ratings in Ukraine and provides the international level services.

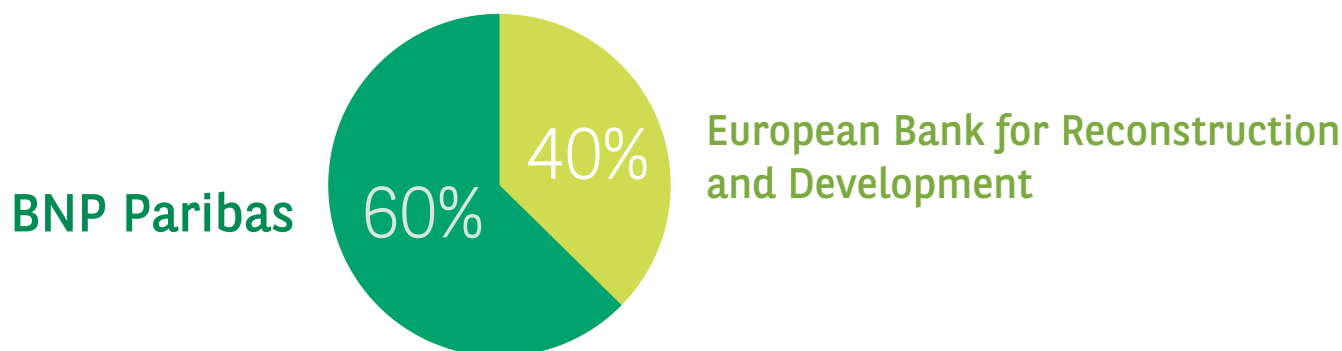
UKRSIBBANK offers package services and integrated solutions, improves and simplifies processes, provides international support to its clients in the countries of BNP Paribas Group presence.

29
years

in the financial
market of Ukraine

- In TOP-4 in profitability
- uaAAA, the highest level of creditworthiness in Ukraine
- About 2.1 M customers
- 260 branches
- 79 cities
- About 1 000 bank's ATMs
- About 5 300 Employees

SHAREHOLDERS OF UKRSIBBANK BNP PARIBAS GROUP



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MANAGEMENT TEAM OF UKRSIBBANK BNP PARIBAS GROUP

**Andrii Kashperuk***

Deputy Chairman of the Management Board,
Chief Operating Officer

Natalia Halunko

Head of Human Resources Management
Department

Yuliia Kadulina*

Deputy Chairman of the Management Board,
Personal Finance Director

Philippe Dumel*

Chairman of the Management Board

Olena Yarmolenko*

Head of Compliance Control Department

Yanina Olkhovska

Head of Brand and Communication Service

1 st row

Sergiy Zagorulko*

Deputy Chairman of the Management Board,
IT Director

Piotr Konieczny*

Deputy Chairman of the Management Board,
Head of Finance Department

Dmytro Tsapenko*

Deputy Chairman of the Management Board,
Director for Treasury and Capital Markets

Olena Polianchuk*

Deputy Chairman of the Management Board,
Head of Legal Department

Svitlana Maslakova

Director of registration and collection of debts

Konstantin Lezhnin*

Deputy Chairman of the Management Board of
Retail Banking

2 nd row

Eric Racineux

Head of Internal Audit Department

Jean-Eric Stoltz

Head of Risk Management Department

Hans Broucke*

Deputy Chairman of the Management Board,
Head of Corporate business

3 rd row

* Management Board members



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CORPORATE SOCIAL RESPONSIBILITY

Being a bank for a changing world means being responsible for the future. UKRSIBBANK plays an important role in society. To do this, every day we strive to create a bank with high standards and a positive impact on the employees, customers, society, environment.

UKRSIBBANK, as a part of a global Group, implemented a Corporate Social Responsible approach that allows us to take part in building a sustainable future while promoting the Group's performance and stability.

For instance, UKRSIBBANK has implemented 9 BNP Paribas Group CSR sectoral policies: Defense and security, Nuclear, Agriculture, Palm oil, Wood pulp, Coal-fired power generation, Mining, Unconventional Gas & Oil, Tobacco.

The task of adhering to the social and environmental criteria identified by the Group in each policy that is considered to be the best practice in this sector is to maintain a high

reputation and to encourage clients' engagement to improve their practices.

All sectors are concerned by the respect of human rights; this is why it is included in all our sector policies. We felt the need to complement our setup with specific requirements to reduce our exposure to the Defence sector and the Tobacco industry notably because of their impacts in terms of fatalities.

Climate change and more specifically deforestation is addressed by a series of CSR sector policies for the agriculture, palm oil and wood pulp activities. We have a CSR policy for mining which also contains references to our No Deforestation principle.

Climate change/energy transition is addressed by CSR sector policies for coal fired power plants, unconventional oil & gas, nuclear power, mining (more specifically thermal coal).



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ENGAGEMENT

UKRSIBBANK supports different kinds of projects aligned with BNP Paribas Engagement program. First of all, we support projects where we can have impact. We achieve this by aligning our products and services, partnership, employer action, transparent procurement policies, corporate social responsibility programs, and most importantly engaging our employees in an active social position — staff volunteering and entrepreneurial initiatives.

ENERGY TRANSITION

UKRSIBBANK promotes energy efficiency, renewable energy, and the benefits of a circular economy.

Beside this, UKRSIBBANK employees planted several hundred trees near schools, urban parks and recreation areas in the different cities of Ukraine.



ENTREPRENEURSHIP

In 2019 the bank continued to collaborate with the winners and participants of Popcorp acceleration supporting innovative solution for business.

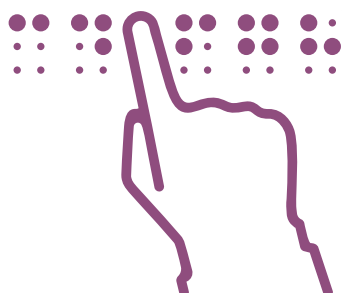
Also the bank launched new program Women in business aimed to encourage the success of women entrepreneurs. We supported key events for women: UN Congress HeForShe in Ukraine, Women of Ukraine 2019, Connecting Women, European Mathematical Olympiad for Girls, and organized own mentoring program. More than 400 women entrepreneurs attended our events in different Ukrainian cities. In 2020 we will continue to support Women in business.



YOUNG GENERATION

We believe that innovation is the voice of youth, so we support numerous projects aimed at developing the potential of young people, both students and kids.

Besides this, the bank pays attention to children and young people with special needs. For instance, since more than 10 years UKRSIBBANK has been supporting people with Down Syndrome and kids with cerebral palsy, also the bank supports Braille books publishing.



THINK LOCAL

By supporting various local projects, we are going to improve the local, social and cultural environment. UKRSIBBANK has been supporting "French Spring" festival in Ukraine for 13 years. Also in 2019 1500 participants – our clients and their friends, families, and partners were engaged and inspired in first UKRSIBBANK TENNIS OPEN DAYS in Kyiv, Odesa, Kharkiv, Dnipro and Lviv.



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ACTUAL RATINGS AND AWARDS (2019)

- The rating agency **Expert Rating** confirmed UKRSIBBANK BNP Paribas Group long-term **credit rating at uaAAA** level according to the national Ukrainian scale, that means the highest level of creditworthiness.
- UKRSIBBANK BNP Paribas Group is in the list of **the most reliable** banks in Ukraine, according to the analytical system **YouControl**, that has developed a tool **FinScore** to check the bank's reliability.
- **STP Award** by Commerzbank AG.
- **"Premium Care"** — the best service for Premium clients in Ukraine, Mastercard.
- **№1 in the reliability rating** of large retail banks by financial magazine "Dengi".
- UKRSIB online is in **TOP 3 "The Best Internet Bank"** and **"The Best Mobile Bank"** according to FinAwards2019.
- Black Edition for the Premium Client in **TOP 3 "The Best VIP Debit Card"** according to FinAwards2019.
- **№2 of the most reliable banks of Ukraine** by investment company Dragon Capital.
- **№2 in the rating of the viability of Ukrainian banks** by independent journalistic business portal «Mind.ua».



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BUSINESS MODEL

OUR STRATEGY AND MODEL OF COMPLEMENTARY BUSINESSES

UKRSIBBANK strategy results in being a universal bank that offers diverse products through a flexible and prudent risk-based approach. We are able to combine strengths and knowledge between business lines in order to provide the most appropriate products to our customers. Growing our client base and increasing loyalty is one of our key objectives.

MISSION:

To make financial life of our clients simple, safe and rewarding.

VISION:

As a part of an international financial Group, we strive to be the most reliable and trustworthy bank, attractive and predictable financial partner for responsible customers.

KEY ACTIVITY DIRECTIONS: The strategic choice of the shareholders is to build a resilient universal bank with strong and diversified client base giving reliable liquidity support, a reasonable credit risk policy, a strong compliance culture and a suitable cost/income ratio, formalized in a yearly budget and a 3-year roll forward plan.

CORPORATES

- "One Bank" philosophy
- Centralized team serving 3 segments :
 - multinational companies (MNC),
 - local corporates,
 - agri companies

FINANCIAL MARKETS

- Liquidity & interest rate risk management
- FX sales for corporate & retail customers
- Brokerage & custody services

RETAIL

- Primary focus on "Premium" segment and SME
- Innovative digital solutions
- Transactional business
- Large and stable deposits base
- Consumer loans



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UKRSIBBANK FOR CORPORATE CLIENTS

OUR MINDSET: "ONE BANK"

UKRSIBBANK is an integral part of the One Bank approach within BNP Paribas Group. One Bank reflects our capacity to accompany corporate clients in their expansion abroad by leveraging BNP Paribas' international footprint (presence in 71 countries). The One Bank platform provides internationally operating corporate clients with seamless cross-border solutions and customer experience. One Bank is supported by a community of dedicated relationship managers who ensure the high standard level of service provided to our Clients.

CORPORATE DEPOSITS

We provide an extensive range of solutions to help our Clients manage cash at each stage, from liquidity management to investment solutions for operational, reserve and strategic cash.

KNOW-HOW AT OUR CLIENTS' FINGERTIPS

Working in partnership with our clients (Multinational Corporations, Local Large Corporates, Agri) we help provide a full range of solutions to meet their ongoing needs across financing, treasury (FX), liquidity management, cash management, trade solutions and structured finance.

CORPORATE LENDING

We work in partnership with our clients to help deliver optimal financing solutions, including working-capital facilities in UAH and hard-currency, mid-term financing for capital expenditure purposes. We help our clients to access the UAH market reliably and consistently. Benefiting from a large balance sheet and financing capabilities, we continue to commit our resources to service our clients.



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CASH MANAGEMENT

We rely on a powerful global reach combined with an undisputed local footprint in Ukraine to serve our corporate Clients with strong advisory and innovative, customized solutions covering all aspects of cash management: local & international payments, mass payments, salary projects, cash collection, Global Channels, e-commerce, merchant acquiring, corporate cards, int. reporting (MT940/942)

TRADE FINANCE

Our trade finance franchise is recognized as one of the world's top three and the first in Europe. We enable Clients to optimize, secure and finance international transactions worldwide. We offer trade products and services including letters of credit (export, import), documentary collections, guarantees.

UKRSIBBANK ELECTRONIC PAYMENT SYSTEMS

UKRSIB Business new local Ukrainian e-banking platform

CONNEXIS WEB-BASED
BANKING PLATFORM AVAILABLE

45 countries
including Ukraine

18 languages

6 100 customers

HOST TO HOST SWIFTNET SOLUTION
DEPLOYED AND EBICS SOLUTIONS
DEPLOYED

22 European countries
including Ukraine

39 countries worldwide

330+ customers



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UKRSIBBANK FOR RETAIL CLIENTS

LOANS



Loans activity is focused on existing clients of the bank and best-selected external clients.

Small and Medium business

The Bank grows its loan portfolio mainly financing SME clients with small tickets in the local currency (UAH). Extension of pilot of SME agro financing project to develop relations with reliable clients in agro sector. Optimization of credit processes is reached thanks to development of automated credit decision tools. We also improve our credit policy in order to keep good quality in new loans production.

Individual credit solution

The needs of over 300k individuals with consumer finance products are covered within POS loans across wide Retail partnership network, cash loans granted both to existing and external clients, cash-online with mobile banking, new and used car loans, as well as credit cards accompanied with doubled demand YoY.

DEPOSITS



The bank remains a key player on the market in terms of volume and maintained a strong dynamic in 2019 by growing its balance by 16%. The bank offers to its customers all range of products: demand deposits, savings accounts and term deposits.

DEPOSIT
GROWTH



NETWORK STRATEGY



Network Strategy aims at transforming Retail into the most attractive bank at the market with prime quality of services.

Less scattered and better managed network (presence in 79 cities instead of 137 in 2015) with focus on key larger cities. Network coverage in cities of presence will be enhanced.

This transformation delivers the most efficient branches and enables to develop business with a good cost/income ratio at the Regional management level focusing on upper segments in SME and individuals.

CLIENTS



The Bank serviced 2,1 M retail clients as of the end of 2019.

The bank provides financial services to individuals as well as businesses (incl. micro-enterprises). Retail focus mainly on the following segments: Premium and SMEs.

2 100 000



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UKRSIBBANK FOR RETAIL CLIENTS

DIGITAL

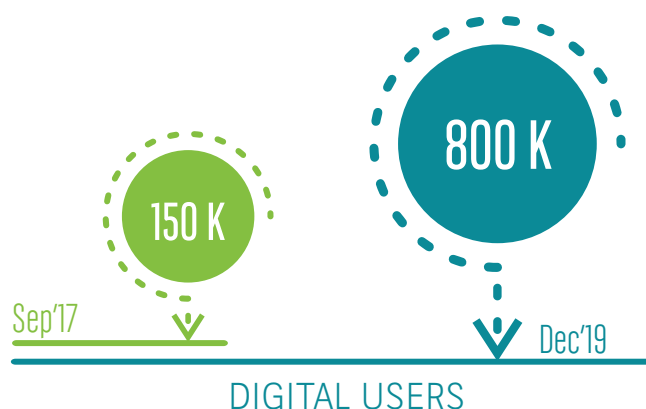


The Bank applies a lot of efforts in developing digital solutions for clients. New online banking for Individuals was launched in Sep'17. Since this time we have a lot of new functionality and better usability: online chat, messengers, remote relationship managers. The Bank managed to increase the number of registered users from 150 K in Sep'17 to 800 K in Dec'19.

The Bank launched a new SME Online-banking in Dec'18. We plan to develop functionality and decommission the old platform by the 2Q of 2020.

Constant work is being conducted to improve data processing in CRM and enrich it with more Customer data.

Bank's collaboration with startups, launched in 2018 provided great results in improving value proposition for customers and quality of services.



CARDS STRATEGY



The Bank serviced 1,9M of total cards by the end of 2019 following a positive trend. Customers benefit from different packages: All Inclusive, Black Edition and World Elite packages.

Bank plans to replace old ATMs and related software, to implement new recycling ATMs which improve customer experience, reduce cost of transportation and funding.

We already introduced new payment methods like contactless and wallets, credit installments and continue to implement innovative payment solutions.

UKRSIBBANK is actively contributing to the digitalization of payment solutions. After G-pay, in 2019 the bank offered to its clients Apple Pay and Garmin Pay.

1 900 000



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FINANCIAL MARKETS IN UKRSIBBANK

UKRSIBBANK BNP Paribas is one of the leading banks in Ukraine in terms of FX. We have built a balanced portfolio of exporters and importers, that gives us an opportunity to provide our clients with the best rates available on the market, even in times of turbulence and volatility on the market.

KEY IMPORTERS:

- FMCG (fast moving consumer goods)
- electronics and household appliances
- crop protection/seeds/ fertilizers
- tourist agencies
- oil and fuel
- car distributors
- machinery and equipment
- pharma

KEY EXPORTERS:

- metals and mining
- agri producers
- agri traders
- IT and communication

PRODUCTS AND SERVICES PROPOSED:

- Execution of buy/sell FX applications on SPOT
- Conversion of FX
- Real time FX operations – Direct Dealing Service
- Execution of FX forward buy/sell deals

Our Clients may also enjoy an access to the wide range of currencies for trading against both UAH and other currencies

CURRENCIES TRADED:

USD, EUR, RUB, CHF, GBP,
PLN, CAD, JPY, CNY, SEK,
DKK, AUD, HUF, TRY



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STRATEGY & FINANCIAL PERFORMANCE

2020 PLAN: CHANGING BANK IN A CHANGING WORLD

IT EVOLUTION

Evolution of IT Infrastructure via the set of dedicated Programs aimed to:

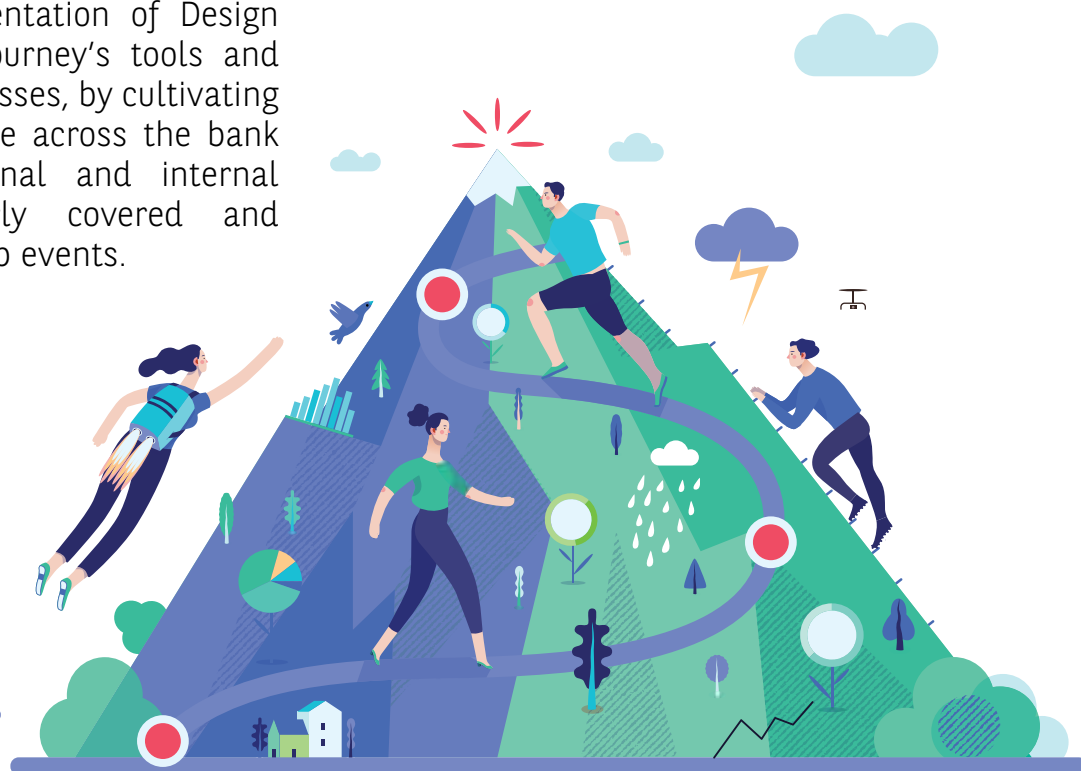
- IT Renovation Plan
- Speed up development, product delivery and reinforce collaboration between business and IT, enabling smoother customer journey (IT renovation, ADMi),
- Ensure sustainable safe customer experience in the context of increasing cyber-threats
- Develop and manage Big Data: collecting, organizing, and sharing for Omni channel client experience
- Better employee engagement by the new IT standards of working place

STRATEGIC PROGRAMS

- Digital transformation — in depth transformation to become omni-channel
- Card development — ATM and POS renewal, acquiring, revolving outstanding,
- Simplification — E2E, streamline processes, eliminate pain points for customers
- Know Your Data — sanitize, protect and leverage data
- Compliance enhancement — complete remediation plan, implement new KYC
- Good Place to Work
- Cyber Security — to protect the Bank from Cyber threats

CUSTOMER CENTRICITY

- Customer Experience transformation is in the center of our strategic focus
- It is reached by implementation of Design Thinking and Customer Journey's tools and best practices on E2E processes, by cultivating Net Promoter Score culture across the bank (treating needs of external and internal customers) and regularly covered and monitored via Customer Lab events.



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FINANCIAL RESULTS & STRUCTURE

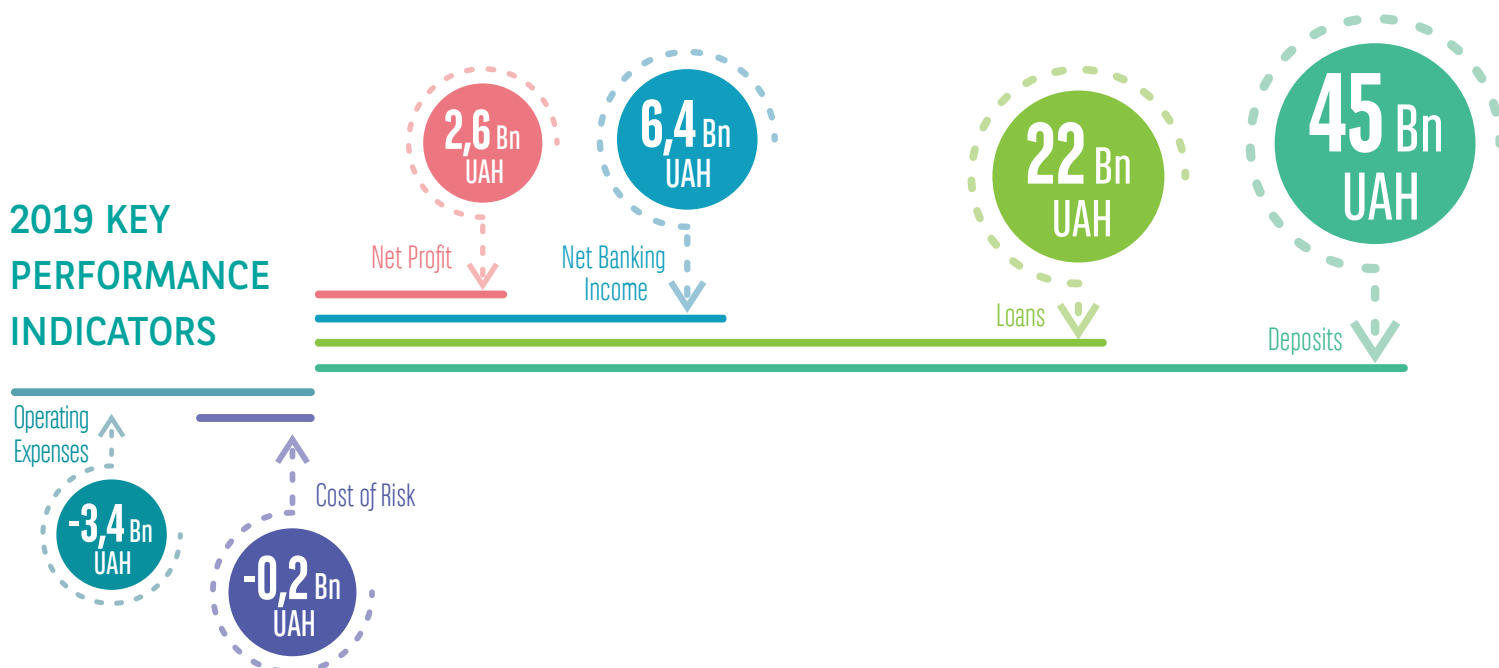
KEY 2019 HIGHLIGHTS

Solid Balance Sheet with CET1 (NBU N3) ratio 14,5%, low level of NPL and almost 50% of Loan to deposits ratio

Profitable business model with NBI growth y/y by +7% and ROE¹ of 43%

Substantial investments into Bank digital infrastructure and Human Capital with CAPEX² growth by +5% y/y and HR OPEX growth by 22% y/y

2019 KEY PERFORMANCE INDICATORS



FORWARD LOOKING STATEMENT

The Bank will continue to operate the universal banking model with necessary adjustments driven by the changes in the customer expectations and behavior by continuing the investments into digital platforms and digital customer experience.

The Bank will steer its business model towards achieving the positive jaws effect in mid - term following the new lower interest rate environment.

The Bank will focus on delivering the double-digit ROE while adopting the capital structure to the changing regulatory capital requirements.

1. ROE = PBT/average equity

2. Capex includes fixed assets and intangible assets



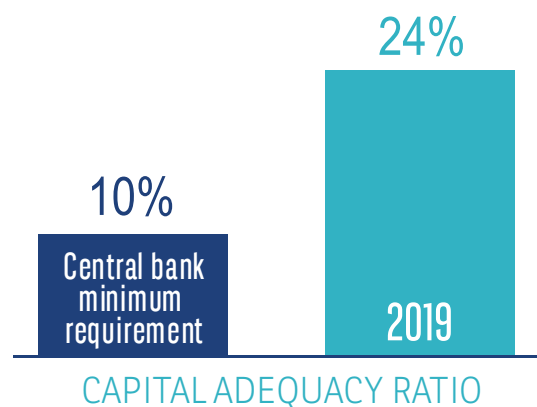
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CAPITAL AND LIQUIDITY STRUCTURE

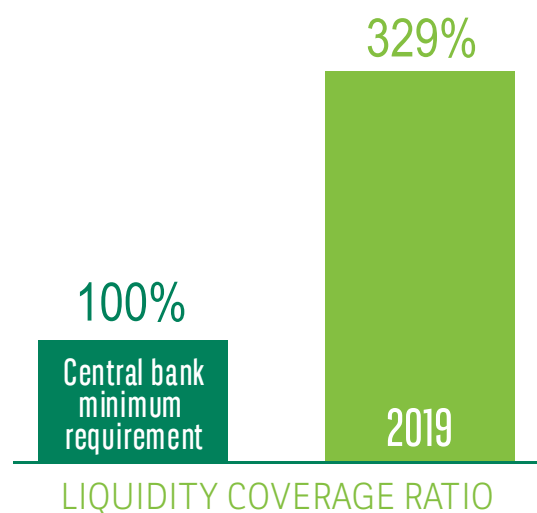
CAPITAL

- Profitable activity of the last three years allow to pay 2,5Bn UAH of dividends in 2019 while maintaining strong capital surplus at the end of year.
- Results of stress-testing made by NBU in 2019 confirm the resilience of the bank
(<https://bank.gov.ua/news/all/natsionalniy-bank-oprilyudniv-rezultati-otsinki-stiykosti-u-rozrizi-bankiv-7636>)
- In 2019, following the contractual obligations stemming from the subordinated debt, the Group repaid part of subordinated debt to the EBRD. During the year BNP Paribas has also provided some guarantees to the Group.
- UKRSIBBANK uses both Tier 1 and Tier 2 capital instruments.



LIQUIDITY

- Focus on clients needs and shareholders support provide confidence in sufficient liquidity in normal and stress scenarios.
- Bank is not dependent on wholesale funding of local and international financial institutions. Deposits base is stable and diversified, and consists of Corporate clients deposits, SME and Individuals.
- Within the normal course of business, the Group performed interbank operations with BNP Paribas and its subsidiaries.
- The Bank follows a careful investment policy and doesn't plan to purchase subsidiaries or shares.



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BUSINESS PARTNERS

PEOPLE – OUR MOST VALUABLE ASSET

Total number of employees — 5.294

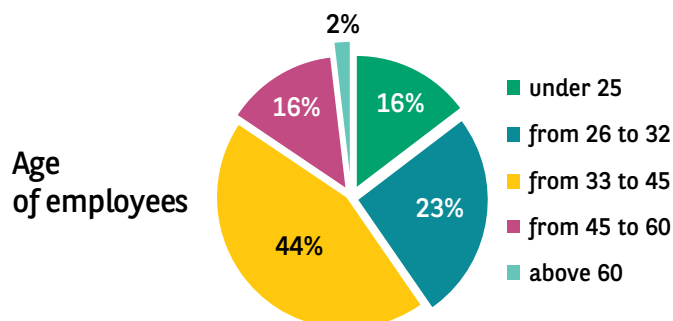
93% of bank's employees have higher education.

The overall compensation package of an employee includes three components:

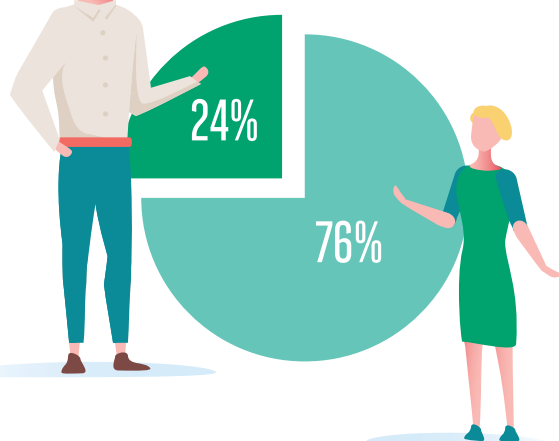
- fixed compensation
- individual and/or collective variable compensation
- employee benefits

Average AGE: 35 years 10 months

Average SENIORITY: 6 years



Gender balance employees



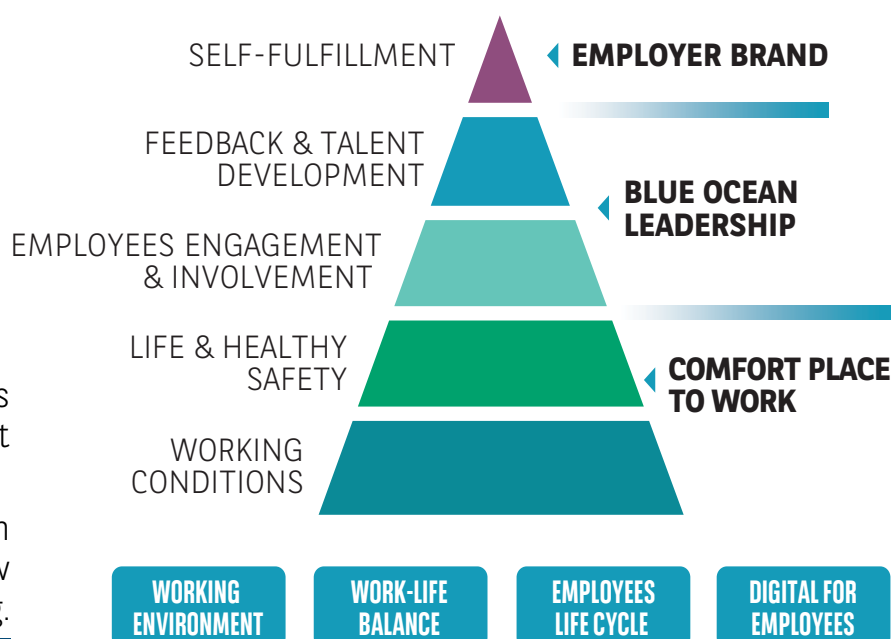
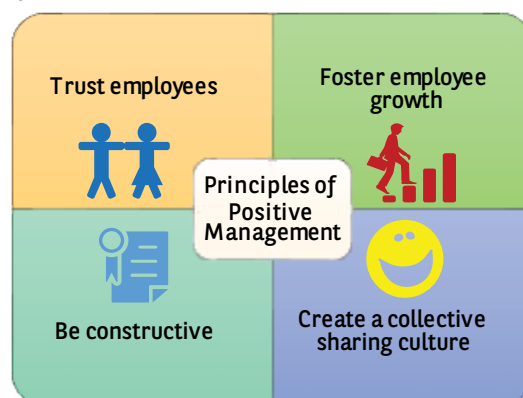
UKRSIBBANK cares about its employees development, working environment and loyalty.

The Bank has developed a program "Good place to work" to spread the new ways of working and constant learning.

UKRSIBBANK obtains "Top Employers Europe 2020" as part of BNP Paribas Group



Positive management is a part of WORKING DIFFERENTLY PROGRAMM



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INFORMATION TECHNOLOGIES

RECENTLY COMPLETED AND ONGOING IT INNOVATIONS TARGETING FULFILMENT OF "SIMPLE, SAFE AND REWARDING"

- UKRSIB online solution is already used by more than 1 million clients and is rapidly evolving. UKRSIB business usage started in Apr`2019 and old platform will be decommissioned in 2020.
- Google Pay, Garmin Pay and Apple Pay services are available for clients
- New ATM management software is under implementation to support global renewal of ATMs park and to make cash withdrawal more secured, user friendly and "innovation ready"
- Started project Online onboarding, to simplify clients acquisition
- First use case of huge Data Hub project (CRM online) started in production mode from Real-time data sharing

CYBER SECURITY IS ONE OF THE TOP PRIORITIES FOR THE BANK IN THE OPEN AND FAST-CHANGING DIGITAL WORLD

- Informational Security Management System of the bank evolves in line with strengthening requirements of National Bank of Ukraine, BNPP and international standards (ISO 27000, NIST, PSI DSS, etc) through Cyber Security Program
- Market best practices and leading vendors solutions used in order to guarantee protection of bank assets and safety of customer operations (DDoS and malware protection, vulnerability scan, anti-fraud and cyber incidents management, etc)

INDUSTRIALIZED IT PROCESSES ARE A BASIS OF RELIABLE AND PREDICTIVE PARTNERSHIP WITH CLIENTS

- Continuous improvement of IT production processes, to guarantee uninterrupted and secured services
- Proven Waterfall and modern Agile IT Project management approaches are combined to achieve best time to market, without compromising reliability of customer service and regulatory compliance
- Close supervision over architecture of IT system is introduced to minimize technological and cyber security risks
- Data quality, data management and data protection are addressed as parts of IT Systems design
- External development and consulting recourses are involved when required, thanks to flexible sourcing model
- Transparent IT procurement processes established for balancing cost-efficiency and ensure sustainability

RELIABLE TECHNOLOGIES AND INFRASTRUCTURE COMPONENTS FROM MARKET LEADING VENDORS

- SAP for Banking as a core banking system
- Two modern Data Centers, regularly tested by disaster recovery exercises
- Oracle database management platforms
- Virtualized infrastructure (servers and desktop) based on VMware and Citrix technologies
- Diebold-Nixdorf ATM hardware and software



RISK MANAGEMENT MAIN MISSIONS

RISK

ADVISE

Advise the Management on the definition of the risk appetite statement and framework in order to cover all major risks of the Bank in line with European and local regulations, Risk appetite statement is aligned with the Bank's strategy,

Critical review of lending framework to make it solid and efficient.

RISK CULTURE

Contribute to the development and growth of the risk culture and awareness within the Bank,

Innovation and digital initiative are developed in order to make the processes clear, effective, efficient and adapted to the changing environment.

SECOND PAIR OF EYES

Contribute as a "second pair of eyes" to ensure that risks taken on by the Bank are aligned with its policies.

REPORT AND ALERT

Report and alert the Management of the status of risks to which the Bank is exposed.

RISK PERIMETER ENCOMPASSES

- Credit risk
- Counterparty risk,
- Market risk,
- Funding and liquidity risk,
- Interest rate and FX risk of the Banking book,
- Operational risks

GOVERNANCE

- RISK is a fully integrated and independent control function. The Chief Risk Officer reports independently to the Supervisory Board of the Bank
- RISK is the second line of defense over risk management activities of UKRSIBBANK.



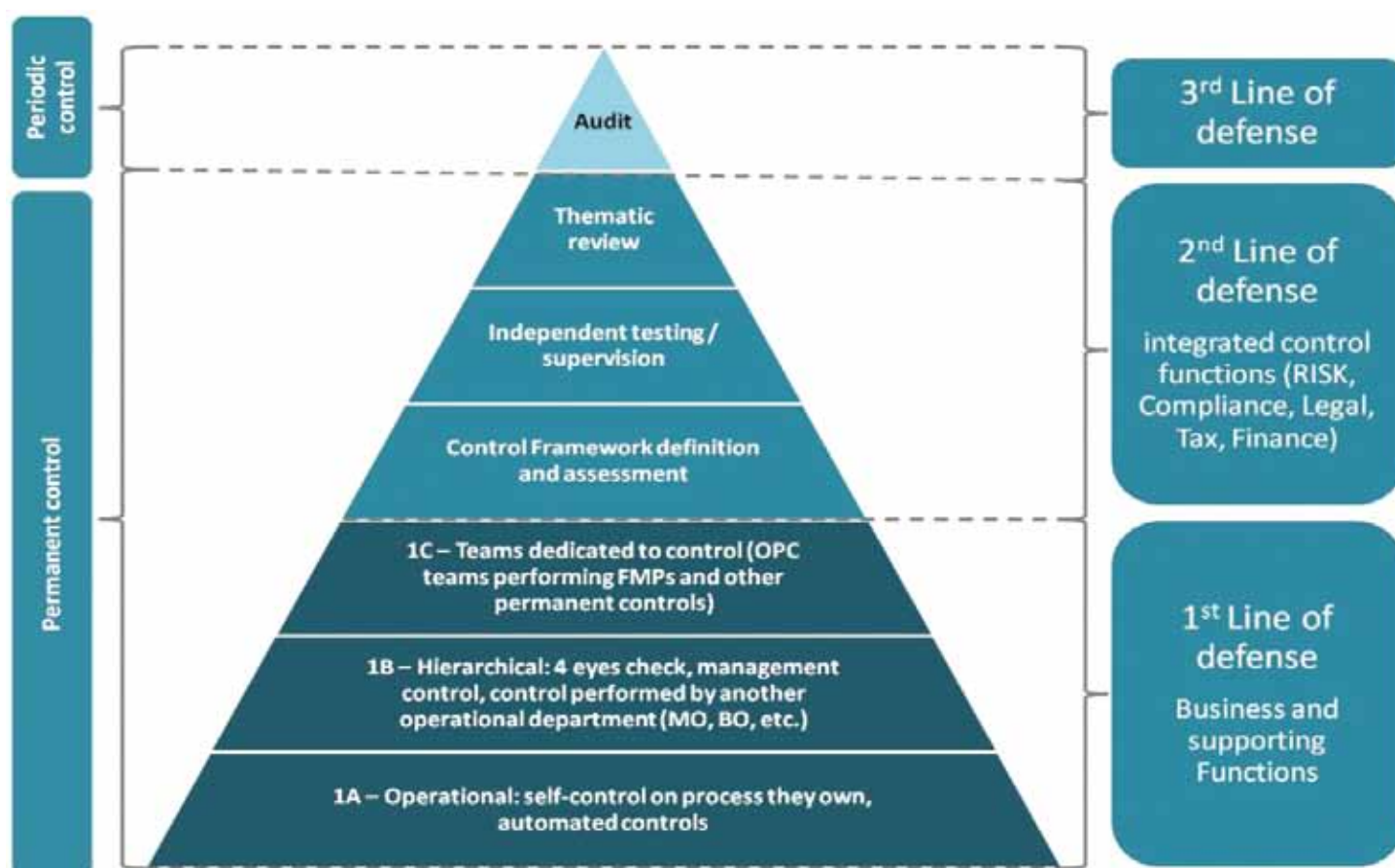
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PERMANENT CONTROL SYSTEM

RISK is a key part of UKRSIBBANK's internal control framework

- RISK accompanies the Bank's development with a business-minded spirit
- Provides a fast, complete and reliable information on Bank's risk profile
- Offers high quality risk management expertise to the Bank's stakeholders
- Fosters risk anticipation and position RISK as a prospective watchtower
- Prepares the Bank for high and higher regulatory expectations



ORGANIZATION OF COMPLIANCE TEAM IS DESIGNED TO COVER ALL COMPLIANCE AND FINANCIAL SECURITY TOPICS

PROTECTION INTERESTS OF CLIENTS (PIC)

PIC aims to comply with: treat all our customers fairly, in all situations; provide them with products and services that best meet their needs and that they properly understand; communicate to clients on products' features, costs and risks, in a fair, accurate and not misleading way; apply fair and transparent pricing; deal with clients' complaints in a fairly and timely manner; comply with all local laws and regulations.

COMPLIANCE CONTROL AND RISK MANAGEMENT

CCRM is responsible for the second level of controls on Compliance by performing Fundamental Monitoring Points (FMPs) which aim at ensuring that the first-level controls are carried out effectively and in compliance with the existing procedures.

MARKET INTEGRITY

Market Integrity aims at adherence to Ukrainian and International laws and rules applicable to: circulation of confidential, material non-public and privileged information and prevention of insider trading, operations on financial instruments, pre and post market transparency rules, prevention and detection of market abuse, detection and management of conflict-of-interest situation related to concerned employees and divisions.



PROFESSIONAL ETHICS

Professional Ethics refer to the professional behavior of the Bank's employees: the domain ensures that their private interests do not prevail over the professional responsibilities as Bank's employees. The domain establishes professional conduct rules, part of the Code of Conduct.

GOVERNANCE

- With the aim to fulfill requirements of NBU Regulation 64, at the end 2018 Compliance Committee of Supervisory Council was created.
- Financial Monitoring Committee meetings on monthly basis
- Reporting on Compliance issues to the Supervisory Board of the Bank
- Reporting on Financial monitoring issues to the Management Board of the Bank
- Head of Compliance Control Department has a right of veto

ANTI-BRIBERY AND CORRUPTION

Anti-Bribery and Corruption program sets up zero tolerance for corruption. It is developed to fight against corrupt practices including bribery, intention to obtain personal advantages using Bank and Bank's internal information and also to any corrupt practice identified on the part of our customers or counterparties, of which employees might become aware when carrying out a banking or financial operation.



FINANCIAL SECURITY — AML

- In accordance with Local Anti-Money Laundering (AML) Law & NBU requirements financial monitoring duties are duly fulfilled.
- Aiming to enhance control over cash transactions and follow of BNP Paribas Group rules, a strict process of Cash Deposit Approval is implemented. Cash withdrawal Control process is implemented just for LE, PE. It is anticipated to implement it for individuals in the 2Q of 2020
- Cross border transactions of clients are scrutinized with respect to NBU Regulation #8.

FINANCIAL SECURITY — KYC

- Definition of Know Your Client (KYC) policy of the Bank based on the Group KYC Global Policy & Local Anti-Money Laundering (AML) Law & NBU Regulation 417 (rules for on-boarding / recertification, AML risk scoring, documents / information collection, clients financial security segmentation, etc.).
- Ensuring review of clients on electronic Customer Acceptance Committee (eCAC) and suspicious Customer Acceptance Committee (sCAC) based on predefined criteria.
- Know Your Client advisory, providing expert opinion on all procedures in the Bank on KYC topic.
- Financial Securities risk assessment in the framework of Bank New Products Activities and Organizations (NPAO)
- Ensuring implementation of policies: on work with Publicly Exposed Persons (PEPs) and Relatives and Close Associated to PEPs; on AML risk scoring.
- Escalation of High Risk PEPs to BNP Paribas Group.

FINANCIAL SECURITY — SANCTIONS

- Permanent screening of clients against all applicable sanctions lists (Office of Foreign Assets Control (OFAC), United Nations (UN), European Union (EU), France, Ukraine, etc) with using SUN Safewatch tool.
- Filtering of all international transactions against all applicable sanctions lists (OFAC, UN, EU, France, Ukraine, etc.) with using SHINE Fircosoft tool.



INTERNAL AUDIT (3rd line of defense)



In charge of periodic control, Internal Audit is part of Inspection General function and contributes to the protection of the activity and reputation of the Bank by fulfilling its role as the third line of defense.



Internal Audit, as defined in the IIA (Institute of Internal Auditors) International Professional Practices Framework, is “an independent, objective assurance and consulting activity designed to add value and improve an organization's operations”.

Internal Audit continuously interacts with the other Control Functions (Compliance, Risk and Legal) to ensure coordination across their respective activities. In addition, it has regular contacts with regulators and external auditors on subjects of common interest.

Internal Audit performs control assignments a posteriori according to a multi-annual plan, which covers all of the bank's activities. Internal Audit can take up any subject and has free access to all information in the whole Group.

2019 Audit Plan was determined based on the results of the Risk Assessment and constraints in term of the audit cycle and resources. The Risk Assessment is performed on a yearly basis for each Audit Unit and combines an assessment of the inherent risk with the quality of the GRC (Governance, Risk Management, Internal Control) to define a residual risk.

The Head of Internal Audit department directly reports to the Supervisory Board of the Bank.



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30
years



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