

## **Report of the Supervisory Board of Joint Stock Company “Deutsche Bank DBU” for 2019 Reporting Year**

This Report of the Supervisory Board of Joint Stock Company “Deutsche Bank DBU” (hereinafter – the Bank) for the reporting year 2019 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 2019 - 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 2019 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) supervision of the activities of the Management Board of the Bank;
- 2) monitoring of the efficiency of the risk management system;
- 3) the performance of controls over the resolution of internal audit findings;
- 4) control over the implementation of the Bank's strategy and adherence to the Business plan;
- 5) self-assessment of the effectiveness of the Supervisory Board's activities, as well as consideration of the results of the effectiveness evaluation of the Management Board and the Report on the collective suitability assessment of the Management Board and key functions holders;
- 6) taking decisions on matters within its authority, including review and approval of the respective documents (Reports, Regulations, Policies, Procedures, Strategies, etc).

In 2019 the Supervisory Board did not exceed its given powers.

In the reporting period of 2019 the Supervisory Board held regular meetings in particular: four meetings (in accordance with the requirement stipulated by the local legislation), and seven 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
- Key changes in legislation and their implementation
- Results of audits and inspections, including review of the Report of the National Bank of Ukraine on inspection and approval of the action plan of remediation of findings / elimination of inconsistencies
- 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.

SB minutes number	Date of the Meeting /ad-hoc decision by voting	Agenda items
57	28.01.2019	<ol style="list-style-type: none"> <li>1. Review and approval of the report on the Internal Audit performance according to the Audit plan for 2018.</li> <li>2. Review and approval of the Internal Audit's report on DB Ukraine – Anti-Financial Crime and Know Your Client.</li> </ol>
58	07.03.2019	<ol style="list-style-type: none"> <li>1. Macroeconomic update, Bank's financials, Treasury updates, Business initiatives and FY2018 results, Internal Audit (status update) / NBU AML &amp; Currency control inspection, other information.</li> <li>2. Review of the Business Strategy.</li> <li>3. Approval of the internal Regulations of the Bank.</li> <li>4. Review and approval of Compliance risk Report for December 2018 – February 2019 including status updates on implementation of NBU Regulation #64 dated 11.06.2018 on Organization of the Risk Management System in Ukrainian Banks and Banking Groups</li> <li>5. Quarterly risk reporting: <ul style="list-style-type: none"> <li>- review of the reports on the risk management system and the permanent controls for Q4 2018;</li> <li>- review and approval of Risk Strategy and Risk;</li> <li>- review and approval of the stress-testing results of the Bank as for Q4 2018.</li> </ul> </li> <li>6. Approval of the Internal Audit Head's job description.</li> </ol>
59	19.03.2019	<ol style="list-style-type: none"> <li>1. Approval of decision to execute payment of the following remunerative incentives to the members of the Management Board of JSC "Deutsche Bank DBU" in March 2019: <ul style="list-style-type: none"> <li>• reward for 2018 financial results,</li> <li>• bonus for new systems and technologies.</li> </ul> </li> <li>2. Introduction starting March 1, 2019 new amounts of monthly salaries for the Management Board members.</li> </ol>
60	23.04.2019	<ol style="list-style-type: none"> <li>1. Approval of the internal Regulations of the Bank.</li> </ol>
61	24.04.2019	<ol style="list-style-type: none"> <li>1. Approval of the Report of Supervisory Board of the Company for 2018, the Report on remuneration of members of the Supervisory Board and Management board report for 2018.</li> <li>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"> <li>2.1. Approval of the Bank's 2018 annual financial statements confirmed by the external auditor and Management Report of the Bank for 2018, distribution of profit and losses coverage of the Bank</li> <li>2.2. Taking decision on dividends distribution to the Bank's shareholders following the results from the Bank's operating activities for 2018 year</li> <li>2.3. Review and approval of the reports of the Bank's Supervisory board, Management board and the Report on remuneration of members of the Supervisory Board.</li> </ol> </li> </ol>
62	26.04.2019	<ol style="list-style-type: none"> <li>1. Approval of the Annual information of issuer of securities (annual report) for Y2018.</li> </ol>
63	10.05.2019	<ol style="list-style-type: none"> <li>1. Defining of the itemizing date of the list of persons entitled to dividends receipt, procedure and terms of their disposal.</li> </ol>

64	24.06.2019	<ol style="list-style-type: none"> <li>1. Macroeconomic update, Bank's financials, Treasury updates, Business initiatives and interim results, Internal Audit (status update) / NBU AML &amp; Currency control inspection final results, External audit for labor protection, other information.</li> <li>2. Approval of the internal Regulations of the Bank.</li> <li>3. Review and approval of Compliance risk Report for March-May 2019 including status updates on implementation of NBU Regulation #64 dated 11.06.2018 on Organization of the Risk Management System in Ukrainian Banks and Banking Groups.</li> <li>4. Quarterly risk reporting: <ul style="list-style-type: none"> <li>- review of the reports on the risk management system and the permanent controls for Q1 2019 according to presentation and;</li> <li>- review and approval of the stress-testing results of the Bank as for Q1 2019.</li> </ul> </li> <li>5. Approval of the Personal distribution of functions and authorities of Members of the Management Board of JSC "Deutsche Bank DBU".</li> <li>6. Delegation of approval of internal banking policies and procedures authorities to the Management board</li> </ol>
65	11.09.2019	<ol style="list-style-type: none"> <li>1. Macroeconomic update, Bank's financials, Treasury updates, Business initiatives and interim results in line with Business strategy, Internal Audit (status update) / External audit (Labor protection/Guarantee fund), other information.</li> <li>2. Approval of the internal Regulations of the Bank, decommission of the Stress testing policy of PJSC "Deutsche Bank DBU".</li> <li>3. Review and approval of Compliance risk Report for June-August 2019 including information of assessment of changes in legislation and status of implementation, including in status updates on implementation of NBU Regulation #64 dated 11.06.2018 on Organization of the Risk Management System in Ukrainian Banks and Banking Groups.</li> <li>4. Quarterly risk reporting: <ul style="list-style-type: none"> <li>- review of the reports on the risk management system and the permanent controls for Q2 and July 2019;</li> <li>- review and approval of the stress-testing results of the Bank.</li> </ul> </li> <li>5. Review and approval of the Collective suitability report for Management board and Local key functions holders as of 11.09.2019.</li> <li>6. Review and approval of the list of essential transactions executed by JSC "Deutsche Bank DBU".</li> <li>7. Review and approval of Management Board Effectiveness Evaluation Report for Y2018.</li> <li>8. Approval of external auditor for conducting an audit of the financial statements of JSC "Deutsche Bank DBU" for the year 2019 and the terms of the agreement with the audit firm.</li> <li>9. Review of official publications on Bank's performance. Regulatory required deadlines have been taken into account when placing and published.</li> </ol>

66	28.10.2019	<ol style="list-style-type: none"> <li>1. Macroeconomic update, Bank's financials, Treasury updates, Business initiatives and interim results in line with Business strategy, Internal Audit (status update) / External audit (Labor protection, NBU inspection), other information.</li> <li>2. Approval of the Organizational structure of the Bank</li> <li>3. Approval of the internal Regulations of the Bank</li> <li>4. Quarterly risk reporting: <ul style="list-style-type: none"> <li>- review of the reports on the risk management system and the permanent controls for Q3 2019;</li> <li>- review and approval of the stress-testing results of the Bank as for Q3 2019.</li> </ul> </li> <li>5. Review and approval of the results of Risk assessment campagne.</li> <li>6. Review and approval of Compliance risk Report for September 2019 including information of assessment of changes in legislation and status of implementation, including in status updates on implementation of NBU Regulation #64 dated 11.06.2018 on Organization of the Risk Management System in Ukrainian Banks and Banking Groups and Methodological Recommendations on the Organization of Corporate Governance in Banks of Ukraine (NBU Resolution №814-рш dated Dec 03, 2018)</li> <li>7. Review and approval of Supervisory Board Effectiveness Evaluation Report as of October 2019.</li> <li>8. Review and approval of the Job description of the Head of the AFC/Compliance department (Chief Compliance Officer) and Job description of the person acting as the Head of the AFC/Compliance department (Chief Compliance Officer) during his absence</li> </ol>
67	19.12.2019	<ol style="list-style-type: none"> <li>1. Approval of the internal Regulations of the Bank.</li> <li>2. Approval of the Annual Internal Audit Plan of the Internal Audit Department for 2020.</li> <li>3. Approval of the outcome of check of managers of the Bank and head of internal audit unit of the Bank for compliance to the qualified requirements, and independent SB members – to requirements of independency.</li> <li>4. Approval of the Supervisory Board Plan for 2020.</li> <li>5. Review of the Report of the National Bank of Ukraine on inspection. Approval of the Action Plan on remediation of breaches/ deficiencies listed in Annex 1 to the NBU Report and the Plan on further actions on remediation of /explanation on no rational to remediate inconsistencies identified in Annex №2 to the NBU Report.</li> </ol>

## 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 Trade Finance Germany, Region North and East & CEE, 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 – CEO in C-TRUST Ent LTD, Bulgaria
- 5) Matthias Boehm – managing director 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 2019, 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 2019 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.

Competence	Status of performance
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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
4	ensure the implementation and efficiency of Bank's internal control and monitoring	Done
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	Was not required
8	definition of credit policy of the Bank	Done
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	Was not required
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	Was not required
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	Was not required
24	resolution of topics about entering into a shareholding relationship in local bank groups	Was not required
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	Was not required
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	Was not required
28	taking decision on placement by the Bank of securities besides the shares	Was not required
29	taking decision on buyback of securities, other than shares, placed by the Bank	Was not required
30	approval of commercial value of the property in cases stipulated by the laws of Ukraine	Was not required
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	Was not required
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	Was not required
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	Was not required
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	Was not required
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	Was not required
40	taking measures to prevent conflict of interest in the Bank and support their solution	Done
41	approval of the Remuneration policy of the bank's Management Board members, drafted based on the requirements set by the National Bank of Ukraine	The topic is included in SB Plan for Y 2020 (the requirements were provided only by the NBU's methodological recommendations)
42	approval of the Report on remuneration of the bank's Management Board members, drafted based on the requirements set by the National Bank of Ukraine	The topic is included in SB Plan for Y 2020 (the requirements were provided only by the NBU's methodological recommendations)

43	review of the report of the Management Board and approval of measures resulting of its review	Done
44	taking decision upon results of the review of the Management Board report	Done
45	approval of recommendations to the General Meeting resulting of the review of the report of the audit company for further decision-taking	Done
46	taking decisions on any issues pertaining to creation of and/or participation in any legal entities, their reorganization and liquidation	Was not required
47	taking decisions on any issues pertaining to creation, reorganization and/or liquidation of any subdivision and/or independent units of the Bank	Was not required

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.

**18.04.2020**

**Chairman of the Supervisory board  
of JSC Deutsche Bank DBU**

**[signature]  
Joerg Bongartz**