

**Corporate Management Report  
(MANAGEMENT REPORT)**

**JSC “Ukrainian Bank for Reconstruction and Development”**

for the year that ended December 31, 2022

## **Corporate Management Report**

### **(MANAGEMENT REPORT)**

#### **1. General information**

Full name of the bank: Joint Stock Company “Ukrainian Bank for Reconstruction and Development” (*hereinafter also referred to as the “Bank”*).

Bank Location: 4, Oleksiia Teriokhina Street, Kyiv, 04080, Ukraine.

The Bank was founded in Ukraine on 17/12/2003 and is the legal successor of Closed Joint Stock Company “Ukrainian Bank for Reconstruction and Development”, Open Joint Stock Company “Ukrainian Bank for Reconstruction and Development”, Public Joint Stock Company “Ukrainian Bank for Reconstruction and Development”.

Closed Joint Stock Company “Ukrainian Bank for Reconstruction and Development” was registered by the National Bank of Ukraine on 19/03/2004, which was reorganized into Open Joint Stock Company “Ukrainian Bank for Reconstruction and Development” on 01/10/2007. On 28/08/2009, in order to bring the name of the Bank into compliance with the requirements of the Law of Ukraine “On Joint-Stock Companies”, the name of the Bank was changed to Public Joint-Stock Company “Ukrainian Bank for Reconstruction and Development”. On 01/11/2018, due to the amendments to the Law of Ukraine “On Joint-Stock Companies”, the company type was changed to a private joint-stock company, and the name of the Bank was changed to Joint Stock Company “Ukrainian Bank for Reconstruction and Development”.

The Bank is the only bank in Ukraine with Chinese capital, which is 100% owned by the ultimate beneficial owners - citizens of the People’s Republic of China.

The Bank is a member of the Association of Ukrainian Banks, the Chinese Trade Association, the Association “National SWIFT Member and User Group for the Ukrainian community of SWIFT shareholders and users “UkrSWIFT”, a member of the Professional Association of Capital and Derivatives Market Participants, as well as a member of the Individual Deposit Guarantee Fund.

The Bank carries out its activities within the banking license No. 216 issued by the National Bank of Ukraine on 15/03/2011 and is entitled to provide banking services, stipulated by Article 47(3) of the Law of Ukraine “On Banks and Banking Activities”.

The Bank has license for professional activities in the stock market - securities trading activities, namely: Dealer activity (AE series No. 185464, issued on 12/03/2013, valid from 12/03/2013 and unlimited), which, pursuant to the Decision of the National Securities and Stock Market Commission No. 420 dated 23/06/2021, was reorganized to carry out professional activity of trading the financial instruments involving dealer activity on capital markets.

This Corporate Management Report (Management Report) of Joint Stock Company “Ukrainian Bank for Reconstruction and Development” for 2022 is prepared and provided in accordance with the Law of Ukraine “On State Regulation of Capital Markets and Organized Commodity Markets”, the Law of Ukraine “On Joint Stock Companies”, the Law of Ukraine “On capital markets and organized commodity markets”, the Instructions on the Procedure for Drawing up and Publishing Financial Statements of Ukrainian Banks, approved by Resolution of the Board of the National Bank of Ukraine No. 373 dated 24/10/2011 (as amended).

#### **2. Nature of business**

##### **External environment in which the Bank carries out its activities**

The main sources of risks both for the banking system as a whole and for the Bank were the protracted war, terrorist attacks on the energy infrastructure and the subsequent economy suppression.

The GDP for the reporting year fell by about a third, and for the next year it will grow more slowly than was predicted before the massive missile attacks. This will slow the recovery of demand for financial services and cause additional credit losses for banks.

International support for Ukraine is growing and becomes a reliable support for financing the needs of the state, the balance of payments and international reserves, thanks to which the National Bank maintains its active presence on the foreign exchange market.

In the second half of 2022, pressure on the foreign exchange market eased significantly due to the summer adjustment of the exchange rate. With the easing of currency restrictions in July, the population was able to purchase foreign currency for placement in term bank deposits. After that, term deposits in foreign currency started to grow for the first time since the beginning of the COVID-19 pandemic.

Financial institutions operate without interruption despite the enemy's energy terror and civilian infrastructure destruction. Banks are implementing measures for strengthening their resilience to operational risks and enabling to maintain business continuity even under the prolonged blackouts. Ensuring the continuity of payments and the preservation of the banking network operability is one of the principles of trust and financial stability of the banking system.

The liquidity of the banking system in general has remained high, and even broke records according to certain indicators. However, the inflow of new funds to the sector is uneven: the main volume settles mainly on current accounts in state banks, while some small banks feel a lack of liquidity.

A slowdown in economic activity due to security risks and power outages further reduces credit demand. During the war, the government programs play a key role in supporting lending. Market lending will resume only with the revival of the economy.

Credit risk continues to be the biggest threat to the financial sector. Together, the actual and potential losses of the loan portfolio are currently at the level of about 20%. However, the destruction of the energy infrastructure and a slower economic revival increase the credit risk. Thus, the losses provoked by the war can increase to 30% of the portfolio.

Despite heavy provisioning costs, the sector gained a profit due to strong interest income, recovery in commission income and revaluations. Profitability of the sector capital exceeded 9%.

The banking sector operating profitability provides banks with the first line of defense for absorbing credit losses. Most banks still have a capital buffer exceeding the minimum requirements. However, this excessive buffer is likely to disappear.

The National Bank of Ukraine does not apply any influence measures for violations of regulatory capital requirements if they are caused by the consequences of war. Therefore, the banks with viable business models and the ability to generate operating income will have plenty of time to recapitalize if needed. Instead, the operationally unprofitable banks will remain under the attention of the regulator and be subjected to restrictions to protect the depositors' interests.

In 2023, the NBU expects the stabilization of the economic situation and gradual economic recovery and plans to analyse the quality of assets to confirm the correct display of the loan portfolio quality, the reserve formation adequacy, as well as assess the real size of the regulatory capital. A transitional period for restoring the capital minimum regulatory values will be determined based on the assessment results. Most banks will be able to recapitalize through future earnings, but a number of banks will likely require the shareholders' support.

#### **Information on the Bank's managers as of 31/12/2022**

### **The Supervisory Board's composition**

1. **Yan Dongsheng** – Chairman of the Supervisory Board of the Bank (representative of BOCE (HONG KONG) CO., LIMITED LIMITED LIABILITY COMPANY (approved by the National Bank of Ukraine on 07/09/2018).
2. **Wen Yuanhua** - Deputy Chairman of the Supervisory Board - independent member of the Bank's Supervisory Board - (approved by the National Bank of Ukraine on 07/09/2018).
3. **Zha Zhongmin** - member of the Supervisory Board - independent member of the Bank's Supervisory Board (approved by the Decision of the Committee on Supervision and Regulation of Bank Activities of the National Bank of Ukraine No. 20/1373-rk dated 24/10/2022).
4. **Xu Honghong** - member of the Supervisory Board of the Bank (representative of BOCE (HONG KONG) CO., LIMITED) - (approved by the Decision of the Committee on Supervision and Regulation of the Activities of Banks of the National Bank of Ukraine No. 20/1374-rk dated 24/10/2022).
5. **OSYPENKO Ruslan Anatoliiovych** - member of the Supervisory Board of the Bank - independent member of the Supervisory Board of the Bank - (approved by the National Bank of Ukraine on 27/06/2018).

### **Composition of the Executive Board:**

1. Chairman of the Executive Board - Oleh Yuriiiovych Loktionov
2. Deputy Chairman of the Executive Board - Vasyl Valeriiiovych Tretiakov;
3. Deputy Chairman of the Executive Board – Olha Petrivna Usenko;
4. Chief accountant, Member of the Executive Board - Tetiana Lvivna Sylenko.

### **Organizational structure**

In the reporting year, the Bank's organizational structure was updated due to the need to make changes taking into account the development of the Bank's activities and activation of business processes. The organizational structure of the Bank includes a new position of a member of the Executive Board and areas of responsibility have been redistributed among the Executive Board members. The interbank operations department and the documentary operations department are under the authority of the new Deputy Chairman of the Executive Board.

In the future, the Bank's organizational structure will be enhanced considering the clear functional specialization and close coordination of the activities of divisions, the principles of competitiveness and economic stimulation of achieving results, conflict of interest prevention.

#### **Structural divisions**

There are no separate structural divisions.

#### **Information on the acquisition of shares**

In the reporting period, the Bank registered an additional issue of shares to increase the authorized capital. The registration of the emission results is completed. The Bank did not purchase its own shares of additional issue or repurchase the shares from existing shareholders.

There is no management interest in the shares of the Bank.

#### **Nature of the Bank's activity**

The Bank is a universal institution able to provide the full-scope banking services pursuant to the current legislation of Ukraine and the existing licenses issued by the National Bank of Ukraine and the State Commission for Securities and the Stock Market.

In the reporting year 2022, the Bank's main areas of activity included the following banking operations:

- opening and maintaining customer current accounts (national and foreign currencies);
- involving funds of legal entities and individuals to deposit accounts;
- raising refinancing loans from the National Bank of Ukraine;
- placement of funds on correspondent accounts in other banks;
- carrying out operations on the securities market on its own behalf;
- providing loans to business entities;
- purchase/sale of foreign currency on the interbank foreign exchange market of Ukraine in its own behalf and on behalf of clients;
- purchase/sale of cash foreign currency through the Bank's cash desk.

In 2022, the Bank carried out its activity in the territory of one region (regionally).

### **3. Management goals and strategies for achieving these goals**

The Bank's mission is to promote business cooperation between Ukrainian and the Chinese businesses through the provision of corporate banking services while maintaining an optimum balance of interests of clients, shareholders and the Bank itself.

The Bank aims to enhance the quality of financial services and create a digital management system using technology to expand innovation in financial services, and to provide more efficient and intelligent financial services and solutions for corporations, small and micro enterprises, platforms and other users of banking services, thereby making finance more accessible, safer and convenient.

The vision of the Bank: becoming a reliable financial partner not only for the Ukrainian and Chinese businesses, but also a bank providing quality assistance in the implementation of simple financial solutions to meet the clients' needs by offering them a wide range of industry products and services, professional comprehensive financial support. In the future, the Bank seeks to become a regional boutique Bank with a narrow specialization of "Financial and consulting bridge between China and Ukraine".

In 2022 the Bank carried out its activities within the implementation of the "Ukrainian Bank for Reconstruction and Development JSC Development Strategy. Road Map of the Bank for 2022-2024" (hereinafter referred to as the "Strategy") approved by the Decision of the Supervisory Board No. 16/2021 dated 15/11/2021.

The Strategy envisages the implementation of three stages, namely:

Stage 1. Application of the Optimization Plan. Performance timeline: 2021 - 2022. Stage 1 Objectives:

- Equity preservation
- Losses mitigation
- Ensuring the profitable activity

Stage 2. Search and involvement of an investor. Performance timeline: 2023. Stage 2 Objectives:

- Obtaining a strategic asset
- Ensuring the profitable activity
- Obtaining a financial cushion for equity
- Development of a new Strategy together with a new investor based on the Bank's vision described in "Strategy of JSC "Ukrainian Bank for Reconstruction and Development". Roadmap of the Bank for 2022-2024"

Stage 3. Application of the Optimization Plan. Performance timeline: 2023 - 2024. Stage 3 Objectives:

- Becoming a reliable financial partner for the Ukrainian and Chinese businesses
- Become an active participant of "One Belt, One Road"

Achieving the above-mentioned goals of Stages 2 and 3 by the Bank and its management is planned through the implementation of the following tasks and measures:

Stage 2:

- Search and involvement of a business partner (investor)
- Increase of authorized capital to UAH 422 mln.
- Development and final approval of the Bank's further development strategy
- Expansion of the client base
- Expansion of the product line, primarily in the areas of:
  - transactional business;
  - transactions on financial markets;
  - investment banking.
- Increasing the volume and profitability of active operations
- Building a highly efficient IT system
- Improving and strengthening the Bank's financial condition while observing the controlled growth rule
- Development and enhancement of technological maps and procedures
- Maintaining a high level of quality of corporate management, culture, internal control and risk management systems
- Financial support for economic and trade development between China and Ukraine through the provision of inexpensive and efficient services with settlements in yuan
- Provision of a more convenient and comprehensive service for companies
- Providing customers with more convenient and faster financial services through full-fledged offline and online channels

Stage 3: The main tasks for the Stage 3 will be finally agreed upon, approved and described in the Bank's new Strategy after involving a new investor.

The main services of the Bank at Stage 3:

Commercial Bank

- Service of international trade agreements
- Provision of trade financing
- Examination (at the request of the country's legislation) for the purposes of trade circulation
- International settlements
- Currency exchange

Investment Bank

- Raising capital to finance growth
- Bond underwriting
- Asset management
- Strategic investments of wealthy clients (private investments)
- Sales to businesses

Consulting

- Financial consulting

- Legal consulting on foreign trade legislation
- Trade consulting

The Bank's target client group:

- Corporate clients with experience in business between Ukraine and China
- Natural persons – citizens of Ukraine and residents of China requiring the international financial services

Main sales channels:

- Own mobile application and other software with management capabilities.
- Payment channel in RMB: provision of currency financial services for payment and settlement in the course of international trade between China and Ukraine through direct correspondent accounts
- Tianjin Bohai Commodity Exchange Limited Liability Company
- As of the reporting date, to achieve the goals of Stage 1, the Bank and its management have completed a number of tasks and measures. Among the most significant achievements is the increase in the Bank's authorized capital to UAH 317.48 mln and cost optimization. At the beginning of the implementation of Stage 1, as planned, the Bank increased the volume of raising early refinancing loans from the NBU and the volume of investments in government securities denominated in the national currency. But after a shock increase in the discount rate and interest rates on refinancing loans, the Bank, aiming to reduce the interest burden, began to partially repay refinancing loans ahead of schedule at the expense of funds from the planned repayment of bonds of the domestic state loan and from the sale of sovereign bonds on the secondary market.
- In addition, the Bank has already started the search for an investor, but the beginning of a full-scale war in Ukraine and the increase in the country's risks make it practically impossible to raise new investments. Before involving a new investor, the main task of the Bank is to minimize losses and preserve equity. At this time, the Bank will try to reduce its costs to a minimum. During the search for and involving a business partner and investor, the Bank chooses a strategy of low-risk operations, such as operations with domestic state loan bonds and deposit certificates of the National Bank of Ukraine. These operations will be the main activity of the Bank for the specified period.

On December 30, 2022, the decision of the sole shareholder of the Bank approved the document "Main areas of activity of JSC "Ukrainian Bank for Reconstruction and Development" for 2023-2025", according to which the main goal of the Bank for the coming years 2023-2025 is to ensure rapid, reliable and comprehensive growth Bank.

### **5. Results of activity and prospects for further development**

To achieve its goals, the Bank will use the market advantages provided by cooperation with the Chinese partners and effective technological solutions to occupy a niche in the banking services market, attract a wide range of customers, and minimize the impact of negative factors and threats.

The total assets of the Bank as of the end of the day on 31/12/2022 amounted to UAH 276,691 thousand against UAH 729,967 thousand in comparison with the corresponding reporting date of the previous year. The decrease in the currency of the balance for the year amounted to UAH 453,276 thousand or 62%.

The share of investments in securities (domestic state loan bonds and NBU deposit certificates) in the asset structure is significant. The specific weight of investments in securities in the total assets of the Bank was 70% against 91% in the previous reporting year. As of the end of the day on 31/12/2022, the total amount

of funds placed in securities amounted to UAH 193,922 thousand against UAH 664,560 thousand last year, which is UAH 470,638 thousand, i.e. less by 71%. Herewith, the volume of investments in domestic state loan bonds amounted to UAH 168,874 thousand or 87% of the total volume of placement in securities, and investments in deposit certificates amounted to UAH 25,047 thousand or 13% of the entire volume of placement in securities.

During the reporting year, the Bank had only 1 loan in its portfolio, which was fully repaid as of 31/12/2022.

As of the reporting date, balances on correspondent accounts with the NBU and other banks amounted to UAH 2,375 thousand and UAH 30,372 thousand (considering the reserve for impairment in the amount of UAH 710 thousand), respectively.

The total amount of intangible assets and fixed assets amounted to UAH 42,056 thousand (15% of the Bank's total assets) against UAH 46,119 thousand (6% of the Bank's total assets) at the beginning of the reporting year, i.e. lesser by UAH 4,063 thousand.

Other assets in the amount of UAH 1,279 thousand made up 0.5% of total assets and amounted to UAH 246 thousand, i.e. by 24% more than on the previous year reporting date.

The total liabilities of the Bank as of the annual reporting date amounted to UAH 69,348 thousand against UAH 499,112 thousand on the previous year reporting date. The decrease for the reporting year amounted to UAH 429,764 thousand or by 86%. In particular, during the reporting year, the following changes occurred in the structure of the Bank's liabilities:

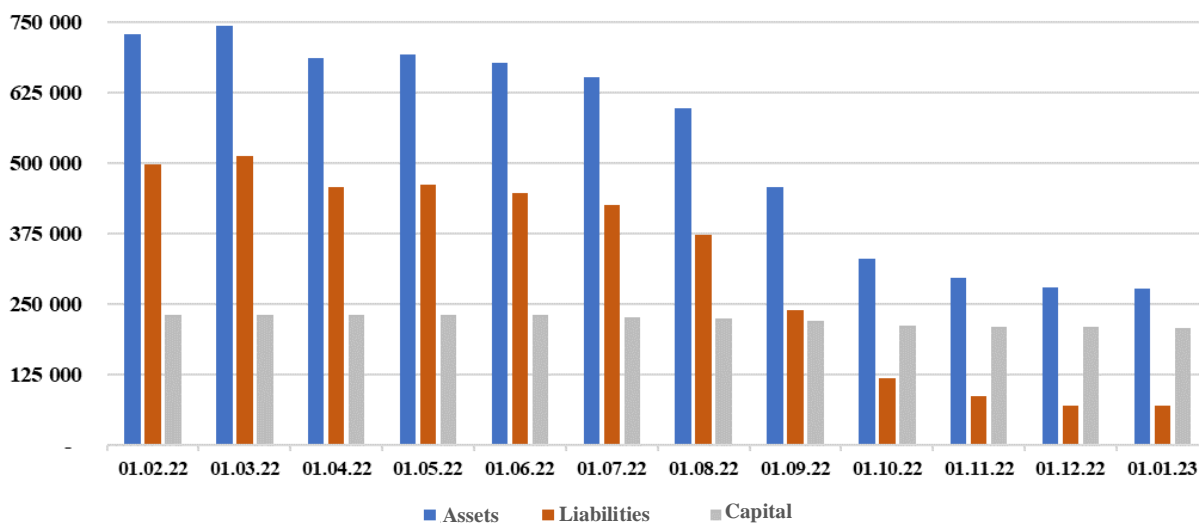
Liabilities	31/12/2022	31/12/2021	Changes for the year
Refinancing loans from the NBU	-	445.173	(445.173)
Funds of legal entities:	53,257	40.738	12.519
- <i>funds on demand</i>	52.741	39.726	13.015
- <i>term funds</i>	516	1.012	(496)
Funds of individuals:	3,650	735	2.915
- <i>funds on demand</i>	2.966	624	2.343
- <i>term funds</i>	684	111	573
Subordinated debt	9,826	9.480	347
Reserves for liabilities	20	20	-
Other liabilities	2.595	2.966	(371)
<b>Total Liabilities</b>	<b>69,348</b>	<b>499.112</b>	<b>(429.764)</b>

As of 31/12/2022, the Bank's equity amounted to UAH 207,343 thousand against UAH 230,855 thousand at the beginning of the reporting year, which is by UAH 23,512 thousand less, and accounted for 75% of all liabilities of the Bank.

The dynamics of the size of assets, liabilities and capital during the reporting year was as follows:



### Dynamics of assets, liabilities and balance sheet capital in 2022



The total amount of interest income in the reporting year amounted to UAH 54,540 thousand which is by UAH 9,684 thousand more compared to the previous year, mainly due to an increase in the volume of placement of temporarily free funds in government securities. Interest income on domestic state loan bonds and on deposit certificates of the National Bank of Ukraine amounted to UAH 53,036 thousand and UAH 1,314 thousand, respectively. UAH 189 thousand was received on the credit of the business entity.

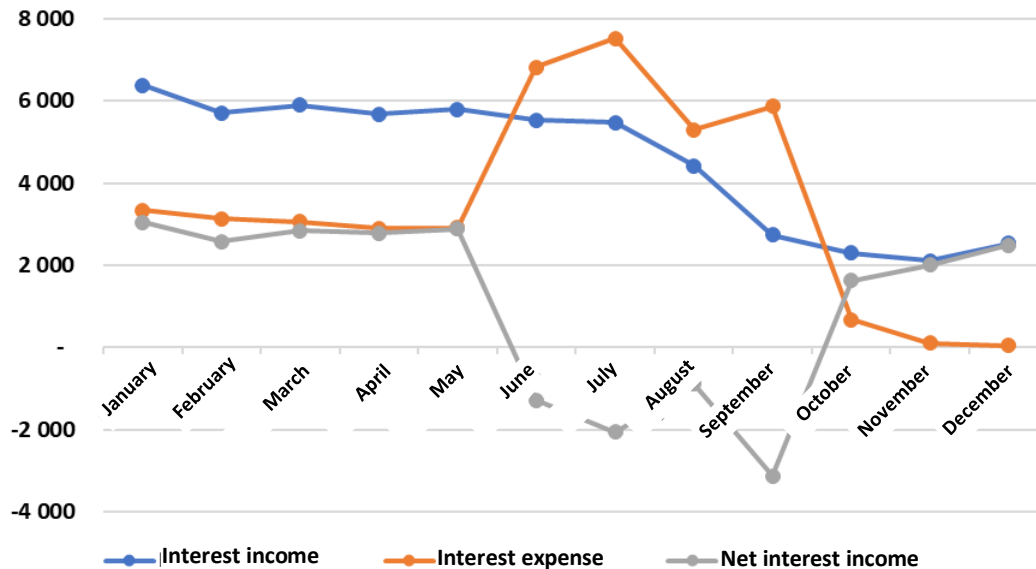
The total amount of interest expenses for the year was UAH 41,675 thousand, which is by UAH 10,375 thousand more compared to the previous year. The increase in interest expenses occurred due to the increase in expenses for NBU refinancing loans as a result of the increase in the discount rate. Interest expenses included the following:

- for refinancing loans of the National Bank of Ukraine - UAH 41,126 thousand.
- at the expense of legal entities - UAH 94 thousand
- at the expense of the population - UAH 42 thousand
- for subordinated debt - UAH 406 thousand
- according to the lease obligation - UAH 7 thousand

Net interest income in 2022 amounted to UAH 12,865 thousand against UAH 13,556 thousand in 2021, i.e. by UAH 691 thousand less.

Monthly dynamics of interest income and expenses, net interest income during 2022:

### Dynamics of interest income/expense and net interest income in 2022



The results of the purchase and sale of foreign currency and revaluation of the currency position for the reporting year were positive and amounted to UAH 37 thousand and UAH 2,259 thousand, respectively.

Other operating and other income amounted to UAH 91 thousand and, mainly, were received in the form of rent for bank premises.

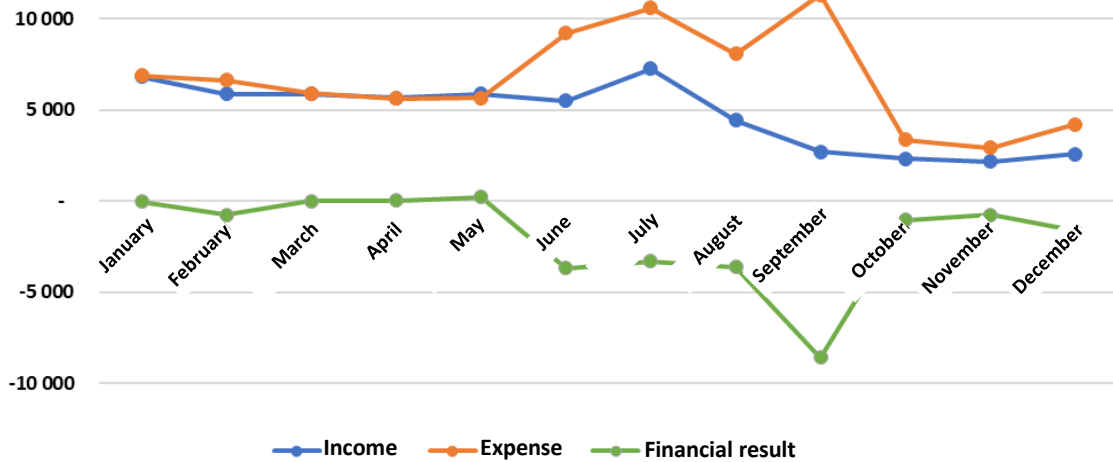
The amount of incurred general administrative expenses in the reporting year amounted to UAH 33,864 thousand, which is by UAH 14,104 thousand less than in the previous reporting year. The most significant component of this expense item was personnel expenses, which decreased by UAH 12,524 thousand compared to the previous year, i.e. by 36% as a result of staff reduction and amounted to UAH 22,356 thousand as of 31/12/2022.

The total income of the Bank for the reporting year amounted to UAH 57,190 thousand against UAH 51,603 thousand in the previous year, which is by UAH 5,587 thousand or 11% more. The following items were included in the total income: interest income, commission income, foreign currency revaluation result, currency operations result, other operating and other income.

The total expenses of the Bank for 2022 amounted to UAH 80,416 thousand against UAH 79,537 thousand respectively, in 2021, which is by UAH 879 thousand or 1% more. The total costs include: interest and commission expenses, expenses from impairment of assets (reserve), general administrative expenses, other operating expenses (including expenses from derecognition of financial assets), as well as other expenses.

As a result of activity in the reporting year, the Bank received a financial result in the form of a loss in the amount of UAH 23,226 thousand against the loss in the amount of 27,934 thousand in the previous year, which was by UAH 4,708 thousand or 17% less. Monthly dynamics of income, expenses and financial result during the reporting year:

### Income, expenses and financial result in 2022



In 2022, the sole shareholder of the Bank BOCE (HONG KONG) CO., LIMITED LLC completed the increase of the authorized capital to UAH 317,480 thousand by placing additional shares in the amount of 149,960 with a par value of UAH 500.00 for a total par value of 73,480 thousand. Regulatory capital (considering the adjusting postings) as of 31/12/2022 amounted to UAH 213,788 thousand against UAH 236,968 thousand as of the date of the previous annual report, which is by UAH 23,180 thousand or 10% less.

JSC "Ukrainian Bank for Reconstruction and Development" aims to enhance the quality of financial services and create a digital management system using technologies to expand innovations in financial services, as well as provide more efficient and intelligent financial services and solutions for corporations, small and micro enterprises, platforms and other users banking services, thereby making finance more accessible, safer and more convenient. The Bank's mission is to promote business cooperation between the Ukrainian and Chinese businesses through the provision of corporate banking services while maintaining an optimum balance of interests of clients, shareholders and the Bank itself.

JSC "Ukrainian Bank for Reconstruction and Development" aims to become a reliable financial partner not only for Ukrainian and Chinese businesses, but also a bank providing quality assistance in the implementation of simple financial solutions to meet the needs of clients, offering them a wide range of industry products and services, professional complex financial support.

In the future, the Bank sees itself as a regional boutique Bank with a narrow specialization of "Financial and consulting bridge between China and Ukraine".

To achieve its goals, the Bank will use the market advantages provided by cooperation with the Chinese partners and effective technological solutions to occupy a niche in the banking services market, attract a wide range of customers, and minimize the impact of negative factors and threats.

According to the current Strategy of JSC "Ukrainian Bank for Reconstruction and Development" (the Bank's Roadmap for 2022-2024), which was approved by the Decision of the Supervisory Board No. 16/2021 of 15/11/2021, the Bank plans to implement 3 Stages.

As of the reporting date, to achieve the goals of Stage 1, the Bank and its management have completed a number of tasks and measures. Among the most significant achievements is the increase in the Bank's authorized capital to UAH 317.48 mln and cost optimization. At the beginning of the implementation of

Stage 1, as planned, the Bank increased the volume of raising early refinancing loans from the NBU and the volume of investments in government securities denominated in the national currency. But after a shock increase in the discount rate and interest rates on refinancing loans, the Bank, aiming to reduce the interest burden, began to partially repay refinancing loans ahead of schedule at the expense of funds from the planned repayment of bonds of the domestic state loan and from the sale of sovereign bonds on the secondary market.

In addition, the Bank has already started the search for an investor, but the beginning of a full-scale war in Ukraine and the increase in the country's risks make it practically impossible to raise new investments. Before involving a new investor, the main task of the Bank is to minimize losses and preserve equity. At this time, the Bank will try to reduce its costs to a minimum. During the search for and involving a business partner and investor, the Bank chooses a strategy of low-risk operations, such as operations with domestic state loan bonds and deposit certificates of the National Bank of Ukraine. These operations will be the main activity of the Bank for the specified period.

The main tasks for the second stage of the implementation of the Strategy:

- Search and involvement of a business partner (investor);
- Increase of authorized capital to UAH 422 mln.
- Development and final approval of the Bank's further development strategy;
- Expansion of the client base;
- Expansion of the product line, primarily in the areas of:
  - transactional business;
  - transactions on financial markets;
  - investment banking;
- Increasing the volume of active operations and their profitability;
- Building a highly efficient IT system;
- Improving and strengthening the Bank's financial condition while observing the rule of controlled growth;
- development and enhancement of descriptions of processes and procedures;
- maintaining a high level of quality of corporate management, culture, internal control and risk management systems;
- Financial support for economic and trade development between China and Ukraine through the provision of inexpensive and efficient services with settlements in RMB;
- provision of a more convenient and comprehensive service for companies;
- providing customers with more convenient and faster financial services through full-fledged off-line and on-line channels.

Unfortunately, the events that took place in Ukraine as a result of the armed Russian aggression against Ukraine on February 24, 2022 may lead to a negative development of events and the complication of the conditions of the Bank's activities, the unpredictability of its further economic development and difficulties in implementing the Strategy of JSC "Ukrainian Bank for Reconstruction and Development" (The Bank's road map for 2022 - 2024), which was approved by the Decision of the Supervisory Board No. 16/2021 dated 15/11/2021.

Having analysed the existing internal, economic and political factors of uncertainty, the events mentioned above and considering their possible impact, the Bank's management came to the conclusion that there is a significant uncertainty that may put the Bank's ability to continue its activities on a going concern basis at significant risk. The outcome of the events currently taking place is not beyond the direct control of the Bank, but the Bank's management monitors the current situation and takes measures to minimize any negative consequences as much as possible. Thus, in order to minimize the negative impact of the above-mentioned events on the continuity of the Bank's activities, a number of measures were taken, such as:

- ✓ In order to ensure continuous activity in blackouts and possible interruptions in the supply of electricity, an additional diesel generator with a capacity of 6 kW was purchased, which ensures the operation of critical server equipment and some workplaces for the performance of critical business processes in the event of failure of the main diesel generator.
- ✓ The bank built a data transmission channel to the backup data processing centre of the National Bank of Ukraine.
- ✓ The Bank signed an agreement with another provider and built a backup channel through the data centre of this provider to the backup data processing centre of the National Bank of Ukraine, further diversifying the risks of communication failure with the electronic payment system and other services of the National Bank of Ukraine.
- ✓ To make it impossible to lose connection with the Internet and with clients, the Bank created a communication channel via satellite and integrated it into banking systems.

The Bank has sufficient liquidity to meet all its financial obligations.

## **6. Key performance indicators**

In the reporting year, the impact of external factors was negative and very significant, which led to difficulties in achieving the planned key indicators. The increase in interest rates on NBU refinancing loans due to the increase in the discount rate had the biggest negative impact on the actual figures. Due to this, the Bank prematurely returned the refinancing loans of the NBU at the expense of funds from the repayment and sale of government bonds, which, in turn, reduced the volume of placement in government bonds and deposit certificates of the NBU and affected some other indicators (total liabilities, total assets, balance sheet capital, etc.). The actual performance of key indicators as of the end of the day on 31/12/2022 was as follows:

Indicator	Planned, UAH thousand	Actual, UAH thousand	Actual - Planned, UAH thousand
sovereign bond and NBU deposit certificates	642,411	193,922	(448,489)
funds on correspondent accounts in other banks	6,560	30,372	23,812
Financial and capital investments	42,095	42,055	(40)
Total assets	734,839	276,691	(458,148)
loans from the NBU	422,000	0	(422,000)
Funds of legal entities	69,570	53,257	(16,313)
Funds of the population	1,468	3,650	2,182
Subordinated debt	9,820	9,826	6
Liabilities	505,593	69,348	(436,245)

Balance sheet capital	229,246	207,343	(21,903)
Regulatory capital (considering the adjusting postings)	235,577	213,788	(21,789)
Income	77,766	57,191	(20,574)
Expenses	79,768	80,417	650
Financial result	(2,002)	(23,226)	(21,224)
Net interest income	38,503	12,865	(25,638)
Net commission income	281	36	(244)

Significant differences between the actual indicators and the planned indicators arose as a result of events caused by the full-scale invasion of Russian troops into the territory of Ukraine and the continuation of hostilities, the increase in the price of resources, a decrease in business activity, as well as a downturn in the country's economy.

All economic standards and the standard of mandatory reservation by the Bank were not only observed, but also had a significant margin of compliance. The regulations as of the end of the day on 31/12/2022 had the following actual values:

Standard	Indicator name	Standard value	Actual value
H1	The minimum amount of regulatory capital (taking into account corrective postings), UAH thousand	> = 200,000	213,788
H2	Standard of sufficiency (adequacy) of regulatory capital	> =10%	270,77 %
H3	Core capital adequacy ratio	> = 7%	255,70 %
H7	Standard of the maximum amount of credit risk per counterparty	< = 25%	0.04 %
H8	Standard of large credit risks	< = 800%	0 %
H9	Standard for the maximum amount of credit risk for related entity	< = 25%	0 %
H11	Standards for investing in securities separately for each institution	< = 15%	0 %
H12	Standard of the total amount of investment	< = 60%	0 %
L 13-1	Long open currency position limit	< = 5%	3.980 %
L 13-2	Short open currency position limit	< = 15%	0 %
LCR <sub>fc</sub>	Liquidity coverage ratio in foreign currency	> = 100%	198.24 %
LCR <sub>dc</sub>	Liquidity coverage ratio for all currencies	> = 100%	3590.55 %
NSFR AC	Net stable funding ratio	> = 90%	586.73 %

## 7. Resources, risks and relationships

Key financial resources of the Bank, which are at the disposal of the Bank and are used for active operations, are:

- ✓ funds raised from legal entities (including funds raised on the terms of subordinated debt);
- ✓ funds raised from individuals;

- ✓ Bank's own funds (equity).

JSC "Ukrainian Bank for Reconstruction and Development" operates in its own premises, which fully meets the requirements of the National Bank of Ukraine, has a certified cash desk.

The Bank constantly updates the material and technical base, purchases and integrates new server and network equipment.

For remote customer service, the Bank operates a modern client-bank with a mobile application for legal entities, which provides the possibility of conducting foreign economic activities.

In order to counteract modern threats to information security, the Bank ensures the constant implementation of new processes and means of protection in accordance with the best practices and requirements of the legislation of Ukraine and the acquisition of appropriate software and hardware.

### Liquidity and Liabilities

According to the Bank's financial statements, the amount of funds raised is UAH 68,812 thousand, including:

- Funds at the request of legal entities - UAH 52,741 thousand. (77% of all funds raised)
- Term funds of legal entities - UAH 516 thousand (1% of all funds raised, repayment term: up to 1 month)
- Funds at the request of individuals - UAH 2,966 thousand. (4% of all funds raised)
- Fixed-term funds of individuals - UAH 684 thousand (1% of all funds raised, repayment term: UAH 405 thousand up to 1 month, UAH 289 thousand - up to 3 months)
- Subordinated debt – UAH 11,905 thousand. (17% of the funds raised, repayment term: up to 5 years)

Other liabilities in the amount of UAH 2,615 thousand make up 4% of all the Bank's liabilities.

The total amount of highly liquid assets, which ensure timely fulfilment of obligations, as of the reporting date, amounted to UAH 233,108 thousand and consisted of:

- cash in the Bank's cash register in the amount of UAH 6,439 thousand.
- funds on a correspondent account at the NBU in the amount of UAH 2,375 thousand.
- funds on correspondent accounts in other banks in the amount of UAH 31,082 thousand. (UAH 30,372 thousand, considering the provision for impairment).

The largest part of assets (70%) in the total amount of UAH 193,922 thousand. (taking into account accrued income and unamortized discounts/premiums) are investments in liquid securities, namely:

- investment in bonds of the domestic state loan in the amount of UAH 168,874 thousand. (repayment terms: up to 10 months in the amount of UAH 123,423 thousand, up to 11 months in the amount of UAH 35,942 thousand, up to 14 months in the amount of UAH 9,959 thousand)
- investment in NBU certificates of deposit in the amount of UAH 25,047 thousand. (overnight)

During the reporting year, the Bank had excess liquidity and not only fulfilled all liquidity standards, liquidity coverage ratio (LCR) and net stable funding ratio (NSFR), established by the National Bank of Ukraine, but also had a significant margin of compliance. Thus, as of 31/12/2021, the coefficient of  $LCR_{fc}$  was 3590.55% (with normative value of 100),  $LCR_{ac}$  - 198.24% (with normative value of 100), coefficients of net stable financing of  $NSFR_{ac}$  - 586.73% (with normative value not less than 90%) and  $NSFR_{fc}$  436.77% (with normative value not less than 90%).

## **Environmental Aspects**

The Bank is responsible for the direct and indirect impact on the ecological system in which it operates.

One of the key directions of the Bank's initiatives in the context of corporate social responsibility is the preservation of the environment, which involves:

- contribution to the sustainable development of society;
- efficient use of natural resources;
- implementation of environmental protection projects.

The Bank makes efforts to reduce its direct environmental impact by stimulating the discussion of environmental topics, constantly improving its environmental efficiency, conserving resources, reducing energy consumption, including environmental requirements in the criteria for selecting suppliers. Environmental protection measures also include restrictions on cooperation or provision of services to enterprises engaged in environmentally hazardous activities.

## **Social Aspects and Personnel Policy**

One of the key prerequisites for the successful implementation of the Bank's Strategy is the formation of a professional and motivated team that clearly understands and shares the goals and tasks facing the Bank. To implement strategic goals, the Bank will actively invest in the development of human capital, involve new professional employees and develop the skills of already working employees.

In the reporting year, the Bank created new jobs with decent wages and social guarantees.

As of 31/12/2022, the full-time staff of the Bank is 48 people. (including 2 persons - leave as a mother of a child who needs home care), of which: - 27 employees in managerial positions. The absolute majority of the Bank's employees have higher education - 89% of their total number, and the average age of the Bank's experienced employees (with an average banking experience of 19 years) is 45 years. In general, the Bank has a dedicated team with an average corporate experience of 8 years.

The Bank's personnel management philosophy is based on a culture of self-enhancement and continuous professional and personal development, a culture of achieving team goals by using the knowledge, skills and experience of all Bank employees.

Much attention is paid to enhancing the qualifications of employees. According to the staff training and professional development program, the Bank organizes relevant training both on its own and employing the specialized training centres. During the reporting year, managers and employees of the Bank attended 7 external trainings. The Bank expects that its investment in human resources will have a positive result and contribute to increasing the efficiency of the Bank's employees.

By decision of the Supervisory Board No. 24/2020 dated 13/11/2020, the Bank implemented the Code of Conduct (Ethics). The Code is a generalization of values, moral principles and ethical norms. The Code establishes general rules of conduct and ethics to be followed by all employees of the Bank, without exception, both during the performance of their official duties and in the informal communication. In addition to the implementation of all legal, regulatory and professional standards covering various aspects of the Bank's activities, the Code reflects the Bank's determination to do even more to serve the Bank's customers and all stakeholders to the best of its ability.



### **Risk management system**

The Bank's risk management system is part of the Bank's overall corporate management system. The strategic goals of the Bank's risk management system are:

- ensuring the necessary ratio between riskiness and profitability and minimizing the Bank's losses;
- support and enhancement of the Bank's credit rating;
- integration of risk management into the Bank's strategic management system;
- creation and development of intra-bank risk management infrastructure;
- implementation of the latest methods and banking standards;
- enhancement of banking products and processes;
- increasing the Bank's competitive advantages.

As part of the risk management system, the Bank adheres to the following basic principles:

- the Bank does not take any risk if this is possible.
- the Bank does not take more risk than its own equity allows.
- The Bank's management thinks about the consequences of risk and does not risk a lot for the sake of a little.
- the Bank does not create risky situations for excess profit.
- the Bank keeps the risks under control.
- The Bank diversifies risks among clients/participants and by types of activities.
- the Bank creates the necessary provisions to cover the risks.
- the Bank continuously monitors risk changes.

Subjects of the Bank's risk management system are: Supervisory Board and the Risk Management Committee of the Bank's Supervisory Board; Bank's Executive Board; Committees of the Bank's Executive Board (Credit Committee, Asset and Liability Management Committee and other collegial bodies established by the Bank's Executive Board); control units (Internal Audit Service; Risk Management Department, Compliance Department; business units of the Bank).

The approved organizational model of the risk management system provides for the separation and direct reporting to the Supervisory Board of the Bank of the Risk Management Department and the Compliance Department, which ensures timely detection, measurement, monitoring, control and mitigation of risks, as well as proper reporting.

Heads of the Risk Management Department (Chief Risk Officer (CRO)) and the Compliance Department (Chief Compliance Officer (CCO)) have the right to attend meetings of the Executive Board and all, without exception, collegial bodies of the Bank and impose a ban (veto) on the decisions of these bodies, if the implementation of such decisions will lead to:

- violation of the established risk appetite and/or risk limits approved by the Supervisory Board;
- violation of the requirements of legislation, relevant standards of professional associations, the effect of which applies to the Bank;
- conflict of interest;
- in other cases established by the Supervisory Board of the Bank.

The activities of risk management subjects are clearly demarcated and regulated, which allows avoiding duplication of functions and ensuring an appropriate level of responsibility for the decisions made.

For efficient risk management and considering the necessity to minimise the conflict of interest between taking restrictions and control over risk levels, as well as audit of the risk management system, the bank has formed the organisational structure with due consideration of the necessity to distribute functions

and responsibilities between Bank departments according to the principle of "3 lines of defense":

Line of Defense 1. It is ensured by the Bank's Executive Board, collegial bodies of the Executive Board, business units and support units and consists in ensuring compliance with the risk restrictions established by the Line of Defense 2. In the course of its activity, it performs the following functions in terms of ensuring risk management:

- identification of types of risks;
- identification and initial assessment of risks when carrying out operations and concluding agreements;
- forecasting the level of risks;
- primary control of risk compliance with established restrictions and limits;
- development and implementation of measures to comply with restrictions and limits;
- acceptance of risks and responsibility for them;
- provision of reports on current management of such risks;
- participation in the development of policies, methods, methods and tools for managing the relevant risk;
- participation in stress testing.

Line of Defense 2. It is provided by the Risk Management Department and the Compliance Department and consists in independent assessment and control of risks. Powers of the Line of Defense 2 shall include:

- identification and assessment of the materiality of types of risks;
- coordination of management methodology and risk assessment;
- assessment of the aggregated (cumulative) level of risks;
- forecasting the level of risks;
- development of a system of risk level restrictions;
- independent from the Line of Defense 1 assessment of the level of risks, control of compliance of the actual level of risk and the forecast level of risk with the established limits;
- development of escalation procedures for violations of risk limits and control over the implementation of measures to eliminate violations;
- control over compliance with mandatory regulatory standards;
- organization/conduct of stress testing procedures;
- formation of risk reporting and bringing it to management and collegial bodies;
- development of risk culture.

Line of Defense 3. It is provided by the Internal Audit Service and consists in assessing the efficiency of the risk management system, independent assessment of the compliance of the risk management system with internal and external requirements. Powers of the Line of Defense 3 shall include:

- assessment of the efficiency of the risk management system;
- verification of the efficiency of the banking risk assessment methodology and procedures;
- informing management about identified deficiencies in the risk management system;
- control over the elimination of identified deficiencies in the risk management system.

In addition, the Bank's risk management system is a set of risk management policies, methods and procedures that determine the order of actions aimed at implementing a systematic process of identifying, measuring, monitoring, controlling, reporting and mitigating all types of risks inherent in the Bank's activities, on at all levels of the Bank's organizational structure.

The risk management system operating in the Bank ensures compliance with all economic standards established by the National Bank of Ukraine, is sufficiently effective, and covers the management of all significant risks to which the Bank is exposed.

Significant risk factors affecting the Bank's activities during the reporting year were:

- full-scale invasion of Russian troops on the territory of Ukraine and continuation of the war;
- terrorist activities of Russia against the civilian population and energy system of Ukraine;
- a shock increase in the discount rate and a corresponding increase in interest rates on refinancing

loans of the National Bank of Ukraine.

### **Relations with shareholders and related parties, the impact of these relations on the results of operations and management**

The Bank's procedures regarding the recognition of persons associated with the Bank are based on the requirements of the Law of Ukraine "On Banks and Banking Activities", "Instructions on the Procedure for Regulating the Activities of Banks in Ukraine", approved by the resolution of the Executive Board of the National Bank of Ukraine No. 368 dated 28/08/2001 (as amended), "Regulations on identification of persons connected with the bank", approved by the resolution of the Board of the National Bank of Ukraine No. 315 dated 12/05/2015 (as amended), the International Accounting Standard 24 "Disclosure of information about related parties", other normative legal acts of the National Bank of Ukraine.

During the reporting year, the Bank carried out passive transactions with related parties in small volumes, which had an insignificant impact on the results of operations and management.

## **8. Corporate management report**

### **1) link to own Corporate Governance Code:**

In its activities, the Bank uses national and international corporate governance practices in accordance with the requirements of Ukrainian legislation. During 2022, the Bank was guided in its activities by the Code of Corporate Governance, approved by Decision of the sole shareholder No. 2/2021 dated 26/04/2021. The decision of the sole shareholder dated No. 6/2022 dated 30/12/2022 approved the new version of the Corporate Governance Code, which is publicly available on the Bank's website ([https://www.ubrr.com.ua/files/rintsipi\\_kodeks\\_korporativnogo\\_upravlinnya\\_2022.pdf.pdf](https://www.ubrr.com.ua/files/rintsipi_kodeks_korporativnogo_upravlinnya_2022.pdf.pdf)).

**corporate management code of the stock exchange, association of legal entities or other corporate management code, which the issuer has voluntarily decided to apply**

none

**all relevant information on corporate management practice applied over legal requirements**

none

**2) if the issuer deviates from the provisions of the corporate governance code specified in items two or three of paragraph 1 of this part, provide an explanation of which parts of the corporate governance code such issuer deviates and the reasons for such deviations. If the issuer decided not to apply certain provisions of the corporate governance code specified in items two or three of paragraph 1 of this part, justify the reasons for such actions**

No deviations

### **3) information on the general meeting of shareholders (members)**

I. General Meeting of Shareholders dated 03/02/2022 (Minutes No. 1/2022), extraordinary. According to the results of consideration of the agenda items of the Annual General Meeting of Shareholders of Joint-Stock Company "Ukrainian Bank for Reconstruction and Development" (Decision of the Sole Shareholder of Joint-Stock Company "Ukrainian Bank for Reconstruction and Development" No. 1/2022 dated 03/02/2022), the sole shareholder of the bank, acting on the basis of the article 49 of the Law of Ukraine "On Joint Stock Companies", made the following decisions on its own:

1. Since February 3, 2022, terminate the powers of Yuriy Oleksandrovych Blashchuk - Member of the Supervisory Board - independent Member of the Supervisory Board of JSC "Ukrainian Bank for Reconstruction and Development" in connection with his application for dismissal.

2. Since February 3, 2022, terminate the civil-legal contract concluded on 13/03/2021 with Yuriy

Oleksandrovych Blashchuk, the independent member of the Supervisory Board of the Bank.

3. Elect Mr. Zha Zhongmin as a member of the Supervisory Board of the Bank, for a term of 1 (one) year, starting on February 4, 2022, as an independent Member of the Supervisory Board of JSC "Ukrainian Bank for Reconstruction and Development", who shall take office after his approval by the National Bank of Ukraine. The Supervisory Board of the Bank is considered formed.

4. Approve the terms of the civil law contract to be concluded with Mr. Zha Zhongmin, the independent member of the Supervisory Board (attached). Set the amount of the reward in accordance with the approved terms of the civil law contract.

5. Authorize the Chairman of the Executive Board of the Bank or another person who will perform the duties of the Chairman of the Executive Board or the person who will be entrusted with the duties of the Chairman of the Executive Board to sign on behalf of the Bank a civil law contract to be concluded with an independent member of the Supervisory Board of the Bank.

II. General Meeting of Shareholders dated 18/02/2022 (Minutes No. 2/2022), extraordinary. According to the results of consideration of the agenda items of the Annual General Meeting of Shareholders of the Joint-Stock Company "Ukrainian Bank for Reconstruction and Development" (Decision of the Sole Shareholder of the Joint-Stock Company "Ukrainian Bank for Reconstruction and Development" No. 2/2022 dated 18/02/2022), the sole shareholder of the bank, acting on the basis of Article 49 of the Law of Ukraine "On Joint Stock Companies", made the following decisions on its own:

1. Change the Bank's Charter related to bringing the Charter into line with changes in current legislation, by presenting the Bank's Charter in a new edition.

Authorize the Chairman of the Bank's Executive Board to sign the new version of the Bank's Charter and ensure the performance of other actions necessary for the approval of the new version of the Bank's Charter by the National Bank of Ukraine and its state registration.

III. General Meeting of Shareholders dated 18/03/2022 (Minutes No. 2/2022), extraordinary. According to the results of consideration of issues on the agenda of the Annual General Meeting of Shareholders of the Joint-Stock Company "Ukrainian Bank for Reconstruction and Development" (Decision of the Sole Shareholder of the Joint-Stock Company "Ukrainian Bank for Reconstruction and Development" No. 2/2022 dated 18/03/2022), the sole shareholder of the bank, acting on the basis of the article 49 of the Law of Ukraine "On Joint Stock Companies", made the following decisions on its own:

1. Re-elect the following members of the Bank's Supervisory Board for a new term of 1 year:

- 1) Yan Dongsheng - Chairman of the Supervisory Board of JSC "Ukrainian Bank for Reconstruction and Development" (representative of BOCE (HONG KONG) CO., LIMITED LIMITED LIABILITY COMPANY);
- 2) Wen Yuanhua - Deputy Chairman of the Supervisory Board - independent Member of the Supervisory Board of JSC "Ukrainian Bank for Reconstruction and Development";
- 3) Osypenko Ruslan Anatoliiovych - Member of the Supervisory Board - independent Member of the Supervisory Board of JSC "Ukrainian Bank for Reconstruction and Development".

2. Since March 18, 2022, terminate the powers of Lu Weidong - Member of the Supervisory Board of JSC "Ukrainian Bank for Reconstruction and Development" (representative of BOCE (HONG KONG) CO., LIMITED LIMITED LIABILITY COMPANY), in connection with his resignation.

3. Elect Ms. Xu Honghong as a member of the Bank's Supervisory Board for a term of 1 (one) year, since March 18, 2022, who will take office after approval by the National Bank of Ukraine.

3.1. The Supervisory Board of the Bank is considered to be formed in the following composition:

- 1) Yan Dongsheng - Chairman of the Supervisory Board of JSC "Ukrainian Bank for Reconstruction and Development" (representative of BOCE (HONG KONG) CO., LIMITED LIMITED LIABILITY COMPANY);
- 2) Wen Yuanhua - Deputy Chairman of the Supervisory Board - independent Member of the Supervisory Board of JSC "Ukrainian Bank for Reconstruction and Development";

- 3) Osypenko Ruslan Anatoliiovych - Member of the Supervisory Board - independent Member of the Supervisory Board of JSC "Ukrainian Bank for Reconstruction and Development";
- 4) Zha Zhongmin - Member of the Supervisory Board - independent Member of the Supervisory Board of JSC "Ukrainian Bank for Reconstruction and Development" (elected by Minutes No. 1/2022 dated 03/02/2022);
- 5) Xu Honghong - Member of the Supervisory Board of JSC "Ukrainian Bank for Reconstruction and Development" (representative of BOCE (HONG KONG) CO., LIMITED LIMITED LIABILITY COMPANY).

4. Approve the terms of civil law contracts with the Chairman, Deputy Chairman of the Supervisory Board of JSC "Ukrainian Bank for Reconstruction and Development" and Members of the Supervisory Board of JSC "Ukrainian Bank for Reconstruction and Development" Zha Zhongmin and Xu Honghong in the form according to Annexes 1, 2, 3, 4. Establish that the services provided by the specified persons of the Bank are provided free of charge during the entire period of their office at the Supervisory Board of the Bank.

4.1. Approve the terms of the civil-legal contract with the Member of the Supervisory Board - independent Member of the Supervisory Board of JSC "Ukrainian Bank for Reconstruction and Development" - Osypenko Ruslan Anatoliiovych in the form according to Annex 5. Establish that the services provided by the specified person to the Bank are provided on a paid basis in accordance with the terms of the approved civil-legal contract with him.

Elect the Chairman of the Executive Board Oleg Yuriiiovych Laktionov as an authorized person entitled to sign on behalf of JSC "Ukrainian Bank for Reconstruction and Development" civil law contracts with the Chairman, Deputy Chairman and members of the Supervisory Board of JSC "Ukrainian Bank for Reconstruction and Development".

#### IV. General Meeting of Shareholders dated 03/08/2022 (Minutes No. 3/2022), annual.

According to the results of consideration of the agenda items of the Annual General Meeting of Shareholders of the Joint-Stock Company "Ukrainian Bank for Reconstruction and Development" (Decision of the Sole Shareholder of the Joint-Stock Company "Ukrainian Bank for Reconstruction and Development" No. 3/2022 dated 03/08/2022), the sole shareholder of the bank, acting on the basis of the article 49 of the Law of Ukraine "On Joint Stock Companies", made the following decisions on its own:

1. Approve the report of the Supervisory Board of JSC "Ukrainian Bank for Reconstruction and Development" for 2021. According to the review of the Report of the Supervisory Board, recognize the sufficient level of the activity of the Supervisory Board.

2. Approve the annual results of activity (annual financial statements) of JSC "Ukrainian Bank for Reconstruction and Development" for 2021 and the Management Report (management report) of JSC "Ukrainian Bank for Reconstruction and Development" for 2021 and the Management Report (management report) for JSC "Ukrainian Bank for Reconstruction and Development".

3. Approve the report and conclusions of the RSM Ukraine audit firm independent auditor based on the results of the audit of the annual financial statements of JSC "Ukrainian Bank for Reconstruction and Development" for 2021, which includes the annual financial statements of JSC "Ukrainian Bank for Reconstruction and Development" for the year ended on December 31 2021 without comments and additional measures.

4. Approve the amount of losses received by JSC "Ukrainian Bank for Reconstruction and Development" based on the results of the Bank's work in 2021 in the amount of UAH 27.933.754,33 and account for them until determining the order and sources of their coverage. Due to the lack of profit based on the results of the activities of JSC "Ukrainian Bank for Reconstruction and Development" in 2021 and the undistributed profit of JSC "Ukrainian Bank for Reconstruction and Development" in previous years, the distribution of profit, accrual and payment of dividends on the shares of JSC "Ukrainian Bank for Reconstruction and Development" for 2021 will not be implemented.

5. Approve the report on the remuneration of members of the Supervisory Board of JSC "Ukrainian Bank for Reconstruction and Development" for 2021.

6. Consider the notification of the absence of persons whose professional activity has a significant impact on the Bank's overall risk profile.

V. General Meeting of Shareholders dated 17/08/2022 (Minutes No. 4/2022), extraordinary. According to the results of consideration of the agenda items of the Annual General Meeting of Shareholders of the Joint-Stock Company "Ukrainian Bank for Reconstruction and Development" (Decision of the Sole Shareholder of the Joint-Stock Company "Ukrainian Bank for Reconstruction and Development" No. 4/2022 dated 17/08/2022), the sole shareholder of the bank, acting on the basis of the article 49 of the Law of Ukraine "On Joint Stock Companies", made the following decisions on its own:

1. Change the Bank's Charter due to the increase of the Bank's authorized capital, by presenting the Bank's Charter in a new version.

Authorize the Chairman of the Bank's Executive Board or a person authorized by him to sign the new version of the Bank's Charter and ensure the performance of other actions necessary for the approval of the new version of the Bank's Charter by the National Bank of Ukraine and its state registration.

VI. General Meeting of Shareholders dated 30/08/2022 (Minutes No. 5/2022), extraordinary. According to the results of consideration of the agenda items of the Annual General Meeting of Shareholders of the Joint-Stock Company "Ukrainian Bank for Reconstruction and Development" (Decision of the Sole Shareholder of the Joint-Stock Company "Ukrainian Bank for Reconstruction and Development" No. 5/2022 dated 30/08/2022 ), the sole shareholder of the bank, acting on the basis of the article 49 of the Law of Ukraine "On Joint Stock Companies", made the following decisions on its own:

1. Approve the agreement on amendments No. 1 to the Agreement with the member of the Supervisory Board of the Joint-Stock Company "Ukrainian Bank for Reconstruction and Development" dated 18/03/2022, concluded with the member of the Supervisory Board of JSC "Ukrainian Bank for Reconstruction and Development" Ruslan OSYPENKO, with the establishment of a new amount of remuneration (Annex 1).

2. Authorize the Chairman of the Executive Board of the Joint-Stock Company "Ukrainian Bank for Reconstruction and Development" Oleh LOKTIONOV to sign the contract on amendments No. 1 to the Agreement with a member of the Supervisory Board of the Joint-Stock Company "Ukrainian Bank for Reconstruction and Development" dated 18/03/2022 with Ruslan OSYPENKO.

VII. General Meeting of Shareholders dated 30/12/2022 (minutes No. 6/2022), extraordinary. According to the results of consideration of issues on the agenda of the Extraordinary General Meeting of Shareholders of JSC "Ukrainian Bank for Reconstruction and Development" (Decision of the Sole Shareholder of the Joint-Stock Company "Ukrainian Bank for Reconstruction and Development" No. 6/2022 dated 30/12/2022), the Sole Shareholder of the Bank, acting on the basis of Article 49 of the Law of Ukraine "On Joint Stock Companies", made the following decision on its own:

1. Approve the document "Main activities of JSC "Ukrainian Bank for Reconstruction and Development" for 2023-2025" (Annex 1).

Approve the new edition of the document "Principles (Code) of Corporate Governance of JSC "Ukrainian Bank for Reconstruction and Development" (Annex 2).

**What body carried out the registration of shareholders to participate in the general meeting of shareholders during the last meeting in the reporting year?**

	Yes	No
Registration Commission appointed by the person, who convened the general meeting		x
Shareholders	x	
Depository Institution		x

Other (indicate)	-
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**What body monitored the state of registration of shareholders or their representatives to participate in the last general meeting in the reporting year (if there is control)?**

	Yes	No
The National Securities and Stock Market Commission		X
Shareholders holding a total of more than 10 percent of voting shares		x

**In what way was the voting on the agenda carried out at the general meeting during the last meeting in the reporting year?**

	Yes	No
By raising of cards		X
By bulletin (a secret ballot)		X
By raising of hands		X
Other (indicate)	Decision of the Sole Shareholder	

**The main reasons for convening the last extraordinary meeting in 2022**

	Yes	No
Reorganization		X
Additional share issue		X
Amendments to Charter		X
Taking resolution on increase of the authorized capital of the Company		X
Taking resolution on decrease of the authorized capital of the Company		X
Election or termination of authorities of the Chairman and members of the Supervisory Board		X
Election or termination of authorities of members of the executive body		X
Election or termination of authorities of members of the Audit Commission (Auditor)		X
Delegation of additional authorities to the Supervisory Board		X
Other (indicate)	Approve the document "Main activities of JSC "Ukrainian Bank for Reconstruction and Development" for 2023-2025" and "Principles (Code) of Corporate Governance of JSC "Ukrainian Bank for Reconstruction and Development"	

In 2022, there were no general meetings of shareholders in the form of absentee voting  
In the case of convening extraordinary general meetings, their initiator was the Supervisory Board.  
In 2022, regular and extraordinary general meetings of shareholders were held and there were no reasons for not holding them.

**4) information on the Supervisory Board and Executive body of the issuer  
The Supervisory Board's composition**

Personal composition of the Supervisory Board	Independent member of the Supervisory Board	Dependent member of the Supervisory Board	Functions of the member of the Supervisory Board
Yan Dongsheng Chairman of the Supervisory Board		X	<p>Chairman of the Supervisory Board by the Decision of the sole shareholder of JSC "Ukrainian Bank for Reconstruction and Development" No. 2/2022 dated March 18, 2022, Yan Dongsheng was re-elected as the Chairman of the Supervisory Board for a new term of 1 (one) year from 18/03/2022. The proposal for election was submitted by a shareholder - BOCE (HONG KONG) CO., LIMITED LIMITED LIABILITY COMPANY. Information about work experience during the last five years: From December 2009 to the present, Chairman of the Executive Board of Tianjin Bohai Commodity Exchange Co., Ltd. Has no outstanding conviction for self-interested and official crimes. Justification of changes in personnel - Decision of a single shareholder. Is a representative of a shareholder - BOCE (HONG KONG) CO., LIMITED LIMITED LIABILITY COMPANY. Director of BOCE (HONG KONG) CO., LIMITED LLC since 24/04/2019. Yan Dongsheng together with an associated person Dai Zhongyong (his wife) is the owner of an indirect significant stake (100%) of the authorized capital of JSC "Ukrainian Bank for Reconstruction and Development". Consent to the disclosure of passport data was not provided. Yan Dongsheng is a member of the Bank's Audit Committee and a member of the Risk Management Committee.</p>
Wen Yuanhua Member of the Supervisory Board	X		<p>By the Decision of the sole shareholder of JSC "Ukrainian Bank for Reconstruction and Development" No. 2/2022 dated March 18, 2022, Wen Yuanhua was re-elected as the Chairman of the Supervisory Board for a new term of 1 (one) year from 18/03/2022. The proposal for election was submitted by a shareholder - BOCE (HONG KONG) CO., LIMITED LIMITED LIABILITY COMPANY. Information about work experience during the last five years: since 2012, he has been an invited research associate at McGill University and the Yale University World Scholarship Program, worked in important positions at a number of other financial institutions, including "Central Huijin Investment Co., Ltd." ), in the head office of the "China Construction Bank" ("China Construction Bank") and the head office of the "CITIC Bank" ("China International Investment Corporation for Property Management"). Worked at the early stages of the development of Central Huijin Investment Co., Ltd. ("Central Huijin Investment Co., Ltd.") and managed several large financial processes, such as the listing of "Bank of Tianjin" and the acquisition of the Indonesian subsidiary of "China Construction Bank" and a subsidiary company in Brazil. From 2014 to 2016, President of "Bank of Tianjin". From 2017 to the present, the President of Zhongji Investment Co., Ltd. Zhongji Investment Co., Ltd. Has no outstanding conviction for self-interested and official crimes. Justification of changes in personnel - Decision of a single shareholder. Independent member. Has no share in the authorized capital. Consent to the disclosure of passport data was</p>



			not provided. Wen Yuanhua is the Chairman of the Risk Management Committee of the Supervisory Board.
OSYPENKO Ruslan Anatoliiovych Member of the Supervisory Board	x		By the Decision of the sole shareholder of JSC "Ukrainian Bank for Reconstruction and Development" No. 2/2022 dated March 18, 2022 Ruslan Anatoliiovych Osypenko was re-elected as the Chairman of the Supervisory Board for a new term of 1 (one) year since 18/03/2021. The proposal for election was submitted by a shareholder - BOCE (HONG KONG) CO., LIMITED LIMITED LIABILITY COMPANY. Information about work experience during the last five years: From October 2011 to 2015, he was the director of the trade and economic cooperation department of the Ministry of Economic Development and Trade of Ukraine. From 2015 to 2022, the executive director of the Chinese Trade Association in Ukraine. Has no outstanding conviction for self-interested and official crimes. Justification of changes in personnel - Decision of a single shareholder. Independent member. Has no share in the authorized capital. Consent to the disclosure of passport data was not provided. Osypenko Ruslan Anatoliiovych serves as the Chairman of the Appointments and Remuneration Committee, is a member of the Audit Committee of the Supervisory Board.
Zha Zhongmin	x		By Decision of the sole shareholder of JSC "Ukrainian Bank for Reconstruction and Development" dated February 3, 2022 No. 1/2022, elected Member of the Supervisory Board from 04/02/2022 for a term of office of 1 (one) year. The proposal for election was submitted by a shareholder - BOCE (HONG KONG) CO., LIMITED LIMITED LIABILITY COMPANY. from 26/11/2013 to 15/02/2019 - General manager, head of the direction of work with financial institutions of China in Westpac Banking Corporation (branch in Beijing); from 16/02/2019 to 22/08/2019 - General Director of the company Shanghai Wonders Information & Technology, China, Shanghai; from 01/09/2019 to 17/09/2021 - General Director of Shanghai Shenghong Financial Service Company, China, Shanghai. From 2022 – Independent member of the Supervisory Board of JSC "Ukrainian Bank for Reconstruction and Development" Has no outstanding conviction for self-interested and official crimes. Justification of changes in personnel - Decision of a single shareholder. Has no share in the authorized capital. Consent to the disclosure of passport data was not provided. Zha Zhongmin serves as a member of the Nomination and Remuneration Committee, secretary of the Nomination and Remuneration Committee, and Chairman of the Audit Committee of the Supervisory Board.
Xu Honghong		X	By Decision of the sole shareholder of JSC "Ukrainian Bank for Reconstruction and Development" No. 2/2022 dated March 18, 2022, elected as a Member of the Supervisory Board since 18/03/2022 for a term of office of 1 (one) year. The proposal for election was submitted by a shareholder - BOCE (HONG KONG) CO., LIMITED

		<p>LIMITED LIABILITY COMPANY.</p> <p>Ms. Xu Honghong is a representative of BOCE (HONGKONG) CO., LIMITED LLC, which owns 100% of the issuer's authorized capital.</p> <p>Does not own a share in the authorized capital and shares of the issuer. Has no outstanding conviction for self-interested and official crimes. Other positions held by this person during the last five years: Chief Compliance Manager/Head of Asset Management Department, Tianjin Bohai Commodity Exchange Co. Ltd. Since 2022, has been a member of the Supervisory Board of JSC "Ukrainian Bank for Reconstruction and Development".</p> <p>Has no outstanding conviction for self-interested and official crimes. Justification of changes in personnel - Decision of a single shareholder. Has no share in the authorized capital. Consent to the disclosure of passport data was not provided.</p> <p>Xu Honghong serves as a member of the Nomination and Remuneration Committee and a member of the Risk Management Committee of the Supervisory Board.</p>
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<p>Indicate if any Supervisory Board meetings were held, provide the general description of the decisions taken by them; procedures used by the Supervisory Board for decision-making; indicate the Supervisory Board's actions which caused changes in the Company's economic activities</p>	<p>In 2022, the Supervisory Board of the bank held meetings and made decisions regarding the approval of the action plan for the elimination of inconsistencies and the implementation of the recommendations of the National Bank of Ukraine, the appointment of a new corporate secretary, the head of the Bank's Internal Audit Service, members of the Bank's Executive Board, the head of the Compliance Department/Chief Compliance Officer (CCO), the main directions of the Bank's activities for 2023-2025, a new edition of the Bank's organizational structure was approved, the issues of the Internal Audit Service, the selection of an external auditor for the audit of the Bank's financial statements for 2022, the selection of the subject of evaluation activities regarding the independent evaluation of the Bank's assets were considered, approval of joining the Professional Association of Capital and Derivatives Market Participants (PACDMP), approval of annual financial statements and reports of the Bank's budget and capital investment plan, and others.</p>
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**Committees of the Supervisory Board**

	Yes	No	Personal composition of the Committees
Audit committee	X		As of 31/12/2022, the Audit Committee consists of three members elected from the Supervisory Board: 1. Zha Zhongmin - Chairman of the Committee (independent member of the Bank's Supervisory Board); 2. Yan Dongsheng – member of the committee, Chairman of the Supervisory Board of the Bank; 3. Ruslan OSYPENKO - member of the committee, independent member of the Supervisory Board of the Bank
On issues of nomination and remuneration	X		As of 31/12/2022, the Nomination and Remuneration Committee consists of three members elected from the Supervisory Board: 1. Ruslan OSYPENKO - Head of the

			committee, independent member of the Supervisory Board of the Bank); 2. Zha Zhongmin - Member of the Committee, independent member of the Bank's Supervisory Board; 3. XU Honghong - member of the committee, member of the Bank's Supervisory Board, representative of BOCE (HONG KONG) Co. Limited Liability Company
Remuneration		X	
Other (indicate)	risk management		As of 31/11/2022, the Risk Management Committee consists of three members elected from the Supervisory Board: 1. Wen Yuanhua - Head of the committee, Deputy Chairman of the Supervisory Board of the Bank; 2. Yan Dongsheng - member of the committee, Chairman of the Supervisory Board of the Bank; 3. XU Honghong - member of the committee, member of the Bank's Supervisory Board, representative of BOCE (HONG KONG) Co. Limited Liability Company

Indicate if any meetings of the Supervisory Board committees were held, provide the general description of the decisions taken by them	<p>On 28/01/2022, a meeting of the Risk Management Committee of the Supervisory Board considered the Risk Report for the 4th quarter of 2022 and the Risk Management Report as of 31/12/202.</p> <p>Since the composition of the Audit Committee was not fully formed until 25/11/2022 in the reporting year, no committee meetings were held.</p> <p>Minutes of the Supervisory Board No. 25/2022 dated 14/09/2022 temporarily transfers certain functions of the Audit Committee created under the Supervisory Board to the Supervisory Board (until the formation of the Audit Committee), due to the need to commence the competitive selection of the audit company for the implementation of the requirements of the resolution of the Executive Board of the National Bank of Ukraine No. 90 dated 02/08/2018 “Regulations on the procedure for submitting the audit report based on the results of the annual audit to the NBU”, timely submission to the NBU of the contract concluded with the audit company (by 01/11/2022), namely, it was decided to approve the transfer the following functions of the Audit Committee of the Supervisory Board to the Supervisory Board:</p> <ul style="list-style-type: none"> <li>- appointment of a responsible for supporting the organization and conducting the competition;</li> <li>- determination of the list of requirements and criteria to be used during the competitive selection process;</li> <li>- approval of the tender documentation and decision on the announcement of the tender.</li> </ul> <p>It was also determined that the Supervisory Board will perform the specified functions until the formation of the Audit Committee of the Supervisory Board.</p> <p>In 2022, the meetings of the newly created Nomination and Remuneration Committee, in accordance with the decision established by minutes of the Supervisory Board's meeting No. 34 dated 25/11/2022, did not take place.</p>
In case of assessment of the committees' work indicate the information on their competence and efficiency	<p>The Supervisory Board established the following committees:</p> <ul style="list-style-type: none"> <li>- The Audit Committee, created by the decision of the Supervisory Board as a body that helps them in supervising the functioning of the internal control system, preparing financial statements, the work of the Bank's internal audit department, interacting with external auditors and performing other functions, considering other issues that may be delegated, determined by the Supervisory Board, provided for by legislation and the Bank's Charter.</li> <li>- Risk Management Committee aimed at assisting the Bank's Board in carrying out its functions regarding the effective implementation of the Bank's strategy in the field of risk management, the organization of the risk management process, the determination of departments responsible for risk management, and the adoption of decisions regarding risks that are within the scope of the Bank Board's competence.</li> <li>- Committee on Appointments and Remuneration, the purpose of which is the need for preliminary review, analysis and preparation of draft decisions adopted by the Supervisory Board on the appointment of managers and other employees, the appointment of which is assigned to the competence of the Supervisory Board, on the formation of the remuneration system and the establishment of the amount of remuneration in accordance.</li> </ul>

**Information on the Supervisory Board's activities and assessment of its work**

Assessment of the Supervisory Board's work	<p>The Supervisory Board is a body that protects the rights of depositors, other creditors and shareholders of the Bank, and, within its competence, monitors and regulates the activities of the Executive Board, but does not take part in the current management of the Bank. The competence of the Supervisory Board shall include resolving the</p>
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	<p>issues stipulated by the Charter, as well as those referred to the Supervisory Board by the General Meetings for resolution. The following issues shall belong to the exclusive competence of the Supervisory Board of the Bank: - approval of the Bank's development strategy in accordance with the main areas of activity determined by the Bank's General Meeting of Shareholders; - approval of the Bank's budget, including the budget of the internal audit department, and the Bank's business development plan; - definition and approval of risk management strategy and policy, risk management procedures, as well as a list of risks and their limit sizes; - ensuring the functioning of the Bank's internal control system and monitoring its efficiency; - appointment and dismissal of the chairman and members of the Bank's Executive Board, the head of the internal audit department, the employee responsible for the financial monitoring of the Bank, determination of the terms of their remuneration; - identification of an auditing firm for conducting an external audit, approval of the terms of the contract concluded with it, determination of the amount of payment for services, consideration of the conclusion of the external audit of the Bank and preparation of recommendations to the General Meeting of the Bank's shareholders for making a decision on it; - making decisions on the execution of Significant transactions, if the market value of the property or services that are the subject of such a transaction exceeds 10 (ten) percent, but is less than 25 (twenty-five) percent of the value of the Bank's assets according to the latest annual financial statements; - approval of the market value of the Bank's property in cases provided for by the current legislation of Ukraine; - making a decision on the election of the Bank's property appraiser and approving the terms of the contract to be concluded with him, establishing the amount of payment for his services; - consideration of the report of the Bank's Executive Board and approval of measures based on the results of its consideration; - other. All members of the Council meet the qualification requirements established by the National Bank of Ukraine. The members of the Bank's Board have knowledge, skills, professional and managerial experience to the extent sufficient to understand all aspects of the Bank's activities, adequately assess the risks faced by the Bank, make balanced decisions, and ensure effective control over the Bank's activities. The composition of the Council and its powers are sufficient for it to exercise effective control over operational activities. All members of the Supervisory Board performed their duties personally and did not transfer their powers to another person. All members of the Council meet the requirements for business reputation. During the reporting period, none of the members of the Council was among the violators of the requirements of banking, currency, tax legislation, legislation on securities. All members of the Council properly performed their duties, which is expressed in the personal participation of all members of the Council in its meetings and participation in the decision-making process</p>
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**Which of the requirements for members of the Supervisory Board are set out in the internal documents of the joint stock company?**

Industry knowledge and experience	X	
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Knowledge in finance and management	X	
Personal qualities (honesty, responsibility)	X	
Absence of conflict of interest	X	
Age limit		X
Absence of any requirements		X
Other (indicate) Other (indicate): The professional suitability of the members of the Board is determined by assessing their knowledge, skills and experience; existing or potential conflict of interests; availability of sufficient time to perform their functions. The Board members have extensive experience of working in management positions and have contributed the following competences: risk management, control over the definition and approval of the risk management strategy and policy, control over the efficiency of the risk management system; specialization in matters of financial direction, personnel appointments, control over the efficiency of the functioning of the risk management system. All Board members have fundamental knowledge, have a higher education, 2/3 of the Board members have a higher economic education and meet the qualification requirements for having a higher education and work experience in the banking sector.	X	

**When was a new member of the Supervisory Board elected for the last time, how did he become familiar with his rights and obligations?**

	Yes	No
A new member of the Supervisory Board familiarized himself with the contents of internal documents of the joint-stock company	+	
A meeting of the Supervisory Board was held, at which the new member of the Supervisory Board was familiarized with his rights and duties		
Special training (on corporate governance or financial management) was organized for the new member of the Supervisory Board		
All members of the Supervisory Board were re-elected or a new member was not elected		
Other (indicate)	-	

**How is the remuneration of members of the Supervisory Board defined?**

	Yes	No
Remuneration is a fixed amount	X	
Remuneration is a percentage of net profit or an increase in the market value of shares		X
The remuneration is paid in the form of the Company's securities		X

Members of the Supervisory Board do not receive remuneration		X
Other (indicate)	One member of the Supervisory Board receives a fixed fee, other members of the Supervisory Board do not receive a fee	

**The composition of the executive body**

<b>The composition of the executive body</b>	<b>Functions of the members of the executive body</b>
Chairman of the Executive Board - Oleh LOKTIONOV	The Chairman of the Bank's Executive Board performs the following functions: 1) represents the Bank in relations with state, judicial and other bodies of Ukraine and other countries, with enterprises, institutions, organizations of any form of ownership and natural persons in Ukraine and abroad; 2) issues orders and regulations on the Bank's activities; 3) in accordance with the current legislation of Ukraine on labour, hires and dismisses employees of the Bank, encourages them for success in work, imposes fines for violations of labour and financial discipline; 4) appoint managers and chief accountants of branches, representative offices and branches of the Bank; 5) establishes the forms of payment for the Bank's employees, determines the amounts of basic and additional wages (except for members of the Bank's Executive Board), all types of allowances and supplements to wages within the limits established by the current legislation of Ukraine and the Bank's internal regulations; 6) submits proposals to the Bank's Supervisory Board regarding the terms of remuneration and material incentives for members of the Bank's Executive Board; 7) approves the terms of remuneration and material incentives for officials of subsidiaries, branches, branches and representative offices of the Bank; 8) concludes agreements (agreements, contracts) on behalf of the Bank, including foreign economic ones, for an amount not exceeding 10 (ten) percent of the value of the Bank's assets according to the data of the last annual financial report; 9) grants, on the basis of a power of attorney, the right to legal entities and individuals to act and perform actions on behalf of the Bank, to conclude contracts on behalf of the Bank, within the limits of the requirements of the current legislation of Ukraine and the Bank's Charter; 10) distributes responsibilities among the members of the Bank's Executive Board; entrusts the duties of the temporarily absent employee of the Bank responsible for financial monitoring to another employee of the Bank in compliance with the requirements of the current legislation of Ukraine; 11) is responsible for the performance of duties and tasks assigned to the Bank's Executive Board; 12) resolves other issues of the Bank's current activities
Deputy Chairman of the Executive Board - Vasylyl TRETIAKOV	Performs the functions and duties arising from them in relation to the organization and provision of the Bank's activities, namely - responsible for the activities of the Risk Management Department, which in turn performs the following functions: 1. Ensures timely identification, measurement, monitoring, control, mitigation and reporting of material risks; 2. Monitors the level and volume of non-performing assets as a whole, by portfolio, in relation to capital adequacy; 3. Ensures monitoring and prevention of violations of risk-appetite indicators and risk limits, controls the approach of risk indicators to risk-appetite and risk limits, and initiates measures to prevent their violations 4. Prepares and submits reports on risks in the order and in the cases stipulated by the current legislation 5. Performs a constant analysis of the risks to which the bank is exposed during its activities, in order to prepare proposals for making timely and adequate management decisions to mitigate risks 6. Participates in the development and maintenance of methods, tools and models used by the Bank to analyse the impact of various

	<p>risk factors on the Bank's financial condition, capital and liquidity 7. Influences the adoption of decisions that expose the bank to significant risks and, if necessary, takes all possible measures to independently inform the Bank's Supervisory Board, the risk management committee of the Bank's Board in order to prevent the adoption of such decisions 8. Performs stress testing 9. Calculates the risk profile of Bank 10. Prepares conclusions regarding the risks inherent in both new products and significant changes in the bank's activities, until the moment of their implementation for management decisions 11. Prepares conclusions regarding the risks inherent in both new loans and changes to existing loans, in order to make management decisions regarding granting new loans or making changes to existing loan agreements 12. Ensures the coordination of work on risk management between the structural units of the Bank 13. Makes proposals to the Bank's Supervisory Board and the Bank's Executive Board regarding mitigating the impact of risks (by each type) on the Bank's financial condition, capital and liquidity by initiating the establishment and/or revision of limits on certain types of banking operations and services</p>
<p>Deputy Chairman of the Executive Board - Olha USENKO</p>	<p>The Deputy Chairman of the Executive Board performs the following functions and duties arising from them in relation to the organization and provision of the Bank's activities: 1) carries out operational management of the Bank within the limits of its assigned functional direction, ensures the fulfilment of tasks stipulated by the Bank's Charter, decisions of the Supervisory Board and the Bank's Executive Board, approved programs, contractual and other obligations accepted by the Bank; 2) carries out general management and control over the activities of the entrusted structural divisions of the Bank, in accordance with the approved Organizational Structure of the Bank; 3) analysis of the state of implementation of plans, organization of work, professional training of employees, operational, market, financial achievements or miscalculations and enhancement of the activities of these structural divisions; 4) participation in the implementation of strategic planning and use of the Bank's resources based on the application of methods of evaluating the results of management decisions and determining the goals and priorities of activities; 5) participates in the consolidation and preparation of internal analytical reports and tables on the Bank's activities for the meetings of the Bank's Executive Board and the Bank's Supervisory Board; 6) monitoring the implementation of the Bank's cost estimates/budgets and analysing the reasons for their non-implementation; 7) performance of other functions and duties arising from legislation, the Bank's Charter, internal bank regulatory documents, decisions of the Bank's Supervisory Board; 8) participates, within the scope of his duties and responsibilities, in the implementation of measures to prevent the legalization (laundering) of proceeds from crime, or the financing of terrorism or the financing of the proliferation of weapons of mass destruction; performs other actions by order of the Chairman of the Bank's Executive Board and the Bank's Supervisory Board in accordance with the established procedure, as well as in the case of an application in the established procedure by the responsible employee of the Bank for financial monitoring</p>
<p>Chief accountant, Member of the Executive Board - Tetiana SYLENKO</p>	<p>Performs the functions and duties arising from them in relation to the organization and provision of the Bank's activities: 1. Ensuring compliance with the established uniform methodological principles of accounting, preparation and submission of financial reporting within the established terms; 2. Organization of control over the display of all financial and economic transactions on accounting accounts 3. Participation in the</p>

	<p>preparation of materials related to shortages and compensation for losses from shortages, theft, and damage to the bank's assets 4. Implementation of management of the Bank's divisions in accordance with the approved organizational structure of the bank; 5. Organization of accounting of the authorized capital of the Bank 6. Ensuring full accounting of incoming cash, merchandise and fixed assets, as well as timely display in accounting transactions related to their movement 7. Organization and provision of assessment of taxes and mandatory fees, contributions 8. Organization of the preparation of reliable accounting reports and balance sheets, other accounting reports based on primary documents and accounting records, timely submission of them for consideration by the authorized management bodies of the Bank 9. Performance (jointly with other departments and services) of economic analysis of the bank's economic and financial activities based on accounting and reporting data 10. Ensuring the preservation of accounting documents within the established terms, processing and transferring them in the established order to the internal bank archive 11. Implementation of control over operations to write off shortages, receivables and other expenses from accounting balances 12. Participation in the preparation of measures aimed at eliminating shortages and illegal spending of money and commodity values, violations of financial and economic legislation 13. Organization and control over accrual and payment of remuneration to bank employees and other persons 14. Ensuring the preservation of banking secrecy 15. Controlling the activities of other structural divisions of the Bank within the scope of the given competence 16. Participation in the implementation of measures related to the prevention of legalization (laundering) of proceeds obtained through crime or the financing of terrorism, within the limits of established functions 17. Performance of other functions and duties arising from legislation, the Bank's Charter, internal bank regulatory documents, decisions of the Bank's Supervisory Board.</p>
<p><b>Indicate if any executive body meetings were held: general description of the decisions taken by them; information on the results of the executive body's work; indicate the changes in the financial and economic activities of the Company caused by the executive body's actions;</b></p>	<p>During 2022, meetings were held, the following issues were considered by the Bank's Executive Board: management of the current activities of the Bank and which required further submission to the consideration of the Supervisory Board of the bank/General Meeting of Shareholders (granting the Chairman of the Executive Board the authority to commit significant transactions for a total amount not exceeding 25% of the value of assets according to the latest annual financial statements, etc.); approval of internal bank regulations in accordance with his competence; formation of reserve funds necessary for the statutory activities of the Bank in accordance with the principles and procedure established by the Charter, decisions of the shareholder and the Supervisory Board; review and approval of financial and management reporting; regarding consideration of operational/compliance risk incidents registered in the Database; related to the prevention and countermeasures against the legalization (laundering) of proceeds of crime, the financing of terrorism, the financing of the proliferation of weapons of mass destruction, and the taking of necessary measures by the Bank; determination of the list of persons related to the Bank and other issues.</p>
<p><b>Assessment of the executive body's work</b></p>	<p>Positive, during the reporting year, there were no complaints regarding the provision of financial services, there were no lawsuits regarding the provision of financial services by the bank.</p>



## **5) description of the main characteristics of the issuer's internal control and risk management systems**

The Bank has developed and approved the necessary internal documents that regulate the organization and functioning of the internal control system, management and minimization of risks to which the Bank is exposed in its activities.

The Bank has implemented and operates an internal control system that meets the following principles of comprehensiveness and comprehensiveness, efficiency, adequacy, prudence, risk orientation, integration, timeliness, independence, continuity, and confidentiality.

Subjects of the Bank's internal control system are:

- 1) the Supervisory Board;
- 2) the Executive Board;
- 3) collegial bodies of the Bank;
- 4) business units, support units;
- 5) risk management division and regulatory compliance division (compliance);
- 6) Internal Audit unit;
- 7) managers and employees of the Bank, who carry out internal control in accordance with the powers defined by internal bank documents, and are not members of the Bank's bodies and divisions, listed in sub-items 1 - 6 of this clause (if any).

The internal control system ensures the implementation of internal control procedures for the daily current activities of the Bank.

Internal control procedures are properly documented and include at least three stages: determination of procedures, types of control in the bank internal documents; performance of functions/processes by employees of the Bank, including specified procedures, types of control; analysis and control of performance of functions/processes by Bank employees.

The internal control system ensures the implementation of internal control procedures for the daily current activities of the Bank.

The Bank's internal control system consists of the following components:

- 1) control environment, management of risks inherent in the Bank's activities, including compliance risk, control activities in the Bank, control over information flows and communications of the Bank, monitoring of the efficiency of the Bank's internal control system;
- 2) ensures the achievement of the Bank's operational, informational and compliance goals;
- 3) is implemented at each of the Bank's organizational levels.

The Bank creates and implements an internal control system based on the division of responsibilities between the Bank's divisions, except for the functions that are assigned to the exclusive competence of the Supervisory Board / Executive Board / Bank committees in accordance with the provisions of the legislation of Ukraine, regulatory legal acts of the National Bank of Ukraine.

The division is based on the three-line defense model:

- 1) the first line of defense is at the level of business divisions and support divisions of the Bank. These divisions initiate, carry out or reflect operations, accept risks in the course of their activities and are responsible for the current management of these risks, carry out control measures;
- 2) the second line of defense - at the level of the risk management unit and the compliance control unit, the minimum requirements for the activities of which are established in Regulation No. 64. These subdivisions ensure confidence of the Bank's managers that the risk control and management measures implemented by the first line of defense have been developed and are functioning properly;
- 3) the third line of defense - at the level of the internal audit unit, which carries out an independent assessment of the efficiency of the first and second lines of defense and a general assessment of the efficiency of the internal control system.

The bank defines in internal bank documents the control procedures and measures applied by the divisions of each of the three lines of protection.

The bank determines the order and procedures for:

1) vertical interaction employed during the implementation of internal control between units of different lines of defense;

2) horizontal interaction employed in the case of internal control within one unit and/or between units of one line of defense.

The main areas of internal control in the Bank include:

1) control over the achievement of the Bank's activity goals, including the goals defined in the Bank's strategy and business plan;

2) control over ensuring the efficiency of the Bank's financial and economic activities in the case of banking and other operations;

3) control over the efficiency of asset and liability management;

4) control over the preservation of the Bank's assets;

5) control over the efficiency of the risk management system;

6) control over compliance with the requirements of the legislation of Ukraine, regulatory legal acts of the National Bank of Ukraine, internal bank documents, standards of professional associations, the effect of which applies to the Bank;

7) control over the reliability, completeness, objectivity and timeliness of accounting, preparation and publication of financial and other reports for external and internal users;

8) management of information flows, including receiving and transmitting information, ensuring the functioning of the information security management system.

Control procedures at the Bank include at least control of:

1) which is ensured by the Bank's managers and includes the analysis of reporting, which is provided on a regular basis or requested in accordance with separately established procedures, about the results of the Bank's divisions in order to analyse the compliance of these results with the established goals of the Bank's activity;

2) which is ensured by the heads of divisions and includes the analysis of reports on the results of the respective divisions on a daily / weekly / monthly basis;

3) by granting access, which includes limiting access to tangible assets (cash, securities in documentary form), the Bank's premises, the distribution of responsibility for the storage and use of valuables, ensuring the protection of premises, conducting periodic inventories, limiting access to information systems, including authorization access to computer programs and data;

4) in compliance with the established limits for the implementation of banking operations and other agreements, which is ensured by receiving relevant reports and/or checking with the data of primary documents, information and other systems of the Bank;

5) for granting permits and confirmations for the implementation of operations, which includes establishing the order of distribution of powers during the implementation of banking operations and execution of other agreements;

6) according to the appropriateness of the display of operations, which includes monitoring compliance with the order of carrying out banking operations and the execution of other agreements, their proper display in accounting, financial and statistical reporting, informing the managers of the Bank at the appropriate level about detected violations, errors and shortcomings.

The Bank ensures the implementation of control procedures by:

1) separation of functions - employees responsible for concluding agreements do not keep accounting records of operations performed under such agreements;

2) control over data input into information systems - input of information/operations into information systems by one employee (performer) is checked by another employee (controller), except for operations with an established control mechanism using appropriate software;

3) data reconciliation - data reconciliation takes place between different information systems, as well as at different stages of data processing, which is implemented by comparing detailed information and/or final data;

4) control over corrections - making any corrections to input information in the Bank's systems is additionally controlled by another employee (who is not a performer).

The Bank's internal control system includes the following types of controls:

1) depending on the moment of control:

- previous - precedes the performance of an action or operation;
- current - carried out during the execution of an action or operation;
- follow-up - is carried out after the performance of an action or operations and is aimed at identifying shortcomings and correcting mistakes.

The bank provides a consistent combination of previous, current and subsequent controls in order to increase the efficiency and efficiency of control;

2) depending on the purpose of control:

- preventive - aimed at preventing violations and risks;
- identifying - aimed at identifying risks;
- corrective - aimed at avoiding/mitigating realized risks;

3) depending on the subject of control:

- independent control - ensured by the employee himself;
- double control - ensured by two (or more) employees ("two pairs of eyes" principle);
- collegial control - ensured by a collegial body;
- automated control - ensured by an automated system;

4) depending on the periodicity of implementation:

- functional (permanent) - carried out on a regular basis;
- periodic - carried out in accordance with the periodicity established in the internal bank documents;

5) depending on the scope of control:

- full - covers the entire scope of the Bank's relevant process;
- portfolio - ensured by groups of functions, operations, contracts;
- selective - ensured according to individual selected elements of the relevant process of the Bank.

The Bank's Supervisory Board ensures the functioning of the Bank's internal control system and control over its efficiency. The Supervisory Board supervises the activities of the Bank's Executive Board, control units, the corporate secretary, as well as ensuring the protection of the rights of depositors, other creditors and participants of the Bank.

The Bank's Executive Board ensures the implementation of the decisions of the Bank's Supervisory Board regarding the organization and functioning of the internal control system on issues related to the management of the Bank's current activities.

Heads of the Bank's divisions are responsible for:

- 1) organization, implementation and proper implementation of functional control, application of necessary and appropriate tools to ensure the efficiency of the control environment in the field of activity in accordance with the requirements of internal bank documents;
- 2) development of action plans to eliminate/minimize identified internal control deficiencies, implementation of control measures (hereinafter - action plans) and timely submission of them for review by the Supervisory Board and/or the Bank's Executive Board in accordance with the Bank's approved procedures for reviewing such action plans;
- 3) provision of timely and complete implementation of action plans.

Heads of the Bank's divisions ensure compliance by the employees of their subordinate divisions with the internal bank documents regulating the issues of internal control in the Bank, organization of effective work with regard to timely detection and elimination of violations.

The Bank implements internal control procedures, which provide for reporting to the Supervisory Board and the Bank's Executive Board. The Bank's managers, in accordance with the division of functional responsibilities, constantly receive and analyse reports on the fulfilment of set goals in order to determine the compliance of actual financial results with planned indicators.

Multi-level control over the Bank's activities is carried out; control of heads of structural subdivisions over employees' performance of their functional duties; control of the Bank's Executive Board over the activities of the Bank's structural subdivisions; control of the Bank's Supervisory Board over the activities of the Bank's Executive Board;

a list of measures (actions) of the Bank to ensure control over the availability of the Bank's assets, including periodic inventory, double control, limited access to assets;

a list of the Bank's measures (actions) to ensure access control to the Bank's electronic systems, databases and software, which includes the development of procedures and the procedure for granting appropriate permissions;

a list of measures (actions) of the Bank to ensure control over access to information containing banking secrets, including the development of procedures and procedures for providing access;

a list of measures (actions) of the Bank to ensure control over the access of Bank employees to the implementation of Bank operations, which includes the development of procedures and procedures for granting access;

verification of compliance with established limits and restrictions;

constant evaluation of the adequacy and efficiency of the internal control system.

Employees of the Bank, within the scope of their functional duties, ensure the implementation of internal control procedures.

At the level of all structural subdivisions involved in the internal control system, reports on the results of monitoring the efficiency of the internal control system are prepared and necessarily brought to the attention of the members of the Bank's Executive Board and Supervisory Board.

During the reporting year, the Bank's internal control system underwent changes and enhancements related to the following factors:

increased attention of the Bank's Supervisory Board to internal control issues, which resulted in the cooperation of the Executive Board and the Bank's Supervisory Board, as well as the development by the Bank's Executive Board of a plan of measures to improve the internal control system;  
constant updating of the internal regulatory framework, aimed at improving and perfecting control mechanisms in the Bank's activities;  
implementing measures and implementing recommendations based on the results of internal audits, external audits of regulatory and supervisory bodies.

Management assesses the currently available internal control system of the Bank as appropriate to the size, nature and scope of the Bank's operations, sufficiently minimizes the risks to which the Bank is exposed in its activities, and contributes to the preservation of capital, protection of shareholders, depositors and clients of the Bank.

**Has your joint-stock company established the Audit Commission or introduced the position of auditor? (yes, the Audit Commission was established / yes, the position of auditor was introduced / no)**

no

**If the Company has the Audit Commission:**

**Number of members of the Audit Commission**

0 people.

**How many times a year has the Audit Commission been held on average over the past three years?**

Never

**In accordance with the Charter of your joint stock company, to the competence of which of the bodies (general meeting of shareholders, Supervisory Board or Executive body) the resolution of each of these issues belongs to?**

	General Meeting of Shareholders	Supervisory Board	Executive body	Belongs to none of the competence of any body
Determination of the main directions of the activities (strategy)	Yes	No	No	No
Approval of activity plans (business plans)	No	Yes	Yes	No
Approval of the annual financial report or balance sheet or budget	Yes	No	No	No
Election and termination of authorities of the Chairman and members of the executive body	No	Yes	No	No
Election and termination of authorities of the Chairman and members of the Supervisory Board	Yes	No	No	No
Election and termination of authorities of the Chairman and members of the Audit Commission	no	no	no	yes
Determination of remuneration for the Chairman and members of the executive body	No	Yes	No	No
Definition of remuneration for the Chairman and members of the Supervisory Board	Yes	no	No	No
Taking resolution on bringing to property responsibility of members of the executive body	Yes	No	No	No

Taking resolution on additional issue of shares	Yes	No	No	No
Taking resolution on redemption, sale and placement of own shares	Yes	No	No	No
Approval of external auditor	Yes	Yes	No	No
Approval of contracts on which there is a conflict of interest	Yes	Yes	No	No

**Does the Charter of a joint stock company contain a provision restricting the authorities of the executive body to make resolutions on the conclusion of contracts, taking into account their amount, on behalf of the joint stock company?**

yes

**Does the Charter or internal documents of a joint-stock company contain a provision on conflict of interests, that is, a contradiction between the personal interests of an official or related persons and the duty to act in the interests of the joint-stock company? (yes/no) yes**

**What documents are provided by the Bank?**

	Yes	No
Provision on the general meeting of shareholders	x	
Regulation on the Supervisory Board	x	
Provision on the executive body	x	
Provision on the officials of the joint-stock company		x
Provision on the Audit Commission (or Auditor)		x
Provision on the procedure of profit distribution		x
Other (indicate)	-	

**How can shareholders obtain the following information about the activities of your joint-stock company?**

Information about joint stock company activity	Information is distributed at the general meeting	The information is published in the publicly available information database of the National Commission on securities and stock market on the securities market or a person carrying out activities with the disclosure of regulated information on behalf of stock market participants	Documents are provided for familiarization directly in the joint-stock company	Copies of documents are provided at the request of the shareholder	The information is posted on the joint-stock company's own website
Financial statements, results of activities	yes	yes	yes	yes	yes
Information on shareholders holding 5 percent or more of the authorised capital	yes	yes	yes	yes	yes
Information on the	no	yes	yes	yes	yes

composition of the company's management bodies					
Minutes of the general meeting of shareholders after their holding	yes	yes	yes	yes	yes
Amount of remuneration of the officials of the joint-stock company	yes	no	yes	yes	no

**Does the joint-stock company prepare financial statements in accordance with international financial reporting standards?**

yes

**How many times a year were audits of the company ensured by an independent auditor (audit firm) during the reporting period?**

	Yes	No
No audits were carried out at all		X
Once a year	X	
More than once a year		X

**What body made the resolution on the approval of the independent auditor (audit firm)?**

	Yes	No
General Meeting of Shareholders		X
Supervisory Board	X	
Other (indicate)	None	

**At the initiative of which body the Audit Commission (auditor) held inspection for the last time?**

	Yes	No
On its own initiative		X
On behalf of the general meeting		X
On behalf of the Supervisory Board		X
At the request of the Executive body		X
At the request of shareholders who collectively hold more than 10 percent of the vote		X
Other (indicate)	audit commission (auditor) is not provided	

**6) List of entities who directly or indirectly hold a significant share package of the issuer**

No.	Full name of the legal entity – owner(s) or surname, name, patronymic (if any) of the individual – owner(s) of a significant share package	Identification code according to the Unified State Register of Legal Entities, Individual Entrepreneurs and Public Organizations (for a resident legal entity), code / number from the commercial, banking or judicial register, registration certificate of the local authority of a foreign state on registration	The size of the share of the shareholder (owner) (in percentage of the authorized capital)

		of a legal entity (for a non-resident legal entity)	
1	BOCE (HONG KONG) CO., LIMITED LLC (direct-Sole shareholder)	40977562	100
2	BOCE (Hong Kong) Co., Limited	2400689	84.51
3	Yan Dongsheng	370102197002	100
4	Horgos Boxu Equity Investment. Limited Partnership	91654004MA77	26.422
5	Tianjin Bohai Commodity Exchange Limited Liability Company	911200006940	83.665
6	Baoshi (Tianjin) Electronic Commerce Co., Ltd	91120118MA05	84.51

**7) information on any restrictions on the rights of participation and voting of shareholders (members) at the general meetings of the issuer**

Total number of shares as of 31/12/2022	Number of restricted shares	Basis of restriction	Date of restriction
634.960	0	None	-
Description	None		

**8) the procedure of appointment and dismissal of officials of the issuer**

The procedure for appointing and dismissing the issuer's officials is regulated by the Bank's Charter (approved by the decision of the sole shareholder dated 17/08/2022 No. 4/2022, approved by the NBU on 29/09/2022, [https://www.ubrr.com.ua/files/statut\\_2022\\_zbilshennya.pdf](https://www.ubrr.com.ua/files/statut_2022_zbilshennya.pdf)), provisions on the Supervisory Board (approved by the decision of the sole shareholder No. 2/2021 dated 26/04/2021, [https://ubrr.com.ua/files/polozhennya\\_pro\\_naglyadovu\\_radu\\_2021.pdf](https://ubrr.com.ua/files/polozhennya_pro_naglyadovu_radu_2021.pdf)) and the Bank's Executive Board (approved by minutes of the Supervisory Board's meeting 10-1/2022 dated 27/06/2022, [https://www.ubrr.com.ua/files/polozhennya\\_pro\\_pravlinnya\\_at\\_ukrayinskiy\\_bank\\_rekonstruktsiyi\\_ta\\_rozvitku\\_2022.pdf](https://www.ubrr.com.ua/files/polozhennya_pro_pravlinnya_at_ukrayinskiy_bank_rekonstruktsiyi_ta_rozvitku_2022.pdf))).

**9) authorities of the issuer's officials**

The powers of the issuer's officials are regulated by the Bank's Charter (approved by the decision of the sole shareholder No. 4/2022 dated 17/08/2022, approved by the NBU on 29/09/2022, [https://www.ubrr.com.ua/files/statut\\_2022\\_zbilshennya.pdf](https://www.ubrr.com.ua/files/statut_2022_zbilshennya.pdf)), provisions on the Supervisory Board (approved by the decision of the sole shareholder No. 2/2021 dated 26/04/2021, [https://ubrr.com.ua/files/polozhennya\\_pro\\_naglyadovu\\_radu\\_2021.pdf](https://ubrr.com.ua/files/polozhennya_pro_naglyadovu_radu_2021.pdf)) and the Bank's Executive Board (approved by the minutes of the Supervisory Board No. 10-1/2022 dated 27/06/2022, [https://www.ubrr.com.ua/files/polozhennya\\_pro\\_pravlinnya\\_at\\_ukrayinskiy\\_bank\\_rekonstruktsiyi\\_ta\\_rozvitku\\_2022.pdf](https://www.ubrr.com.ua/files/polozhennya_pro_pravlinnya_at_ukrayinskiy_bank_rekonstruktsiyi_ta_rozvitku_2022.pdf))).

**10) The opinion of the auditor (auditor firm) with respect to the information mentioned in sub-items 5-9 of this paragraph, as well as the verification of information mentioned in sub-items 1-4 of this paragraph**

Excerpt from the REPORT of the INDEPENDENT AUDITOR of RSM Ukraine LLC dated April 11, 2023:

**In connection with the Bank's preparation of the Corporate Governance Report in accordance with the requirements of the law, we hereby inform you of the following:**

- according to the verification data, the information specified in paragraphs 1-4 of the third part of Article 127 of the Law of Ukraine "On Capital Markets and Organized Commodity Markets" No. 3480-IV dated February 3, 2006, is provided in the Corporate Governance Report;
- in our opinion, the information specified in paragraphs 5 - 9 of the third part of Article 127 of the Law of Ukraine "On Capital Markets and Organized Commodity Markets", namely: description of the



main characteristics of the Bank's internal control and risk management systems; a list of persons who directly or indirectly own a significant block of the Bank's shares; information on any restrictions on the rights of shareholders to participate and vote at the Bank's general meeting; the procedure for appointing and dismissing officials and the powers of the Bank's officials specified in the Report on Corporate Governance do not contradict the information we received during the audit of the Bank's financial statements.

#### **11) Information provided by the Law of Ukraine "On financial services and state regulation of the financial services market" (for financial institutions)**

##### **The purpose of implementing the Bank's activities.**

JSC "Ukrainian Bank for Reconstruction and Development" aims to become a reliable financial partner not only for Ukrainian and Chinese businesses, but also a bank providing quality assistance in the implementation of simple financial solutions to meet the needs of clients, offering them a wide range of industry products and services, professional complex financial support.

In the future, the Bank sees itself as a regional boutique Bank with a narrow specialization of "Financial and consulting bridge between China and Ukraine".

##### **Information on compliance / non-compliance with the corporate governance code (principles, rules) in the joint-stock company (with reference to the source of their text), the rejection and the reasons for such rejection during the year.**

In its activities, the Bank uses national and international corporate governance practices in accordance with the requirements of Ukrainian legislation. During 2022, the Bank was guided by the Code of Corporate Governance, approved by Decision of the sole shareholder No. 2/2021 dated 26/04/2021. Minutes of the Meeting of the Supervisory Board No. 6/2022 dated 30/12/2022 approved the new version of the Corporate Governance (Code, which is publicly available on the Bank's website ([https://www.ubrr.com.ua/files/rintsipi\\_kodeks\\_korporativnogo\\_upravlinnya\\_2022.pdf.pdf](https://www.ubrr.com.ua/files/rintsipi_kodeks_korporativnogo_upravlinnya_2022.pdf.pdf))).

During the reporting period, the Bank was guided in its activities by the Code of Corporate Governance, approved by Decision of the sole shareholder No. 2/2021 dated 26/04/2021.

The Bank does not use any corporate management code of a stock market or association of legal entities or any other corporate management code.

The Bank has no other relevant information on corporate management practice applied over legal requirements.

##### **Information on the owners of a significant participation (including persons exercising control over a financial institution), their compliance with the requirements established by legislation and changes in their composition during the year.**

The sole shareholder of the Joint-Stock Company "Ukrainian Bank for Reconstruction and Development" is BOCE (HONG KONG) CO., LIMITED LIMITED LIABILITY COMPANY (Registered Registration Number 40977562).

##### *List of entities who directly or indirectly hold a significant share package of the issuer*

As of December 31, 2022, the owners of the Bank's significant participation as agreed by the National Bank of Ukraine are the citizens of the PRC Yan Dongsheng and Dai Junyun together, who received joint indirect participation in the amount of 100% through:

BOCE (Hong Kong) Co., Limited LIABILITY COMPANY, in which 84.15% interest is held by BOCE (Hong Kong) Co., Limited and 15.49% interest by Yan Dongsheng;

BOCE (Hong Kong) Co., Limited (Hong Kong), 100% of the share capital of which is owned by Baoshi (Tianjin) Electronics Commerce Co;

Baoshi (Tianjin) Electronics Commerce Co., Ltd., 99% of the share capital of which belongs to Tianjin Bohai Commodity Exchange Co., Ltd.;

Tianjin Bohai Commodity Exchange Co., Ltd. with 15.5113% interest held by Yan Dongsheng; 31.5802% interest held by Horgos Boxu Equity Investment. Limited Partnership;

Horgos Boxu Equity Investment. Limited Partnership, 90% interest in which is owned by Yan Dongsheng and 10% by Dai Junyun.

There is no management interest in the shares of the Bank.

There are no restrictions on the rights of participation and voting of shareholders. The powers of the general meeting of the Bank's Shareholders, provided for by the Law of Ukraine "On Joint-Stock Companies" and the internal documents of the Bank, are exercised by the shareholder individually on the basis of Article 49 of the Law of Ukraine "On Joint-Stock Companies".

### **Composition of the executive body of the financial institution and its change during the year.**

The following changes took place in the composition of the Bank's Executive Board during 2022.

#### **Composition of the Executive Board as of 01/01/2022 (Minutes of the Supervisory Board No. 15 dated 25/09/2009)**

- |  |                   |
|--|-------------------|
| 1. Chairman of the Executive Board                 | Oleh LOKTIONOV;   |
| 2. Deputy Chairman of the Executive Board          | Vasyl TRETIAKOV   |
| 3. Chief accountant, Member of the Executive Board | Nataliia ZELENYUK |

#### **Composition of the Executive Board as of 03/02/2022 (Minutes of the Supervisory Board No. 3/2022 dated 02/02/2022)**

- |   |                 |
|---|-----------------|
| 1. Chairman of the Executive Board        | Oleh LOKTIONOV  |
| 2. Deputy Chairman of the Executive Board | Vasyl TRETIAKOV |
| 3. Deputy Chairman of the Executive Board | Maryna VERES    |

#### **Composition of the Executive Board as of 27/06/2022 (Minutes of the Supervisory Board 7/2022 dated 27/06/2022)**

- |   |                 |
|---|-----------------|
| 1. Chairman of the Executive Board        | Oleh LOKTIONOV  |
| 2. Deputy Chairman of the Executive Board | Vasyl TRETIAKOV |

#### **Composition of the Executive Board as of 10/08/2022 (Minutes of the Supervisory Board 18/2022 dated 09/08/2022) and as of 31/12/2022**

- |   |                 |
|---|-----------------|
| 1. Chairman of the Executive Board        | Oleh LOKTIONOV  |
| 2. Deputy Chairman of the Executive Board | Vasyl TRETIAKOV |
| 3. Deputy Chairman of the Executive Board | Olha USENKO     |
| 4. Chief Accountant                       | Tetiana SYLENKO |

### **Facts of violation of internal rules by members of the supervisory board and executive body of the financial institution, which resulted in damage to the financial institution or the clients of this institution.**

There were no facts of violation of the internal rules by the members of the Supervisory Board and the members of the Executive Board, which would lead to damage to the Bank or the Bank's depositors.

### **Influence measures applied during the year by state authorities to a financial institution, including members of its supervisory board and executive body.**

In the reporting year, there were no instances of influencing members of the Supervisory Board and the Bank's Executive Board.

During the year, no fines were imposed on the Bank by the decision of the state authorities.

**The annual remuneration of the members of the supervisory board and the executive body of the financial institution.**

Information on payments to members of the Supervisory Board and the Bank's Executive Board is contained in Note 30 "Related Party Transactions" of the annual financial statements of JSC "Ukrainian Bank for Reconstruction and Development" for the year ended December 31, 2022.

**Significant risk factors affecting the activity of the financial institution during the year.**

Significant risk factors affecting the Bank's activities during the reporting year of 2022 were:

- full-scale invasion of Russian troops on the territory of Ukraine and continuation of the war;
- terrorist activities of Russia against the civilian population and energy system of Ukraine;
- a shock increase in the discount rate and a corresponding increase in interest rates on refinancing loans of the National Bank of Ukraine.

**Availability of the financial institution's risk management system and its key characteristics.**

The Bank has a risk management system that is part of the Bank's overall corporate governance system. The strategic goals of the Bank's risk management system are:

- ensuring the necessary ratio between riskiness and profitability and minimizing the Bank's losses;
- support and enhancement of the Bank's credit rating;
- integration of risk management into the Bank's strategic management system;
- creation and development of intra-bank risk management infrastructure;
- implementation of the latest methods and banking standards;
- enhancement of banking products and processes;
- increasing the Bank's competitive advantages.

As part of the risk management system, the Bank adheres to the following basic principles:

- the Bank does not take any risk if this is possible.
- the Bank does not take more risk than its own equity allows.
- The Bank's management thinks about the consequences of risk and does not risk a lot for the sake of a little.
- the Bank does not create risky situations for excess profit.
- the Bank keeps the risks under control.
- The Bank diversifies risks among clients/participants and by types of activities.
- the Bank creates the necessary provisions to cover the risks.
- the Bank continuously monitors risk changes.

Subjects of the Bank's risk management system are: Supervisory Board and the Risk Management Committee of the Bank's Supervisory Board; Bank's Executive Board; Committees of the Bank's Executive Board (Credit Committee, Asset and Liability Management Committee and other collegial bodies established by the Bank's Executive Board); control units (Internal Audit Service; Risk Management Department, Compliance Department; business units of the Bank).

The approved organizational model of the risk management system provides for the separation and direct reporting to the Supervisory Board of the Bank of the Risk Management Department and the Compliance Department, which ensures timely detection, measurement, monitoring, control and mitigation of risks, as well as proper reporting.

Heads of the Risk Management Department (Chief Risk Officer (CRO)) and the Compliance Department (Chief Compliance Officer (CCO)) have the right to attend meetings of the Executive Board and all, without exception, collegial bodies of the Bank and impose a ban (veto) on the decisions of these bodies, if the implementation of such decisions will lead to:

- violation of the established risk appetite and/or risk limits approved by the Supervisory Board;
- violation of the requirements of legislation, relevant standards of professional associations, the effect of which applies to the Bank;
- conflict of interest;
- in other cases established by the Supervisory Board of the Bank.

The activities of risk management subjects are clearly demarcated and regulated, which allows avoiding duplication of functions and ensuring an appropriate level of responsibility for the decisions made.

For efficient risk management and considering the necessity to minimise the conflict of interest between taking restrictions and control over risk levels, as well as audit of the risk management system, the bank has formed the organisational structure with due consideration of the necessity to distribute functions and responsibilities between Bank departments according to the principle of "3 lines of defense":

Line of Defense 1. It is ensured by the Bank's Executive Board, collegial bodies of the Executive Board, business units and support units and consists in ensuring compliance with the risk restrictions established by the Line of Defense 2. In the course of its activity, it performs the following functions in terms of ensuring risk management:

- identification of types of risks;
- identification and initial assessment of risks when carrying out operations and concluding agreements;
- forecasting the level of risks;
- primary control of risk compliance with established restrictions and limits;
- development and implementation of measures to comply with restrictions and limits;
- acceptance of risks and responsibility for them;
- provision of reports on current management of such risks;
- participation in the development of policies, methods, methods and tools for managing the relevant risk;
- participation in stress testing.

Line of Defense 2. It is provided by the Risk Management Department and the Compliance Department and consists in independent assessment and control of risks. Powers of the Line of Defense 2 shall include:

- identification and assessment of the materiality of types of risks;
- coordination of management methodology and risk assessment;
- assessment of the aggregated (cumulative) level of risks;
- forecasting the level of risks;
- development of a system of risk level restrictions;
- independent from the Line of Defense 1 assessment of the level of risks, control of compliance of the actual level of risk and the forecast level of risk with the established limits;
- development of escalation procedures for violations of risk limits and control over the implementation of measures to eliminate violations;
- control over compliance with mandatory regulatory standards;
- organization/conduct of stress testing procedures;
- formation of risk reporting and bringing it to management and collegial bodies;

- development of risk culture.

Line of Defense 3. It is provided by the Internal Audit Service and consists in assessing the efficiency of the risk management system, independent assessment of the compliance of the risk management system with internal and external requirements. Powers of the Line of Defense 3 shall include:

- assessment of the efficiency of the risk management system;
- verification of the efficiency of the banking risk assessment methodology and procedures;
- informing management about identified deficiencies in the risk management system;
- control over the elimination of identified deficiencies in the risk management system.

In addition, the Bank's risk management system is a set of risk management policies, methods and procedures that determine the order of actions aimed at implementing a systematic process of identifying, measuring, monitoring, controlling, reporting and mitigating all types of risks inherent in the Bank's activities, on at all levels of the Bank's organizational structure.

The risk management system operating in the Bank ensures compliance with all economic standards established by the National Bank of Ukraine, is sufficiently effective, and covers the management of all significant risks to which the Bank is exposed.

**The results of the operation of the internal audit (control) system during the year, as well as the data indicated in the notes to the financial and consolidated financial statements in accordance with the provisions (standards) of accounting.**

During 2022, the Bank's internal audit functioned in accordance with the legislation of Ukraine, including the regulations of the National Bank of Ukraine, the International Standards and the Code of Ethics of Internal Audit, defined by the Institute of Internal Auditors (IIA), and the Bank's internal regulations. The internal audit unit acted in accordance with the work plan approved by the Bank's Supervisory Board, conducted inspections, provided recommendations, advisory services and clarifications that did not affect its independence and objectivity. The unit remained independent from the Bank's operational activity and management (Board), was accountable and reported to the Bank's Supervisory Board, had a separate unit budget approved by the Bank's Supervisory Board.

During 2022, there were no circumstances and events indicating a limitation of the activity, independence, or loss of objectivity of the Bank's internal audit. The head of internal audit informed the Supervisory Board about the available resources of the unit, existing limitations.

Based on the results of the activities and inspections carried out in 2022, the internal audit unit provided the Supervisory Board with reports on the results of the inspections, conclusions on the functioning of the Bank's internal control system, as well as on the state of implementation of the recommendations based on the inspection results.

The head of internal audit was involved in the selection of an external auditor for the audit of the Bank's financial statements for 2022.

During 2022, the Bank's internal control system underwent changes and enhancements, which were significantly influenced by the following factors:

1. Implementation of new formats for providing management reporting on the functioning of the internal control system, rewards, and results of business units.
2. Constant updating of the internal regulatory framework, aimed at improving and perfecting control mechanisms opened with the Bank's activities.
3. Implementing measures and implementing recommendations based on the results of internal audits, external audits of and supervisory bodies.

Management assesses the currently available internal control system of the Bank as appropriate to the size, nature and scope of the Bank's operations, sufficiently minimizes the risks to which the Bank is exposed in its activities, and contributes to the preservation of capital, protection of shareholders, depositors and clients of the Bank.

**The facts of alienation during the year of assets in an amount exceeding the amount established in the charter of the financial institution.**

During the year, there were no facts of disposal of assets exceeding the amount established by the Bank's charter.

**The results of the assessment of assets in the case of their purchase and sale during the year in an amount exceeding the amount established in the charter of the financial institution.**

During the reporting period, there were no facts of purchase/sale of assets in the amount exceeding 10% of the total value of assets as of the last reporting date (31/12/2021), therefore no assessment was conducted for this purpose. To determine the total value of assets as of the end of 2021, in the period from January 1 of the reporting year to the date of approval of the annual statements for the previous reporting year, the Bank used the total value of assets according to the statistical reporting data as of December 31, 2021 (UAH 729,967 thousand).

Fund placement operations and financial investments, in the amount exceeding 10% of the total value of assets as of the last reporting date, must be ensured by the Bank after receiving the decisions of the relevant bodies, information on which is specified in the section on the list of issues considered by the General Meeting of Shareholders (the sole shareholder) and the Supervisory Board of the Bank, this Report.

**Transactions with related parties, including within the same industrial and financial group or other association, were conducted during the year. Such information is not a trade secret.**

The Bank pays sufficient attention to identifying persons related to the Bank, forming and updating their list in order to control risks in transactions with persons related to the Bank.

The Bank submits monthly information to the NBU on persons related to the Bank in accordance with the procedure established by the normative legal acts of the NBU.

Information on transactions with related parties, in accordance with IAS 24 "Disclosure of information about related parties", is covered in note 30 "Transactions with related parties" of the annual financial statements of JSC "Ukrainian Bank for Reconstruction and Development" for the year that ended on December 31, 2022.

**The recommendations of the bodies that carry out state regulation of financial services markets, regarding the auditor's opinion, were used.**

During 2022, the Bank did not receive recommendations from the body that carries out state regulation of financial services markets (the National Bank of Ukraine) regarding the audit opinion.

**External auditor of the supervisory board of the financial institution appointed during the year.**

The external auditor of the Supervisory Board was not appointed during the year.

**Activity of external auditor.**

According to the results of the competition for the selection of the auditing company held in September 2022, the Supervisory Board, by its decision dated 29/09/22 (Minutes of the Supervisory Board meeting No. 28/2022), chose the company "RSM Ukraine" LLP to conduct the audit of the Bank's financial statements for 2022.

The total period of audit activity of the external auditor at the time of election was 29 years. "RSM Ukraine" LLP will provide audit services to the Bank for the fourth year in a row. During 2022, the auditing firm did not provide other audit services to the Bank, except for the audit of financial statements for 2021. There were no cases of conflict of interests and/or combining the functions of the internal auditor. Since "RSM

Ukraine" LLP has been providing services for only the fourth year in a row, there is no non-compliance with the requirement for auditor rotation during the last five years.

Penalties applied to the Auditor by the Audit Chamber of Ukraine during 2022, as well as the facts of the submission of unreliable reports to the Bank, confirmed by the auditor's opinion, discovered by the bodies that carry out state regulation of financial services markets - are absent.

**Protection of the rights and interests of consumers of financial services by a financial institution.**

The mechanism for the protection of consumer rights is established by the current legislation, the Civil Code of Ukraine, the Law of Ukraine "On the Protection of Consumer Rights" No. 1023-XII dated 12/05/1991 in the version of the Law of Ukraine No. 3161-IV dated 01/12/2005 (as amended).

Before concluding the contract, the consumer of financial services has the opportunity to thoroughly review the available permit documents, licenses, current tariffs, terms of the contract and clearly understand its content. The information provided to the client is placed in a publicly accessible place (checkout hall) and on the official website of the Bank at the link [www.ubrr.com.ua](http://www.ubrr.com.ua), which ensures a correct understanding of the essence of the financial service without imposing its purchase. The requirements for the content of the contract are established by the Civil Code of Ukraine.

Prior to the conclusion of the contract, the consumer has the right to access information about the activities of the financial institution, the list of which is determined by the Law of Ukraine "On the Protection of Consumer Rights" No. 1023-XII dated 12/05/1991 (as amended) and Resolution of the Executive Board of the National Bank of Ukraine No. 141 dated 28/11/2019 "On the approval of the Regulation on information provision by banks to clients regarding banking and other financial services" (with changes and additions). The complaint handling mechanism is recorded in the Bank's internal normative document "Procedure for registration, consideration and processing of appeals to the Bank from citizens, legal entities and state bodies", which was approved by the Bank's Executive Board (Minutes No. 63 dated 28/12/2019). The specified mechanism assigns the responsibility for considering complaints to different structural units, depending on the topic of the complaint. Written and electronic responses to complaints are signed or authorized by the Chairman of the Bank's Executive Board.

Maryna ZAKHAROVA, Head of Credit Management of Corporate Business, has been appointed as the person responsible in the Bank for cooperation with the National Bank of Ukraine regarding the consideration of customer appeals and the organization of work on processing the new requirements of the National Bank of Ukraine regarding the protection of consumer rights.

During the reporting year, there were no customer complaints regarding the provision of financial services by the Bank, there were no customer claims to court regarding the provision of financial services by the Bank.

**Information on Corporate Governance in a financial institution, the submission of which is provided for by laws on the regulation of individual financial services markets and/or adopted in accordance with such laws by the regulatory and legal acts of bodies that carry out state regulation of financial services markets.**

Corporate governance in JSC "Ukrainian Bank for Reconstruction and Development" in 2022 was carried out in accordance with the requirements of the legislation of Ukraine, and taking into account the Recommendations on the practice of applying legislation on corporate governance, approved by the decision of the National Securities and Stock Market Commission No. 118 dated 12/03/2020, methodological recommendations on the organization of corporate governance in banks of Ukraine, approved by the resolution of the Board of the National Bank of Ukraine No. 814-rsh dated 03/12/2018 (as amended) and the Code of Corporate Governance, approved by the Decision of the sole shareholder No. 2/2021 dated 26/04/2021, placed in public access on the Bank's website ([www.ubrr.com.ua](http://www.ubrr.com.ua)). Minutes of the Meeting of the Supervisory Board No. 6/2022 dated 30/12/2022 approved the new version of the

Corporate Governance (Code, which is publicly available on the Bank's website ([https://www.ubrr.com.ua/files/rintsipi\\_kodeks\\_korporativnogo\\_upravlinnya\\_2022.pdf](https://www.ubrr.com.ua/files/rintsipi_kodeks_korporativnogo_upravlinnya_2022.pdf))).

Chairman of the Executive Board



Oleh LOKTIONOV