

For the Top Management of the Investment Company

Citizen of Ukraine

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INVESTMENT PROPOSAL OF COMMERCIAL BANK BUSINESS

This is the proposal to establish the Commercial Bank Business in Ukraine with gradual opening of branches in the most successful countries of the world: Germany, Great Britain, Switzerland, France and the USA. The entry into the financial markets of the most successful countries of the world will allow to attract investment and credits at 3% per annum in the amount of up to 3 billion USD per year for the development of network of the Bank's branches. The increase in the number of branches will increase annual net income to 4 billion USD in 5 years.

Necessary investment is 35 000 000 USD. Bank Business needs for license according to the law requirements. The Bank will be established in the form of a joint stock company, so the bank's shares will be a guarantee of return of investment.

The amount of necessary funding for the establishment of the Commercial Bank Business and the first year of work is 35 million USD. The approximate time for the creation of the Bank is 6-8 months. The payback period of the project is 12 months. The Bank's annual income starting from the second year of operation will amount to 75 million USD. The increase in the number of branches will significantly increase the annual profit of the Bank from 75 million USD to 4 billion USD.

Benefits of the project: Banking business will be created in Ukraine, where there are a lot of skilled professional staff who will be able to work in all branches of the Bank in Germany, Great Britain, Switzerland, France and the USA. The cost of the Ukrainian professional staff is 10 times lower than European or American ones, which will allow the owner of business to obtain substantial savings from the Bank's wage fund.

Complete Business Plan of the Commercial Bank can be provided in case of arrival of a request.

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|---|---|--|
| 1 | Brief description of the investment project | Creation of the Commercial Bank in Ukraine with gradual opening of branches in Germany, the United Kingdom, Switzerland, France and the USA. |
| 2 | Necessary investments | 35 000 000 USD |
| 3 | Method of attracting investment resources | Looking for direct investment |

| | | |
|----|--|---|
| 4 | The method of guaranteed mortgage funds | Shares of the Bank will be a guarantee of return of investment. Also possible insurance of the investment |
| 5 | Project readiness stage | Project proposal and Business Plan are ready |
| 6 | Payback period of the project, years | 1 year |
| 7 | Net profit from project implementation (annual) | 75 000 000 USD (starting from the second year of operation) an increase in the number of branches will increase annual net income to \$ 4 billion USD |
| 8 | The number of new jobs created | 500 |
| 9 | Availability of gas and water supply, electricity networks, transport infrastructure, etc. | In Ukraine, transport infrastructure, electricity networks, gas and water supply are developed |
| 10 | Main benefits of the project, feasibility of implementation | <p>Main benefits:</p> <p>1. The professional staff in Ukraine - the cheapest in Europe, so the wage costs of staff will be 10 times lower than in Europe or the United States.</p> <p>2. The presence of the Bank's Department of Investment attraction and low-cost foreign loans will allow attracting investment and credits at 3% per annum in the amount of up to 3 billion USD per year for the development of the network of the Bank's branches</p> <p>3. An increase in the number of branches will increase annual net income to 4 billion USD in 5 years.</p> <p>Feasibility of implementation: The developed network of branches of the Commercial Bank in Ukraine, Germany, the United Kingdom, Switzerland, France and the USA will allow the Bank's owner to receive the annual net income of 4 billion USD and even more.</p> |

1. BANK OPERATIONS

For each operation, the Commercial Bank will take a commission. The Bank independently sets interest rates and commissions in its operations.

Based on the license of the National Bank of Ukraine, the commercial Bank will carry out the following banking operations:

1) acceptance of deposits from legal entities and individuals;

- 2) the opening and maintenance of current accounts of clients and correspondent banks, including the transfer of funds from these accounts by means of payment instruments and the transfer of funds to them;
- 3) placement of borrowed funds on its own behalf, on its own terms and at its own risk.
- 4) the provision of guarantees and suretyships and other obligations from third parties that provide for their execution in cash;
- 5) the acquisition of the right to fulfill the obligations in cash in the delivery of goods or services rendered, assuming the risk of fulfilling such requirements and accepting payments (factoring);
- 6) leasing;
- 7) services for the responsible storage and leasing of safes for the storage of valuables and documents;
- 8) issue, purchase, sale and service of checks, promissory notes and other negotiable payment instruments;
- 9) Issue of bank payment cards and operations with the use of these cards;
- 10) providing consulting and information services in relation to banking operations.

Also, in the presence of a banking license and a written permission of the National Bank of Ukraine, the Commercial Bank will carry out the following operations:

- 11) investment and Trading of shares
 - 12) operations with currency values:
 - a) non-trading operations with currency values;
 - b) accounts of clients (residents and non-residents) in foreign currency and non-resident clients in the monetary unit of Ukraine;
 - c) maintenance of correspondent accounts of banks (residents and non-residents) in foreign currency;
 - d) maintenance of correspondent accounts of banks (non-residents) in the monetary unit of Ukraine;
 - e) opening of correspondent accounts in authorized banks of Ukraine in foreign countries;
- currency and transactions for them;
- a) opening of correspondent accounts in banks (nonresidents) in foreign currency and carrying out transactions for them;
 - b) attraction and placement of foreign currency in the foreign exchange market of Ukraine;
 - c) attraction and placement of foreign currency in international markets;
 - d) foreign exchange trading in the foreign exchange market of Ukraine (excluding currency-exchange operations);

- e) trade in foreign currency in international markets;
- f) operations with cash foreign currency and checks (purchase, sale, exchange, acceptance for collection), carried out at the cash departments and points of exchange of foreign currency of banks;
- g) operations with cash foreign currency (purchase, sale, exchange) carried out in points of exchange of foreign currency, which operate on the basis of concluded by banks agency agreements with resident legal entities;
- h) operations with bank metals in the currency market of Ukraine;
- i) operations with bank metals in international markets;
- j) other transactions with foreign exchange values in international markets;
- 13) issue of own securities;
- 14) organization of purchase and sale of securities on behalf of clients;
- 15) transactions on the securities market on its own behalf (including underwriting);
- 16) investments in statutory funds and shares of other legal entities;
- 17) transactions on behalf of clients or on their behalf:
 - a) with money market instruments;
 - b) with instruments based on exchange rates and interest;
 - c) financial futures and options;
- 17) trust management of funds and securities under contracts with legal entities and individuals;
- 18) depositary activity of the custodian of securities.

In addition to the operations specified above, the Commercial Bank may, in accordance with applicable law and on the basis of relevant licenses of the State Commission on Securities and Stock Market, carry out depositary activity of a securities custodian and professional activities in the stock market for securities trading: brokerage, dealer activities, and underwriting The Bank does not carry out activities in the field of material production and insurance, except for the functions of the insurance intermediary.

Forecast of the main financial indicators.

Strategic target indicators of the Bank's activities for the period 2018-2023 subject to the development of a network of branches.

(at the end of the year, USD million)

| № | Index | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|----------|--------------|-------------|-------------|-------------|-------------|-------------|-------------|
| 1 | Assets | 42,403 | 160,616 | 382,61 | 768,8 | 12 085,3 | 15 642,9 |
| | including | | | | | | |

| | | | | | | | |
|-----|--------------------|--------|---------|---------|---------|----------|----------|
| 1.1 | Loan Portfolio | 36,231 | 155,302 | 7 16,94 | 995,9 | 11 212,7 | 14 630,4 |
| 2 | Resource base | 36,036 | 153,282 | 6 91,05 | 1650,3 | 10 754,4 | 14 072,4 |
| | including | | | | | | |
| 2.1 | Customer accounts | 7,267 | 114,484 | 295,30 | 2 463,8 | 3 118,8 | 3 892,2 |
| 2.2 | Funds of banks | 10,754 | 52,250 | 265,0 | 1285,0 | 3320,0 | 5380,0 |
| 3 | Equity | 4,319 | 56,598 | 827,3 | 1 009,1 | 1 211,8 | 3 440,2 |
| | including | | | | | | |
| 3.1 | Authorized capital | 3,561 | 39,738 | 719,7 | 1879,9 | 2 053,8 | 3 246,0 |
| 4 | Net profit | 3,88 | 75,05 | 264,1 | 479,2 | 1980,1 | 4026,3 |

2. MARKET OVERVIEW

2.1. GENERAL ANALYSIS OF THE BANKING MARKET IN UKRAINE

The main indicators of the banking system, namely "the adequacy of the aggregate capital of banks", "liquidity of commercial banks", "the dynamics of the volume of deposits", "the change in the volume of credit investments" in 2017 correspond to a high level estimate.

Today, the level of capital adequacy of the banking system is 23.3%, which is 3 times higher than the requirements established by the Basel Committee on Banking Supervision (8%). As of January 1, 2018, this indicator reached more than UAH 7,800.0 billion (according to the results of 2018: over UAH 6,900.0 billion).

The level of the current liquidity of the domestic banking system has consistently shown a high level and over the past several years exceeds 64.5%, which is 2 times higher than the minimum level set by international standards.

Assets of banks in comparison with the last year increased by 25.1% and amounted to 65 200.0 billion UHA (according to the results of 2017: 56 200.0 billion UAH).

In particular, in the reporting period, the total volume of loans directed to the real sector of the economy increased by 27.3% compared to 2017 and by the beginning of 2018 is more than 42 700.0 billion UAS. In addition, the volume of loans granted for investment purposes increased by more than 1.2 times compared to 2017 and as of January 1, 2018 amounted to UAH 10,200.0 billion.

The volume of loans issued to small businesses in comparison with 2017 increased by 1.3 times and as of January 1 of this year amounted to more than 12 100 billion UAH, of which micro loans amounted to more than 2,500.0 billion UAH, which is 1 , 3 times more than in 2017.

The stable condition of domestic banks, the growing confidence in them, as well as the growth of real incomes of the population, have become a solid basis for attracting free cash resources of the population and business entities to deposits. In the reporting period, the total volume of deposits compared to 2017 increased by 28% and at the beginning of this year is 35,600.0 billion UAH.

It should be noted that special attention is paid to the further development of non-cash payments, which demonstrates the intensive growth in the number of issued plastic cards. At the end of 2017, the country issued more than 16.3 million plastic cards, and the number of terminals installed in trade and service facilities reached 183.1 thousand units.

In 2018, the share of banking services in the structure of financial services was 88% and increased by more than 1.3 times compared to 2017. This is the result of targeted measures taken to expand the volume and improve the quality of banking services provided to the population and business entities.

It is pertinent to note that the successes in the reform and liberalization of the domestic banking system were reflected in the annual analytical review of the World Bank and the International Finance Corporation on the conditions of doing business "Doing Business-2018".

According to a report released in October 2017, over the last three years, under the conditions of lending, the rating of Ukraine has progressed immediately at 113 steps and now occupies high positions.

2.2. SEGMENTATION OF THE MARKET, ANALYSIS OF CAPACITY, SATURATION AND DYNAMICS OF MARKET SEGMENTS.

As of January 1, 2018, the number of commercial banks registered by the National Bank of Ukraine was 82, including: 14 joint-stock commercial banks, 8 private banks and 32 banks with foreign capital participation.

According to the analysis conducted by the International Monetary Fund, the indicators of households' servicing by banks in Ukraine, including the level of accessibility of banking services, is about 97.7 percent, and 1028 bank accounts are opened for every 1000 people, which is the best indicator among the countries of Eastern Europe.

According to the results of the "Ahbor-reyting" analysis conducted by the RA, it was determined that at the end of 2017, the concentration of assets of the banking sector continues its gradual growth. In particular, following the results of 2017, the concentration of assets in the top five of the country's largest domestic banks is 61.4% of all assets of the banking sector.

3. STRATEGY OF MARKETING AND SALES OF BANKING SERVICES

The main channel for the distribution of banking services is traditionally the bank's branch network. Customer service is carried out through a branch network.

In conditions of increasing competition, maintaining a strong position of the Bank in the market, as well as developing new segments requires an active marketing strategy for development. The bank's marketing strategy is considered taking into account the expected changes in the banking market and is focused on strengthening the bank's position in the market, increasing competitiveness in tariffs, expanding the branch network and improving the quality of services, replenishing the bank's staff with professionals and young professionals.

The main objectives of the bank's marketing strategy are aimed at ensuring profitable work in constantly changing conditions, on the bank's competitiveness in order to meet the interests of

clients, maintain public image, to maximize customer satisfaction in terms of volume, structure and quality of services, which creates conditions for the sustainability of business relations.

At the same time, the Bank has already set itself the task of increasing competitiveness, which involves strengthening the advertising activities, creating additional units for operational customer service, organizing an effective monitoring system, and introducing new information technologies.

3. FINANCIAL PLAN

3.1. BANK FINANCING STRUCTURE

Availability of financial resources in the required amounts, as well as their effective use predetermine the financial well-being of the bank, financial stability, solvency and liquidity.

The main source of financing is own and attracted funds. The bank's own funds are formed at the expense of internal (this is profit remaining at the disposal of the bank) and external sources (these are additional contributions to the authorized capital, additional issue and sale of shares, other external sources of formation of own financial resources).

The attracted funds are formed at the expense of the population, economic entities and financial institutions.

Profit is the main source of funds for a dynamically developing bank. The amount of profit depends on many factors, the main of which is the ratio of income and expenditure. And also, profit is the main source of formation of reserve capital (fund), which is intended to recover unforeseen losses and possible losses from banking activities. The procedure for the formation of reserve capital is fixed in the regulatory documents that govern the activities of the bank, as well as its statutory documents.

4. ANALYSIS OF THE MAIN RISKS

4.1. DESCRIPTION OF MAIN RISKS

☐ Corporate risks

This category of risks is related to the probability of deterioration of the financial condition of the bank as a result of negative changes that may occur as a result of its activities, as well as in its affiliated structures. The Bank has every opportunity to directly influence the likelihood of these negative changes, as well as minimize the possible negative impact on its financial position as a result of these changes.

☐ Risks of License Termination

To date, the bank has a license to carry out its activities. Licenses are general, perpetual. The activity in accordance with the license received, without violating the license rules and rules, timely submission of reports to the relevant authorities allows the bank to minimize these risks.

☐ Risks associated with changes in market size and cost of services

This risk is generated by the operating results of the bank, which cause a decrease in the level and amount of its profits. The reasons for such a risk may come from: a decrease in the profitability of the loan and investment portfolio, a drop in demand for banking services, a decrease in the bank's income in the face of growing competition and a number of other similar factors. As a result of a decrease in the bank's profit and a corresponding deterioration in its financial condition, there may be a threat of a reduction in the level of payment of dividends on shares.

☐ Risks due to inflation and devaluation

The bank's activity is subject to inflation risks, since the bank issues loans at the expense of customers' funds. In the event of this factor, the outflow of funds from the population and economic entities occurs.

☐ Social risks

The social risks for the bank are conventionally divided into two groups:

The first group is the risks associated with the bank's personnel. The Bank's social and personnel policy is aimed at attracting high-quality specialists and maximizing the provision of employees with social benefits. The problem of shortage of workers of the required level of qualification is solved through training in relevant educational institutions, including training in their own training center.

The second group of social risks associated with the macroeconomic situation in the country is the dependence on the income level of the population. The economic and social development of Ukraine positively affects the welfare of the population of the country. Economic reforms and programs of measures adopted by the Government of the Republic reduce this type of risk to a moderate level.

☐ Currency risk

This risk arises from fluctuations in the exchange rates in which the assets and liabilities are denominated, as well as the cash flows of the bank. Given the insignificant amount of liabilities in foreign currency, these risks are estimated by the bank to be insignificant.

☐ Liquidity risks

Arise as a result of inconsistencies in the articles of assets and liabilities by maturity, which may lead to a temporary bank failure to fulfill its obligations. The bank estimates the risk data as moderate due to the presence of a significant portion of highly liquid assets.

4.2. ANALYSIS OF THE DEGREE OF IMPACT OF RISKS ON ECONOMIC EFFICIENCY FOR VARIOUS PARTICIPANTS IN THE PROJECT AND OPTIONS FOR MINIMIZING THESE RISKS

To minimize and reduce the consequences of the above risks, the bank develops strategic and tactical solutions that exclude occurrence of risk situations. The decision to waive a specific risk can be taken, both at the stage of preparing the decision, and by giving up activities in which the bank

already participates, if the actual risk is higher than expected. Also, to minimize risks, special attention is paid to the following methods:

1. Taking a risk on oneself - an administrative decision to accept a certain (existing or planned) level of risk without taking measures to reduce it, usually for technical or cost reasons. In case of taking the risk on yourself, you need to consider possible losses:

- permanent losses that can easily be foreseen;
- possible losses caused by single, static risks.

As a rule, such risks are associated with significant losses. The peculiarity of them is that they do not lend themselves to statistical evaluation.

2. Reduction of possible losses, which is achieved, on the one hand, by developing the accuracy of loss prediction, on the other hand, by making fuller use of the knowledge available in this field.

3. Insurance (hedging) risk - this is the most convenient and most common way of responding to marketing risk. Risks insurance is a reliable protection against wrong decisions and an effective way to increase the responsibility of those who accept them. Strictly speaking, insurance can be attributed to both methods of risk reduction, and to methods of transferring risks.

4.3. CONCLUSIONS AND RECOMMENDATIONS

Taking into account the positive development prospects of the bank, the main advantages for strategic investors are:

- The presence of a corporate governance system that allows for the greatest transparency of the bank's activities and adequately assess risks;
- Creation of a broad network of branches through which the Bank will be represented in virtually all regions of Ukraine with the gradual development of a network of branches in Germany, the United Kingdom, Switzerland, France and the USA;
- Long-term stable growth of key financial indicators in financial markets;
- Quite a low capitalization, allowing the investor to invest in relatively small resources to enter the banking market of Ukraine with a significant market share;
- Financial stability and solvency of the bank, confirmed by the presence of a high rating and being in the official exchange listing for the highest category of issuers;
- High liquidity of shares, creating an opportunity for the shareholder to freely dispose of them and leave the society at will;

As the author of the proposal, I, Vadim Voloshinenko with my team of effective managers, are ready to lead the creation and successful work of Commercial Bank in Ukraine with the gradual development of a network of branches in Germany, the United Kingdom, Switzerland, France and the USA.

Best Regards,
Vadim Voloshinenko

