

**PUBLIC JOINT STOCK COMPANY
"RWS BANK"**

**Annual financial statements according to IFRS
*for the year ended December 31 , 2017
and Independent Auditor's Report***

Contents

Independent auditor's report

Annual financial statements

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**Financial Statement (Balance Sheet)
as of December 31, 2017**

(thousand UAH)

| Article title 1 | Notes 2 | 2017 year 3 | 2016 year 4 |
|--------------------------------------|------------|-----------------|----------------|
| Assets | | | |
| Cash and cash equivalents | 6 | 234 54 7 | 88,543 |
| Funds in other banks | 7 | 561 | - |
| Loans and customer debt | 8 | 27,930 | 12,560 |
| Investment property | 9 | 209 146 | 200,662 |
| Fixed assets and intangible assets | 10 | 3 76 4 | 1,578 |
| Other financial assets | 11 | 182 | 86 |
| Other assets | 12 | 26,220 | 31,575 |
| Non-current assets held for sale | 13 | 7,427 | 2,460 |
| Total assets | | 509,777 | 337,464 |
| Obligation | | | |
| Bank funds | 14 | 10,016 | - |
| Client funds | 15 | 265 86 8 | 68,920 |
| Provisions for liabilities | 16 | 688 | - |
| Other financial liabilities | 17 | 19,704 | 14,215 |
| Other obligations | 18 | 2,347 | 5,861 |
| Total liabilities | | 298 62 3 | 88,996 |
| Authorized capital | 19 | 300,039 | 300,039 |
| Reserve and other funds of the bank | | 9,400 | 9,400 |
| (Uncovered loss) / retained earnings | | (98,285) | (60,971) |
| Total equity | | 211,154 | 248,468 |
| Total liabilities and equity | | 509,777 | 337,464 |

Approved for release and signed

24 April 2018

Chairman of the Board _____ V.I. Kravets

(044) 590-00-07
Motuz M.V.

Chief Accountant _____ L.G. Korniychuk

**Statement of profit or loss and other comprehensive income
(Financial performance report)
for 2017**

(thousand UAH)

| Article title 1 | Notes 2 | 2017 year 3 | 2016 year 4 |
|---|-------------------|-----------------------|-----------------------|
| Interest income | 2 1 | 12,566 | 6,015 |
| Interest expenses | 2 1 | (2,461) | (759) |
| Net interest income | | 10 105 | 5,256 |
| Net decrease/(increase) in provisions for impairment of loans and advances to customers, funds in other banks | 7.8 | (730) | 8,088 |
| Net interest income/(Net interest expense) after provision for impairment of loans and advances to customers, funds in other banks | | 9,375 | 13,344 |
| Commission income | 2 2 | 32,324 | 662 |
| Commission costs | 2 2 | (1,629) | (43) |
| Result from transactions with financial instruments carried at fair value through profit or loss | | 167 | - |
| Result from foreign currency transactions | | 1,282 | 140 |
| Result from foreign currency revaluation | | 2,797 | (7) |
| Result from revaluation of investment property | | (28,200) | 108,486 |
| Net decrease/(increase) in provisions for impairment of receivables and other financial assets | 11 | (5,111) | (48,732) |
| Net decrease/(increase) in provisions for impairment of liabilities | 16 | (688) | - |
| Other operating income | 2 3 | 35,948 | 100 170 |
| Administrative and other operating expenses | 2 4 | (83,579) | (235,090) |
| (Loss)/profit before tax | | (37,314) | (61,070) |
| Income tax expenses | 2 5 | - | - |
| (Loss)/profit for the reporting period | | (37,314) | (61,070) |
| Total comprehensive income for the reporting period | | (37,314) | (61,070) |
| Profit/(loss) attributable to: | | | |
| to the bank owners | | (37,314) | (61,070) |
| Earnings/(loss) per share attributable to owners: | | | |
| (Loss)/earnings per share (in UAH per share) | 26 | (3 , 07) | (5.02) |

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April 24, 2018

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This report should be read in conjunction with the notes on pages 5 to 57, which form an integral part of these financial statements.

**Statement of changes in equity
(Equity Statement)
for 2017**

(thousand UAH)

| Article title | Notes | Authorized capital | Reserve and other funds | Retained earnings / (uncovered loss) | Total equity |
|--|-------|--------------------|-------------------------|--------------------------------------|----------------|
| 1 | 2 | 3 | 4 | 5 | 6 |
| Balance as of January 1, 2016 | | 121,522 | | 188,016 | 309,538 |
| Total cumulative income: | | | | (61,070) | (61,070) |
| Profit for the year | | | | (61,070) | (61,070) |
| Distribution of profits to reserve and other funds | | | 9,400 | (9,400) | - |
| Share issue: | 19 | 178,517 | | (178,517) | - |
| Increase in the nominal value of shares | | 178,517 | | (178,517) | - |
| Balance as of December 31, 2016 | | 300,039 | 9,400 | (60,971) | 248,468 |
| Total cumulative income: | | | | (37,314) | (37,314) |
| Loss for the year | | | | (37,314) | (37,314) |
| Balance as of December 31, 2017 | | 300,039 | 9,400 | (98,285) | 211,154 |

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Cash flow statement using the direct method for 2017

(thousand UAH)

| Article title 1 | 2017 year 2 | 2016 year 3 |
|--|-----------------|-----------------|
| Cash from operating activities | | |
| Interest income received | 12,246 | 3,891 |
| Interest expenses paid | (2,286) | (666) |
| Commission income received | 32,324 | 662 |
| Commissions paid | (1,629) | (43) |
| Result of foreign currency transactions | 1,282 | 151 |
| Other operating income received | 6,333 | 1,611 |
| Personnel maintenance payments paid | (28,219) | (7,782) |
| Administrative and other operating expenses paid | (66,195) | (14,077) |
| Income tax paid | - | (41,244) |
| Cash (paid)/ received from operating activities to changes in operating assets and liabilities | (46,144) | (57,497) |
| Changes in operating assets and liabilities | | |
| Net (increase)/decrease in funds with other banks | (561) | 92,578 |
| Net (increase)/decrease in loans and advances to customers | (15,683) | 14,803 |
| Net (increase)/decrease in other financial assets | (73) | (580) |
| Net (increase)/decrease in other assets | (5,355) | 203,015 |
| Net increase/(decrease) in banks' funds | 10,000 | - |
| Net increase/(decrease) in customer funds | 1 96 789 | 36,064 |
| Net increase/(decrease) in other financial liabilities | 5,513 | (209,956) |
| Net increase/(decrease) in other liabilities | 3,538 | 4,682 |
| Net cash provided by/(used in) operating activities | 148,024 | 83 109 |
| Cash from investing activities | | |
| Proceeds from the sale of investment property | 2,917 | 6,500 |
| Acquisition of intangible assets | (381) | (177) |
| Proceeds from the sale of fixed assets | 23 | - |
| Acquisition of fixed assets | (4,659) | (1,265) |
| Net cash provided by/(used in) investing activities | (2,100) | 5,058 |
| Impact of changes in the official exchange rate of the National Bank of Ukraine on cash and cash equivalents | 8 0 | 17 |
| Net increase in cash and cash equivalents | 146 0 04 | 88,184 |
| Cash and cash equivalents at the beginning of the period | 88,543 | 359 |
| Cash and cash equivalents at the end of the period | 234 54 7 | 88,543 |

Approved for release and signed

April 24, 2018

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Chief Accountant _____ L.G. Korniychuk

This report should be read in conjunction with the notes on pages 5 to 57, which form an integral part of these financial statements.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Note 1. Bank information

Full name of the Bank: **PUBLIC JOINT STOCK COMPANY "RWS BANK"** .

Abbreviated name of the Bank: **PJSC "RWS BANK"** .

PUBLIC JOINT STOCK COMPANY "RWS BANK" is located at: Ukraine, 04071, Kyiv, Vvedenska Street , building 29/58.

The bank is registered in Ukraine.

In accordance with the settlement plan approved by the decision of the Executive Directorate of the Deposit Guarantee Fund of Individuals (hereinafter referred to as the "Fund") dated May 5, 2015 (Minutes No. 102/15), as amended on June 12, 2015 (Minutes No. 127/15), PUBLIC JOINT STOCK COMPANY "RWS BANK" (hereinafter referred to as the "Bank") is the legal successor to the assets (including rights under security agreements) and obligations under the claims of creditors (depositors) under the transferred obligations of PUBLIC JOINT STOCK COMPANY "OMEGA BANK" (name of the insolvent bank), registered by the National Bank of Ukraine on October 31, 1991 under number 69.

PJSC "RWS BANK" was established in accordance with the decision of the Executive Directorate of the Deposit Guarantee Fund of Individuals dated June 18, 2015 (minutes No. 132/15) on the creation of a transitional bank in order to implement the method of withdrawing an insolvent bank from the market of PUBLIC JOINT-STOCK COMPANY "OMEGA BANK" (hereinafter referred to as "PJSC "OMEGA BANK"), provided for by paragraph two of part sixteen of Article 42 of the Law of Ukraine "On the Deposit Guarantee System of Individuals".

The founder of the Bank was the Deposit Guarantee Fund for Individuals, which owned 100% of the Bank's shares at the time of the Bank's establishment.

The bank was registered by the State Registrar of the Registration Service of the Main Department of Justice in Kyiv on June 22, 2015, and entered into the State Register of Banks on June 25, 2015 under No. 354.

The sole shareholder of the Bank is LIMITED LIABILITY COMPANY "UKRAINIAN BUSINESS GROUP" (location: 04070, Kyiv, Sahaidachnogo/ Ihorivska st. , building 10/5, letter "A". Identification code 33639580), which owns 100% (one hundred percent) of the Bank's voting shares. The ultimate beneficiary is an individual – a citizen of Ukraine, Oleksandr Volodymyrovych Stetsyuk, who owns 99% of the authorized capital of LIMITED LIABILITY COMPANY "UKRAINIAN BUSINESS GROUP" (hereinafter referred to as "LLC "UBG").

Members of the Bank's Management Board and members of the Supervisory Board (except for Oleksandr Volodymyrovych Stetsyuk, who is the ultimate beneficial owner of the Bank) do not own shares in the authorized capital of the Bank.

The Bank's organizational and legal form is: public joint-stock company.

Reporting date: December 31, 2017 (end of day).

Reporting period: 12 months of 2017. These financial statements were approved on April 24, 2018 by the Chairman of the Bank's Management Board.

PJSC "RWS BANK" carries out its activities on the basis of banking license No. 277 dated November 24, 2016. According to the banking license, the Bank has the right to provide banking services specified in Part Three of Article 47 of the Law of Ukraine "On Banks and Banking Activities" .

Based on the received General License for Foreign Exchange Transactions No. 277-2 dated December 5, 2016 The Bank carries out currency transactions specified in the appendix to the General License.

According to the Bank's Charter, the purpose of its activities is to provide customers with a wide range of banking and other financial services (except for insurance services), as well as to carry out other activities defined by the legislation of Ukraine, and to actively contribute to the strengthening and development of the Ukrainian economy.

The Bank is a member of the Deposit Guarantee Fund for Individuals and was registered in the Register of Banks-Members of the Fund on July 15, 2015 under No. 239. The Bank received a certificate of participation in the Fund on July 15, 2015 under No. 230.

Updated certificate of the Fund's participant - dated December 7, 2016 No. 230.

The Bank is a member bank of the National Association of Banks of Ukraine.

The Bank is a member of the Association "Ukrainian National Group of SWIFT Members and Users" UkrSWIFT .

The Bank is a member of the Public Union "UNION OF UKRAINIAN ENTREPRENEURS".

Note 2. Economic environment in which the bank operates

The Bank operates in Ukraine. Although Ukraine's economy is considered a market economy, it continues to exhibit certain characteristics typical of a developing economy. These characteristics include, but are not limited to, low liquidity in capital markets, high inflation, and significant fiscal and external trade deficits.

The number of banks operating in Ukraine as of January 1, 2018 is 82 banks, of which 38 are with foreign capital, including 18 with 100% foreign capital.

Assets of Ukrainian banks as of January 1, 2018 exceeded UAH 1.336 trillion, total assets (not adjusted for reserves from active operations) UAH 1.848 trillion. Return on assets: - 1.94%. In 2017, the assets of Ukrainian banks increased by 6.4 %, most noticeably in the fourth quarter of 2017 (+4.3%) of the corresponding year.

The total capital of banks is 163.6 billion UAH, including 495.4 billion UAH of authorized capital. Regulatory capital is 115.8 billion UAH. Return on capital: -15.96%.

Bank income for 2017 amounted to UAH 178.2 billion, expenses – UAH 202.6 billion. The loss of operating banks of Ukraine, excluding insolvent banks, amounted to UAH 24.4 billion (for 2016 – loss of UAH 159.4 billion).

In 2017, Ukrainian banks suffered a loss of UAH 24.4 billion, mainly due to significant deductions to reserves for active operations.

The operating income of Ukrainian banks in 2017 increased by 10% compared to 2016, but administrative expenses grew faster, so operating profit before the formation of reserves increased by 8% to UAH 40.7 billion . Due to significant amounts of deductions to reserves, Ukrainian banks ended the year with a loss of UAH 24.4 billion. The number of loss-making banks decreased from 33 in 2016 to 18 in 2017.

Liabilities of Ukrainian banks as of 01.01.2018 exceeded 1.173 trillion UAH, where funds of legal entities amounted to 403.93 billion UAH (term deposits – 108.21 billion UAH), funds of individuals – 478.37 billion UAH (term deposits – 325.41 billion UAH). At the same time, there is a tendency for the growth of deposits of legal entities in the national currency (the growth rate for 2017 is 16.0% versus 8.3% for foreign currency deposits).

Since the beginning of the year, the volume of deposits of individuals has increased by 22.6% in hryvnia and by 4.2% in foreign currencies.

Changes in the funding base in 2017 occurred as a result of the stabilization of the national currency exchange rate against foreign currencies and a decrease in the number of banks being withdrawn from the market.

The loan portfolio of solvent banks increased by 4.7% in 2017, and interest rates on new loans tended to decrease.

Changes in corporate sector lending: banks' loan portfolio in national currency has grown by 10.9% since the beginning of the year, while in foreign currencies it has decreased by 3.1%.

The loan portfolio of individuals has increased by only 10.4% since the beginning of the year, including 40.6% in national currency, and decreased by 16.8% in foreign currencies.

When preparing these financial statements, the known and estimated effects of the above factors on the financial position and performance of the Bank in the reporting period were taken into account.

The Bank's management plans to take all necessary measures to achieve the strategic goals for 2018:

- 1) receive maximum returns (with minimal risk) from securities transactions (NBU certificates of deposit, other NBU financial instruments);
- 2) obtain maximum profitability from leasing investment property;
- 3) continue the sale of real estate received by the Bank as collateral, which was subject to foreclosure upon repayment of overdue loans. The Bank plans to place the funds received from the sale of real estate in minimally risky financial instruments (NBU certificates of deposit, other NBU financial instruments);
- 4) involvement funds customers and expanding the range of credit operations .

The bank is working on clarifying the indicators of funds raised from legal entities and individuals, loans granted in the "Development Strategy of PJSC "RWS Bank" until the end of 2018".

Management is monitoring the current situation and is taking action, as necessary, to minimize any adverse effects to the extent possible. Further adverse developments in the political situation, macroeconomic conditions and/or foreign trade conditions may continue to adversely affect the financial condition and results of operations of the Bank in a manner that cannot currently be determined.

Note 3. Basis of presentation of financial statements

General part

These financial statements have been prepared by the Bank in accordance with International Financial Reporting Standards (hereinafter referred to as "IFRS") as adopted by the International Accounting Standards Board and interpretations issued by the International Financial Reporting Interpretations Committee for the year ended 31 December 2017.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all periods presented, unless otherwise stated.

Business continuity

The Bank's management has assessed its ability to continue as a going concern and is satisfied that the Bank has the resources to continue in operation for the foreseeable future. In addition, the management is not aware of any significant uncertainties that may cast significant doubt on the Bank's ability to continue as a going concern. Accordingly, the financial statements have been prepared on a going concern basis.

Functional and presentation currency

The functional currency in which the Bank's accounting and financial statements are prepared is the hryvnia. Balances on analytical accounts, which as of the reporting date are recorded on the Bank's balance sheet in a currency other than the functional currency, are translated into the functional currency at the exchange rates, with:

- ▶ assets and liabilities in the statement of financial position are translated at the exchange rate at the end of the relevant reporting period;
- ▶ Capital components, if any, are translated at the historical exchange rate.

Income and expenses are not translated, as accounting for such accounts is maintained on the Bank's balance sheet exclusively in the functional currency.

As of December 31, 2017, the principal exchange rates used for translating foreign currency amounts were as follows:

| | December 31, 2017, UAH | December 31, 2016, UAH |
|-----------------|-----------------------------------|-----------------------------------|
| 1 US dollar | 28.067223 | 27.190858 |
| 1 euro | 33.495424 | 28.422604 |
| 1 Russian ruble | 0.48703 | 0.45113 |

Using estimates and judgments

The Bank uses estimates and assumptions that affect the amounts determined in the financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgments are constantly evaluated and are based on management's past experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances.

The financial statements are presented in thousands of hryvnias ("thousands of UAH"), except for data in the calculation of earnings per 1 common share and unless otherwise stated.

Note 4. Accounting policies

The principal accounting policies used in the preparation of these financial statements are set out below. These policies have been applied consistently to all periods presented, unless otherwise stated.

The Bank does not have subsidiaries or associated companies as a single economic unit and does not prepare consolidated financial statements.

4.1. Fundamentals of financial statement assessment

Basis of information submission

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The Bank's financial statements are measured on a historical cost basis, except as disclosed in the principal accounting policies below. For example, investment properties are measured at fair value in accordance with IAS 40 *Investment Property*, and assets held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured at the lower of carrying amount and fair value less costs to sell.

The Bank selects and applies its accounting policies consistently for like transactions, other events or conditions unless a standard or interpretation specifically requires or permits the determination of a category of items for which different policies may be appropriate. If a standard or interpretation requires or permits such determination of categories, the Bank selects an appropriate accounting policy and applies it consistently to each category.

The principal accounting policies used in the preparation of these financial statements are set out below. These policies have been applied consistently to all periods presented, unless otherwise stated.

The terms used in this note have the meanings defined in International Financial Reporting Standards.

4.2. Initial recognition of financial instruments

Financial instruments are classified in accounting as financial assets, financial liabilities, equity instruments and derivative financial instruments. Management determines the appropriate classification of instruments upon initial recognition.

Financial assets and liabilities are recognized in the balance sheet when the Bank becomes a party to the contract to purchase the financial instrument. All standard purchases of financial assets are accounted for on the settlement date.

The initial measurement of a financial asset or liability is carried out at fair value plus, if it is a financial asset or liability that is not classified as a financial instrument at fair value, with the revaluation reflected as profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

After initial recognition, financial assets, including derivative instruments that are assets, are measured at fair value without any deduction for transaction costs that may be incurred on sale or other disposal of the financial asset.

If a valuation based on available market data indicates a gain or loss from revaluation to fair value on initial recognition of an asset or liability, the gain or loss is recognized immediately in the income statement.

If the initial gain or loss is not based entirely on observable market data, it is deferred and is recognized over the life of the asset or liability as appropriate, either when prices become known, or upon disposal of the asset or liability.

Financial assets or financial liabilities that have arisen at rates other than market rates are remeasured at the time of inception to fair value, which is the future interest payments and principal repayments, discounted at market interest rates for similar instruments. The difference between the fair value and the nominal value at the time of inception is reflected in the income statement as gains or losses from the inception of financial instruments at rates other than market rates.

The fair value of financial instruments is based on their quoted market price at the balance sheet date without any deductions for transaction costs. In the absence of a quoted price, the fair value of the instrument is estimated using pricing models or discounted cash flow techniques.

discounted cash flow methods, the expected future cash flows are based on management's best estimate. The discount rate used is the market rate at the balance sheet date for an instrument with similar terms and characteristics. When using pricing models, the data about the financial instrument that is input to the model are based on market estimates at the balance sheet date.

The fair value of non-exchange-traded derivatives is measured at the amount that the Bank would receive or pay to terminate the contract at the balance sheet date, taking into account current market conditions and the solvency of the counterparties.

Gains or losses resulting from changes in the fair value of a financial asset or liability are recognized as follows:

- ▶ a gain or loss on a financial instrument classified as a financial instrument at fair value through profit or loss is recognized in the income statement;
- ▶ Gains or losses on available-for-sale financial assets are recognised directly in equity in the statement of changes in equity (except for impairment losses and foreign exchange gains and losses) until the asset is derecognised, when the cumulative gain or loss previously recognised in equity is recognised in the statement of profit or loss.

Interest on an available-for-sale financial asset is recognized in the income statement as earned and is calculated using the effective interest method.

Gains or losses on financial assets and liabilities carried at amortized cost are recognized in the income statement when the financial asset or liability is derecognized or its usefulness is reduced, as well as during the amortization process.

The Bank derecognises a financial asset when the right to receive cash flows from the asset has expired or when the Bank has transferred the rights to receive cash flows from the financial asset in accordance with the contract in a transaction that transfers substantially all the risks and rewards of ownership. Any interest on financial assets that has been transferred, accrued or retained by the Bank is recognised as a separate asset or liability.

The Bank derecognises a financial liability when the obligation specified in the contract has been discharged, cancelled or its term has expired.

4.3. Impairment of financial assets

Impairment of financial assets carried at amortized cost

Impairment losses are recognized in profit or loss as they arise as a result of one or more events ("loss events") that occurred after the initial recognition of a financial asset and have an impact on the amount or timing of estimated cash flows associated with the financial asset or group of financial assets, if those losses can be measured reliably. If the Bank determines that there is no objective evidence of impairment for an individually assessed financial asset (regardless of its materiality), it includes this asset in a group of financial assets that have similar credit risk characteristics and collectively assesses them for impairment. The main factors that the Bank considers when determining the impairment of a financial asset are its past due status and the possibility of realising the relevant collateral, if any.

Below are listed other key criteria for determining whether there is objective evidence of an impairment loss:

- ▶ delay in any regular payment, while untimely payment cannot be explained by a delay in the operation of payment systems;
- ▶ the borrower is experiencing significant financial difficulties, as confirmed by the borrower's financial information received by the Bank;
- ▶ the likelihood of bankruptcy or financial reorganization of the borrower;
- ▶ the borrower's solvency has deteriorated as a result of changes in national or local economic conditions that affect the borrower's activities;
- ▶ the value of the collateral has decreased significantly as a result of the deterioration of the market situation.

For the purposes of collective assessment for impairment, financial assets are grouped together on the basis of similar credit risk characteristics. These characteristics are taken into account in determining the expected future cash flows for the group of such assets and are indicators of the debtor's ability to pay amounts due in accordance with the contractual terms of the assets being assessed.

Future cash flows in a group of financial assets that are collectively assessed for impairment are estimated based on the contractual cash flows from the assets and management's experience of the extent to which amounts past due will become past due as a result of past loss events and the extent to which such past due amounts will be recoverable. Past experience is adjusted for the effects of current conditions that did not affect the period on which the past loss experience is based, and the effects of conditions in prior periods that do not currently exist are eliminated.

If the terms of an impaired financial asset carried at amortized cost are renegotiated or otherwise modified due to financial difficulties of the borrower or issuer, the impairment of such asset is assessed using the effective interest rate that applied before the modification of its terms.

Impairment losses are recognized by creating a provision in the amount necessary to reduce the carrying amount of the asset to the present value of expected cash flows (excluding future, not yet incurred credit losses), discounted at the original effective interest rate for the asset. The calculation of the present value of estimated future cash flows of a collateralized financial asset reflects the cash flows that may arise from foreclosure, net of costs to obtain and sell the collateral, regardless of the degree of probability of foreclosure.

If, in a subsequent period, the amount of the impairment loss on an asset decreases and the decrease can be objectively related to an event occurring after the impairment loss was recognized (for example, due to an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the decrease is recognized in profit or loss for the year.

Assets that are not recoverable are written off against the relevant impairment loss provision after all necessary procedures to recover the asset have been completed and the final amount of the loss has been determined. The recovery of amounts previously written off is credited to the relevant impairment loss provision in profit or loss for the year.

4.4. Derecognition of financial instruments

The Bank derecognises financial assets when:

(a) the assets are extinguished or the rights to receive cash flows from the assets have otherwise expired; or (b) the Bank has transferred the rights to receive cash flows from the financial assets or entered into a transfer agreement, and :

(i) has also transferred substantially all the risks and rewards incidental to ownership of the assets, or

(ii) The Bank has not transferred or retained substantially all the risks and rewards of ownership, but has ceased to exercise control. Control is considered to be retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated party without imposing restrictions on resale.

4.5. Cash and cash equivalents

Cash and cash equivalents include cash, balances on correspondent accounts with the National Bank of Ukraine, funds on correspondent accounts opened with other banks (nostro accounts), highly liquid funds with a maturity of up to 90 days from the date of origination that are not encumbered by any contractual obligations. For the purpose of preparing the Statement of Cash Flows, the amount of the mandatory reserve is excluded from the item Cash and cash equivalents if they are kept by the Bank on a separate account with the National Bank of Ukraine.

4.6. Financial assets and liabilities at fair value through profit or loss

In the course of its ordinary activities, the Bank uses various derivative financial instruments, including forwards and swaps, in the foreign exchange markets. These financial tools are held for trading and are carried at fair value. Fair value is determined based on market quotes or assessment models that are based on the current market and contractual cost relevant basic instruments and other factors. Derivatives financial instruments with positive fair value are displayed in the composition assets, and with negative fair value – in the composition liabilities. Income and expenses from operations from specified tools are reflected in the Income Statement and other comprehensive income as part of net profit on derivative transactions financial instruments. Derivatives financial tools built into others financial tools are considered separate derivatives financial instruments and are recorded at fair value if their economic characteristics and risks are not closely related to the economic characteristics and risks of the main contract, and the main the contract is not held for sale or is not measured at fair value through profit or loss or damage. Built-in derivatives financial tools, separated from derivatives financial instruments of the host contract are recognized at fair value in the trading portfolio from changes fair values reflected in the composition profit or damage.

risks of the embedded derivative are closely related to the economic characteristics and risks of the host contract, then the derivative is not separated from the host contract and is accounted for in the same line item in the Statement of Financial Position. Any changes in fair cost built-in derivative instrument that is not separated from the main contract, are recognized in the statement of profit or loss and other comprehensive income.

4.7. Loans and debts

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not held for the purpose of immediate or short-term resale and are not classified as trading financial assets or available-for-sale financial investments. Such assets are carried at amortized cost using the effective interest method. Gains and losses on such assets are recognized in the statement of comprehensive income when the loans are derecognized or impaired, and as amortized.

4.7.1. Loans and funds provided to banks

Loans and advances to banks are recognised as financial assets in the category "Loans and receivables" and are initially measured at fair value (profit/loss on the first day) plus related transaction costs. After initial recognition, they are measured at amortised cost using the effective interest method. Loans and advances that do not have fixed maturities are carried at amortised cost over the expected maturity dates of such assets.

The Bank reflects the decrease in the usefulness of loans and funds provided to banks in the accounts of created special reserves. The carrying amount of the asset is reduced by the amount of the impairment reserve. The amount of the loss is reflected in the statement of profit and loss and other comprehensive income in the expense accounts.

4.7.2. Loans granted to customers

Loans to customers are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, except for those classified as other categories of financial assets.

Gains and losses on such assets are reflected in the statement of profit or loss and other comprehensive income (first day profit/loss), the disposal or impairment of such assets, and in the depreciation process.

Loans granted by the Bank with a fixed maturity are initially measured at fair value, taking into account transaction costs.

In cases where the fair value of the compensation provided is not equal to the fair value of the loan, for example, when the loan is provided at rates lower (higher) than market rates, the difference between the fair value of the compensation provided and the fair value of the loan is recognized as a loss (gain) upon initial recognition of the loan and is included in the statement of profit or loss and other comprehensive income in accordance with the nature of such losses (gains).

After recognition, loans are carried at amortized cost using the effective interest rate method.

Loans to customers that do not have fixed maturities are accounted for using the effective interest method, based on the expected maturity.

The Bank reflects the decrease in the usefulness of loans and funds provided to customers in the accounts of special reserves created. The carrying amount of the asset is reduced by the amount of the impairment provision. The amount of the loss is reflected in the statement of profit or loss and other comprehensive income.

4.7.3. Write-off of loans and funds

If it is impossible to return funds and loans, they are written off against a special provision created to cover losses from impairment, with a mandatory verification of compliance with the derecognition criteria.

4.8. Securities in the bank's portfolio held to maturity

The Bank classifies held-to-maturity financial assets as investments with fixed or determinable payments and fixed maturity that the Bank has the positive intention and ability to hold to maturity. After initial recognition, the Bank measures them at amortized cost using the effective interest method, less any impairment losses .

When redeeming a security from the portfolio before maturity, the Bank must receive from the payer of the security its nominal value and interest (for coupon securities) for the last coupon period. On the maturity date, the Bank must fully amortize the discount and premium or, in the case of early redemption, recognize a portion of the unamortized discount (premium) as income (expenses).

Held-to-maturity securities are subject to impairment review at balance sheet dates. Securities are impaired if their carrying amount exceeds the estimated present value of future cash flows discounted at the original effective interest rate (i.e. the effective interest rate calculated at initial recognition).

Impairment of usefulness for securities held to maturity is reflected in the accounting by forming a reserve for the amount by which the carrying amount of the security exceeds the estimated amount of expected compensation. If the amount of expected compensation subsequently increases, the amount of the reserve formed for this security is reduced by the corresponding amount within the previously formed reserve.

A decrease in the carrying value of securities is reflected in accounting only by an amount that does not result in a negative value of their value. If, as a result of the decrease in the usefulness of securities, their carrying value reaches zero, then such securities are reflected in accounting at a zero value until the Bank makes a decision to write them off against the formed reserves.

If a security is not redeemed (the security's term has expired, the issuer has been declared bankrupt, or a decision has been made by an authorized body to liquidate it), the Bank may write off such a financial asset at the expense of the formed reserve.

As of December 31, 2017, the portfolio of securities held to maturity consisted of certificates of deposit of the National Bank of Ukraine, which were entirely composed of securities denominated in the national currency.

The bank's income and expenses from transactions with securities in the bank's portfolio until maturity are determined in the Statement of Profit and Loss and Other Comprehensive Income (Statement of Financial Results).

Information on securities in the bank's portfolio held to maturity is disclosed in Note 6 "Cash and cash equivalents".

4.9. Investment property

Recognition criteria

The primary criterion for classifying real estate as investment property and owner-occupied property is the purpose of its use. If the Bank does not intend to generate income from renting out the acquired property, the property is not considered investment property.

The Bank recognizes real estate as investment property if this real estate (land or building or part of a building, or a combination thereof) is held by the Bank to earn rental payments or for capital appreciation or both and meets the following criteria:

- ▶ the property is not held for future use as owner-occupied property ;
- ▶ the real estate is not held for the purpose of sale in the ordinary course of business;
- ▶ the property is not built or improved on behalf of third parties;
- ▶ real estate that is being constructed or improved for future use as investment property;
- ▶ If part of an asset is held to earn rentals and/or to increase equity, and the other part is owner-occupied property , and these parts cannot be sold separately, then the asset is classified as investment property provided that it is used primarily to earn rentals and/or to increase equity.

The decision to classify real estate as investment or owner-occupied real estate (including in the case of transfer from the category of investment to owner-occupied real estate and vice versa, during operation) is made by a collegial body and is formalized in the relevant protocol.

The cost of investment property includes the purchase price of the property and all costs directly attributable to its acquisition. Costs for ongoing maintenance, repairs and upkeep of the investment property are recognised as expenses when incurred.

Capital investments in the construction or development and reconstruction of an investment property that will be used as investment property in the long term increase its value.

Upon initial recognition, the Bank measures and records investment property at cost. Subsequent recognition of investment property on the Bank's balance sheet is at fair value.

When determining the fair value of investment property, an independent valuation entity used International Valuation Standards ISA-2011 (9th edition), in particular ISA 300, 230, 233, and International Financial Reporting Standards, in particular IAS 40, IFRS 13. The calculation of the value of investment property was carried out within the framework of the market method.

4.10. Fixed assets and intangible assets

Fixed assets (intangible assets) are recognized as assets if:

- ▶ The Bank obtains control over the asset (meaning that the asset can be sold, exchanged, leased and disposed of/transferred in any other way without losing the economic benefits generated by other assets; and also have economic benefits and restrictions on the access of others to these benefits, which arises from the legal rights to the relevant asset);
- ▶ it is highly probable that the Bank will receive future economic benefits associated with the asset;
- ▶ the value of the asset can be measured reliably

Accounting for fixed assets and intangible assets is carried out on an object-by-object basis. The unit of accounting for fixed assets and intangible assets is a separate inventory object.

Initial recognition of property, plant and equipment and intangible assets

The acquisition of non-current assets on the terms of prepayment (full or partial) until the documents confirming the ownership of the relevant object are received are reflected in the relevant accounts receivable for the acquisition of assets.

Fixed assets and intangible assets are recorded at their original cost, which is calculated taking into account all types of costs incurred by the Bank when recognizing such objects as assets (including costs of delivery, assembly, installation, indirect taxes paid in connection with the acquisition and other costs necessary to bring it into working condition).

Valuation of non-current assets at the balance sheet date

The carrying amount of a non-current asset is the amount at which the asset is recorded in the balance sheet after deducting any depreciation and accumulated impairment losses.

After the initial recognition of an item of fixed assets as an asset, its subsequent accounting is carried out using one of two methods:

- ▶ at original cost (cost) less accumulated depreciation and accumulated impairment losses;
- ▶ at revalued amount (fair value) less accumulated depreciation and accumulated impairment losses.

After the initial recognition of an item of fixed assets as an asset belonging to the group "Buildings, structures and transmission devices", further accounting for such an item is carried out at revalued value.

After the initial recognition of an item of fixed assets as an asset, with the exception of items belonging to the group "Buildings, structures and transmission devices", further accounting for such an item is carried out at its original cost (cost) less accumulated depreciation and accumulated impairment losses.

Revaluation of a fixed asset belonging to the group "Buildings, structures and transmission devices" is carried out if its residual value differs significantly from its fair value as of the balance sheet date. In the case of revaluation of one object of the group, all objects of the fixed asset group to which the revalued object belongs are revalued on the same date. In the future, revaluation is carried out with such regularity that the residual value as of the balance sheet date does not differ significantly from the fair value.

Low-value non-current tangible assets are not subject to revaluation.

Assets in the form of fixed assets were not provided as collateral for the Bank's liabilities in 2017.

Acquired (created) intangible assets are recognized at historical cost.

After initial recognition of intangible assets, they are subsequently accounted for at cost less accumulated amortization and accumulated impairment losses.

Procedure and method of calculating depreciation

Depreciation is the systematic allocation of the cost of fixed assets and intangible assets, which is depreciated over the period of their useful use (operation). The Bank independently establishes and reviews the useful lives of objects, which are approved by an administrative document of the Bank's management.

Intangible assets with indefinite useful lives are not subject to amortization. The Bank considers an intangible asset to have an indefinite useful life if, based on an analysis of all factors (legal, regulatory, contractual, economic, etc.), there is no foreseeable limit to the period during which such an asset is expected to generate net cash flows to the Bank (for example, the right to perpetual use of land).

The object of depreciation is all non-current assets, except for land and objects that are antiques, non-current assets held for sale, and unfinished capital investments in fixed assets.

Depreciation of non-current assets can be carried out separately for each component of the object.

The Bank uses the straight-line depreciation method, which consists in the fact that the current period's expenses are always determined by the same part of the original cost of the object minus the liquidation value throughout the entire specified period of their useful life, with the exception of low-value non-current tangible assets. Depreciation of low-value non-current tangible assets is carried out in the amount of 100 percent of its value at the time of commissioning.

Depreciation of fixed assets and intangible assets is calculated monthly during the useful life of the object according to the norms calculated based on such useful life. Useful lives for the relevant groups of fixed assets and intangible assets are approved by order of the Bank's head:

Buildings – 50 years;

Buildings - 15 years;

Machinery and equipment - 5 years;

Vehicles - 8 years;

Furniture, appliances - 7 years;

Inventory, tools – 5 years;

Other fixed assets - 12 years

Intangible assets - in accordance with the legal documents.

The useful life of fixed assets and intangible assets is reviewed if the expected economic benefits from their use change and at the end of each financial year.

The depreciation method applied to fixed assets and intangible assets may be revised by the Bank if there have been significant changes in the expected form of economic benefits from the use of these assets.

The Bank assesses intangible assets with indefinite useful lives at the end of each year for any indication that their useful lives may be limited. If there are no such indications, the Bank determines the useful lives of such intangible assets.

Intangible assets with indefinite useful lives are reviewed at the end of each year for any signs of impairment. possible reduction usefulness .

New depreciation methods are applied from the new fiscal year. In accounting, such a change is reflected as a change in accounting estimates.

4.11. Operational leasing (rental)

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Typically, operating lease agreements provide for the transfer to the lessee of the right to use non-current assets for a period not exceeding their useful life, with the obligation to return such non-current assets to their owner upon the expiration of the lease agreement. Non-current assets transferred under an operating lease are recorded as part of the lessor's non-current assets.

Operating lease income and expenses are recognized in the reporting period to which they relate and are calculated in accordance with the concluded agreements. The amounts of operating lease income and expenses are disclosed in the Notes "Other operating income" and "Administrative and other operating expenses".

4.12. Non-current assets held for sale and disposal groups

The Bank classifies a non-current asset as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through current use. To do this:

- ▶ the asset must be suitable for immediate sale in the condition in which it is at the time of sale, on terms that are usually observed in the sale of such assets;
- ▶ The bank has a plan to sell the asset and initiate a program to identify a buyer and implement the plan;
- ▶ The Bank actively promotes the asset for sale in the market at a price reasonable in view of their current fair value;
- ▶ The sale is expected to be considered completed within one year.

If the Bank acquires ownership of pledged assets for the purpose of subsequent sale, such assets are classified as held for sale if they meet the above criteria.

Non-current assets held for sale are measured and recorded in the accounting records at the lower of the two amounts: carrying amount or fair value less costs to sell. Depreciation is not charged on such assets. Impairment loss upon initial or subsequent write-down of an asset to fair value less costs to sell is recognized in the Statement of Profit and Loss and Other Comprehensive Income.

The Bank continues to classify non-current assets as held for sale if no sale was made during the year due to events or circumstances beyond the Bank's control, and if there is sufficient evidence that the Bank continues to implement a plan to sell the non-current asset.

If, at the date of the decision to recognize non-current assets as held for sale, the above conditions are not met, but will be met within three months after the asset is recognized, the bank has the right to classify them as held for sale.

Before initially classifying assets as held for sale, the bank assesses the carrying amount of the assets and reviews them for impairment, just as non-current assets are accounted for at cost.

Impairment costs are included in the expenses of the reporting period with an increase in the balance sheet amount of depreciation of fixed assets and accumulated amortization of intangible assets.

In the event of a decrease in the fair value of non-current assets, the bank recognizes an impairment loss less costs to sell.

In the event of an increase in the fair value of non-current assets less costs to sell, the bank recognizes income, but in an amount not exceeding previously accumulated impairment losses.

If, during the valuation of assets held for sale, the bank did not recognize impairment and recovery of their useful life, the bank recognizes income or expenses at the date of derecognition. When transferring non-current assets to the category of assets held for sale, the bank adjusts the carrying amount taking into account the amounts of accumulated depreciation, impairment losses with simultaneous recognition of such adjustment in the Statement of financial performance and other comprehensive income.

4.13. Raised funds

Borrowings, including due from credit institutions, due from customers and issued debt securities, are initially recognized at fair value of the proceeds received, taking into account transaction costs that are directly attributable to

the acquisition or issue of the financial liability. After initial recognition, borrowed funds are carried at amortized cost using the effective interest method. Income and expenses are recognized in the Statement of Profit or Loss and Other Comprehensive Income when the liability is extinguished, as well as during the amortization process.

4.14. Provisions for liabilities

Provisions are non-financial obligations of an indefinite duration or amount. Provisions are recognized in the financial statements when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.

4.15. Subordinated debt

Subordinated debt is ordinary unsecured debt capital instruments (components of capital) that, according to the agreement, cannot be taken from the Bank before five years, and in the event of bankruptcy or liquidation are returned to the investor after the claims of all other creditors have been satisfied.

Subordinated debt is initially recognized at fair value of proceeds received, taking into account transaction costs directly attributable to the acquisition or issue of the financial liability. After initial recognition, subordinated debt is measured at amortized cost using the effective interest method. Income and expenses on subordinated debt are recognized in the Statement of Profit or Loss and Other Comprehensive Income when the liability is extinguished, and as amortized.

4.16. Recognition of income and expenses

Interest income and expenses

Interest income and expense are recognized on an accrual basis and calculated using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future payments and receipts through the expected life of the financial instrument or a shorter period (if applicable) to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment) and all fees or additional costs that are directly related to the financial instrument and are an integral part of the effective interest rate, except for future credit losses. The carrying amount of a financial asset or financial liability is adjusted if the Bank revises its estimate of payments and receipts. The adjusted carrying amount is calculated based on the original effective interest rate, and changes in the carrying amount are recorded as interest income or expense.

Commissions that are an integral part of the effective interest rate of a financial instrument (for granting a loan, for opening credit accounts, for assessing the financial condition of the borrower, assessing and reflecting guarantees, collateral, etc.) together with the relevant costs associated with the issuance of the financial instrument are amortized using the effective interest rate.

When a financial asset or group of similar financial assets is written off (partially written off) as a result of an impairment loss, interest income is recognized using the interest rate that was used to discount future cash flows for the purpose of assessing the impairment loss.

When it is probable that a credit commitment will result in a loan, the credit commitment fee, together with related direct costs, is recognized as an adjustment to the effective interest rate of the loan. If it is unlikely that the credit line will be drawn, then the fee is recognized as income on a time-proportionate basis over the period of the commitment.

Commission income

The bank receives commission income for a number of services provided to customers.

Commission income can be divided into the following categories:

- 1) Commission income received as a result of providing services during a certain period.

Fees received for services rendered during a period are accrued over that period. These fees include fees and commissions from asset management, custody and other management and advisory services. Commissions on commitments to extend credit that are likely to be drawn down and other commissions on loans are carried

forward to subsequent periods (together with any additional costs) and are recognised as an adjustment to the effective interest rate on the loans.

- 2) Income from the provision of transaction services.

Revenue from providing services to third parties is recognized upon completion of the relevant transaction. The amount of remuneration or components of remuneration related to specific activities are recognized after verification of compliance with the relevant criteria.

4.17. Income tax

Income tax is recognized as current and deferred tax. Current income tax is recognized in the amount calculated for the reporting period in accordance with tax legislation.

Deferred tax liability is the amount of income tax that will be paid in future periods on a taxable temporary difference. Deferred tax asset is the amount of income tax that will be recoverable in future periods on a deductible temporary difference. Deferred tax liabilities and assets are measured at the tax rates that will apply in the period in which the asset is realized or used or the liability is settled.

The Bank recognizes as income tax receivables the excess of the amount of income tax paid over the amount payable.

The Bank offsets receivables and current income tax liabilities if the liability is settled as a set-off against these receivables.

4.18. Authorized capital and share capital

Authorized capital is the obligation paid by shareholders (unitholders) to contribute funds for subscription to shares (units), the amount of which is registered in accordance with the procedure established by current legislation. Authorized capital is reflected at its original (nominal) value.

Expenses directly related to the issue of new shares of the Bank, in accordance with the requirements of IFRS 32 "*Financial Instruments: Presentation*", are accounted for as a deduction from equity to the extent that they are additional costs directly attributable to the equity transaction and which would otherwise have been avoided.

The excess of the fair value (placement price) of the amounts contributed to the capital over the nominal value of the issued shares is recorded in the Bank's capital as share premium (share premium).

4.19. Foreign currency revaluation

Transactions in foreign currencies are recognized at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into hryvnia at the official exchange rate of the National Bank of Ukraine prevailing at the balance sheet date. Gains and losses arising from such translation are recognized in the statement of comprehensive income on a net basis as exchange rate differences in the period in which they arise.

Non-monetary assets and liabilities measured at historical cost in a foreign currency are translated at the rate at which the fair value is determined. Non-monetary items measured at fair value in a foreign currency are translated at the exchange rate at the date the fair value was determined. If a gain or loss on a non-monetary item is recognized in other comprehensive income, any currency component of that gain or loss is recognized directly in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any currency component of that gain or loss is recognized in profit or loss.

4.20. Offsetting of assets and liabilities

The Bank offsets a financial asset and a financial liability, presenting the net amount in the Statement of Financial Position, if and only if:

- a) has a legally enforceable right to recover the recognized amounts;
- b) intends to settle the liability on a net basis or to sell the asset and settle the liability simultaneously.

A right of set-off is a contractual or other legal right of a debtor to repay or otherwise remove all (or part of) an amount due to a creditor by applying that amount to an amount due from the creditor.

The simultaneous settlement of two financial instruments may occur, for example, through transactions through a clearing house in an organized financial market or an exchange without intermediaries. In such circumstances, the cash flows are effectively equivalent to a single net amount and are not subject to credit or liquidity risk.

In the reporting period, the bank did not perform any netting operations between individual items of assets and liabilities.

4.21. Pension and other benefit obligations

The Bank does not have any additional pension schemes, other than participation in the state pension system of Ukraine, which involves the calculation and payment of current employer contributions as a percentage of current total employee benefits. These costs are reflected in the reporting period to which applies appropriate salary .

In addition, the Bank does not have any post-employment benefit programs or other significant compensation programs that would require additional accruals.

4.22. Information by operating segments

A segment is a distinguishable component of the Bank's business that is engaged in either providing services or products (a business segment) or providing services or products within a particular economic environment (a geographical segment) and that is subject to risks and returns that are different from those of other segments. The Bank presents reportable segments separately if the majority of the segment's revenue is generated from banking activities outside the segment and the segment's revenue is 10% or more of total revenue.

The Bank's main format for reporting segment information is business segments.

Most of the Bank's operations are concentrated in Ukraine.

The Bank recognizes the following reportable segments:

- ▶ services to corporate clients (corporate banking);;
- ▶ services to individuals (retail banking);
- ▶ services to banks (treasury activities);
- ▶ other operations.

The "other operations" segment is important for the Bank as a whole (provides the activities of other segments, etc.) and information about it is material.

The Bank recognizes as revenue of a reporting segment the revenue directly attributable to the segment and the corresponding part of the bank's revenue that can be attributed to the segment from external activities or from transactions between other segments within the same bank. The revenue of reporting segments is presented net of value added tax, excise duty, other duties and deductions from income. The revenue of reporting segments does not include income from extraordinary events and income from income tax. The Bank recognizes as expenses of a reporting segment the expenses related to the main activities of the segment that are directly attributable to it and the corresponding part of the expenses that can be reasonably attributed to the segment, including expenses from external activities and expenses related to transactions in other segments within the same bank.

However, if expenses at the Bank level are related to only one segment, the Bank recognizes such expenses as segment expenses (if they are related to the operating activities of the segment and can be directly attributed to the segment or reasonably allocated to it).

4.23. Related party transactions

The Bank recognizes a related party as a party that:

- 1) directly or indirectly controls or is under control of, or is under common control with, the Bank, or has an interest in the Bank that gives it the ability to exercise significant influence over the Bank;

- 2) is an associated company of the Bank;
- 3) is a joint venture in which the Bank is a controlling shareholder;
- 4) is a member of the Bank's senior management;
- 5) is a close relative of a person specified in 1) or 4);
- 6) is an economic entity that controls, jointly controls, or exercises significant influence over, or has a significant percentage of votes in such an economic entity, directly or indirectly, a person specified in 1)-5);
- 7) is a post-employment benefit program for employees of the Bank or any business entity that is a related party of the Bank (post-employment benefits: pensions, other types of retirement benefits, life insurance and post-employment medical care).

The Bank discloses information about related parties in accordance with the requirements of IAS 24 *"Related Party Disclosures"*.

4.24. Significant assumptions and sources of uncertainty in estimates

Estimates and related assumptions are based on historical experience and other significant factors. Actual results may differ from such estimates.

Estimates and related assumptions are reviewed regularly. Changes in estimates are reflected in the period in which the estimate is revised if the change affects only that period, or in the period to which the change relates and in future periods if the change affects both current and future periods.

In the process of applying accounting policies, the Bank's management made the following judgments, other than accounting estimates, that have the most significant effect on the amounts reflected in the financial statements:

Fair value of financial instruments

If the fair value of financial assets reflected in the Statement of Financial Position cannot be determined based on prices in an active market, it is determined using various valuation techniques, including the use of valuation models. As weekend data for these models if possible used information from observed markets, however, in cases where this is not practically feasible, it is necessary certain fraction judgment to establish fair value.

swap agreements

In 2017, the Bank was a party to a number of interbank cross-border placement agreements in various currencies concluded with other Ukrainian banks. The purpose of the predominant parts these agreements was granting short-term financing other banks, secured cash deposits received in return. The main amounts for such placements and borrowings and the corresponding interest rates significantly. The Bank currently considers all such mutual placing derivatives financial tools and applied offset of relevant balances and income / expenses.

Provision for impairment of loans and receivables, securities in the bank's portfolio for sale and to maturity, funds in other banks

The Bank regularly reviews loans and receivables for impairment. Based on its experience, the Bank uses its judgment in estimating impairment losses in situations where a borrower is experiencing financial difficulties and there is insufficient factual information about similar borrowers. The Bank similarly estimates changes in future cash flows based on observable data indicating an adverse change in the repayment status of borrowers within the group or a change in national or local economic conditions that correlates with defaults on assets within the group.

Management staff uses assessments based on objective signs of an impairment by groups loans and receivables debt. Based on the available experience, the Bank uses your judgment when adjusting data observations concerning groups loans or receivable debts to display current Circumstances. Methods and assumptions used to estimate monetary streams are analyzed regularly to reduce any disagreements between evaluative loss and actual results.

Fair value main funds, investment real estate and assets held for sale

As stated in the Note 9 and 13, buildings belonging to the Bank, pass regular revaluation. Such revaluation is based on the results of the assessment, which is carried out independent. The basis of the assessment is the comparison method sales, results whose are confirmed by the income capitalization method. In the course of revaluations independent appraisers use professional judgments and assessments to determine analogues buildings that used when applying the comparison method implementation, deadlines operation assets that are subject to revaluation, and capitalization rates, which used when applying the income capitalization method.

Provisions for impairment of other assets and liabilities

Assumptions and estimates related to the accrual of provisions for impairment of other assets and liabilities are an area of significant management judgment, as the underlying assumptions used for both individual and collective impairment assessments may change from period to period and may significantly affect the Bank's results of operations.

Definition of related parties

The identification of related parties requires management to make significant judgments in determining the relationships between related parties.

Other sources of uncertainty

Despite the implementation by the Ukrainian government of a number of stabilization measures aimed at ensuring the liquidity of Ukrainian banks and companies, uncertainty regarding access to capital and the cost of capital for the Bank and its counterparties continues, which may negatively affect the Bank's financial condition, performance and development prospects.

Management cannot reliably to evaluate impact on the financial condition of the Bank of any further deterioration liquidity situation in financial markets and an increase instability in currency and capital markets .

In the opinion of management , the following are used: all necessary measures to support viability and growth economic Bank's activities in current conditions .

Note 5 . Introduction new or viewed standards and interpretations

For the preparation of these financial statements, the following list of new or revised standards became mandatory for the first time for the financial year beginning on 1 January 2017 (the list does not include information on new or amended requirements that affect interim financial reporting or first-time adoption of IFRS – IFRS 14 Deferred Tariff Adjustment Accounts (issued in January 2014) - as they are not relevant to the Bank's financial statements prepared under IFRS).

- Amendments to IFRS 7 Disclosure Initiatives (issued in January 2016). The amendments, effective for annual periods beginning on or after 1 January 2017, require *the Bank* to disclose information that will enable users of financial statements to assess changes in liabilities arising from financing activities. These amendments had no impact on the Bank's annual financial statements.
- Amendments to IAS 12, Recognition of Deferred Tax Assets for Unrealized Losses (issued in January 2016). These amendments, effective for annual periods beginning on or after 1 January 2017, clarify that the accounting for deferred tax assets related to unrealized losses on debt instruments carried at fair value was intended to eliminate diversity in practice. These amendments did not have a material impact on the Bank's annual financial statements.
- Amendments to IFRS 12 (Annual Improvements to IFRSs 2014-2016), issued in December 2016, clarify that the disclosure requirements of the standard apply to interests in entities within the scope of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, except for the summary financial information about those interests (i.e. paragraphs B10-B16 of IFRS 12). These amendments did not impact the Bank's annual financial statements.

New or amended standards that have been issued by the IFRS Board but are not yet effective for the financial year beginning on or after 1 January 2017

The Bank has not applied the following new or amended standards that were issued by the IFRS Board but are not yet effective for the financial year beginning on or after 1 January 2017 (the list does not include information on new or amended requirements that affect interim financial reporting or first-time adoption of IFRSs, as they do not apply to financial statements prepared in accordance with IFRSs).

The Bank expects that the new standards and amendments will be applied in the preparation of the financial statements when they become effective. The Bank has assessed, where possible, the potential impact of all new standards and amendments that will become effective in future periods.

Changes to existing standards

- Amendments to IAS 28 (Annual Amendments to IFRSs 2014-2016, issued in December 2016) - amendments effective for annual periods beginning on or after 1 January 2018 (earlier application permitted) clarify that the

election of the fair value through profit or loss method for an investment in an associate or joint venture held by a venture capital firm, mutual fund, trust or other qualifying entity is permitted for each individual investment in the associate or joint venture after initial recognition. The amendments are not expected to have an impact on the Bank's financial statements.

- Amendments to IAS 40 Investment Property (issued in December 2016) - changes effective for annual periods beginning on or after 1 January 2018 (earlier application permitted) clarify that transfers of assets to or from investment property (including assets under construction or development) are made when, and only when, there is evidence that a change in use of the property has occurred. The changes will not have an impact on the Bank's financial statements.
- Amendments to IFRS 2, Classification and Measurement of Share-Based Transactions (issued in June 2016), effective for annual periods beginning on or after 1 January 2018, clarify the impact of vesting conditions on the measurement of cash-settled share-based payments, the accounting for share-based payment transactions (SBTs) settled on a net basis, taking into account repatriation tax liabilities, and the impact of modifications to the terms and conditions of SBTs that change the classification of SBTs from cash-settled to share-settled. The Bank's management estimates that these amendments will have no impact on the Bank's financial statements.
- Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts" (issued in September 2016) - the amendments, effective for annual periods beginning on or after 1 January 2018, allow all insurers to recognise in other comprehensive income, rather than profit or loss, volatility that may arise when IFRS 9 is applied but IFRS 17 is not. In addition, entities whose activities are predominantly related to insurance are granted an optional temporary exemption (until 2021) from applying IFRS 9, thereby continuing to apply IAS 39 (the "deferral method"). As the Bank does not issue insurance contracts, the amendments are not expected to have an impact on its financial statements.
- Amendments to IFRS 10 and IAS 28 (issued in September 2014) address the current conflict between the two standards and clarify that profit or loss should be recognized in full when a transaction involves a business and in part when it involves assets that do not constitute a business. The effective date, originally set for annual periods beginning on or after 1 January 2016, was postponed indefinitely in December 2015, however early application of the amendments is permitted. It is not expected to have an impact on the Bank's annual financial statements.

New interpretations

- IFRIC 22 Foreign Currency Transactions and Advance Payments (issued in December 2016) is an interpretation that is effective for annual periods beginning on or after 1 January 2018 (earlier application is permitted) and provides guidance that the exchange rate used in transactions involving the payment or receipt of advance payments in a foreign currency is the rate applied at the date of initial recognition of the non-monetary asset or deferred income. The Bank does not expect the interpretation to have a material impact on the annual financial statements.
- IFRIC Interpretation 23 Uncertainty over Income Tax Charges and Tax Expenses (issued in June 2017) is an interpretation effective for annual periods beginning on or after 1 January 2019 (earlier application permitted) and provides guidance on the effects of uncertainty in accounting for income taxes under IAS 12, including: (i) whether uncertain tax treatments should be considered separately, (ii) assumptions about tax authorities' audits, (iii) determination of taxable profit (tax losses), tax bases, unused tax losses, unused tax credits, tax rates and (iv) the effects of changes in facts and circumstances. The Bank does not expect the interpretation to have a material impact on the annual financial statements.

New standards

- IFRS 9 Financial Instruments (issued in July 2014). This standard will replace IAS 39 (and all previous versions of IFRS 9) and will be effective for annual periods beginning on or after 1 January 2018. It contains requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting and derecognition.

IFRS 9 requires that all recognized financial assets are subsequently measured at amortized cost or at fair value (through profit or loss or other comprehensive income), depending on their classification in relation to the company's business model for managing financial assets and the characteristics of the contractual cash flows of the financial asset.

For financial liabilities, the most significant impact of applying IFRS 9 concerns cases where the fair value measurement option is used: the amount of the change in the fair value of a financial liability designated as at fair value through profit or loss that is caused by changes in the credit risk of that liability is recognized in other comprehensive income (rather than in profit or loss), unless this creates an accounting inconsistency.

For the impairment of financial assets, IFRS 9 introduces an "expected credit loss" model, which is based on the concept of providing for expected losses at the time of entering into a contract; it will no longer be necessary to have objective evidence of impairment before a credit loss is recognised.

For hedge accounting, IFRS 9 introduces a thorough review that will allow financial statements to better reflect the impact of implementing risk management measures when hedging financial and non-financial risks. The provisions on derecognition have been carried over from IAS 39 with virtually no changes.

IFRIC 9 will be applied for the preparation of financial statements for 2018 and the Bank expects that the application of the new standard will not have a significant impact on the amounts of financial assets and financial liabilities in the Bank's statements.

IFRS 15 Revenue from Contracts with Customers (issued in May 2014). The new standard, effective for annual periods beginning on or after 1 January 2018, replaces IAS 11, IAS 18 and their interpretations (IAS 31 and IFRIC 13, 15 and 18). It establishes a single and comprehensive basis for revenue recognition, consistent across all operations, industries and capital markets, with a key principle (based on a five-step model that will be applied to all contracts with customers), expanded disclosures and established new or improved provisions (e.g. the conditions under which revenue is recognised, accounting for variable consideration, contract performance and acquisition costs, etc.). The Bank expects that IFRS 15 will be used in the preparation of the Bank's financial statements once it becomes mandatory and that the application of the new standard may have an impact on the reported amounts relating to the Bank's income. However, it is practically impossible to provide a reasonable estimate of this impact until a detailed analysis is completed.

IFRS 16 Leases (issued in January 2016) – the new standard is effective for annual periods beginning on or after 1 January 2019 (earlier application permitted only if IFRS 15 is applied), replacing IAS 17 and its interpretations. The most significant change is that virtually all lease transactions will be accounted for on lessees' balance sheets using a single model (except for leases of less than 12 months and leases of low-value assets), thus eliminating the distinction between operating and finance leases. However, the lessor's accounting remains largely unchanged, and the distinction between operating and finance leases remains.

The Bank expects that IFRS 16 may have an impact on the Bank's financial statements, however, it is currently impractical to provide a reasonable estimate of this impact until a detailed analysis is completed.

Note 6. Cash and cash equivalents

Table 6.1. Cash and cash equivalents

(thousands of UAH)

| Line | Article title | 2017 year | 2016 year |
|----------|--|----------------|---------------|
| 1 | 2 | 3 | 4 |
| 1 | Cash | 152 517 | 1,056 |
| 2 | Funds in the National Bank of Ukraine | 3,022 | 1,270 |
| 3 | Correspondent accounts, deposits and overnight loans at banks | 928 | 158 |
| 3.1 | Ukraine | 928 | 158 |
| 3.2 | other countries | – | – |
| 4 | Certificates of deposit issued by the National Bank of Ukraine | 78,080 | 86,059 |
| 5 | Total cash and cash equivalents | 234 547 | 88,543 |

There are no restrictions on the use of funds.

As of the end of the day on December 31, 2016 and December 31, 2017 balances on correspondent accounts in the accounts are not overdue and not impaired .

As of the end of the day on December 31, 2016 and December 31, 2017 , the Bank performed requirements National Bank of Ukraine of mandatory Reserves . Control over the formation of mandatory reserves is carried out per month based on average data for the entire retention period.

The amount of required reserves according to the established standards (reserve base) for the maintenance period from 11.12.2017 to 10.01.2018 is 7,158 thousand UAH . Average balance on the correspondent account The bill for the holding period from 11.12.2017 to 10.01.2018 amounted to 8,659 thousand UAH .

The amount of required reserves according to the established standards (reserve base) for the maintenance period from 11.12.2016 to 10.01.2017 is 1,409 thousand UAH . Average balance on the correspondent account The bill for the holding period from 11.12.2016 to 10.01.2017 amounted to 3,029 thousand UAH .

Note 7. Balances with other banks

Table 7.1. Funds in other banks (thousands of UAH)

| Line | Article title | 2017 year | 2016 year |
|----------|---|------------|-----------|
| 1 | 2 | 3 | 4 |
| 1 | Deposits in other banks | 260 | 260 |
| 1.1 | short-term deposits | 260 | 260 |
| 2 | Guarantee deposits | 561 | - |
| 3 | Provision for impairment of deposits in other banks | (260) | (260) |
| 4 | Funds are placed in correspondent accounts in other banks | 1 3 | 1 3 |
| 5 | Provision for impairment of funds in other banks | (13) | (13) |
| 6 | Total funds in banks minus reserves | 561 | - |

As of the end of the day on December 31, 2017 , guarantee deposits include a guarantee security to one Ukrainian bank provided to ensure transactions using MasterCard payment cards .

Table 7.2. Analysis of credit quality of funds in other banks for 2017 (thousands of UAH)

| Line | Article title | Deposits | Funds placed in correspondent accounts in other banks | Guarantee deposits | Total |
|----------|---|----------|---|--------------------|--------------|
| 1 | 2 | 3 | 4 | 5 | 6 |
| 1 | Not past due and not impaired | - | - | 561 | 561 |
| 2 | Impaired assets assessed on an individual basis | 260 | 13 | - | 273 |
| 2.1. | with a payment delay of more than 366 (367) days | 260 | 13 | - | 273 |
| 3 | Funds in other banks before deduction of reserves | 260 | 1 3 | - | 273 |
| 3 | Provision for impairment of funds in other banks | (260) | (1 3) | - | (273) |
| 4 | Total funds in other banks minus reserves | - | - | 561 | 561 |

Table 7.3. Analysis of credit quality of funds in other banks for 2016 (thousands of UAH)

| Line | Article title | Deposits | Funds placed on a correspondent account | Loans | Total |
|-------------|---|-----------------|--|--------------|--------------|
| 1 | 2 | 3 | 4 | 5 | 6 |
| 1 | Impaired assets assessed on an individual basis | 260 | 13 | – | 273 |
| 1.1. | with a payment delay of 184 to 365 (366) days | 260 | 13 | – | 273 |
| 2 | Funds in other banks before deduction of reserves | 260 | 13 | – | 273 |
| 3 | Provision for impairment of funds in other banks | (260) | (13) | – | (273) |
| 4 | Total funds in other banks minus reserves | – | – | – | – |

Table 7.4. Analysis of changes in the provision for impairment of funds in other banks

(thousand UAH)

| Line | Movement of reserves | 2017 year | 2016 year |
|-------------|---|------------------|------------------|
| 1 | 2 | 3 | 4 |
| 1 | Impairment reserve at the beginning of the period | (273) | (1,756) |
| 2 | (Increase)/decrease in impairment allowance during the period | - | 1,483 |
| 3 | Impairment reserve at the end of the period | (273) | (273) |

Note 8. Loans and advances to customers

Table 8.1. Loans and receivables from customers

(thousand UAH)

| Line | Article title | 2017 year | 2016 year |
|-------------|--|------------------|------------------|
| 1 | 2 | 3 | 4 |
| 1 | Loans granted to legal entities | 31,405 | 17,153 |
| 2 | Loans granted to individual entrepreneurs | 1,007 | - |
| 3 | Loans granted to individuals for current needs | 842 | - |
| 4 | Loan impairment allowance | (5,324) | (4,593) |
| 5 | Total loans minus reserves | 27,930 | 12,560 |

Asset items are presented taking into account accrued and unearned interest income, which as of the reporting date amounts to UAH 580 thousand.

As of December 31, 2017, the concentration of loans issued by the Bank to the ten largest borrowers amounted to UAH 33,254 thousand (100% of the total loan portfolio) (2016: UAH 17,153 thousand (100% of the total loan portfolio). A provision of UAH 5,324 thousand (2016: UAH 4,593 thousand) was created for these loans.

Table 8.2. Analysis of changes in loan loss provisions for 2017

(thousand UAH)

| Line | Movement of reserves | Loans granted to legal entities | Loans granted to individual entrepreneurs | Loans granted to individuals for current needs | Total |
|-------------|-----------------------------|--|--|---|--------------|
| 1 | 2 | 3 | 4 | 5 | 6 |

| | | | | | |
|----------|--|----------------|-------------|--------------|--------------|
| 1 | Balance at the beginning of the period | (4,593) | - | - | (458) |
| 2 | (Increase) in impairment allowance during the period | (407) | (80) | (244) | 7 |
| 3 | Balance at the end of the period | (5,000) | (80) | (244) | 634 |

Table 8.3. Analysis of changes in loan loss provisions for 2016

(thousand UAH)

| Line | Movement of reserves | Loans granted to legal entities | Loans granted to individuals for current needs | Total |
|----------|--|---------------------------------|--|-----------------|
| 1 | 2 | 3 | 4 | 5 |
| 1 | Balance at the beginning of the period | (25,991) | (6,795) | (32,786) |
| 2 | Decrease in the impairment allowance during the period | 6,605 | - | 6,605 |
| 3 | Write-off of bad debts from the reserve | 14,793 | 6,795 | 21,588 |
| 4 | Balance at the end of the period | (4,593) | - | (4,593) |

Table 8.4. Structure of loans by type of economic activity

(thousand UAH)

| Line | Type of economic activity | 2017 year | | 2016 year | |
|----------|---|---------------|------------|---------------|------------|
| | | Sum | % | Sum | % |
| 1 | 2 | 3 | 4 | 5 | 6 |
| 1 | Wholesale and retail trade, repair of automobiles, household goods and personal items | 12,750 | 38 | 12,560 | 73 |
| 2 | Individuals | 842 | 3 | - | - |
| 3 | Supply of electricity, gas, steam and conditioned air | - | - | 4,593 | 27 |
| 4 | Provision of financial services | 12,705 | 38 | - | - |
| 5 | Others | 6,957 | 21 | - | - |
| 6 | Total loans and advances to customers before provisions | 33,254 | 100 | 17,153 | 100 |

Decoding of line 5 "Other": (thousands of UAH)

| Line | Type of economic activity | 2017 year | | 2016 year | |
|----------|---|--------------|------------|-----------|----------|
| | | Sum a | % | Sum | % |
| 1 | Production | 2,730 | 39 | - | - |
| 2 | Professional, scientific and technical activities | 3,019 | 43 | - | - |
| 3 | Transport | 1,007 | 15 | - | - |
| 4 | Other | 201 | 3 | - | - |
| 5 | Total | 6,957 | 100 | - | - |

Table 8.5. Information on loans by type of collateral for 2017

(thousand UAH)

| Line | Article title | Loans granted to legal entities | Loans granted to individual entrepreneurs | Loans granted to individuals for current needs | Total |
|------|---------------|---------------------------------|---|--|-------|
|------|---------------|---------------------------------|---|--|-------|

| 1 | 2 | 3 | 4 | 5 | 6 |
|----------|--|---------------|--------------|------------|-------------------|
| | Unsecured loans | 24,363 | - | - | 24,363 |
| | Secured loans | 7,042 | 1,007 | 842 | 8,891 |
| 2.1 | real estate | 1,241 | 1,007 | - | 2,248 |
| 2.2 | other assets | 5,801 | - | 842 | 6,643 |
| 3 | Total loans and advances to customers before provisions | 31,405 | 1,007 | 842 | 33,254 |

Table 8.6. Information on loans by type of collateral for 2016

(thousand UAH)

| Line | Article title | Loans granted to legal entities | Loans granted to individuals for current needs | Total |
|----------|--|---------------------------------|--|---------------|
| 1 | 2 | 3 | 4 | 5 |
| 1 | Unsecured loans | 15,169 | - | 15,169 |
| 2 | Secured loans | 1,984 | - | 1,984 |
| 2.1 | real estate | 1,984 | - | 1,984 |
| 3 | Total loans and advances to customers before provisions | 17,153 | - | 17,153 |

Table 8.7. Analysis of credit quality of loans for 2017

(thousand UAH)

| Line | Article title | Loans granted to legal entities | Loans granted to individual entrepreneurs | Loans granted to individuals for current needs | Total |
|----------|-----------------------------------|---------------------------------|---|--|--------------------|
| 1 | 2 | 3 | 4 | 5 | 6 |
| 1 | Not past due and not impaired | 31,405 | 1,007 | 842 | 33,254 |
| 1.1 | loans to medium-sized companies | 11,373 | - | - | 11,373 |
| 1.2 | loans to small companies | 20,032 | 1,007 | - | 21,039 |
| 1.3 | loans to individuals | - | - | 842 | 842 |
| 2 | Total loans before provisions | 31,405 | 1,007 | 842 | 33,254 |
| 3 | Provision for impairment of loans | (5,000) | (80) | (244) | (5,324) |
| 4 | Total loans minus reserves | 26,405 | 927 | 598 | 27,930 |

Table 8.8. Analysis of credit quality of loans for 2016

(thousand UAH)

| Line | Article title | Loans granted to legal entities | Loans granted to individuals for current needs | Total |
|----------|--|---------------------------------|--|----------------|
| 1 | 2 | 3 | 4 | 5 |
| 1 | Not past due and not impaired | 12,560 | - | 12,560 |
| 1.1 | loans to small companies | 12,560 | - | 12,560 |
| 2 | Impaired loans assessed on an individual basis | 4,593 | - | 4,593 |
| 2.1 | with a payment delay of more than 366 (367) days | 4,593 | - | 4,593 |
| 3 | Total loans before provisions | 17,153 | - | 17,153 |
| 4 | Provision for impairment of loans | (4,593) | - | (4,593) |
| 5 | Total loans minus reserves | 12,560 | - | 12,560 |

Table 8.9. Impact of collateral value on loan quality in 2017

(thousand UAH)

| Line | Article title | Carrying amount of loans | Expected cash flows from the sale of collateral | Influence pledges |
|----------|--|-----------------------------|---|----------------------|
| 1 | 2 | 3 | 4 | 5 = 3 - 4 |
| 1 | Loans granted to legal entities | 31,405 | 6,467 | 24,938 |
| 2 | Loans granted to individual entrepreneurs | 1,007 | 848 | 159 |
| 3 | Loans granted to individuals for current needs | 842 | 842 | - |
| 4 | Total loans | 33,254 | 8,157 | 25,097 |

During 2017, the Bank foreclosed on mortgaged properties, the total value of which was UAH 50,114 thousand. The carrying amount of the aforementioned real estate objects, which are accounted for by the Bank as part of investment property and property transferred to the Bank as a mortgagee, taking into account revaluation and impairment, is UAH 70,423 thousand.

Table 8.10. Impact of collateral value on loan quality in 2016

(thousand UAH)

| Line | Article title | Carrying amount of loans | Expected cash flows from the sale of pledged collateral | Influence pledges |
|----------|--|-----------------------------|--|----------------------|
| 1 | 2 | 3 | 4 | 5 = 3 - 4 |
| 1 | Loans granted to legal entities | 17,153 | 6,463 | 10,690 |
| 2 | Loans granted to individuals for current needs | - | - | - |
| 3 | Total loans | 17,153 | 6,463 | 10,690 |

During 2016, the Bank foreclosed on mortgaged properties, the total value of which is UAH 105,416 thousand. The Bank records these real estate properties as part of non-current assets held for sale and property transferred to the Bank as a mortgagee.

Methods of assessing pledged property

When calculating the reserve, the bank uses the market (fair) value of collateral in the form of real estate, vehicles, based on the assessment of such property, carried out by an independent valuation entity. If, since the date of the last assessment, there have been significant changes in the operating conditions and physical condition of the property that is the subject of the pledge, and/or the market condition of similar property, the Bank conducts a revaluation of such property, but not less than once every twelve months in the case of pledge of real estate, equipment and vehicles and once every six months in the case of pledge of other property.

When determining the market (fair) value of the pledged property, the Bank sets the term for the sale of such property to no more than 360 calendar days.

Note 9. Investment property

Table 9.1. Investment property valued at fair value

(thousands of UAH)

| Line | Article title | 2017 year | 2016 year |
|-------------|--|------------------|------------------|
| 1 | 2 | 3 | 4 |
| 1 | Fair value of investment property at the beginning of the period | 200,662 | 452,213 |
| 2 | Incoming | 39,734 | - |
| 3 | Transfer to non-current assets held for sale and assets in disposal groups | - | (302,456) |
| 4 | Elimination | (3,050) | (89,466) |
| 5 | Gains (losses) from revaluation to fair value | (28 20 0) | 108,486 |
| 6 | Transfer from assets held for sale | - | 31,885 |
| 7 | Fair value of investment property at the end of the period | 209 146 | 200,662 |

The fair value of investment property is determined based on the opinions of independent valuation entities who have the appropriate professional qualifications and experience in valuing similar properties in Ukraine. The fair value of investment property as of December 31, 2017 belongs to Level II of the fair value hierarchy.

Table 9.2. Amounts recognized in the Statement of Profit and Loss and Other Comprehensive Income (thousands of UAH)

| Line | Amounts of income and expenses | 2017 | 2016 |
|-------------|--|-------------|-------------|
| 1 | 2 | 3 | 4 |
| 1 | Rental income from investment property | 1 0 56 | 565 |

Table 9.3. Information on the minimum amounts of future lease payments under a non-cancellable operating lease, if the bank is the lessor (thousands of UAH)

| Line | Period actions operating room rent | 2017 |
|-------------|--|-------------|
| 1 | 2 | 3 |
| 1 | Up to 1 year | 2,062 |
| 2 | From 1 to 5 years | 29 |
| 3 | Over 5 years | - |
| 4 | Total payments that are subject to receiving for operating room rent | 2,091 |

Note 10. Fixed assets and intangible assets

Table 10.1 Fixed assets and intangible assets

(thousands of UAH)

| Line | Article title | Machinery and equipment | Vehicles | Tools, appliances, inventory (furniture) | Other non-returnable tangible assets | Incomplete capital investments in fixed assets and tangible assets | Intangible assets | Total |
|------|---|-------------------------|----------|--|--------------------------------------|--|-------------------|---------|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| 1 | Carrying amount as of January 1, 2016 | 12 | – | 12 | – | – | 293 | 317 |
| 1.1 | Initial cost of the day | 14 | – | 13 | 193 | – | 293 | 513 |
| 1.2 | Depreciation at the end of the reporting period | (2) | – | (1) | (193) | – | – | (196) |
| 2 | Incoming | 273 | 616 | 204 | 171 | – | 177 | 1,441 |
| 3 | Elimination | – | – | – | (37) | – | – | (37) |
| 4 | Depreciation deductions | (5) | – | (4) | (134) | – | – | (143) |
| 5 | Carrying amount at the end of the day December 31, 2016 | 280 | 616 | 212 | – | – | 470 | 1,578 |
| 5.1 | Original cost | 287 | 616 | 217 | 327 | – | 470 | 1,917 |
| 5.2 | Depreciation at the end of the reporting period | (7) | – | (5) | (327) | – | – | (339) |
| 6 | Incoming | 2,140 | – | 10 6 | 3 58 | 2055 | 381 | 5 0 40 |
| 7 | Elimination | (3) | – | (3) | – | – | (1) | (7) |
| 8 | Commissioned | – | – | – | – | (1 9 94) | – | (1 994) |
| 9 | Depreciation deductions | (313) | (123) | (59) | (358) | – | – | (853) |
| 10 | Carrying amount at the end of the day December 31, 2017 | 2 104 | 493 | 256 | – | 61 | 8 50 | 3 76 4 |
| 10.1 | Original cost | 2,424 | 616 | 315 | 670 | 61 | 8 50 | 4 93 6 |
| 10.2 | Wear and tear | (320) | (123) | (59) | (670) | – | – | (1,172) |

Main means and , in relation to which are provided legislation Ukraine limitation of There are no possession , use or disposal on the bank's balance sheet.

Basic means There are no forms or collateral .

About the basics means that temporarily not in use (conservation , reconstruction) etc.) are absent.

About the basics means and removed from service and not available for sale .

As of the end of the day on December 31, 2017, the original cost of fully depreciated fixed assets is UAH 5 thousand . The Bank does not amortize intangible assets on the grounds that all intangible assets are used by the Bank on the basis of an unlimited term of use of licenses, therefore it recognizes all software licenses as intangible assets with an indefinite useful life that are not subject to amortization.

Intangible assets , regarding There are no restrictions on ownership rights on the bank's balance sheet.

Intangible assets were not created during 2017 .

There were no increases or decreases in property, plant and equipment and intangible assets during the reporting period arising from revaluations, as well as from impairment losses recognized or reversed directly in equity.

Note 11. Other financial assets

Table 11.1. Other financial assets (thousands of UAH)

| Line | Article title | 2017 year | 2016 year |
|------|--|------------|-----------|
| 1 | 2 | 3 | 4 |
| 1 | Other financial assets | 760 | 67 |
| 2 | Receivables from payment card transactions | 88 | |
| 3 | Provision for impairment of other financial assets | (6 66) | 68 |
| 4 | Total other financial assets less reserves | 182 | |

As of December 31, 2017, the following debts are recorded under the item "Other financial assets" :

- ▶ UAH 575 thousand – receivables under the receivables purchase and sale agreement of PJSC "OMEGA BANK", for which 100% of the reserve for financial receivables under bank operations has been formed;
- ▶ 175 thousand UAH – accrued income from operating lease;
- ▶ UAH 9 thousand – accrued income for settlement and cash services;
- ▶ 1 thousand – other receivables from transactions with bank clients.

Table 11.2. Analysis of changes in the provision for impairment of other financial assets for 2017 (thousands of UAH)

| Line | Movement of reserves | Other financial assets | Total |
|------|--|------------------------|-----------------|
| 1 | 2 | 3 | 4 |
| 1 | Balance at the beginning of the period | (60,788) | (60,788) |
| 2 | Decrease in the impairment allowance during the period | 30 | 30 |
| 3 | Bad debt write-off | 60,092 | 60,092 |
| 4 | Balance at the end of the period | (6 66) | (6 66) |

Table 11.3. Analysis of changes in the provision for impairment of other financial assets for 2016 (thousands of UAH)

| Line | Movement of reserves | Other financial assets | Total |
|------|--|------------------------|-----------------|
| 1 | 2 | 3 | 4 |
| 1 | Balance at the beginning of the period | (12,084) | (12,084) |
| 2 | Increase in the impairment allowance during the period | (48,704) | (48,704) |
| 3 | Balance at the end of the period | (60,788) | (60,788) |

Table 11.4. Analysis of credit quality of other financial assets for 2017 (thousands of UAH)

| Line | Article title | Receivables from payment card transactions | Other financial assets | Total |
|------|--|--|------------------------|-------|
| 1 | 2 | 3 | 4 | 5 |
| 1 | Non-overdue and non-impaired debt | | | 1 |
| 1.2 | small companies | | | |
| 1.3 | individuals | | | |
| 2 | Debt impaired on an individual basis with delayed payment | | | 2 |
| 2.1 | up to 31 days | | | 1 |
| 2.2 | from 32 to 92 days | | | |
| 2.3 | from 93 to 183 days | | | |
| 2.4 | from 184 to 365(366) days | | | |
| 2.5 | more than 365(366) days | | | 5 |
| 3 | Total other financial assets before deduction of provision | | | 8 |
| 4 | Provision for impairment of other financial assets | | | 6 |
| 5 | Total other financial assets less reserve | | | 2 |

Table 11.5. Analysis of credit quality of other financial assets for 2016 (thousands of UAH)

| Line | Article title | Other financial assets | Total |
|------|-----------------------------------|------------------------|-------|
| 1 | 2 | 3 | 4 |
| 1 | Non-overdue and non-impaired debt | | 5 |
| 1.1 | small companies | | 5 |

| | | | |
|-----|--|----------------|-----------------|
| 2 | Debt impaired on an individual basis with delayed payment | 68 | 60,869 |
| 2.1 | up to 31 days | | 9 |
| 2.2 | from 32 to 92 days | | 147 |
| 2.3 | from 93 to 183 days | | 2 |
| 2.4 | from 184 to 365(366) days | | 37 |
| 2.5 | more than 365(366) days | 674 | 60,674 |
| 3 | Total other financial assets before deduction of provision | 674 | 60,874 |
| 4 | Provision for impairment of other financial assets | 688 | (60,788) |
| 5 | Total other financial assets less reserve | | 86 |

Note 12. Other assets

Table 12.1. Other assets (thousands of UAH)

| Line | Article title | 2017 year | 2016 year |
|------|---|---------------|---------------|
| 1 | 2 | 3 | 4 |
| 1 | Property transferred to the bank as a mortgagee | 23,064 | 29,551 |
| 2 | Prepayment for services | 5,305 | 1,470 |
| 3 | Other assets | 2,827 | 446 |
| 4 | Banking metals | 115 | - |
| 5 | Accounts receivable from asset acquisition | 78 | 136 |
| 6 | Reserve for other assets | (5,169) | (28) |
| 7 | Total other assets less reserves | 26,220 | 31,575 |

The property that has passed into the ownership of the bank as a pledgee includes property received by the bank in repayment of credit debt of clients. The value of the property corresponds to the market value, which is confirmed by the conclusions of the valuation entities.

During 2017, an impairment loss of property transferred to the Bank as a pledgee was recognized in the amount of UAH 6,487 thousand .

The item "Other assets" for 2017 includes:

- ▶ property insurance in the amount of UAH 1,728 thousand;
- ▶ inventories of material assets held by accountable persons in the amount of UAH 45,9 thousand;
- ▶ rent of premises in the amount of 4 19 thousand UAH;
- ▶ contribution to the insurance fund of participants of the National Payment System in the amount of UAH 100 thousand ;
- ▶ information services in the amount of 29 thousand UAH;
- ▶ vacation pay for unworked time in the amount of 28 thousand UAH;
- ▶ other assets in the amount of 64 thousand UAH.

Table 12.2. Analysis of changes in the provision for impairment of other assets for 2017

(thousand UAH)

| Line | Movement of reserves | Accounts receivable from asset acquisition | Prepayment for services | Other assets | Total |
|------|--|--|-------------------------|--------------|----------------|
| 1 | 2 | 3 | 4 | 5 | 6 |
| 1 | Balance at the beginning of the period | | (24) | - | (28) |
| 2 | Increase in the impairment allowance during the period | | (5 048) | (2) | (5,141) |
| 3 | Balance at the end of the period | | (5,072) | (2) | (5,169) |

Note 13. Non-current assets held for sale and assets in disposal groups

Table 13.1. Non-current assets held for sale and assets of the disposal group (thousands of UAH)

| Line | Article title | 2017 year | 2016 year |
|------|---|-----------|-----------|
| 1 | 2 | 3 | 4 |
| 1 | Non-current assets held for sale | | |
| 1.1 | Land, real estate | 7,427 | 2,460 |

| | | | |
|----------|---|--------------|--------------|
| 2 | Total non-current assets held for sale | 7,427 | 2,460 |
|----------|---|--------------|--------------|

As part of non-current assets held for sale, the Bank accounts for 2 buildings located in Rivne region, 4 land plots in Kyiv region. Information on their sale is published on the Bank's official website and other media.

The Bank's management believes that as of December 31, 2017, the fair value of assets held for sale reflects their market value.

During 2017, an impairment of non-current assets held for sale was recognized in the amount of UAH 5,413 thousand .

Note 1 4. Due from banks

Table 1 4 .1. Bank funds (thousands of UAH)

| Line | Article title | 2017 year | December 31, 2016 |
|----------|-------------------------------------|---------------|-------------------|
| 1 | 2 | 3 | 4 |
| 1 | Loans received | 10,016 | - |
| 1.1 | short-term | 10,016 | - |
| 2 | Total funds from other banks | 10,016 | - |

Note 1 5. Customer funds

Table 1 5 .1. Client funds

(thousands of UAH)

| Line | Article title | 2017 year | 2016 year |
|----------|-----------------------------|----------------|---------------|
| 1 | 2 | 3 | 4 |
| 1 | Legal entities | 115,468 | 66,368 |
| 1.1 | current accounts | 95,243 | 65,014 |
| 1.2 | term funds | 20,225 | 1,354 |
| 2 | Individuals | 150,400 | 2,552 |
| 2.1 | current accounts | 147,427 | 2,552 |
| 2.2 | term funds | 2,973 | - |
| 3 | Total customer funds | 265,868 | 68,920 |

As of December 31, 2017, customer funds in the amount of UAH 241,849 thousand (90.97 %) included debts to the Bank's ten largest customers (as of December 31 , 2016: UAH 56,623 thousand (82.16%)).

Table 15.2. Distribution of clients' funds by type of economic activity.

(thousands of UAH)

| Line | Type of economic activity | 2017 year | | 2016 year | |
|----------|--|----------------|------------|---------------|------------|
| | | Sum | % | Sum | % |
| 1 | 2 | 3 | 4 | 5 | 6 |
| 1 | Production and distribution of electricity, gas and water | 23,658 | 9 | 16,843 | 24 |
| 2 | Trade, repair of automobiles, household goods and personal items | 23,159 | 9 | 8,991 | 13 |
| 3 | Individuals | 150,400 | 56 | 2,552 | 4 |
| 4 | Real estate transactions, leasing, engineering and service provision | 4 113 | 2 | 413 | 1 |
| 5 | Agriculture, hunting, forestry | 1,271 | - | 260 | - |
| 6 | Others | 63,267 | 24 | 39,861 | 58 |
| 7 | Total customer funds | 265,868 | 100 | 68,920 | 100 |

Decoding of line 7 "Other":

(thousands of UAH)

| Line | Type of economic activity | 2017 year | | 2016 year | |
|----------|------------------------------------|---------------|------------|---------------|------------|
| | | Sum a | % | Sum | % |
| 1 | Construction | 39,915 | 63 | 29,095 | 73 |
| 2 | Financial and insurance activities | 20,096 | 32 | 8,717 | 22 |
| 3 | Other | 3,256 | 5 | 2,049 | 5 |
| 4 | Total | 63,267 | 100 | 39,861 | 100 |

Client funds, which as of December 31, 2017 are recorded on the balance sheet account 2602 "Funds in settlements of business entities", in the amount of UAH 3,616 thousand. were transferred to cash collateral (coverage) under the guarantees provided by the bank (as of December 31, 2016 - UAH 1,263 thousand.).

In addition, as of December 31, 2017, customer funds in the amount of UAH 17,350 thousand were accepted to secure the fulfillment of obligations to the Bank under the provided guarantee in the amount of UAH 63,639 thousand.

Note 16. Provisions for liabilities

Table 16.1. Changes in provisions for liabilities for 2017 (thousands of UAH)

| Line | Movement of reserves | Guarantees | Total |
|------|---|------------|------------|
| 1 | 2 | 3 | 4 |
| 1 | Balance at the beginning of the period | - | - |
| 2 | Reserve formation | 688 | 688 |
| 3 | Balance at the end of the period | 688 | 688 |

Provisions for liabilities include provisions for guarantees provided.

Note 17. Other financial liabilities

Table 17.1. Other financial liabilities (thousands of UAH)

| Line | Article title | 2017 year | 2016 year |
|------|--|---------------|---------------|
| 1 | 2 | 3 | 4 |
| 1 | Commission for providing guarantees | 11,679 | 964 |
| 2 | Other payables from transactions with bank clients | 4,093 | 8,698 |
| 3 | Information and advisory services | 3,072 | 850 |
| 4 | Bank customers' funds in inactive accounts | 860 | 860 |
| 5 | Agency services | - | 2,516 |
| 6 | Others | - | 327 |
| 7 | Total other financial liabilities | 19,704 | 14,215 |

Balance under the item "Other payables for transactions with bank clients" for 2017 consists of:

- ▶ 442 thousand UAH . - accounts payable for foreign currency purchase and sale transactions;
- ▶ 326 thousand UAH - accounts payable for accepted payments;
- ▶ 650 thousand UAH . – guarantee deposit under real estate lease agreements;
- ▶ UAH 100,000 – the deposit value of the key to an individual safe;
- ▶ 2,575 thousand - other payables for transactions with bank clients, which are recorded on the balance sheet according to the acceptance and transfer certificate from PJSC "OMEGA BANK".

The balance under the item "Other" for 2016 consists of:

- ▶ UAH 100 thousand - guarantee deposit paid by the business entity in accordance with the Real Estate Lease Agreement concluded with the Bank;
- ▶ UAH 64 thousand – costs for maintaining the bank's operating system;
- ▶ 24 thousand UAH - expenses for utilities;
- ▶ UAH 18 thousand – telecommunications expenses;
- ▶ UAH 11 thousand – car rental costs;
- ▶ UAH 110 thousand – other accrued expenses.

Note 18. Other liabilities

Table 18.1. Other liabilities

(thousand UAH)

| Line | Article title | 2017 year | 2016 year |
|------|--|-----------|-----------|
| 1 | 2 | 3 | 4 |
| 1 | Deferred income | 160 | 4,933 |
| 2 | Accounts payable for services | 389 | 457 |
| 3 | Accounts payable for settlements with bank employees | 936 | 359 |
| 4 | Accounts payable for taxes and mandatory payments, except for income tax | 253 | 112 |

| | | | |
|----------|---|--------------|--------------|
| 5 | Accounts payable for fees to the Deposit Guarantee Fund for Individuals | 37 | - |
| 6 | Others | 572 | - |
| 7 | Total | 2,347 | 5,861 |

The balance under the item "Other" for 2017 consists of:

- ▶ UAH 100 thousand - guarantee deposit paid by the business entity in accordance with the Real Estate Lease Agreement concluded with the Bank;
- ▶ UAH 156 thousand - expenses for renting premises;
- ▶ UAH 93 thousand – costs for maintaining the bank's operating system;
- ▶ 27 thousand UAH - expenses for utility services;
- ▶ 23 thousand UAH – telecommunications expenses;
- ▶ UAH 173 thousand – other accrued expenses.

Note 19. Authorized capital and share premium (share income)

Table 19.1 Authorized capital and share premium (share income)

(thousand UAH)

| Line | Article title | Number of shares outstanding (thousands of shares) | Simple promotions | Total |
|------|---|--|-------------------|----------------|
| 1 | 2 | 3 | 4 | 5 |
| 1 | Balance at the beginning of the previous period | 12,152 | 121,522 | 121,522 |
| 2 | Increase in the nominal value of shares | 12,152 | 178,517 | 178,517 |
| 3 | Balance at the end of the previous period (balance at the beginning of the reporting period) | 12,152 | 300,039 | 300,039 |
| 4 | Balance at the end of the reporting period (as of the end of the day on December 31, 2017) | 12,152 | 300,039 | 300,039 |

In 2016, the Bank's shareholder made a decision to increase the Bank's authorized capital by UAH 178,517 thousand by increasing the nominal value of shares by UAH 14.69 by allocating part of the profit for 2015 to the Bank's authorized capital.

There are no shares announced for issue in the reporting year 2017.

The nominal value of one share as of the end of the day on December 31, 2017 is 24.69 hryvnias.

The bank did not issue preferred shares, and no dividends were paid.

There are no restrictions on share ownership at the end of the reporting year 2017.

Note 20. Analysis of assets and liabilities by maturity

Table 20.1. Analysis of assets and liabilities by maturity

(thousand UAH)

| Line | Article title | Notes | 2017 year | | | 2016 year | | |
|------|---------------------------|-------|---------------------|---------------------|---------|---------------------|---------------------|--------|
| | | | Less than 12 months | More than 12 months | Total | Less than 12 months | More than 12 months | Total |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| | Assets | | | | | | | |
| 1 | Cash and cash equivalents | 6 | 234 547 | – | 234 547 | 88,543 | – | 88,543 |
| 2 | Funds in other banks | 7 | 561 | – | 561 | – | – | – |

| | | | | | | | | |
|-----------|--|----|----------------|----------------|-----------------|----------------|----------------|----------------|
| 3 | Loans and customer debt | 8 | 24,073 | 3,857 | 27,930 | 12,560 | - | 12,560 |
| 4 | Investment property | 9 | - | 209 146 | 209 146 | - | 200,662 | 200,662 |
| 5 | Fixed assets and intangible assets | 10 | - | 3 76 4 | 3 76 4 | - | 1,578 | 1,578 |
| 6 | Other financial assets | 11 | 103 | 79 | 182 | 86 | - | 86 |
| 7 | Other assets | 12 | 26,220 | - | 26,220 | 31,575 | - | 31,575 |
| 8 | Non-current assets held for sale and assets in disposal groups | 13 | 7,427 | - | 7,427 | 2,460 | - | 2,460 |
| 9 | Total assets | | 292,931 | 216,846 | 509,777 | 135,224 | 202,240 | 337,464 |
| | Obligation | | | | | | | |
| 10 | Bank funds | 14 | 10,016 | - | 10,016 | - | - | - |
| 11 | Client funds | 15 | 245 279 | 20 58 9 | 265 86 8 | 68,920 | - | 68,920 |
| 12 | Provisions for liabilities | 16 | 561 | 127 | 688 | - | - | - |
| 13 | Other financial liabilities | 17 | 17,015 | 2,689 | 19,704 | 13,888 | - | 13,888 |
| 14 | Other obligations | 18 | 2,347 | - | 2,347 | 6,188 | - | 6,188 |
| 15 | Total liabilities | | 275 218 | 23 40 5 | 298 62 3 | 88,996 | - | 88,996 |

Note 21. Interest income and expenses

Table 21.1. Interest income and expenses

(thousand UAH)

| Line | Article title | 2017 year | 2016 year |
|-----------|--|------------------|----------------|
| 1 | 2 | 3 | 4 |
| | Interest income | | |
| 1 | Certificates of deposit issued by the National Bank of Ukraine | 4,409 | 3,190 |
| 2 | Loans and customer debt | 7,192 | 2,804 |
| 3 | Funds in other banks | 964 | 21 |
| 4 | Correspondent accounts in other banks | 1 | - |
| 5 | Total interest income | 12,566 | 6,015 |
| | Interest expenses | | |
| 6 | Bank funds | (201) | - |
| 7 | Current accounts | (1,725) | (202) |
| 8 | Term funds of legal entities | (520) | (4) |
| 9 | Term funds of individuals | (15) | - |
| 10 | Others | - | (553) |
| 11 | Total interest expense | (2,461) | (759) |
| 12 | Net interest income/(expenses) | 10 105 | 5,256 |

Note 22. Commission income and expenses

Table 22.1. Commission income and expenses

(thousands of UAH)

| Line | Article title | 2017 year | 2016 year |
|----------|------------------------------------|----------------|-------------|
| 1 | 2 | 3 | 4 |
| | Commission income | | |
| 1 | Guarantees provided | 25,569 | 276 |
| 2 | Settlement and cash transactions | 5,316 | 220 |
| 3 | Foreign exchange market operations | 1,382 | - |
| 4 | Others | 57 | 166 |
| 5 | Total commission income | 32,324 | 662 |
| | Commission costs | | |
| 6 | Settlement and cash transactions | (1,615) | (42) |
| 7 | Securities transactions | (14) | - |
| 8 | Others | - | (1) |
| 9 | Total commission expenses | (1,629) | (43) |

| | | | |
|-----------|---------------------------------------|---------------|------------|
| 10 | Net commission income/expenses | 30,695 | 619 |
|-----------|---------------------------------------|---------------|------------|

Note 23. Other operating income

Table 23.1. Other operating income

(thousand UAH)

| Line | Article title | 2017 year | 2016 year |
|----------|--------------------------------------|---------------|----------------|
| 1 | 2 | 3 | 4 |
| 1 | of mortgagee's rights | 33,997 | 68,786 |
| 2 | Income received from loan repayments | - | 29,198 |
| 3 | Income from operating leasing (rent) | 1,440 | 565 |
| 4 | Others | 511 | 1,621 |
| 5 | Total operating income | 35,948 | 100 170 |

The "Other" article for 2017 includes:

- ▶ UAH 393 thousand – compensation for utility costs for rented premises;
- ▶ UAH 87 thousand – income from the installation of a remote service system ;
- ▶ UAH 23 thousand – result from the sale of fixed assets;
- ▶ 8 thousand UAH - other operating income.

Note 24. Administrative and other operating expenses

Table 24.1. Administrative and other operating expenses

(thousand UAH)

| Line | Article title | 2017 year | 2016 year |
|-----------|--|-------------------|------------------|
| 1 | 2 | 3 | 4 |
| 1 | Personnel costs | (28,795) | (8,111) |
| 2 | Costs associated with customer acquisition | (15,047) | (2,514) |
| 3 | Expenses for maintenance of fixed assets and intangible assets, telecommunication and other operational services | (9,570) | (2,739) |
| 4 | Operating lease (rent) expenses | (5,702) | (1,058) |
| 5 | Impairment of real estate | (11,900) | (10,721) |
| 6 | Expenses for information and advisory services | (3,699) | (1,108) |
| 7 | Expenses for financial consulting services received | (3,584) | (1,101) |
| 8 | Payment of other taxes and fees, except for income tax | (1 357) | (1,298) |
| 9 | Audit costs | (907) | (647) |
| 10 | Depreciation of fixed assets | (853) | (8) |
| 11 | Other operating expenses | (981) | (716) |
| 12 | Security costs | (503) | (1,435) |
| 13 | Others | (308) | (181) |
| 14 | Notary services | (240) | (1,646) |
| 15 | Sale of non-current assets | (133) | (201,807) |
| 16 | Total administrative and other operating expenses | (83,579) | (235,090) |

The items "Other" and "Other operating expenses" for 2017 include:

- ▶ 190 thousand UAH - expenses of the "PROSTOR" payment system;
- ▶ UAH 171 thousand – expenses for an independent appraisal of the mortgaged property;
- ▶ UAH 163 thousand - collection costs;
- ▶ 126 thousand UAH – membership fees;
- ▶ UAH 96 thousand – business trip expenses;
- ▶ 66 thousand UAH - sponsorship;
- ▶ UAH 51 thousand – costs for access to information databases;
- ▶ UAH 426 thousand – other operating expenses.

Note 25. Income tax expense

The table "Profit tax expenses" was not submitted due to the absence of current tax expenses and income/expenses related to deferred tax in the reporting and previous reporting periods.

The income tax rate applied to the calculation of item indicators was based on the current tax rate of 18% in 2017 and 2016.

Table 25.1. Reconciliation of accounting profit (loss) and taxable profit (loss)

(thousand UAH)

| Line | Article title | 2017 year | 2016 year |
|------|---|-----------------|-----------------|
| 1 | 2 | 3 | 4 |
| 1 | Profit before tax | (37,314) | (61,070) |
| 2 | Theoretical tax deductions at the applicable tax rate | 6,717 | 10,993 |
| | Adjustment of accounting profit (loss) | | |
| 3 | Expenses that are not included in the amount of expenses for the purpose of calculating taxable profit, but are recognized in accounting (the amount of accrued depreciation of non-productive fixed assets, depreciation of investment property, impairment losses on non-current assets, transfers to non-profit organizations) | (926) | – |
| 4 | Changes in deferred tax assets not reflected in the statement of financial position | (5,791) | (10,993) |
| 5 | Income tax expenses | – | – |

Table 25.2. Tax consequences associated with the recognition of deferred tax assets and deferred tax liabilities for 2017

(thousand UAH)

| | December 31, 2016 | Charged to profit and loss accounts | December 31, 2017 |
|--|-------------------|-------------------------------------|-------------------|
| Tax effect of temporary differences that reduce the taxable base | | | |
| Loan impairment allowance | 8,194 | (7 989) | 205 |
| Tax losses before carryforward | 2,799 | 2 142 | 4,941 |
| Basic assets and intangibles assets | - | 56 | 56 |
| Deferred tax asset, gross amount | 10,993 | (5,791) | 5,202 |
| Deferred tax assets are not reflected in the statement of financial position | (10,993) | 5,791 | (5,202) |
| Deferred tax asset | – | – | – |

Note 26. Earnings/(loss) per common and preferred share

Table 26.1. Net and adjusted profit/(loss) per common and preferred share

(thousand UAH)

| Line | Article title | 2017 year | 2016 year |
|------|--|-------------------|---------------|
| 1 | 2 | 3 | 4 |
| 1 | Profit/(loss) attributable to owners of the bank's common shares | (37,314) | (61,070) |
| 2 | Profit/(loss) for the year | (37,314) | (61,070) |
| 3 | Average annual number of common shares outstanding (thousands of shares) | 12,152 | 12,152 |
| 4 | Net and adjusted profit/(loss) per common share (UAH) | (3 , 07) | (5.02) |

The amount of earnings/(loss) per share was calculated by dividing the net income/(loss) attributable to the shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year. The Bank does not have shares that could result in a decrease in earnings per share. Thus, the adjusted net income/(loss) per share is equal to the earnings per share attributable to shareholders of ordinary shares.

The net profit/(loss) indicator does not differ from the adjusted net profit/(loss) indicator.

Table 26.2. Calculation of profit/(loss) attributable to owners of the bank's common and preferred shares

(thousand UAH)

| Line | Article title | 2017 year | 2016 year |
|----------|--|-------------------|-----------------|
| 1 | 2 | 3 | 4 |
| 1 | Profit/(loss) for the year attributable to owners of the bank | (37,314) | (61,070) |
| 2 | Retained earnings/(loss) for the year | (37,314) | (61,070) |
| 3 | Retained earnings/(loss) for the year attributable to ordinary shareholders subject to the terms of the shares | (37,314) | (61,070) |
| 4 | Profit/(loss) for the year attributable to common shareholders | (37,314) | (61,070) |

Note 27. Operating segments

Operating segments are components of a business entity that engage in commercial activities from which the entity may earn income and incur expenses, whose operating results are regularly reviewed by the chief operating decision maker, and for which financial information is available.

A segment is a distinguishable component of the Bank's business that is engaged in either providing services or products (business segment), or providing services or products within a specific economic environment (geographic segment), and is exposed to risks and returns.

The Bank's main format for reporting segment information is business segments.

The Bank recognizes the following reportable segments: corporate banking, retail banking, treasury.

Corporate banking – represents tools for managing accounts (current, deposit), providing loans, overdrafts and other types of financing, trade financial instruments, structured financing, foreign currency and banknote transactions.

Retail banking – represents banking services for individuals, current, savings and deposit accounts for individuals, credit and debit cards, mortgages and loans for current needs.

Treasury activities - conducting operations on the credit and foreign exchange markets, securities transactions (both on behalf of clients and for their own account), relationships with professional participants in the financial market - banks, insurance companies, financial intermediaries in the capital markets.

The Bank recognizes as revenue of a reporting segment the revenue directly attributable to the segment and the relevant part of the bank's revenue that can be attributed to the segment from external activities or from transactions between other segments within the same bank. Revenues of reporting segments are presented net of value added tax, excise duty, other duties and deductions from income. Revenues of reporting segments do not include income from extraordinary events and income from income tax.

The Bank recognizes as expenses of a reporting segment expenses related to the main activities of the segment that are directly attributable to it and the appropriate portion of expenses that can be reasonably attributed to the segment, including expenses from external activities and expenses related to operations of other segments within the same bank.

Table 27.1. Revenues, expenses and results of reporting segments for 2017

(thousands of UAH)

| Line | Article title | Name of reporting segments | | | Other segments and operations | Total |
|------|--|----------------------------|-------------------------|------------------|-------------------------------|----------------|
| | | Corporate banking activity | Retail banking activity | Treasury banking | | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| | Revenue from external customers | | | | | |
| 1 | Interest income | 7,190 | 2 | 5,374 | - | 12,566 |
| 2 | Commission income | 31 15 3 | - | 1,171 | - | 32 32 4 |
| 3 | Other operating income | 33,997 | - | - | 1,951 | 35,948 |
| | Total segment revenues | 72,340 | 2 | 6 54 5 | 1,951 | 80 83 8 |
| 4 | Interest expenses | (2,240) | (21) | (20 0) | - | (2,461) |

| Line | Article title | Name of reporting segments | | | Other segments and operations | Total |
|------------|--|----------------------------|-------------------------|------------------|-------------------------------|-------------------|
| | | Corporate banking activity | Retail banking activity | Treasury banking | | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 5 | Deductions to the provision for impairment of loans and funds in other banks | (48 6) | (244) | - | - | (730) |
| 6 | Deductions to the provision for impairment of receivables | - | - | - | (5,111) | (5,111) |
| 7 | Deductions to the provision for impairment of liabilities | (688) | | | | (688) |
| 8 | Result from foreign currency transactions | - | - | 1,282 | - | 1,282 |
| 9 | Result from foreign currency revaluation | - | - | 2 79 7 | - | 2 79 7 |
| 10 | Result from revaluation of investment property | - | - | - | (28,200) | (28,200) |
| 11 | Result from transactions with financial instruments carried at fair value through profit or loss | - | - | 167 | - | 167 |
| 1 2 | Commission costs | - | - | (1,619) | (1 0) | (1,629) |
| 1 3 | Administrative and other operating expenses | - | - | - | (83,579) | (83,579) |
| | Segment result | | | | | |
| 1 4 | Profit/(loss) | 68,926 | (263) | 8,972 | (114,949) | (37,314) |

The components of line 3 "Other operating income" in the amount of UAH 35,948 thousand are disclosed in Note 23. Components of line 1 3 " Administrative and other operating expenses " in the amount of 83,579 thousand UAH are disclosed in Note 24.

Table 2 7.2. Revenues, expenses and results of reporting segments for 2016

(thousand UAH)

| Line | Article title | Name of reporting segments | | | Other segments and operations | Total |
|------|--|----------------------------|-------------------------|------------------|-------------------------------|-----------------|
| | | Corporate banking activity | Retail banking activity | Treasury banking | | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| | Revenue from external customers | | | | | |
| 1 | Interest income | 2,804 | - | 3,211 | | 6,015 |
| 2 | Commission income | 60 | 62 | - | | 662 |
| 3 | Other operating income | 30,317 | - | - | 69,853 | 100 170 |
| | Total segment revenues | 33,721 | 62 | 3,211 | 69,853 | 106,847 |
| 4 | Interest expenses | (26) | - | - | (55) | (79) |
| 5 | Deductions to the provision for impairment of loans and funds in other banks | 6,605 | - | 1,483 | | 8,088 |
| 6 | Deductions to the provision for impairment of receivables | (48,732) | - | - | | (48,732) |
| 7 | Result from foreign currency transactions | 105 | 35 | - | | 140 |
| 8 | Result from foreign currency revaluation | | - | - | 0 | (7) |
| 9 | Result from revaluation of investment property | | - | - | 108,486 | 108,486 |
| 10 | Commission costs | | - | (43) | | (43) |

| | | | | | | |
|-----------|---|-----------------|-----------|--------------|-----------------|------------------|
| 11 | Administrative and other operating expenses | (9,592) | – | – | (225,498) | (235,090) |
| | Segment result | | | | | |
| 12 | Profit/(loss) | (18,099) | 97 | 4,651 | (47,719) | (61,070) |

The data of line 4 "Other operating income" in the amount of UAH 69,853 thousand are:

- ▶ UAH 68,786 thousand - realization of the mortgagee's rights ;
- ▶ UAH 459 thousand - funds received from the closure of accounts that were not claimed by clients 5 years after the expiration of the statute of limitations;
- ▶ UAH 338 thousand - result from the sale of investment property;
- ▶ UAH 265 thousand - result from the sale of non-current assets held for sale and property transferred to the bank as a pledgee;
- ▶ UAH 5,000 - result from the sale of fixed assets.

Data for line 11 " Administrative and other operating expenses " in the amount of UAH 225,498 thousand are:

- ▶ UAH 201,807 thousand - sale of non-current assets;
- ▶ UAH 10,721 thousand - decrease in the value of the real estate object;
- ▶ UAH 8,111 thousand – personnel costs;
- ▶ UAH 2,747 thousand - expenses for maintenance of fixed assets and intangible assets;
- ▶ UAH 1,298 thousand - payment of other taxes and fees, except for income tax;
- ▶ UAH 814 thousand - other operating expenses.

Table 2 7.3. Assets and liabilities of reporting segments for 2017

(thousands of UAH)

| Line | Article title | Name of reporting segments | | | Other segments and operations | Total |
|----------|----------------------------|----------------------------|-------------------------|------------------|-------------------------------|---------------------|
| | | Corporate banking activity | Retail banking activity | Treasury banking | | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| | Segment assets | | | | | |
| 1 | Segment assets | 27 33 2 | 598 | 78,641 | - | 106 57 0 |
| 2 | Total segment assets | 27 33 2 | 598 | 78,641 | - | 106 57 0 |
| 3 | Undistributed assets | - | - | - | 403 20 6 | 403,207 |
| 4 | Total assets | 27 33 2 | 598 | 78,641 | 403 20 6 | 509,777 |
| | Segment liabilities | | | | | |
| 5 | Segment liabilities | 115 46 8 | 150,401 | 10,016 | - | 275 88 5 |
| 6 | Total segment liabilities | 115 46 8 | 150,401 | 10,016 | - | 275 88 5 |
| 7 | Unallocated liabilities | - | - | - | 22,738 | 22,738 |
| 8 | Total liabilities | 115 46 8 | 150,401 | 10,016 | 22,738 | 298 62 3 |

Data for line 3 "Undistributed assets" in the amount of 403 20 6 thousand UAH are:

- ▶ UAH 156,467 thousand – cash and funds on correspondent accounts in other banks;
- ▶ 209,146 thousand UAH - investment property;
- ▶ 3,764 thousand UAH – fixed assets and intangible assets.

- ▶ 7,427 thousand – non-current assets held for sale;
- ▶ 26,402 thousand – other assets (Note 11, 12)

The data of line 7 "Unallocated liabilities" in the amount of UAH 22,738 thousand. constitute accounts payable for business transactions, taxes, and other liabilities.

Table 27.4. Assets and liabilities of reporting segments for 2016 (thousands of UAH)

| Line | Article title | Name of reporting segments | | | Other segments and operations | Total |
|----------|----------------------------|----------------------------|-------------------------|------------------|-------------------------------|----------------|
| | | Corporate banking activity | Retail banking activity | Treasury banking | | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| | Segment assets | | | | | |
| 1 | Segment assets | 12,560 | – | 86,059 | – | 98,619 |
| 2 | Total segment assets | 12,560 | – | 86,059 | – | 98,619 |
| 3 | Undistributed assets | – | – | – | 247,038 | 247,038 |
| 4 | Total assets | 12,560 | – | 86,059 | 247,038 | 345,657 |
| | Segment liabilities | | | | | |
| 5 | Segment liabilities | 66,368 | 2,552 | – | – | 68,920 |
| 6 | Total segment liabilities | 66,368 | 2,552 | – | – | 68,920 |
| 7 | Unallocated liabilities | – | – | – | 20,076 | 20,076 |
| 8 | Total liabilities | 66,368 | 2,552 | – | 20,076 | 88,996 |

The data of line 3 "Undistributed assets" in the amount of UAH 247,038 thousand are:

- ▶ 200,662 thousand UAH - investment property;
- ▶ UAH 39,854 thousand – accounts receivable for business transactions, taxes, other assets;
- ▶ UAH 2,484 thousand - cash and funds on correspondent accounts in other banks;
- ▶ UAH 2,460 thousand – non-current assets held for sale;
- ▶ UAH 1,578 thousand – fixed assets and intangible assets.

The data of line 7 "Unallocated liabilities" in the amount of UAH 20,076 thousand. constitute accounts payable for business transactions, taxes, and other liabilities.

Table 27.5. Information on geographical regions (thousands of UAH)

| Line | Article title | 2017 year | | | 2016 year | | |
|------|---------------------------------|-----------|-----------------|-------|-----------|-----------------|-------|
| | | Ukraine | Other countries | Total | Ukraine | Other countries | Total |
| 1 | Revenue from external customers | 833 | | 833 | 1034 | | 1034 |
| 2 | Fixed assets | 36 | | 36 | 15 | | 15 |

The Bank carries out its business activities only on the territory of Ukraine.

Note 28. Financial risk management

Risk management is important in banking and is an essential element of operations. The main risks that the Bank may be exposed to in its activities include credit risk, liquidity risk, market risk, and operational and technological risk, legal, strategic and reputational risks.

The structure of the risk management system at PJSC "RWS BANK" consists of permanent committees: Credit Committee; Small Credit Committee; Asset and Liability Management Committee; Tariff Committee and separate structural divisions of the Bank's Risk Management Department.

The overall risk management strategy in the Bank is determined by the Supervisory Board.

The Credit Committee's activities are aimed at forming a loan portfolio with minimal credit risk, i.e., a minimal level of overdue debt. To this end, the Bank:

- ▶ sets lending limits;
- ▶ assesses the quality of assets and makes decisions on the formation of reserves to cover possible losses from their depreciation;
- ▶ supports the implementation of risk standards established by the National Bank of Ukraine (standard for the maximum amount of credit risk per counterparty, standard for the maximum amount of credit risk for transactions with persons related to the bank, standard for large credit risks).

PJSC "RWS BANK" during the reporting period complied with all established economic credit risk standards. As of the end of the day on December 31, 2017, the credit risk standards were:

1. The maximum credit risk standard per counterparty was 18.84% (with a regulatory value of no more than 25%);
2. The large credit risk ratio was 18.84% (with a regulatory value of no more than 800%);
3. The maximum credit risk standard for transactions with persons related to the bank was 0.0% (with a standard value of no more than 25%);

To reduce credit risk, the committee constantly assesses the creditworthiness of the Bank's counterparties; identifies bad assets in a timely manner; controls the determination of the amount of credit risk and the calculation of provisions for asset impairment.

The Small Credit Committee is authorized to make (agree) decisions on the possibility and conditions of conducting credit transactions, as well as to resolve other issues of credit relations with the borrower within the limits of the powers granted to it, relevant rights and limits established by the decision of the Bank's Credit Committee.

The Asset and Liability Management Committee assesses and manages market risks, both for individual transactions and for banking activities at the level of asset and liability portfolios as a whole. Market risk management also includes the management of interest rate risk, currency risk and liquidity risk.

The Committee reviews the cost of liabilities and the profitability of assets on a monthly basis and makes decisions on the interest margin policy. It considers the issue of matching the maturity of assets and liabilities and provides recommendations to the relevant divisions of the Bank on eliminating discrepancies between the maturities of liabilities and asset placement that arise.

In terms of liquidity risk management and cash flows, it calculates prospective liquidity; assesses the liquidity situation and makes decisions on liquidity management within the framework of delegated powers and internal regulatory procedures; takes preventive measures to minimize and ensure the management of liquidity risk arising in the current work of the Bank and/or related to changes in the market situation.

The Tariff Committee regularly analyzes the ratio of the cost of services and the market competitiveness of current tariffs. In this regard, in order to implement a unified tariff policy of the Bank, the Committee:

- ▶ reviews the tariff system, makes changes and recommends them for approval;
- ▶ considers and approves tariffs for new products/services;
- ▶ controls the implementation of the Bank's tariff policy by structural divisions.

Operational risk management in the Bank is carried out by the Risk Management Department, which is engaged in the development of policies on credit, market and operational risks, submitting them for approval to the Bank's committees; identifies and assesses risks (for specific transactions and in general at the portfolio level); improves methods of combating external and internal fraud; organizes the Bank's risk control and monitoring system; assesses operational and technological risks of all business processes, develops measures to prevent risks and measures that minimize the risks taken by the Bank. Representatives of the Risk Management Department are members of the Credit Committee, the Small Credit Committee, and the Assets and Liabilities Management Committee. At meetings of the relevant committees, representatives of the Risk Management Department have one vote.

The Risk Management Department carries out expert verification of solvency and other quantitative and qualitative characteristics of borrowers when issuing loans, including collateral, monitors, identifies and promptly assesses risks related to these loans, develops and maintains the Bank's borrower assessment systems, identifies, monitors, assesses and optimizes liquidity risk, interest rate risk, market and currency risks assumed by the Bank in its current activities. In addition, this unit is entrusted with the functions of analyzing, managing, monitoring and controlling credit risks of

interbank transactions and the functions of monitoring and controlling risks of violating economic standards, limits and special requirements of the National Bank of Ukraine.

The Risk Management Department reports to the Chairman of the Bank's Management Board.

Credit risk

Credit risk is the risk of financial loss as a result of a borrower or counterparty failing to fulfill its obligation to the Bank.

To manage credit risk, the Bank has developed rules and procedures, established a Credit Committee and a Small Credit Committee, which actively monitor credit risk. The Bank controls the level of credit risk it accepts by setting limits on the amounts of this risk. In order to manage credit risk, the Bank carries out transactions with clients and counterparties that are characterized by good financial condition, secured by collateral.

The Bank's credit policy is reviewed and approved by the Bank's Supervisory Board.

As of December 31, 2017, the maximum amount of credit risk was UAH 46,985 thousand (December 31, 2016: UAH 33,877 thousand)

Market risk

Market risks arise from open positions in interest rates and currency instruments that are affected by general and specific market changes. Market risk is the risk that changes in market conditions, such as interest rates, securities quotes, exchange rates and credit spreads (not related to changes in the creditworthiness of the debtor/creditor), will affect the Bank's income or the value of financial instruments held by it.

In order to limit losses, the Bank manages market risk by periodically assessing potential losses that may arise from adverse changes in market conditions, and by setting and adhering to appropriate limits.

The Bank, within the framework of market risk, also considers price risk regarding the decrease in the value of securities and collateral (mortgage), etc.

Overall responsibility for controlling market risk is assigned to the Asset and Liability Management Committee, which manages market risk by establishing reasonable restrictions (limits, standards).

Currency risk

Currency risk arises when actual or forecast assets in a foreign currency are greater or less than liabilities in the same currency.

Currency risk management includes the following elements: using all possible means to avoid a risk that leads to significant losses, controlling the risk and minimizing the amount of probable losses if it cannot be avoided completely, and insuring currency risk if it cannot be avoided.

The Bank sets limits and constantly monitors currency positions in accordance with the requirements of the regulatory legal acts of the National Bank of Ukraine.

Table 28.1. Currency risk analysis (thousand UAH)

| Line | Currency name | 2017 year | | | | 2016 year | | | |
|------|-----------------|-----------------|----------------------|----------------------------------|--------------|-----------------|----------------------|----------------------------------|--------------|
| | | Monetary assets | Monetary obligations | Derivative financial instruments | Net position | Monetary assets | Monetary obligations | Derivative financial instruments | Net position |
| 1 | US dollars | 9,031 | (9,693) | - | (662) | 306 | (601) | - | (295) |
| 2 | Euro | 404 | (382) | - | 22 | 30 | - | - | 30 |
| 3 | Pounds Sterling | - | - | - | - | 60 | - | - | 60 |
| 4 | Others | 123 | - | - | 123 | - | - | - | - |
| 5 | Total | 9,558 | (10,075) | - | (517) | 396 | (601) | - | (205) |

Table 28.2. Change in profit or loss and equity as a result of possible changes in the official exchange rate of the hryvnia to foreign currencies, set at the reporting date, provided that all other variables remain fixed

The calculation is made for cash balances in currencies other than the functional currency.

(thousand UAH)

| Line | Article title | 2017 year | | 2016 year | |
|------|--|-------------------------|------------------|-------------------------|------------------|
| | | Impact on profit/(loss) | Impact on equity | Impact on profit/(loss) | Impact on equity |
| 1 | US dollar strengthens by 53% | (351) | (351) | (156) | (156) |
| 2 | US dollar weakens by 13% | 86 | 86 | 38 | 38 |
| 3 | Euro strengthens by 53% | 11 | 11 | 16 | 16 |
| 4 | Euro weakens by 15% | (3) | (3) | (5) | (5) |
| 5 | 53% strengthening of the pound sterling | - | - | 32 | 32 |
| 6 | Weakening of the pound sterling by 15 % | - | - | (9) | (9) |
| 7 | Strengthening of other currencies by 15% | 18 | 18 | - | - |
| 8 | Weakening of other currencies by 15% | (18) | (18) | - | - |

Interest rate risk

Interest rate risk arises from the possibility of changes in the value of financial instruments or future cash flows of financial instruments due to changes in interest rates. Interest rate risk is assessed by the extent to which changes in market interest rates affect the interest margin and net interest income. When the terms of interest-bearing assets differ from the terms of interest-bearing liabilities, net interest income will increase or decrease as a result of changes in interest rates. In order to manage interest rate risk, the Bank sets limits (restrictions) on the interest rate spread (margin), monitors the interest rate yield on assets and interest rates on liabilities and adjusts the prices of banking products.

Table 28.3. General analysis of interest rate risk

For assets and liabilities with a fixed interest rate, maturity is determined based on the period from the balance sheet date to the contractual maturity date, and for assets and liabilities with a variable interest rate, maturity is determined based on the earliest interest rate reset date or maturity date.

(thousand UAH)

| Line | Article title | On demand and less than 1 month. | From 1 to 6 months. | From 6 to 12 months. | More than a year | Total |
|------|--|----------------------------------|---------------------|----------------------|------------------|-------------------|
| | 2017 year | | | | | |
| 1 | Total financial assets | 94,575 | 44 | 12,045 | 3,857 | 110,521 |
| 2 | Total financial liabilities | 115,606 | 1,162 | 2,506 | 20,589 | 139,863 |
| 3 | Net interest rate gap at the end of 2017 | (21,031) | (1,118) | 9,539 | (16,732) | (29 34 2) |
| | 2016 year | | | | | |
| 4 | Total financial assets | 88,792 | 1 | 12,396 | - | 101,189 |
| 5 | Total financial liabilities | 81,678 | 1,282 | 175 | - | 83,135 |
| 6 | Net interest rate gap at the end of 2016 | 7,114 | (1,281) | 12,221 | - | 18,054 |

The Bank does not have financial instruments with variable interest rates , the change in the value of which would affect the Bank's financial result or capital.

Table 28.4. Monitoring interest rates on financial instruments

| Line | Article title | (%) | | | | | | | |
|------|---------------------------|-----------|------------|-------|--------|-----------|------------|------|--------|
| | | 2017 year | | | | 2016 year | | | |
| | | Hryvnia | US dollars | Euro | Others | Hryvnia | US dollars | Euro | Others |
| | Assets | | | | | | | | |
| 1 | Cash and cash equivalents | 12 , 0 | – | – | – | 12.5 | – | – | – |
| 2 | Loans and customer debt | 23 , 1 | – | – | – | 19.2 | – | – | – |
| | Obligation | | | | | | | | |
| 3 | Bank funds | 15 , 0 | – | – | – | – | – | – | – |
| 4 | Client funds: | | | | | | | | |
| 4.1 | current accounts | 0 , 1 | – | – | – | – | – | – | – |
| 4.2 | term funds | 7 , 6 | 4 , 3 | 2 , 4 | – | 8.7 | – | – | – |

Table 28.5. Analysis of geographical concentration of financial assets and liabilities for 2017

(thousand UAH)

| Line | Article title | Ukraine | OECD | Other countries | Total |
|-----------|--|-----------------|--------------|-----------------|-------------------|
| | Assets | | | | |
| 1 | Cash and cash equivalents | 234,547 | - | - | 234 54 7 |
| 2 | Funds in other banks | 561 | - | - | 561 |
| 3 | Loans and customer debt | 27,930 | - | - | 27,930 |
| 4 | Other financial assets | 182 | - | - | 182 |
| 5 | Total financial assets | 263 220 | - | - | 263 220 |
| | Obligation | | | | |
| | Bank funds | 10,016 | - | - | 10,016 |
| 6 | Client funds | 264,942 | 207 | 718 | 265 86 8 |
| 7 | Provisions for liabilities | 688 | - | - | 688 |
| 8 | Other financial liabilities | 19,500 | 169 | 35 | 19,704 |
| 9 | Total financial liabilities | 2 95 146 | 376 | 753 | 296 276 |
| 10 | Net balance sheet position by financial instruments | (31,926) | (376) | (753) | (33,056) |
| 11 | Credit obligations | 2 36 179 | - | - | 2 36 179 |

Assets, liabilities and credit-related obligations were classified based on the country in which the counterparty is located. Cash on hand was classified according to the country of their physical location.

Table 28.6. Analysis of geographical concentration of financial assets and liabilities for 2016

(thousand UAH)

| Line | Article title | Ukraine | OECD | Other countries | Total |
|----------|--|----------------|----------|-----------------|----------------|
| | Assets | | | | |
| 1 | Cash and cash equivalents | 88,543 | – | – | 88,543 |
| 2 | Funds in other banks | – | – | – | – |
| 3 | Loans and customer debt | 12,560 | – | – | 12,560 |
| 4 | Other financial assets | 86 | – | – | 86 |
| 5 | Total financial assets | 101,189 | – | – | 101,189 |
| | Obligation | | | | |
| 6 | Client funds | 68,920 | – | – | 68,920 |
| 7 | Other financial liabilities | 14,215 | – | – | 14,215 |
| 8 | Total financial liabilities | 83,135 | – | – | 83,135 |
| 9 | Net balance sheet position by financial instruments | 18,054 | – | – | 18,054 |
| 10 | Credit obligations | 51,387 | – | – | 51,387 |

Assets, liabilities and credit-related obligations were classified based on the country in which the counterparty is located. Cash on hand was classified according to the country of their physical location.

Concentration of other risks

Operational and technological risk is the risk of direct or indirect losses as a result of incorrectly designed business processes, ineffective internal control procedures, technological failures, unauthorized personnel actions, or external influence.

The main method of managing operational risk is to create an internal control system. The Bank regularly audits operational procedures along with an assessment of operational risks, develops internal recommendations for their reduction. Operational risk assessment is always carried out when analyzing new products, internal bank regulations, processes, operational, payment and settlement procedures.

The Bank implements a system of clear delegation of authority, distribution of incompatible responsibilities, distribution of authority of individual structural divisions and employees of the Bank when performing all banking operations with limited access to the operating system.

Key operational risk management measures: monitoring operations at the unit level, limiting physical access of personnel to data on electronic and paper media, ensuring verification and double-checking procedures, ensuring compliance of the Bank's activities with internal procedures and regulations, as well as the requirements of legislation and regulatory authorities.

Reputational risk is an existing or potential risk to income and capital that arises from a negative perception of a financial institution's image by customers, counterparties, founders or supervisors. This affects the Bank's ability to establish new relationships with counterparties, provide new services or maintain relationships with existing customers.

The Bank has established a procedure for the participation of management bodies and heads of structural units in reputation risk management.

Strategic risk is an existing or possible negative impact on the Bank's activities, which is a consequence of making incorrect management, strategic decisions, poor implementation of such decisions or lack of response to changes in external market factors. Strategic risk is associated with errors in strategic management, primarily with the possibility of incorrect formulation of the Bank's goals, incorrect resource provision for their implementation and incorrect approach to risk management in banking activities in general. In order to minimize strategic risk, the Bank uses the following main methods:

- ▶ records in the Bank's internal documents, including the Bank's Charter, the division of powers of management bodies to make decisions;
- ▶ controls the mandatory implementation of decisions adopted by the Bank's supreme body by subordinate units and employees of the Bank;
- ▶ standardizes basic banking operations;
- ▶ establishes an internal procedure for agreeing on changes to internal documents and procedures related to decision-making;
- ▶ carries out an analysis of the impact of strategic risk factors (both in aggregate and in terms of their classification) on the Bank's performance indicators as a whole;
- ▶ monitors changes in Ukrainian legislation and current regulations in order to identify and prevent strategic risk on an ongoing basis;
- ▶ monitors the Banking services market in order to identify likely new areas of the Bank's activity and set new strategic objectives;
- ▶ monitors resources, in particular financial, material and technical and human resources for the implementation of the Bank's strategic objectives;
- ▶ stimulates the Bank's employees depending on the impact of their activities on the level of strategic risk;
- ▶ ensures continuous professional development of the Bank's employees in order to identify and prevent strategic risk;
- ▶ ensures constant access for the maximum number of Bank employees to up-to-date information on legislation and internal Bank documents.

Legal risk is an existing or potential risk to cash flows and capital that arises due to non-repayment of loans, violation or non-compliance with the requirements of laws, regulations, agreements, accepted practices and ethical norms, as well as due to the possibility of ambiguous interpretation of established laws and regulations.

In order to effectively manage and prevent legal risk, the Bank has developed an operational system for communicating changes to the Bank's regulatory documents (regulations, rules, procedures) to management and employees. Preliminary legal expertise of internal bank regulatory documents and the introduction of new banking products is mandatory.

To minimize legal risks when carrying out such banking operations, standard forms of contracts and other standardized documentation have been developed and applied. To prevent the occurrence of legal cases on banking operations, methodical and consulting work is carried out with clients. The level of legal awareness of employees and management is increased through systematic training and education.

Liquidity risk

Liquidity risk arises in the general financing of activities and in the management of positions. It includes both the risk of being unable to finance assets in a timely manner and at appropriate rates, and the risk of being unable to liquidate an asset at an acceptable price and in a timely manner.

The Bank has access to various sources of funding. Funds are raised through the use of various instruments, including contributions from participants to the authorized fund. This diversifies funding sources, reduces dependence on a single source of funding and, as a rule, reduces the cost of resources involved. The Bank tries to maintain a balance between continuity of funding and its diversity by using obligations with different payment periods.

The Bank uses economic and administrative tools to manage liquidity risk.

The Bank continuously assesses liquidity risk by identifying and monitoring changes in funding required to achieve business objectives defined within the overall strategy.

In addition, as part of the liquidity risk management strategy, the Bank maintains a portfolio of liquid assets and adheres to the gaps between borrowed and placed funds by maturity established by the National Bank of Ukraine.

The Bank has assets and liabilities denominated in several foreign currencies and is exposed to fluctuations in foreign exchange rates on its financial position and cash flows.

Table 28.7. Analysis of financial liabilities by maturity for 2017

(thousand UAH)

| Line | Article title | On demand and less than 1 month. | From 1 to 3 months. | From 3 to 12 months. | From 12 months to 5 years | Over 5 years | Total |
|----------|---|----------------------------------|---------------------|----------------------|---------------------------|--------------|------------------|
| 1 | Bank funds | 10,016 | - | - | - | - | 10,016 |
| 2 | Client funds | 241,611 | 1,162 | 2,506 | 20,589 | - | 265 86 8 |
| 2.1 | Individual funds | 147,733 | 444 | 2,223 | - | - | 150,400 |
| 2.2 | Funds of legal entities | 93,878 | 718 | 283 | 20,589 | - | 115,468 |
| 3 | Other financial liabilities | 15,245 | 489 | 1,281 | 2,689 | - | 19,704 |
| 4 | Financial guarantees | 16 228 | 33,268 | 68,453 | 98,608 | - | 2 16 55 7 |
| 5 | Other credit obligations | - | 14 | 19,718 | 578 | - | 20,310 |
| 6 | Total potential future payments on financial liabilities | 283 100 | 34,933 | 91 95 8 | 122,464 | - | 532,455 |

Table 28.8. Analysis of financial liabilities by maturity for 2016

(thousand UAH)

| Line | Article title | On demand and less than 1 month. | From 1 to 3 months. | From 3 to 12 months. | From 12 months to 5 years | Over 5 years | Total |
|----------|---|----------------------------------|---------------------|----------------------|---------------------------|--------------|----------------|
| 1 | Client funds | 68,220 | 311 | 410 | - | - | 68,941 |
| 1.1 | Individual funds | 2,552 | - | - | - | - | 2,552 |
| 1.2 | Funds of legal entities | 65,668 | 311 | 410 | - | - | 66,389 |
| 2 | Other financial liabilities | 13,058 | 982 | 175 | - | - | 14,215 |
| 3 | Financial guarantees | 47,387 | - | - | - | - | 47,387 |
| 4 | Other credit obligations | 4,000 | - | - | - | - | 4,000 |
| 5 | Total potential future payments on financial liabilities | 132,665 | 1,293 | 585 | - | - | 134,543 |

Table 28.9. Analysis of financial assets and liabilities by maturity based on expected maturities for 2017

(thousand UAH)

| Line | Article title | On demand and less than 1 month. | From 1 to 3 months. | From 3 to 12 months. | From 12 months to 5 years | Over 5 years | Total |
|------------|---|----------------------------------|---------------------|----------------------|---------------------------|-------------------|-------------------|
| | Assets | | | | | | |
| 1 | Cash and cash equivalents | 234 54 7 | - | - | - | - | 234 54 7 |
| 2 | Funds in other banks | - | - | 561 | - | - | 561 |
| 3 | Loans and customer debt | 12,545 | 44 | 11,484 | 3,857 | - | 27,930 |
| 4 | Other financial assets | 103 | - | - | 79 | - | 182 |
| 5 | Total financial assets | 247,195 | 44 | 12,045 | 3,936 | - | 263 22 0 |
| | Obligation | | | | | | |
| 6 | Bank funds | 10,016 | - | - | - | - | 10,016 |
| 7 | Client funds | 241,610 | 1,162 | 2,506 | 20,589 | - | 265 86 8 |
| 8 | Other financial liabilities | 15 245 | 489 | 1,281 | 2,689 | - | 19,704 |
| 9 | Total financial liabilities | 266,871 | 1,651 | 3,787 | 23,279 | - | 295,588 |
| 10 | Net liquidity gap at the end of the day December 31 | (19,676) | (1,607) | 8,258 | (19,343) | - | (32 368) |
| 1 1 | Aggregate liquidity gap at the end of the day on December 31 | (19,676) | (21,283) | (13 025) | (32 368) | (32 368) | |

Table 28.10. Analysis of financial assets and liabilities by maturity based on expected maturities for 2016

(thousand UAH)

| Line | Article title | On demand and less than 1 month. | From 1 to 3 months. | From 3 to 12 months. | From 12 months to 5 years | Over 5 years | Total |
|-----------|---|----------------------------------|---------------------|----------------------|---------------------------|--------------|----------------|
| | Assets | | | | | | |
| 1 | Cash and cash equivalents | 87,273 | - | - | - | - | 87,273 |
| 2 | Bank's required reserve funds at the National Bank of Ukraine | 1,270 | - | - | - | - | 1,270 |
| 3 | Loans and customer debt | 163 | 1 | 12,396 | - | - | 12,560 |
| 4 | Other financial assets | 86 | - | - | - | - | 86 |
| 5 | Total financial assets | 88,792 | 1 | 12,396 | - | - | 101,189 |
| | Obligation | | | | | | |
| 6 | Client funds | 68,620 | 300 | - | - | - | 68,920 |
| 7 | Other financial liabilities | 13,058 | 982 | 175 | - | - | 14,215 |
| 8 | Total financial liabilities | 81,678 | 1,282 | 175 | - | - | 83,135 |
| 9 | Net liquidity gap at the end of the day December 31 | 7,114 | (1,281) | 12,221 | - | - | 18,054 |
| 10 | Aggregate liquidity gap at the end of the day on December 31 | 7 114 | 5,833 | 18,054 | - | - | - |

Note 29. Capital management

The main objective of the bank capital management process is to attract and maintain a sufficient amount of capital in order to obtain confidence that the Bank will function on a going concern basis to expand its activities and create protection against risks. The Bank's management, when managing capital, adheres to the requirements established for

regulatory capital by the National Bank of Ukraine. In the process of analysis, it uses methods for determining capital adequacy in accordance with the requirements of the National Bank of Ukraine.

UAH 249,373 thousand , which is sufficient to meet all licensing requirements as of the reporting date. The regulatory capital adequacy ratio as of the reporting date was 47.07% with a regulatory value of at least 10%. During the reporting period, the Bank never violated the established regulatory capital adequacy ratios.

The table below shows the structure of regulatory capital as of December 31, 2017 and 2016, which was calculated in accordance with the requirements of the National Bank of Ukraine and according to reporting data, on the basis of which control over the size of the Bank's regulatory capital is carried out.

Table 29.1. Structure of regulatory capital (thousands of UAH)

| Line | Article title | 2017 year | 2016 year |
|----------|--|----------------|----------------|
| 1 | Core capital (Tier 1 capital) | 247,619 | 240 263 |
| 1.1 | Actual paid-up registered authorized capital | 300,039 | 300,039 |
| 1.2 | Reserve funds | 9,401 | 9,401 |
| 1.3 | Intangible assets less depreciation | (850) | (440) |
| 1.4 | Estimated loss for the current year | – | (68,737) |
| 1.5 | Losses from previous years | (60,971) | – |
| 2 | Additional capital (Tier 2 capital) | 1,754 | 102 |
| | <i>including additional capital included in the calculation of regulatory capital</i> | 1,754 | 102 |
| 2.1 | Provisions for standard debt of other banks, for standard debt on loans granted to customers and for standard debt on transactions on off-balance sheet accounts (taking into account the revaluation of fixed assets) | – | 4 |
| 2.2 | Retained earnings from previous years | – | 98 |
| 2.3 | Estimated profit for the current year | 1,754 | – |
| 3 | Total regulatory capital | 249,373 | 240 365 |

Note 30. Bank's contingent liabilities

Hearing cases in court

During ordinary management transactions , the Bank is a party to various judicial processes and disputes . The Bank's management believes that the final amount of liabilities that may arise as a result of litigation will not have a material adverse effect on the financial condition or results of the Bank's future operations.

Potential tax liabilities

As of the reporting date, the Bank has no contingent liabilities related to the occurrence of tax liabilities.

Capital investment commitments

Information on the amounts of contractual obligations related to the acquisition of fixed assets and intangible assets as of December 31, 2017 is not available.

Operating lease obligations (rent)

Table 30.1. Future minimum lease payments under a non-cancellable operating lease agreement of the lessee bank (thousand UAH)

| Line | Article title | 2017 |
|------|-------------------|-------|
| 1 | 2 | 3 |
| 1 | Up to 1 year | 3,597 |
| 2 | From 1 to 5 years | 5,582 |
| 3 | Over 5 years | - |
| 4 | Total | 9,179 |

Lending commitments

The main purpose of these instruments is to provide funds to meet the financial needs of customers. Guarantees and standby letters of credit, which are irrevocable guarantees that the Bank will make payments in favor of third parties in the event of a customer's default, have the same credit risk as loans.

Documentary and commodity letters of credit, which are written obligations of the Bank on behalf of its clients, authorizing third parties to demand payment from the Bank in specified amounts in accordance with specific conditions,

are secured by the consignments of goods to which they relate or by cash deposits, therefore, have a lower level of risk than loans.

Commitments to extend credit represent unused amounts intended for lending in the form of loans, guarantees and letters of credit. With respect to credit risk on commitments to extend credit, the Bank is exposed to potential losses in the total amount of unused commitments in the event of full disbursement of the unused amount of such credits to customers. However, the potential amount of losses is less than the total amount of unused commitments, as the fulfillment of most commitments to extend credit depends on customers' compliance with certain credit standards.

The Bank monitors the maturity of its lending commitments as longer-term commitments are generally characterized by higher credit risk than short-term commitments. Outstanding lending commitments were as follows:

Table 30.2. Structure of lending obligations (thousands of UAH)

| Line | Article title | 2017 year | 2016 year |
|----------|--|----------------|---------------|
| 1 | Guarantees issued | 216,557 | 47,387 |
| 2 | Lending commitments provided | 8,167 | - |
| 3 | Unused credit lines | 12,143 | 4,000 |
| 4 | Provision for lending-related liabilities | - | - |
| 5 | Reserve for issued guarantees | (688) | - |
| 6 | Total lending-related liabilities, less provision | 236,179 | 51,387 |

The total amount of credit-related obligations under the contract does not necessarily represent the amount of cash that will be required to be paid in the future, as many of these obligations may be unclaimed or terminated before their term expires.

Information on collateral received for guarantees provided is disclosed in Note 15 "Funds" customers .

Table 30.3. Lending commitments by currency (thousands of UAH)

| Line | Article title | 2017 year | 2016 year |
|----------|---------------|----------------|---------------|
| 1 | US dollar | 7,298 | 33,877 |
| 2 | Hryvnia | 228,881 | 17,510 |
| 3 | Total | 236,179 | 51,387 |

As of the reporting date, PJSC "RWS BANK" has no assets pledged as collateral or assets subject to restrictions on their possession, use, and disposal.

Note 31. Fair value assets and liabilities

Fair value is the amount for which an asset could be exchanged or a liability settled in an arm's length transaction between knowledgeable, willing parties. Fair value for financial assets that are actively quoted in an active market is the quoted price in an active market. If the market for a financial instrument is not active, or if there is no observable price information in the market or if it is impossible to find similar valuation objects, the Bank uses a valuation technique and assumptions for each class of financial assets or financial liabilities to determine the estimated fair value.

If the market for a financial instrument is not active, the Bank establishes fair value using the following methods:

- ▶ a valuation method based on the application of recent market transactions between knowledgeable, willing and independent parties;
- ▶ method of reference to the current fair value of another identical instrument (similar in currency, term, interest rate type, cash flow structure, credit risk, collateral and other characteristics);
- ▶ discounted cash flow analysis method , etc.

Financial instruments recognized at fair value are, for disclosure purposes, classified into three fair value hierarchies based on their observability as follows:

- ▶ Level 1 – valuations are based on observable prices in active markets that exist and are regularly available in an active market.
- ▶ Level 2 – Estimates are based on information for which all significant data are observable, either directly or indirectly. Typically, one or more observable prices for current transactions in markets that are not considered active are used.
- ▶ Level 3 – estimates are based on unobservable information that is significant to the overall fair value estimate.

Table 31.1. Analysis of financial instruments carried at amortized cost (thousands of UAH)

| Line | Article title | 2017 year | | 2016 year | |
|----------|--|-----------------|-----------------|----------------|-----------------|
| | | Fair value | Carrying amount | Fair value | Carrying amount |
| | Financial assets | | | | |
| 1 | Cash and cash equivalents | 234 5 47 | 234 5 47 | 88,543 | 88,543 |
| 1.1 | cash | 152,518 | 152,518 | 1,056 | 1,056 |
| 1.2 | funds in the National Bank of Ukraine (except for required reserves) | 3,022 | 3,022 | 1,270 | 1,270 |
| 1.3 | correspondent accounts, deposits and overnight loans in banks | 92 8 | 92 8 | 158 | 158 |
| 1.4 | Certificates of deposit issued by the National Bank of Ukraine | 78,080 | 78,080 | 86,059 | 86,059 |
| 2 | Funds in other banks: | 561 | 561 | - | - |
| 2.1 | Bank funds in settlements | 561 | 561 | - | - |
| 3 | Loans and customer debt: | 27,930 | 27,930 | 12,560 | 12,560 |
| 3.1 | loans to legal entities | 26,405 | 26,405 | 12,560 | 12,560 |
| 3.2 | loans to individuals and entrepreneurs | 927 | 927 | - | - |
| 3.2 | loans to individuals | 598 | 598 | - | - |
| 4 | Other financial assets | 182 | 182 | 86 | 86 |
| 5 | Total financial assets carried at amortized cost | 263 22 0 | 263 22 0 | 101,189 | 101,189 |
| | Financial obligations | | | | |
| 6 | Bank funds | 10,016 | 10,016 | - | - |
| 7 | Client funds: | 265 86 8 | 265 86 8 | 68,920 | 68,920 |
| 7.1 | legal entities | 115 46 8 | 115 46 8 | 66,368 | 66,368 |
| 7.2 | individuals | 150,400 | 150,400 | 2,552 | 2,552 |
| 8 | Other financial obligations: | 19,704 | 19,704 | 14,215 | 14,215 |
| 8.1 | Other payables from transactions with bank clients | 4,093 | 4,093 | 8,698 | 8,698 |
| 8.2 | Agency services | - | - | 2,516 | 2,516 |
| 8.3 | Commission for providing guarantees | 11,679 | 11,679 | 964 | 964 |
| 8.4 | Bank customers' funds in inactive accounts | 860 | 860 | 860 | 860 |
| 8.5 | Information and advisory services | 3 0 72 | 3 0 72 | 850 | 850 |
| 8.6 | Others | - | - | 327 | 327 |
| 9 | Total financial liabilities carried at amortized cost | 295,588 | 295,588 | 83,135 | 83,135 |

Table 31.2. Analysis of financial instruments by fair value measurement levels for 2017

(thousand UAH)

| Line | Article title | Fair value under different valuation models | | Total fair value | Total book value |
|----------|--|---|---|------------------|------------------|
| | | Market quotes (level I) | Valuation model using indicators not supported by market data (Level III) | | |
| | Financial assets | | | | |
| 1 | Cash and cash equivalents | – | 234 54 7 | 234,547 | 234,547 |
| 1.1 | cash | – | 152,518 | 152,518 | 152,518 |
| 1.2 | funds in the National Bank of Ukraine (except for required reserves) | – | 3,022 | 3,022 | 3,022 |
| 1.3 | correspondent accounts, deposits and overnight loans in banks | – | 92 8 | 928 | 928 |
| 1.4 | Certificates of deposit issued by the National Bank of Ukraine | – | 78,080 | 78,080 | 78,080 |
| 2 | Funds in other banks: | – | 561 | 561 | 561 |
| 2.1 | Bank funds in settlements | – | 561 | 561 | 561 |
| 3 | Loans and customer debt: | – | 27,930 | 27,930 | 27,930 |
| 3.1 | loans to legal entities | – | 26,405 | 26,405 | 26,405 |
| 3.2 | loans to individuals and entrepreneurs | – | 927 | 927 | 927 |
| 3.3 | loans to individuals | – | 598 | 598 | 598 |
| 4 | Other financial assets | | 182 | 182 | 182 |
| 5 | Total financial assets carried at amortized cost | – | 263 22 0 | 263 22 0 | 263 22 0 |
| | Financial obligations | – | | | |
| 6 | Bank funds | | 10,016 | 10,016 | 10,016 |
| 7 | Client funds: | – | 265 86 8 | 265 86 8 | 265 86 8 |
| 7.1 | legal entities | – | 115 46 8 | 115 46 8 | 115 46 8 |
| 7.2 | individuals | – | 150,400 | 150,400 | 150,400 |
| 8 | Other financial obligations: | – | 19,704 | 19,704 | 19,704 |
| 8.1 | Other payables from transactions with bank clients | – | 4,093 | 4,093 | 4,093 |
| 8.2 | Commission for providing guarantees | – | 11,679 | 11,679 | 11,679 |
| 8.3 | Bank customers' funds in inactive accounts | – | 860 | 860 | 860 |
| 8.4 | Information and advisory services | | 3 0 72 | 3 0 72 | 3 0 72 |
| 9 | Total financial liabilities carried at amortized cost | – | 295,588 | 295,588 | 295,588 |

Table 31.3. Analysis of financial instruments by fair value measurement levels for 2016

(thousand UAH)

| Line | Article title | Fair value under different valuation models | | Total fair value | Total book value |
|----------|--|---|---|------------------|------------------|
| | | Market quotes (level I) | Valuation model using indicators not supported by market data (Level III) | | |
| | Financial assets | | | | |
| 1 | Cash and cash equivalents | – | 88,543 | 88,543 | 88,543 |
| 1.1 | cash | – | 1,056 | 1,056 | 1,056 |
| 1.2 | funds in the National Bank of Ukraine (except for required reserves) | – | 1,270 | 1,270 | 1,270 |
| 1.3 | correspondent accounts, deposits and overnight loans in banks | – | 158 | 158 | 158 |
| 1.4 | Certificates of deposit issued by the National Bank of Ukraine | – | 86,059 | 86,059 | 86,059 |
| 2 | Funds in other banks: | – | - | - | - |
| 2.1 | Funds placed in a correspondent account | – | – | – | – |
| 3 | Loans and customer debt: | – | 12,560 | 12,560 | 12,560 |
| 3.1 | loans to legal entities | – | 12,560 | 12,560 | 12,560 |
| 4 | Other financial assets: | – | 86 | 86 | 86 |
| 4.1 | Accrued commission income | - | 86 | 86 | 86 |
| 5 | Total financial assets carried at amortized cost | – | 101,189 | 101,189 | 101,189 |
| | Financial obligations | | | | |
| 6 | Client funds: | – | 68,920 | 68,920 | 68,920 |
| 6.1 | legal entities | – | 66,368 | 66,368 | 66,368 |
| 6.2 | individuals | – | 2,552 | 2,552 | 2,552 |
| 7 | Other financial obligations: | – | 14,215 | 14,215 | 14,215 |
| 7.1 | Bank customers' funds in inactive accounts | – | 860 | 860 | 860 |
| 7.2 | Other payables from transactions with bank clients | – | 8,698 | 8,698 | 8,698 |
| 7.3 | Agency services | – | 2,516 | 2,516 | 2,516 |
| 7.4 | Commission for providing guarantees | - | 964 | 964 | 964 |
| 7.5 | Others | – | 1,177 | 1,177 | 1,177 |
| 8 | Total financial liabilities carried at amortized cost | – | 83,135 | 83,135 | 83,135 |

Note 3 2. Presentation of financial instruments by measurement category

Table 32.1. Financial assets by valuation categories for 2017 and 2016

(thousand UAH)

| Line | Article title | Loans and receivables | |
|------|---------------|-----------------------|-----------|
| | | 2017 year | 2016 year |

| | Assets | | |
|----------|--|----------------|---------------|
| 1 | Funds in other banks | 561 | - |
| 2 | Loans and customer debt | 27,930 | 12,560 |
| 3 | Certificates of deposit issued by the National Bank of Ukraine | 78,080 | 86,059 |
| 4 | Other financial assets | 182 | 86 |
| 5 | Total | 106,753 | 98,705 |

Note 33. Related party transactions

According to IAS 24 " *Related Party Disclosures* ", related parties are considered parties if one of them has the ability to control or significantly influence the operating and financial decisions of the other party.

Table 33.1. Balances on transactions with related parties for 31 December 2017 (thousand UAH)

| Line | Article title | Largest participants (bank shareholders) | Management staff |
|-------------|----------------------|---|-------------------------|
| 1 | Client funds | 2 | 7,981 |

Table 33.2. Income and expenses from transactions with related parties for 2017 (thousands of UAH)

| Line | Article title | Largest participants (bank shareholders) | Management staff |
|-------------|---|---|-------------------------|
| 1 | Commission income | 9 | 1 |
| 2 | Commission costs | - | 1 |
| 3 | Administrative and other operating expenses | 189 | 19,756 |

Table 33.3. Income and expenses from transactions with related parties for 2016 (thousands of UAH)

| Line | Article title | Largest participants (bank shareholders) | Management staff |
|-------------|---|---|-------------------------|
| 1 | Commission income | 4 | - |
| 2 | Administrative and other operating expenses | 1,194 | 2,540 |

Table 33.4. Payments to key management personnel (thousands of UAH)

| Line | Article title | 2017 year | | 2016 year | |
|-------------|---------------------------|------------------|--------------------------|------------------|--------------------------|
| | | Costs | Accrued liability | Costs | Accrued liability |
| 1 | Current employee benefits | 16 901 | 450 | 1,652 | 53 |
| 2 | Severance payments | - | - | 24 | - |

Note 34. Events after the balance sheet date

There were no events after the balance sheet date that required adjustments to the Bank's annual financial statements.