

Translation from Ukrainian original

**JOINT STOCK COMPANY
“DEUTSCHE BANK DBU”**

IFRS annual financial statements

***For the year ended 31 December 2023,
and Independent Auditors’ Report***

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**JOINT STOCK COMPANY
“DEUTSCHE BANK DBU”**

Management report for 2023

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1. General Information About the Bank

Joint Stock Company “Deutsche Bank DBU” (hereinafter referred to as the Bank) is a part of a bank group under foreign control. All shares in the Bank (100%) are owned by Deutsche Bank AG, a corporation established and operating in accordance with the laws of the Federal Republic of Germany. Deutsche Bank AG is a direct parent company of the Bank and its ultimate controlling party. The Bank has not bought or sold any shares during the year. Shareholder is not limited to take part and vote on shareholder’s meetings.

The Bank has an office in Kyiv, Ukraine. As of 31 December 2023, the Bank employed 34 employees, of which 19 men and 15 women.

According to Deutsche Bank Group’s global classification, the Bank is represented in Ukraine by Corporate Bank and by Investment Bank divisions, which serve corporate clients and provides a wide range of services, in particular:

- Cash flow management
- Trade financing
- Foreign exchange transactions
- Overdrafts and fixed-term financing
- Fixed-term deposits, etc.

In order to support B2B segment, the Bank also carries out transactions in the interbank market, in particular:

- Foreign exchange transactions
- Interbank lending
- Swaps
- Debt securities of the National Bank of Ukraine (NBU), Ministry of Finance, etc.

The business sector is supported by the following core business units:

- Department for support of corporate products
- Department for support of treasury and currency exchange operations
- Human Resources department
- Finance department
- Treasury department
- Risk Management department
- Compliance and Anti Financial Crime department
- IT Security unit.

All the revenues and expenses retained in the core business units are redistributed among the business units in accordance with the approved global allocation methods.

The Bank’s parent company and its subsidiaries make one of the major bank groups in the world. The Bank’s business is deeply integrated into the general group structure, which explains its regular interaction with the shareholder regarding a wide range of financial transactions and services. For instance, the Bank conducts transactions to borrow and lend funds in the foreign currency, currency exchange transactions, trade financing transactions etc. directly with the parent company and its branches. The pricing of such transactions is formed based on the arm’s length principle.

Also, the highly-qualified professionals of the group provide a number of services to the Bank, including management, IT, professional services of group’s units, etc. The pricing of such services is formed based on the principle of allocation of costs pursuant to the methodologies approved at the level of the parent company for all the subsidiaries of the banking group.

The impact upon the financial result of the transactions with the shareholder is disclosed by the Bank in the annual financial statement in Note 26 “Related-Party Transactions”.

Membership of the Executive Body, committees and meetings

The members of the Management Board of the Bank are as follows:

1. Roman Yaroslavovych Topolnytskyi, Chairman of the Management Board
2. Oleksii Viktorovych Rybenko, Deputy Chairman of the Management Board, Chief Financial Officer
3. Anastasiia Oleksandrivna Neroshchyna, Member of the Management Board, Chief Operating Officer
4. Oleksandra Vasylivna Kostiana, Member of the Management Board, Compliance and Anti Financial Crime Head.

There were no changes in the composition of the Management Board during the year.

The following committees of the Management Board have been established in the Bank:

- Assets and Liabilities Management Committee;
- Credit committee;
- Information Security Committee

Within 2023 reporting year the Management Board kept 20 meetings, where the following core issues were discussed:

- Approval of the report of the Management Board for 2022;
- Approval of the list of persons related to the Bank and changes to it;
- Approving or amending the Bank's internal Programs, Instructions, Rules and Regulations;
- Discussion of problematic issues in the field of combating money laundering and terrorist financing;
- Monthly review of information on risk management, financial performance, operations and IT activities;
- Consideration of issues related to the selection of candidates and the process of filling vacancies;
- Review of the monthly compliance risk report;
- Review and approval of the bank's business processes (including critical ones);
- Approval of the decision of the Credit Committee to set a limit on credit operations with counterparties / borrowers in excess of 10 percent of the regulatory capital of the Bank;
- Approval of the new composition of the Management Board's committees;
- Review, determination and approval of the list of persons whose professional activity has a significant impact on the Bank's risk profile;
- Other issues.

Membership of the Supervisory Board, committees and meetings

During the year 2023, the members of the Supervisory Board were:

1. Joerg Bongartz, Chairman of the Supervisory Board, representative of the shareholder.
2. Beate Ramona Hofmann, Deputy Chairwoman of the Supervisory Board, representative of the shareholder.
3. Dinev Penko Stefanov, Independent Member of the Supervisory Board.
4. Carlo Appetiti, Independent Member of the Supervisory Board (from 1 April 2023).
5. Wolfgang Gomernik, Independent Member of the Supervisory Board (from 1 November 2023).

Bank established the Audit Committee and the Appointment and Remuneration Committee in December 2023.

During 2023, the Supervisory Board held regular meetings, namely: twelve (12) meetings in the form of joint presence (one in each quarter, according to the frequency provided by current legislation, as well as eight (8) additional extraordinary meetings.

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;
- Issues related to the internal and external audit;
- Issues related to the corporate governance of the Bank, which are related to the competence of the Supervisory Board; and
- Miscellaneous.
-

The general meetings of the Shareholder

During 2023, the Shareholder had three (3) meetings and made decisions on the following:

- Election and re-election (extensions of the mandates) of the existing composition of the Supervisory Board, approval of the terms and conditions of the civil agreements with them and fixing their remuneration;
- Review and approval of the annual financial statement of the Bank for the year of 2022, as confirmed by the external auditor; the management report of the Bank for the year of 2022; and the audit reports based on inspection of the annual financial statements of the Bank for the year of 2022.
- Approval of decision on distribution of profit and losses coverage of the Bank, based on results of the Bank's operations in 2022.
- Review and taking the decision based on the results of the review of the report of the supervisory board of the Bank (Supervisory Board) for the year of 2022.
- Review and approval of the report on remuneration of the Supervisory Board for 2022.
- Annual review of the documents and policies of the Bank.

Managerial personnel appointing and resignation

Managerial personnel (The Supervisory Board, the Management Board, Chief accountant and his deputies, internal Auditor) appointing and resignation procedure is covered by:

- Charter;
- Regulation on Shareholders General meeting;
- Regulation on Supervisory Board;
- Regulation on Management Board;
- Regulation on Internal Audit Department

The Supervisory Board is elected by the General Meeting from among the Shareholders, their proxies and Independent Directors and at least five (5) persons or another number of members if another number of members of the Supervisory Board is prescribed by the legislation.

The General Meeting may resolve on the early termination of the powers of the members of the Supervisory Board and the simultaneous election of new members. The individuals elected as members of the Supervisory Board may be re-elected an unlimited number of times. Early termination of the powers of the members of the Supervisory Board without The General Meeting decision is prescribed by the legislation.

The members of the Management Board, including the Chairperson of the Management Board, are appointed for the period of five years unless a longer term is established by the Supervisory Board. In case powers of a member of the Management Board are terminated or expire, a member of the Management Board should be appointed to the vacancy by the resolution of the Supervisory Board

Managerial personnel competence

Managerial personnel competence is covered by Charter of JSC Deutsche Bank DBU and by other documents in particular: Regulation on Shareholders General meeting; Regulation on Supervisory Board; Regulation on Management Board; Regulation on Internal Audit Department. Functions and powers of the members of the Management Board of JSC "Deutsche Bank DBU" are defined by employment contracts and job descriptions.

Capital structure

(in UAH thousand)	December 31, 2023	December 31, 2022
Fixed Capital (AC) (Tier 1 Capital)	334 899	326 592
Additional capital (Tier 2 capital, cannot exceed 100% of Tier 1 capital)	334 899	203 073
Total Regulatory Capital	669 798	529 665

Liquidity ratios

As of 31.12.2023 the ratios were as follows (according to form 6DX): LCR – 394.17% (for all currencies), 343.72% (for foreign currencies); NSFR – 1 387.21%.

As of 31.12.2022 the ratios were as follows (according to form 6DX): LCR – 238.19% (for all currencies), 256.22% (for foreign currencies); NSFR – 504.76%.

2. Basic Principles of Corporate Governance

The Bank's corporate governance principles underpin everyday work and are integral part of changes in the corporate culture of Deutsche Bank Group. They regulate cooperation between the Bank's governing bodies and other decision makers in order to achieve the Bank's overall goals. In addition, the corporate governance principles ensure the establishment and allocation of roles, competences, and responsibilities within the regulatory framework governing the Bank's activities, and helps to clearly define responsibilities and duties.

The Bank's corporate governance functions also include compliance with the corporate governance principles of Deutsche Bank Group. Employees regularly review, improve and support compliance with Deutsche Bank Group's corporate governance principles and the Bank's corporate governance principles. Each representative or employee of the Bank takes into account and adheres to the corporate governance principles to the extent that they affect, directly or indirectly, his/her corresponding duties.

The corporate governance principles system is based on the principles of trust and cooperation between the Bank management, the Supervisory Board, shareholders, supervisory authorities regarding compliance with local laws, as well as delegation of powers and responsibilities.

The members of the Management Board and the heads of the structural units are responsible for taking necessary measures to assist the management in complying with these requirements.

The human, technical and financial resources constitute elements of the defined strategy and appropriate risk control means:

- Each representative of the management evaluates whether the unit he/she represents has adequate resources to achieve the unit's strategic goals.
- Human resources should have the appropriate knowledge, skills and experience to perform the relevant tasks, as well as receive effective training; diverse background of team members generate diverse opinions.
- Drawbacks should be analysed to ensure effective use of the resources; the consequences thereof should be evaluated and reported in a transparent way.

Ensuring general awareness of the organization structure:

- The organization structure should be transparent and clear for internal stakeholders and be in line with the business strategy and risk profile.
- The senior management should foster a structure reducing any difficulties, where necessary.

Proper documentation enables fact reconstruction, where necessary:

- Solutions and processes should be properly documented without creating an unnecessary formality burden.
- Decisions taken at committees' meetings should allow for meaningful dialogue and exchange of ideas, be recorded and provided to all interested committee members in a timely manner for review, and then to the persona that have delegated authority. In addition, all internal and external potential stakeholders should be properly informed of the decisions taken.
- Decisions taken outside the committees should be properly communicated to stakeholders, ensuring that the latter clearly understand what needs to be done, taking into account the matrix structure.

Ensuring adequate and effective information flow and reporting, especially on the risk issues:

- It is crucial to address the problem of disaggregated data and provide relevant information to other structural units of the Bank that need such information to respond effectively and comply with the information provision rules on the need-to-know principle.
- The decision-making procedures should be transparent and adequately and effectively recorded in internal reports.
- IT management systems should provide support to the Management Board.
- Risk sensitive information should be immediately communicated to the management and responsible functions so that they can take the appropriate actions at the initial stages.
- In particular, the risks arising within the same area should be addressed. Information about them should be communicated and transferred to the management for the departments to learn useful practices.

The Management Board and each senior executive should give a lead in compliance with the Code of Business Conduct and Ethics:

- "Giving a lead" means being responsible for accurate formulation of the corporate strategy and risk levels, creation of a culture promoting honesty and accountability in order to protect clients' and shareholders' interests and support responsibility for the proper conduct of activities while being aware of risks and adhering to the corporate values.
- Proper behaviour should be acknowledged and rewarded. Inappropriate behaviour, on the contrary, should be made public and eliminated by countermeasures.

Proper business organization underpins each entity:

- Proper business organization is based on efficient and reliable administration and requires clear written organizational and operational principles, as well as clear definition and monitoring of processes, tasks, competencies, responsibilities, and controls.
- Responsibilities should be clearly defined within the organizational and operational framework. Incompatible tasks leading to conflicts of interest should not be performed by the same employees.
- Any possible drawbacks threatening the proper business organization should be resolved appropriately.

A culture of compliance and control is important for all organization activities:

- Such culture means compliance with the laws, on the one hand, and internal regulations, policies and procedures, on the other hand.
- It is very important that each employee contributes to and supports a culture of compliance.
- The appropriate code of conduct and relevant controls should be provided.

IT systems should match the organizational, operational and supervisory structures:

- Each senior executive should be informed of the IT systems needed to ensure support to organizational, operational and supervisory structures within his/her responsibilities.
- Potential drawbacks should be analysed and evaluated, and the consequences should be transparently communicated.

The corporate governance principles of Deutsche Bank Group are applied to the entire Bank, including the relevant governing bodies (i.e. the Management Board, the Supervisory Board, etc.), while ensuring the structure used to set the Bank's goals and determining the means of their achievement and performance controls. Good corporate governance should create incentives for the Bank management to achieve goals that are in line with the Bank's business strategy, shareholders' interests, and contribute to effective monitoring of work. The Bank adheres to the global corporate governance principles set by Deutsche Bank Group (<https://country.db.com/ukraine/mandatory-disclosure-of-information/corporate-documents/>), namely:

Principle 1: Obligation to Act Lawfully. This obligation, being one of the key obligations of the Management Board, defines the actions of all representatives and employees of the Bank. It comprises of two elements: know your regulations, i.e. building and maintaining awareness of the regulations and provisions at the Board level.

- The company should ensure organization transparency by defining, distributing and measuring responsibilities at an employee's or a committee's level, transferring certain definitions of links and interfaces, and eliminating gaps or cases of overlapping responsibilities or duties. In addition, it includes risk prevention and mitigation mechanisms in order to avoid or minimise violations.

Principle 2: Business Decision Rule:

- Business decisions (which may be subject to freedom of action as opposed to Principle 1) are taken in the Bank's interests based on the relevant information and should not be affected by conflicts of interest or personal interests.

Principle 3: Values and Principles Adherence:

- The Bank adheres to the corporate culture, acquires and develops talents, promotes teamwork and partnership, supports independent thinking, respect for other people's ideas, and courage to express opinions. According to the Deutsche Bank Group's global approach, the Bank's compliance with these standards is reflected in six core values:

Integrity

- We live up to the highest integrity standards in everything we say or do.
- We do what is right, not just what is allowed.
- We speak openly; we congratulate, express and respect opposite views.

Continuous Effectiveness

- We provide value to shareholders, because we prefer long-term success to short-term benefits.
- We support the entrepreneurial spirit balancing risks and profits.
- We achieve long-term performance by developing, cultivating and investing in the best talents and by guiding them based on the merits of each.

Focus on Clients' Needs

- We deserve to be trusted by our clients who are in the heart of our organization.
- We provide true value by understanding and satisfying the needs of our clients in the best possible way.
- We strive to develop mutually beneficial relations with our clients and share their value.

Innovation

- We support innovation and appreciate intellectual curiosity of our staff.
- We enable our clients to succeed by constantly searching for solutions suitable to their tasks.
- We are constantly improving our processes and platforms by introducing new and more effective ways of doing business.

Discipline

- We protect corporate resources, always thinking and acting as owners.
- We observe rules and are responsible for our promises –no excuses.
- We achieve high expertise, striving to “do everything right from the very beginning”.

Partnership

- We build different teams to create the best ideas and make more informed decisions.
- We put corporate goals over “individual” loyalty by trusting, respecting and working with each other.
- We act as responsible partners with all our stakeholders and regulatory authorities, as well as meet the wider public interests.

Monitoring Obligation:

- Monitoring of the effectiveness of power delegation chains and escalation of relevant issues to the management, as well as vesting with powers and ensuring regular and timely exchange of information in order to timely identify critical issues and make necessary adjustments.

When adhering to Principle 1, the management should ensure that it has the necessary skills and experience to perform the function assigned, can devote enough time and efforts to perform its work, and make decisions being sufficiently informed and weighing possible consequences.

The Management Board and the Supervisory Board (hereinafter referred to as the Corporate Bodies) interact on the basis of trust and cooperation in order to meet the best interests of the Bank, employees and other stakeholders, taking into account their tasks and responsibilities. The tasks and responsibilities of the Management Board and the Supervisory Board complement each other and form a solid corporate governance system:

- Performance of own tasks and responsibilities – each corporate body consistently performs its tasks and responsibilities.
- Prohibition of excess of powers – each corporate body should not exceed its powers and interfere with internal affairs and responsibilities of other corporate bodies.
- Mutual trust – cooperation of corporate bodies with each other, as well as among its members, is based on mutual trust. Members of the Management Board should act in good faith for the benefit of the Bank.
- Good faith – members of the Management Board are obliged to act reasonably in respect of the Bank.
- Open debate and maintenance of confidentiality – both corporate bodies openly debate with each other, but always maintain confidentiality.
- Sufficient information – the Management Board is responsible to ensure adequate, accurate and timely information. The Management Board regularly informs the Supervisory Board of all material issues related to strategies, planning, business development, risk levels, risk management, compliance with the established requirements, structural mechanisms and culture in a timely manner. The Management Board indicates deviations from the previously formulated plans and goals, and provides the relevant reasons. The Supervisory Board should ensure that it is properly informed.
- Effective interaction – all members of corporate bodies should have enough time to fully perform their duties.

Relations with supervisory authorities. The Bank ensures cooperation with relevant supervisory authorities based on the following principles:

- Trust-based relations – the Management Board is committed to building and maintaining relations with supervisory authorities on the basis of trust and communicating with them openly.
- Available experience – the Management Board has members with experience and expertise in the relevant field to ensure interaction with supervisory authorities of the appropriate level.
- Supervision of the relations between the management and supervisory authorities – the Management Board monitors the Bank’s relations with supervisory authorities and supports the exchange of knowledge among all executives.
- Commitment to implementation – the Management Board ensures that all relevant regulations are properly performed.
- Active interaction with supervisory authorities – the Management Board ensures active interaction with supervisory authorities, and communicates with them not only in response to their inquiries.

Know your structure / know your business

- The Bank internal management system is represented by the organizational structure. The full transparency principle of the Bank structure is applied in all areas of its activity and corresponds to the changes in the laws, prevents conflicts of interest (including the division of functions), and ensures the effective operation of the Bank.
- The Bank recognises that the maximum transparency and understanding of the organizational and operational structure, business activity and related risks, ensuring the correspondence of the Bank's structure and activity with the approved business strategy, is crucial for the management.

Delegation of powers. The Management Board also adheres to a set of corporate governance principles in the context of delegation of powers and duties of the Bank under the relevant corporate governance principles, in particular:

- Prohibition to delegate duties not subject to delegation. Some duties are assigned to certain persons/units in accordance with the applicable laws and are not subject to delegation.
- One duty is one delegation. One duty may be delegated to “one person” only – either an individual or a committee.
- Delegation of powers to committees in case of reasonable diversification. If a duty may be fulfilled by an individual, this duty should be delegated to such individual, rather than to a committee. However, an individual may consult with others.
- Delegation within one vertical only. A delegating person may delegate a duty only to his/her direct subordinate.
- Prohibition of delegation of powers to other legal entities. Delegation of duties to legal entities is possible only within specific contractual obligations (for example, outsourcing), which allows the principal responsible party to control its service provider.
- Delegation of basic organizational duties. Heads of business units and infrastructure support functions shall assist the Management Board and its members in fulfilling their basic (core) duties within their own duties.

3. Bank Performance Indicators

Bank's Key Performance Indicators as of the year-end 2023.

Net revenues — UAH 475.9 mln (UAH 404.0 mln for 2022)
 Profit before tax — UAH 293.9 mln (UAH 235.4 mln for 2022)
 Return on Equity (ROE weighted avg.) — 18.5% (45.9% in 2022)
 Risk-weighted assets — UAH 388,8 mln (UAH 397.6 mln for 2022)
 Capital adequacy ratio — 102.4% (99.6% in 2022)
 Liquidity coverage ratio LCR (all currencies) — 394.2% (238.2% in 2022).

Financial results

Ukraine's banking system entered 2023 with a high level of interest rates. The NBU discount rate remained at 25% p.a., but amid a rapid decline in consumer prices, it began to decline rapidly in July, reaching 15% p.a. by the end of the year. The general decline in interest rates on bank deposits and assets in the national currency had an adverse impact on the Bank's interest margin. However, a 20% increase in corporate customer deposits offset this impact, and net interest income increased from UAH 345.0 million to UAH 456.9 million, or by 32.4%.

Since the second half of 2023, the Bank has resumed investing in domestic government bonds issued by the Ministry of Finance of Ukraine and has formed expected credit loss provisions for this instrument in the amount of UAH 19.2 million. In total, during the year, the Bank made provisions for expected credit losses in the amount of UAH 18.2 million against UAH 0.5 million in the previous year.

The gradual recovery of foreign trade operations of the corporate sector led to an increase in the volume of foreign exchange transactions, which had a positive impact on the Bank's fee and commission income. However, due to a sharp decline in the foreign exchange market volatility net trading income decreased by UAH 25.6 million, or by 52.4%.

Staff costs did not change significantly in 2023 and amounted to UAH 80.0 million. Administrative and other operating expenses increased by UAH 11.0 million or by 12.0% in 2023. Higher average exchange rate of the national currency against the Euro and the US dollar was the main driver of the increase after a significant devaluation in mid-2022, on condition of fixing a significant portion of the costs of current contracts in foreign currency.

As the Bank's revenues grew at a higher rate than expenses, the year-end profit before tax amounted to UAH 293.9 million, which is 24.8% higher than in 2022. Through amendments to the Tax Code of Ukraine, the Verkhovna Rada decided to increase the corporate income tax rate for Ukrainian banks from 18% to 50%. These changes had a significant impact on the amount of accrued income tax, which increased by UAH 120.4 million or 242.0%, and on the Bank's annual profit, which decreased to UAH 123.7 million from UAH 185.6 million in the previous year.

(in UAH thousand)	2023	2022	Deviation, UAH thousand	Deviation, %
Interest income	814 604	595 853	218 751	36.71%
Interest expenses	(357 743)	(250 873)	(106 870)	(42.60%)
Net interest income	456 861	344 980	111 881	32.43%
Fee and commission income	22 858	20 878	1 980	9.48%
Fee and commission expenses	(8 944)	(10 712)	1 768	16.50%
Result from transactions in financial instruments at fair value through profit or loss	-	1 531	(1 531)	n/a*
Result from foreign currency transactions	23 086	42 392	(19 306)	(45.54%)
Result from the revaluation of foreign currency	220	5 026	(4 806)	(95.62%)
Impairment result determined in accordance with IFRS 9	(18 391)	(348)	(18 043)	5184.77%
Result of impairment for non-financial assets	188	(144)	332	230.56%
Other operating income	54	229	(175)	(76.42%)
Salaries and employee benefits	(80 043)	(77 609)	(2 434)	(3.14%)
Depreciation and amortization	(11 480)	(10 520)	(960)	(9.13%)
Administrative and other operating expenses	(90 545)	(80 319)	(10 226)	(12.73%)
Profit before tax	293 864	235 384	58 480	24.84%
Income tax expense	(170 169)	(49 755)	(120 414)	(242.01%)
Profit for the year	123 695	185 629	(61 934)	(33.36%)

Balance sheet

(in UAH thousand)	December 31, 2023	December 31, 2022	Deviation, UAH thousand	Deviation, %
Assets:				
Cash and cash equivalents	5 962 225	4 589 599	1 372 626	29.9%
Client loans and debts	200 106	698 364	(498 258)	(71.3%)
Investment into securities	335 979	0	335 979	n/a*
Deferred tax asset	3 276	2 539	737	29.03%
Fixed assets and right of use assets	32 993	17 995	14 998	83.3%
Intangible assets	2 366	1 392	974	69.97%
Other financial	15	7	8	114.29%
Other non-financial assets	5 007	4 453	554	12.44%

(in UAH thousand)	December 31, 2023	December 31, 2022	Deviation, UAH thousand	Deviation, %
Total assets	6 541 967	5 314 349	1 227 618	23.10%
Liabilities and equity:				
Customer accounts	5 694 429	4 737 512	956 917	20.2%
Liabilities for current income tax	123 167	19 047	104 120	546.6%
Provision for liabilities	3	587	(584)	(99.5%)
Other financial liabilities	44 511	20 235	24 276	119.97%
Other non-financial liabilities	15 130	17 009	(1 879)	(11.05%)
Total liabilities	5 877 239	4 794 390	1 082 849	22.59%
Share capital	301 839	301 839	-	-%
Retained earnings	306 389	191 975	114 414	59.6%
Reserve and other bank's funds	35 426	26 145	9 281	35.5%
Revaluation reserves	21 074	0	21 074	n/a*
Total equity	664 728	519 959	144 769	27.84%
Total liabilities and equity	6 542 586	5 314 349	1 228 237	23.10%

n/a* - not applicable

In 2023, the Bank's total balance sheet increased by 23.1% from UAH 5,314.3 million to UAH 6,542.6 million. The main component of the growth was attraction of additional funds from corporate customers, which increased by UAH 956.9 million or 20.2%. At the same time, customer accounts in foreign currency tended to decrease.

Demand for credits from customers continued to decline, despite a steady downward trend in interest rates. As of the end of December 2023, the corresponding balance sheet item reached UAH 200.1 million, which is 71.3% less than at the end of the previous year. The released funds were reinvested in the NBU certificates of deposit, and the Bank resumed investing in domestic government bonds. The increase in the mandatory provision requirements resulted in the need to maintain larger balances in the national currency on the nostro account with the NBU.

In the ordinary course of business, the Bank continued to invest in property, plant and equipment and software, and agreed to extend the lease terms of office premises, which is reflected in the balance sheet as an increase in property, plant and equipment, right-of-use assets and intangible assets.

In addition to the aforementioned increase in customer accounts balances, the Bank's liabilities also increased significantly due to accrued current income tax, which increased by 546.6% year-on-year as a result of the change in the tax rate in the fourth quarter and due to an increase in lessee liabilities related to amendments to lease agreements.

The Bank's equity increased by UAH 144.8 million mainly due to the current year's profit and regulatory restrictions on the payment of dividends from prior years' profits. Acquisition by the Bank of debt liabilities at fair value through other comprehensive income resulted in the creation of revaluation provisions in the amount of UAH 21.1 million.

4. Economic Environment

Economy of Ukraine

According to the National Bank of Ukraine's Inflation Report (January 2024), Ukraine's economy recovered throughout the year thanks to the high adaptability of businesses and households to the war and loose fiscal policy supported by large-scale international financing. Estimated real GDP growth is estimated to be up to 5.7% in 2023.

Thanks to external support and the NBU's consistent policy, Ukraine's international reserves grew by 42% in 2023 to USD 40.5 billion. The NBU maintained an active presence in the foreign exchange market, and the situation on the market remained under control despite seasonal factors and uncertainty over external financing. Managed flexibility of the exchange rate played a key role in ensuring price and financial stability, while the key policy rate was a supporting tool. The policy of maintaining the attractiveness of UAH assets helped to minimize risks to the FX market, restraining demand for foreign currency.

The overall consumer price index increased by 5.1% year-on-year, while the core CPI increased by 4.9% year-on-year. Consumer price increase rate declined throughout the year. The easing of price pressures was largely driven by bumper harvests and lower global energy prices. The moratorium on raising tariffs for certain housing and communal services played an important role. At the same time, the deceleration of core inflation to 4.9% at the end of the year also reflects the significant impact of the NBU's consistent monetary policy, including measures to ensure exchange rate stability and the attractiveness of UAH assets.

The environmental and social aspects of the Bank's activities did not change during the reporting period. They are not expected to have an impact on the Bank's operations in the future.

Banking sector

According to the Banking Sector Review (February 2023) prepared by the National Bank of Ukraine, 63 banking institutions were operating in Ukraine at the end of 2023.

The net assets of solvent banks increased by a quarter in 2023. Amount of NBU's deposit certificates, including the three-month certificates introduced in April, and domestic government bonds increased the most during the year. Banks' funds on accounts with the National Bank of Ukraine also grew significantly due to a gradual increase in the mandatory reserve requirements for customer accounts. The share of net assets of state-owned banks increased by 3.1 pp over the year to 53.6%.

Liabilities of solvent banks grew and increased by 24.1% compared to 2022. The increase in customer accounts was 28.4%. The share of customer accounts in total liabilities remains at record levels, at around 91%. At the same time, NBU's share of refinancing fell to 0.1%, which is the lowest level since 2006.

The banking sector operated steadily throughout the year, despite the hostilities. The gradual decline in interest rates boosted demand for credits and made funding cheaper. Banks' operating efficiency remained high, and provisioning expenses were minimal. Despite a significant increase in the tax rate to 50%, the banking sector remained highly profitable and generated UAH 86.5 billion of net profit in 2023. The results of the NBU's resilience assessment show that the entire banking system is well capitalised and has a significant safety margin.

5. Bank Development Strategy

Being an integral part of the global group, the Bank plays an important role in relations between Deutsche Bank Group and its key strategic global clients by providing its services in management in cash flows, trade financing and lending at the Ukrainian market. The unit of the Global Investment Banking Division conducts forex transactions for clients, which lets satisfy the principal needs of corporate clients in Ukraine. Being a member of one of the leading global bank groups, the Bank helps its clients optimise their circulating assets and liquidity, manage global supply chains and sales channels as well as risk management.

In connection with the military aggression of the Russian Federation against Ukraine, the strategic goals of the Bank's development for 2024 will be aimed primarily at ensuring the operational stability and continuity of the Bank's work, as well as the physical safety of the staff.

Taking into account the adaptation of the business to the current operating conditions in Ukraine under the martial law regime, the bank will continue to conduct commercial activity taking into account the available resources and risk appetites within the defined target market.

The main business priorities to reach the strategic goals of the Bank are:

- sustainable growth through understanding the needs of customers, providing relevant professional advice, creating and implementing the necessary solutions in accordance with current legislation and best banking practices;
- maintaining profitability;
- ensuring sustainable risk management, based on a reliable process of their assessment at both the macro and micro levels, fostering a “zero loss mentality”, control of all risk levels and compliance with all regulatory requirements;
- management of the Bank’s balance sheet in order to increase the profitability of operational activities while constantly monitoring potential risks;
- search for opportunities to participate in the financing of projects for the reconstruction of Ukraine.

The country in general and the banking system in particular will be operating in the state of the martial law, with all the security and regulatory restrictions, at least until the end of the hostilities. The main efforts of the senior executives are focused on the routine control over all the types of risks faced by the Bank in its operations.

Given the degree of uncertainty, further strategic initiatives will be correlated with the development of events at the front and in the field of general security in the country, adaptation of the economy to new realities of existence, as well as expected socio-political changes and integration initiatives in the post-war period.

6. Compensation Report

Report on Compensation to Members of the Management Board

The Supervisory board is responsible for structuring the compensation system for members of the Management Board, as well as for defining their individual compensation.

The compensation package consists of the fixed and variable parts.

Fixed compensation is a component not related to performance. When determining the appropriate level of basic salary, various factors are taken into account. Firstly, the salary is paid for appointment of a member of the Management Board and his/her corresponding general duties. In addition, the basic salary size is adjusted for the current level of remuneration in the competitive market.

Fixed compensation not related to the achievement of goals also includes additional benefits. Additional benefits are the monetary value of non-cash benefits, such as company cars and driver’s services, insurance premiums, costs of social functions associated with a company, and security measures, including taxes on these benefits, if any, and taxable reimbursement costs.

Variable compensation is a component related to performance. This part primarily depends on the performance of the short- and mid-term plans and corporate goals of the Bank. Attitude toward employees or clients who underpin the cultural and business environment in the Bank has a significant impact on the variable part.

Compensation for the Management Board for 2023 fiscal year is as follows:

- Fixed part – UAH 16.1 million (including UAH 0.3 million of remuneration provided in incentives).
- Variable part – UAH 2.1 million.
- Separately, variable component in amount eq. to EUR 31.5 thousand has been approved as deferred for payment.

Bank Employee Compensation Report

Regulatory environment. Compliance is a comprehensive point in the compensation strategy. The Bank seeks to be at the forefront of regulatory changes regarding compensation and will continue to work closely with regulatory authorities to meet all existing and new requirements.

Compensation strategy. The Bank recognises that the compensation system plays an important part in supporting its strategic goals. This allows the Bank to attract and retain the individuals needed to achieve the goals. The compensation strategy is in line with the strategic goals of Deutsche Bank Group and its corporate values and principles. The Group Compensation Policy informs employees about the compensation strategy, compensation management processes, as well as reimbursement practices and structures.

General compensation system. The compensation system coordinates incentives for sustainable development at all levels of the Bank, while enhancing the transparency of compensation decisions and their effect on shareholders or employees. The compensation structure ensures a balance between its fixed and variable parts, which together constitute the “total compensation”.

Deutsche Bank Group introduced a conceptual idea of the “total compensation”. Each employee has the right to an approximate total compensation in accordance with his/her role in the Bank. This reference information provides the Bank employees with a benchmark for fixed and variable compensation parts.

The actual total compensation may be larger or smaller than a reference amount. It is set by the Bank at its own discretion subject to regulatory constraints, depending on the achievement of goals at the individual and units’ and Deutsche Bank Group’s levels.

Fixed payment is used to compensate employees for their skills, experience, and competencies. It should be competitive and match the labour market level, as well as consistent with other roles at the Bank and comply with regulations. It plays a key role in achieving the Bank’s strategic goals by acquiring and retaining the most talented staff. Most of our employees receive this fixed part in the form of salary, the proportion of which far exceeds 50% of total compensation.

The variable compensation allows the Bank to differentiate individual indicators and employees’ conduct through the appropriate incentive system, which also has a positive impact on business culture. The variable part also provides the flexibility of the cost base and increases the Bank’s resistance to market crises.

Supervisory Board Compensation Report

In 2023, the Supervisory board increased to 5 members. Two members of the Supervisory board, including the Chairman of the Supervisory board, represented Deutsche Bank Group and performed their functions within the framework of duties of Deutsche Bank Group and did not receive a separate compensation from the Bank. Three members of the Supervisory board were independent and received only fixed compensation in 2023.

The total payments to the members of the Supervisory board in 2023 amounted to UAH 3.1 million. They were paid on a quarterly basis. The total cost of the Supervisory board amounted to UAH 3.6 million.

7. Risk Management System

The Bank has a comprehensive, adequate and efficient risk management system that meets the following principles:

- efficiency — ensuring an objective assessment of the size of the bank’s risks and the completeness of risk management measures with optimal use of financial resources, personnel and information systems for the bank’s risk management;
- timeliness — ensure timely (at an early stage) identification, measurement, monitoring, control, reporting and mitigation of all types of risks at all organisational levels;

- structuredness — clear distribution of functions, responsibilities and powers of risk management between all structural divisions and employees of the bank, and their responsibilities in accordance with such distribution;
- segregation of duties (separation of control roles from performance of bank transactions) — avoiding a situation where the same person performs bank transactions and has a control role at the same time;
- integrity and comprehensiveness — coverage of all types of Bank's activities at all organisational levels and in all of its departments, as well as assessment of mutual influence of risks;
- adequacy — relevance of the risk management system to the bank's business model, its systemic importance, as well as the complexity of transactions carried out by the bank;
- independence — freedom from circumstances that threaten unbiased execution of functions by the Risk Management Department and the Compliance and Financial Crime Prevention Department (i. e. Compliance);
- confidentiality — restricted access to information which is to be protected from unauthorised display;
- transparency — disclosure of information on the risk management system by the bank;
- risk management and risk profile.

The Bank conducts the complex assessment of the following types of risks:

- credit risk;
- liquidity risk;
- bankbook interest rate risk;
- market risk;
- operational risk;
- compliance risk;
- other types, including reputational, legal and money laundering/terrorist financing risks.

The Bank's risk management system ensures ongoing risk analysis for the purposes of timely and adequate managerial decision-making regarding mitigation of risks and reduction of related losses (damages).

The risk management system grounds on segregation of duties between the bank's departments and uses three lines of defence model:

- the first line is at the level of the bank's business units and the bank's business support units. These departments take risks and bear responsibility for them;
- the second line is risk management departments and the department of compliance and combating financial crimes;
- the third line is at the level of the internal audit unit regarding the verification and assessment of the effectiveness of the risk management system.

The organisational structure of the risk management system in the Bank ensures clear division of roles, duties and powers in respect of risk management among all risk management system subjects.

The risk management system subjects are:

- Supervisory Board;
- Management Board;
- Credit Committee;
- Asset and Liability Committee;
- Information Security Management Committee;
- Risk Management Committee;
- department of compliance and combating financial crimes;
- internal audit unit;
- business and support departments (first line of defence).

The risk management strategy is developed in conjunction with the Bank's business development strategy. The Strategy development and adoption is in sole competence of the Supervisory Board of the Bank which identifies the purposes, principles, tools of the risk management and the risk appetite for various risk areas.

The Bank Management Board, the Bank committees assigned by the Management Board, Risk Management department as well as managers of other departments of the Bank are responsible for implementing the Strategy.

Development of internal risk management procedures, as well as the distribution of duties between the roles shall be conducted in full concordance with the Bank's internal policies. Following the Strategy provisions and risk management policies is mandatory for all management bodies, departments and employees of the Bank.

The Risk Management System is an integral part of the decision making process in the Bank which allows paying the necessary attention to the main banking risks in line with the policies and procedures of risks identification, assessment and to further application of the methodologies designed for risk reduction, informing about risks and monitoring of the results.

The strategy aims to reduce the Bank's losses from various banking risks and to address the following issues:

- implement the Bank business development strategy;
- maintain the best risk-income ratio;
- align risks to the scale of the Bank's transactions;
- fulfil all Bank's obligations to all contractors, creditors and depositors.

The Strategy defines:

- the Bank's risk appetite in respect of every risk mentioned below;
- respective risk thresholds/limitations which the Bank must observe in the course of its operation so that the risk on the Bank's transactions stays within the total risk appetite.

The Bank's system of limits is subject to review from time to time or in case of material changes in the Bank's external or internal environment.

The risk management in the Bank rests on such principles:

- three lines of defence of the risk management structure, which take into account different levels of the Bank's organizational structure to the risk management process;
- corporate decision-making process;
- appropriateness of information for decision-making;
- the relevance of risk management processes, which includes reviewing policies, methods, approaches and procedures in accordance with changes in regulatory requirements and the business environment.

The risk management in the Bank involves:

- documenting of banking service (product) provision procedures and handling transactions in concordance with the Bank's internal policies;
- qualitative and quantitative assessment of all significant banking risks and identification of acceptable risk levels;
- employing of the system of limits that limit the size of portfolios and positions, as well as decision making powers;
- employing credit rating for clients and contractors;
- regular monitoring of levels of risks taken by the Bank.

Risk management structure and allocation of responsibilities.

The following falls within the sole competence of the Supervisory Board of the Bank:

- approval of the Bank's development strategy in accordance with main areas of activity;

- definition and approval of the risk management strategy and policy, risk appetite as well as the list of risks and risk ceilings;
- ensure functioning and efficiency control of the Bank's internal control system;
- control over the efficiency of the risk management system;
- approval of risk reports and stress test results.

The following falls within the competence of the Management Board:

- ensure preparation of strategy projects and a business plan for Supervisory Board's approval, their further post-approval realisation;
- implementation of risk management strategy and policy approved by the Bank Supervisory Board, ensure implementation of risk identification, assessment, control and monitoring procedures;
- informing the Supervisory Board about the indicators of the Bank's activity, detected violations of legislation, the Bank's internal regulations and about any deterioration of the Bank's financial condition or about the threat of such deterioration, about the level of risks arising in the course of the Bank's activities;
- establish special-purpose committees involved in the risk management system, namely: Credit Committee, Asset and Liability Committee etc.

The following falls within the competence of the special-purpose committees established by the Bank:

- assessment of risks inherent to the Bank's operations;
- decision-making regarding loan transactions (and/or any significant changes to them) with the Bank's borrowers, and, (i) except for the cases where the decisions regarding certain loan transactions are taken by the other body of the Bank, according to the Bank's effective by-laws and/or statutes and regulations of Ukraine in effect, or (ii) subject that such decision is approved by the other body of the Bank.

The following falls within the competence of the Risk Management Department:

- involvement in elaborating the Bank's strategy and the business plan for further Bank's development;
- involvement in development and implementation of the strategy, policy and other intra-bank regulations relating to the risk management that delineate arrangement and functioning of the risk management system and keep them up to date;
- risk appetite calculation;
- ensure functioning of the risk management system by timely detection, identification, assessment, monitoring, control, reporting and minimization of all types of risks inherent to the Bank's activities, as well as assessment of internal capital adequacy and the Bank's liquidity level with respect to the Bank's risk profile, market and macroeconomic environment;
- ensure ongoing analysis of all types of risks to which the Bank is exposed in its activities, for the purpose of managerial decision-making to minimise certain types of risk and/or losses under certain types of the Bank's activity for which such risks are inherent;
- carrying out a quantitative and qualitative assessment of the risks inherent in the Bank's activities;
- stress testing;
- reporting on risk management system functioning by preparing regular quarterly risk management reports and their submission to the Supervisory Board and monthly reports — to the Bank Management Board.

The competence of the Department of Compliance and Combating Financial Crimes includes:

- ensuring the organization of control over the Bank's compliance with legislation, internal bank documents and relevant standards of professional associations, the effect of which applies to the Bank;
- ensuring the management of risks related to the conflict of interests that may arise at all levels of the Bank's organizational structure, the transparency of the implementation of the Bank's processes and, in case of discovery of any facts indicating the existence of a conflict of interests in the Bank, informing the Supervisory Board/Bank's Management Board;
- ensuring coordination of compliance risk management work between the Bank's structural units;

- ensuring the functioning of the risk management system by implementing timely detection, measurement, monitoring, control, reporting and providing recommendations for mitigation of compliance risk;
- taking all possible measures to prevent the adoption of decisions that expose the Bank to a significant compliance risk, and provides adequate information to the Bank's managers;
- preparation and submission of compliance risk reports to the Supervisory Board of the Bank at least once a quarter, to the Management Board of the Bank at least once a month, and in the event of situations requiring immediate notification of the Supervisory Board of the Bank, no later than the next working day;
- calculation of the compliance-risk profile;
- participation in the development of internal bank documents and control of their compliance.

The following falls within the competence of managers of the Bank's departments:

- routine monitoring of the Bank's transactions and risks;
- observe established procedures, rules and limits;
- escalate breaches of limits, operations-related events and any significantly increased risks.

The Bank's risk management strategy includes qualitative provisions on acceptable risk parameters which are in line with acceptable risk parameters for the Deutsche Bank Group and setting the limits within which the Bank's business functions and infrastructure should operate, and it should be guaranteed that every risk taken by the Bank will be appropriately compensated and subjected to assessment and control.

Qualitative provisions on acceptable risk parameters are set for every significant type of risk relating to the bank activities.

Credit risk

Credit risk covers all operations that may lead to actual, unforeseen or possible lawsuits against any adversary party, any person that has taken liability or any loan recipient, including those claims that the Bank plans to distribute in case where the Bank will bear the risk of losses should the recipient not fulfil his liabilities. This includes the contractor risk, relevant country-related risk, product-related risk and industry risk.

Credit risk management involves strict application of the range of qualitative principles and quantitative metric parameters with attraction of skilled risk management expert services and set system of restrictions. Contractor quality, transaction scheme and aspects associated with securing obligations and portfolios with consideration of the size of a country, product and industry are of particular concern.

Types of risk covered:

- contractor risk
- specific country-related risk
- product-specific risk
- industry-related risk

Qualitative provisions on acceptable risk parameters:

- to accept credit risk only with creditworthy clients, based on appropriate client's due diligence;
- to manage concentration risk at the level of contractor, product, country and industry. to actively reduce concentration risk by fulfilling loan obligations, hedging and/or by means of allocation;
- to define parameters of acceptable risk considering risk/profit stability;
- when calculating the amount of credit risk, apply the principles of IFRS 9 and the requirements of the Resolution of the NBU dated June 30, 2016 No. 351;
- to control impact of non-liquid assets and/or assets difficult to price;
- to act prudently in respect of unsecured money risk and impact of long-term bills.

Practical aspects of credit risk management

In accordance with IFRS 9, the Bank has the right to hold that, where the credit risk of a financial asset at the moment of its recognition is assessed as low, the expected credit loss is to be calculated for a 12-month term.

The concept of general approach for calculating expected losses is used to recognise allowance for credit losses in the P&L statement for financial assets recognised in the Bank's statements. Provision for impairment of assets to cover expected losses is defined as the reduced amount of a financial asset shown in the Bank balance sheet.

General approach for expected losses regulates both assets with properly executed contract terms and those with improper fulfilment of contract terms. This approach does not govern the originated or purchased financial instruments which are impaired at the moment of their recognition by the Bank.

In accordance with the concept of expected losses, provision for impairment of assets is measured as:

- expected credit losses for 12 months, or
- expected credit losses for the entire term of an asset.

Which of the above to choose depends on whether there is significant increase of credit risk from the moment of primary recognition of the financial asset. If such significant increase occurred after the primary recognition of the financial asset, the impairment should be measured as an expected credit losses for the entire term of asset. Thus, the general underlying principle of IFRS 9 is recognition of expected credit losses in line with changes in financial asset credit quality during its entire term.

The Bank uses the following method to identify the actual provision for credit losses:

1. In respect of financial assets for which no negative changes in credit risk occurred since the moment of primary recognition (origination or purchase), 12 months of expected credit losses approach shall apply (Stage 1);
2. In respect of financial assets for which negative changes in credit risk occurred since the moment of primary recognition (origination or purchase), the approach of expected credit losses for the entire term of asset shall apply (Stage 2).
3. For assets defined by the Bank's risk management as defaulted/non-performing assets, the approach of expected credit losses for the entire term of asset shall apply as well (Stage 3).

As of December 31, 2023, the Bank formed the following provisions in accordance with IFRS 9:

Type of asset	Amount of provision for possible losses, UAH thousand
Nostro accounts	355
Loans to legal entities	105
Off-balance-sheet financial liabilities	3
Subscription fees and commissions	16
Accounts receivable from the Bank's commercial operations	312
Debt securities	19 220
Total	20 011

There was significant increase in reserves amount in 2023 due its accrual for investment in local government bonds in amount UAH 19,2 million.

The size of the provisions for transactions with corporate customers is insignificant due to the following factors:

- high credit rating of clients
- clients' liabilities are covered by warranties from parent companies
- revocable liabilities of the Bank

According to the requirements of the Resolution of the NBU dated June 30, 2016 No. 351, according to the data of statistical reporting as of December 31, 2023, the Bank determined the following amount of credit risk:

Type of asset	Credit exposure, UAH thousand
Nostro accounts	1 454
Loans to legal entities	8 214
Off-balance-sheet financial liabilities	51
Financial accounts receivable	22
Accounts receivable from the Bank's commercial operations	2 262
Total	12 003

Bank book interest rate risk and currency risk

Both risks occur as a consequence of uncertainty in respect of changes in market prices and interest/exchange rates (e. g.: interest rates, stock pricing, exchange rates, commodity prices), their inter-relation and their volatility levels.

Market risk values acceptable for the Bank are set with account to the Bank's purposes and the allocation, starting from the level of risks acceptable for the Group. When setting acceptable risks, the following shall be considered:

- avoid concentration risk and risk of loss of liquidity in the markets, with the issuers and at the emissions. These risks are identified, monitored and managed with consideration of their absolute and relative size, as well as liquidity at normal and complicated market conditions;
- ensure sustainable potential for reduction of the market risk which may occur due to certain events and the main risks. They are analysed via measures that include stress resistance of the Bank where progression of events under macroeconomic scenario or the scenario typical for commercial activity, is assessed;
- control of percentage gaps and maximum size of foreign exchange positions;
- ensure that the Bank's market activities are in line with its strategy;
- ensure product complexity limitation via monitoring and recognition of risks existing for the Bank.

There is the limit calculation procedure approved in the Bank that involves a complex of inter-related actions aimed at calculation, assessment, monitoring and control over the effects of changes in the interest rate and currency rate to prevent and reduce losses that may occur at unfavourable changes.

As of December 31, 2023, the following limits were set in the Bank:

Risk index	Limit, UAH thousand	Actual amount of risk, thousand UAH	Utilisation, %
<u>Interest rate risk</u>			
Net sensitivity	20	14	70%
Stress	7 000	3 689	53%

Risk index	Limit, EUR thousand	Actual risk size, EUR thousand	Utilisation, %
<u>Foreign exchange risk</u>			
VaR	22	1	5%
Stress VaR	120	-	-
FX Delta UAH	650	264	41%
FX Stress	12 000	445	4%

Liquidity risk

Risk of liquidity loss is the risk resulting from our potential failure to perform all payment obligations when due or as a consequence of failure to fulfil these obligations due to excessive expenses.

Qualitative provisions on acceptable risk parameters:

- The Bank pays special attention to the operational management of the risk of loss of liquidity, which is based on the construction of a schedule of cash flows taking into account highly liquid assets, as well as compliance with current regulations regarding the monthly liquidity coverage ratio (LCR) and net stable financing within the year (NSFR);
- With all currencies, the Bank must be able to survive in severe combined market conditions and to outlast the specific stress event associated with the liquidity during minimum initial period of up to 8 weeks, while keeping the rational net liquidity buffer;
- The Bank shall monitor excessive concentrations and has the right to limit them with the prospect of their liquidity and financing;
- The internal transfer pricing limit is used as a tool that ensures that prices for commercial operations are formed considering basic liquidity loss risks to which the Bank is exposed in the course of such commercial operations.

The Bank uses the following tools to manage liquidity risk:

1. Calculation of cash flows for one month. Calculation includes liquid assets and current liabilities (current accounts of the clients are divided into stable and unstable), 100% of cash flows under term loans and deposits; the overdrafts are included to be repaid at the 30th day.

2. Liquidity coverage ratio — LCR.

The actual average arithmetic value of the coefficient as of December 31, 2023:

for all currencies — 394%

for foreign currencies — 344%

3. The net stable funding ratio within one year is NSFR.

The actual value of the coefficient as of December 31, 2023 for all currencies is 1,387%

Operational risk

Operational risk means risk of losses occurring as a result of undue or erroneous internal processes, staff incompetence and faulty functioning of the systems or as a consequence of external events; legal risk belongs to such risks. Operational risk includes business risk and reputation risk.

The occurrence of operational risk is caused by a number of basic risk types, which are defined in the classification of risk types. The types of risk listed below are viewed as significant in the context of risk identification and its significance assessment:

- Internal fraud
- External fraud
- Staff management and labour protection
- Customers, products, and business practices
- Damaging or destruction of assets
- Disabling the systems activity and functioning
- Money transfers, issue of money orders to make transfers and manage processes.

Qualitative provisions on acceptable risk parameters:

Unified scheme

- The Bank uses the scheme of operational risks management which is single for the entire organisation. All departments shall observe risk acceptance and management standards available for every risk type in the risk classification.
- Control environment
- To reach the desired discipline of internal control, the Bank has established the control over the following:
 - ensure continued operation in case of any events that influence business processes and systems serving these processes;
 - comprehensive observance of information security;
 - ensure relevant measures are taken to resume IT and other infrastructures to allow the Bank to continue its operation and fulfil its obligations to the clients, as well as market and regulatory obligations during unforeseen events that destabilise the Bank's operation;
 - ensure that the Legal Department is responsible solely for interpretation of the laws, decrees and rules in the Bank, for the legal contents of any and all documentation, and for handling any and all disputable matters;
 - support monitoring and management system to identify and prevent significant misrepresentation of information in financial reports and financial information, as well as management of internal risk, liquidity and capital;
 - support of comprehensive monitoring system to ensure that the Bank observes relevant laws and regulations, including preclusion and identifying potential money laundering, fraud, bribery and corruption or non-observance of sanctions and embargo;
 - identify and prevent untimely, inaccurate or incomplete processing of transactions and reduce frequency and overall severity of such events.
 - develop modalities to cooperate with the outsourcers;
 - identify and monitor key risk indicators;
 - archive documentation in relevant repositories in order to provide timely, full and accurate answers to authorised information requests, as well as to store any and all documentation and to manage it as prescribed by the law, regulations and business operations;

Operational risk management system is a complex and sequence of steps to identify, assess, further monitor, report and calculate economic indicators of operational risk, and is implemented via the following:

1. Arranging of and methodological support in mapping the Bank's operational risks;
2. Identifying operational risk appetite;
3. Setting the internal controls system including the Bank's control plan update and its methodological support;
4. Arranging of and methodological support of the data collection system for operational events;
5. Arranging of, methodological support and maintenance of the roadmap database;
6. Initiating and methodological support for trainings to promote risk management (including fraud risks) culture among the Bank employees.

Identifying operational risk appetite

The Bank uses the Group's model of cascading global tolerance to operational risks up to the level of a specific country. The risk appetite of the Bank for the current year is considered and approved by the Supervisory Board at the beginning of the year or at the end of the previous year.

Current losses and other operational risk related events shall be monitored daily within the defined risk appetite level. Any actual or potential breach of the risk appetite shall be escalated as needed.

The level of acceptable operational risk for 2023 was calculated based on the current environment for operational activities, influence of russian aggression towards Ukraine and the level of actual operational losses in 2022.

Amount of potential operational losses for 2023 includes expenses for the business continuity in case of electricity disruption (refuel and maintenance of diesel generator), financial support to employees and other expenses related to the war.

Actual risk appetite at the year-end:

Operational risk appetite for 2023, EUR thousands		Q 1	Q 2	Q 3	Q 4	2022
Financial losses from operational incidents for the year	300	10.5	0	0	9.7	20.2
Number of operational incidents per quarter	7	2	1	3	2	

The actual financial losses from operational incidents didn't exceed the risk appetite for 2023.

Reputation risk

The risk of potential damage to the Bank's brand and reputation, as well as related risk for profits, capital or liquidity, which occurs as a result of any association, acts or lack of action which could be perceived by the stakeholders as improper, unethical or contradictory to the Bank's values and principles.

The Bank strives to create environment where reputation risk is "as low as it is reasonably possible". Since it is impossible to eliminate the reputation risk and, besides, it occurs due to any unpredictable changes in the practices of our various stakeholders (e.g.: general public/clients, shareholders, regulators), the Group strives to have consistent standards in place which will ensure higher profits and reduced risk that stakeholders might treat any association, acts or lack of action as improper, unethical or contradictory to the Bank's values and principles.

The Bank has efficient internal control system in place in order to achieve the following objectives:

- efficient bank transactions, protection against potential errors, breaches, losses, damages in the Bank's operation;
- efficient risk management;
- adequate, comprehensive, complete, reliable, available, timely provision of information to users for proper decision-making, including submission of financial, statistical, managerial, tax and other reporting;
- complete, timely and correct presentation of the bank transactions in accounting records;
- compliance with regulatory requirements;
- efficient staff management;
- avoid the use of Bank services for illegal purposes, identify and prevent financial transactions aimed to legalize of proceeds from crime (laundering) or to finance terrorism.

To achieve the above and ensure functioning of internal control system, the Bank ensures the following:

- the Bank's management monitors compliance with Ukrainian laws and the Bank's by-laws;
- distributes duties for bank operations;
- monitors functioning of the risk management system;
- monitors information security and information exchange;
- has internal control procedures in place;
- monitors internal controls;
- internal audit.

The Bank's internal control includes the following:

- managerial control over the Bank's arrangements;
- control over the risk assessment and management system of the Bank;
- control over the allocation of powers for transactions and agreements;
- control over information flows (acceptance and transfer of information) and information security;

- monitoring of internal control system to assess its relevance to the objectives and operations of the Bank, identifying weaknesses, development of recommendations and control over the solutions aimed to improve the Bank's internal control system.

Control over the risk assessment and management system of the Bank. The Bank controls the risk management system on an ongoing basis and as per its internal documents. The Bank's risk assessment involves identifying and analysis of internal factors (complex organisational structure, level of skills of its employees, organisational changes, personnel turnover etc.) and external factors (change in the economic environment of the Bank etc.) affecting the Bank's operation.

The Bank has the following procedure to escalate identified factors that may increase bank risks:

- Employees of the Bank who become aware of the facts of violations of the legality and rules of the Bank's operations (deals), as well as the facts of harming the Bank, depositors, clients, are obliged to immediately bring these facts to the attention of their immediate supervisor, the risk management department and the compliance and countermeasures department financial crimes. Managers of relevant departments of the Bank are responsible for cover-ups.
- The Department of Risk Management, the Department of Compliance and Anti-Financial Crimes and the Bank's Internal Audit Unit in the event of detection of violations of legislation, rules of operations, exceeding of authorized powers, violations of decision-making and risk assessment procedures, as well as other actions (inaction) in the activities of the Bank's divisions and/or employees), which may cause both direct losses to the Bank and the imposition of sanctions on the Bank by the controlling authorities, promptly inform the Bank's management about this in order to make decisions about the measures necessary to eliminate the detected violations.
- Managers of departments where violations were identified must timely take measures to eliminate such violations.

Monitoring of the internal control system is carried out on an ongoing basis by management and employees of various divisions, including divisions that carry out banking operations and other transactions, their reflection in accounting and reporting, as well as by the internal audit department.

The Bank takes measures necessary to improve internal control, ensure its proper functioning, with due account of changing internal and external factors that affect the Bank's operation.

Compliance risk

Compliance risk means the probability of occurrence of losses/sanctions, additional losses or lack of planned revenue or loss of reputation due to the Bank's failure to comply with requirements of the legislation, regulations, market standards, rules of fair competition, rules of corporate ethics, to the emergence of a conflict of interest, as well as the Bank's internal banking documents.

Compliance risk is determined by various basic types of risks, which are defined in the Classification of Risk Types. In particular, the following groups of compliance risk are identified:

- Risks associated with obligations to customers.
- Risks associated with market and banking activities.
- Conflict of interest.
- Market abuse.
- Unauthorised transactions with securities.
- Risks associated with management oversight.
- Antitrust measures risks.

The Bank seeks to ensure that compliance risks are avoided in its operations, in particular using the following methods:

- Preventing conflicts of interest and managing them in a timely manner.
- Preventing violations of the requirements of Ukrainian legislation [tax legislation, consumer protection legislation, labour legislation, antitrust legislation, legislation on prevention of and counteraction to legalisation (laundering) of proceeds from crime, terrorist financing and financing of proliferation of weapons of mass destruction, other laws, regulations of the National Bank of Ukraine] and internal banking documents.
- Preventing violations of the Code of Conduct (Ethics) by the Bank's employees.
- Preventing the Bank or its employees from engaging in illegal activities, including internal fraud, bribery and corruption, money laundering and terrorist financing.
- Taking appropriate measures when servicing customers (fair customer relations, professional communication, proper disclosure of information, handling complaints, etc.).
- Timely response to changes in legislation and their implementation, etc.

Accordingly, the compliance risk management strategy is aimed at ensuring that the Bank's employees are aware of the requirements of the law and internal documents by conducting and/or ensuring that they undergo appropriate training, implementing appropriate control measures, timely identifying compliance risks and developing measures to mitigate them.

Money laundering / terrorist financing risks

Money laundering / terrorist financing risks mean a hazard (threat, vulnerabilities) for the Bank to be used for the purpose of legalisation (laundering) of proceeds of crime, terrorist financing and/or financing of proliferation of weapons of mass destruction in the course of providing services by the Bank pertaining to the scope of its activity.

Risk types included:

- Risk of money laundering.
- Risk of terrorist financing.
- Risk of sanctions and embargoes, etc.

The process of assessing money laundering / terrorist financing risks and determining the risk appetite is set out in the Bank's internal documents on combating money laundering / terrorist financing.

Legal risk

Legal risk means probability of incurring losses or additional damages, or failure to receive the planned income as a result of failure of the parties to fulfil the terms of contracts due to their non-compliance with the requirements of the legislation.

8. Information on the external auditor of the financial institution appointed by the supervisory board during the year.

The executor of the audit of the annual financial statements of JSC "Deutsche Bank DBU", prepared in accordance with the requirements of the International Financial Reporting Standards for the year ended December 31, 2023 (Minutes of the Supervisory Board of JSC "Deutsche Bank DBU" dated 24.05.2023 No. 103) is PJSC "KPMG Audit" (EDRPOU code 31032100, location: Ukraine, 01001, Kyiv, Kniaziv Ostrozkykh Str., 32/2).

Information on the activities of the external auditor, in particular:

Total experience in auditing

The total experience of audit activities of PJSC "KPMG Audit" is 23 years.
PJSC "KPMG Audit" provided services for the audit of the Bank's financial statements for one year ending on December 31, 2023.

List of other audit services provided to the financial institution during the year

KPMG Audit has not provided any other audit services to the Bank over the past year.

Cases of conflict of interest and/or combining the functions of an internal auditor

There are no cases of conflict of interest and/or combining the functions of an internal auditor.

Rotation of auditors in a financial institution over the past five years

Rotation of auditors at JSC Deutsche Bank DBU over the past five years:

- for 2019 - RSM Ukraine Audit LLC - services for the audit of annual financial statements prepared in accordance with the requirements of the International Financial Reporting Standards.
- for 2020 - RSM Ukraine Audit LLC - services for the audit of annual financial statements prepared in accordance with the requirements of the International Financial Reporting Standards.
- for 2021 - RSM Ukraine Audit LLC - services for the audit of annual financial statements prepared in accordance with the requirements of International Financial Reporting Standards.
- for 2022 – RSM Ukraine Audit LLC – services for the audit of annual financial statements prepared in accordance with the requirements of International Financial Reporting Standards.

- for 2023 - PrJSC KPMG Audit - services for the audit of annual financial statements for the year ending December 31, 2023, prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board ("IFRS") and the requirements of the Law of Ukraine "On Accounting and Financial Reporting in Ukraine" regarding the preparation of financial statements, taking into account the requirements of the National Securities and Stock Market Commission, National Bank of Ukraine and other current legislation of Ukraine.

Penalties applied to the auditor by the Audit Chamber of Ukraine during the year, and the facts of submission of inaccurate statements of a financial institution, confirmed by the auditor's report, revealed by the bodies that carry out state regulation of financial services markets.

Over the past year, KPMG Audit has not been subject to penalties by the Audit Chamber of Ukraine, and there is no information on the facts of submission of inaccurate financial statements of a financial institution, which is confirmed by the auditor's report, identified by the regulators of financial services markets.

Information on the amount of remuneration for the audit of annual financial statements

The amount of remuneration paid to KPMG Audit for the audit of the annual financial statements for 2023 is UAH 3,914,145.60. (incl. VAT), which is the equivalent of €98,400 (incl. VAT).

April 19, 2024

Signed on Ukrainian original
Roman Topolnytskyi
Chairman of the Management Board
JSC "Deutsche Bank DBU"



The English language text below is a translation provided for information purposes only. The original Ukrainian text shall prevail in the event of any discrepancies between the English translation and the Ukrainian original. We do not accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may arise from the translation.

Independent Auditors' Report

To the Shareholder of Joint Stock Company Deutsche Bank DBU

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Joint Stock Company Deutsche Bank DBU (the "Bank"), which comprise:

- the statement of financial position as at 31 December 2023;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) and the requirements of the Law of Ukraine "On Accounting and Financial Statements in Ukraine" on preparation of the financial statements.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Ukraine, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Private Joint-Stock Company "KPMG Audit"

32/2 Kniaziv Ostrozkykh Str., Kyiv, Ukraine 01010
tel. +380 44 490 5507, fax +380 44 490 5508, kpmg.ua

PJSC "KPMG Audit", a company incorporated under the Laws of Ukraine, a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

Registration No. 31032100 in the Unified State Register of Legal Entities, Individual Entrepreneurs and Public Organizations.

Registration No. 2397 in the Register of Auditors and Auditing Entities.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 of the financial statements, which describes the negative effects on the Bank's operations of the military invasion launched by the Russian Federation on the territory of Ukraine on 24 February 2022. As also stated in Note 2, these events or conditions, along with other matters as set forth in that Note, indicate that a material uncertainty exists that may cast significant doubt on the Bank's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined that there are no other key audit matters to communicate in our report.

Other Matter

The financial statements of the Bank as at and for the year ended 31 December 2022 were audited by another auditor who expressed an unmodified opinion on those financial statements on 24 April 2023.

Other Information

Management is responsible for the other information. The other information comprises the information included in:

- the Management Report (including the Corporate Governance Report) as set out in a report prepared by management (but does not include the financial statements and our auditors' report thereon), which we obtained prior to the date of this auditors' report;
- Annual Information of the Issuer of Securities (including the Management Report), which is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon, unless and to the extent explicitly specified in our report.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we have obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Annual Information of the Issuer of Securities, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards and the requirements of the Law of Ukraine "On accounting and financial statements in Ukraine" on preparation of the financial statements, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse

consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Pursuant to the Article 14(4) of the Law of Ukraine “*On audit of financial statements and auditing*”, Section IV(11) of “*Instruction on the procedure for preparation and publication of financial statements of Ukrainian banks*” approved by the Resolution of the Board of the National Bank of Ukraine (the “NBU”) No. 373 dated 24 October 2011 (the “Instruction No. 373”), and “*Requirements for information related to audit or review of financial statements of participants of capital markets and organized commodity markets, which are supervised by the National Securities and Stock Market Commission*” approved by the Resolution of the National Securities and Stock Market Commission (the “NSSMC”) No. 555 dated 22 July 2021, we provide the following information in addition to that required by ISAs.

Appointment of the Auditor and Period of Engagement

We were appointed by the Supervisory Board of the Bank on 20 July 2023 to audit the financial statements of the Bank as at and for the year ended 31 December 2023. Our total uninterrupted period of audit engagements is one year.

Provision of Non-audit Services and Disclosure of Fee-related Information

We declare that no prohibited non-audit services referred to in the Article 6(4) of the Law of Ukraine “*On audit of financial statements and auditing*” were provided and that the engagement partner and the audit firm remain independent of the Bank in conducting the audit.

For the period to which our statutory audit relates, we have not provided any other services to the Bank which are not disclosed in the Management Report or in the financial statements.

Additional Report to the Audit Committee

We confirm that our auditors' report is consistent with the additional report to the Audit Committee.

Reporting on the NSSMC's Requirements

- The audit of Joint Stock Company Deutsche Bank DBU (Registration number 36520434 in the Unified State Register of Legal Entities, Individual Entrepreneurs and Public Organizations) was conducted in accordance with the Engagement Contract No 93-SA/2023 dated 20 October 2023. The audit was performed from 20 November 2023 to the date of this report.
- Information on the ownership structure and absence of the ultimate controlling party of the Bank is included in Note 1 to the financial statements.
- As at 31 December 2023, the Bank is neither a controlling party, nor a member of non-banking financial group.
- The Bank is a public interest entity in accordance with the Law of Ukraine “*On accounting and financial statements in Ukraine*”.
- As at 31 December 2023, the Bank does not have subsidiaries.
- The creation of the Revision Commission is not stipulated by the Bank's Charter and, accordingly, the Revision Commission did not perform examination of the Bank's financial performance for the year ended 31 December 2023.

Reporting on the Management Report

Solely based on the work we have performed in connection with our audit of the financial statements, in our opinion, the Management Report (including the Corporate Governance Report):

- is consistent, in all material respects, with the financial statements, and



- contains the elements required by the Section IV of the Instruction No. 373 and clauses 1-9 of Article 127(3) of the Law of Ukraine “*On capital markets and organized commodity markets*”.

If, based on the work we have performed, we conclude that there is a material misstatement of the Management Report, we are required to report that fact. We have nothing to report in this regard.

The engagement partner on the audit resulting in this independent auditors' report is:

Signed on the Ukrainian original.

Yulia Tereshchenko
Registration No. 101451 in the Register of Auditors and Auditing Entities
Deputy Director

PJSC “KPMG Audit”

19 April 2024

Kyiv, Ukraine

(in UAH thousand)	Note	31 December 2023	31 December 2022 (as reclassified)	31 December 2021 (as reclassified*)
ASSETS				
Cash and cash equivalents	5	5 962 225	4 589 599	4 069 101
Loans and advances to customers	6	200 106	698 364	301 302
Investments in securities	7	335 979	-	945 957
Derivative financial assets		-	-	1 429
Deferred tax asset	20	3 276	2 539	1 277
Fixed and right-of-use assets	8	32 993	17 995	22 766
Intangible assets	8	2 366	1 392	625
Other financial assets	9	15	7	23
Other non-financial assets	10	5 007	4 453	3 716
Total assets		6 541 967	5 314 349	5 346 196
LIABILITIES				
Customer accounts	11	5 694 428	4 737 512	4 966 599
Current income tax liabilities		123 167	19 047	2 736
Derivative financial liabilities		-	-	69
Provision for credit-related commitments	12	3	587	11
Other financial liabilities	13	44 511	20 235	32 020
Other non-financial liabilities	14	15 130	17 009	9 781
Total liabilities		5 877 239	4 794 390	5 011 216
EQUITY				
Share capital	15	301 839	301 839	301 839
Reserve and other funds		35 426	26 145	25 811
Revaluation reserve		21 074	-	650
Retained earnings		306 389	191 975	6 680
Total equity		664 728	519 959	334 980
Total liabilities and equity		6 541 967	5 314 349	5 346 196

* - Details of the reclassification are disclosed in Note 3.

Approved for issue and signed
19 April 2024

Signed on Ukrainian original
Roman Topolnytsky
Chairman of the Board

Signed on Ukrainian original
Svitlana Gnatiuk
Chief Accountant

<i>(in UAH thousand)</i>	Note	2023	2022 (as reclassified)
Interest income	17	814 604	595 853
Interest expense	17	(357 743)	(250 873)
Net interest income		456 861	344 980
Fee and commission income	18	22 858	20 878
Fee and commission expenses	18	(8 944)	(10 712)
Result from transactions in financial instruments at fair value through profit or loss		-	1 531
Result from foreign currency transactions		23 086	42 392
Result from the revaluation of foreign currency		220	5 026
Impairment result determined in accordance with IFRS 9		(18 391)	(348)
Result of impairment for non-financial assets		188	(144)
Other operating income		54	229
Salaries and employee benefits		(80 043)	(77 609)
Depreciation and amortization		(11 480)	(10 520)
Administrative and other operating expenses	19	(90 545)	(80 319)
Profit before tax		293 864	235 384
Income tax expense	20	(170 169)	(49 755)
Profit for the year		123 695	185 629
OTHER COMPREHENSIVE INCOME			
<i>Items to be subsequently reclassified to profit or loss</i>			
Revaluation of securities designated at fair value through other comprehensive income (FVOCI)		21 692	(793)
Income tax related to other comprehensive income		(618)	143
Other comprehensive income for the year		21 074	(650)
Total comprehensive income		144 769	184 979
Earnings per share:			
Basic and diluted net profit per ordinary share, UAH		0.54	0.81

* - Details of the reclassification are disclosed in Note 3.

Approved for issue and signed
19 April 2024

Signed on Ukrainian original
Roman Topolnytsky
Chairman of the Board

Signed on Ukrainian original
Svitlana Gnatiuk
Chief Accountant

Statement of profit or loss and other comprehensive income should be read in conjunction with the notes on pages 7-46, that form part of these financial statements.

(in UAH thousand)

	Share capital	Reserve and other funds	Revaluation reserve	Retained earnings	Total
Balance as at 1 January 2022	301 839	25 811	650	6 680	334 980
Profit for the year	-	-	-	185 629	185 629
Other comprehensive income	-	-	(650)	-	(650)
Total comprehensive income	-	-	(650)	185 629	184 979
Transfer of retained earnings to reserve funds	-	334	-	(334)	-
Balance as at 31 December 2022	301 839	26 145	-	191 975	519 959
Balance as at 1 January 2023	301 839	26 145	-	191 975	519 959
Profit for the year	-	-	-	123 695	123 695
Other comprehensive income	-	-	21 074	-	21 074
Total comprehensive income	-	-	21 074	123 695	144 769
Transfer of retained earnings to reserve funds	-	9 281	-	(9 281)	-
Balance as at 31 December 2023	301 839	35 426	21 074	306 389	664 728

Approved for issue and signed
19 April 2024

Signed on Ukrainian original
Roman Topolnytsky
Chairman of the Board

Signed on Ukrainian original
Svitlana Gnatiuk
Chief Accountant

Statement of changes in equity should be read in conjunction with the notes on pages 7-46, that form part of these financial statements.

(in UAH thousand)

		2023	2022 (as reclassified)
	Note		
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit		123 695	185 629
Adjustment of income tax expense			
Adjustments for:		170 169	49 755
Depreciation and amortization	8	11 480	10 520
Net increase/(decrease) of provisions	10,22	18 203	492
Interest income		(814 604)	(595 853)
Interest expenses		357 743	250 873
Result of transactions with derivative financial instruments		-	1 360
Unrealized exchange rate differences		(220)	(6 385)
Net cash income from operating activities before changes in operating assets and liabilities		(133 534)	(103 609)
Changes in operating assets and liabilities:			
Net decrease/(increase) in customer loans and debts	6	497 664	(394 664)
Net decrease/(increase) in other financial assets	9	17	(14)
Net decrease/(increase) in other non-financial assets	10	(302)	(715)
Net increase/(decrease) in customer funds	11	877 714	(613 556)
Net increase/(decrease) of other financial liabilities	13	9 019	(6 739)
Net increase/(decrease) of other non-financial liabilities	14	(2 456)	5 925
Interest received		803 379	630 204
Interest paid		(363 090)	(241 735)
Net cash flows from/(used in) operating activities before income tax		1 688 411	(724 903)
Income tax paid		(67 404)	(34 564)
Net cash flows from/(used in) operating activities		1 621 007	(759 467)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of securities	7	(321 605)	-
Proceeds from disposal of securities	7	-	910 000
Acquisition of fixed assets	8	(3 203)	(3 740)
Acquisition of intangible assets	8	(1 663)	(1 367)
Net cash flows (used in) from investing activities		(326 471)	904 893
CASH FLOWS FROM FINANCING ACTIVITIES			
Principle paid on lease liabilities		(8 954)	(8 042)
Net cash flows used in financing activities		(8 954)	(8 042)
Effect of the National Bank of Ukraine official exchange rate changes on cash and cash equivalents		86 861	382 806
Effect of changes in expected credit losses on cash and cash equivalents		183	308
Net increase in cash and cash equivalents		1 372 626	520 498
Cash and cash equivalents at the beginning of the year	5	4 589 599	4 069 101
Cash and cash equivalents at the end of the year	5	5 962 225	4 589 599

* - Details of the reclassification are disclosed in Note 3.

Approved for issue and signed
19 April 2024

Signed on Ukrainian original
Roman Topolnytsky
Chairman of the Board

Signed on Ukrainian original
Svitlana Gnatiuk
Chief Accounta

1 Background

a) Main activities

Joint Stock Company “Deutsche Bank DBU” (hereinafter - the Bank) was registered as an open joint stock company in 2009. In 2010, the Bank was re-registered as a public joint stock company. In 2018 the Bank was re-registered as a private joint stock company.

The Bank is operating based on the National Bank of Ukraine (NBU) license issued on 11 December 2018. The Bank’s main activities include attraction of deposits and maintenance of customers’ accounts, granting loans and providing guarantees, cash and settlement transactions, transactions with securities, and foreign currency exchange operations. The Bank’s operation is regulated by the National Bank of Ukraine. The Bank is a member of Individuals’ Deposits Guarantee Fund (certificate № 207 dated 12 October 2009).

As at 31 December 2023, the Bank is operating through its Head Office and has no branches.

The Bank’s registered address is: 20 Lavrska Street, Kyiv, Ukraine.

b) Actual controlling party

100% of the Bank’s shares belong to Deutsche Bank AG, a corporation, created and acting according to the laws of the Federal Republic of Germany. Deutsche Bank AG is a direct parent company of the Bank and its actual controlling party. Shares Deutsche Bank AG are quoted on the stock exchange markets and therefore the Bank does not have ultimate beneficiary owner.

The Bank’s management does not own any shares in the Bank. Details of transactions with related parties are disclosed in note 26.

The bank is a public interest entity.

The Bank is not a member/controller of a non-banking financial group.

For banks of Ukraine, prudential indicators are set by the National Bank of Ukraine.

These annual financial statements are prepared, approved for issue and signed by the Board of Bank on 19 April 2024.

2 Operating environment

The Bank is exposed to the economic and financial markets of Ukraine, which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities doing business in Ukraine.

On 24 February 2022, the Russian Federation launched a full-scale military invasion to Ukraine. The ongoing war has led to significant civilian casualties, massive displacement of the population, damage to infrastructure, electricity outages, and overall significant disruption to economic activity in Ukraine. This had a detrimental and long-lasting impact on the political and business environment in Ukraine, including on the ability of many entities to continue business as usual. In response to the military invasion, the President of Ukraine introduced the state of martial law, which is currently extended until 13 May 2024.

In 2023 and 2024, active military actions remain intense, albeit concentrated in eastern and southern Ukraine, with the Autonomous Republic of Crimea and the major parts of Donetsk, Luhansk, Kherson, Zaporizhzhia regions still under occupation. In addition, since October 2022, the Russian Federation started missile and drone attacks that impacted power grid as well as other critical civilian infrastructure all over Ukraine.

Despite the state of war, Ukraine's economy returned to recovery this year. This was facilitated by the active adaptation of business and the population to new conditions, improvement of the energy situation, good yields

and, to a large extent, international aid. The shelling of ports and the stoppage of the "grain corridor" led to a significant reduction in the export of grain crops and, at the same time, to the effective development of alternative export routes and the growth of rail freight transportation.

Despite the ongoing war, the macroeconomic indicators have proven to be more robust than initially anticipated. In January 2024, the National Bank of Ukraine (the "NBU") improved its real GDP growth forecast for 2023 to 5.7%.

Annual inflation decreased during the whole year to 5.1% in 2023.

This was accompanied by the decrease of key policy rate of the NBU from 25% to 15% and cancellation of exchange rate peg policy. However, there is an anticipation of a softening in growth due to the ongoing war. Meanwhile, the fiscal balance continues to show a large deficit resulting from the expenditures related to defense and national security. The overall outlook is subject to significant risks, primarily stemming from the heightened uncertainty resulting from war and potential delays or shortfalls in external financing.

In 2023, the National Bank implemented a number of measures to activate the domestic loan market and minimize risks to macro-financial stability. One of these steps was a gradual increase in mandatory reserve standards, which by the end of 2023 amounted to 10% for demand funds and term funds of legal entities in hryvnia, and 20% in foreign currency. Banks were allowed to use benchmark domestic government loan bonds (hereinafter OVDP) to cover required reserves. In 2023, banks' assets in terms of investments in OVDP and NBU certificates of deposit increased significantly.

Until October 2023, the exchange rate remained fixed. Progress in reducing inflation, a high level of international reserves and provision of attractive rates for hryvnia instruments allowed the NBU to switch to the regime of managed exchange rate flexibility in October.

Significant volumes of external financing ensured a net inflow of capital on the financial account and further increase of international reserves.

In November, Verkhovna Rada passed a law that significantly increased the corporate income tax rate for banks from 18% to 25% starting in January 2024. Separately, an increased rate of income tax was introduced for the 2023 tax year to the level of 50% and it is forbidden to use tax losses carried forward when calculating income tax for the year ended 31 December 2023. Previous year losses can be used to calculate profit tax for year 2024.

After invasion, all global rating agencies lowered Ukraine's ratings: Fitch - to CC, Moody's – to Ca with a stable outlook, and S&P – to CC with a negative outlook.

In the current circumstances, the Bank continues its operating activities. In conjunction with its going concern assessment, management concluded that it is reasonably possible that the Bank will be able to continue as a going concern based on the following considerations, among other things:

- The Bank has a stable business model based on a stable client base;
- corporate clients of the bank, as a rule, belong to international groups with which Deutsche Bank Group cooperates at the regional or international level;
- The Bank has sufficient capital adequacy ratio, complies with regulatory standards, including liquidity standards;

However, prolongation of military activities may result in negative consequences in the Bank's activities. Also, it may result in prolongation of existing or additional administrative restrictions from the NBU that may pose a threat to the operational activities and in further disruption of supply chains and financing for both the Bank and its customers.

As a result, these events and conditions indicate that there is a material uncertainty, which may cast significant doubt on the Bank's ability to continue as a going concern. These financial statements have been prepared on a going concern basis and do not include any adjustments that would be necessary if the Bank was unable to continue as a going concern.

These financial statements reflect management's current assessment of the impact of the Ukrainian business environment on the operations and the financial position of the Bank. The future business environment may differ from management's assessment.

3 Basis for preparation

a) Statement for preparation

These financial statements have been prepared in accordance with IFRS accounting standards as issued by the International Accounting Standards Board ("IFRS") and the requirements of Law of Ukraine "On Accounting and Financial Reporting in Ukraine" No. 996-XIV dated 16 July 1999 on the preparation of financial statements.

b) Basis of assessment

These financial statements are prepared on the historical cost basis, except for assets and liabilities as stipulated by the accounting policy set out below when such measurement basis as amortized cost or fair value is used.

c) Functional and presentation currency

The functional and presentation currency is the Ukrainian hryvnia (UAH). Unless stated otherwise, these financial statements are presented in UAH, rounded to the nearest thousand.

d) Use of estimates and judgments

Preparation of the financial statements in accordance with IFRSs requires management to make a number of judgements, estimates and assumptions that impact reported assets and liabilities and disclosure of contingent assets and liabilities to prepare these financial statements in conformity with IFRSs. Actual results may differ from these estimates.

Management has prepared these financial statements on a going concern basis. Forming such a professional judgment, the management considered the Bank's financial condition, its existing intentions, the budgeted profitability of operations in the future and access to financial resources, as well as analyzed the impact of the current financial and economic situation on the Bank's future activities. (Note 2)

Fair value of financial instruments

Investments in securities measured at fair value through other comprehensive income are stated at fair value.

The Bank considers that the accounting estimates and assumptions related to valuation of financial instruments where quoted markets prices are not available is a key source of estimation uncertainty because: (i) they are highly susceptible to change from period to period because they require management to make assumptions about interest rates, volatility, exchange rates, the credit rating of the counterparty, valuation adjustments and specific feature of the transactions and (ii) the impact that recognizing a change in the valuations would have on the assets reported in separate statement of financial position as well as its income/(expense) could be material.

Had management used different assumptions regarding interest rates, volatility, exchange rates, credit rating of a counterparty, offer dates and valuation adjustments, their value could differ significantly from that reflected in the financial statements.

For more detailed information, see Note 22.

Estimated provisions for expected credit losses

Measuring expected credit losses (ECLs) in accordance with IFRS 9 on financial assets measured at amortised cost or at fair value through other comprehensive income requires the application of judgment, inter alia, in estimating a significant increase in credit risk, estimating the amount and timing of future cash flows and the value of collateral. Such estimates depend on a number of factors, changes in which may result in different amounts of allowances for impairment.

For more detailed information, see Notes 4(c) and 22

Estimates and the assumptions on which they are based are regularly revised for changes. The results of a revision of accounting estimates are recognized in the period in which the estimates are revised, as well as in all subsequent periods affected by such revision.

(e) Reclassification of comparative information

When preparing the financial statements as at 31 December 2023 and for the year ending on this date, the Bank reviewed the principles of aggregation of material items and made reclassifications in the statement of financial position, the statement of changes in equity and the statement of profit and loss and other comprehensive income to achieve representation in accordance with the nature and types of transactions and taking into account presentation based on the taxonomy of financial reporting according to international standards. Accordingly, certain changes were made to the presentation of comparative information for 2022 and 2021 to bring it into line with the new data presentation format.

In particular, the following reclassifications were made in the statement of financial position:

Cash placed on correspondent accounts were transferred from the line "Due from other banks" to the line "Cash and their equivalents"; the line "Other assets" is divided into "Other financial assets" and "Other non-financial assets"; the line "Other liabilities" is divided into lines "Other financial liabilities" and "Other non-financial liabilities"; "Lease liabilities" were transferred to the line "Other financial liabilities"; the line "Retained earnings and other reserves" is divided into the lines "Retained earnings" and "Reserves and other funds".

The table below shows the impact of the relevant reclassifications on the disclosures in the statement of financial position as at 31 December 2022 and 2021:

	31 December 2022 (Before reclassification)	31 December 2022 (After reclassification)	31 December 2021 (Before reclassification)	31 December 2021 (After reclassification)
ASSETS				
Cash and cash equivalents	3 367 278	1 222 321	4 589 599	1 981 577
Due from other banks	1 222 321	(1 222 321)	-	2 087 524
Other assets	4 460	(4 460)	-	3 739
Other financial assets	-	7	7	-
Other non-financial assets	-	4 453	4 453	-
Other items	720 290	-	720 290	1 273 499
Total Assets	5 314 349	-	5 314 349	5 346 339
LIABILITIES				
Liabilities of a lessee	7 950	(7 950)	-	14 424
Other liabilities	29 294	(29 294)	-	27 377
Other financial liabilities	-	20 235	20 235	-
Other no-financial liabilities	-	17 009	17 009	-
Other items	4 757 146	-	4 757 146	4 969 558
Total Liabilities	4 794 390	-	4 794 390	5 011 359
EQUITY				
Share capital	301 839	-	301 839	301 839
Retained earnings and other reserves	218 120	(218 120)	-	32 491
Retained earnings	-	191 975	191 975	-
Reserve and other funds	-	26 145	26 145	-
Revaluation reserve	-	-	-	650
Total Equity	519 959	-	519 959	334 980
Total liabilities and equity	5 314 349	-	5 314 349	5 346 339

In particular, the following reclassifications and corrections were made in the statement of profit or loss and other comprehensive income:

The line "Net fee and commission income" is divided into "Fee and Commission income" and "Fee and Commission expenses"; the item "Net trading income" is divided into the lines "Result from operations with financial instruments at fair value through profit or loss", "Result from operations with foreign currency" and "Result from revaluation of foreign currency"; The line "Net (increase)/ decrease of expected credit losses" is divided into "Result from impairment determined in accordance with IFRS 9" and "Result from impairment for non-financial assets". "Depreciation and amortization" were separated from the line "Administrative and other operating expenses". Expenses for transactions with securities, which were part of the line "Other administrative and operational expenses", were transferred to the line "Fee and Commission expenses".

The table below shows the impact of the relevant reclassifications on the disclosures in the statement of profit or loss and other comprehensive income for year that ended on 31 December 2022:

	31 December 2022 (before reclassification)	reclassification	31 December 2022 (after reclassification)
№			
Net (increase)/ decrease of expected credit losses	(492)	492	-
Net fee and commission income	10 308	(10 308)	
Fee and Commission income		20 878	20 878
Fee and Commission expenses		(10 712)	(10 712)
Net Trading Income	48 949	(48 949)	-
Result from transactions in financial instruments at fair value through profit or loss	-	1 531	1 531
Result from foreign currency transactions	-	42 392	42 392
Result from the revaluation of foreign currency	-	5 026	5 026
Impairment result determined in accordance with IFRS 9	-	(348)	(348)
Result of impairment for non-financial assets	-	(144)	(144)
Depreciation and amortization	-	(10 520)	(10 520)
Other administrative and operational expenses	(90 981)	10 662	(80 319)
Other items	217 845	-	217 845
Profit for the year	185 629	-	185 629
Other comprehensive income for the year	(650)	-	(650)
Total Comprehensive Income	184 979	-	184 979

In particular, the following reclassifications were made in the statement of cash flows (undirect method) to to achieve representation in accordance with XBRL format: To the line "Cash and their equivalents" were added accrued income from NBU deposit certificates and impairment allowance for correspondent accounts; the line "Amortization of assets from the right of use" was added to the line "Depreciation and amortization"; the line "Amortization of discount/(premium) on securities" was added to the line "Amortization of discount/(premium)"; the line "Net increase/(decrease) in other liabilities" is divided into "Net increase/(decrease) in other financial liabilities" and "Net increase/(decrease) in other non-financial liabilities"; net result from lines "(Increase)/decrease in accrued income" and "(Increase)/decrease in accrued expenses" are presented as "Interest income", "Interest expenses", "Interest received", "Interest paid".

The table below shows the impact of the relevant reclassifications on the disclosures in the statement of cash flows (undirect method) for year that ended on 31 December 2022:

((in UAH thousands))

	2022 (before reclassification)	reclassification	2022 (after reclassification)
Profit before tax	235 384	(235 384)	-
Profit	-	185 629	185 629
Adjustment of income tax expenses	-	49 755	49 755
Adjustments to:			
Depreciation and amortization	2 682	7 838	10 520
Depreciation of right-of-use assets	7 838	(7 838)	-
Discount amortization/(premiums)	(29)	29	-
Amortization of discount/(premium) on securities	752	(752)	-
(Increase)/decrease in accrued income	31 157	(31 157)	-
(Decrease)/increase in accrued expenses	9 138	(9 138)	-
Interest income	-	(595 853)	(595 853)
Interest expenses	-	250 873	250 873
Exchange rate impact for lease liabilities	158	(158)	-
Other articles	(4 533)	-	(4 533)
Net cash income from operating activities before changes in operating assets and liabilities	282 547	(386 156)	(103 609)
Changes in operating assets and liabilities:			
Net (increase)/decrease of other financial assets	-	(14)	(14)
Net (increase)/decrease in bank deposits	2 760	(2 760)	-
Net increase/(decrease) of funds of other banks	88	(88)	-
Net increase/(decrease) of other liabilities	(3 645)	3 645	-
Net increase/(decrease) of other financial liabilities	-	(6 739)	(6 739)
Net increase/(decrease) of other non-financial liabilities	-	5 925	5 925
Interest received	-	630 204	630 204
Interest paid	-	(241 735)	(241 735)
Other articles	(1 009 111)	176	(1 008 935)
Net cash received from/(used in) operating activities before income tax	(727 361)	2 458	(724 903)
Income tax paid	(34 564)	-	(34 564)
Net cash received from/(used in) operating activities	(761 925)	2 458	(759 467)
Net cash from investing activities	904 893	-	904 893
Net cash used in financing activities	(8 042)	-	(8 042)
Impact of changes in the official exchange rate of the National Bank of Ukraine on cash and cash equivalents	382 806		382 806
Effect of changes in expected credit losses on cash and cash equivalents	-	308	308
Net increase in cash and cash equivalents	517 732	2 766	520 498
Cash and cash equivalents at the beginning of the period	4 068 373	728	4 069 101
Cash and cash equivalents at the end of the period	4 586 105	3 494	4 589 599

4 Significant accounting policies

The accounting policies set out below are consistently applied to all periods presented in these financial statements, unless otherwise stated.

a) Foreign currency transactions

Transactions in foreign currencies are translated to hryvnias at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to hryvnias at the exchange rate established on that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period. Foreign currency differences arising on retranslation are

recognized in profit or loss. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

The UAH is not a convertible currency outside Ukraine and, accordingly, any conversion of UAH amounts to USD should not be construed as a representation that UAH amounts have been, could be, or will be in the future, convertible into USD at the exchange rate shown, or any other exchange rate. The principal UAH exchange rates used in the preparation of these financial statements are as follows:

Currency	31 December 2023	31 December 2022
USD	37.9824	36.5686
EUR	42.2079	38.9510

b) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with the NBU (including mandatory reserves), correspondent accounts with other banks, certificates of deposit issued by the NBU, and short-term placements and deposits with other banks (less than 90 days from the origination date) which are not encumbered by any contractual obligation. Cash and cash equivalents are measured at amortized cost.

c) Financial instruments

i) Classification and measurement under IFRS 9

According to IFRS 9, classification of the financial assets should be based on both, the business model used to manage financial assets and the contractual cash flow characteristics of the financial asset (also known as the SPPI test).

Business model

IFRS 9 foresees three business models for an entity:

- Hold to Collect, where financial assets are held to obtain contractual cash flows.
- Hold to Collect and Sell, where financial assets are held for the purpose of obtaining contractual cash flows or for sale of financial assets.
- Other business model, where financial assets held for trading intent or financial assets that do not meet the criteria of the first two models («Hold to Collect» or «Hold to Collect and Sell»).

Assessment of a business model involves the use of judgment based on facts and circumstances as at the date of assessment.

Solely payments of principal and interest (SPPI test)

If a financial asset is held either to obtain a contractual cash flow (Hold to Collect) or to obtain a contractual cash flow or for sale (Hold to Collect and Sell), then an assessment to determine whether contractual cash flows are solely payments of principal and interest on principle amount outstanding at initial recognition is required to determine the appropriate classification category of cash flows.

Contractual cash flows, that are SPPI on the principle amount outstanding is determined by the basic lending agreement. Interest is a consideration for the time value of money and the credit risk associated with principal amount outstanding during the particular period of time. It can also include a consideration for other basic lending risks (e.g. liquidity risk) and costs (e.g. administrative costs) associated with holding a financial asset for a particular period of time; and a profit margin that is consistent with a basic lending arrangement.

Financial assets classified at amortized cost

A financial asset is classified and subsequently measured at amortized cost (unless designated under the fair value option) if the financial asset is held in a Hold to Collect business model and contractual cash flows are SPPI.

Under this measurement category, a financial asset is measured at fair value at initial recognition minus the

principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and adjusted for any impairment allowance.

Financial assets at fair value through other comprehensive income

A financial asset is classified and measured at fair value through other comprehensive income (FVOCI) (unless designated under the fair value option) if the financial asset is held in Hold to Collect and Sell business model, and contractual cash flows are SPPI.

Under FVOCI, a financial asset is measured at its fair value with any movements being recognized in other comprehensive income (OCI) and is assessed for impairment in accordance with the model of expected credit loss (ECL). The effect of foreign currency translation for FVOCI assets is recognized in profit or loss, as well as the interest component (by using the effective interest rate method). The amortization of premiums and accretion of discount are recorded in net interest income. Realized gains and losses are reported in net gains (losses) on financial assets at FVOCI financial assets.

Financial assets at fair value through profit or loss

Any financial asset held for trading or which does not meet the Hold to Collect or Hold to Collect and Sell business models criteria shall be assigned as Other business model and is measured at fair value through profit and loss (FVTPL).

In addition, any instrument for which the contractual cash flow characteristics are not SPPI must be measured at fair value through profit or loss (FVTPL), even if held in Hold to Collect or Hold to Collect and Sell business models.

Financial instruments are included in Other business model and held for trading if they have been originated, acquired or incurred principally for the purpose of selling or repurchasing in the near term, or they form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Trading assets include debt and equity securities, derivatives held for trading purposes and trading loans.

At initial recognition, the Bank may irrevocably recognize a financial asset (that would otherwise be measured subsequently at amortized cost or FVOCI), as measured at FVTPL, if such designation eliminates or significantly reduces a recognition and measurement inconsistency (sometimes referred to as "accounting mismatch") that would otherwise arise from measuring assets or liabilities or recognizing the gains or losses on a different basis.

ii) Impairment method under IFRS 9

The impairment requirements of IFRS 9 apply to all debt instruments that are measured at amortized cost or FVOCI and to off-balance lending commitments such as loan commitments and financial guarantees (collectively referred to as "Financial assets").

Measurement of expected credit losses for loans granted by the Bank to legal entities is performed on an individual basis.

Staged approach to determining expected credit losses.

IFRS 9 introduces a three-staged approach to impairment for financial assets. This approach is summarized as follows:

- Stage 1: The Bank recognizes a credit loss allowance at an amount equal to 12 months expected credit losses. This represents the portion of lifetime expected credit losses from default events that are expected within 12 months of the reporting date, assuming that credit risk has not significantly increased after initial recognition.
- Stage 2: The Bank recognizes a credit loss allowance at an amount equal to lifetime expected credit losses (LTECL) for those financial assets, which are considered to have experienced a significant increase in credit risk since initial recognition. This requires the computation of expected credit loss based on lifetime probability of default for the financial asset that represents the probability of default

occurring over the remaining lifetime of the financial asset. Allowance for credit losses is higher at this stage because of an increase in credit risk and the effect of a longer time horizon being considered compared to 12 months in Stage 1.

- Stage 3: The Bank recognizes a credit loss allowance at an amount equal to lifetime expected losses reflecting a 100% probability of default, via the recoverable cash flows for the asset. This approach applies to those financial assets that are credit-impaired. The Bank's definition of a default is aligned with the regulatory definition.

Financial assets that are credit-impaired upon initial recognition are categorized within Stage 3 with a carrying value already reflecting the lifetime expected credit losses. The accounting treatment for these purchased or originated credit-impaired assets (POCI) is disclosed below.

Credit-impaired financial assets in Stage 3

The determination of whether the financial asset is credit impaired focuses exclusively on default risk, without taking into consideration the effects of credit risk mitigations such as collateral or guarantees. Specifically, a financial asset is credit impaired and in Stage 3 when:

- The Bank considers the obligor unlikely to pay its credit obligations to the Bank; or
- Contractual payments of either principal or interest by the obligor are past due by more than 90 days.

For financial assets considered to be credit impaired, the expected credit loss (ECL) allowance covers the amount of loss the Bank is expected to suffer. The estimation of the allowance is made on a case-by case basis for non-homogeneous portfolios, or by applying portfolio-based parameters to individual financial assets in these portfolios via the model for homogeneous portfolios.

Forecasts of future economic conditions are considered when calculating ECLs. The lifetime expected losses are estimated based on the probability-weighted present value of the difference between 1) the contractual cash flows that are due to the Bank under the contract; and 2) the cash flows that the Bank expects to receive.

A financial asset can be classified as in default but without an allowance for credit losses (i.e. no impairment loss is expected). This may be due to the value of collateral.

Integral financial guarantee contracts

The Bank assesses whether a financial guarantee contract held is an integral element of a financial asset that is accounted for as a component of that instrument or is a contract that is accounted for separately. The factors that the Bank considers when making this assessment include whether:

- the guarantee is implicitly part of the contractual terms of the debt instrument;
- the guarantee is required by laws and regulations that govern the contract of the debt instrument;
- the guarantee is entered into at the same time as and in contemplation of the debt instrument; and
- the guarantee is given by the parent of the borrower or another company within the borrower's group.

If the Bank determines that the guarantee is an integral element of the financial asset, then any premium payable in connection with the initial recognition of the financial asset is treated as a transaction cost of acquiring it. The Bank considers the effect of the protection when measuring the fair value of the debt instrument and when measuring ECL.

Purchased or originated credit impaired financial assets in Stage 3.

A financial asset is considered purchased or originated credit-impaired if there is objective evidence of impairment at the time of initial recognition (i.e., rated in default by Credit Risk Management department). Such defaulted financial assets are termed POCI (purchased or originated credit-impaired). Typically, the purchase price or fair value at origination embeds expectations of lifetime expected credit losses and therefore no separate credit loss allowance is recognized on initial recognition. Subsequently, POCI financial assets are measured to reflect lifetime expected credit losses, and all subsequent changes in lifetime expected credit

losses (whether positive or negative) are recognized in the income statement as a component of the provision for credit losses. POCI financial assets can only be classified in Stage 3.

Modification

The Bank recalculates the gross carrying amount of the financial asset and recognizes income or expense from modification if the underlying contractual terms of the financial asset are revised by the agreement of the parties, or any other modification occurs, which does not result in derecognition of the initial financial asset.

The Bank calculates a new gross carrying amount as the present value of the revised or modified cash flows under the contract, discounted at the initial effective interest rate (or the initial effective interest rate adjusted for credit risk, for purchased or originated credit-impaired financial assets).

The Bank includes transaction costs in the carrying amount of the modified financial asset depreciated during its lifetime. The Bank recognizes the difference between the gross carrying amount under initial terms and the gross carrying amount under revised or modified terms through profit or loss from their modification.

Derecognition

The Bank derecognizes an initial financial asset and recognizes a new financial asset if the revised or modified cash flows under the contract result in derecognition of an initial financial asset.

At the date of the modification the Bank recognizes a new financial asset at fair value plus transaction costs associated with origination of a new financial asset (except for a new asset that is measured at fair value through profit or loss) and determines an expected credit loss for 12 months.

The Bank recognizes cumulative changes in expected credit losses over the lifetime of a financial asset if the modification results in a new financial asset, which is credit impaired on initial recognition. At each reporting date, the Bank recognizes the results of changes in expected loan losses over the lifetime of a financial asset, which is credit impaired on initial recognition (including positive changes) through profit or loss as expenses/income for the formation / disbursement of estimated provisions.

Income from disbursement of estimated provisions is recognized even if the amount of the previously formed provision for such a financial asset is exceeded. At the date of derecognition of an initial financial asset, the Bank recognizes gain or loss from derecognition, which is the difference between the carrying amount of an initial financial asset and the fair value of a new financial asset.

Interest income calculation

For financial assets in Stage 1 and Stage 2 the Bank calculates interest income by applying effective interest rate to the gross carrying amount (i.e., without deduction for expected credit losses). Interest income for financial assets in Stage 3 is calculated by applying the effective interest rate to the amortized cost (i.e., the gross carrying amount less the credit loss allowance).

iii) Model description for expected credit loss calculation

Stage determination

At initial recognition, financial assets, which are not purchased or originated credit impaired (POCI), are reflected in Stage 1. If there is a significant increase in credit risk, the financial assets are transferred to Stage 2. Significant increase in credit risk is determined by using rating-related and process-related indicators. In contrast, the assignment of a financial instrument to Stage 3 is based on the status of the obligor being in default.

On an ongoing basis, as long as the condition for indicators on increase in credit risk is fulfilled and the financial asset is not recognized as defaulted, the asset will remain in Stage 2. If the indicator condition is any longer fulfilled and the financial asset is not defaulted, the asset transfers back to Stage 1. In case of a default the financial asset is allocated to Stage 3. In the case that a previously defaulted financial asset ceases

to be classified as defaulted, it transfers back to Stage 1 or Stage 2.

Expected lifetime of a financial asset

The expected lifetime of a financial asset is a key factor in determining the lifetime expected credit losses. Lifetime expected credit losses represent default events over the expected life of a financial asset. The Bank measures expected credit losses considering the risk of default over the maximum contractual period (including any borrower's extension options), over which it is exposed to credit risk

Forward-looking information

Under IFRS 9 the allowance for credit losses is based on reasonable and supportable forward-looking information obtainable without undue cost or effect, which takes into consideration past events, current conditions and forecasts of future economic conditions.

The general use of forward-looking information, including macro-economic factors, as well as adjustments taking into account extraordinary factors, are monitored by Risk Management department.

Basis of inputs and assumptions and the estimation techniques

The Bank uses three main components to measure expected credit losses (ECL): Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD). The Bank has leveraged existing parameters used for determination of capital demand under the Basel Internal Ratings Based Approach and internal risk management practices as much as possible to calculate expected credit losses (ECL). In order to calculate lifetime expected credit losses, the Bank's calculation includes deriving the corresponding lifetime PDs from migration matrices that reflect economic forecasts.

The expected credit loss calculation for Stage 3 distinguishes between transaction in homogenous and non-homogenous portfolios and purchased and originated credit-impaired transactions (POCI). For transactions that are in Stage 3 and in a homogeneous a similar approach as for Stage 1 and Stage 2 transaction is taken. Since a Stage 3 transaction is defaulted, the probability of default is equal 100%. To incorporate the currently available information, the LGD parameters are modelled to be time-dependent, thus capture the time dependency of the borrower's recovery expectation after default.

The one-year PD for counterparties is derived from the Group rating systems. The Deutsche Bank Group assigns a probability of a default (PD) to each relevant counterparty, based at the 21-grade rating scale.

To determine the probability of default (PD) indicator for Domestic Government Bonds, the Bank uses data from the external rating agency S&P, in particular, determined for the country's debt in local currency and foreign currency according to the process described in the internal bank regulations.

The counterparty ratings assigned are derived based on internally developed rating models, which specify consistent and distinct customer-relevant criteria and assign a rating grade based on a specific set of criteria as given for a certain customer. The set of criteria is generated from information sets relevant for the respective customer segments including general customer behavior, financial and external data. The methods in use range from statistical scoring models to expert-based models considering the relevant available quantitative and qualitative information. Expert-based models are usually applied for counterparties in the exposure classes "Central government and central banks", "Institutions", and "Corporates", except for those "Corporates" segments for which sufficient data basis is available for statistical scoring models. For the latter, as well as for the retail segment, statistical scoring or hybrid models combining both approaches are commonly used. Quantitative rating methodologies are developed based on applicable statistical modelling techniques, such as logistic regression.

One-year PDs are extended to multi-year PD curves using conditional transition matrices. The first step in the estimation process is the calculation of through-the-cycle matrices, which are derived from a multi-year rating history. For the next two years, economic forecasts are available. These forecasts are used to transform the through-the-cycle matrices into point-in-time rating migration matrices. Macroeconomic forecasts are used for adjusting the distribution of the respective macroeconomic factors and, consequently, the rating

migration matrices that define migration and default probabilities. The actual calculation of the adjusted migration matrices is based on the simulation of a high number of scenarios that are drawn from the distribution of the macroeconomic factors, i.e., the simulation scenarios are selected using statistical techniques and are randomly scattered around the macroeconomic forecast.

Loss given default (LGD) is defined as the likely loss intensity in case of a counterparty default. It provides an estimation of the exposure that cannot be recovered in a default event and therefore captures the severity of a loss. Conceptually, LGD estimates are independent of a customer's probability of default. The LGD models ensure that the main drivers for losses (i.e., different level and quality of collateralization and customer or product types, or seniority of facility) are reflected in specific LGD factors. In our LGD models we assign collateral type specific parameters to the collateralized exposure (collateral value after application of haircuts). Moreover, the LGD for uncollateralized exposure cannot be below the LGD assigned to collateralized.

The Exposure at Default (EAD) over the lifetime of a financial asset is modelled taking into account expected repayment profiles. We apply specific Credit Conversion Factors (CCF) in order to recalculate the EAD value. Conceptually, the EAD is defined as the expected amount of the credit exposure to counterparty at the time of its default. In instances where a transaction involves an unused limit, a percentage share of this unused limit is added to the outstanding amount in order to appropriately reflect the expected outstanding amount in case of a counterparty default. When a transaction involves an additional contingent component (i.e., guarantees), a further percentage share is applied as part of the CCF model in order to estimate the amount of guarantees drawn in case of default. The calibrations of such parameters are based on statistical experience as well as internal historical data and consider counterparty and product type specifics.

iv) Collateral for financial assets considered in the impairment analysis

IFRS 9 requires cash flows expected from collateral and other credit enhancement to be reflected in the ECL calculation. The following key aspects with respect to collateral and guarantees are reviewed in this section:

- Eligibility of collateral, i.e. which collateral records should be used in the ECL calculation;
- Collateral evaluation, i.e. what collateral (liquidation) value should be used;
- Projection of the available collateral amount over the life of a transaction.

Eligibility and evaluation of collateral

The treatment and reflection of collateral for IFRS 9 purposes is in line with general risk management principles, policies and processes in the Bank.

Eligibility of collateral is based on the risk management standards governed by the Deutsche Bank Group's Credit Risk Management policies. Valuation results are generally reviewed at least annually or on an event-based basis, usually in connection with the annual credit review or the rating process.

Valuation process

The valuation of a collateral is considered under a liquidation scenario. Liquidation value is equal to the expected proceeds of collateral monetization/realization in a base case scenario, wherein a fair price is achieved through careful preparation and orderly liquidation of the collateral. Collateral can either move in value (dynamic value) or not (static value). The dynamic liquidation value generally includes a safety margin or a haircut value to address liquidity or marketability aspects.

The Bank assigns a liquidation value to eligible collateral, based on, among other things:

- the market value and/or lending value, notional amount or face value of a collateral as a starting point;
- the type of collateral; the currency mismatch (if any) between the secured exposure and the collateral; and a maturity mismatch (if any);
- the market liquidity or volatility in relation to agreed termination clauses;

- the correlation between the performance of the borrower and the value of the collateral, e.g. in the case of the pledge of a borrower's own shares or securities of the borrower (in this case, generally, full correlation leads to no liquidation value); the quality of physical collateral and the potential for litigation; and
- a determined collateral type specific haircut (0-100%) reflecting collection risk (i.e. price risks over the average liquidation period and processing/utilization/ sales costs) as specified in the respective policy.

Collateral discount calculation is typically based on available historic internal and/or external data (expert opinions may also be used, where appropriate). When data is not sufficiently available or inconclusive, more conservative discounts must be applied. Discounts are reviewed at least annually.

d) Non-financial assets

Other non-financial assets, other than deferred taxes, are assessed at each reporting date for any indications of impairment. The recoverable amount of non-financial assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

All impairment losses in respect of non-financial assets are recognized in profit or loss and reversed only if there has been a change in the estimates used to determine the recoverable amount. Any impairment loss reversed is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognised.

e) Provisions for credit-related commitments

In the normal course of business, the Bank enters into credit-related commitments, comprising undrawn loan commitments, letters of credit and guarantees, and provides other forms of credit insurance.

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

A financial guarantee liability is recognised initially at fair value net of associated transaction costs, and is measured subsequently at the higher of the amount initially recognised less cumulative depreciation and amortization or the amount of loss allowance determined in accordance with IFRS 9.

f) Fixed assets

(i) Owned assets

Fixed assets comprise additions of fixed assets and repairs of property and equipment, furniture and office equipment. Fixed assets are initially recognised at cost less accumulated depreciation and impairment losses.

Expenses incurred in connection with repairs of property and equipment are recognised in profit or loss in the period they are incurred unless they meet the capitalization recognition criteria.

Where an item of fixed assets comprises major components having different useful lives, they are accounted for as separate items of fixed assets.

Gains less losses from disposal of fixed assets are recognised in profit or loss.

(ii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of specific assets. Depreciation commences from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. The estimated annual depreciation rates are as follows:

Machinery and equipment	4-10 years
Fixtures and fittings (furniture)	5-10 years
Other non-current tangible assets	5-12 years

(iii) Impairment

Recognition of impairment of fixed assets and intangible assets is carried out in accordance with IFRS 36 *Impairment of assets*. The decision on the recognition of impairment and / or revision of terms of useful life is taken by continuously-operating (inventory) commission based on revision of fixed assets or intangible assets.

g) Intangible assets

Intangible assets, acquired by the Bank, are stated at cost less accumulated amortization and impairment losses.

Acquired computer software licenses are capitalized based on the costs incurred to acquire and bring to use the specific software. Subsequent expenditure on intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates.

Amortization is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Estimated annual amortization rate is 33%.

h) Share capital

Contributions to share capital are recognised at historical cost. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

i) Dividends

The ability of the Bank to declare and pay dividends is subject to the rules and requirements of the Ukrainian legislation.

Dividends in relation to ordinary shares are reflected as a reduction to retained earnings as and when declared.

j) Taxation

Income tax comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items of other comprehensive income or transactions with shareholders recognised directly in equity, in which case it is recognised within other comprehensive income or directly within equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and temporary differences related to investments in subsidiaries where the parent is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The measurement of deferred taxes reflects the tax consequences that would follow the way in which the Bank expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences, unused tax losses and credits can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

l) Income and expense recognition

Income and expenses are recognised in profit or loss using the effective interest method.

Accrued discounts and premiums on financial instruments at fair value through profit or loss are recognised in profit less losses on financial instruments at fair value through profit or loss.

Loan origination fees, loan servicing fees and other fees that are considered to be integral to the overall profitability of a loan, together with the related transaction costs, are deferred and amortized to interest income over the estimated life of the financial instrument using the effective interest method.

Other commissions and other income and expenses are recognised in profit or loss in the period when underlying services were performed.

m) Employee benefits

Pensions are provided by the State through the mandatory contributions, which are made by the Bank and employees based on the earnings of the employees. The expenditure on these contributions is recognised in the profit or loss when contributions are due and is included in "Salaries and employee benefits".

n) Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

o) Segment reporting

An operating segment is a component of a Bank that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same Bank); which operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

The Bank represents one reportable segment with centralized management that follows common lending policy and marketing strategy.

For geographical allocation of assets and liabilities refer to note 22.

p) Related party transactions

According to IAS 24 "Related Party Disclosures", parties are considered to be related, when: one of the parties has the ability to control the other party; is under common control; or can exercise significant influence in making financial and operating decisions.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely the legal form. Terms of transactions with related parties are set at the time of the transaction.

Relationships between related parties are in particular relationships: parent bank and its subsidiaries; bank-investor and his associates; bank and private individuals who have control or have significant influence over the bank and relationships of bank with close family members of each such individual; bank and its managers and other persons belonging to key management personnel and close family members of such persons.

Related parties to the Bank are members of the Supervisory Board, Management Board and their family members, other key management personnel, entities that are under common control. Key management personnel are: Chairman and members of the Supervisory Board, the Management Board; Chairmen of the

Credit Committee, Tariff Committee, ALCO; Chief Accountant; Chief Risk Officer. The Bank assesses credit risks of lending to related parties and manages them based on ratios established by the National Bank of Ukraine.

In the normal course of business, the Bank provides loans and advances to customers, attracts deposits and conducts other operations with related parties.

q) Leases

With implementation of IFRS 16 "Leases" the Bank is required to recognize in the balance sheet a right-of-use for leased assets and liabilities on lease.

The Bank does not recognize right-of-use assets and liabilities on lease in the following cases:

- or short-term leases (12 months or less);
- for lease of low value leased objects (equivalent of EUR 6 thousand or less).

In the above cases the Bank recognizes cost of lease in expenses on the straight-line basis throughout the lease term.

At signing a lease agreement the Bank, as a lessor or as a lessee, needs to determine whether the agreement contain a lease. If a lease arrangement provides a lessee with a right to use a leased object for an agreed term in exchange of a lease payments in favor of a lessor, this arrangement is recognized as a lease. The right-of-use the leased object means that two conditions are met simultaneously:

- the lessee's right to receive substantially all economic benefits from the use of the identified asset;
- the right to direct the use of the identified asset.

The Bank does not recognize VAT as part of a lease payment because VAT does not provide for its exchange for the right-of-use the specified asset. Therefore, VAT is recognized either in the Bank's income or loss or through tax credit.

To determine lease liability of a lessee the Bank discounts cash flows by applying the borrowing rate to the currency specified in the agreement, which is referred to for calculating lease payment.

The Bank defines a lease term as a term that does not provide for early termination of lease agreement plus the period from after that date to the lease agreement expiry date, if the lessee is reasonably certain not to exercise early termination option for the lease agreement, plus possible periods after the lease agreement expiry date if the lessee is reasonably certain not to exercise to extend the lease agreement.

At the lease commencement date, the Bank recognizes in the balance sheet an asset in the form of a right-of-use asset, measured at cost, which includes:

- initial valuation of the liability;
- lease payments already paid on the lease commencement date, less of and lease incentives already received;
- initial direct costs;
- estimated costs of dismantling the underlying asset, the liabilities for which arise at the lease commencement date.

At the same time, the Bank recognizes in the balance sheet the lease liability in the amount of present value of future lease payments, discounted using the interest rate specified in the lease agreement or incremental borrowing rate by the Bank for the relevant term and in the relevant currency. Future lease payments include:

- fixed payments, less incentive payments receivable;
- variable lease payments;
- guarantees of salvage value;

- the strike price of the option to buy (if there is reasonable certainty that the lessee will exercise the option);
- penalties for terminating the lease if the term of the lease reflects the lessee's exercise of the option to terminate the lease.

Further accounting for the lease liability occurs at amortized cost. The lease obligation is increased by the amount of interest expense and decreased by the amount of lease payments.

A right-of-use asset is further accounted for at cost less accumulated depreciation and impairment losses. Depreciation is carried out on a straight-line basis over the lease term of the asset. Depreciation begins in the month following the month in which the asset is recognised on the Bank's balance sheet.

IFRS 16 separates the concepts of lease revaluation and modification. Revaluation is applied only when the change in cash flows was contractually required by the contractual obligations at the date the lease is signed.

In the event of a revision of the lease term or purchase option, the Bank, applying the revised discount rate, revalues the asset in the form of a right of use.

In the event of a revision of the residual value guarantee or a revision of variable payments that are tied to changes in the exchange rate or index and relate to future periods, the Bank, applying the unchanged discount rate, revalues the asset in the form of a right of use.

In the case of a revision of variable charges that are linked to changes in the exchange rate or index and relate to the current period, or a revision of variable charges that are not linked to changes in the exchange rate or index, the Bank recognises differences in profit or loss.

Instead, modification occurs in the event of changes to the contract that were not foreseen at the time of signing the contract.

In the event of an increase in lease volumes by adding new rights of use to one or more objects at the market price, the Bank recognises a separate lease agreement.

In the event of an increase in lease volumes by adding new rights of use to one or more objects at a non-market price and for all other modifications, the Bank does not recognise a separate lease agreement and adjusts the asset in the form of a right to use and a lease obligation.

The Bank has not acted and does not act as a lessor under any of the contracts

r) Transition to new and revised standards

Amended IFRSs and Interpretations that are effective for the periods beginning on and after 1 January 2023 and do not have material impact on the Bank's performance are as follows:

- *IFRS 17 Insurance Contracts;*
- *Amendments to IFRS 17 Insurance Contracts;*
- *Amendments to IAS 1 Presentation of Financial Statements;*
- *Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;*
- *Amendments to IAS 12 Income Taxes.*

Main amendments to be effective on 1 January 2024 and later:

- *Amendments to IAS 1 Presentation of financial statements;*
- *Amendments to IFRS 16 Lease;*
- *Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures;*
- *Amendments to IAS 21 Effect of changes in exchange rates*

According to preliminary assessment of the management, the abovementioned amendments will not have a significant impact on the Bank's financial statements.

5 Cash and cash equivalents

Cash and cash equivalents are as follows:

<i>(in UAH thousand)</i>	31 December 2023	31 December 2022 (as reclassified)
Cash	68 608	47 912
Balances with the NBU (including for mandatory reserves)	375 433	115 334
Correspondent accounts with other banks	1 012 991	1 222 859
Deposit certificates of the NBU	4 505 548	3 204 032
Provision for impairment	(355)	(538)
Total cash and cash equivalents	5 962 225	4 589 599

As the Bank was entitled to fully use the amounts in the correspondent accounts with the National Bank of Ukraine, they were classified as cash and cash equivalents as at 31 December 2023 and 31 December 2022.

Correspondent accounts with other banks are as follows:

<i>(in UAH thousand)</i>	31 December 2023	31 December 2022
Correspondent accounts		
banks in OECD countries	1 012 955	1 222 816
banks in non-OECD countries	36	43
Total	1 012 991	1 222 859

The following table represents an analysis of credit quality of due from other banks by rating agency designation based on Standard and Poor's (S&P) or their equivalent:

<i>(in UAH thousand)</i>	31 December 2023	31 December 2022
Correspondent accounts		
In banks rated A- to A+	1 012 955	1 222 816
Not-rated banks	36	43
Total	1 012 991	1 222 859

The movement in provision for impairment as at 31 December 2022 and 31 December 2023 is as follows:

<i>(in UAH thousand)</i>	Correspondent accounts
Balance as at 01 January 2022	846
Increase/(decrease) in provision for impairment	(308)
Balance as at 31 December 2022	538
Increase/(decrease) in provision for impairment	(183)
Balance as at 31 December 2023	355

Provision for impairment for cash and cash equivalents is measured as Stage 1.

As at 31 December 2023, cash and cash equivalents due from one bank amount to UAH 1 012 956 thousand or 100% of total cash and cash equivalents (31 December 2022: UAH 1 222 816 thousand or 100% respectively).

6 Loans and advances to customers

Loans and advances to customers are as follows:

<i>(in UAH thousand)</i>	31 December 2023	31 December 2022
Corporate loans	200 211	698 508
Provisions for (expected) credit losses	(105)	(144)
Total loans less provisions	200 106	698 364

Analysis of changes in provisions for loans for 2023 and 2022 is as follows:

<i>(in UAH thousand)</i>	Corporate loans
Balance as at 01 January 2022	94
Increase/(decrease) in provision for impairment	50
Balance as at 31 December 2022	144
Increase/(decrease) in provision for impairment	(39)
Balance as at 31 December 2023	105

Loan structure by sectors of economic activities is as follows:

<i>(in UAH thousand)</i>	31 December 2023	%	31 December 2022	%
Production (manufacturing industry)	-	-	693 443	99.27%
Trade	200 211	100%	5 065	0.73%
Gross loans and advances to customers before impairment	200 211	100%	698 508	100%

Maximum credit risk exposure per one borrower as at 31 December 2023 is UAH 200 211 thousand.
Maximum credit risk exposure per one borrower as at 31 December 2022 is UAH 693 442 thousand.

Information on collateral as at 31 December 2023:

<i>(in UAH thousand)</i>	Corporate loans
Unsecured loans	136 899
Loans collateralized by:	
investment banks' guarantees	63 312
Gross loans and advances to customers before impairment	200 211

Collateral that the Bank accepts include guarantees of the parent bank and of entities under common control.

Information on collateral as at 31 December 2022:

(in UAH thousand)

	Corporate loans
Unsecured loans	102 558
Loans collateralized by: investment banks' guarantees	595 950
Gross loans and advances to customers before impairment	698 508

Analysis of credit quality of loans as at 31 December 2023 is as follows:

(in UAH thousand)

	Corporate loans
	Stage 1
Not overdue:	
Large borrowers	200 211
Provision for impairment	(105)
Net loans less provisions	200 106

Analysis of credit quality of loans as at 31 December 2022 is as follows:

(in UAH thousand)

	Corporate loans		
	Stage 1	Stage 2	Total
Not overdue:			
Large borrowers	5 065	693 443	698 508
Provision for impairment	(10)	(134)	(144)
Net loans less provisions	5 055	693 309	698 364

During the years ended 31 December 2023 and 31 December 2022, the Bank has not received any assets as a result of imposition on foreclosure.

7 Investments in securities

Investments in securities are as follows:

(in UAH thousand)	31 December 2023	31 December 2022
Domestic Government Bonds	335 979	-
Total securities less provisions	335 979	-

As at 31 December 2023, the Bank's portfolio included domestic government bonds ("DGBs") denominated in the national currency with an average effective interest rate of 19,34% and maturity in July 2026.

As at 31 December 2023, the Bank's investments in DGBs are not overdue and not impaired and are classified as Stage 1.

The bonds are carried at fair value with recognition of revaluation through other comprehensive income.

During 2023, the Bank has created a provision for expected credit losses for investments in securities in the amount of UAH 19,220 thousand. (2022: provision for expected credit losses was not created). To determine the ECL for the government bonds of Ukraine, the Bank applied PD 9.83% and LGD 60% in accordance with the data of the international credit agency S&P based on the credit rating of Ukraine as at 31 December 2023.

As at 31 December 2022, the Bank did not have DGB in its securities portfolio.

8 Fixed, intangible and right-of-use assets

A summary of movements in fixed, intangible and right –of-use assets for the year ended 31 December 2023 is as follows:

<i>(in UAH thousand)</i>	Machinery And equipment	Instruments, fixtures and furniture	Other non-current tangible assets	Intangible assets	Capital investments	Right-of-use assets (buildings)	Right-of-use assets (vehicles)	Total
Historical cost								
1 January 2022	17 137	2 148	4 543	4 722	-	32 821	2 958	64 329
Additions and modifications	2 253	-	-	1 236	1 618	1 410	-	6 517
31 December 2022	19 390	2 148	4 543	5 958	1 618	34 231	2 958	70 846
Additions and modifications	1 222	-	-	1 794	1 850	22 489	97	27 452
Disposals	-	-	-	-	-	-	(895)	(895)
Transfers	3 468	-	-	-	(3 468)	-	-	-
31 December 2023	24 080	2 148	4 543	7 752	-	56 720	2 160	97 403
Depreciation								
1 January 2022	(11 876)	(1 731)	(1 719)	(4 097)	-	(20 105)	(1 411)	(40 939)
Depreciation charge	(1 605)	(101)	(376)	(600)	-	(7 151)	(687)	(10 520)
31 December 2022	(13 481)	(1 832)	(2 095)	(4 697)	-	(27 256)	(2 098)	(51 459)
Depreciation charge	(1 957)	(93)	(375)	(689)	-	(7 607)	(759)	(11 480)
Disposals	-	-	-	-	-	-	895	895
31 December 2023	(15 438)	(1 925)	(2 470)	(5 386)	-	(34 863)	(1 962)	(62 044)
Net carrying amount:								
1 January 2022	5 261	417	2 824	625	-	12 716	1 547	23 390
31 December 2022	5 909	316	2 448	1 261	1 618	6 975	860	19 387
31 December 2023	8 642	223	2 073	2 366	-	21 857	198	35 359

As at 31 December 2022, capital investments include capital investments in intangible assets not put into operation in the amount of UAH 131 thousand.

9 Other financial assets

Other assets are as follows:

<i>(in UAH thousand)</i>	31 December 2023	31 December 2022
Accrued fee and commission income	32	47
Provision for impairment	(17)	(40)
Total other financial assets	15	7

Analysis of changes in provision for impairment of other financial assets for 2023 and 2022:

<i>(in UAH thousand)</i>	Other financial assets
Balance as at January 1 2022	11
Increase/(decrease) of allowance for impairment during the period	29
Balance as at December 31 2022	40
Increase/(decrease) of allowance for impairment during the period	(23)
Balance as at December 31 2023	17

10 Other non-financial assets

Other financial assets are represented as follows:

<i>(in UAH thousand)</i>	31 December 2023	31 December 2022
Prepayments for goods and services	5 313	4 940
Accounts receivable from taxes and mandatory payments other than income tax	6	6
Accounts receivable from employees	-	6
Provision for impairment	(312)	(499)
Total other non-financial assets	5 007	4 453

Analysis of changes in provisions for impairment of other non-financial assets for 2023 and 2022:

<i>(in UAH thousand)</i>	Prepayments for services
Balance as at 1 January 2022	355
Increase/(decrease) of provision for impairment	144
Balance as at 31 December 2022	499
Increase/(decrease) of provision for impairment	(188)
Balance as at 31 December 2023	311

11 Due to customers

Customer accounts are as follows:

<i>(in UAH thousand)</i>	<u>31 December 2023</u>	<u>31 December 2022</u>
Corporate clients		
Current accounts	2 576 983	2 450 837
Term deposits	3 117 445	2 286 675
Total due to customers	<u>5 694 428</u>	<u>4 737 512</u>

Current accounts include accounts payable on transactions with customers.

Due to customers distributed by sectors of economic activities as at 31 December 2023 are as follows:

<i>(in UAH thousand)</i>	<u>31 December 2023</u>	<u>%</u>
Trading	2 964 162	52.05%
Processing industry	1 610 655	28.28%
Financing and insurance	291 415	5.12%
Mining industry	285 763	5.02%
Professional services, scientific and technical activities	156 607	2.75%
Transportation	130 123	2.29%
Information and telecommunications	124 324	2.18%
Construction	55 451	0.98%
Other	43 757	0.77%
Electricity, gas supply	25 293	0.44%
Real estate services	6 878	0.12%
Total due to customers	<u>5 694 428</u>	<u>100.00%</u>

Due to customers by sectors of economic activities as at 31 December 2022 are as follows:

<i>(in UAH thousand)</i>	<u>31 December 2022</u>	<u>%</u>
Trading	2 000 433	42.23%
Processing industry	1 116 865	23.57%
Financing and insurance	869 256	18.35%
Mining industry	218 724	4.62%
Transportation	198 687	4.19%
Professional, scientific and technical activities	128 966	2.72%
Information and telecommunications	125 018	2.64%
Construction	37 094	0.79%
Electricity, gas supply	34 243	0.72%
Real estate services	7 201	0.15%
Other	1 025	0.02%
Total due to customers	<u>4 737 512</u>	<u>100.00%</u>

As at 31 December 2023, account balances of 10 largest customers amount to UAH 2 797 356 thousand, or 49% of the Bank's total customer accounts (31 December 2022: UAH 2 567 896 thousand, or 54% respectively).

As at 31 December 2023, account balances of one largest customer amount to UAH 562,215 thousand, or 10% of the Bank's total customer accounts (31 December 2022: UAH 707 367 thousand, or 14% respectively).

12 Provisions for credit-related commitments

Changes in provisions for credit-related commitments for 2023 are as follows:

<i>(in UAH thousand)</i>	Credit-related commitments
Balance as at 1 January 2022	11
Increase/(decrease) of provision for impairment	576
Balance as at 31 December 2022	587
Increase/(decrease) of provision for impairment	(584)
Balance as at 31 December 2023	3

13 Other financial liabilities

Other liabilities are as follows:

<i>(in UAH thousand)</i>	31 December 2023	31 December 2022
Lease liabilities	22 338	7 950
Accounts payable for management and IT services	13 160	9 881
Accrued expenses for other services	8 470	2 404
Other debts	543	-
Total	44 511	20 235

Changes in lease liabilities are as follows:

<i>(in UAH thousand)</i>	Lease liabilities
Balance as at 1 January 2022	14 424
Modifications	1 568
Interest expense	76
Payments	(8 118)
Balance as at 31 December 2022	7 950
Modifications	23 342
Interest expense	505
Payments	(9 459)
Balance as at 31 December 2023	22 338

For the year ended 31 December 2023, the Bank recognized expenses on short-term leases, leases of low-value assets in the amount of UAH 7 thousand (31 December 2022: UAH 3 thousand).

For the year ended 31 December 2023, the total lease-related cash outflow amounted to UAH 9 466 thousand (31 December 2022: UAH 8 121 thousand).

14 Other non-financial liabilities

Other non-financial liabilities are as follows:

<i>(in UAH thousand)</i>	31 December 2023	31 December 2022
Accounts payable on settlements with bank employees	12 388	14 627
Accounts payable for taxes and mandatory payments, except income tax	2 702	2 345
Deferred income	40	37
Total	15 130	17 009

15 Share capital and other reserves

As at 31 December 2023, the authorized and paid in capital amounted to UAH 301 839 254,64 (three hundred one million eight hundred thirty-nine thousand two hundred fifty-four hryvnias 64 kop.) The Bank issued 228 666 102 of ordinary registered shares of nominal value of UAH 1.32 (one hryvnia 32 kop.) per share.

The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at annual and general meetings of the Bank.

In accordance with the legislation of Ukraine, the Bank allocates 5% of the annual profit to the reserve fund. The total amount of the reserve fund as at 31 December 2023 is UAH 35,426 thousand.

Revaluation reserve is presented as follows:

<i>(in UAH thousand)</i>	31 December 2023	31 December 2022
Fair value revaluation of DGBs	2 472	-
Expected credit losses	19 220	-
Deferred tax related to other comprehensive income	(618)	-
Total	21 074	-

16 Maturity analysis of assets and liabilities

Maturity analysis of assets and liabilities as at 31 December 2023:

<i>(in UAH thousand)</i>	<i>Note</i>	Less than 12 months	Over 12 months	Total
ASSETS				
Cash and cash equivalents	5	5 962 225	-	5 962 225
Loans and indebtedness of customers	6	200 106	-	200 106
Investments in securities	7	25 881	310 098	335 979
Deferred tax asset	19	3 276	-	3 276
Fixed assets, right-of-use assets	8	205	32 788	32 993
Intangible assets	8	112	2 254	2 366
Other financial assets		15	-	15
Other non-financial assets	9	5 007	-	5 007
Total Assets		6 196 827	345 140	6 541 967

(in UAH thousand)	Note	Less than 12 months	Over 12 months	Total
LIABILITIES				
Due to customers	10	5 694 428	-	5 694 428
Current income tax liability		123 167	-	123 167
Provision for credit-related commitments	11	3	-	3
Other financial liabilities		30 338	14 173	44 511
Other non-financial liabilities	12	11 850	3 280	15 130
Total Liabilities		5 859 786	17 453	5 877 239

Maturity analysis of assets and liabilities as at 31 December 2022:

(in UAH thousand)	Note	Less than 12 months	Over 12 months	Total
ASSETS				
Cash and cash equivalents	5	4 589 599	-	4 589 599
Loans and advances to customers	6	698 364	-	698 364
Deferred tax asset	19	2 539	-	2 539
Fixed assets, right-of-use assets	8	5 710	12 285	17 995
Intangible assets	8	41	1 351	1 392
Other financial assets		7	-	7
Other non-financial assets	9	4 453	-	4 453
Total assets		5 300 713	13 636	5 314 349
LIABILITIES				
Due to customers	10	4 737 512	-	4 737 512
Current income tax liability		19 047	-	19 047
Provision for credit-related commitments	11	587	-	587
Other financial liabilities		19 109	1 126	20 235
Other non-financial liabilities	12	17 009	-	17 009
Total liabilities		4 793 264	1 126	4 794 390

Due to the fact that substantially all financial instruments are fixed rated contracts, these remaining contractual maturity dates also represent the interest rate repricing dates.

The above amounts represent the carrying amounts of the assets and liabilities as at the reporting date and do not include future interest payments.

17 Interest income and expenses

Interest income and expenses for the year ended 31 December are as follows:

<i>(in UAH thousand)</i>	2023	2022
Interest income:		
Deposits with other banks	37 220	8 846
NBU deposit certificates	644 727	361 719
Investments in securities (DGB)	11 901	14 746
Loans and advances to customers	120 756	210 542
Total interest income	814 604	595 853
Interest expense:		
Loans received from NBU	(67)	(2 762)
Term deposits of other banks	(10)	(83)
Corporate current accounts	(56 707)	(34 988)
Corporate term deposits	(300 454)	(212 965)
Lease liabilities	(505)	(75)
Total interest expenses	(357 743)	(250 873)
Net interest income	456 861	344 980

18 Fee and commission income and expenses

Fee and commission income and expenses for the year ended 31 December, are as follows:

<i>(in UAH thousand)</i>	2023	2022
Fee and commission income:		
Currency exchange transactions	20 451	16 964
Cash and settlement transactions	1 307	1 505
Off-Balance Sheet transactions	339	1 632
Other	761	777
Total fee and commission income	22 858	20 878
Fee and commission expense:		
Off-Balance Sheet transactions	(6 283)	(8 059)
Currency exchange transactions	(2 387)	(2 404)
Transactions with securities	(226)	(142)
Cash and settlement transactions	(48)	(107)
Total fee and commission expense	(8 944)	(10 712)
Net fee and commission income	13 914	10 166

In 2023, revenues from contracts with customers according to IFRS 15 was UAH 22 519 thousand (2022: UAH 19 246 thousand).

19 Administrative and other operating expenses

Administrative and other operating expenses for years ended 31 December, are as follows:

(in UAH thousand)

	2023	2022
IT expenses	(34 687)	(26 904)
Consultancy, legal and other professional services	(16 066)	(8 287)
Taxes and other mandatory payments, other than income tax	(9 969)	(11 664)
Professional services of group subdivisions	(7 471)	(10 479)
Management	(7 053)	(7 121)
Operating lease expense and maintenance cost	(5 123)	(4 543)
Supervisory Board expenses	(3 599)	(4 413)
Telecommunication expenses	(3 399)	(3 704)
Other employee expenses (other than maintenance costs)	(1 133)	(1 587)
Marketing and representative expenses	(467)	(109)
Membership fees and mandatory payments	(455)	(346)
Bank fees and similar charges	(437)	(441)
Other expenses	(420)	(236)
Insurance	(266)	(485)
Total administrative and other operating expenses	(90 545)	(80 319)

20 Taxation

The statutory income tax rate in 2023 is 50%. The statutory income tax rate in 2022 was 18 %.

The components of income tax expense for the year ended 31 December are as follows:

(in UAH thousand)

	2023	2022
Current income tax expense	(171 525)	(50 874)
Deferred income tax expense	1 356	1 119
Total income tax expense	(170 169)	(49 755)

a) Reconciliation of effective tax rate

Reconciliation of accounting profit and income tax for the year ended 31 December is as follows:

(in UAH thousand)

	31 December 2023	%	31 December 2022	%
Profit before tax	293 864	100%	235 384	100%
Income tax at the applicable tax rate	(146 932)	50%	(42 369)	18%
Non-deductible income and expenses	(22 250)	7.6%	(7 386)	3.1%
Change in tax rate	(987)	0.3%	-	-
Total income tax expenses	(170 169)	57.9%	(49 755)	21.1%

b) Deferred income tax asset

The temporary difference between the carrying amounts of assets and liabilities for the financial reporting purposes and the amounts used for taxation purposes give rise to a net deferred tax asset as at 31 December 2023 and as at 31 December 2022.

Movements in recognized deferred tax assets and liabilities during the year ended 31 December 2023 are as follows:

(in UAH thousand)	Balance as at the beginning of the year	Recognized in profits/ losses	Recognized in other comprehensiv e income	Balance as at the end of the year
Accrued expenses	2 336	1 475	-	3 811
Provision for guarantees	106	(105)	-	1
Provisions for other assets	97	(15)	-	82
Revaluation of securities at FVOCI (positive)	-	-	(618)	(618)
Net deferred tax asset (liability)	2 539	1 355	(618)	3 276

Movements in recognized deferred tax assets and liabilities during the year ended 31 December 2022 are as follows:

(in UAH thousand)	Balance as at the beginning of the year	Recognized in profits/ losses	Recognized in other comprehensiv e income	Balance as at the end of the year
Accrued expenses	1 352	984	-	2336
Provision for guarantees	2	104	-	106
Provisions for other assets	66	31	-	97
Revaluation of securities at FVOCI (positive)	(143)	-	143	-
Net deferred tax asset (liability)	1 277	1 119	143	2 539

21 Dividends

In 2023 and 2022 there was no decision taken for dividends distribution.

22 Risk management

Risk management is fundamental for the banking business and is an essential element of the Bank's operations. The Bank assesses the complex of the following risks: credit exposure risk, market risk (inclusive of interest and currency risks), liquidity risk, operational risk, compliance risk and reputational risk.

The Bank's risk management system provides for continuous risk analysis to make timely and adequate managerial decisions to mitigate risks and reduce associated losses.

The risk management system is based on segregation of duties between the bank units (departments) using the three lines security model.

Risks are managed in an integrated manner and are evaluated in terms of the risk management strategy of the Bank and the risk appetite related to each identified risk, which are reviewed and approved by the Supervisory Board on an annual basis.

The risk management policies aim to identify, analyze, evaluate, monitor, control, report and minimize all the risks faced by the Bank, and assess the capital adequacy of the Bank.

The system of risk limits set in the Bank is revised on a periodic basis, or, in the event of significant changes in the external or internal conditions of the Bank's operation.

(a) Credit risk

Credit risk is the risk of a financial loss if a customer or counterparty fails to meet its contractual obligations. The Bank developed a package of policies and procedures, which regulate credit transactions and credit risk management (for both, balance sheet and off-balance exposures), the main ones include the Credit policy, the Policy of credit risk management, Regulation on credit risk calculation in accordance with NBU Resolution No.351, Regulation on recognizing the impaired financial assets in accordance with IFRS 9. The credit policies are reviewed and approved by the Supervisory Board.

For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure (such as individual customer and counterparty default risk, country risk, and industry risk).

The Credit policy and the Policy of credit risk management establishes:

- general credit limits, which are followed by the Bank to reduce credit risk;
- procedures for review and approval of loan applications;
- methodology for assessment of borrowers' solvency;
- requirements to loan documentation;
- procedures for continuous monitoring loan-related risks and other credit risks.

The Bank maintains the high quality of the loan portfolio, including IFRS 9 requirements to calculate allowances for expected credit losses. This model requires the Bank's management to apply judgments to evaluate the effect of changes in various economic factors on the amount of expected credit losses and their probability caused by this effect.

The Bank ensures the maintenance of the high quality loan portfolio, including in accordance with the requirements for the calculation of reserves for expected losses from credit operations in accordance with IFRS 9. This model, in particular, requires the application of the Bank's judgments regarding the impact of changes in various economic factors on the amount of expected loan losses, as well as weighing such an effect against its probability.

Analysis of changes in provisions for loans for the years ended 31 December 2023 and 31 December 2022 is as follows:

<i>(in thousands of hryvnias)</i>	Loans to legal entities	Correspo ndent accounts	Investment s in securities	Credit liabilities	Other financial assets	Total
Balance as at January 1, 2022	94	846	-	11	10	961
Increase/(decrease) of allowance for impairment during the period	50	(308)	-	576	30	348
Balance as at 31 December 2022	144	538	-	587	40	1 309
Increase/(decrease) of the provision during the period	(39)	(183)	19 220	(584)	(23)	18 391
Balance as at 31 December 2023	105	355	19 220	3	17	19 700

(b) Market (currency) risk

The risk of financial losses and probability of decrease in cost of capital associated with changes in the exchange rates, unfavorable for (opposing) existing open currency positions, change in value of securities is an important type of risk, which arises in the course of banking activity.

Basic methods and models for currency risk management are defined in the Policy on currency risk management in JSC "Deutsche Bank DBU".

The amount of potential financial losses depends on the size of open currency positions and the size of changes of corresponding foreign exchange rates. The analysis of the impact of projected changes in exchange rates on the financial result of the bank is made using VaR model (Value at Risk). The process of currency risk management at the Bank involves daily monitoring of compliance with the maximum possible amount of open currency positions based on a tolerable dimension of capital at risk to established limits of open currency positions, analysis of volatility of exchange rates and the value of the currency risk under normal and stressed conditions.

The following table shows currency risk analysis:

	31 December 2023			31 December 2022		
	monetary assets	monetary liabilities	net position	monetary assets	monetary liabilities	net position
USD	246 082	236 444	9 638	479 033	461 257	17 776
EURO	834 621	833 337	1 284	797 927	801 161	(3 234)
Total	1 080 703	1 069 781	10 922	1 276 960	1 262 418	14 542

As at 31 December 2023, a 10 percent weakening of the hryvnia against the specified currencies would lead to an increase in profit after tax and equity by the amount indicated below. This analysis is based on the year-end position and the assumption that all other variables, including interest rates, remain constant. Conversely, a 10 percent strengthening of the hryvnia in relation to the indicated currencies would lead to the same amount of loss, but the probability of this assumption is very low.

	2023		2022	
	Profit before tax	Equity	Profit before tax	Equity
10% strengthening of the US dollar against the hryvnia	964	482	1 778	1 458
10% strengthening of the euro against the hryvnia	128	64	(324)	(265)

(c) Interest rate risk

Interest rate risk is the actual or potential risk to earnings or capital arising from adverse changes in interest rates. This risk affects both the Bank's profitability and economic value of its assets, liabilities and off-balance sheet instruments.

The main forms of interest rate risk are:

- risk of change in interest rate in case of assets and liabilities maturity mismatch;
- yield curve risk that arises from unfavorable changes in inclination and shape of the yield curve.

Basic principles of interest rate risk management are defined in policy for interest rate risk management in JSC "Deutsche Bank DBU".

Interest rate risk management includes management of both assets and liabilities of the Bank. A specific feature of this process is the limited administrative capacity. Asset management is limited by:

- the liquidity requirements and credit risk of portfolio of the Bank's assets;
- price competition from other banks, which limits freedom in the Bank's choice of loan pricing.
- the client's appetites for credit financing within a specific time period.

On the other hand, the liabilities management is complicated by the level of concentration of resources between clients and individual products, by availability of hedging products in the interbank market and by price competition for existing funds from other banks and non-bank credit institutions.

Therefore, the main objective of interest rate risk management is to minimize this risk within the Bank's planned profitability considering its liquidity position.

The amount of potential financial losses depends on the amount of open interest positions (Gaps) - the gaps between assets and liabilities by terms.

Interest rate risk management includes using Sensitivity to interest risk (Sensitivity/PV01), VaR model (Value at Risk) and Gaps (open interest gap) models.

Management process involves daily monitoring of Sensitivity/PV01 and VaR limits and monthly monitoring of open interest Gaps.

Derivatives (Forwards and Swaps in foreign currency) are carried at fair value through profit or loss. Also, during the reporting period, the Bank held a portfolio of government securities with less than 3 years maturity, which evaluated at fair value through other comprehensive income.

The table below presents average effective interest rates for interest bearing assets and liabilities as at 31 December:

	Interest rates, as at 31 December 2023 %			Interest rates, as at 31 December 2022 %		
	UAH	USD	EUR	UAH	USD	EUR
Interest bearing assets						
Cash and cash equivalents due from other banks	-	4.58%	2.35%	-	3.58%	0.92%
NBU deposit certificates	15.00%	-	-	19.88%	-	-
Investments in securities	19.75%	-	-	11.00%	-	-
Loans and advances to customers	15.3%	-	-	23%	-	-
Interest bearing liabilities						
Customer accounts:						
Current accounts	3.82%	-	-	3.18%	-	-
Term deposits	7.10%	-	0.99%	9.29%	-	-
Other financial liabilities (lease liabilities)	2.76%	-	-	1.57%	-	-

The Bank does not have any floating rate instruments. Therefore, a change in interest rates at the reporting date would not affect profit or loss and do not significantly affect equity for financial assets at FVOCI.

(d) Geographical risk

Geographical concentration of financial assets and liabilities as at 31 December 2023 is as follows:

(in UAH thousand)	Ukraine	OECD countries	Total
Assets			
Cash and cash equivalents	4 949 589	1 012 636	5 962 225
Loans and advances to customers	200 106	-	200 106
Investments in securities	335 979	-	335 979
Other assets	4	11	15
Total financial assets	5 485 678	1 012 647	6 498 325
Liabilities			
Due to customers	5 641 229	53 200	5 694 429
Provision for credit related commitments	1	2	3
Other financial liabilities	31 351	13 160	44 511
Total Financial Liabilities	5 672 581	66 362	5 738 943
Net Balance Sheet Position on Financial Instruments	(186 903)	946 285	759 382

Geographical concentration of financial assets and liabilities as at 31 December 2022 is as follows:

(in UAH thousand)	Ukraine	OECD countries	Other countries	Total
Assets				
Cash and cash equivalents	3 367 278	1 222 321	-	4 589 599
Loans and advances to customers	698 364	-	-	698 364
Other assets	4	3	-	7
Total financial assets	4 065 646	1 222 324	-	5 287 970
Liabilities				
Due to customers	4 730 874	6 637	1	4 737 512
Provision for credit related commitments	585	2	-	587
Other financial liabilities	10 354	9 881	-	20 235
Total Financial Liabilities	4 741 813	16 520	1	4 758 334
Net Balance Sheet Position on Financial Instruments	(676 167)	1 205 804	(1)	529 636

Other risk concentrations.

Concentration risk is not an isolated form of banking risk, but the generalized, which includes elements of banking risks such as: credit risk, market risk, liquidity risk, operational and technological risk, geographical risk, as a result of focusing on separate types of transactions or certain sources of funding.

The common characteristic that identifies each concentration risk is the possibility of incurring potential losses that could significantly impair the Bank's financial position and result in the inability of current operations as a result of the concentration of business with certain persons in certain types of instruments, assets, liabilities, regions and countries.

(e) Liquidity risk

Liquidity risk is an existing or potential risk, which arises from the failure of the Bank to meet its obligations in due time, without incurring financial losses.

Basic principles of liquidity risk management are defined in policy on liquidity risk management of JSC “Deutsche Bank DBU”.

The Bank pays special attention to operational risk management of liquidity risk, which is based on the generating a cash flow schedule, taking into account highly liquid assets, and adhering to the current norms of the liquidity coverage ratio (LCR and NSFR).

The Bank uses the following basic methods of liquidity management.

Calculation of cash flows within one month. The calculation includes liquid assets and current liabilities (current customer accounts are divided into stable and unstable part), 100% of cash flows on term loans and deposits, overdrafts are included in to be repaid on the 31st day.

Short-term liquidity coverage ratio – LCR.

Net stable funding ratio within one year – NSFR.

Stress testing. For all currencies, the Bank should be able to survive in a harsh combined market conditions and overcome a specific stressful liquidity-related condition for a minimum initial period of up to 8 weeks, while maintaining an appropriate net liquidity buffer.

Assets and liabilities and liquidity are managed by Asset and Liability Committee (ALCO), which analyses assets and liabilities by maturity and provide recommendations on how to avoid liquidity gaps. In addition, ALCO analyses liability cost and return on assets, controls compliance with economic ration and the NBU's regulations and provisioning requirements and prepares recommendations on proper asset and liability management. ALCO is responsible for cash flow optimization and payment discipline, coordinates corporate forecast system, etc.

Liquidity risk is a major financial risk, and Bank's stable financial position depends on the efficiency of liquidity risk management. To manage liquidity risk, the Bank analyses asset and liability structure, liquidity status, both for all currencies collectively and for individual currencies of Bank's transactions.

The Bank sets up certain sufficient liquidity limits for the following terms: overnight, week and month. In addition, the Bank controls its compliance with the mandatory provisioning ratios for borrowings on correspondent accounts, economic ratios established by the National Bank of Ukraine, as well as internal regulation requirements.

Important instrument for effective liquidity management is using the methods for analysis of maturity balances between active deposited and borrowed funds and cash flow projections.

Monitoring of adherence to limits is performed daily based on limit adherence reports.

The undiscounted cash flows from financial liabilities, including future interest payments, by maturity as at 31 December 2023 are as follows:

(in UAH thousand)	On demand and less than 1 month	From 1 month to 1 year	More than 1 year	Total	Carrying amount
Due to customers:					
Corporates	5 374 043	332 757	-	5 706 800	5 694 428
Provision for credit related commitments	3	-	-	3	3
Lease liabilities	785	7 842	14 678	23 305	22 338
Guarantees (off- balance)	33 511	-	-	33 511	-
Total potential future payments under financial liabilities	5 408 342	340 599	14 678	5 763 619	5 716 769

The undiscounted cash flows from financial liabilities, including future interest payments, by maturity as at 31 December 2022 is as follows:

(in UAH thousand)	On demand and less than 1 month	From 1 month to 1 year	More than 1 year	Total	Carrying amount
Due to customers:					
Corporates	4 253 857	495 991		4 749 848	4 737 512
Provision for credit related commitments	587			587	587
Lease liabilities	664	6 161	1 162	7 987	7 950
Guarantees (off- balance)	43 183	-	-	43 183	-
Total potential future payments under financial liabilities	4 298 291	502 152	1 162	4 801 605	4 746 049

(f) Operational risk

In 2023 the Bank did not exceed the risk appetite level on losses and the number of incidents related to OR which affected customers, reputation and the regulator.

The level of acceptable operational risk for 2023, determined taking into account the current operating conditions of the environment as a result of the impact of Russian aggression against Ukraine and actual operating expenses for 2022.

Amount of potential operating expenses for 2023 includes the cost of maintaining the office in the event of power outages (refueling and maintenance of a diesel generator), employee support, and other operating expenses that may occur as a result of hostilities.

23 Capital management

Capital management main objective is to maintain the Bank's capital at a level sufficient for effective day-to-day operation and to ensure strategic development of the banking business while complying with NBU capital adequacy requirements. Capital management is an integral part of Bank's assets and liabilities management.

The Bank ensures that its capital adequacy is maintained on a sufficient level through planning and control mechanisms. The Bank monitors capital adequacy ratio on a daily basis.

Regulatory capital adequacy ratio calculated in accordance with the NBU requirements is 102.42% (31 December 2022: 99.64%) % with the minimum established ratio is 10%.

Regulatory capital of the Bank is as follows (according to form 6DX excluding adjustments for the year):

(in UAH thousand)	31 December 2023	31 December 2022
Fixed Capital (AC) (Tier 1 Capital)	334 899	326 592
The total amount of additional capital	387 048	203 073
Additional capital (Tier 2 capital, cannot exceed 100% of Tier 1 capital)	334 899	203 073
Total Regulatory Capital	669 798	529 665
Capital adequacy ratio for tier 1 capital (H3,%)	51,21%	61,44%
Capital adequacy ratio (H2,%)	102,42%	99,64%

24 Contingencies

a) Litigations

As at 31 December 2023, the Bank has no litigations in progress.

The Bank recognized no provisions for potential losses from litigations.

b) Taxation contingencies

The Ukrainian tax system is characterized by frequent changes in tax legislation. Official pronouncements and court decisions are often unclear, contradictory and subject to varying interpretation by different tax authorities. Instances of inconsistent opinions between different authorities are not unusual. These facts create tax risks in Ukraine substantially more significant than typically found in countries with more developed tax systems.

Management believes that it has complied with all existing tax legislation and has provided adequately for tax liabilities based on its interpretations of applicable Ukrainian tax legislation, official pronouncements and court decisions. However, there can be no assurance that the tax authorities will not have a different interpretation of the Bank's compliance with existing legislation and assess fines and penalties. No provision for potential tax assessments has been made in these financial statements.

c) Credit-related commitments

As at the reporting date the Bank did not have pledged assets or assets restricted for ownership, use or distribution.

Credit-related commitments are as follows:

<i>(in UAH thousand)</i>	31 December 2023	31 December 2022
Revocable:		
Undrawn credit lines	2 041 992	3 169 656
Total revocable liabilities	2 041 992	3 169 656
Irrevocable:		
Guarantees issued	33 511	43 183
Total irrevocable liabilities	33 511	43 183
Total	2 075 503	3 212 839

The Bank determines the allowance for expected credit losses on irrevocable commitments. The allowance for irrevocable commitments is measured using Stage 1.

Credit related commitments by currency are as follows:

<i>(in UAH thousand)</i>	31 December 2023	31 December 2022
UAH	1 001 141	1 200 565
USD	-	656 432
EUR	1 074 362	1 355 842
Total	2 075 503	3 212 839

25 Fair value of financial instruments

a) Classifications and fair values

Carrying amounts and fair values of financial assets and financial liabilities by measurement category as at 31 December 2023 are as follows:

(in UAH thousand)

	At amortized cost	At fair value through other comprehensive income	Carrying amount	Fair value
Cash and cash equivalents	5 962 225	-	5 962 225	5 962 225
Loans and advances to customers	200 106	-	200 106	200 106
Investments in securities	-	335 979	335 979	335 979
Other financial assets	15	-	15	15
Total financial assets	6 162 346	335 979	6 498 325	6 498 325
Due to customers	5 694 429	-	5 694 429	5 694 429
Provision for credit related commitments	3	-	3	3
Other financial liabilities	44 511	-	44 511	44 511
Total financial liabilities	5 738 943	-	5 738 943	5 738 943

Carrying amounts and fair values of financial assets and financial liabilities by measurement category as at 31 December 2022 are as follows:

(in UAH thousand)

	At amortized cost	Carrying amount	Fair value
Cash and cash equivalents	4 589 599	4 589 599	4 589 599
Loans and advances to customers	698 364	698 364	698 364
Other financial assets	7	7	7
Total financial assets	5 287 970	5 287 970	5 287 970
Due to customers	4 737 512	4 737 512	4 737 512
Provision for credit related commitments	587	587	587
Other financial liabilities	20 235	20 235	20 235
Total financial liabilities	4 758 334	4 758 334	4 758 334

As at 31 December 2023 and 31 December 2022, the fair values of all financial assets and liabilities are estimated to approximate their carrying values due to their short-term nature and/or market interest rates at period end.

The estimates of fair value are intended to approximate the price that would have been received to sell an asset or would have been paid to transfer a liability in an orderly transaction between market participants at

the measurement date. However, given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realizable in an immediate sale of the assets or transfer of liabilities.

Fair value of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

b) Hierarchy of Fair Value Sources

IFRS 7 specifies a hierarchy of valuation techniques. It is based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Bank's market assumptions.

These two types of inputs have created the following three-level fair value hierarchy:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments and traded derivatives, such as futures.

Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., prices) or indirectly (i.e., derived from prices).

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

This hierarchy requires the use of observable market data when available.

Financial assets and liabilities at fair value by the level of hierarchy underlying the fair value measurement as at 31 December 2023 are as follows:

(in UAH thousand)

	Level 2	Fair value	Carrying amount
Investments in securities	335 979	335 979	335 979
Total assets	335 979	335 979	335 979

26 Related party transactions

The Bank grants loans and advances, attracts deposits and performs other transactions with related parties in the ordinary course of business. Parties are considered to be related if one party has the ability to control the other party or exercises significant influence over the other party when making financial and operational decisions.

The Bank assesses credit risks associated with loans to related parties and manages these credit risks in accordance with the normative requirements of the NBU.

Terms of transactions with related parties are established at the time of the transaction. In accordance with IAS 24 *Related Party Disclosures*, related parties comprise:

- the parent company - the actual controlling party of the Bank is Deutsche Bank AG (Germany) which holds 100% shares;
- entities under common control of Deutsche Bank AG;
- key management personnel and their close family members, members of the Supervisory Board, the Board, and their close family members.

As at 31 December 2023 and 31 December 2022, the Bank has no subsidiaries, associates, or joint ventures where the Bank has control relationship.

Balances of transactions with related parties as at 31 December 2023 are as follows:

<i>(in UAH thousand)</i>	Parent company	Entities under common control	Key Management Personnel
Cash and cash equivalents (USD, EUR; rates 2.4%-4.6%)	1 012 637	-	-
Other financial assets	11	-	-
Other financial liabilities		3 856	
	9 344		2 749
Provisions for credit-related commitments	2	-	-

Other rights and commitments on transactions with related parties as at 31 December 2023 are as follows:

<i>(in UAH thousand)</i>	Parent company	Entities under common control
Guarantees issued	24 312	-
Guarantees received	63 734	-

Income and expenses on transactions with related parties for the year ended 31 December 2023 are as follows:

<i>(in UAH thousand)</i>	Parent company	Entities under common control	Key Management Personnel
Interest income	37 220	-	-
Interest expense	(5)	-	-
Gains less losses from trading foreign currencies	(1 702)		-
Commission income	225		-
Commission expense	(8 670)		-
Staff costs, administrative and other operating expenses	(36 347)	(7 692)	(31 836)

Balances of transactions with related parties as at 31 December 2022 are as follows:

<i>(in UAH thousand)</i>	Parent company	Entities under common control	Key Management Personnel
Cash and cash equivalents	1 222 321	-	-
Other assets	2 239	-	-
Other liabilities (on demand, denominated in EUR)	5 858	3 671	3 965
Provisions for off-balance sheet liabilities	2	-	-

Other rights and commitments on transactions with related parties as at 31 December 2022 are as follows:

<i>(in UAH thousand)</i>	Parent company	Entities under common control
Guarantees issued	37 891	-
Guarantees received	595 950	-

Income and expenses on transactions with related parties for the year ended 31 December 2022 are as follows:

(in UAH thousand)

	Parent company	Entities under common control	Key Management Personnel
Interest income	8 846	-	-
Interest expense	(1)	-	-
Gains less losses from trading foreign currencies	(15 715)	-	-
Commission income	260	-	-
Commission expense	(10 462)	-	-
Staff costs, administrative and other operating expenses	(32 543)	(8 095)	(24 829)

Payments to key management personnel for the reporting periods are as follows:

	As at and for the year ended 31 December 2023		As at and for the year ended 31 December 2022	
(in UAH thousand)	expenses	accrued liability	expenses	accrued liability
Short-term employee benefits	30 506	2 749	24 829	3 965
Long-term employee benefits	380	937	-	-
Share-based payment benefits	950	2 343	-	-

27 Subsequent events

As at the date of authorisation of these financial statements, active military operations are ongoing as described in Note 2.

On 9 March 2024, Standard & Poor's downgraded Ukraine's long-term foreign currency sovereign credit rating to 'CC' with a negative outlook.

The Board of the National Bank of Ukraine decided to cut the key policy rate from 15% to 14.5% effective 15 March 2024.