

17.04.2019

Report of the Supervisory Board of Joint Stock Company “Deutsche Bank DBU” for 2018 Reporting Year

This Report of the Supervisory Board of Joint Stock Company “Deutsche Bank DBU” (hereinafter – the Bank) for the reporting year 2018 has been executed in line with local legal requirements for taking decision in its respect by the Bank’s General Meeting

1. Appraisal of completeness, structure and activity of the SB

During the year the Bank adhered to the current requirements of the composition and structure of the Supervisory Board as per the Law of Ukraine “On Joint Stock Companies” and the Law of Ukraine “On Banks and Banking”, in particular:

- the number of Supervisory Board Members in 2018 → 5 Persons;
- the Supervisory Board consists of three independent members (hereinafter referred to as independent directors) who meet the requirements, established by the law on the independence of directors of a joint-stock company;
- the Supervisory Board members of the Bank are not and were not acting as members of the Management during the year and did not hold any other positions in the Bank under the terms of an employment agreement (contract) and did not provide services to the Bank in terms of a contract.

At the date of reporting, the members of the Supervisory Board are:

1. Joerg Bongartz, Chairman of the Supervisory Board.
2. Beate Ramona Hofmann, Deputy Chairman of the Supervisory Board
3. Dietmar Gerhard Stüdemann, Independent Member of the Supervisory Board.
4. Dinev Penko Stefanov, Independent Member of the Supervisory Board
5. Matthias Boehm, Independent Member of the Supervisory Board

During 2018 the Supervisory Board performed its activities in accordance with its powers, granted by the Charter and the Regulations on the Supervisory Board of the Bank, namely:

- 1) the supervision of the activities of the Management Board of the Bank,
- 2) the monitoring of the efficiency of the risk management system,
- 3) the performance of controls over the resolution of internal audit findings,
- 4) taking decisions on matters within its authority, including review and approval of the respective documents (Reports, Regulations, Policies, Procedures, Strategies, etc).

In 2018 the Supervisory Board did not exceed its given powers.

In the reporting period of 2018 the Supervisory Board held regular meetings in particular: four meetings (in accordance with the requirement stipulated by the local legislation), and three times the decisions were taken by the written voting (circulation procedure). Decisions are legitimate considering the quorum achieved.

The following main topics were discussed by the Supervisory Board:

- Macroeconomic review
- Financial performance of the Bank

- Main changes in legislation and the execution of implementation
- Results of audits and inspections
- Risk Management
- Compliance topics
- Miscellaneous

The information on the activities of the Supervisory Board, namely the list of Agenda Items submitted for discussion in the context of each meeting / written voting is provided in the Table.

№ Протоколу	Дата засідання/ письмового опитування	Перелік питань, що виносилися на порядок денний
50	31.01.2018	Review and approval of the report on the Internal Audit performance according to the Audit plan for 2017
51	20.03.2018	<ol style="list-style-type: none"> 1. Approval of the internal Regulations of the Bank including The Business Strategy for 2018 2. Approval of the Organizational Structure of PJSC “Deutsche Bank DBU” 3. Review and approval of the efficiency of the internal control and Monitoring Report for Q1 2018 4. Review and approval of the report on Deutsche Bank Ukraine AML Review Audit 5. Approval of decision to execute payment of the following remunerative incentives to the members of the Management Board of PJSC “Deutsche Bank DBU” in March 2018: <ul style="list-style-type: none"> • reward for 2017 financial results, • bonus for new systems and technology implementation 6. Implementation of new amounts of monthly remuneration of the Management Board members starting March 1, 2018 7. Review of the reports on the risk management system and the permanent controls 8. Review and approval of the operational risk appetite statement of the Bank for 2018 9. Review and approval of the stress-testing results of the Bank as of January 01, 2018 and stress testing scenarios for 2018 10. Review and approval of operational liquidity limits
52	23.04.2018	<ol style="list-style-type: none"> 1. Approval of the Report of Supervisory Board of the Company for 2017 2. Approval and submission of the Proposal to the Company’s Shareholder for taking the Shareholder’s Decision on the following (with the proposed resolutions): <ol style="list-style-type: none"> 2.1. Approval of the Bank’s financial result reflected in 2017 annual financial statements confirmed by the external auditor, distribution of profit of the Bank. 2.2. Taking decision on dividends distribution to the Bank’s shareholders following the results from the Bank’s operating activities for 2017 year (with the proposed resolutions). 2.3. Approval of the reports of the Bank’s Supervisory board, Management board. 3. Remuneration review for the Chairman of the Management Board.
53	11.05.2018	1. Definition of the the list of persons entitled to dividends , procedure and terms of their disposal.
54	09.06.2018	<ol style="list-style-type: none"> 1. Approval of the internal Regulations of the Bank 2. Review and approval of the efficiency of the internal control and Monitoring Report for Q2 2018 3. Review of the Conflict of Interests identification report of the Bank for the 1st

		<p>and 2nd Quarter 2018</p> <ol style="list-style-type: none"> 4. Review of the semi-annual audit report for 1HY 2018 5. Review of the reports on the risk management system and the permanent controls for Q1 2018 6. Review and approval of limits 7. Review and approval of the stress-testing results of the Bank as for Q2 2018 8. Approval and submittal of the Proposal to the Company's Shareholder for taking the Shareholder's Decision on making amendments and alterations to the Bank's Charter by its approval in new version, to bring in line with the laws of Ukraine "On Joint Stock Companies", "On Banks and Banking Activity" and other legislation of Ukraine 9. Approval and submittal of the Proposal to the Company's Shareholder for taking the Shareholder's Decision on approval of new versions of the Regulation of the Shareholders General Meeting of the Bank, Regulation of the Supervisory Board of the Bank, Regulation of the Management Board of the Bank 10. Extension of authority of the Deputy Chairman of the Management Board, Member of the Management Board
55	13.09.2018	<ol style="list-style-type: none"> 1. Approval of the Organizational Structure of PJSC "Deutsche Bank DBU" 2. Approval of the internal Regulations of the Bank and decommission of Regulation on Securities Trade Unit of PJSC "Deutsche Bank DBU" 3. Establishment of a risk management committee of the Supervisory board 4. Appointment of Head of the AFC/Compliance department/Chief Compliance Officer (CCO) and the acting Head of the Risk management department / Chief Risk Officer (CRO) 5. Review and approval of the efficiency of the internal control and Monitoring Report for Q3 2018 6. Review of the Conflict of Interests identification report of the Bank for Q3 2018 7. Review of the reports on the risk management system and the permanent controls for Q2 2018 8. Review and approval of limits 9. Review and approval of the stress-testing results of the Bank as for Q2 2018 10. Approval of external auditor for conducting an audit of the financial statements of PJSC "Deutsche Bank DBU" for the year 2018-2019.
56	03.12.2018	<ol style="list-style-type: none"> 1. Approval of the internal Regulations of the Bank 2. Approval of the Annual Audit Plan of the Internal Audit Department for 2019 3. Review and approval of Compliance risk Report for September-November 2018 4. Review of the Conflict of Interests identification report of the Bank for September-November 2018 5. Review of the reports on the risk management system and the permanent controls for Q3 2018 6. Review and approval of Risk Strategy and Risk appetite 7. Review and approval of the stress-testing results of the Bank as for Q3 2018

2. Appraisal of competence and efficiency of each Supervisory Board Member, including information on his activity as an officer in other legal entities and other activities – payable or free of charge

During the reporting year, each member of the Supervisory Board fulfilled its duties in an appropriate manner, including, but not restricted to:

- 1) active participation in regular meetings,
- 2) reviewing documents (reports, information, new / updated internal documents of the Bank) provided by the members of the Management Board / other departments,
- 3) participation in the discussion of resolution of complex topics,
- 4) active participation in the decision making process,

5) deciding by voting within the competence of the Supervisory Board.

There is no segregation of functions between Supervisory Board Members, so each Member of the Supervisory Board acted within the general powers of the Supervisory Board. The Chairman and Deputy Chairman of the Supervisory Board duly fulfilled the powers stipulated by the Charter and the Regulations of the Supervisory Board.

In the Bank's view, other activities of the Supervisory Board Members do not create any conflict of interest and do not affect the quality of performance of their function as Member of Supervisory Board of the Bank. Information on the activities of the members of the Supervisory Board in other legal entities:

- 1) Joerg Bongartz - CEO Central and Eastern Europe, Deutsche Bank AG.
- 2) Beate Ramona Hofmann, Head TF Germany North and East & CEE, Head GTB Germany Region East, Deutsche Bank AG
- 3) Dietmar Gerhard Stüdemann - not employed in any other commercial undertaking and does not carry out other commercial activities
- 4) Dinev Penko Stefanov - not employed in any other commercial undertaking and does not carry out other commercial activities
- 5) Matthias Boehm – consultant in Dangelmayer & Seemann GmbH, Germany

3. Appraisal of the independence of each independent Supervisory board member

The Bank ensures compliance with the requirements regarding the independence of each of the independent members of the Supervisory Board (independent directors), namely, there is no influence by other persons on the said members of the Supervisory Board of the Bank in the process of their decision making while performing the duties of the independent director.

In particular, none of the independent members:

- 1) was the member of the Bank's Management Board and / or legal entities affiliated with them during the previous five years (prior to occupation of this position);
- 2) receives and / or received additional remuneration from the Bank and / or affiliated legal entities in the amount of more than 5 per cent of the annual income of such person for each of these years during the previous three years (prior to occupation of this position);
- 3) owns (directly or indirectly) 5 percent or more of the authorized capital of the legal entity and is an official or person who carries out management functions in the Bank, nor is it an individual, an entrepreneur, who during the past year had substantial business relations with the Bank and / or affiliated with it legal entities;
- 4) is or has been an independent auditor of the Bank and / or affiliated legal entities during the preceding three years;
- 5) is or has been during the previous three years an employee of an audit firm that provided audit services to the Bank and / or affiliated legal entities during the previous three years;
- 6) is or has been an employee of the Bank and / or legal entities affiliated with the Bank during the previous three years (prior to occupation of this position);
- 7) is a shareholder, holding a controlling block of shares and is a representative of a shareholder holding a controlling block of shares of the Bank in any civil relations;
- 8) has been a member of the Bank's Supervisory Board for more than 12 years;
- 9) is a close person of individuals specified in the above-mentioned points 1-8 of this part.

The Bank, on the basis of the documents and other information provided, periodically checks the independence of each independent member of the Supervisory Board. In addition, the criteria for independence are given to the shareholder, Deutsche Bank Aktiengesellschaft, which also examines the candidates for their independence, as Members of the Supervisory Board.

Taking into account the above, three of five Members of the Supervisory Board are independent, as of the date of this report.

4. Appraisal of the competence and effectiveness of each Supervisory board committee

In 2018, the Supervisory Board committees were not set up in the Bank. The consideration of all topics and decisions on relevant areas of the Bank's activities were carried out directly by the members of the Supervisory Board.

5. Appraisal of targets met by Supervisory board members

The objectives of the Bank's Supervisory Board for 2018 were as follows:

- 1) performance of the Supervisory Board functions within the powers stipulated by the Charter and the Regulations of the Supervisory Board (according to the Table);
- 2) approval of internal documents, in accordance with the requirements of the National Bank of Ukraine.

	Competance	Status of performance
1	approval of growth strategy of the Bank in accordance to key activities defined by the General Meeting	Done
2	approval of the budget of the Bank, among other the budget of the internal audit unit, and growth business-plan of the Bank	Done
3	determination and approval of the strategy and risks management policies, risk management procedures, as well as the list of risks and respective limits	Done. In line with the NBU plan
4	ensure the implementation and efficiency of Bank's internal control and monitoring	Done. In line with the NBU requirements
5	control of the efficiency of the risk management system	Done
6	approval of the recovery plan of the Bank	Not required, as the Bank has no financial problems
7	identification of sources of capitalization and other funding of the Bank	N/A in 2018
8	definition of credit policy of the Bank	N/A in 2018, but new version will be approved in 2019
9	definition of organizational structure of the Bank, including the internal audit unit	Done
10	approval of internal regulations governing the activities of structural units of the Bank	Done
11	approval of internal provisions governing the Bank's activity, save for those falling under the exclusive competence of the General Meeting, as well as those delegated by the Supervisory Board to the Management Board	Done
12	appointment and dismissal of the Chairman and other members of the Management Board and the Head of internal audit	Accomplished on the extension of the powers of the Deputy Chairman of the Management Board
13	control the activities of the Management Board, prepare proposals for improvement of the activities of the Management Board	Done
14	determination of the procedure of work and plans of the internal audit unit and control over its activity	Done

15	consideration of the external Audit report, and preparation of relevant recommendations for General Meeting	Done
16	control over resolution of findings identified by the National Bank of Ukraine and other state authorities, which are within the competence to supervise the Bank, by the Bank's internal audit unit and audit firm on the results of the external audit	Done
17	approval of terms of civil-law and employment agreements concluded with members of the Management Board and the staff of internal audit, determination of the amount of their remuneration, including regards and bonus	Done
18	taking decision on establishment of subsidiaries and participate in them, their reorganization and liquidation, founding of separate branches, other units of the Bank and approval of their Charters and regulations	N/A in 2018
19	ensuring timely submission (publication) by the Bank of reliable information about its activities in accordance with the law	Done
20	convocation of General Meeting, preparation of Agenda of the General Meeting, taking decision on the date of their convocation	Done
21	taking decision on convocation of annual or extraordinary General Meeting in accordance to the Charter and in cases established by the law	Done
22	report on convocation of General Meeting in accordance with the law, if required	Not required
23	taking decision on sale of shares previously purchased by Bank	N/A in 2018
24	resolution of topics about entering into a a shareholding relationship in local bank groups	N/A in 2018
25	taking decision on election (replacement) depository and/or clearing institution and approval of conditions under the agreement, signed with it, determination of the amount of remuneration of services	N/A in 2018
26	sending the offer in cases, provided by the law, to shareholders on share purchase which belong to them	Not required
27	taking decision on dismissal of the Chairman and members of the Management Board; election of the person who will temporarily act for the Chairman of the Management Board	N/A in 2018
28	taking decision on placement by the Bank of securities besides the shares	N/A in 2018
29	taking decision on buyback of securities, other than shares, placed by the Bank	N/A in 2018
30	approval of commercial value of the property in cases stipulated by the laws of Ukraine	N/A in 2018
31	approval of the procedure of transactions execution with the entities associated to the Bank	Done
32	determination of audit firm for external audit, approval of terms and conditions of the agreement that will be signed with them as well as the amount of remuneration for their services	Done
33	determination of the date when the list of persons which will have the right to receive dividends will be made, determination of procedure and terms of dividend payout within the specified date stipulated by the laws of Ukraine	Done
34	taking decisions on approval of the execution of essential transactions in case the commercial value of the property (work or services) that are subject of major transaction amounts from 10 to 25 percent of the Bank's assets as of the last Bank's annual financial report	Not required, as the decision of the shareholder approved the conclusion of transactions on the total limit

35	taking decisions on issues within the competence of the Supervisory Board of the legislation of Ukraine, in the case of merger, consolidation, division, separation or reformation of the Bank	N/A in 2018
36	taking decision on approval of the execution or execution denial of transaction which is of interest to the Bank, except the cases if the question under the law have to be considered by the General Meeting	N/A in 2018
37	defining the probability of the Bank's financial insolvency as the result of assumption or fulfillment of its obligations, particularly due to dividend payout or repurchase of the shares	N/A in 2018
38	taking decision on appointment of property appraiser of the Bank and approval of terms and conditions of agreement with him, determination of remuneration amount for their services	N/A in 2018
39	forwarding the offers to the Shareholders to take up shares by the person (persons which act together), who purchased the controlling block of shares, in accordance with the laws of Ukraine	N/A in 2018
40	taking measures to prevent conflict of interest in the Bank and support their solution	Done
41	review of the report of the Management Board and approval of measures resulting of its review	Done
42	taking decision upon results of the review of the Management Board report	Done
43	approval of recommendations to the General Meeting resulting of the review of the report of the audit company for further decision-taking	Done
44	taking decisions on any issues pertaining to creation of and/or participation in any legal entities, their reorganization and liquidation	N/A in 2018
45	taking decisions on any issues pertaining to creation, reorganization and/or liquidation of any subdivision and/or independent units of the Bank	N/A in 2018

Given the above, the proper interaction of the Supervisory Board with the Management Board, as well as with the Internal Audit unit, the Risk Management Department and the AFC/Compliance Department, which are subordinated to the Supervisory Board, taking into account the significant list of topics considered by the Supervisory Board during the year, the information of which is indicated in Section 1 of this report and making the relevant decisions, the Supervisory Board duly controlled and regulated the activities of the Bank's Management Board, and represented the interests of the Shareholder in the General Meeting and properly fulfilled all the objectives assigned to it.

The activities of the Supervisory Board resulted in the following changes in the financial and economic activity of the company:

1. Increase in profit following the results of the reporting year,
2. The recommendation of the Supervisory Board regarding the distribution of profit in previous years had an impact on the financial position of the institution and directly on its level of capital
3. Achievement of the Bank's strategy in adopting new clients,
4. Sufficient level of risk management, which has strengthened the financial stability of the Bank,
5. Availability of well-established necessary processes and controls, which reduces risks of the Bank, etc.

When making decisions by the Supervisory Board, two procedures were applied:

- convening a meeting to discuss agenda items and decision-making;
- decision-making by written voting (circulation procedure), in particular analysis by each Supervisory Board Member of the relevant matter / documents provided and explicit consent / disagreement with the proposed solution.

In each case, the members of the Supervisory Board were guided by the information provided by the members of the Management Board / Heads of the relevant departments, their own experience and skills, and made decisions in the interests of the Bank and its shareholder.

Chairman of the Supervisory board

Joerg Bongartz