

"Approved"  
by the decision of the Supervisory Board  
of the JSC "KREDOBANK"  
No. 58/2021 as of 28.04 2021  
(as an integral part of the Annual information  
of the issuer of securities for 2020)

## **Annual report of the management board (Report on management) of the JSC "KREDOBANK" for 2020**

*This Report has been prepared for implementation and in accordance with the requirements of the following laws and regulations of Ukraine:*

- *the Law of Ukraine "On Securities and Stock Market" (Article 40-1);*
- *Instructions on preparation and publication of financial statements of banks of Ukraine, approved by the Resolution of the Management Board of the National Bank of Ukraine No. 373 as of 24 October 2011 (Section IV);*
- *Regulations on information disclosure by the issuers of securities, approved by the decision of the National Commission on Securities and Stock Market No. 2826 as of 03 December 2013 (Chapter 4 of the Section III);*
- *Joint letter "Clarification on preparation and submission of the Report on management" of the National Commission on Securities and Stock Market (No. 16/02/7209 as of 22.03.2019) and the National Bank of Ukraine (No. P/60-0006/15741 as of 22.03.2019)*

### **1. The nature of business**

#### **1.1. Description of the external environment where the JSC "KREDOBANK" carries out its activities.**

The activities of the JSC "KREDOBANK" in 2020 were carried out under the conditions of sudden and unpredictable deterioration of external conditions and economic downturn in Ukraine. The key new risk, which was realized in the first quarter and significantly increased in the following quarters of 2020, was the spread of COVID-19 coronavirus in the world. Along with other factors, this led to a sharp decline in oil price and stock indices. The turbulence in global financial and commodity markets led to increased devaluation pressure on hryvnia and worsened devaluation and inflation expectations. As a result, the exchange rate of the Ukrainian hryvnia decreased from 23.69 UAH/USD at the beginning of 2020 to 28.28 UAH/USD at the end of the year or by 19.4%.

In response to the potentially serious threat of coronavirus for the health care, Ukrainian governmental bodies took measures to contain the epidemic in Ukraine by imposing restrictions on the movement of people within Ukraine and between cities, suspending transport links with Ukraine, and restricting entry to Ukraine. The government enforced the quarantine until 24 April 2020, which was later repeatedly extended and last extended until 30 April 2021.

Restrictive measures imposed by most countries and the Government of Ukraine because of the COVID-19 pandemic have had and continue to have a negative impact on economic activity. The spread of coronavirus has already led to a recession in the world economy and a significant slowdown in economic activity in Ukraine. According to the results of the first quarter, the GDP of Ukraine decreased by -1.3% yoy; in the second quarter the decline accelerated to -11.4% yoy; according to the results of the third quarter, the GDP of Ukraine decreased by -3.5% yoy. In the third quarter of 2020 (the latest published statistics) there was a decrease in investment by -24%, while private consumption resumed an increase to +1%, as well as public consumption by +8% yoy. According to current data, the GDP decline rate in the fourth quarter slowed significantly to -0.7 yoy due to the rapid recovery of consumer demand and the favourable conditions for Ukrainian exports. Thus, according to preliminary estimates, the decline of Ukraine's economy in 2020 as a whole amounted to about -4.2% yoy, which is better than previous forecasts of the IMF and the NBU.

The average wage growth rates slowed a little due to quarantine restrictions in early 2020, but remain high (10% yoy in 2020 compared to 18% in 2019) and are supported by raising in the minimum wage, rapid economic recovery and recovery of the situation of personnel shortage due to labour migration.

The volume of international reserves according to the results of 2020 increased by 3.8 billion USD or 15% to 29.1 billion USD due to a significant surplus on the current account of the balance of payments and a significant amount of government borrowing in foreign currency.

In the first half of 2020, the NBU continued the cycle of easing monetary policy - the discount rate was lowered by the NBU four times, in total by 7.5 p.p. to a historically low level of 6% per annum. However, given the growth of inflation risks in the second half of the year, the NBU refrained from further reducing the discount rate. According to the results of 2020, inflation predictably accelerated from 4.1% to 5.0% yoy and continues to rise due to a number of factors, including decrease in the UAH/USD exchange rate in previous periods.

The loan activity of banks in 2020 remained low - the total loan portfolio of the sector decreased by -7% against the background of record growth of deposits by +26%. The negative dynamics of the total loan portfolio was largely due to the write-off of non-performing loans from the balance sheets by individual banks (mostly state-owned). At the same time, the assets of the banking sector grew by 22% yoy, and the largest contribution to their growth was made by the increase in government securities in banks' portfolios. Responding to a significant decrease in the discount rate, during the year both the rates on private deposits and the value of hryvnia loans for legal entities decreased by more than 6 p.p. and entered into a one-figure range.

The profit of the banking sector in 2020 was almost a third lower than in 2019 and amounted to 41.3 billion UAH reflecting the negative impact of the pandemic on customer demand for banking services and some deterioration in asset quality. In the pandemic, the annual rates of increase in net interest and commission income were the lowest over the last four years. Banks' deductions to reserves in 2020 were three times higher than in 2019.

Given the traditionally low level of protection of creditors' rights, inefficient work of the judicial system and shortcomings in the legal and regulatory framework of the banking sector, the operating environment of the JSC "KREDOBANK" and other Ukrainian banks in 2020 remained difficult.

According to the latest macroeconomic forecast of the National Bank of Ukraine, the economy will resume growth in 2021 with the GDP growth rates of 4.2%, while accelerating inflation to 7.0% yoy. However, in late 2020 and early 2021, the uncertainty related to the further course of the COVID-19 pandemic and its impact on economic processes increased significantly, and the probability of re-imposition of strict quarantine restrictions increased as well. Sovereign risks also increased - financial market participants are concerned about possible delays in receiving the next tranche from the IMF. Thus, today it is still difficult to accurately assess the nature of economic dynamics in 2021, but the negative impact of these factors on business profitability (especially in areas where strict quarantine restrictions have been introduced - hotel and restaurant business, tourism, non-food retail trade, cultural and entertainment establishments, etc.) and slowdown in growth of personal income are obvious. The enterprises in some sectors of the economy will be forced to temporarily stop working or significantly reduce production. Some workers will lose their jobs or their regular income will be decreased.

The effect of these economic events and restrictive measures may have a negative impact on the activities of the banking sector of Ukraine and the JSC "KREDOBANK" in 2021, its financial result. However, now the degree of such impact is still difficult to accurately assess. The degree of impact of the situation on Ukrainian banks will depend on overcoming the global and national pandemic, the timing and pace of vaccination, the probability of re-imposition of restrictive measures, the risks of external financing, the measures of Ukrainian authorities and policies of the National Bank of Ukraine.

## **1.2 Changes in the composition of managers and officials.**

In 2020, the Supervisory Board of the JSC "KREDOBANK" acted as a collegial body that controlled and regulated the activities of the Management Board consisting of 8 people.

On 22.01.2020, the powers of Artur Kliuchnyi, the Member of the Supervisory Board of the JSC "KREDOBANK", were terminated on the basis of his application.

On 30.06.2020, by the Decision of the PKO Bank Polski SA as a sole Shareholder of the JSC "KREDOBANK", the third independent member of the Supervisory Board of the Bank, Sławomir Ireneusz Bukowski, was elected, who took up his duties as a member of the Supervisory Board on 16.11.2020 – the date of his approval for this position by the National Bank of Ukraine.

In 2020, the Management Board of the JSC "KREDOBANK" acted as a collegial executive body consisting of 6 people.

On 31 March 2020, Grzegorz Szatkowski was dismissed from the position of the Chairman of the Management Board of the JSC "KREDOBANK" by agreement of the parties in accordance with the decision of the Supervisory Board of the Bank as of 13 March 2020. Also, on 13 March 2020, the Supervisory Board of the JSC "KREDOBANK" decided to elect Jerzy Jacek Szugajew as the Chairman of the Management Board of the JSC "KREDOBANK", who entered upon his duties on 25 May 2020 after his approval for this position by the National Bank of Ukraine for a term of 3 years. From 01.04.2020 till 25.05.2020 J.J. Szugajew acted as the Chairman of the Management Board of the Bank.

On 13 March 2020, Wojciech Tarasiuk was elected as the Deputy Chairman of the Management Board of the JSC "KREDOBANK" for a term of 3 years from the date of his employment. On 28 September 2020, the Supervisory Board of the JSC "KREDOBANK" appointed Wojciech Tarasiuk as the First Deputy Chairman of the Management Board of the JSC "KREDOBANK".

On 25 September 2020, the Supervisory Board of the Bank appointed Oleh Noha as the Deputy Chairman of the Management Board of the JSC "KREDOBANK" for a new term of 3 years.

### 1.3 The presence of structural units.

As of 01.01.2021, the organizational structure of the JSC "KREDOBANK" includes the Main Bank and 82 branches. The Bank's network of institutions covers almost all regions of Ukraine, except for Luhansk and Donetsk regions and the territory of the annexed Autonomous Republic of Crimea.

During 2020, 8 branches were closed and 4 new branches were opened, thus the total number of the Bank's branches decreased by 4 units during the reporting period. New full-scale branches were opened in Kyiv, Rivne and Ivano-Frankivsk. The Bank also continued to implement projects for relocation of individual branches to more customer-friendly premises - in 2020, 3 branches were relocated in Zaporizhzhia, Ivano-Frankivsk and Stryi.

Information on the change in the number of structural units of the JSC "KREDOBANK" for recent years is given in the table:

| INDICATORS (IN UNITS)                | 2017 | 2018 | 2019 | 2020 | CHANGE FOR 2020 |
|--------------------------------------|------|------|------|------|-----------------|
| Number of branches, incl.            | 102  | 93   | 86   | 82   | -4              |
| - opened during the reporting period | 3    | 3    | 2    | 4    | +2              |
| - closed during the reporting period | 12   | 12   | 9    | 8    | -1              |

The Main Bank fulfils the functions of the strategic management centre, which forms the Bank's policy, in particular regarding: the Bank's strategy; financial and operational planning; offering of products and services tailored to customer needs; introduction of new technologies; compliance of organizational structures; risk limitation and security of the Bank; internal control organization; personnel policy and development of internal regulations; and also implements certain operational tasks.

Branches are separate units of the Bank, the operations of which are reflected on the Bank's balance sheet. Branches organize and sell banking products and services, ensuring the proper quality of customer service and the expected efficiency of activities.

The additional sales channels of the JSC "KREDOBANK" are a network of its own ATMs, which includes more than 260 units and more than 100 self-service terminals, as well as modern systems for remote customer service via the Internet and telephone.

### 1.4 Information on the purchase of shares.

During the reporting period, the JSC "KREDOBANK" did not purchase its own ordinary registered shares on its own account.

### **1.5 Brief description of the current business model, main products and services.**

The JSC "KREDOBANK" operates as a universal commercial bank that provides services to individuals and corporate customers as well as small and medium enterprises.

The business lines and products that the JSC "KREDOBANK" considers key for revenue generation both in the reporting period and in the medium term are:

- 1) Retail business: consumer loans, loans for the purchase of vehicles (car loans), mortgage loans, packages for individuals;
- 2) Micro, small and medium enterprises (SME): working capital loans, overdrafts, investment loans, agricultural loans, leasing, packages for SMEs, servicing foreign economic activity;
- 3) Corporate business: working capital loans, investment loans, overdrafts, agricultural loans, leasing, packages for corporate customers, servicing foreign economic activity;
- 4) Treasury operations: investments in internal debt instruments.

The Bank uses various methods of competition considering the specifics of individual product markets and customer segments - offering to customers the assurance of reliability of their funds as a member of the capital group of the largest Polish bank PKO Bank Polski SA, developing convenient products that meet customer needs at a competitive price and ensuring the appropriate quality of service. The seasonal factor does not have a significant impact on the activities of the JSC "KREDOBANK". The Bank's activities are characterized by the same seasonal fluctuations as the entire Ukrainian economy, and there are no individual significant signs of seasonality or cyclicity of business of the JSC "KREDOBANK".

Given the presence of strategic foreign capital of the JSC "KREDOBANK", its main competitors are other banks with foreign capital, whose strategic priorities are the development of retail business and the servicing of small and medium enterprises. According to the data published by the NBU, the market share of the JSC "KREDOBANK" (calculated as a percentage of the total indicator of the banking sector of Ukraine) as of 01 January 2021 was 1.5% on loans and 1.3% on deposits.

Operating in 22 regions of Ukraine and the city of Kyiv, the JSC "KREDOBANK" at the same time remains one of the regional leaders in the territory of Lviv region and the Western Ukraine. In particular, according to the NBU, in the market of eight regions of the Western Ukraine the market share of the JSC "KREDOBANK" is 6.6% on borrowed funds of customers and 6.7% on provided loans, and in the "domestic" market of Lviv region - 12.8% on deposits and 8.1% on loans.

### **1.6 Received awards.**

During the reporting period, a high-quality product offer that meets the expectations and needs of customers, excellent financial condition and reliability, measures of corporate social responsibility of the JSC "KREDOBANK" were noted by the expert community. In 2020, the Bank received the following decorations and awards:

- the 1st place in the rating "Banks of 2020" in the nomination "Clear Bank" among banks of foreign banking groups according to the agency "Financial Club";
- the 2nd place in the nomination "Leasing" in the annual rating "50 leading banks of Ukraine", which is conducted by the information agency "Financial Club";
- the 2nd place in the nomination "Loan for the purchase of a car" in the rating of the best banking products "Prostobank Awards" from the agency "Prostobank Consulting";
- the 2nd place in the nomination "Loan for the purchase of real estate in the secondary market" in the rating of the best banking products "Prostobank Awards" from the agency "Prostobank Consulting";
- the 2nd place in the nomination "Best Deposits for Business" in the rating of the best banking products "Prostobank Awards" from the agency "Prostobank Consulting";
- the 2nd place in the nomination "Best Settlement and Cash Service for Business" in the rating of the best banking products "Prostobank Awards" from the agency "Prostobank Consulting";
- the 2nd place in the rating of reliability of bank deposits from the rating agency "Standard-rating";
- the 3rd place in the nomination "Mortgage loan" and in the nomination "Car loan" in the annual rating "50 leading banks of Ukraine", which is conducted by the information agency "Financial Club";

- the 5th place in the rating of reliability of large retail banks according to the magazine "Hroshi";
- the 5th place in the rating of financial stability of Ukrainian banks from the non-governmental system of checking counterparties "YouControl";
- the winner in the nomination "Finance" of the All-Ukrainian rating "Honest Taxpayers", which is conducted annually by the Association of Taxpayers of Ukraine;
- the winner in the nomination "Affordable Credit" of the VIII All-Ukrainian Construction Award "Ibuild-2020";
- the winner in the nomination "Development of Cities and Communities" of the XI All-Ukrainian competition of cases on corporate social responsibility from the Centre "Development of Corporate Social Responsibility" for the social initiative "Let's read with Kredobank";
- entered the TOP-10 rating of digital banks of Ukraine according to the Internet portal banker.ua - took the 6th place in terms of popularity of the website, the 7th place in terms of the number of Google brand queries in Ukraine and the 10th place in terms of activity to work with customer feedback on the Internet.

## **2. Goals of the JSC "KREDOBANK" and strategy for achieving these goals.**

The mission of the JSC "KREDOBANK" is to be a reliable financial partner for customers and an attractive employer for employees. Through specialization and concentration of resources, the Bank seeks to achieve and maintain long-term business stability, thereby ensuring the return on investment of its shareholders.

The long-term vision of the JSC "KREDOBANK" is an efficient and safe bank that provides value growth for shareholders.

The values of the JSC "KREDOBANK" are: Reliability, Customer Satisfaction, Continuous Improvement, and Entrepreneurship.

In the fourth quarter of 2020, the Supervisory Board of the JSC "KREDOBANK" approved a new Strategy covering the period up to the end of 2023. In accordance with the Strategy, the JSC "KREDOBANK" remains a universal bank that provides high-quality service for retail customers and small and medium enterprises, as well as for corporate customers with transparent business and high creditworthiness.

The new Strategy envisages that the JSC "KREDOBANK":

- forms the value on the basis of long-term relations with satisfied customers and enthusiasm of employees;
- dynamically and, at the same time, prudently increases the range of its business;
- carries out deep digital transformation in all aspects of its activities;
- improves the operating model and multi-channel distribution model;
- uses the potential of synergy due to belonging to the PKO Bank Polski group to create an "ecosystem" of financial services for the Polish-Ukrainian business;
- provides diversification of activities and discipline in the field of risk management and cyber security, market fluctuation tolerance.

During the implementation of the strategy the JSC "KREDOBANK" gives priority to the quality of banking services, continues to improve digital technologies of customer service and to develop IT systems, ensuring the implementation of customer expectations. The JSC "KREDOBANK" strives for long-term cooperation and mutual loyalty in relations with customers and employees. Guided by the essential needs of customers, the JSC "KREDOBANK" offers them modern banking products and financial solutions, develops industry competencies and strengthens competitive advantages in the markets of mortgage and car loans, leasing, SME and Polish-Ukrainian business service. Strengthening the "digitalization" of the Bank aims to increase the level of self-service and reduce the cost of operations, increase the efficiency of customer offers with proper security of customer assets and the Bank.

The main strategic goals of the JSC "KREDOBANK" are to achieve a high level of return on capital at the level of more than 17%, which will provide the potential for expanding the range of activity; to increase the total number of customers to 1 million in all segments; to increase the level of customer satisfaction and their activity; to increase the share in servicing the foreign trade turnover between Ukraine and Poland by 1.5 times; rapid IT response to business needs and increase in the reliability of key IT systems; to maintain a

moderate appetite for risk; to increase the operational efficiency; to increase the level of engagement and satisfaction of employees.

An important factor that determines the long-term resilience of the JSC "KREDOBANK" to external challenges and threats will be a comprehensive support from the strategic shareholder - the largest Polish bank PKO Bank Polski S.A., which allows the JSC "KREDOBANK" to successfully use the experience of a more developed Polish financial market.

### 3. Resources, risks and relations.

#### 3.1 Key financial and non-financial resources and their use.

The main financial resource of the JSC "KREDOBANK", which ensures its financial stability and allows attracting additional financial resources in the market, is the capital contributed by shareholders. As of 01.01.2021, the authorized capital of the JSC "KREDOBANK" is 2,249.0 million UAH and its amount was not changed during 2020.

The regulatory capital of the JSC "KREDOBANK" as of 01.01.2021 is 2,284.9 million UAH and increased over the year by 323.7 million UAH or 17%. This ensures that the value of the regulatory capital adequacy ratio (H2) is maintained at 16.2% at the end of the reporting period. Thus, the JSC "KREDOBANK" was well provided with regulatory capital during the reporting period. In the structure of regulatory capital, 95.3% falls on fixed capital and 4.7% on additional capital.

Information on the change in the amount of capital of the JSC "KREDOBANK" for recent years is given in the table:

| INDICATORS  | 2017    | 2018    | 2019    | 2020    | CHANGE FOR 2020 |
|---|---------|---------|---------|---------|-----------------|
| Authorized capital, million UAH                         | 2,249.0 | 2,249.0 | 2,249.0 | 2,249.0 | 0.0             |
| Regulatory capital, million UAH                         | 1,410.5 | 1,806.2 | 1,961.2 | 2,284.9 | +323.7          |
| The value of the regulatory capital adequacy ratio (H2) | 15.7%   | 16.9%   | 15.3%   | 16.2%   | +0.9 p.p.       |

During the reporting period, the liquidity of the JSC "KREDOBANK" was at a safe level. At the same time, the values of individual liquidity ratios of the Bank were mostly lower than their average value in the banking sector due to the presence of significant excess liquidity in the sector during the reporting period.

The value of the short-term liquidity ratio of the Bank (H6) as of 01.01.2021 was 71.8%, which is 11.8 p.p. more than the limit value set by the NBU. The value of the new mandatory liquidity ratio - liquidity coverage ratio (LCR) of the Bank as of 01.01.2021 was 112.4% in foreign currency and 142.2% in all currencies, which exceeds the minimum value of 100% set by the NBU.

During 2020, the balances of customer funds at the JSC "KREDOBANK" increased by 31% to 18.3 billion UAH. The possibility of using credit lines from the shareholder - PKO Bank Polski SA, in particular, a long-term line in the amount of 30 million USD and a credit limit in the amount of 175 million PLN, is important in liquidity management at the JSC "KREDOBANK".

The main non-financial resource of the JSC "KREDOBANK" in the reporting period, as before, was human resources (the Bank's personnel) and their intellectual capital. The total number of employees of the JSC "KREDOBANK" as of 01.01.2021 amounted to 1,999 people and decreased compared to the beginning of 2020 by 118 people or 6%. The vast majority of the Bank's employees have higher education - 90% of their total number, and the average age of employees is 37 years. According to the gender structure, the JSC "KREDOBANK" employees are dominated by women, who make up 74% of the total number of employees.

Information on the change in the number of employees of the JSC "KREDOBANK" for recent years is given in the table:

| INDICATORS                   | 2017  | 2018  | 2019  | 2020  | CHANGE FOR 2020 |
|------------------------------|-------|-------|-------|-------|-----------------|
| Number of employees, persons | 2,162 | 2,097 | 2,117 | 1,999 | -118            |

The JSC "KREDOBANK" pursues a transparent personnel policy, according to which the selection of employees, career growth and remuneration are based on the assessment of qualifications, professional skills and performance. The personnel policy of the JSC "KREDOBANK" is aimed at improving the personnel performance, achieving the target level of customer satisfaction and achieving certain strategic goals.

During 2020, due to the COVID-19 epidemic, the JSC "KREDOBANK" took a number of measures aimed at protecting and supporting its employees, including:

- the working hours of the employees of the Main Bank and branches were temporarily changed;
- about a third of the employees were transferred to remote working;
- working meetings, committee meetings, board meetings are held remotely;
- the work of the bank's employees and customer service are organized in compliance with the recommendations of the Ministry of Healthcare on the use of personal protective equipment and the limitation of the number of people in one room;
- PCR testing of the employees was carried out if there were symptoms of the disease and if it was necessary to perform official duties in the office;
- mass voluntary vaccination of the Bank's employees against seasonal flu was carried out;
- medicines (for severe and moderate forms) and medical equipment (pulse oximeters, oxygen concentrators, air purifiers, bactericidal irradiators, etc.) were purchased.

### **3.2 Risk management system, risk management strategy and policy.**

Risk management is one of the key functions of strategic management of the JSC "KREDOBANK" in the field of banking operations, through which the Bank identifies, assesses, monitors and controls the level of risk. The main norms of risk management at the Bank are determined by the Risk Management Strategy. The strategy provides for continuous analysis of existing and identification of possible future risks, their assessment, timely decision-making to minimize or avoid them, as well as monitoring of compliance with established restrictions, procedures and processes.

The fulfilment of the set goals and tasks related to risk management is achieved through the use of a wide range of methods and tools used to manage all identified types of risks at the Bank.

In order to determine the maximum level of risk that the Bank is ready to accept, the Bank's Supervisory Board approved the Risk Appetite Statement, which defines the total level of risk appetite, types of risks that the Bank will accept or avoid in order to achieve its business goals, and the level of risk appetite for each of them (individual level).

The risk management at the Bank takes place in all structural units of the Bank. The organizational structure of the risk management system is based on the distribution of duties between the structural units of the Bank using the model of three lines of protection:

1) the first line - at the level of the Bank's business units and the Bank's activity support units. These units accept and are responsible for risks and report on the on-going management of such risks;

2) the second line - at the level of the risk management unit and the compliance control unit;

3) the third line - at the level of the internal audit unit to verify and assess the efficiency of the risk management system.

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

- the Supervisory Board of the Bank;
- the Management Board of the Bank;
- the Committee on Assets and Liabilities Management and Tariffs;
- the Small Credit Committee;
- the Credit Committee;
- the Committee on Management of Non-performing Assets;
- the Committee on Operational Risk and Information Security;
- the Committee on Cost Control and Tendering;
- the Committee on Change Management;
- the Internal Audit Department;
- the Risk Management Units;

- the Compliance Control Unit;
- the units of the first line of protection.

The Supervisory Board of the Bank is fully responsible for creating a comprehensive, adequate and effective system for managing the risks to which the Bank is exposed in its activities. The Supervisory Board of the Bank has established a continuously operating risk management unit(s), which reports to the Chief Risk Officer (CRO), and a compliance control unit and ensures the independence of these units.

The Supervisory Board of the Bank is fully responsible for creating a comprehensive, adequate and effective system for managing the risks to which the Bank is exposed in its activities. The Supervisory Board of the Bank has established a continuously operating risk management unit(s) and a compliance control unit and ensures the independence of these units.

The Management Board of the Bank ensures the fulfilment of tasks, decisions of the Supervisory Board of the Bank on the implementation of the risk management system, including risk management strategy and policy, risk management culture, procedures, methods and other measures of efficient risk management. The Management Board of the JSC "KREDOBANK" is an active participant in the risk management process at the Bank, making decisions on transactions that bear a high risk, based on regular information on the profile and level of risk, as well as the overall level of risk appetite. The overall level of risk appetite that the Bank intends to accept and maintain to achieve its business goals is defined as the aggregate amount of the Bank's internal capital required to cover all material risks of the Bank.

In order to ensure the efficiency of the risk management system, the risk management unit (units) performs the risk management functions defined in the Regulations on the organization of the Main Bank. The Deputy Chairman of the Management Board / CRO heads the Risk Vertical, which unites all risk management units, is responsible for the activities of these units and has the right to be present at the meetings of the Management Board and Committees of the Bank's Management Board, as well as has the right to impose a ban (veto) on the decisions of these bodies, if the implementation of such decisions violates the established risk appetite and/or approved risk limits, as well as in other cases established by the Supervisory Board of the Bank.

In order to ensure the efficiency of the risk management system, the compliance control unit ensures control over the Bank's compliance with legislation and internal regulations, and performs tasks related to the effective operation of the compliance risk management system. The Chief Compliance Officer (CCO) is responsible for the activities of this unit and has the right to be present at the meetings of the Management Board and Committees of the Bank's Management Board, as well as has the right to impose a ban (veto) on the decisions of these bodies, if the implementation of such decisions leads to violation of the requirements of the legislation, the relevant standards of professional associations, the effect of which is applicable to the bank, conflict of interests, as well as in other cases established by the Supervisory Board of the Bank.

The main purpose of the credit risk management process at the Bank is to ensure the stable development of lending, taking into account all the significant risks associated with this activity. The credit risk management process is focused on timely identification of risks, development of optimal principles and processes of risk assessment, as well as supervision, control, reporting and application of preventive measures within the on-going lending activities. The Bank focuses on the introduction of new mechanisms for credit risk management and control, improvement of lending activities, improvement of the management information system in the field of credit risk, the purpose of which is to ensure the appropriate level of profitability and quality of the Bank's loan portfolio. The Bank is active in the development and improvement of credit risk assessment software, servicing the credit decision-making process, in order to ensure rapid credit decision-making with a minimum level of credit risk; special attention is also paid to automation of monitoring processes, and improvement of the early response system.

### **3.3 Relations with shareholders and related parties.**

During the reporting period, relations with shareholders were in accordance with the requirements of the current legislation, the Charter of the JSC "KREDOBANK" and the Regulations on providing shareholders with information and documents on the bank activities. In the reporting period, the JSC "KREDOBANK" operated as a joint stock company with a sole shareholder, in which the powers of the annual general meeting of the Bank during 2020 were exercised by the sole shareholder of the Bank individually.

The shareholder participated in the management of the Bank through the members of the Supervisory Board. The members of the Supervisory Board, as representatives of the shareholder, within the



competence defined by the Charter and the legislation of Ukraine, protected the rights of shareholders and monitored the activities of the Management Board.

During the reporting period, the Bank did not enter into interested party agreements. The value of the ratio of the maximum amount of loans, guarantees and warranties provided to one insider (H9) as of 01.01.2021 was 1.1% with the maximum allowable level set by the NBU of not more than 5%.

#### 4. Information on development and results of activities, prospects for further development.

For the JSC "KREDOBANK", 2020 was the last year of implementation of the 4-year strategy called "Creation of the Bank's Value", which covered the period of 2017-2020. The results achieved by the Bank testify to the correctness of the chosen strategic development priorities. In the reporting year, the dynamic growth of the market share of the JSC "KREDOBANK" continued. In particular, the Bank's market share in assets increased in 2020 by 0.10 p.p. (in 2019 - by 0.05 p.p.) and reached 1.38%, which is a record for the last 20 years.

In 2020, net assets of the JSC "KREDOBANK" increased by 32% and amounted to 25.2 billion UAH, which ensured the maintenance of the 16<sup>th</sup> position in the sector among 73 banks. The growth of assets was ensured by the growth of the portfolio of government securities, the growth of the portfolio of loans to both legal entities and individuals, and the growth of funds in other banks.

In 2020, the JSC "KREDOBANK" issued 10.8 billion UAH of new loans; in particular, 63% of the total amount of new loans was issued to borrowers-legal entities, and 37% - to borrowers-individuals. Compared to 2019, the volume of new loans increased by 9%, which indicates the growth of the Bank's business activity, despite the adverse impact of the COVID-19 pandemic and its quarantine restrictions on the Ukrainian economy and banking market. By types of loans, the best dynamics compared to the same period last year was achieved by the JSC "KREDOBANK" in mortgage lending. The volume of lending to corporate borrowers (by 13% yoy) and the volume of new leasing transactions (by 64%), which is a new and promising area of active transactions for the Bank, also increased significantly.

According to the published data of the National Bank of Ukraine, the share of the JSC "KREDOBANK" in the volume of new mortgage loans in the banking sector of Ukraine in 2020 of 3,759 million UAH is 28% or 1,066 million UAH. Thus, the JSC "KREDOBANK" is one of the leaders in the mortgage lending market in Ukraine.

Among 73 Ukrainian banks in 2020, the JSC "KREDOBANK" became the 5<sup>th</sup> bank in terms of growth of the portfolio of loans to individuals in absolute terms, which allowed it to increase its market share in retail loans (gross) by 0.44 p.p. up to 3.24%. The JSC "KREDOBANK" also became the 9<sup>th</sup> bank in terms of growth of the corporate loan portfolio in absolute terms, which allowed it to increase its market share in corporate loans (gross) by 0.21 p.p. up to 1.00%. According to the results of 2020, the share of the JSC "KREDOBANK" in retail loans (net) reached 3.99%.

Adhering to a balanced and conservative approach to assets and liabilities management, during the reporting period the JSC "KREDOBANK" kept the ratio of provided loans to borrowed funds below 100%.

Operating income of the JSC "KREDOBANK" in 2020 exceeded the indicator of the same period last year. The growth of operating income was due to the growth of net interest income and the growth of net commission income (NCI), despite the negative dynamics of the NCI in the II-III quarters under the influence of strict quarantine restrictions. The Bank's net profit for 2020 amounted to 531 million UAH, which is only 1% less than the Bank's profit in 2019.

Information on the main financial indicators of the JSC "KREDOBANK" for recent years is given in the table:

| INDICATORS (IN MILLION UAH)     | 2017   | 2018   | 2019   | 2020   | CHANGE FOR 2020 |
|---------------------------------|--------|--------|--------|--------|-----------------|
| Assets (total)                  | 14,308 | 16,772 | 19,136 | 25,228 | +6,092          |
| Loans and advances to customers | 7,857  | 9,625  | 11,684 | 13,282 | +1,598          |
| Investment securities           | 3,109  | 3,783  | 3,073  | 6,187  | +3,114          |
| Liabilities (total)             | 12,804 | 14,734 | 16,550 | 22,107 | +5,557          |
| Customer funds                  | 10,894 | 11,955 | 13,962 | 18,320 | +4,358          |
| Debt to other banks             | 1,624  | 2,022  | 1,612  | 2,839  | +1,227          |

|                       |       |       |       |       |      |
|-----------------------|-------|-------|-------|-------|------|
| Capital (total)       | 1,504 | 2,038 | 2,586 | 3,122 | +536 |
| Authorized capital    | 2,249 | 2,249 | 2,249 | 2,249 | -    |
| Net interest income   | 1,081 | 1,302 | 1,473 | 1,779 | +306 |
| Net commission income | 389   | 437   | 465   | 473   | +8   |
| Net profit            | 402   | 510   | 538   | 531   | -7   |

The growth of the Bank's business indicators was ensured both by expanding cooperation with the existing customer base, cross-selling of additional banking products to existing customers, and by attracting new customers from all key segments. According to the results of 2020, the number of customers-business entities in the JSC "KREDOBANK" increased by 3.1 thousand people to 56,8 thousand. In the retail segment, the number of customers of the JSC "KREDOBANK" increased by 35 thousand people and comprises 588 thousand people.

Information on the change in the number of customers of the JSC "KREDOBANK" for recent years is given in the table:

| INDICATORS (THOUSANDS OF PEOPLE)   | 2017  | 2018  | 2019  | 2020  | CHANGE FOR 2020 |
|------------------------------------|-------|-------|-------|-------|-----------------|
| Number of customers, incl.         | 516.6 | 567.2 | 606.5 | 645.0 | +38.5           |
| - legal entities and entrepreneurs | 51.5  | 53.5  | 53.7  | 56.8  | +3.1            |
| - individuals                      | 465.1 | 513.7 | 552.8 | 588.2 | +35.4           |

Among the main directions of development and initiatives aimed at ensuring high efficiency of the JSC "KREDOBANK" in 2020, improving the quality of service and digitalization of the Bank, increasing the volume of sales, as well as to respond to new challenges related to the COVID-19 pandemic, we should take note of:

- 1) successful adaptation of the JSC "KREDOBANK" to the activities in the conditions of the COVID-19 pandemic and quarantine restrictions - both in terms of changing operational processes and customer service, and in terms of organizing the work of the Bank employees and protecting their health;
- 2) the final transition from the out-dated system "CredoDirect" to a new system of online-banking for individual customers and further expansion of its functionality - during the year, the possibility of real-time online currency exchange, regular automated payments, convenient loan repayment, online application for a loan, independent change of financial number were introduced and the possibilities of management of additional cards were expanded;
- 3) introduction of a modern system of protection of online payments called 3D Secure - a technology that reduces the risk of fraud when paying online;
- 4) maintaining the position of one of the leaders in the market of new mortgage lending with the volume of sale of mortgage loans of more than 1,060 million UAH, which is 28% of the total volume of new mortgages in the banking sector of Ukraine;
- 5) active development of the leasing business with the growth of new financing for 2020 to over 960 million UAH or 64% more than the amount of financing provided for 2019, which allowed to take a place in the TOP-3 in the market of bank leasing;
- 6) joining the state program of support for micro and small enterprises "Affordable loans 5-7-9%", under which small businesses can get loans at a reduced interest rate or refinance a previously granted loan with full interest compensation, and active participation in this program - as of 01.01.2021, the JSC "KREDOBANK" concluded loan agreements within the program in the amount of over 1.6 billion UAH and entered the TOP-5 leading banks (among 19 participating banks) with a share of 9.5%;
- 7) expanding the Bank's participation in regional programs to reimburse interest on loans to small and medium enterprises from local budgets - joining the updated program of support for small and medium enterprises in Kyiv, developed by Kyiv City State Administration in cooperation with the Entrepreneurship Development Fund;
- 8) initiating the cooperation with the State Energy Efficiency Fund (the first among non-state Ukrainian banks) in the implementation of the program to support the energy efficiency of apartment buildings "Enerhodim" and the beginning of lending under this program;
- 9) concluding a strategic partnership agreement with CNH Industrial Capital, which will allow agricultural and construction enterprises to purchase equipment of Case IH, New Holland Agriculture and Case Construction on credit and leasing from the JSC "Kredobank" on favourable financial terms;

- 10) opening of 4 new branches, including 2 bank branches of a new format in Kyiv - in the "Leonardo" business centre and "Retroville" shopping and entertainment centre, which is notable for comfort, focus on innovation and flexible approach to the customer depending on the type of its transaction;
- 11) optimization of the existing branch network taking into account business results and potential of separate branches, which in particular provided for relocation of 3 branches and closing of 8 branches (with weak business potential or high rent);
- 12) formation of the image of the JSC "KREDOBANK" as a reputable bank with Polish capital and a socially responsible financial institution of national scale, in particular:
  - charitable assistance to hospitals of Lviv region that admit and treat patients with COVID-19 coronavirus, in order to purchase medical equipment for resuscitation and intensive care, as well as to purchase protective equipment and materials - support to more than 10 health care facilities in the amount of 3.4 million UAH was provided;
  - support as a general partner of the modern Ukrainian opera called "Mykyta the Fox", written by Ukrainian composer Ivan Nebesnyi, which premiered at the Solomiya Krushelnytska Lviv National Academic Opera and Ballet Theatre;
  - active participation in the All-Ukrainian information campaign to counter payment fraud, organized by the National Bank of Ukraine;
  - participation of the JSC "Kredobank" in the All-Ukrainian Pact for Youth 2025 - an initiative of the Ministry of Youth and Sports of Ukraine, the Centre "Development of Corporate Social Responsibility" and Ukrainian business on partnership to create new jobs for talented youth.

According to the decision of the Management Board of the National Bank of Ukraine No. 155-рш as of 03.03.2020, the JSC "KREDOBANK" was re-included in the updated list of 14 systemically important banks. The status of a systemically important bank requires the Bank to meet additional requirements to ensure a margin of safety (increased ratios of instant liquidity and maximum credit risk per counterparty, as well as the need to form a buffer of systemic importance in the amount of 1% of the capital in addition to the capital adequacy ratio). Already after the reporting date, in the first quarter of 2021, the NBU excluded the JSC "KREDOBANK" from the list of systemically important banks.

In 2020, as part of the Bank's resilience assessment, the National Bank of Ukraine re-assessed the regulatory and fixed capital adequacy of the JSC "KREDOBANK" under the baseline and adverse macroeconomic scenarios (stress testing) for the forecast period. According to the results of the resilience assessment, the National Bank determined that, as a year ago, the JSC "KREDOBANK" does not need a decapitalization in order to comply with the regulatory capital adequacy ratio (H2) and fixed capital adequacy ratio (H3) at the level not lower than set by the National Bank of Ukraine.

Due to the COVID-19 epidemic, the JSC "KREDOBANK" took a number of measures aimed at ensuring the continuity of the Bank's operations and expanding the ways of communication between customers and the bank under quarantine restrictions, in particular:

- a Working group on counteracting the epidemiological threat caused by the COVID19 virus was established, which developed a set of measures to implement the requirements of public authorities, amendments to the legislation of Ukraine, recommendations of the National Bank of Ukraine and the Ministry of Healthcare;
- responsible persons were appointed for ensuring the timely execution of critical operations;
- a set of measures aimed at reducing the number of customer visits to branches and increasing the share of operations using remote channels was implemented;
- an uninterrupted customer service was provided through the Contact Centre;
- the service of remote opening of accounts for individuals with delivery of a bank card to the customer without visiting the branch was introduced;
- the possibility of remote payment for the services of visa application offices when obtaining a national visa of Poland, which increases the convenience for customers and reduces the number of visitors in the offices, which is especially important in terms of quarantine restrictions, was introduced;
- video consulting as a new remote service for existing and potential customers, which allows to have a consultation and order banking services via Internet video communication, was introduced and became the first banking service of this type in Ukraine;
- the process of attracting customers for mortgage lending through the Contact Centre by filing an application and pre-scoring the customer was introduced;

- the measures to inform customers were strengthened, in particular on the working hours of the Bank's branches and the list of available opportunities for remote use of the Bank's services;
- the program of credit privileges for customers and the fast decision-making mechanisms for renewal of the credit line were introduced;
- IT infrastructure for remote working was tested and prepared, including access to key systems, as well as security mechanisms in remote access;
- the possibility of remote working was provided by means of video conferencing systems (Teams and Cisco Meeting);
- additional laptops for employees, which are key to support critical processes at the Bank, were purchased;
- communication channels with the Bank were expanded to the required values, etc.

In 2021, the JSC "KREDOBANK" plans to continue its activities and implement the Strategy for 2021-2023 approved by the Supervisory Board. The JSC "KREDOBANK" plans to further increase assets and volume of active transactions, financing them from resources raised in the Ukrainian market. The growth of business activity should lead to an increase in the amount of profit earned by the Bank and ensure the achievement of the main strategic goal – the value of return on capital of more than 17%. This should be facilitated by both the increase in the Bank's loan portfolio and the formation of an appropriate structure of its liabilities, balanced in terms of time and value. The strategic priorities will be the building of long-term relations with satisfied customers, improving the operating model and multi-channel distribution model, as well as digital transformation in all aspects of activity.

At the same time, the Management Board of the JSC "KREDOBANK" is aware of significant risks for the banking sector in general and for the Bank in particular, which are related to external factors. At present, it is still difficult to accurately assess the final scale of the crisis caused by the COVID-19 pandemic and restrictive measures, in particular, due to the growing probability of reintroduction of quarantine restrictions and indefinite terms of mass vaccination of Ukrainian citizens. Also a significant uncertainty regarding the conduct of macroeconomic policy and structural reforms remains among the main risks of the external environment for the JSC "KREDOBANK" and the banking sector.

Given the significant planned payments on external debt in 2021, the cooperation with the International Monetary Fund remains an important factor in macroeconomic stability. The resumption of cooperation with the IMF depends on the readiness of the Government of Ukraine to implement the declared reforms, in particular, and to fulfil previous commitments made by Ukraine under previous IMF programs. As before, a significant external risk for both the Bank and the banking sector is the risk of intensification of hostilities in the East and the beginning of overt armed aggression by the Russian Federation with complex negative consequences.

The credit risk banking sector will remain significantly affected in 2021, as despite the improvement in the economic situation in the second half of 2020, some bank borrowers are still experiencing financial difficulties. This may negatively affect the quality of loan servicing and, consequently, will necessitate additional formation of reserves by banks. Also, the new regulatory requirements of the National Bank in 2021 will affect the banking sector, in particular, the requirement to gradually calculate the cost of non-core assets from banks' fixed capital, a gradual increase in risk weights for government securities in foreign currency and unsecured consumer loans, commencement of the net stable funding ratio (NSFR), etc. However, the impact of these regulatory changes, according to management, will have a limited impact on the activities of the JSC "KREDOBANK" and will not pose a threat to the implementation of the approved strategy of the bank.

The main internal risk for the implementation of the Bank's Strategy is a possible shortage of resources (labour, technological) for the implementation of planned changes, projects and activities. At present, it is impossible to predict all the trends that may affect the banking sector of Ukraine and its economy as a whole, and therefore to assess what impact they may have on the future financial condition of the Bank. At the same time, the management of the JSC "KREDOBANK" is confident that it takes all necessary measures to ensure the stable operation and development of the Bank in accordance with the approved Strategy.

## **5. Key performance indicators.**

According to the results of 2020, the value of ROE according to the chosen calculation method is 19%, which indicates a high performance. In terms of return on capital, it takes the 11<sup>th</sup> place among 75

Ukrainian banks (in 2019 it was in the 16<sup>th</sup> place). The rate of return on assets (ROA) is 2.4%. Due to the significant amount of net profit received during the implementation of the Strategy, the Bank has achieved full coverage of losses of previous periods, which means the achievement of an important strategic goal set out in the Strategy.

Despite the inflationary development in Ukraine, during the reporting period the JSC "KREDOBANK" restrained the growth of operating expenses, which ensured the maintenance of the cost income (C/I) ratio at 58% as of 01.01.2021. The Bank's net interest margin as of 01.01.2021 amounted to 8.4%, which corresponds to the level of 2019 and significantly exceeds the level of net interest margin on average in the banking sector.

Important indicators of the success of the Bank's implementation of the chosen Strategy are the growth of market share and strengthening of market positions of the JSC "KREDOBANK". This was facilitated by both the higher business activity of the Bank, aimed at the implementation of the chosen Strategy, and the high trust of customers. Although in 2020 the banking sector operated in unfavourable external conditions due to the COVID-19 pandemic and the introduction of quarantine restrictions, by the end of the reporting year the dynamics of the main business indicators of the JSC "KREDOBANK" was higher than the dynamics of most competitors. This allowed achieving an increase in the Bank's market share in all key indicators (except for retail deposits due to the Bank's waiver of aggressive price competition in the deposit market and replacement of retail deposits with other liabilities):

| INDICATORS                   | MARKET SHARE OF THE JSC "KREDOBANK" |       |       |       |                 |
|------------------------------|-------------------------------------|-------|-------|-------|-----------------|
|                              | 2017                                | 2018  | 2019  | 2020  | CHANGE FOR 2020 |
| Net assets                   | 1.07%                               | 1.23% | 1.28% | 1.38% | +0.10 p.p.      |
| Loans to legal entities      | 0.58%                               | 0.64% | 0.80% | 1.00% | +0.20 p.p.      |
| Loans to individuals (gross) | 2.14%                               | 2.21% | 2.79% | 3.24% | +0.45 p.p.      |
| Loans to individuals (net)   | 3.45%                               | 3.51% | 3.75% | 3.99% | +0.24 p.p.      |
| Funds of legal entities      | 1.29%                               | 1.39% | 1.36% | 1.53% | +0.17 p.p.      |
| Funds of individuals         | 1.03%                               | 1.13% | 1.19% | 1.12% | -0.07 p.p.      |
| Authorized capital           | 0.46%                               | 0.48% | 0.48% | 0.47% | -0.01 p.p.      |
| Balance sheet capital        | 0.92%                               | 1.32% | 1.29% | 1.48% | +0.19 p.p.      |

*Calculated on the basis of data from the National Bank of Ukraine*

The high dynamics of the Bank's business development allowed the JSC "KREDOBANK" to strengthen its rating positions in the sector. The JSC "KREDOBANK" is firmly established in the TOP-16 of leading Ukrainian banks in terms of all major business indicators (in particular, loans to corporate customers, for which it rose from the 18<sup>th</sup> to the 16<sup>th</sup> position). In particular, the JSC "KREDOBANK" takes the 16<sup>th</sup> place in terms of assets, the 11<sup>th</sup> place in terms of retail loan portfolio (gross) and the 9<sup>th</sup> place in terms of retail loan portfolio (net), the 13<sup>th</sup> place in terms of corporate deposits, the 15<sup>th</sup> place in terms of retail deposits, the 12<sup>th</sup> place in terms of operating income and the 14<sup>th</sup> place in terms of net profit among 73 banks in the sector.

## 6. Information on other non-financial aspects of the activity.

In accordance with the approved Code of Ethics of the JSC "KREDOBANK", the Company of the Capital Group PKO BANKU POLSKIEGO SA, the Bank:

- builds its relations with employees on the principles of long-term cooperation, mutual respect and unconditional fulfilment of mutual obligations;
- makes efforts to develop its employees and create a positive internal atmosphere that provides favourable conditions for the best performance of work tasks;
- complies with the Ukrainian legislation in the field of social protection of employees, pays official salaries and due taxes in full, as well as other social contributions and payments;
- provides comfortable workplaces and takes care of occupational health and safety;
- determines that gender, age, social status, nationality, sexual orientation, ethnic origin, religious and political beliefs, marital status and health status cannot be grounds for discrimination and restriction of professional activity. The Bank provides equal opportunities for the development and growth of its personnel regardless of the above factors and strives to provide a comfortable working atmosphere for all employees;

- creates an atmosphere of professionalism and friendliness, adhering to the etiquette of business communication in daily cooperation with Customers, Business Partners, Colleagues, Subordinates and Management;
- ensures the observance of consumer rights in the conditions of implementation of the established norms and rules of prudential, financial or operational nature by providing the appropriate level of services, as well as by ensuring the inviolability of the rights of consumers of financial services;
- takes an active part in counteracting the legalization (laundering) of proceeds of crime, terrorist financing and financing the proliferation of weapons of mass destruction;
- ensures that measures are taken that are necessary and justified to prevent and combat fraud;
- ensures the safety of the Employees, which is an integral part of the Bank's activities;
- conducts a transparent personnel policy, according to which the selection of employees, career growth and remuneration are based on an objective assessment of qualifications, professional skills and performance;
- pays special attention and invests in training and retraining of Employees, as well as provides opportunities to participate in various training activities that help increase performance and career opportunity;
- opposes any form of harassment and pressure on Employees, is totally against any discrimination, treatment or actions that are contrary to the principles of tolerance.

The JSC "KREDOBANK" provides control over compliance risk arising in the relations of the bank with customers and counterparties, in order to prevent participation and/or use of the bank in illegal transactions, and takes measures based on the principles of:

- rule of law;
- legality;
- priority of precautionary measures;
- inevitability of liability for illegal transactions;
- openness and transparency of the Bank's activities.

The JSC "KREDOBANK" complies with the requirements of legislation, regulations, relevant standards of professional associations, which apply to the Bank, the rules of fair competition, the Code of Corporate Ethics, and ensures proper management of risks related to conflict of interests.

The JSC "KREDOBANK" does not open and does not maintain anonymous (numbered) accounts, reflects all financial transactions, strictly adhering to the requirements of accounting and reporting, excluding the execution of forged primary accounting documents and unreliable accounting entries.

The JSC "KREDOBANK" approved the Procedure for Prevention of Corruption and Bribery at the JSC "KREDOBANK" in order to create effective mechanisms to prevent corruption and bribery, of the emergence of a conflict of interests, to identify corruption risks and ensure timely elimination of conditions and causes of these risks, to prevent violation of ethical standards of conduct and to control over compliance with the rules of integrity, objectivity and impartiality, competence and efficiency, proper implementation by employees of the provisions and requirements of the current legislation of Ukraine, regulations of the National Bank of Ukraine, internal regulations of the Bank, job descriptions.

Given the nature of economic activity, the direct impact of the JSC "KREDOBANK" on the environment is limited. In 2020, the Bank did not implement activities or projects that could have a significant impact on the environment. However, since the impact on the environment depends on the use of limited natural resources, the JSC "KREDOBANK" controls the consumption of such resources and tries to rationally use water, electric power, gas, paper and takes measures to reduce their consumption. In particular, the Bank implements a number of Paperless initiatives and activities, which include reducing the amount of paper documents through the introduction of digital technologies and paperless processes both in intra-bank cooperation and in interaction with customers. By developing remote customer service channels, in particular through Internet banking systems and the Contact Centre, the JSC "KREDOBANK" also contributes to the preservation of the environment, as it provides significant savings of natural resources and energy compared to customer service in the bank branch.

The JSC "KREDOBANK" adheres to the principles of environmentally responsible business and banking. In particular, the approved Credit Policy of the Bank stipulates that the JSC "KREDOBANK" does not lend to projects that harm the environment.

## **7. Information on concluding derivatives or making transactions concerning derivative securities.**

During the reporting period, the JSC "KREDOBANK" did not conclude significant derivatives and did not make significant transactions concerning derivative securities.

## **8. Corporate Governance Report.**

### **8.1 Information on the Corporate Governance Code.**

Pursuant to the requirements of the Law of Ukraine "On Joint Stock Companies" and best practices of corporate governance, the JSC "KREDOBANK" has developed its own Corporate Governance Code.

The Corporate Governance Principles (Code) is a document that sets out the attitude of shareholders and managers of the Bank to current trends in corporate governance, the main problems of corporate governance and the methods to solve them at the Bank. Strict adherence to this Code will enable the Bank to ensure effective governance, to make coordinated decisions, to strengthen trust, to enhance responsibility, to avoid a conflict of interests, to promote disclosure of information and its transparency, and thereby to enhance the protection of interests of the Bank's Shareholders and the trust of depositors, other creditors and the public.

The Corporate Governance Principles (Code) of the JSC "KREDOBANK" are approved by the decision of the Shareholder No. 01/2019 as of 24.04.2019 and posted on the official website of the Bank at the link: <https://kredobank.com.ua/about/misiya-ta-cinnosti/vnutrishni-normatyvni-dokumenty>.

### **8.2 List of persons who directly or indirectly own a significant block of shares of the issuer.**

As of 31.12.2020, the JSC "KREDOBANK" has a sole shareholder, PKO Bank Polski SA (Warsaw, the Republic of Poland), which owns 100% of the Bank's shares. The largest shareholder of the PKO BP S.A. Group is the Ministry of the State Treasury of the Republic of Poland, which has control over the PKO BP S.A., as it owns 29.43% share in the authorized capital of the PKO BP S.A. The share of other shareholders of the PKO BP S.A. does not exceed 10% of voting shares.

### **8.3 Information on any restrictions on the shareholders' rights of participation and voting at the general meeting.**

The JSC "KREDOBANK" has no information on any restrictions on the shareholders' rights of participation and voting at the general meeting.

### **8.4 Information on the General Meeting of Shareholders.**

In 2020, the JSC "KREDOBANK" had a sole shareholder, PKO Bank Polski, and in accordance with the Article 49 of the Law of Ukraine "On Joint Stock Companies" the shareholder's decision on matters within the competence of the general meeting was executed by it in writing as a decision that has a status of the minutes of the general meeting of shareholders.

In 2020, the Shareholder made decisions twice that had a status of the minutes of the general meeting of shareholders, namely:

- 1) No. 01/2020 as of 28 April 2020 on:
  - the consideration of the report of the Supervisory Board of the JSC "KREDOBANK" on its activities in 2019;
  - the approval of the Report on remuneration of the members of the Supervisory Board of the JSC "KREDOBANK" for 2019;
  - the approval of the Separate financial statements of the JSC "KREDOBANK" for 2019 according to the International Financial Reporting Standards and the report of the independent auditor – the PJSC "KPMG Audit";
  - the approval of the consolidated financial statements of the JSC "KREDOBANK" for 2019 according to the International Financial Reporting Standards and the report of the independent auditor – the PJSC "KPMG Audit";
  - the distribution of profit of the JSC "KREDOBANK" for 2019;
  - the approval of the new version of the Regulations on the Management Board of the JSC "KREDOBANK";
  - the approval of the new version of the Charter of the JSC "KREDOBANK".

- 2) No. 02/2020 as of 30 June 2020 on the election of an independent member of the Supervisory Board of the JSC "KREDOBANK".

The proposals for consideration by the Shareholder (the General Meeting of Shareholders) were submitted by the Management Board of the JSC "KREDOBANK" and the Shareholder.

### **8.5 Information on the Supervisory Board and its activities.**

The Supervisory Board makes decisions on all matters that, according to the Charter of the JSC "KREDOBANK", are referred to the competence of the Supervisory Board. The Supervisory Board monitors the activities of the Bank's Management Board, compliance with the Bank's Charter and other regulations. In this regard, the Supervisory Board periodically hears the reports of the Management Board on certain areas of activity and at the end of the year it hears the annual report of the Management Board and submits its recommendations to the General Meeting of the Bank. The Supervisory Board exercises the right of the employer on behalf of the Bank in relation to the members of the Management Board of the Bank.

The Supervisory Board consists of: the Chairman of the Board, the Deputy Chairman of the Board, the members of the Board, including independent ones.

The Regulations on the Supervisory Board of the JSC "KREDOBANK" provide for the distribution of powers between the Chairman and the Deputy Chairman of the Supervisory Board in terms of organizing the work of the Board. The distribution of powers between other members of the Board is not provided; they perform the same functional duties as members of the collegial body.

The composition of the Supervisory Board of the JSC "KREDOBANK" as of 31.12.2020:

- Maks Kraczkowski – the Chairman of the Board, the representative of the shareholder, PKO Bank Polski,
- Jacek Matusiak – the Deputy Chairman of the Board, the representative of the shareholder, PKO Bank Polski,
- Jakub Papierski – the representative of the shareholder, PKO Bank Polski,
- Grzegorz Oschast – the representative of the shareholder, PKO Bank Polski,
- Liubomyr Kharkhalis – the representative of the shareholder, PKO Bank Polski,
- Nataliia Ivanivna Chukhrai – an independent member,
- Lev Hnatovych Kloba – an independent member,
- Sławomir Bukowski – an independent member.

Changes in the personnel of the Supervisory Board of the JSC "KREDOBANK" during 2020 are reported in the section "Changes in the composition of managers and officials" of this Report of the Management Board (Report on management).

According to the results of the collective suitability assessment of governing bodies of the JSC "KREDOBANK", the members of the Bank's Supervisory Board have sufficient set of common knowledge, skills, professional and managerial experience to understand all aspects of the Bank's activities, to adequately assess risks, to make decisions, to ensure effective management and control over the Bank's activities as a whole, taking into account the size of the Bank, its business model, structure, list of transactions, risk profile of the Bank, in particular, in such areas as "risk management", "finance", "retail and corporate business", "working with distressed assets", "investment activities", "treasury", "corporate governance", "security" and "information technologies".

The Supervisory Board of the JSC "KREDOBANK" has a sufficient number of members who have knowledge, skills and experience in all areas of the Bank's activities, which allows to professionally discuss issues submitted to the Board and on which decisions are made. The members of the Bank's Board have the skills to stand up for their views and to have an influence on the collective decision-making process.

The meetings of the Supervisory Board of the JSC "KREDOBANK" in 2020 took place on average twice a quarter. A total of 8 meetings were held during the year, at which 92 decisions were made. The meetings of the Supervisory Board were convened by the Chairman of the Supervisory Board on its own initiative or at the request of the Management Board of the Bank. The decisions of the Supervisory Board were made by a simple majority of votes of the Members of the Supervisory Board who participated in the meeting and had the right to vote via open or secret ballot. When the same number of votes for and against the draft decision was cast, the vote of the Chairman of the Supervisory Board was considered decisive.



In addition to consideration of issues at meetings, on urgent issues and issues that did not require discussion, the Supervisory Board of the Bank in 2020 made 70 decisions by absentee voting (in working order), which is 46% more than in the previous year. All meetings of the Supervisory Board are recorded in the minutes, and the decisions made by the Supervisory Board are in the form of separate decisions.

Information on the number of meetings of the Supervisory Board of the JSC "KREDOBANK" and its decisions in recent years is given in the table:

| INDICATORS (IN UNITS)   | 2017 | 2018 | 2019 | 2020 | CHANGE FOR 2020 |
|---|------|------|------|------|-----------------|
| Number of meetings of the Supervisory Board   | 5    | 8    | 9    | 8    | -1              |
| Number of decisions of the Supervisory Board made in the working order (between meetings) | 52   | 52   | 48   | 70   | +22             |

The members of the Supervisory Board considered the issues on the basis of written materials (petitions, information, appendices, reports), which were prepared and submitted by the Management Board on its own initiative or on the instructions of the Supervisory Board. All members of the Supervisory Board received in a timely manner the materials necessary for consideration and decision-making on issues submitted to the Board.

In December 2020, the Supervisory Board of the JSC "KREDOBANK" decided to establish the Committee on the Audit of the Supervisory Board, approved the Regulations on this committee and elected the personnel of the committee consisting of three people, two of whom were independent members. N.I. Chukhrai was elected as the Chairman of the Committee on the Audit of the Supervisory Board. There were no meetings of the Committee on the Audit of the Supervisory Board in 2020.

#### **8.6 Information on the executive body (Management Board) and its activities.**

The Management Board of the JSC "KREDOBANK" is a collegial executive body of the Bank, which manages its current activities, forms the funds necessary for its statutory activities, and is responsible for its performance. The competence of the Management Board of the Bank includes the resolution of all issues related to the management of the current activities of the Bank, except for issues that fall within the exclusive competence of the General Meeting and the Board of the Bank.

The Management Board consists of: the Chairman of the Management Board, the First Deputy Chairman of the Management Board, the Deputy Chairmen of the Management Board, the member of the Management Board.

The Regulations on the Management Board of the JSC "KREDOBANK" provide for the distribution of powers between the Chairman and the First Deputy Chairman of the Management Board in terms of organizing the work of the Management Board. The distribution of powers between other members of the Management Board is defined in a separate Regulation on the distribution of powers and supervision of the Members of the Management Board of the JSC "KREDOBANK", approved by the Supervisory Board of the Bank. The members of the Management Board supervise the verticals of activity subordinated to them, specified in the organizational structure of the Bank approved by the Supervisory Board, which includes the Main Bank and other structural units of the Bank.

During 2020, the following permanent committees of the Management Board operated:

- the Committee on Assets and Liabilities Management and Tariffs;
- the Credit Committee (credit committees);
- the Committee on Restructuring;
- the Committee on Operational Risk and Information Security,
- the Committee on Cost Control and Tendering,
- the Committee on Change Management.

There were no changes in the structure and number of Committees of the Management Board during 2020.

The composition of the executive body (the Management Board) of the JSC "KREDOBANK" as of 31.12.2020:

- Jerzy Jacek Szugajew – the Chairman of the Management Board;

- Wojciech Tarasiuk – the First Deputy Chairman of the Management Board;
- Adam Patrick Swirski – the Deputy Chairman of the Management Board;
- Artur Tsesliar – the Deputy Chairman of the Management Board;
- Oleh Zenoviiiovych Noha – the Deputy Chairman of the Management Board;
- Maksym Volodymyrovych Vashchuk – the Member of the Management Board.

Changes in the personnel of the Management Board of the JSC “KREDOBANK” during 2020 are reported in the section “Changes in the composition of managers and officials” of this Report of the Management Board (Report on management).

The meetings of the Management Board of the JSC “KREDOBANK” in 2020 took place on average three times a month. A total of 41 meetings took place during the year. The decisions of the Management Board were made by a simple majority of votes of the general membership of the Management Board. When the same number of votes for and against the draft decision was cast, the decision was considered not made.

In addition to consideration of issues at meetings, in 2020, the Management Board of the Bank made 1,892 decisions on urgent issues by absentee voting (in working order), which is 6% more than in the previous year. Decisions that were submitted to the Members of the Management Board in the working order were considered made if all Members of the Management Board present at that time at the Bank voted “for” its making.

Information on the number of meetings of the Management Board of the JSC “KREDOBANK” and its decisions in recent years is given in the table:

| INDICATORS (IN UNITS)  | 2017  | 2018  | 2019  | 2020  | CHANGE FOR 2020 |
|--|-------|-------|-------|-------|-----------------|
| Number of meetings of the Management Board   | 29    | 31    | 37    | 41    | +4              |
| Number of decisions of the Management Board made in the working order (between meetings) | 1,786 | 1,888 | 1,786 | 1,892 | +106            |

According to the results of the collective suitability assessment of governing bodies of the JSC “KREDOBANK”, the members of the Bank’s Management Board have sufficient set of common knowledge, skills, professional and managerial experience to understand all aspects of the Bank’s activities, to adequately assess risks, to make decisions, to ensure effective management and control over the Bank’s activities as a whole, taking into account the size of the Bank, its business model, structure, list of transactions, risk profile of the Bank, in particular, in such areas as “risk management”, “finance”, “retail and corporate business”, “working with distressed assets”, “investment activities”, “treasury”, “corporate governance”, “security” and “information technologies”.

### **8.7 Description of the main characteristics of the internal control and risk management systems.**

The description of the main characteristics of the risk management system of the JSC “KREDOBANK” is reported in the section “Risk management system, risk management strategy and policy” of this Report of the Management Board (Report on management).

The policy of organization of the internal control system at the JSC “KREDOBANK” and the banking group defines the basic principles of organization and functioning of the internal control system at the JSC “KREDOBANK” and the banking group at all organizational levels and lists the requirements, principles and norms for organization and functioning of the internal control system in order to ensure effective corporate governance at the JSC “KREDOBANK”.

The policy takes into account the peculiarities of activities of the JSC “KREDOBANK”, the nature and scope of banking services in accordance with the built processes, taking into account the overall strategy of the JSC “KREDOBANK”.

The policy is implemented in accordance with the requirements of the legislation of Ukraine, regulations of the National Bank of Ukraine, which apply to activities of commercial banks, and internal regulations of the JSC “KREDOBANK”.

The organizational structure, main goals and principles of risk management that arise in all areas of the Bank's activities at all organizational levels are determined by the Regulations on the organizational structure of the risk management system of the JSC "KREDOBANK".

The internal control system of the JSC "KREDOBANK":

- consists of the control environment, management of risks typical for the Bank's activities, including compliance risk, control activities at the JSC "KREDOBANK", control over information flows and communications, monitoring the efficiency of the internal control system;
- ensures the achievement of operational, informational, compliance goals of activities of the JSC "KREDOBANK", defined in its strategy and business plan;
- is implemented at each organizational level of the JSC "KREDOBANK".

The JSC "KREDOBANK" creates and implements the internal control system based on the distribution of duties between units, except for functions that fall within the exclusive competence of the Supervisory Board of the Bank / the Management Board of the Bank / the Committees of the Bank in accordance with the legislation of Ukraine, regulations of the National Bank of Ukraine. This distribution is based on the application of the model of three lines of protection:

- 1) the first line of protection - at the level of business units and activity support units. These units initiate, carry out or reflect transactions, take risks in the course of their activities and are responsible for the on-going management of these risks, carry out control measures;
- 2) the second line of protection - at the level of the risk management unit and the compliance control unit. These units provide confidence of the managers of the JSC "KREDOBANK" that the measures of control and risk management implemented by the first line of protection have been developed and function properly;
- 3) the third line of protection - at the level of the internal audit unit, which carries out an independent assessment of performance of the first and second lines of protection and an overall assessment of efficiency of the internal control system.

The subjects of the internal control system of the JSC "KREDOBANK" are:

- the Supervisory Board of the Bank;
- the Management Board of the Bank;
- the Collegiate bodies of the Bank;
- business units, support units;
- the Risk Management Unit and the Compliance Control Unit;
- the Internal Audit Department;
- managers and employees of the Bank who carry out internal control in accordance with the powers defined by internal regulations.

The JSC "KREDOBANK" creates a comprehensive, effective and adequate internal control system in compliance with the principles of: comprehensiveness and complexity; efficiency; adequacy; prudence; risk-orientation; integration; timeliness; independence; continuity; privacy.

The JSC "KREDOBANK" ensures the proper functioning of the control environment, which provides:

- 1) understanding by the Supervisory Board of the Bank and the Management Board of the Bank of the risks to which the Bank may be exposed, and ensuring the implementation, development and integration of the internal control system into the corporate governance system of the JSC "KREDOBANK";
- 2) ensuring the distribution of powers and responsibilities between collegial bodies, between units and between individual employees of the JSC "KREDOBANK" and avoiding the conflict of interests;
- 3) awareness and understanding by each employee of the JSC "KREDOBANK" of its role in ensuring the functioning of the internal control system;
- 4) ensuring the development of a culture of control by the Supervisory Board and the Management Board of the Bank;
- 5) ensuring the compliance of the activity of employees with the culture of control established at the JSC "KREDOBANK".

The responsibility for efficiency of the internal control system shall be rested on:

- 1) the Supervisory Board of the Bank and the Management Board of the Bank for efficiency of the internal control system;
- 2) the units of the first line of protection of the Bank for implementation of measures to correct deficiencies in the internal control system;
- 3) the risk management unit and the compliance control unit for the quality of implementation of measures to monitor the internal control system (except for the assessment of efficiency of the internal control system);
- 4) the internal audit department for the quality of the assessment of efficiency of the internal control system.

The requirements of the Policy of organization of the internal control system at the JSC "KREDOBANK" and the Banking Group are mandatory for employees of all units of the Bank.

The internal control system of the JSC "KREDOBANK" is described in the internal regulations of the Bank:

- the Policy of organization of the internal control system at the JSC "KREDOBANK" and the Banking Group;
- the Methods of internal control measures and assessment of control mechanisms in the structural units of the Main Bank of the JSC "KREDOBANK".

### **8.8 The procedure for appointment and dismissal of officials.**

In accordance with the Charter of the JSC "KREDOBANK", the Members of the Supervisory Board shall be elected and dismissed by the decision of the General Meeting of Shareholders. The powers of the Member of the Board shall be terminated without a decision of the General Meeting in the following cases:

- at its request, upon two weeks' written notice to the Bank (the Chairman of the Supervisory Board);
- in case of impossibility to perform the duties of the Member of the Supervisory Board for health reasons;
- in case of entry into force of a sentence or court decision sentencing it to punishment, which excludes the possibility of performing the duties of the Member of the Supervisory Board;
- in case of death, recognition of it being incapacitated, partially incapacitated, missing, dead;
- in case of termination of employment with a shareholder, at whose request it was elected to the Supervisory Board, at the request of this shareholder;
- if the Bank receives a written notice of replacement of the Member of the Supervisory Board.

The members of the Management Board shall be appointed and dismissed by the decision of the Supervisory Board of the Bank.

### **8.9 Powers of officials.**

The powers of officials of the JSC "KREDOBANK" are defined by the Charter of the JSC "KREDOBANK", the Regulations on the Supervisory Board of the JSC "KREDOBANK", the Regulations on the Management Board of the JSC "KREDOBANK", published on the official website of the JSC "KREDOBANK".

The term of powers of the current members of the Supervisory Board of the JSC "KREDOBANK" is common, namely - until 24.04.2022 (three years from the date of election), but not later than the date of the annual General Meeting held after the second full reporting year of the Supervisory Board.

The term of powers of the Management Board of the JSC "KREDOBANK" as of 31 December 2020 is individual, namely:

- Jerzy Jacek Szugajew – until 25.05.2023;
- Wojciech Tarasiuk – until 25.09.2023;
- Adam Patrick Swirski – until 02.01.2022;
- Artur Tsesliar – until 18.06.2022;
- Oleh Zenoviiiovych Noha – until 25 09 2023;
- Maksym Volodymyrovych Vashchuk – until 04.06.2021.

On 13 March 2020, due to the dismissal of Grzegorz Szatkowski, the Chairman of the Management Board, the Supervisory Board of the JSC "KREDOBANK" made a decision No. 26/2020 on the election of

Jerzy Jacek Szugajew as the Chairman of the Management Board of the JSC "KREDOBANK". J.J. Szugajew entered upon his duties on 25 May 2020 after his approval for this position by the National Bank of Ukraine for a term of 3 years. From 01.04.2020 till 25.05.2020 J.J. Szugajew acted as the Chairman of the Management Board of the JSC "KREDOBANK".

#### **8.10 The purpose of activities of the JSC "KREDOBANK".**

According to the Charter, the purpose of activities of the JSC "KREDOBANK" is to provide banking and other financial services and other activities for profit, ensuring the protection of the legitimate interests of depositors and customers of the Bank.

#### **8.11 Facts of violation of internal rules by the members of the supervisory board and the executive body of the financial institution, which led to harm to the financial institution or consumers of financial services.**

During the reporting period, there were no facts of violation of internal rules by the Members of the Supervisory Board and the executive body of the JSC "KREDOBANK", which led to harm to the Bank or consumers of financial services.

#### **8.12 Measures of impact applied during the year by public authorities to the financial institution, including members of its supervisory board and executive body;**

In the reporting period, 38 measures of state supervision (control) were carried out. During 2020, the JSC "KREDOBANK" paid fines in the total amount of 1,556.62 UAH.

In the period from 25.11.2019 till 20.01.2020, the National Bank of Ukraine conducted a scheduled inspection of the JSC "KREDOBANK" on the assessment of assets, revenues, liquidity, sensitivity to market risks, operational risk and risk management system of the bank, taking into account the requirements established by the Regulations on organization of the risk management system in banks of Ukraine and banking groups, approved by the resolution of the Management Board of the National Bank of Ukraine No. 64 as of 11.06.2018 (as amended). According to the results of the inspection, the JSC "KREDOBANK" received positive assessments and recommendations, which were all taken into account during 2020.

In 2020, the JSC "KREDOBANK" successfully passed the assessment (Supervisory Review and Evaluation Process, SREP), which includes the analysis of business models of banks to assess their viability and sustainability of strategies, as well as the assessment of the level of corporate governance and internal control of banks.

#### **8.13 The amount of remuneration for the year of the members of the supervisory board and the executive body of the financial institution.**

The total annual remuneration of the members of the Supervisory Board of the JSC "KREDOBANK" accrued and paid during 2020 amounted to 1,173.6 thousand UAH and 7.3 thousand PLN.

The total annual remuneration of the members of the Management Board of the JSC "KREDOBANK" accrued and paid during 2020 amounted to 37,235.0 thousand UAH.

#### **8.14 Information on the results of operation of the internal audit (control) system during the year.**

The JSC "KREDOBANK" has a permanent internal audit department, which is a part of the internal control system. The Internal Audit Department is a structural unit of the Bank (the third line of protection), which is subordinated and accountable to the Supervisory Board. The Internal Audit Department operates on the basis of the Regulations approved by the Supervisory Board. In the reporting period, the Internal Audit Department carried out its activities in accordance with the Internal Audit Work Plan of the JSC "KREDOBANK" for 2020. The Internal Audit Department inspected and evaluated the efficiency of the internal control system (hereinafter - the ICS) and its components in the process of scheduled/unscheduled audits and inspections. During the reporting period, the Internal Audit Department performed 21 scheduled and 6 unscheduled audits at the JSC "KREDOBANK". According to the results of the audits, 183 recommendations were provided to the structural units of the Main Bank and the branch network, which as of 01.01.2021 have the following status:

- implemented – 86 recommendations;
- the deadline has not come – 97 recommendations.

The Internal Audit Department informs the Management Board and reports to the Supervisory Board of the Bank of the shortcomings of the ICS functioning by providing periodic objective judgments, conclusions and assessments on the adequacy and efficiency of the risk management systems, compliance of these systems with the types and volumes of the Bank's transactions, and internal control of the Bank. The shortcomings/faults in the functioning of the ICS components are reflected in the regular reporting on the implementation of the Work Plan of the Internal Audit Department to the Supervisory Board. In particular, the remarks/shortcomings of the ICS functioning, the established level of risk of the processes operating at the Bank and the main recommendations or proposals aimed at improving the Bank's activities in 2020 and in future periods shall be noted. The assessment shall be performed by internal auditors on the basis of checking the adequacy and efficiency of established (regulated/automated) control mechanisms and in case of their absence and/or insufficiency of such control mechanisms - other factors and activities of the structural unit aimed at implementing tasks and limiting risk level.

According to the results of the Bank's activities in 2020 assessed by the Internal Audit Department, the ICS is sufficient (efficient, comprehensive, adequate). The Bank's control procedures are constantly adapted to changes in risks and are regularly documented. A standardized approach to documenting control procedures is used. Periodic reporting is prepared according to the results of the ICS assessment based on objective criteria. The authorized persons of the JSC "KREDOBANK" coordinate control procedures and monitor them.

#### **8.15 Facts of alienation of assets during the year in excess of the amount specified in the charter.**

During the reporting period, there were no facts of alienation of assets in excess of the amount specified in the Charter of the JSC "KREDOBANK".

#### **8.16 The results of the evaluation of assets in case of their purchase and sale during the year in excess of the amount specified in the charter.**

Due to the absence during the reporting period of the facts of purchase and sale of assets in excess of the amount specified in the Charter of the JSC "KREDOBANK", the corresponding evaluation of assets was not conducted.

#### **8.17 Information on protection by the JSC "KREDOBANK" of the rights of consumers of financial services.**

When considering appeals of citizens and legal entities, the bank is guided by the internal regulation "On the Procedure for consideration of appeals at the JSC "KREDOBANK". This document sets the terms of processing and the limits of liability within the processing of appeals received by the bank. The bank clearly identifies the channels through which an appeal can be submitted to the bank: information line, in writing, through the website, etc. (external sites).

The responsibility for considering appeals and providing a response to the Applicant is assigned to a separate structural unit of the Main Bank - the Appeals Management Centre (the Director of the Centre - Olha Volodymyrivna Shkolyk).

During 2020, the bank received 3,662 appeals, among which from: individuals - 3,188; legal entities - 275; the NBU (concerning the appeals received from the Customers of the JSC "KREDOBANK") - 39; sole proprietors - 145; inquiries of lawyers and deputies - 15.

In terms of the essence of appeals: on the functioning of banking products and services - 1,422, on the quality of service in bank branches - 856, appeals in the area of competence of the Department for work with non-performing assets - 286, on the back office transactions - 211, on personal data protection - 109, appeals in the area of competence of the Department of Banking Security - 84, appeals in the area of competence of the Department of Compliance - 7, on the operation of self-service devices (ATMs and software and hardware self-service complex) - 141, on the contact centre - 90, on acquired loan portfolios of liquidated banks (FIDO and Platinum) - 48, on SMS-informing - 57, on the work of other employees of the bank - 50, on the bank's website - 27, requests for charitable assistance - 2, other - 272.

During the reporting period, 3,705 appeals were considered, among which 161 were resolved in favour of the Customer.

In 2020, the courts of Ukraine of various instances considered 31 legal cases in which the subject was the provision of financial services by the Bank. According to the results of consideration: 8 legal cases

ended with a court decision in favour of the JSC "KREDOBANK"; 1 court case ended with a court decision in favour of the Plaintiff; 4 court cases were closed upon the Plaintiff's application to waive the claims (due to the resolution of the dispute out of court); the proceedings continue in 18 legal cases.

#### **8.18 Information on transactions with related parties, including within one industrial and financial group or other association, conducted during the year.**

Information on this issue is disclosed in the note "Transactions with related parties" to the Financial Statements of the JSC "KREDOBANK" for 2020.

#### **8.19 Information on the used recommendations of the bodies that carry out state regulation of the markets of financial services regarding the audit opinion.**

The audit opinion was prepared in accordance with the International Standards on Auditing, taking into account the requirements of the Law of Ukraine "On the Audit of Financial Statements and Auditing", the Law of Ukraine "On Securities and Stock Market", the Law of Ukraine "On Banks and Banking".

#### **8.20 Information on the external auditor appointed during the year.**

The audit of financial statements of the JSC "KREDOBANK" is carried out by the LLC AUDITING COMPANY "CROWE UKRAINE".

#### **8.21 Information on the activities of the external auditor.**

The LLC AUDITING COMPANY "CROWE UKRAINE" is a member of the international auditing network "Crowe Global", which is one of the TOP 10 global auditing networks in the world, which consists of independent auditing and consulting firms in 130 countries and has 765 offices. The AC CROWE UKRAINE is a representative of the network with an impeccable reputation, which demonstrates the highest standards of work quality and the provision of highly professional services.

The registration number of the AC CROWE UKRAINE in the Register of Auditors and Auditing Entities is 3681. The AC CROWE UKRAINE is an auditing entity that has the right to conduct a mandatory audit of financial statements. The AC CROWE UKRAINE is an auditing entity that has the right to conduct a mandatory audit of financial statements of enterprises of public interest.

The AC CROWE UKRAINE provides the JSC "KREDOBANK" with audit services for the first year. In the current year, in addition to the audit of financial statements of the JSC "KREDOBANK", prepared in accordance with the International Financial Reporting Standards for the year ended on 31 December 2020, the auditing company also conducted the first stage of assessing the Bank's stability, taking into account the requirements of the National Bank of Ukraine.

There were no cases of the conflict of interests and/or performing the functions of the internal auditor during the entire period of providing the services of the AC CROWE UKRAINE.

During the last three years, neither the Audit Chamber of Ukraine, nor the Audit Public Oversight Body, nor the bodies that carry out state regulation of the markets of financial services have applied any penalties against the AC CROWE UKRAINE. There are no facts of the submission of unreliable statements of the Bank detected by the bodies that carry out state regulation of the markets of financial services, which is confirmed by the audit opinion.

Approved to issue and signed on behalf of the Management Board on April 6, 2021

**Chairman of the Management Board of the JSC "KREDOBANK"**

**Jerzy Jacek Szugajew**

