

Remuneration APS330
Dnister Ukrainian Credit Co-operative Ltd



Detailed Capital Disclosure

| Common Equity Tier 1: instruments & reserves | | 31 Dec 2020 |
|---|--|----------------------|
| 1 | Directly issued qualifying ordinary shares | |
| 2 | Retained Earnings including current year earnings | \$ 12,271,850 |
| 3 | Accumulated other comprehensive income (and other reserves) | \$ 9,643,002 |
| 4 | <i>Directly issued capital subject to phase out from CET1</i> | |
| 5 | Ordinary share capital issued by subsidiaries and held by third parties | |
| 6 | Common Equity Tier 1 capital before regulatory adjustments | \$ 21,914,851 |
| Common Equity Tier 1 capital: regulatory adjustments | | |
| 7 | Prudential valuation adjustments | |
| 8 | Goodwill (net of related tax) | |
| 9 | Other intangibles other than mortgage servicing rights (net of related tax) | |
| 10 | Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax) | |
| 11 | Cash-flow hedge reserve | |
| 12 | Shortfall of provisions to expected losses | |
| 13 | Securitisation gain on sale | |
| 14 | Gains and losses due to changes in own credit risk on fair valued liabilities | |
| 15 | Defined benefits superannuation fund net assets | |
| 16 | Investment in own shares | |
| 17 | Reciprocal cross-holdings in common equity | |
| 18 | Investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the ADI does not own more than 10% of the issued share capital | \$ 379,674 |
| 19 | Significant investments in the ordinary shares of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions | |
| 20 | Mortgage service rights (amount above 10% threshold) | |
| 21 | Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax) | |
| 22 | Amount exceeding the 15% threshold | |
| 23 | of which: significant investments in the ordinary shares of financial entities | |
| 24 | of which: mortgage servicing rights | |
| 25 | of which: deferred tax assets arising from temporary differences | |
| 26 | National specific regulatory adjustment | |
| 26a | of which: treasury shares | |
| 26b | of which: offset to dividends declared under a dividend reinvestment plan (DRP), to the extent that the dividends are used to purchase new ordinary shares issued by the ADI | |
| 26c | of which: deferred fee income | |
| 26d | of which: equity investments in financial institutions not reported in rows 18,19 and 23 | |
| 26e | of which: deferred tax assets not reported in rows 10, 21 and 25 | |
| 26f | of which: capitalised expenses | \$ 410,539 |
| 26g | of which: investments in commercial (non-financial) entities that are deducted under APRA prudential requirements | |
| 26h | of which: covered bonds in excess of asset cover in pools | |
| 26i | of which: undercapitalisation of a non-consolidated subsidiary | |
| 26j | of which: other national specific regulatory adjustments not reported in rows 26a to 26i | |

| | | |
|-----|--|---------------|
| 27 | Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions | |
| 28 | Total regulatory adjustments to Common Equity Tier 1 | \$ 790,213 |
| 29 | Common Equity Tier 1 Capital (CET1) | \$ 21,124,638 |
| | Additional Tier 1 Capital Instruments | |
| 30 | Directly issued qualifying Additional Tier 1 Instruments | |
| 31 | of which: classified equity under applicable accounting standards | |
| 32 | of which: classified as liabilities under applicable accounting standards | |
| 33 | Directly issued capital instruments subject to phase out from Additional Tier 1 | |
| 34 | Additional Tier 1 instruments issued by subsidiaries and held by third parties | |
| 35 | <i>of which: instruments issued by subsidiaries subject to phase out</i> | |
| 36 | Additional Tier 1 Capital before regulatory adjustments | \$ - |
| | Additional Tier 1 Capital: regulatory adjustments | |
| 37 | Investments in own Additional Tier 1 instruments | |
| 38 | Reciprocal cross-holding in Additional Tier 1 instruments | |
| 39 | Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the ADI does not own more than 10% of the issued share capital (amount above 10% threshold) | |
| 40 | Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions | |
| 41 | National specific regulatory adjustments | |
| 41a | of which: holdings of capital instruments in group members by other group members on behalf of third parties | |
| 41b | of which: investments in the capital of financial institutions that are outside the regulatory consolidations not reported in rows 39 and 40 | |
| 41c | of which: other national specific regulatory adjustments not reported in rows 41a and 41b | |
| 42 | Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to covered deductions | |
| 43 | Total regulatory adjustments to Additional Tier 1 Capital | \$ - |
| 44 | Additional Tier 1 capital (AT1) | \$ - |
| 45 | Tier 1 Capital (T1=CET1+AT1) | \$ 21,124,638 |
| | Tier 2 Capital: instruments and provisions | |
| 46 | Directly issued qualifying Tier 2 Instruments | |
| 47 | Directly issued capital instruments subject to phase out from Tier 2 | |
| 48 | Tier 2 instruments (and CET1 and AT1 instruments not included in row 5 or 34) issued by subsidiaries and held by third parties | |
| 49 | <i>of which: instruments issued by subsidiaries subject to phase out</i> | |
| 50 | Provisions | \$ 780,110 |
| 51 | Tier 2 Capital before regulatory adjustments | \$ 780,110 |
| 52 | Investments in own Tier 2 instruments | |
| 53 | Reciprocal cross-holdings in Tier 2 instruments | |
| 54 | Investments in the Tier 2 banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the ADI does not own more than 10% of the issue shared capital | |
| 55 | Significant investments in the Tier 2 capital of banking, finance and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions | |
| 56 | National specific regulatory adjustments | |
| 56a | of which: holdings of capital instruments in group members by other group members on behalf of third parties | |
| 56b | of which: investments in the capital of financial institutions that are outside the scope of regulatory consolidations not reported in rows 54 and 55 | |

| | | |
|-----|--|----------------|
| 56c | of which: other national specific regulatory adjustments not reported in rows 56a and 56b | |
| 57 | Total regulatory adjustments to Tier 2 capital | \$ - |
| 58 | Tier 2 capital (T2) | \$ 780,110 |
| 59 | Total capital (TC=T1+T2) | \$ 21,904,748 |
| 60 | Total risk weighted assets based on APRA standards | \$ 103,757,914 |
| | Capital ratios and buffers | |
| 61 | Common Equity Tier 1 (as a percentage of risk weighted assets) | 20.36% |
| 62 | Tier 1 (as a percentage of risk weighted assets) | 20.36% |
| 63 | Total Capital (as a percentage of risk weighted assets) | 21.11% |
| 64 | Institution - specific buffer requirements | 7.00% |
| 65 | of which: capital conservation buffer | 2.5% |
| 66 | of which: ADI- specific countercyclical buffer requirements | 0% |
| 67 | of which: G-SIB buffer requirement | N/A |
| 68 | Common Equity Tier 1 available to meet buffers (as a percentage of risk-weighted assets) | 10.86% |
| | National minima (if different from Basel III) | |
| 69 | National Common Equity Tier 1 minimum ratio | |
| 70 | National Tier 1 minimum ratio | |
| 71 | National total capital minimum ratio | |
| | Amount below thresholds for deductions (not risk weighted) | |
| 72 | Non-significant investments in the capital of other financial entities | |
| 73 | Significant investments in the capital of other financial entities | |
| 74 | Mortgage servicing rights (net of related tax liabilities) | |
| 75 | Deferred tax assets arising from temporary differences | |
| | Applicable caps on the inclusion of provisions in Tier 2 | |
| 76 | Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach | |
| 77 | Cap on inclusion of provisions in Tier 2 under standardised approach | |
| 78 | Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach | |
| 79 | Cap for inclusion of provisions in Tier 2 under ratings-based approach | |
| | Capital instruments subject to phase out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022) | |
| 80 | Current cap on CET1 instruments subject to phase out arrangements | |
| 81 | <i>Amount excluded from CET1 due to cap</i> | |
| 82 | <i>Current cap on AT1 instruments subject to phase out arrangements</i> | |
| 83 | <i>Amount excluded from AT1 due to cap</i> | |
| 84 | <i>Current cap on T2 instruments subject to phase out arrangements</i> | |
| 85 | <i>Amount excluded from T2 due to cap</i> | |

Regulatory Balance Sheet

| | 31-Dec-20 \$'000 |
|---|---------------------|
| ASSETS | |
| Cash and cash equivalents | 7,836 |
| Financial investments – held to maturity | 30,960 |
| Loans and advances to members | 159,027 |
| Investment properties | 3,454 |
| Property, plant and equipment | 11,109 |
| Intangible assets | 411 |
| Deferred tax assets | 175 |
| Other investments | 20 |
| Other assets | 301 |
| Total Assets | 213,293 |
| LIABILITIES AND EQUITY | |
| Member deposits | 186,473 |
| Wholesale borrowings | |
| Current tax liabilities | 40 |
| Deferred tax liabilities | 1,620 |
| Other liabilities | (64) |
| Provisions – Employees | 469 |
| Total Liabilities | 188,539 |
| Retained earnings | 12,272 |
| Credit loss reserve | 753 |
| Bond premium reserve | 139 |
| Business combination reserve | 4,436 |
| Asset revaluation reserve | 7,154 |
| Total Equity | 24,754 |
| TOTAL LIABILITIES AND EQUITY | 213,293 |
| Reconciliation between Detailed Capital & Regulatory Balance Sheet | |
| | 31 Dec 2020 |
| Deferred Tax Assets | |
| Deferred Tax Assets per Balance Sheet | 175 |
| Less deferred tax liability per Balance Sheet | (1,620) |
| Net Deferred Tax Assets | (1,445) |

Dnister Ukrainian Credit Co-operative Capital Adequacy Calculation

| Capital Adequacy | 30-Sep-20 | 31-Dec-20 |
|---|------------------|------------------|
| Total Risk Weighted Assets for Credit Risk | \$ 87,745,256 | \$ 90,344,598 |
| Total Risk Weighted Assets for Market Risk | \$ - | \$ - |
| Total Risk Weighted Assets for Operational Risk | \$ 13,049,578 | \$ 13,413,316 |
| Total Risk Weighted Assets | \$ 100,794,834 | \$ 103,757,914 |
| Common Equity Tier 1 Ratio | 20.49% | 20.36% |
| Tier 1 Ratio | 20.49% | 20.36% |
| Total Capital Adequacy Ratio | 21.24% | 21.11% |

Dnister Ukrainian Credit Co-operative
 Capital Adequacy Calculation
 For the period ending 31 December 2020

| Risk Exposure | Gross Credit Exposure | Average Gross Exposure for this period | Risk Weighted Amounts | Specific Provision | Impaired Assets | Past Due Facilities | Bad Debts Written Off |
|--------------------------------|-----------------------|--|-----------------------|--------------------|-----------------|---------------------|-----------------------|
| Cash and Liquid Assets | \$ 38,853,656 | \$ 38,458,389 | \$ 13,142,519 | | | | |
| Loans and Advances | | | | | | | |
| - Secured by Eligible Mortgage | \$ 153,793,235 | \$ 150,200,929 | \$ 55,194,454 | \$ 1,624 | - | \$ 2,024,114 | |
| - Other Loans and Advances | \$ 4,475,395 | \$ 3,726,781 | \$ 4,475,395 | \$ 349 | \$ 2,497 | | \$ - |
| Direct Credit Substitutes | | | | | | | |
| Other Commitments | | | | | | | |
| Plant & Equipment | \$ 972,847 | \$ 1,003,031 | \$ 972,847 | | | | |
| Other Investments | \$ 14,000,001 | \$ 14,000,001 | \$ 14,000,001 | | | | |
| Other Assets | \$ 471,391 | \$ 630,433 | \$ 471,391 | | | | |
| Totals | \$ 212,566,525 | \$ 208,019,564 | \$ 88,256,606 | \$ 1,973 | \$ 2,497 | \$ 2,024,114 | \$ - |

| | | |
|-----------------------------------|----|----------------|
| General Reserve for Credit Losses | \$ | 780,116 |
|-----------------------------------|----|----------------|

Dnister Ukrainian Credit Co-operative
 Capital Adequacy Calculation
 For the period ending 30 September 2020

| Risk Exposure | Gross Credit Exposure | Average Gross Exposure for this period | Risk Weighted Amounts | Specific Provision | Impaired Assets | Past Due Facilities | Bad Debts Written Off |
|--------------------------------|-----------------------|--|-----------------------|--------------------|-----------------|---------------------|-----------------------|
| Cash and Liquid Assets | \$ 38,063,121 | \$ 38,547,450 | \$ 12,969,514 | | | | |
| Loans and Advances | | | | | | | |
| - Secured by Eligible Mortgage | \$ 146,608,624 | \$ 146,001,045 | \$ 52,494,082 | \$ 5,678 | - | \$ 2,024,114 | |
| - Other Loans and Advances | \$ 2,978,167 | \$ 3,653,234 | \$ 2,978,167 | \$ 122 | \$ 5,983 | | \$ - |
| Direct Credit Substitutes | | | | | | | |
| Other Commitments | | | | | | | |
| Plant & Equipment | \$ 1,033,215 | \$ 1,049,655 | \$ 1,033,215 | | | | |
| Other Investments | \$ 14,000,001 | \$ 14,000,001 | \$ 14,000,001 | | | | |
| Other Assets | \$ 789,475 | \$ 473,122 | \$ 789,475 | | | | |
| Totals | \$ 203,472,603 | \$ 203,724,506 | \$ 84,264,454 | \$ 5,800 | \$ 5,983 | \$ 2,024,114 | \$ - |

| | | |
|-----------------------------------|----|----------------|
| General Reserve for Credit Losses | \$ | 755,234 |
|-----------------------------------|----|----------------|

Remuneration APS330

The Remuneration Committee which sits within the Corporate Governance Committee is responsible for overseeing remuneration. This includes conducting regular reviews of, and making recommendations to the Board on, the Remuneration Policy; making annual recommendations to the Board on the remuneration of the Chief Executive Officer, direct reports of the Chief Executive Officer, other persons whose activities may, in the Remuneration Committee's opinion, affect the financial soundness of the regulated institution and any other person specified by APRA; and making annual recommendations to the Board on the remuneration of the categories of persons covered by the Remuneration policy. The Remuneration Committee operates in accordance with its written Corporate Governance Charter that outlines the Committee's roles, responsibilities and terms of operation.

The members of the Remuneration Committee for the year from 1 July 2019 are:

| Nov 20 – Jun 21 | Jul 20 – 1 Nov 20 |
|--------------------|--------------------|
| David Hassett | David Hassett |
| Bohdan Wojewidka | Bohdan Wojewidka |
| Walentyn Mykytenko | Walentyn Mykytenko |
| Andrew Pavuk | Andrew Pavuk |
| John Lipkiewicz | |

The Remuneration Committee meets at least twice a year and as required. The number of meetings during the year and the Committee members' attendance record is disclosed in the table of quantitative disclosure.

During the year, the Remuneration Committee did not engage an external consultant to review and provide advice on the variable remuneration structure for material risk takers

Dnister Ukrainian Credit Co-operative's Remuneration Policy was reviewed during the year by the Remuneration Committee and approved by the Board and effective June 2020. There were no significant changes.

The Remuneration Policy applies to all employees of Dnister Ukrainian Credit Co-operative Limited.

The Remuneration Committee has reviewed the risks and remuneration structures and considers the following employees material risk takers and senior managers in accordance with CPS510:

| Type of Employee | Number |
|---|--------|
| Senior Managers | |
| Managers including functions of operational, finance, risk / compliance and lending. | 5 |
| Material Risk Takers | |
| Persons subject to significant bonus or performance based remuneration and whose activities, individually or collectively, may affect the financial soundness of the regulated institution. | Nil |

The Remuneration Policy is considered an important component to recruit and retain those who have the necessary skills for the effective and prudent operation and are committed to making a long-term career with Dnister Ukrainian Credit Co-operative Ltd. The Remuneration Policy is designed to ensure:

- Alignment of Dnister Ukrainian Credit Co-operative's interest with those of its employees and members
- Dnister Ukrainian Credit Co-operative's long-term financial soundness; and
- Support of an effective risk management framework

As detailed in the Remuneration Policy, the structure of the remuneration arrangements comprises the following:

- Fixed Component
- Variable Component

Fixed Component

Fixed component consists of salary, fees, and FBT charges related to applicable employee benefits including motor vehicles, leave entitlements and employer contributions to superannuation funds.

Compensation levels are reviewed annually by the Remuneration Committee through a process that considers individual and the overall performance of the Dnister Ukrainian Credit Co-operative Limited.

Variable Component

Employees have opportunities to participate in variable pay arrangements. Discretionary variable pay is dependent on the achievement of financial objectives as set by Senior Management, outlined in the Budget and approved by the Board.

The variable component is differentiated by performance. With consideration for the expected value of Awards, the performance related elements of pay make up a small proportion of the total remuneration for mid management, whilst maintaining an appropriate balance between fixed and variable elements. The Chief Executive Officer and Executive Management bonus structure is defined in the Remuneration Policy. Remuneration is structured to provide an opportunity for compensation for higher levels of performance and achievement.

The Remuneration Policy allows for performance pay adjustment as a result of adverse unexpected consequences and payment deferral if outcomes cannot yet be reliably measured.

Risk and Compliance Staff

The performance and remuneration of risk and compliance staff is assessed according to objectives specific to the roles they undertake. These roles are remunerated with a fixed salary which is reviewed and benchmarked against the industry and internally to ensure that it is set at an appropriate level.

Dnister Ukrainian Credit Co-operative has developed a risk management framework which describes the type of risks it is prepared to take in executing its strategic plan. However, Dnister Ukrainian Credit Co-operative Limited does not have a direct link from this risk management framework to the attainment of variable remuneration.

The members of the Risk Committee for the year to 30 June 2021 are:

| Director | Meetings Held | Meeting Attended |
|-------------------------|---------------|------------------|
| John Lipkiewicz (Chair) | 2 | 2 |
| Walentyn Mykytenko | 2 | 2 |
| Michael Kwas | 2 | 2 |
| David Makohon | 2 | 2 |

| Remuneration of the Remuneration Committee | 2020 |
|---|-------|
| Remuneration Committee does not receive additional remuneration to their annual Directors remuneration. | \$NIL |

The table below presents the number of employees who received variable remuneration, guaranteed bonuses, sign-on awards or termination payments during the current financial year:

| Variable remuneration, guaranteed bonuses, sign on award and termination payment | 2020 | |
|--|-----------------|------------|
| | No of employees | Total (\$) |
| Variable remuneration award – discretionary bonus | 0 | - |
| Guaranteed Bonus | 0 | - |
| Sign-On Award | 0 | - |
| Termination Payments | 0 | - |
| Total | 0 | - |

The table below presents total value of remuneration awards for senior managers till Dec 2020:

| Total value of remuneration awards for the current financial year | Unrestricted | Deferred | Total |
|---|------------------|----------|------------------|
| | \$ | \$ | \$ |
| Fixed Remuneration | | | |
| Cash-based | \$677,888 | - | \$677,888 |
| Shares and share linked instruments | - | - | - |
| Other | - | - | - |
| | \$677,888 | - | \$677,888 |
| Variable remuneration | | | |
| Cash-based | - | - | - |
| Shares and share linked instruments | - | - | - |
| Other | - | - | - |
| | \$677,888 | - | \$677,888 |