JOINT STOCK COMPANY
"RWS BANK"

Annual financial statements according to IFRS
for the year ended December 31, 2018
and Independent Auditor's Report

Contents

Statement of Financial Position (Balance Sheet)
as of December 31, 2018

(thousand UAH)

Article title	Notes	December 31, 2018	December 31, 2017
ASSETS			
Cash and cash equivalents	6	505,982	234,547
Bank loans and debt	7	1,508	561
Loans and customer debt	8	116,361	27,930
Investments in securities	9	55,658	-
Investment property	10	218,769	209 146
Fixed assets and intangible assets	11	16,424	3,764
Other assets	12	36,080	26,402
Non-current assets held for sale and assets in disposal groups	13	22,809	7,427
Total assets		**973,591**	**509,777**
OBLIGATION			
Bank funds	14	-	10,016
Client funds	15	731,995	265,868
Provisions for liabilities	16	462	688
Other obligations	17	28,473	22,051
Total liabilities		**760 930**	**298,623**
EQUITY			
Authorized capital	18	300,039	300,039
Reserve and other funds of the bank		9,400	9,400
Revaluation reserves	19	(41)	-
Retained earnings (uncovered loss)		(96,737)	(98,285)
Total equity		**212,661**	**211,154**
Total liabilities and equity		**973,591**	**509,777**

As a result of the application of IFRS 9 and amendments to the Resolution of the National Bank of Ukraine No. 373 dated October 24, 2011 "On Approval of the Instructions on the Procedure for Preparation and Publication of Financial Statements of Ukrainian Banks", the Bank changed the presentation of the items "Other Assets", "Other Liabilities", comparative information was restated in the relevant notes 12 and 17 as of December 31, 2017

Approved for release and signed

_________ of 2019 Chairman of the Board_________________

Performer

Kutorai O.A. (044) 590-00-08 Chief Accountant________ _______L.G. Korniychuk

Statement of profit or loss and other comprehensive income
(Financial performance report)
for 2018

(thousand UAH)

Article title	Notes	2018 year	2017 year
Interest income	21	42,908	12,566
Interest expenses	21	(26,178)	(2,461)
Net interest income/(Net interest expense)		**16,730**	**10 105**
Commission income	22	51,416	32,324
Commission costs	22	(5,159)	(1,629)
Net profit/(loss) from transactions with financial instruments at fair value through profit or loss		4,038	-
Net profit/(loss) from transactions with debt financial instruments carried at fair value through other comprehensive income		5,179	167
Net profit/(loss) from foreign currency transactions		19,918	1,282
Net profit/(loss) from foreign currency revaluation		2 120	2,797
Net gain/(loss) from impairment of financial assets		(3,565)	(706)
Net gain/(loss) from impairment of other assets		(5,178)	(5,135)
Net loss/(gain) from increase/(decrease) in provisions for liabilities	16	(69)	(688)
Other operating income	23	38,644	61,409
Employee benefits expenses		(52,863)	(28,795)
Depreciation and amortization expenses		(2,469)	(853)
Other administrative and operating expenses	24	(67,855)	(107,592)
Profit/(loss) before tax		**887**	**(37314)**
Profit/(loss) from continuing operations		**887**	**(37314)**
Profit/(loss)		**887**	**(37314)**
OTHER TOTAL INCOME:			
ITEMS TO BE RECLASSIFIED TO PROFIT OR LOSS			
Changes in the results of revaluation of debt financial instruments:		(41)	-
net change in fair value		(41)	-
Total cumulative income		**846**	**(37314)**
Profit (loss) attributable to bank owners		**846**	**(37314)**
Total total income attributable to bank owners		**846**	**(37314)**
Earnings/(loss) per share from continuing operations (UAH):	26	0.07	(3.07)
Profit/(loss) per share attributable to bank owners (UAH):	26	0.07	(3.07)

As a result of the application of IFRS 9 and amendments to the Resolution of the National Bank of Ukraine No. 373 dated October 24, 2011 "On Approval of the Instructions on the Procedure for Preparation and Publication of Financial Statements of Ukrainian Banks", the Bank changed the presentation of the items "Net profit/(loss) from transactions with debt financial instruments accounted for at fair value through other comprehensive income", *“Employee benefits expenses”, “Depreciation and amortization expenses”, “Other administrative and operating expenses” as of September 30, 2017, comparative information is restated in the relevant note 23.*

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Statement of changes in equity
(Statement of equity)
PJSC "RWS BANK"
for 2018

(thousand UAH)

Article title	Belongs to the bank owners					Total equity
	authorized capital	reserve and other funds	revaluation reserves	not available shared profit	total	
Balance as of January 1, 2017	**300,039**	**9400**	**-**	**(60,971)**	**248,468**	**248,468**
Total cumulative income:	-	-	-	(37,314)	(37,314)	(37,314)
profit/(loss)	-	-	-	(37,314)	(37,314)	(37,314)
Balance as of December 31, 2017	**300,039**	**9400**	**-**	**(98,285)**	**211,154**	**211,154**
New and revised standards that have not yet entered into force: from the application of IFRS 9	-	-	-	661	661	661
Adjusted balance as of January 1, 2018	**300,039**	**9400**	**-**	**(97,624)**	**211,815**	**211,815**
Total cumulative income:	-	-	(41)	887	846	846
profit/(loss)	-	-	-	887	887	887
other comprehensive income	-	-	(41)	-	(41)	(41)
Balance as of December 31, 2018	**300,039**	**9400**	**(41)**	**(96,737)**	**212,661**	**212,661**

As a result of the application of IFRS 9, the Bank recalculated the opening balances as of January 1, 2018.

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Cash flow statement
for 2018
(by direct method)

(thousand UAH)

Article title	**Notes**	**2018**	**2017**
CASH FROM OPERATING ACTIVITIES			
Interest income received	21	41,850	12,246
Interest expenses paid	21	(19,564)	(2,286)
Commission income received	22	51,202	32,324
Commissions paid	22	(5,159)	(1,629)
Result of foreign currency transactions		19,918	1,282
Other operating income received	23	19,525	6,333
Personnel maintenance payments paid		(51,607)	(28,219)
Administrative and other operating expenses paid	24	(62,303)	(66,195)
Cash received/(paid) from operating activities before changes in operating assets and liabilities		[illegible]	**(46,144)**
Changes in operating assets and liabilities			
Net (increase)/decrease in loans and bank debt	7	(946)	(561)
Net (increase)/decrease in loans and advances to customers	8	(89,680)	(15,683)
Net (increase)/decrease in other assets	12	(30,476)	(5,428)
Net increase/(decrease) in banks' funds	14	(10,000)	10,000
Net increase/(decrease) in customer funds	15	459,362	196,789
Net increase/(decrease) in other liabilities	17	8,791	9,051
Net cash received/(used) from operating activities		[illegible]	**148,024**
CASH FROM INVESTING ACTIVITIES			
Purchase of securities		(55,903)	-
Proceeds from the sale of investments in securities		5,179	-
Proceeds from the sale of investment property	10	5,461	2,917
Proceeds from the sale of fixed assets		16	23
Acquisition of fixed assets	11	(12,741)	(4,659)
Acquisition of intangible assets	11	(2,256)	(381)
Net cash received/(used) from investing activities		**(60,244)**	**(2,100)**
Impact of changes in the official exchange rate of the National Bank of Ukraine on cash and cash equivalents		7 65	80
Net increase/(decrease) in cash and cash equivalents		**271,434**	**146,004**
Cash and cash equivalents at the beginning of the period	6	**234,547**	**88,543**
Cash and cash equivalents at the end of the period	6	**505,981**	**234,547**

As a result of the application of IFRS 9 and amendments to the Resolution of the National Bank of Ukraine No. 373 dated October 24, 2011 "On Approval of the Instructions on the Procedure for Preparation and Publication of Financial Statements of Ukrainian Banks", the Bank changed the presentation of the items "Other Assets", "Other Liabilities", comparative information was restated in the relevant notes 12 and 17 as of December 31, 2017

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Note 1. Bank information

Bank name: JOINT STOCK COMPANY "RWS BANK" .

Abbreviated name of the Bank: JSC "RWS BANK".

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

The country in which the bank is registered: The bank is registered in Ukraine.

JOINT-STOCK COMPANY "RWS BANK" is the legal successor of PUBLIC JOINT-STOCK COMPANY "RWS BANK", which in turn is the legal successor of the property, rights and obligations of PUBLIC JOINT-STOCK COMPANY "TRANSITION BANK "RWS BANK" (banking license No. 277 dated June 25, 2015), which is the legal successor in terms of assets (including rights under security agreements) and obligations under the claims of creditors (depositors) under the transferred liabilities of PUBLIC JOINT-STOCK COMPANY "OMEGA BANK" (name of the insolvent bank), identification code 19356840, 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.
In order to bring the Bank's Charter into line with the requirements of the Law of Ukraine "On Amendments to Certain Legislative Acts of Ukraine on Simplifying Business and Attracting Investments by Securities Issuers" dated November 16, 2017 No. 2210-VIII, based on the Shareholder's Decision No. 10102018/07 dated October 10, 2018, the Bank changed the type of joint-stock company from a public joint-stock company to a private joint-stock company. The change of the Bank's name from PUBLIC JOINT-STOCK COMPANY "RWS BANK" to JOINT-STOCK COMPANY "RWS BANK" occurred in connection with the change in the type of joint-stock company.
As a result of the conclusion of the Securities Purchase and Sale Agreement pursuant to the Agency Agreement on August 13, 2018, there were changes in the composition of the owners of a significant stake in the Bank.
The sole shareholder of the Bank is Oleksandr Volodymyrovych Stetsyuk, who is the ultimate beneficial owner of the Bank, who owns 100% (one hundred percent) of the voting shares of the Bank. The ultimate beneficiary is an individual - a citizen of Ukraine Oleksandr Volodymyrovych Stetsyuk,
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.

Information about the Bank's registration in the State Register of Banks (date and certificate number):

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.

Information on current licenses and permits (date, number and name of the authority that issued them), including:

information regarding banking licenses:

- Banking license dated November 24, 2016 No. 277, issued by the National Bank of Ukraine.

- The Bank carries out currency transactions specified in the appendix to the General License for Foreign Exchange Transactions dated September 10, 2018 No. 277-3, issued by the National Bank of Ukraine, which will expire on February 7, 2019 in connection with the entry into force of the Law of Ukraine "On Currency and Foreign Exchange Transactions".

Information on licenses issued by the State Commission on Securities and Stock Market:

-License to conduct professional activities on the stock market - securities trading activities, namely brokerage activities, dealer activities, securities management activities , issued in accordance with the Decision of the National Securities and Stock Market Commission No. 584 dated August 28, 2018.
-License for conducting professional activities in the stock market (securities market) – depository activities, namely depository activities of a depository institution, issued in accordance with the Decision of the National Securities and Stock Market Commission No. 585 dated August 28, 2018.

Information on changes in the organizational and legal form of the Bank, as well as on mergers, acquisitions, divisions, spin-offs, and transformations during the reporting year 2018:

The Bank's organizational and legal form is a JOINT STOCK COMPANY, code according to the Code of Companies: 230
On October 10, 2018, based on the Shareholder's decision No. 10102018/07 dated October 10, 2018, the Bank changed the type of the Bank's joint-stock company from a public joint-stock company to a private joint-stock company.
There were no changes in the organizational and legal form of the Bank, as well as no mergers, acquisitions, divisions, spin-offs, or transformations.

Information on the list of activities carried out and to be carried out by the Bank, any changes in this information that have occurred compared to the previous balance sheet date:

KVED code 64.19 Other types of monetary intermediation (main). There were no changes.
The Bank carries out banking activities on the basis of a banking license. 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"* .
Banking services include:
1) Attracting funds and banking metals from an unlimited number of legal entities and individuals;
2) Opening and maintaining current (correspondent) accounts for clients, including in banking metals;
3) Placing funds and bank metals attracted into deposits, including current accounts, on one's own behalf, on one's own terms and at one's own risk
4) Conducting professional activities on the stock market (securities market):
securities trading activities - dealer activities; securities trading activities - brokerage activities; securities trading activities - securities management activities; depository activities - depository activities of a depository institution
5) attraction and placement of banking metals on the foreign exchange market of Ukraine;
6) attraction and placement of banking metals on international markets;
7) trading in banking metals on the foreign exchange market of Ukraine;
8) trading in banking metals on international markets

The main strategic goal of the Bank

Based on the analysis of the external environment, it is obvious that in the short-term perspective, the Bank should use the pause that has formed in the active growth of the banking system to build an internal organizational and technological base and business processes, create a customer-oriented company; identify and implement its competitive advantages, provided that the Bank quickly adapts to the constantly changing situation in the financial markets and in the economy as a whole.
The implementation of the development strategy will allow the Bank to take a target position in the Ukrainian banking services market and achieve the set financial and operational indicators that correspond to the high level of financial institutions.
Within the framework of the strategy, the Bank sets itself tasks in 4 main areas:

1. Situation in the Ukrainian market: strengthening competitive positions in the main segments of the banking market (attraction of funds and lending to the population, attraction of funds and lending to legal entities), active development of both traditional and alternative sales channels.

2. Qualitative development indicators ("health" of the bank): create skills in the field of working with customers, leadership in the level of service (in terms of price, quality and consumer properties of our products); form a

corporate culture shared by all employees of the Bank, aimed at self-improvement and increased labor productivity; highly professional, interested staff, a "positive" brand that is recognizable ; high degree of customer loyalty.

3. Technologies: introduction of new processes, products and technologies taking into account modern e-banking trends , a modern risk management system, "industrialization" of systems and processes in the bank, management and operational processes and systems comparable to modern analogues, adequate to the requirements and large-scale development plans of the bank, a business-oriented IT platform that will become the basis for key transformations.

4. Focus areas of activity:

   - for documentary transactions, factoring, conversion transactions – for legal entities as niche , affiliate programs;
   - in e-banking – in the transformation of the Bank into a “One-Touch Bank” in terms of the volume and significance of electronic transactions, from online banking to the use of mobile devices;
   - on the creation of a financial supermarket - sales, integration of products and services between the Bank and financial institutions, financial service companies;
   - on integration with state bodies, regional authorities within the framework of bilateral information exchange, participation in programs to support economic entities (programs to increase the efficiency of natural resource use and energy efficiency, including);
   - on remote information service for clients, including presence in the form of bank bots in major messengers .

To successfully implement the strategy, the Bank is constantly working to attract new clients and sell new products to existing clients.

Main areas of transformation

To achieve its development goal, the Bank will focus on five main areas of transformation:

1. A fundamentally important direction for the Bank's development will be maximum customer focus, in this sense - the transformation of the Bank into a "service" company. This means that the Bank will strive to satisfy the maximum amount of financial service needs of each of its clients and thereby maximize its income from each set of client relationships. This also means that the quality and depth of client relationships, as well as the Bank's skills and capabilities in the field of sales and service, which will ensure the support and development of these relationships, will become an important basis for the Bank's competitive advantages.
2. A comprehensive construction of business processes and information systems, their transition to a new "industrial" basis is also inevitable. Such "industrialization" of systems and processes in the Bank will increase the level of manageability and scalability, reduce costs, improve the quality of customer service and allow the Bank to manage credit and other types of risks more flexibly and effectively.
3. An important element of the Bank's development strategy is the implementation of the ideology of continuous improvement and development at all levels and in all parts of the organization. This involves integrated work on optimizing and rationalizing activities in all areas "from the bottom up", creating a systematic ability for renewal and self-improvement in the Bank, as well as changing the mentality and value systems of the staff.
4. The new bank needs a cohesive and professional team. The implementation of the strategy will require employees to acquire new skills and abilities that will allow them to change not only the Bank, but also their own habits and work methods. The task facing the Bank is to make efficiency and quality the business of every employee in every department, to involve both ordinary employees and the Bank's managers in the daily process of improving its work, to enable employees to feel like active participants in the Bank's development process, and not just passive performers.
5. Introduction of financial modeling as an element of achieving high economic efficiency of the Bank. Financial activity modeling implies a number of interrelated data that reflect the most important indicators of the activities of all structural divisions of the Bank, partner programs, and the implementation of strategic objectives; separation of profit centers (profit center) and cost centers (cost center) for the purpose of planning, accounting, control, and motivation ; introduction of a controlling system as an assessment of the quality of customer service, services, personnel, costs, etc.

Reporting date: December 31, 2018 (end of day).

Reporting period: 12 months of 2018. These financial statements were approved on April 2019 by the Chairman of the Bank's Management Board.
JSC "RWS BANK" carries out its activities on the basis of banking license No. 277 dated June 25, 2015. 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"* .
As of the date of this report, the Bank carries out foreign exchange transactions on the basis of the General License for Foreign Exchange Transactions No. 277-3 dated September 10, 2018, issued by the National Bank of Ukraine, and after its expiration on February 7, 2019 in connection with the entry into force of the Law of Ukraine "On Currency and Foreign Exchange Transactions", the Bank will continue to carry out foreign exchange transactions on the basis of banking license No. 277 dated June 25, 2015.
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.
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. Despite the fact that the Ukrainian economy is considered a market economy, it continues to demonstrate certain features inherent in a developing economy. The banking sector operated without significant internal and external shocks - banks actively attracted funding and placed funds in loans. The banking sector is making profits for the first time since the beginning of the crisis. The introduction of martial law in ten regions of Ukraine did not have a negative impact on the work of the banking sector, deposits of the population did not decrease, banks maintained liquidity and made all payments, which is evidence of the trust of the population and clients in the banking system, the safety margin of banks guarantees high stability during crisis circumstances.
Household incomes and household funds are expected to increase by at least 15% per year, corporate funds by 10% per year, lending to quality corporate borrowers is expected to increase by 15% and stable lending to retail businesses, which will lead to an increase in banking sector profits. 2019 will be marked by control by the NBU over excessive lending growth, preventing liquidity deficits, and increasing the level of dollarization of the banking sector.
The number of banks operating in Ukraine as of January 1, 2019 is 77 banks, of which 37 are with foreign capital, including 23 with 100% foreign capital.
Assets of Ukrainian banks as of January 1, 2019 exceeded UAH 1.361 trillion, total assets (not adjusted for reserves from active operations) UAH 1.911 trillion. Return on assets: 1.65%. In 2018, the assets of Ukrainian banks increased by 2%, most noticeably in December 2018 by UAH 40.6 billion .
The total capital of banks is 155.65 billion UAH, including 465.5 billion UAH of authorized capital. Regulatory capital is 126.1 billion UAH. Return on capital: 14.26%.
Bank income for 2018 amounted to UAH 204.5 billion, expenses – UAH 182.7 billion. The profit of operating banks of Ukraine, excluding insolvent banks, amounted to UAH 21.73 billion (for 2017 – loss of UAH 24.4 billion).
Liabilities of Ukrainian banks as of 01.01.2019 exceeded 1.205 trillion UAH, where funds of legal entities amounted to 406.2 billion UAH (term deposits – 110.4 billion UAH), funds of individuals – 508.8 billion UAH (term deposits – 327.6 billion UAH). At the same time, there is a constant trend of growth in deposits of legal entities and individuals in the national currency, while the trend of attracting funds of individuals in foreign currency is decreasing.
Since the beginning of the year, the volume of deposits of individuals has increased by 14.2% in hryvnia and decreased by 1.1% in foreign currencies.
Changes in the funding base in 2018 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 8% in 2018, and interest rates on new loans had a slight downward trend.
Changes in corporate sector lending: banks' loan portfolio in national currency has grown by 3.95% since the beginning of the year, and in foreign currencies by 8.79%.

The loan portfolio of individuals has increased by 31.6% in national currency since the beginning of the year, and decreased by 9.93% 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 2019:
1) receive maximum return (with minimal risk) from transactions with securities (government bonds, NBU deposit certificates, 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) attracting customer funds and expanding the range of retail business credit operations.
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.
The quality of the credit portfolio of JSC "RWS Bank" corresponds to a fairly high level, there are no overdue loans, while the bank pursues a balanced and conservative credit policy, with meticulous selection of the client base, in order to obtain maximum profit with minimal risks. Given the growth of consumer sentiment among the population, in order to improve the financial result, the bank has implemented a project of high-yield lending to consumer needs of the population, and methods of automatic analysis of potential borrowers are being improved to generate a solvent credit portfolio. Also, an important component of receiving commission income is the provision of guarantees that does not divert the bank's passive resources. The sources of financing the bank's current activities are attracting current funds from clients and term deposits.
Future conditions for the Bank's operations may differ from previous management assessments; in the event of a deterioration in the situation, management will take all necessary measures to support stable development and improve the Bank's position.

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 2018.
The financial statements have been prepared on a historical cost basis, as adjusted for the initial recognition of financial instruments at fair value and the revaluation of buildings. The same accounting policies and calculation methods have been followed in these financial statements as in the last annual financial statements, except for the changes described below related to the introduction of IFRS 9 “Financial Instruments” and IFRS 15 “Revenue from Contracts with Customers”.

Going concern

Management has prepared these financial statements on a going concern basis. In making this judgment, management has considered the Bank's financial condition, its current intentions, and the impact of the current financial and economic situation on the Bank's future operations.

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.

IFRS 9 “Financial Instruments”

The Bank first applied IFRS 9 “Financial Instruments” (the Standard) as of January 1, 2018. The Standard replaced the previously effective IAS 39 “Financial Instruments: Recognition and Measurement”.

Classification of financial assets

At the time of initial recognition of financial instruments, the Bank classifies them and determines the model for subsequent measurement.
The Bank classifies debt financial assets based on the business model it uses to manage these assets and the cash flow characteristics stipulated by the contract that initiates the financial instrument.
Financial assets are classified into the following categories:
- financial assets measured at amortized cost (AC);
- financial assets measured at fair value through other comprehensive income (FVOCI);
- financial assets measured at fair value through profit or loss (FVTPL).

A financial asset is measured at amortized cost only if it meets both of the following conditions and is not classified as measured at fair value through profit or loss:

- it is held within a business model whose objective is to hold the assets to collect contractual cash flows, and
- its contractual terms provide for the occurrence of cash flows at specified times, which represent the payment of only the principal amount and interest (SPPI criterion) on the outstanding portion of the principal amount.

A financial asset is measured at fair value through other comprehensive income only if it meets both of the following conditions and is not classified at the Bank's discretion as measured at fair value through profit or loss:

- it is held within a business model that achieves its objective both by collecting contractual cash flows and by selling financial assets, and its contractual terms provide for the occurrence, on specified dates, of cash flows that represent payments solely of principal and interest (SPPI criterion) on the outstanding principal amount.

All financial assets that do not meet the criteria for being measured at amortized cost or at fair value through other comprehensive income, as described above, are measured at fair value through profit or loss.

Business model assessment

The Bank assesses the purpose of the business model within which the asset is held at the portfolio level of financial instruments, as this best reflects the way the business is managed and the information provided to management. The following information will be considered:

- the policies and objectives established for the portfolio of financial assets, and the operation of those policies in practice, including whether management's strategy is focused on generating contractual interest income, maintaining a specific interest rate structure, matching the maturities of financial assets to the maturities of financial liabilities used to finance those assets, or realizing cash flows by selling assets;
- how portfolio performance is assessed and how this information is communicated to the Bank's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model), and how those risks are managed;
- how managers who manage the business are compensated (for example, whether this compensation depends on the fair value of the assets they manage or on the contractual cash flows they receive from the assets);
- the frequency, volume and timing of sales in past periods, the reasons for such sales, and expectations regarding future sales levels. However, information on sales levels is not considered in isolation, but within a single holistic analysis of how the Bank's stated objective of managing financial assets is achieved and how cash flows are realized.

The following main types of business models are distinguished within which financial assets are managed:

- business model (BM 1), the purpose of which is to hold assets to receive contractual payments
cash flows;
- business model (BM 2), the purpose of which is achieved by receiving contractual cash flows and selling financial assets;
- other business models (BM 3), including: trading, fair value management, maximizing cash flows through sales.

Assessing whether contractual cash flows are solely payments of principal and interest
For the purposes of this measurement, “principal” is defined as the fair value of the financial asset at its initial recognition. “Interest” is defined as compensation for the time value of money, for the credit risk on the principal amount remaining outstanding over a period of time, and for other principal risks and costs associated with lending (e.g., liquidity risk and administrative costs), as well as a profit margin.
When assessing whether the contractual cash flows are solely payments of principal and interest on the outstanding principal amount (“SPPI criterion”), the Bank analyzes the contractual terms of the financial instrument, namely

whether the financial asset contains any contractual term that could change the timing or amount of the contractual cash flows so that the financial asset would not meet the analyzed requirement.

Reclassification of financial assets is carried out prospectively only in the event of a change in the business model within which they are held. Financial liabilities and equity instruments, as well as financial assets that, at the Bank's option, were classified as at fair value through profit or loss upon initial recognition, are not subject to reclassification .

Derivatives embedded in financial assets within the scope of IFRS 9 are not separated from the host contract. As a result, the entire hybrid instrument is measured at fair value through profit or loss.

Classification of financial liabilities

Financial liabilities are measured at amortized cost, except for:
1) financial liabilities measured at fair value through profit or loss;
2) financial liabilities that arise when the transfer of a financial asset does not meet the conditions for derecognition or when the principle of continuing involvement is applied;
3) financial guarantee, aval, surety agreements;
4) commitments to lend at a rate below market rate;
5) contingent consideration recognized by the bank as the acquirer in a business combination to which IFRS 3 “Business Combinations” applies. Such contingent consideration is subsequently measured at fair value through profit or loss.
Upon initial recognition, a financial liability may be classified, without the right to subsequently reclassify it , as measured at fair value through profit or loss if:

- this will eliminate or significantly reduce measurement or recognition inconsistencies that would arise from using different measurement bases for assets or liabilities, or for recognizing related gains and losses;
- the contract contains one or more embedded derivatives, and the host contract is not a financial asset (unless the embedded derivative is insignificant or separation of such embedded derivative from the host contract would be prohibited).

Impact of applying IFRS 9 “Financial Instruments” on the classification of financial instruments

The application of the above-described changes in accounting policies has the following impact on the classification and measurement of financial instruments as of January 1, 2018.

- Loans to banks and customers that were classified as loans and receivables and measured at amortized cost in accordance with IAS 39 are measured at amortized cost in accordance with IFRS 9.
- Held-to-maturity investment securities measured at amortized cost in accordance with IAS 39 are measured at amortized cost in accordance with IFRS 9.
- Debt investment securities classified as available for sale in accordance with IAS 39 are measured at amortized cost or at fair value through other comprehensive income in accordance with IFRS 9.
- Equity instruments classified as available for sale in accordance with IAS 39 are measured at fair value through other comprehensive income in accordance with IFRS 9.
- The classification of financial liabilities will not change as a result of the application of IFRS 9.

Interest income

The Bank recognizes interest income/expenses on financial instruments at the effective interest rate over the period from the date of their initial recognition to the date of derecognition (sale, redemption), reclassification .
Interest income on financial assets carried at amortized cost is recognized at the effective interest rate on the gross carrying amount, except for:
1) purchased or created impaired financial assets. For such financial assets, the effective interest rate, adjusted for credit risk, is applied to the amortized cost of the financial asset from the date of initial recognition;
2) financial assets that are not purchased or originated impaired financial assets, but which subsequently become impaired financial assets. In the case of such financial assets, the bank should apply the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Estimate of expected credit losses

Expected credit losses are an estimate weighted by the probability of credit losses. They will be measured as follows:

- for financial assets that are not credit-impaired as of the reporting date: as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Bank under the contract and the cash flows that the Bank expects to receive);
- for financial assets that are credit-impaired as of the reporting date: as the difference between the gross carrying amount of the assets and the present value of expected future cash flows;
- for the unused portion of loan commitments: as the present value of the difference between the contractual cash flows that the Bank is entitled to under the contract if the holder of the loan commitment exercises its right to receive the loan and the cash flows that the Bank expects to receive if the loan is granted; and for financial guarantee contracts: as the present value of expected payments to the holder of the contract to compensate it for a credit loss incurred, less amounts that the Bank expects to recover.

Financial assets that are credit-impaired are defined as financial assets for which there is objective evidence of a loss or one or more events have been observed that have a negative impact on the expected future cash flows of such financial asset.

For the purposes of estimating expected credit losses, the Bank classifies financial instruments into one of three stages of impairment in accordance with IFRS 9. The stage of impairment is determined based on how significantly the level of credit risk for the financial instrument has changed as of the reporting date compared to the date of its initial recognition.

Termination of recognition and modification of the contract

Financial assets are derecognized if:
(a) the rights to cash flows specified in the contractual terms of the financial asset expire;
(b) the transfer of the financial asset meets the termination criteria;
c) write-off of a financial asset against a reserve.
A transfer of a financial asset occurs if one of the following conditions is met:
- the rights to receive cash flows from the financial asset, which are provided for by the contract, have been transferred;
- the rights to receive cash flows from the financial asset are retained, as provided for in the transfer agreement, but there is an obligation to pay the cash flows to one or more recipients under an agreement that meets the following conditions:
(a) there is no obligation to pay amounts to ultimate purchasers until equivalent amounts are received from the original asset;
b) the terms of the contract prohibit the bank from selling or pledging the original financial asset, other than transferring it to the ultimate recipients as security for the obligation to pay cash flows;
(c) there is an obligation to transfer any cash flows received on behalf of the ultimate recipients without material delay. Interest on such investments is transferred to the ultimate recipients.

Modified financial asset – an asset for which the contractual cash flows have been revised by agreement of the parties or modified. The modification may not result in derecognition of such a financial asset or may result in derecognition of a financial asset with subsequent recognition of a new financial asset.
Derecognition of the original financial asset and recognition of a new one occurs if the revised or modified cash flows provided for by the contract are such that they meet the criteria for derecognition of the original financial asset.
At the date of modification, the new financial asset is recognized at fair value, taking into account transaction costs associated with the creation of the new financial asset and the amount of expected credit losses within 12 months.

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.
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.
As of December 31, 2018, the principal exchange rates used for translating foreign currency amounts were as follows:

	December 31, 2018, UAH	December 31, 2017, UAH
1 US dollar	27.688264	28.067223
1 euro	31.714138	33.495424
1 Russian ruble	0.39827	0.48703

Comparative information

The Bank has changed the presentation of the "Statement of Financial Position (Balance Sheet)", "Statement of Profit and Loss and Other Comprehensive Income (Statement of Financial Results)" in connection with the application of IFRS 9 and amendments to the Resolution of the National Bank of Ukraine No. 373 of October 24, 2011 "On Approval of the Instructions on the Procedure for Preparing and Publishing Financial Reporting of Banks of Ukraine".

Transition

The Bank applies the changed accounting policy to the carrying amount of financial assets and liabilities that were not derecognized as of 01.01.2018 (the earliest period for which retrospective application is possible), and makes corresponding adjustments to the balances of the components of equity to which it is added. The impact on other prior periods cannot be determined [IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" paragraph 24].

In accordance with the requirements of the new accounting policy, no reclassification of financial instruments occurred.

The table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for the Bank's financial assets and financial liabilities as of January 1, 2018.

(thousand UAH)

Article title	Notes	Classification according to IAS 39	Classification according to IFRS 9	Carrying amount according to IAS 39	Carrying amount under IFRS 9
Financial assets					
Cash and cash equivalents	6	Loans and receivables	Depreciated cost	234,547	234,547
Bank loans and debt	7	Loans and receivables	Depreciated cost	561	561
Loans and customer debt	8	Loans and receivables	Depreciated cost	27,930	28,298
Other assets	12	Loans and receivables	Depreciated cost	182	182
Total financial assets:				**263 220**	**263,588**
Financial obligations					
Bank funds	14	Depreciated cost	Depreciated cost	10,016	10,016
Client funds	15	Depreciated cost	Depreciated cost	265,868	265,868
Other obligations	17	Depreciated cost	Depreciated cost	19,704	19,704
Total financial liabilities:				**295,588**	**295,588**

The table below reconciles the carrying amounts of financial assets and financial liabilities under IAS 39 and IFRS 9 as part of the transition to the new standard as of January 1, 2018. As a result of the application of IFRS 9, no reclassifications of financial assets occurred.

(thousand UAH)

Article title	Carrying amount according to IAS 39	Revaluation (reduction of reserve)	Carrying amount under IFRS 9
Financial assets			
Depreciated cost			
Cash and cash equivalents	234,547	-	234,547
Bank loans and debt	561	-	561
Loans and customer debt	27,930	368	28,298
Other financial assets	182	-	182
Total financial assets at	**263 220**	**368**	**263,588**

amortized cost:			

Changes in accounting policies resulting from the application of IFRS 9 were applied retrospectively, except in the situations specified below:

(thousand UAH)

Article title	**Changes from the application of IFRS 9 as of January 1, 2018**
Opening balance of IAS 39 as of January 1, 2018: (Uncovered loss)	(98,285)
Recognition of expected credit losses under IFRS 9 (including lending commitments)	661
Opening balance under IFRS 9 as of January 1, 2018	(97,624)

The following table agrees:

1) opening balance of provisions for impairment of financial assets in accordance with IAS 39 and provisions for liabilities in accordance with IAS 37 "Liabilities, Contingent Liabilities and Contingent Assets" as of December 31, 2017;
2) the opening balance of expected credit losses determined in accordance with IFRS 9 as of January 1, 2018.

(thousand UAH)

Article title	**Provision for impairment of assets and provisions for liabilities**		
	December 31, 2017 (IAS 39, IAS 37)	**Revaluation (reduction of reserve)**	**January 1, 2018 (IFRS 9)**
Loans and receivables under IAS 39/ financial assets at amortized cost under IFRS 9	5,324	(368)	4,956
Total provision for assets valued at amortized cost	**5,324**	**(368)**	**4,956**
Lending commitments	688	(293)	395

Comparative information

As a result of the application of IFRS 9, the Bank changed the presentation of certain items in the financial statements, other assets and liabilities, and separated employee benefits and depreciation expenses from the note administrative and other operating expenses.

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 normal course of business, the Bank uses various derivative financial instruments, including forwards and swaps , in the foreign exchange markets. These financial instruments are held for trading and are stated at fair value. Fair value is determined based on quoted market prices or valuation models based on current market and contractual values of the underlying instruments and other factors. Derivative financial instruments with a positive fair value are recognised as assets, and those with a negative fair value are recognised as liabilities. Income and expenses from transactions with these instruments are recognised in the Statement of Profit or Loss and Other Comprehensive Income as part of net profit on transactions with derivative financial instruments. Derivative financial instruments embedded in other financial instruments are considered separate derivative financial instruments and are carried at fair value unless their economic characteristics and risks are closely related to the economic characteristics and risks of the host contract and the host contract is not designated for sale or is not carried at fair value through profit or loss. Embedded derivatives separated from the derivatives of the host contract are carried at fair value in the trading portfolio with changes in fair value recognised in profit or loss.
If the economic characteristics and risks of an 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 of the Statement of Financial Position. Any changes in the fair value of an embedded derivative that is not separated from the host 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, 2018 , 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.
The Bank, based on an internal order, has changed the approach to the valuation of intangible assets with an indefinite useful life. Starting from January 1, 2018, the right to use property, rights to trademarks for goods and services, copyright and related rights, other intangible assets have the following useful life, according to which depreciation deductions are made:

1) Rights to use natural resources, rights to use property (land, building, premises, right to rent premises, subscriber telephone numbers, etc.), rights to commercial designations (rights to trademarks (trademarks for goods and services), commercial (company) names, etc.), except for those whose acquisition costs are recognized as royalties in accordance with the title document;
2) Rights to commercial designations (rights to trademarks (marks for goods and services), commercial (brand) names, etc.), except for those whose acquisition costs are recognized as royalties - in accordance with the title document, but not less than 6 years, for indefinite - 6 years;
3) Copyright and related rights (rights to literary, artistic, musical works, computer programs, programs for electronic computers, compilations of data (databases), phonograms, videograms, broadcasts (programs) of broadcasting organizations, etc.), except for those whose acquisition costs are recognized as royalties - in accordance with the title document, but not less than 3 years, for indefinite - 3 years;
4) Other intangible assets (right to conduct activities, use economic and other privileges, banking licenses, licenses of the State Securities and Markets Commission, patents) - in accordance with the title document, for indefinite - 10 years.

The Bank, based on internal policy, has changed the useful lives of fixed assets due to changes in the expected economic benefits from their use. The following useful lives of fixed assets have been established:

Buildings – 20 years;
Buildings – 15 years;
Transmission devices – 10 years;
Machinery and equipment – 5 years;
Vehicles – 8 years;
Furniture, appliances – 7 years;
Inventory, tools – 5 years;
Other fixed assets -12 years

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 indications of possible impairment.
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 amounts recognized;

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. Employee benefits and related deductions

Calculations related to the remuneration of the Bank's employees and employees performing work under civil law contracts (making the specified payments, accrual of wages, withholding taxes and mandatory payments from accrued amounts, accrual of taxes and mandatory payments to the payroll fund) are carried out in accordance with current legislation and internal regulatory documents of the Bank. Accrual of basic and additional wages to the Bank's employees is carried out in accordance with the official salaries determined by the Bank's staffing table.

The Bank calculates and creates provisions for payments for unused vacations of the Bank's employees.

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 expenses are recorded in the reporting period to which the relevant salary relates.

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

4.22. Obligations for pension benefits and other benefits

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 expenses are recorded in the reporting period to which the relevant salary relates.

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

4.23. 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).

4.24. 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"* .

4.25. Significant assumptions and sources of uncertainty in 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.

Changes in basic accounting policies

In connection with the initial application of the international financial reporting standard IFRS 9 "Financial Instruments" (hereinafter - IFRS 9), which replaces the international accounting standard IAS 39 "Financial Instruments: Recognition and Measurement" (hereinafter - IAS 39), the Bank's accounting policy has undergone changes regarding the measurement and accounting of financial instruments, which were applied retrospectively.
In the process of applying accounting policies, the Bank's management used judgments and made estimates in determining the amounts reflected in the financial statements. The most significant use of judgments and estimates was required in determining the fair value of financial instruments and the measurement of expected credit losses.

Recognition and measurement of financial instruments.

The Bank recognizes financial assets and liabilities in its statement of financial position when it becomes a party to the contractual obligations of the instrument. Regular way purchases and sales of financial assets and liabilities are recognized using the settlement date accounting method. All other transactions with

Purchases or sales of financial instruments are recognized when the entity becomes a party to the contract to purchase the financial instrument.

According to the provisions of IFRS 9, financial assets are classified as financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, and financial assets at amortized cost.

The classification of financial assets is determined on the basis of:
a) business models for managing financial assets;
and
(b) the contractual cash flow characteristics of the financial asset.

A business model is the purpose of holding a group of financial assets, as determined by the Bank's senior management. A business model is defined at the level of a group of financial assets that are combined to achieve specific business objectives. A business model describes how the Bank manages its financial assets to generate cash flows.

Based on the characteristics of the contractual cash flows of the financial asset, the Bank analyzes whether the contractual terms of the financial asset provide for the receipt on specified dates of cash flows that are solely payments of principal and interest on the outstanding principal amount.

Financial assets and liabilities are initially recognized at fair value plus, in the event that a financial asset or financial liability is not recognized at fair value through profit or loss, transaction costs incurred that are directly attributable to the acquisition or issue of the financial asset or liability.

Subsequently, financial assets are recorded at fair value or amortized cost, depending on their classification.

Gains and losses from further valuation.

Gains or losses resulting from changes in the fair value of a financial instrument classified as a financial instrument at fair value through profit or loss are recognized in profit or loss.

Gains or losses from changes in the fair value of a financial asset classified as at fair value through other comprehensive income are recognised directly in other comprehensive income (except for impairment losses and foreign exchange gains and losses on available-for-sale debt instruments) until the asset is derecognised, when the cumulative gain or loss previously recognised in other comprehensive income is recognised in profit or loss. Interest on a financial asset at fair value through other comprehensive income is recognised in profit or loss in the period in which it arises and is calculated using the effective interest method.

Gains or losses on financial assets and liabilities carried at amortized cost are recognized in profit or loss in the period in which they arise and are calculated using the effective interest method.

Money in banks.
In the ordinary course of business, the Bank lends funds or places deposits with other banks for various terms. The funds lent to banks or placed with other banks are held by the Bank within the framework of a business model, the objective of which is to hold financial assets to generate cash flows. The characteristics of the contractual cash flows indicate that they are exclusively payments of principal and interest on the outstanding principal amount.
Due from banks with fixed maturities are measured at amortized cost using the effective interest rate method. Due from banks that do not have fixed maturities are carried at amortized cost based on the expected maturity dates of such assets. Due from banks are carried net of any allowance for impairment losses.

Loans to customers

Loans to customers are non-derivative debt financial assets with fixed or determinable payments. Loans to customers are held by the Bank within a business model whose objective is to hold financial assets to earn cash flows. Loans
Loans to customers are initially recognized at fair value, including related transaction costs that are directly attributable to the acquisition or creation of such financial assets. In the event that the fair value of the consideration given differs from the fair value of the loan, for example, if the loan is provided at a rate below market, the difference between the fair value of the consideration given and the fair value of the loan is recognized in the statement of profit or loss and other comprehensive income. Loans are subsequently carried at amortized cost using the effective interest method. Loans to customers are carried net of any allowance for impairment losses.

Reserve *for covering losses from impairment of financial assets.*

The Bank recognizes an allowance for expected credit losses on debt financial assets carried at amortized cost and debt financial assets carried at fair value through other comprehensive income.

The Bank recognizes an allowance for impairment of a financial asset at the first stage of impairment (12-month expected credit losses) no later than the earliest reporting date after initial recognition of the financial asset. At each subsequent reporting date after initial recognition, the Bank shall assess the level of increase in the expected credit risk of the financial instrument since its initial recognition.

If, as of the reporting date, there has been no significant increase in the credit risk of a financial instrument since initial recognition, the loss allowance for that financial instrument is measured at an amount equal to 12-month expected credit losses. If the credit risk of a financial instrument has increased significantly since initial recognition, then at the end of each reporting period, the loss allowance for that financial instrument is measured at an amount equal to lifetime expected credit losses.
If in the previous reporting period the loss allowance for a financial instrument was measured at an amount equal to lifetime expected credit losses, but as of the current reporting date there is no longer a significant increase in credit risk for the financial instrument, then at the current reporting date the allowance is measured at an amount equal to 12-month expected credit losses.

The Bank records impairment losses on financial assets using reserve accounts. At each reporting date, the Bank recognizes expected credit losses or the amount of their recovery in the event of positive changes (losses or gains from impairment) in the Income Statement.

The allowance for impairment losses on financial assets measured at fair value through other comprehensive income should be recognized in other comprehensive income and should not reduce the carrying amount of the financial asset in the statement of financial position.

Impairment losses on financial assets carried at amortized cost are determined as the difference between the carrying amount and the present value of expected future cash flows (excluding future credit losses) weighted by the probability of occurrence of three scenarios: and discounted at the financial asset's original effective interest rate. For financial assets secured by collateral, the calculation of the present value of future cash flows reflects the cash flows that may arise from foreclosure of the collateral, regardless of the probability of foreclosure.

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 with changes in the amount of overdue debt from borrowers grouped together on the basis of similar credit risk characteristics. In order to determine the amount of recovery that can be obtained for a group of financial assets based on accumulated experience, historical data is adjusted for existing conditions that were not considered in prior periods, and conditions that existed in the past and do not currently exist are eliminated.

Lending-related obligations

The Bank assumes obligations related to lending, including obligations to provide loans, obligations related to issued financial guarantees, avals, sureties, letters of credit, etc. Financial guarantees are obligations to make payments as compensation for losses arising
in the event of a customer's failure to meet its obligations to third parties under the original or modified terms of the debt obligation. Financial guarantees issued are initially recognized at fair value. Subsequently, they are measured at the higher of: a) the amount recognized as an estimated provision for expected credit losses recognized in accordance with IFRS 9 or b) the amount of fair value less accumulated revenue recognized in income in accordance with IFRS 15 "Revenue from Contracts with Customers". Credit commitments, as obligations to extend credit under specified terms, are measured in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets".

Investments measured at fair value through other comprehensive income

Investments are measured at fair value through other comprehensive income if both of the following conditions are met:
a) the asset is held in a business model whose objective is both to hold assets to collect contractual cash flows and to sell financial assets;
(b) the contractual terms of the financial asset provide for the receipt of cash flows on specified dates that are solely payments of principal and interest on the outstanding principal amount.

Investments measured at fair value through other comprehensive income are investments in debt instruments and equity that are intended to be held for an indefinite period of time and that may be sold to meet liquidity needs or due to changes in interest rates and market prices. Gains or losses from the revaluation of investments to fair value are recognized in other comprehensive income, except for impairment losses, until they are realized, at which time the cumulative gain or loss initially recognized in other comprehensive income is removed from equity and transferred to profit or loss for the year. However, interest income calculated using the effective interest method is recognized in profit or loss.

To determine the fair value of investments measured at fair value through other comprehensive income, the Bank uses quoted market prices. If there is no active market for such investments, the Bank determines fair value using valuation techniques. Valuation techniques include the use of recent information about recent market transactions between knowledgeable, willing and independent parties, reference to the current fair value of another, substantially identical instrument, discounted cash flows and other appropriate techniques.

If there is a valuation method that is commonly used by market participants to determine the price of a given instrument, and there is evidence that this method provides a reliable determination of prices obtained in actual market transactions, the Bank applies this method.

The Bank recognizes an allowance for expected credit losses on debt financial assets carried at fair value through other comprehensive income; such an allowance is recognized in other comprehensive income and does not reduce the carrying amount of the investment.

The Bank does not recognize a valuation allowance for equity instruments.

Investments measured at amortized cost. Investments in debt instruments with fixed or determinable payments and fixed maturity dates are measured at amortized cost if the Bank has the positive intention and ability to hold them to maturity and both conditions are met.

a) the financial asset is held by the bank within the framework of a business model, the objective of which is to hold financial assets to collect contractual cash flows;

b) the contractual terms of the financial asset provide for cash flows on specified dates that are solely payments of principal and interest on the outstanding principal amount.

Held-to-maturity investments are measured at amortized cost using the effective interest method, less any impairment.

Capital reserves. Reserves reflected in equity (other comprehensive income) in the Bank's statement of financial position include the revaluation reserve, which includes changes in the fair value of investments measured at fair value through other comprehensive income. All other (except for those indicated above) accounting policies have not changed, the interim financial statements have been prepared on the basis of the same provisions

accounting policy as in the latest annual financial statements. The Bank applies the changed accounting policy to the carrying amount of financial assets and liabilities that were not derecognized as of 01.01.2018 (the earliest period for which retrospective application is possible), and makes appropriate adjustments to the balances of the components of equity affected by it. The impact on other prior periods is determined

impossible [IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”:24]. In accordance with the requirements of the new accounting policy, no reclassification of financial instruments took place.

Fair value of property, plant and equipment, investment property and assets held for sale

As stated in Notes 10 and 11, the buildings owned by the Bank are subject to regular revaluation. Such revaluation is based on the results of a valuation carried out by independent valuers. The basis of the valuation is the sales comparison method, the results of which are confirmed by the income capitalization method. During the revaluation, the independent valuers use professional judgment and estimates to determine the building analogues used in applying the sales comparison method, the useful lives of the assets subject to revaluation and the capitalization rates used in applying the income capitalization method.

Definition of related parties

IFRS 9 requires financial instruments to be measured at fair value upon initial recognition. In the absence of an active market for such transactions, judgment is used to determine whether such transactions were made at market or non-market rates. The basis for such judgments is pricing in similar types of transactions with unrelated parties and an effective interest rate analysis.

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 estimate the impact on the Bank's financial condition of any further deterioration in the liquidity situation in financial markets and increased volatility in foreign exchange and capital markets.

In the opinion of management, all necessary measures are being taken to support the viability and growth of the Bank's business activities in the current environment.

Note 5. Introduction of new or revised 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 2018 (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 IAS 28 “Investments in Associates and Joint Ventures” (Annual Amendments to IFRS Standards 2014-2016, issued in January 2016). The 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 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. These amendments had no impact on the Bank’s annual financial statements.
- Amendments to IAS 40 Investment Property (issued in December 2016) . The amendments, 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 has occurred. These amendments had no impact on the Bank's annual financial statements.
- Amendments to IFRS 4 “Application of 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”). These amendments had no impact on the annual financial statements as the Bank does not issue insurance contracts.
- IFRIC 22 Foreign Currency Transactions and Advance Payments (issued in December 2016) 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 an advance payment in a foreign currency is applied at the date of initial recognition of the non-monetary asset or deferred income. This interpretation did not have a material impact on the Bank’s annual financial statements.
- Amendments to IFRS 2 Share-based Payment (issued in June 2016), effective for annual periods beginning on or after 1 January 2018, clarify the impact of vesting conditions on equity-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. These amendments had no impact on the Bank's annual financial statements.
- IFRS 9 Financial Instruments (issued in July 2014). This standard replaced IAS 39 (and all previous versions of IFRS 9) and is 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. Information on the impact of the transition to IFRS 9 is set out in Note 3 .
- IFRS 15 “Revenue from Contracts with Customers” (issued in May 2014). The new standard, which is effective for annual periods beginning on or after 1 January 2018, replaces IAS 11, IAS 18 and their interpretations (ICI-31 and IFRIC 13, 15 and 18). It establishes a single and comprehensive basis for revenue recognition, the same for application 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), expands disclosures and establishes new or improved provisions (for example, the conditions under which revenue is recognized, accounting for variable consideration, costs of fulfilling and obtaining a contract, etc.). The introduction of the new standard did not have a material impact on the financial position or performance of the Bank.

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 2018

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 2018 (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 10 and IAS 28 (issued in September 2014) address the current conflict between the two standards and clarify that a gain or loss should be recognised 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 financial statements.

New interpretations

- 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 financial statements.

New standards

- IFRS 16 “Leases” (issued in January 2016) is a new standard that is effective for annual periods beginning on or after 1 January 2019 (earlier application is 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 reflected 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 is assessing the potential impact on the financial statements after applying IFRS 16.

Note 6. Cash and cash equivalents

Table 6.1. Cash and cash equivalents (thousands of UAH)

Line	Article title	2018 year	2017 year
1	2	3	4
1	Cash	215,435	152,517
2	Funds in the National Bank of Ukraine	2,612	3,022
3	Correspondent accounts, deposits and overnight loans at banks	56,605	928
3.1	Ukraine	56,605	928
3.2	other countries	–	–
4	Certificates of deposit issued by the National Bank of Ukraine	231,330	78,080

5	**Total cash and cash equivalents**	**505,982**	**234,547**

There are no restrictions on the use of funds.

As of the end of the day on December 31, 2018, the balances on correspondent accounts are neither past due nor impaired.
During 2018 and the previous year 2017, the Bank did not carry out investment and financial operations without using monetary costs in and of them equivalents .
The data of Note 6 are specified in the “ Statement of Financial Position (Balance Sheet)”, “ Statement of Cash Flows ” .
As of the end of the day on December 31, 2018, the Bank met the requirements of the National Bank of Ukraine regarding mandatory reserves. Control over the formation of mandatory reserves is carried out monthly based on average data for the entire maintenance period.
Amount of required reserves according to established standards (reserve base) for the period detention from 11.12.201 8 to 10.01.201 9 is 23 489 thousand UAH . Average balance on the correspondent account accounts for the period detention from 11.12.201 8 to 10.01.201 9 amounted to 23,619 thousand UAH .
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 .

Note 7. Loans and advances to banks

Table 7.1. Bank loans and debt (thousands of UAH)

Line	Article title	2018 year	2017 year
1	**2**	**3**	**4**
1	Deposits in other banks	260	260
1.1	short-term deposits	260	260
	Guarantee deposits	1,508	561
3	Provision for impairment of deposits in other banks	(260)	(260)
4	Funds are placed in correspondent accounts in other banks	-	13
5	Provision for impairment of funds in other banks		(13)
6	**Total funds in banks minus reserves**	**1,508**	**561**

As of the end of the day on December 31, 2018, guarantee deposits include guarantee collateral to 2 Ukrainian banks provided to ensure transactions using MasterCard payment cards and to ensure transactions using the WELSEND payment system.

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 2018 (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	-	-	1,508	**1,508**
2	Impaired assets assessed on an individual basis	260	-	–	**260**
2.1	with a payment delay of more than 366 (367) days	260	-	–	**260**
3	Funds in other banks before deduction of reserves	260	-	–	**260**
4	Provision for impairment of funds in other banks	(260)	-	–	**(260)**
5	**Total funds in other banks minus reserves**	**–**	**–**	**1,508**	**1,508**

Table 7.3. 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**
4	Provision for impairment of funds in other banks	(260)	(1 3)	–	**(273)**
5	**Total funds in other banks minus reserves**	**–**	**–**	**561**	**561**

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

(thousand UAH)

Line	Movement of reserves	2018 year	2017 year
1	**2**	**3**	**4**
1	**Impairment reserve at the beginning of the period**	**(273)**	**(273)**
2	(Increase)/decrease in impairment allowance during the period	13	-
3	Write-off of bad debts from the reserve	13	-
4	**Impairment reserve at the end of the period**	**(260)**	**(273)**

Note 8. Loans and advances to customers

Table 8.1. Loans and receivables from customers

(thousand UAH)

Line	Article title	2018	2017
1	*2*	*3*	*4*
1	Loans granted to legal entities	119,523	31,405
2	Loans granted to individual entrepreneurs	1,191	1,007
3	Mortgage loans for individuals	1,191	-
4	Loans granted to individuals for current needs	1,627	842
5	Other loans granted to individuals	255	-
6	Loan impairment allowance	(7,426)	(5,324)
7	**Total loans minus reserves**	**116,361**	**27,930**

Note 8 data disclosed in the “Statement of Financial Position (Balance Sheet)”, “ Cash Flow Statement ” and in Note 20.

Asset items are presented taking into account accrued and unearned interest income, which as of the reporting date amounts to UAH 1,868 thousand.

As of December 31, 2018, the concentration of loans issued by the Bank to the ten largest borrowers amounted to UAH 87,804 thousand (75% of the total loan portfolio). A provision of UAH 6,660 thousand was created for these loans. In 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).

Table 8.2. Analysis of changes in loan loss provisions for 2018

(thousand UAH)

Line	Movement of reserves	Loans granted to state authorities and local governments	Loans granted to legal entities	Loans granted under repo transactions	Loans granted to individuals - entrepreneurs	Mortgage loans for individuals	Loans granted to individuals for current needs	Other loans granted to individuals	Total
1	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*	*10*
1	Balance at the beginning of the period	-	(5,000)	-	(80)	-	(244)	-	(5,324)
2	(Increase)/decrease in impairment allowance during period [2]	-	(2,126)	-	76	-	(6)	(46)	(2,102)
3	Balance at the end of the period	-	(7,126)	-	(4)	-	(250)	(46)	(7,426)

Table 8.3. Analysis of changes in loan loss provisions for 2017

(thousand UAH)

Line	Movement of reserves	Loans granted to state authorities and local governments	Loans granted to legal entities	Loans granted under repo transactions	Loans granted to individual entrepreneurs	Mortgage loans for individuals	Loans granted to individuals for current needs	Other loans granted to individuals	Total
1	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*	*10*
1	Balance at the beginning of the period	-	(4,593)	-	-	-	-	-	(4,593)
2	(Increase)/decrease in impairment allowance during period [2]	-	(407)	-	(80)	-	(244)	-	(731)
3	Balance at the end of the period	-	(5,000)	-	(80)	-	(244)	-	(5,324)

Table 8.4. Structure of loans by type of economic activity

(thousand UAH)

Line	Type of economic activity	2018		2017	
		sum	%	sum	%
1	*2*	*3*	*4*	*5*	*6*
1	Public administration	-	-	-	-
2	Production and distribution of electricity, gas and water	-	-	-	-
3	Real estate transactions, leasing, engineering and service provision	51,493	42	12,705	38

4	Trade; repair of automobiles, household goods and personal items	32,491	26	12,750	38
5	Agriculture, hunting, forestry	4,318	3	-	-
6	Individuals	3,073	2	842	3
7	Others	32,412	26	6,957	21
8	Total loans and receivables to customers without provisions	123,787	100%	33,254	100%

Table 8.5. Information on loans by type of collateral for 2018

(thousand UAH)

Line	Article title	Loans granted to state authorities and local governments	Loans granted to legal entities	Loans granted under repo transactions	Loans granted to individuals - entrepreneurs	Mortgage loans for individuals	Loans granted to individuals for current needs	Other loans granted to individuals	Total
1	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*	*10*
1	Unsecured loans	-	26,088	-	5	-	1,276	255	27,624
2	Loans secured by:	-	93,435	-	1,186	1,191	351	-	96,163
2.1	in cash	-	4,801	-	-	-	-	-	4,801
2.2	securities	-	0	-	-	-	-	-	-
2.3	real estate	-	13,672	-	1,186	1,191	-	-	16,049
2.3.1.	including residential use	-	3,641	-	1,186	1,191	-	-	6,018
2.4	guarantees and sureties	-	-	-	-	-	-	-	-
2.5	other assets	-	74,962	-	-	-	351	-	75,313
3	Total loans and receivables to customers without provisions	-	119,523	-	1,191	1,191	1,627	255	123,787

Table 8.6. Information on loans by type of collateral for 2017

(thousand UAH)

Line	Article title	Loans granted to state authorities and local governments	Loans granted to legal entities	Loans granted under repo transactions	Loans granted to individuals - entrepreneurs	Mortgage loans for individuals	Loans granted to individuals for current needs	Other loans granted to individuals	Total
1	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*	*10*
1	Unsecured loans	-	24,363	-	-	-	-	-	24,363
2	Loans secured by:	-	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 receivables to customers without provisions	-	31,405	-	1,007	-	842	-	33,254

Table 8.7. Analysis of credit quality of loans for 2018

(thousand UAH)

Line	Article title	Loans granted to state authorities and local governments	Loans granted to legal entities	Loans granted under repo transactions	Loans granted to individuals - entrepreneurs	Mortgage loans for individuals	Loans granted to individuals for current needs	Other loans granted to individuals	Total
1	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*	*10*
1	Not overdue and not impaired :	-	119,523	-	1,191	1,191	1,627	255	123,787
1.1	loans to medium-sized companies	-	119,523	-	-	-	-	-	119,523
1.2	loans to small companies	-	-	-	1,191	-	-	-	1,191
1.3	other loans to individuals	-	-	-	-	1,191	1,627	255	3,073
2	Total loans before provisions	-	119,523	-	1,191	1,191	1,627	255	123,787
3	Provision for impairment of loans	-	(7,126)	-	(4)	-	(250)	(46)	(7,426)
4	**Total loans minus reserves**	**-**	**112,397**	**-**	**1,187**	**1,191**	**1,377**	**209**	**116,361**

Table 8.8. Analysis of credit quality of loans as of January 1, 2018

(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	Impaired non-past-due loans assessed on an individual basis:	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	Impairment reserve	(5,000)	(80)	(244)	(5,324)
4	Changes from the application of IFRS 9 (recognized in retained earnings)	396	(30)	2	368
5	**Total loans minus reserves**	**26,801**	**897**	**600**	**28,298**

Table 8.9. Analysis of credit quality of loans for 2017

(thousand UAH)

Line	Article title	Loans granted to state authorities and local governments	Loans granted to legal entities	Loans granted under repo transactions	Loans granted to individuals - entrepreneurs	Mortgage loans for individuals	Loans granted to individuals for current needs	Other loans granted to individuals	Total
1	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*	*10*

1	Not overdue 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	other 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 8.10. Impact of collateral value on loan quality in 2018

(thousand UAH)

Line	Article title	Carrying amount	Collateral value	Impact of collateral
1	*2*	*3*	*4*	*5 = 3 - 4*
1	Loans granted to state authorities and local governments	0	0	0
2	Loans granted to legal entities	119,523	68508	51,015
3	Loans granted under repo transactions	0	0	0
4	Loans granted to individuals - entrepreneurs	1,191	1173	18
5	Mortgage loans for individuals	1,191	1191	0
6	Loans granted to individuals for current needs	1,627	349	1,278
7	Other loans to individuals	255	0	255
8	Total loans	123,787	71,221	52,566

During the reporting period, the Bank carried out foreclosure proceedings on mortgaged items, the total value of which is UAH 12,394 thousand.

Table 8.11. Impact of collateral value on loan quality in 2017

(thousand UAH)

Line	Article title	Carrying amount	Collateral value	Impact of collateral
1	*2*	*3*	*4*	*5 = 3 - 4*
1	Loans granted to state authorities and local governments			
2	Loans granted to legal entities	31,405	6,467	24,938
3	Loans granted under repo transactions			
4	Loans granted to individuals - entrepreneurs	1,007	848	159
5	Mortgage loans for individuals			
6	Loans granted to individuals for current needs	842	842	

7	Other loans to individuals			
8	Total loans	33,254	8,157	25,097

During 2017, the Bank carried out foreclosure proceedings on mortgaged items, the total value of which is UAH 50,114 thousand.

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. Investments in securities

Table 9.1 Investments in securities

Line	Name articles	2018	2017
1	*2*	*3*	*4*
1	Debtors valuable papers :		
1.1	Bonds internal state loans that refinanced by NBUs , which are accounted for at fair value through another cumulative income	55,903	-
2	Revaluation debt valuable papers that refinanced by NBUs , which are accounted for at fair value through another cumulative income	(41)	-
3	Unamortized premium /discount on debt valuable papers that refinanced by the National Bank of Ukraine, which are accounted for at fair value through another cumulative income	(204)	-
4	Reserve for depreciation valuable papers	-	-
5	Total valuable securities at a loss reserves	55,658	-

Table 9.2 . Analysis credit qualities debt valuable papers for 2018

Line	Name articles	State bonds	Total
1	*2*	*3*	*4*
1	Not past due and not impaired		
1.1	Government institutions and enterprises	55,658	55658
2	Overdue but not depreciated	-	-
3	Depreciated debt valuable papers that evaluated on an individual basis basis	-	-

4	Reserve for depreciation valuable papers	-	-
5	Total debt valuable securities at a loss reserves	55658	55658

As of January 1, 2019, debt securities accounts amounted to UAH 55,658 thousand . are accounted for domestic government bonds refinanced by the National Bank of Ukraine, which are accounted for at fair value through other comprehensive income in the amount of 2,019 units, with a nominal value of 1,000 USD per bond. The fair value of the securities is determined based on the internal bank regulation, as the fair value of the relevant series of government bonds published on the National Bank's website on the relevant date. There was no impairment on these transactions.

Note 10. Investment property

Table 10.1. Investment property valued at fair value

(thousand UAH)

Line	Article title	December 31, 2018	December 31, 2017
1	**2**	**3**	**4**
1	**Fair value of investment property at the beginning of the period**	**209 146**	**200,662**
2	Incoming	5 136	39,734
3	Elimination	(5,461)	(3,050)
4	Gains (losses) from revaluation to fair value	9,948	(28,200)
5	**Fair value of investment property at the end of the period**	**218,769**	**209 146**

The fair value of investment property is determined based on the opinions of independent valuers who have the appropriate professional qualifications and experience in valuing similar properties in Ukraine. The fair value of investment property as of December 31, 2018 belongs to Level II of the fair value hierarchy.

Table 10.2. Amounts recognized in the Statement of Profit or Loss and Other Comprehensive Income

(thousand UAH)

Line	Amounts of income and expenses	December 31, 2018	December 31, 2017
1	**2**	**3**	**4**
1	Rental income from investment property	2,866	1,056

Table 10.3. Information on the minimum amounts of future lease payments under a non-cancellable operating lease, if the bank is the lessor

(thousand UAH)

Line	Operating lease term	December 31, 2018	December 31, 2017
1	**2**	**3**	**3**
1	Up to 1 year	-	2,062
2	From 1 to 5 years	1,309	29
3	Over 5 years	-	-
4	Total payments receivable under operating leases	1,309	2,091

Note 11. Property, plant and equipment and intangible assets

Table 11.1 Fixed assets and intangible assets (thousands of UAH)

Line	Article title	Buildings, structures and transmission devices	Machinery and equipment	Vehicles	Tools, appliances, inventory (furniture)	Other non-current tangible assets	Capital investments in leased premises	Incomplete capital investments in fixed assets and tangible assets	Intangible assets	Total
1	2	3	4	5	6	7	8	9	10	11
1	Carrying amount as of January 1, 2017	-	280	616	212	–	-	-	470	1578
1.1	Original cost	-	287	616	217	327	-	-	470	1917
1.2	Depreciation at the end of the reporting period	-	(7)	–	(5)	(327)	-	–	–	(339)
2	Incoming	-	238	-	-	19	-	1885	76	2,218
3	Elimination	-	-	-	-	-	-	-	-	-
4	Commissioned	-	-	-	-	-		(314)	-	(314)
5	Depreciation deductions	-	(83)	–	-	(19)	-	–	–	(102)
6	Carrying amount as of September 30, 2017	44	1814	616	282	–		17	814	3587
6.1	Original cost	44	2145	616	287	477		17	814	4400
6.2	Depreciation at the end of the reporting period	-	(331)	–	(5)	(477)	-	–	–	(813)
7	Carrying amount as of January 1, 2018		2104	493	256	–	-	61	850	3764
7.1	Original cost		2424	616	315	670	-	61	850	4936
7.2	Depreciation at the end of the reporting period		(320)	(123)	(59)	(670)	-	–	–	(1172)
8	Incoming	5517	10825	-	103	747	761	15717	2256	35926
9	Disposal original cost	(5517)	-	-	-	(5)	-	-	-	(5522)
10	Depreciation write-off	112				5				117
11	Commissioned		-	-	-	-		(15393)	-	(15393)
12	Depreciation deductions	(112)	(701)	(123)	(70)	(747)	(299)	–	(416)	(2468)
13	Carrying amount as of December 31, 2018	0	12228	370	289	–	462	385	2690	16424
13.1	Original cost	0	13249	616	418	1413	761	385	3106	19948
13.2	Depreciation at the end of the reporting period	0	(1021)	(246)	(129)	(1413)	(299)	–	(416)	(3524)

There are no fixed assets on the bank's balance sheet that are subject to restrictions on ownership, use and disposal under Ukrainian legislation. There are no fixed assets pledged as collateral. There are no fixed assets that are temporarily not in use (conservation, reconstruction, etc.). There are no fixed assets that are retired for sale. As of the end of the day on December 31, 2018, the original cost of fully depreciated fixed assets is UAH 171 thousand. There are no intangible assets on the bank's balance sheet that are subject to restrictions on ownership. No intangible assets were created during the reporting period.

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.

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 12. Other assets

Table 12.1. Other assets

(thousand UAH)

Line	Article title	2018	2017
1	2	3	4
1	**Financial assets:**	**4,691**	**182**
1.1	Securities receivables	2,408	-
1.2	Accrued income from settlement and cash services	33	10
1.3	Accrued operating lease income	958	175
1.4	Accounts receivable transferred from PJSC "OMEGA BANK"	575	575
1.5	Accounts receivable for payment of debt under the guarantee	905	-
1.6	Assets under the forward contract on domestic government bonds	1,776	-
1.7	Receivables from payment card transactions	942	88
1.8	Other financial assets	9	-
1.9	**Provision for impairment of other financial assets**	**(2,915)**	**(666)**
2	**Other assets**	**31,389**	**26,220**
2.1	Property transferred to the bank as a mortgagee	19,770	23,064
2.2	Deferred expenses	3,844	2,363
2.3	Prepayment for services	5 101	5,305
2.4	Accounts receivable from asset acquisition	5,905	78
2.5	Banking metals at the bank branch	4,802	115
2.6	Receivables for taxes and mandatory payments, except for income tax	2	-
2.7	Other receivables	1 106	464
2.8	**Provision for impairment of other assets**	**(9,141)**	**(5,169)**
3	**Total other assets less reserves**	**36,080**	**26,402**

The Bank has changed the presentation of "Other assets" in connection with the application of IFRS 9 and amendments to the Resolution of the National Bank of Ukraine No. 373 dated October 24, 2011 "On Approval of the Instructions on the Procedure for Preparation and Publication of Financial Reporting of Ukrainian Banks". According to this resolution, the items of the "Statement of Financial Position (Balance Sheet)" and the corresponding notes "Other Financial Assets" and "Other Assets" were combined into one - "Other Assets" as of December 31, 2017

During the reporting and previous periods, the Bank did not have any concluded agreements on the provision of assets under financial leasing (rent), under which the Bank is the lessor .

Based on the requirements of IFRS 5, during the reporting period, the Bank adjusted the value of the property that was transferred to the bank as a pledgee for selling expenses in the amount of UAH 2,221 thousand.

The data of Note 12 are specified in the “ Statement of Financial Position (Balance Sheet)” and in Note 20.

Table 12.2. Analysis of changes in the provision for impairment of other assets for 2018

(thousand UAH)

Line	Movement of reserves	Financial assets	Other assets	Total
1	2	3	4	5
1	**Balance as of December 31, 2017**	**(666)**	**(5,169)**	**(5,835)**
2	(Increase)/decrease reserve	(2,249)	(3,972)	(6,221)
3	**Balance as of December 31, 2018**	**(2,915)**	**(9,141)**	**12,056**

Table 12.3. Analysis of changes in the provision for impairment of other assets for 2017

(thousand UAH)

Line	Movement of reserves	Other financial assets	Other assets	Total
1	2	3	4	5
1	**Balance as of January 1, 2017**	**(60,788)**	**(28)**	**(60,816)**
2	Write-off	60,092	-	60,092
3	(Increase)/decrease reserve	30	(5,141)	(5,111)
4	**Balance as of December 31, 2017**	**(666)**	**(5,169)**	**(5,835)**

Table 12.4. Analysis of the credit quality of financial assets

(thousand UAH)

Line	Article title	Other financial assets	
		2018	2017
1	2	3	4
1	Non-overdue and non-impaired debt		
1.1	small companies		
1.2	individuals		
2	Debt is impaired on an individual basis with delayed payment		
2.1	up to 31 days		
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		
3	**Total financial assets before deduction of reserve**		
4	Provision for impairment of financial assets		
5	**Total other financial assets less reserve**		

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

Table 13.1. Non-current assets held for sale and assets in disposal groups

(thousand UAH)

Line	Article title	2018	2017
1	2	3	4
1	**Non-current assets held for sale**		
1.1	Land, real estate	22,809	7,427
2	**Total non-current assets held for sale**	**22,809**	**7,427**

As part of non-current assets held for sale, the Bank accounts for buildings located in Rivne and Odessa regions, a residential building, 7 land plots in Kyiv region and 3 apartments in Kyiv. Information on their sale is published on the Bank's official website and other media.
The Bank's management believes that as of the end of the day on December 31, 2018, the fair value of assets held for sale reflects their market value.

Note 14. Due from banks

Table 14.1. Bank funds (thousands of UAH)

Line	Article title	2018	2017
1	2	3	4
1	Loans received	-	10,016
1.1	short-term	-	10,016
2	**Total funds from other banks**	**-**	**10,016**

During the reporting and previous periods, there were no facts of default by the Bank on its obligations regarding the principal amount of the debt and interest thereon. The Bank did not have assets provided to third parties as collateral for its obligations under funds received from other banks, as well as deposits of other banks taken as collateral for credit transactions.

Note 15. Customer funds

Table 15.1. Client funds (thousands of UAH)

Line	Article title	2018	2017
1	**2**	**3**	**4**
1	Legal entities	334,768	115,468
1.1	current accounts	290,991	95,243
1.2	term funds	43,777	20,225
2	Individuals	397,227	150,400
2.1	current accounts	156,813	147,427
2.2	term funds	240,414	2,973
3	**Total customer funds**	**731,995**	**265,868**

, customer funds in the amount of UAH 309,863 thousand (42.33%) included debts to the Bank's ten largest customers (as of December 31, 2017: UAH 241,849 thousand (90.97 %))).

The data of Note 15 are specified in the " Statement of Financial Position (Balance Sheet)" and in Note 20.

Table 15.2. Distribution of clients' funds by type of economic activity. (thousands of UAH)

Line	Type of economic activity	2018		2017	
		sum	**%**	**sum**	**%**
1	**2**	**3**	**4**	**5**	**6**
1	Production and distribution of electricity, gas and water	1,758	-	23,658	9
2	Trade, repair of automobiles, household goods and personal items	85 109	12	23,159	9
3	Individuals	397,227	54	150,400	57
4	Real estate transactions, leasing, engineering and service provision	36,456	5	4 113	2
5	Agriculture, hunting, forestry	3,923	1	1,271	-
6	Construction	60,314	8	39,915	15
7	Financial and insurance activities	85,358	12	20,096	8
8	Mining industry	6,824	1	-	-
9	Production and repair of machinery and equipment	16,905	2	-	-
10	Food production, provision of meals and beverages	18,310	2	-	-
11	Other	19,811	3	3,256	1
12	**Total customer funds**	**731,995**	**100**	**265,868**	**100**

During 2018 and the previous year, 2017, the Bank carried out operations to attract customer funds exclusively at market rates.

Client funds, recorded as of the end of the day on December 31, 2018, on balance sheet account 2602 "Funds in settlements of business entities", in the amount of UAH 9,796 thousand. were transferred to cash collateral (coverage) under the guarantees provided by the bank.
In addition, as of December 31, 2018 , customer funds in the amount of UAH 31,105 thousand were accepted as security for the fulfillment of obligations to the Bank under the provided guarantee in the amount of UAH 238,508 thousand.

Note 16. Provisions for liabilities

Table 16.1. Changes in provisions for liabilities for 2018

(thousand UAH)

Line	Movement of reserves	2018
1	**2**	**3**
1	**Balance at the beginning of the period**	**688**
2	Changes from the application of IFRS 9 (recognized in retained earnings)	(293)
3	**Adjusted balance at the beginning of the period**	**395**

4	Increase in reserve	69
5	Exchange rate differences	(2)
6	**Balance at the end of the period**	**462**

The Bank applies the same risk management procedures to lending commitments as to credit transactions reflected on the balance sheet. The maximum potential credit risk on lending commitments is equal to the total amount of commitments. Taking into account the availability of collateral and the fact that such commitments (except for guarantees) are revocable, the Bank's management believes that the potential credit risk and potential liquidity risk when carrying out the specified transactions are virtually absent. The reserve in the reporting and previous periods was formed as collateral for guarantees.

The data of Note 16 are included in the " Statement of Financial Position (Balance Sheet)" and in Note 20.

Note 17. Other liabilities

Table 17.1. Other liabilities (thousands of UAH)

Line	Article title	2018	2017
1	2	3	4
1	Commission for providing guarantees	6,842	11,679
2	Other payables from transactions with bank clients	7,031	4,093
3	Information and advisory services	-	3,072
4	Bank customers' funds in inactive accounts	5,091	860
5	Deferred income	4,616	160
6	Accounts payable for services	1,112	389
7	Accounts payable for settlements with bank employees	2,191	936
8	Accounts payable for taxes and mandatory payments, except for income tax	944	253
9	Accounts payable for fees to the Fund guaranteeing deposits of individuals	262	37
10	Others	384	572
11	**Total**	**28,473**	**22,051**

17 data disclosed in the " Statement of Financial Position (Balance Sheet)" and in Note 20.

The Bank has changed the presentation of "Other liabilities" in connection with the application of IFRS 9 and amendments to the Resolution of the National Bank of Ukraine No. 373 dated October 24, 2011 "On Approval of the Instructions on the Procedure for Preparing and Publishing Financial Statements of Ukrainian Banks". According to this resolution, the items of the "Statement of Financial Position (Balance Sheet)" and the corresponding notes "Other Financial Liabilities" and "Other Liabilities" were combined into one - "Other Liabilities".

Note 18. Authorized capital and share premium (share income)

Table 18.1 Authorized capital and share premium (share income)

Line	Article title	Number of shares outstanding (thousands of shares)	Simple promotions	Total
1	2	3	4	5
1	**Balance as of December 31, 2016**	**12,152**	**300,039**	**300,039**
2	Issuance of new shares (units)	-	-	-
4	**Balance as of December 31, 2017**	**12,152**	**300,039**	**300,039**
5	Issuance of new shares (units)	-	-	-
6	**Balance as of December 31, 2018**	**12,152**	**300,039**	**300,039**

There are no shares announced for issue in the reporting year 2018.
The nominal value of one share as of the end of the day on December 31, 2018 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 2018.
Data notes 18 are listed in the " Statement of Financial Position (Balance Sheet)" and " Statement of Changes in Equity" capital (statement of own funds) capital) ".

Note 19. Movement in revaluation reserves (components of other comprehensive income)

Table 19.1. Movement in revaluation reserves (components of other comprehensive income)

(thousand UAH)

Line	Article title	2018	2017
1	*2*	*4*	*5*
1	Balance as of December 31, 2017	-	-
2	Revaluation of securities in the bank's portfolio for sale	41	-
2.1	changes in revaluation to fair value	(66)	-
2.2	impairment		-
2.3	income (expenses) from sales reclassified in the reporting period to profit or loss	25	-
3	Balance as of December 31, 2018	41	-

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	2018			2017		
			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	505,982	-	505,982	234,547	-	234,547
2	Funds in other banks	7	1,508		1,508	561	-	561
3	Loans and customer debt	8	113,308	3,053	116,361	24,073	3,857	27,930
4	Investments in securities	9	55,658	-	55,658	-	-	-
5	Investment property	10	-	218,769	218,769	-	209 146	209 146
6	Fixed assets and intangible assets	11	-	16,424	16,424	0	3,764	3,764
7	Other assets	12	36,080	-	36,080	26,323	79	26,402
8	Non-current assets held for sale and assets in disposal groups	13	22,809	-	22,809	7,427	-	7,427
9	Total assets		**735,345**	**238 246**	**973,591**	**292,931**	**216,846**	**509,777**
OBLIGATION								
10	Bank funds	14	-	-	-	10,016	-	10,016
11	Client funds	15	679,964	52,031	731,995	245 279	20,589	265,868
12	Provisions for liabilities	16	358	104	462	561	127	688
13	Other obligations	17	24,332	4 141	28,473	19,362	2,689	22,051
14	Total liabilities		**704 654**	**56,276**	**760 930**	**275 218**	**23,405**	**298,623**

The data of Note 20 are included in the “Statement of Financial Position (Balance Sheet)”.

Note 21. Interest income and expenses

Table 21.1. Interest income and expenses

(thousand UAH)

Line	Article title	2018	2017
1	2	3	4
	Interest income:		
1	Loans and customer debt	17,078	7,192
2	Funds in other banks	12,391	964
3	Debt securities in the bank's portfolio for sale	829	-
4	Correspondent accounts in other banks	43	1
5	NBU certificates of deposit, which are recorded at amortized cost	12,567	4409
6	**Total interest income**	**42,908**	**12,566**
	Interest expenses:		
7	Bank funds	(1,633)	(201)
8	Term funds of legal entities	(2,461)	(520)
9	Term funds of individuals	(15,784)	(15)
10	Current accounts	(6,300)	(1,725)
11	**Total interest expense**	**(26,178)**	**(2,461)**
12	**Net interest income (expenses)**	**16,730**	**10 105**

The data of Note 21 are disclosed in the “ Statement of Profit or Loss and Other Comprehensive Income (Statement of Financial Results) ” and in Note 27.

Note 22. Commission income and expenses

Table 22.1. Commission income and expenses

((thousand UAH)

Line	Article title	2018	2017
1	2	3	4
	Commission income		
1	Settlement and cash transactions	24 111	5,316
2	Customer credit service	39	-
3	Foreign exchange market operations for clients	2,334	1,382
4	Guarantees provided	24,381	25,569
5	Others	551	57
6	**Total commission income**	**51,416**	**32,324**
	Commission costs		
7	Settlement and cash transactions	(4,966)	(1,615)
8	Securities transactions for clients	(30)	(14)
9	Commission costs on foreign exchange transactions market and the banking metals market	(163)	-
10	Others	-	-
11	**Total commission expenses**	(5,159)	**(1,629)**
12	**Net commission income/expenses**	**46,257**	**30,695**

The data of Note 12 are disclosed in the “Statement of Profit or Loss and Other Comprehensive Income (Statement of Financial Results)” and in Note 27.

Note 23. Other operating income

Table 23.1. Other operating income

(thousand UAH)

Line	Article title	2018	2017
1	2	3	4
1	Fines, penalties received by the bank	64	-
2	Income from operating leasing (rent)	3,316	1,440
3	of mortgagee's rights	11,651	33,997
4	Income received from loan repayments	1,443	-
5	Income from derecognition of financial liabilities	8,982	-
6	Compensation for utility costs for rented premises	477	-
7	Revaluation of non-current assets	12,408	-
8	Others	303	25,972
9	**Total operating income**	**38,644**	**61,409**

The data of Note 23 are included in the "Statement of Profit or Loss and Other Comprehensive Income (Statement of Financial Results)" and in Note 27 .

Note 24. Administrative and other operating expenses

Table 24.1. Administrative and other operating expenses

(thousand UAH)

Line	Article title	2018	2017
1	2	3	4
1	Marketing and advertising expenses	(1,726)	-
2	Customer acquisition reward	(22,330)	(15,047)
3	Expenses for maintenance of fixed assets and intangible assets, telecommunication and other operational services	(15,426)	(9,570)
4	Operating lease (rent) expenses	(9,380)	(5,702)
5	Payment of other taxes and fees, except for income tax	(3,119)	(1,357)
6	Expenses for consulting services received, legal and financial in nature	(4,530)	(7,283)
7	Security costs	(1,015)	(503)
8	Others expenses related to the main by means	(3,539)	(65,561)
9	Costs for collecting valuables	(739)	-
10	Audit costs	(493)	(907)
11	Payment card support	(2,013)	-
12	Others	(3,545)	(1,662)
13	**Total administrative and other operating expenses**	**(67,855)**	**(107,592)**

The Bank has changed the presentation as of December 31, 2018 due to amendments to the Resolution of the National Bank of Ukraine No. 373 of October 24, 2011 "On Approval of the Instructions on the Procedure for Preparing and Publishing Financial Statements of Ukrainian Banks".

The data of Note 24 are disclosed in the "Statement of Profit or Loss and Other Comprehensive Income (Statement of Financial Results)" and in Note 27.

Note 25. Income tax expense

The Bank records income tax on the basis of tax accounting data in accordance with the requirements of the Tax Code of Ukraine, which is based on accounting data maintained in accordance with IFRS requirements.

The income tax rate applied to the calculation of item indicators was based on the current tax rate of 18% in 2018 and 2017.

The Bank's financial statements are affected by permanent temporary differences due to the fact that certain income and expenses are not included in income and expenses for tax purposes.

are mainly related to different methods of recognizing income and expenses, as well as to the carrying amounts of certain assets.

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

(thousand UAH)

Line	Article title	2018 year	2017 year
1	2	3	4
1	**Profit before tax**	**887**	**(37,314)**
2	Theoretical tax deductions at the applicable tax rate	160	6,717
	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)	(892)	(926)
4	Changes in deferred tax assets not reflected in the statement of financial position	1,052	(5,791)
5	**Income tax expenses**	–	–

Table 25.2. Tax consequences associated with the recognition of deferred tax assets and deferred tax liabilities for 2018

(thousand UAH)

	December 31, 2017	Charged to profit and loss accounts	December 31, 2018
Tax effect of temporary differences that reduce the taxable base			
Loan impairment allowance	205	(74)	131
Tax losses before carryforward	4,941	(968)	3,973
Fixed assets and intangible assets	56	(10)	46
Deferred tax asset, gross amount	**5,202**	**(1,052)**	**4,150**
Deferred tax assets are not reflected in the statement of financial position	(5,202)	1052	(4,150)
Deferred tax asset	–	–	

Table 25.3. 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
Fixed assets and intangible 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	2018 year	2017 year
1	2	3	4

1	Profit/(loss) cumulative total since the beginning of the year	887	(37,314)
2	Other comprehensive income (results of revaluation)	(41)	
3	Profit/(loss) attributable to owners of the bank's common shares	846	(37,314)
4	Average annual number of common shares outstanding (thousands of shares)	12,152	12,152
5	**Net and adjusted profit/(loss) per common share (UAH)**	**0.07**	**(3.07)**

Note data 26 stated in the “Statement of profit or loss and other comprehensive income (Statement of financial results)”.

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	2018 year	2017 year
1	**2**	**3**	**4**
1	Profit/(loss) for the year attributable to owners of the bank	887	(37,314)
2	Retained earnings/(loss) for the year	887	(37,314)
3	Other comprehensive income (results of revaluation)	(41)	
4	Retained earnings/(loss) for the year attributable to ordinary shareholders subject to the terms of the shares	846	(37,314)
5	**Profit/(loss) for the year attributable to common shareholders**	**846**	**(37,314)**

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.

Unallocated items also include the amounts of expenses that are not included in segment expenses: income tax expenses, general administrative expenses, and other expenses that arise at the Bank level and relate to the Bank as a whole.

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.

Indicators of dissimilar segments are included in the unallocated items "Unallocated amounts", which are used to reconcile the relevant indicators of the performance of the reporting segments and the Bank as a whole.

Table 27.1. Revenues, expenses and results of reporting segments for 2018

(thousand UAH)

Line	Article title	Name of reporting segments			Other segments	Total
		Corporate banking activity	Retail banking activity	Treasury banking		
1	2	3	4	5	6	7
	Revenue from external customers:					
1	Interest income	16,606	473	13,263	12,566	**42,908**
2	Commission income	30,916	9326	11,174	-	**51,416**
3	Other operating income	29,966	491	4,038	4,149	**38,644**
	Total segment revenues	**77,488**	**10,290**	**28,475**	**16,715**	**132,968**
4	Interest expenses	(8,592)	(15,953)	(1,633)	-	**(26,178)**
5	Commission costs	-	-	(5,159)	-	**(5,159)**
6	Employee benefits expenses	-	-	-	(52,863)	**(52,863)**
7	Depreciation and amortization expenses	-	-	-	(2,469)	**(2,469)**
8	Other administrative and operating expenses	-	-	-	(67,855)	**(67,855)**
	Total segment costs	**(8,592)**	**(15,953)**	**(6,792)**	**(123,187)**	**(154,524)**
9	Net profit/(loss) from transactions with financial instruments at fair value through profit or loss	-	-	4038	-	**4,038**
10	Net profit/(loss) from transactions with debt financial instruments carried at fair value through other comprehensive income	-	-	5,179	-	**5,179**
11	Net profit/(loss) from foreign currency transactions	4,886	8,027	7,005	-	**19,918**
12	Net profit/(loss) from foreign currency revaluation	-	-	-	2 120	**2 120**
13	Net gain/(loss) from impairment of financial assets	(3,489)	(76)	-	-	**(3,565)**
14	Net gain/(loss) from impairment of other assets	-	-	-	(5,178)	**(5,178)**
15	Net loss/(gain) from increase/(decrease) in provisions for liabilities	(69)	-	-	-	**(69)**
16	**SEGMENT RESULT**	**70,224**	**2,288**	**37,905**	**(109,530)**	**887**

Table 27.2. 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	31,153	-	1,171	-	32,324
3	Other operating income	33,997	-	-	1,951	35,948
	Total segment revenues	**72,340**	**2**	**6,545**	**1,951**	**80,838**
4	Interest expenses	(2,240)	(21)	(200)	-	(2,461)
5	Deductions to the provision for impairment of loans and funds in other banks	(486)	(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)

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
8	Result from foreign currency transactions	-	-	1,282	-	1,282
9	Result from foreign currency revaluation	-	-	2,797	-	2,797
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
12	Commission costs	-	-	(1,619)	(10)	(1,629)
13	Administrative and other operating expenses	-	-	-	(83,579)	(83,579)
	Segment result					
14	**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. The components of line 13 " Administrative and other operating expenses " in the amount of UAH 83,579 thousand are disclosed in Note 24.

Table 27.3. Assets and liabilities of reporting segments for 2018 (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
	Segment assets					
1	Segment assets	130,209	2,853	287,845	-	420,907
2	Total segment assets	130,209	2,853	287,845	-	420,907
3	Undistributed assets	-	-	-	552,684	552,684
4	**Total assets**	**130,209**	**2,853**	**287,845**	**552,684**	**973,591**
	Segment liabilities					
5	Segment liabilities	334,065	397,935	-	-	732,000
6	Total segment liabilities	334,065	397,935	-	-	732,000
7	Unallocated liabilities	-	-	-	28,930	28,930
8	**Total liabilities**	**334,065**	**397,935**	**-**	**28,930**	**760 930**

The item "Unallocated assets" includes cash and funds on correspondent accounts in other banks; investment property; fixed assets and intangible assets; non-current assets held for sale; other assets. The item "Unallocated liabilities" consists of accounts payable for business transactions, taxes, and other liabilities.

Table 27.4. 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	27,332	598	78,641	-	106,570
2	Total segment assets	27,332	598	78,641	-	106,570
3	Undistributed assets	-	-	-	403,206	403,207
4	**Total assets**	**27,332**	**598**	**78,641**	**403,206**	**509,777**
	Segment liabilities					
5	Segment liabilities	115,468	150,401	10,016	-	275,885
6	Total segment liabilities	115,468	150,401	10,016	-	275,885

7	Unallocated liabilities	-	-	-	22,738	22,738
8	**Total liabilities**	**115,468**	**150,401**	**10,016**	**22,738**	**298,623**

The item "Unallocated assets" includes cash and funds on correspondent accounts in other banks; investment property; fixed assets and intangible assets; non-current assets held for sale; other assets. The item "Unallocated liabilities" consists of accounts payable for business transactions, taxes, and other liabilities.

Table 27 .5. Information about geographical regions

(thousand UAH)

Line	**Name articles**	**2018 year**			**2017 year**		
		Ukraine	Others countries	Total	Ukraine	Others countries	Total
1	Income from external customers	118,009	-	**118,009**	80,838	-	**80,838**
2	Basic means	16,424	-	**16,424**	3,764	-	**3,764**

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 RWS BANK JSC consists of permanent committees: 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).

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 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 by the Bank's committees; identifies and assesses risks (by specific agreements and in general at the portfolio level); organizes the Bank's risk control and monitoring system; assesses the operational 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 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 is subordinate to the Supervisory Board of the Bank.

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, and a Credit Committee has been established to 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 and are secured by collateral.
The Bank's credit policy is reviewed and approved by the Bank's Supervisory Board.
As of December 31, 2018, the maximum amount of credit risk was UAH 31,317 thousand (December 31, 2017: UAH 46,985 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, interest rates).

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	2018				2017			
		monetary assets	monetary obligations	derivative financial instruments	net position	monetary assets	monetary obligations	derivative financial instruments	net position
1	US dollars	126,933	(71,817)	-	55 116	9,031	(9,693)	-	(662)
2	Euro	27,421	(28,442)	-	(1,021)	404	(382)	-	22

3	Pounds Sterling	68	(21)	-	47	-	-	-	-
4	Others	10,223	(9,951)	-	272	123	-	-	123
5	Total	164,645	(110,231)	-	54,414	9,558	(10,075)	-	(517)

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	2018		2017	
		impact on profit/(loss)	impact on equity	impact on profit/(loss)	impact on equity
1	US dollar strengthens by 53%	29,212	29,212	(351)	(351)
2	US dollar weakens by 13%	(7,165)	(7,165)	86	86
3	Euro strengthens by 53%	(541)	(541)	11	11
4	Euro weakens by 15%	153	153	(3)	(3)
5	53% strengthening of the pound sterling	25	25	0	0
6	15 % weakening of the pound sterling	(7)	(7)	0	0
7	Strengthening of other currencies by 15%	41	41	18	18
8	Weakening of other currencies by 15%	(41)	(41)	(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	Non-monetary	Total
	2018						
1	Total financial assets	287,935	57,344	81,989	14,876	-	442 144
2	Total financial liabilities	516,341	27,863	135,760	70,664	-	750,628

3	Net interest rate gap at the end of the previous period	(228,406)	29,481	(53,771)	(55,788)	-	(308,484)
	2017						
4	Total financial assets	94575	44	12045	3857	-	110521
5	Total financial liabilities	115606	1162	2506	20589	-	139863
6	Net interest rate gap at the end of the previous period	(21031)	(1118)	9539	(16732)	-	(29342)

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	2018				2017			
		hryvnia	US dollars	euro	others	hryvnia	US dollars	euro	others
	Assets								
1	Cash and cash equivalents	16.35	-	-	-	12	-	-	-
2	Loans and customer debt	23.43	9.67	9	-	23.1	-	-	-
3	Debt securities in the bank's portfolio for sale	-	18	-	-	-	-	-	-
	Obligation								
4	Bank funds	-	-	-	-	15	-	-	-
5	Client funds:	-	-	-	-	-	-	-	-
5.1	current accounts	0.1	-	-	-	0.1	-	-	-
5.2	term funds	15.63	5.04	5.11	0	7.6	4.3	2.4	-

Table 28.5. Analysis of geographical concentration of financial assets and liabilities for 2018

Line	Article title	Ukraine	OECD	Other countries	Total
	Assets				
1	Cash and cash equivalents	505,982	-	-	505,982
2	Funds in other banks	1,508	-	-	1,508
3	Loans and customer debt	116,361	-	-	116,361
4	Securities in the bank's portfolio for sale	55,658	-	-	55,658
5	Other financial assets	9	-	-	9
6	Total financial assets	679,518	-	-	679,518
	Obligation				
7	Client funds	730,319	608	1,068	731,995
8	Other financial liabilities	27,649	210	614	28,473
9	Provisions for liabilities	462	-	-	462
10	Total financial liabilities	758,429	818	1,682	760 930
11	Net balance sheet position by financial instruments	(78,911)	(818)	(1,682)	(81,412)

12	Credit obligations	429,152	-	-	429,152

Table 28.6. Analysis of geographical concentration of financial assets and liabilities for 2017

Line	Article title	Ukraine	OECD	Other countries	Total
	Assets				
1	Cash and cash equivalents	234,547	-	-	234,547
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	0	0	263 220
	Obligation				0
6	Bank funds	10,016			10,016
7	Client funds	264,942	207	718	265,867
8	Other financial liabilities	19,500	169	35	19,704
9	Provisions for liabilities	688			688
10	Total financial liabilities	295 146	376	753	296 275
11	Net balance sheet position by financial instruments	(31,926)	(376)	(753)	(33,055)
12	Credit obligations	236,179	-	-	236,179

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.

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 assessing operational risks, and develops internal recommendations for their reduction. Operational risk assessment is always carried out when analyzing new products, internal banking regulations, processes, and 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 − an existing or potential risk to income and capital arising from a negative perception of the image of a financial institution by customers, counterparties, founders or supervisory authorities. 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, imperfect implementation of such decisions or lack of reaction 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, inadequate 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 granted, 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 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 2018 (thousands of UAH)

Line	Article title	On demand and less than 1	From 1 to 3 months.	From 3 to 12 months.	From 12 months to 5 years	Over 5 years	Total

		month.					
1	Bank funds	-	-	-	-	-	-
2	Client funds:	441,029	26,356	213,480	51,130	-	731,995
2.1	Individual funds	151,411	15 105	200 250	24,366	-	391 132
2.2	Funds of legal entities	289,618	11,251	13,230	26,764	-	340,863
3	Other financial liabilities	25,796	184	1,004	1,489	-	28,473
4	Financial guarantees	77,336	18,573	144,002	167,365	-	407,276
5	Other credit obligations	21,876	-	-	-	-	21,876
6	Total potential future payments on financial liabilities	566,037	45,113	358,486	219,984	-	1,189,620

Table 2 8.8. Analysis of financial liabilities by maturity for 2017 (thousands of 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	-	265,868
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	-	216,557
5	Other credit obligations	-	14	19,718	578	-	20,310
6	Total potential future payments on financial liabilities	283 100	34,933	91,958	122,464	-	532,455

Table 28.9. Analysis of financial assets and liabilities by maturity based on expected maturities for 2018 (thousands of 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	505,982	-	-	-	-	505,982
2	Funds in other banks	-	-	1,508	-	-	1,508
3	Loans and customer debt	16,854	57,968	38,645	2,894	-	116,361
4	Investments in securities	-	55,658	-	-	-	55,658
5	Other financial assets	9	-	-	-	-	9
6	Total financial assets	522,845	113,626	40,153	2,894	-	679,518
	Obligation						
7	Client funds	441,029	26,356	213,480	51,130	-	731,995
8	Other financial liabilities	25,796	184	1,004	1,489	-	28,473
9	Total financial liabilities	466,825	26,540	214,484	52,619	-	760,468

10	Net liquidity gap at the end of the day December 31, 2018	56,020	87,086	(174,331)	(49,725)	-	(80,950)
11	Aggregate liquidity gap at the end of the day December 31, 2018	56,020	143 106	(31,225)	(80,950)	(80,950)	

Table 28.10. Analysis of financial assets and liabilities by maturity based on expected maturities for 2017 (thousands of 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	234,547	-	-	-	-	234,547
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	-	263 220
	Obligation						
6	Funds in other banks	10,016	-	-	-	-	10,016
7	Client funds	241,610	1,162	2,506	20,589	-	265,867
8	Other financial liabilities	15,245	489	1,281	2,689	-	19,704
9	Total financial liabilities	266,871	1,651	3,787	23,278	-	295,587
10	Net liquidity gap at the end of the day 12/31/2017	(19,676)	(1,607)	8,258	(19,342)	-	(32,367)
11	Aggregate liquidity gap at the end of the day 12/31/2017	(19,676)	(21,283)	(13,025)	(32,367)	(32367)	-

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.
As of the end of the day on December 31, 2018, the Bank's regulatory capital amounted to UAH 206,859 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 22.72% 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, 2018 and 2017, 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	2018 year	2017 year
1	Core capital (Tier 1 capital)	206,859	247,619
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	(2,556)	(850)
1.4	Estimated loss for the current year	(2,401)	–
1.5	Losses from previous years	(97,624)	(60,971)
2	Additional capital (Tier 2 capital)	-	1,754
	including additional capital included in the calculation of regulatory capital	-	1,754

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)	–	–
2.2	Retained earnings from previous years	–	–
2.3	Estimated profit for the current year	-	1,754
3	**Total regulatory capital**	**206,859**	**249,373**

Note 30. Bank's contingent liabilities

Hearing cases in court

The presence of lawsuits in court regarding the provision of financial services by the Bank and the results of their consideration:

- A lawsuit to recover the tender offer security of UAH 330,000.00 is pending in the appellate court.
- A lawsuit to declare a clause of the Guarantee Agreement invalid. The case is pending in the appellate court.
- The lawsuit to collect security for the performance of the contract in the amount of UAH 413,431.20. The case is under consideration in the cassation instance.
- A lawsuit to collect the tender offer security of UAH 85,515.63. The case is pending in the first instance.
- Claim for recovery of tender offer security of UAH 254,704.89.
  The case is pending in the first instance.

The bank's management considers the risk of losses to the bank due to these lawsuits to be unlikely, as it has experience in resolving similar legal cases in favor of the bank.

Potential tax liabilities

Currently, Ukraine has a number of laws and regulations in force regarding various taxes and fees levied by both state and local authorities. The taxes that are applied include income tax, value added tax, payroll tax, and other taxes and fees. The laws that regulate these taxes change frequently, and their provisions are often unclear or not developed. There is also a lack of judicial precedents on these issues. There are different points of view regarding the interpretation of legal norms among state ministries and organizations (for example, the tax administration and its inspectorates), which causes general uncertainty. The correctness of tax declarations, as well as other issues of compliance with the law, are subject to verification and study by a number of regulatory bodies, which are legally authorized to impose fines and penalties in significant amounts. The listed factors determine the presence of tax risks in Ukraine that are much greater than those that exist in countries with more developed tax systems.
Management believes that the Bank's activities are carried out in full compliance with the applicable legislation governing its activities and that the Bank has accrued all applicable taxes. In cases where there is uncertainty regarding the amounts of taxes payable, accruals are made based on the Bank's management's estimates based on the analysis of information available to it.

Capital investment commitments

The Bank has no contractual obligations related to the reconstruction of buildings, the acquisition of fixed assets and intangible assets.

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	2018	2017
1	**2**	**3**	**4**
1	Up to 1 year	7,755	3,597
2	From 1 to 5 years	3,162	5,582
3	**Total**	**10,917**	**9,179**

Compliance with special requirements

The Bank did not enter into agreements to obtain loan funds on special terms.

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	2018	2017
1	**2**	**3**	**5**
1	Guarantees issued	407,276	216,557
2	Lending commitments provided	9,821	8,167
3	Unused credit lines	12,055	12,143
4	Reserve for issued guarantees	(462)	(688)
5	**Total lending-related liabilities, less provision**	**428,690**	**236,179**

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 “Customer Due”.
As a result of the application of IFRS 9, the Bank recalculated the opening balances of the item "Provision for issued guarantees" as of January 1, 2018.

Table 30.2. Lending commitments by currency (thousands of UAH)

Line	Article title	2018	2017
1	**2**	**3**	**4**
1	US dollar	49,029	7,298
2	Euro	7,541	-
3	Hryvnia	372 120	228,881
4	**Total**	**428,690**	**236,179**

Assets pledged as collateral and assets subject to restrictions on possession, use and disposal

As of December 31, 2018 (end of day), the Bank had restricted-use assets with the following carrying amounts:
- guarantee deposits for settlements with the international payment system Mastercard in the amount of UAH 1,108 thousand.

There are no other assets subject to restrictions on their ownership, use and disposal.

Note 31. Fair value of 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	2018 year		2017 year	
		Fair value	**Carrying amount**	**Fair value**	**Carrying amount**
	Financial assets				
1	Cash and cash equivalents	505,982	505,982	234,547	234,547
1.1	cash	215,435	215,435	152,517	152,517
1.2	funds in the National Bank of Ukraine (except for required reserves)	2,612	2,612	3,022	3,022
1.3	correspondent accounts, deposits and overnight loans in banks	56,605	56,605	928	928
1.4	Certificates of deposit issued by the National Bank of Ukraine	231,330	231,330	78,080	78,080
2	Funds in other banks:	1,508	1,508	561	561
2.1	Bank funds in settlements	1,508	1,508	561	561
3	Loans and customer debt:	116,361	116,361	27,930	27,930
3.1	loans to legal entities	112,397	112,397	26,405	26,405
3.2	loans to individuals and entrepreneurs	1187	1,187	927	927
3.3	loans to individuals	1586	1,586	598	598
3.4	mortgage loans for individuals	1,191	1,191	-	-
4	Other financial assets	4,691	4,691	182	182
5	**Total financial assets carried at amortized cost**	**628,542**	**628,542**	**263 220**	**263 220**
	Financial obligations				
6	Bank funds	-	-	10,016	10,016
7	Client funds:	731,995	731,995	265,868	265,868
7.1	legal entities	334,768	334,768	115,468	115,468
7.2	individuals	397,227	397,227	150,400	150,400
8	Other financial obligations:	19,348	19,348	19,704	19,704
8.1	Other payables from transactions with bank clients	7,031	7,031	4,093	4,093
8.2	Commission for providing guarantees	6,842	6,842	11,679	11,679
8.3	Bank customers' funds in inactive accounts	5,091	5,091	860	860
8.4	Information and advisory services	-	-	3,072	3,072
8.5	Others	384	384	-	-
9	**Total financial liabilities carried at amortized cost**	**751,343**	**751,343**	**295,588**	**295,588**

Table 31.2. Analysis of financial instruments by fair value measurement levels for 2018

(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	–	505,982	**505,982**	**505,982**
1.1	cash	–	215,435	**215,435**	**215,435**
1.2	funds in the National Bank of Ukraine (except for required reserves)	–	2,612	**2,612**	**2,612**
1.3	correspondent accounts, deposits and overnight loans in banks	–	56,605	**56,605**	**56,605**
1.4	Certificates of deposit issued by the National Bank of Ukraine	–	231,330	**231,330**	**231,330**
2	Funds in other banks:	–	1,508	**1,508**	**1,508**
2.1	Bank funds in settlements	–	1,508	**1,508**	**1,508**
3	Loans and customer debt:	–	116,391	**116,391**	**116,391**
3.1	loans to legal entities	–	112,397	**112,397**	**112,397**
3.2	loans to individuals and entrepreneurs	–	1,187	**1,187**	**1,187**
3.3	loans to individuals	–	1,586	**1,586**	**1,586**
3.4.	mortgage loans to individuals	–	1,191	**1,191**	**1,191**
4	Other financial assets	–	4,691	**4,691**	**4,691**
5	**Total financial assets carried at amortized cost**	–	**628,542**	**628,542**	**628,542**
	Financial obligations	–			
6	Bank funds	–	-	-	-
7	Client funds:	–	731,995	**731,995**	**731,995**
7.1	legal entities	–	334,768	**334,768**	**334,768**
7.2	individuals	–	397,227	**397,227**	**397,227**
8	Other financial obligations:	–	19,348	**19,348**	**19,348**
8.1	Other payables from transactions with bank clients	–	7,031	**7,031**	**7,031**
8.2	Commission for providing guarantees	–	6,842	**6,842**	**6,842**
8.3	Bank customers' funds in inactive accounts	–	5,091	**5,091**	**5,091**
8.4	Information and advisory services	–	-	-	-
9	**Total financial liabilities carried at amortized cost**	–	**751,343**	**751,343**	**751,343**

Table 31.3. 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	–	234,547	**234,547**	**234,547**
1.1	cash	–	152,517	**152,517**	**152,517**
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	–	928	**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**	–	**263 220**	**263 220**	**263 220**
	Financial obligations	–			
6	Bank funds	–	10,016	**10,016**	**10,016**
7	Client funds:	–	265,868	**265,868**	**265,868**
7.1	legal entities	–	115,468	**115,468**	**115,468**
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	–	3,072	**3,072**	**3,072**
	Total financial liabilities carried at amortized cost	–	**295,588**	**295,588**	**295,588**

Note 32. Presentation of financial instruments by measurement category

Table 32.1. Financial assets by valuation categories for 2018 and 2017 (thousands of UAH)

Line	**Article title**	**Loans and receivables**	
		2018 year	2017 year
	Assets		
1	Funds in other banks	1,508	561
2	Loans and customer debt	116,361	27,930
3	Certificates of deposit issued by the National Bank of Ukraine	231,330	78,080
4	Other financial assets	4,691	182
5	**Total**	**353,890**	**106,753**

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.

The Bank recognizes persons related to the Bank in accordance with the requirements of Article 52 of the Law of Ukraine "On Banks and Banking Activities".

Table 33.1. Balances on transactions with related parties as of December 31, 2018

(thousand UAH)

Line	**Article title**	**Largest participants (bank shareholders)**	**Management staff**	**Other related parties**
1	**2**	**3**	**4**	**5**
1	Client funds	32	1,389	5,273
2	Loans and customer debt	153	281	127
3	Provision for loan losses	(65)	(60)	(27)
4	Other assets	5	-	-
5	Other obligations	-	1	3

Table 33.2. Income and expenses from transactions with related parties for 2018 (thousands of UAH)

Line	**Article title**	**Largest participants (bank shareholders)**	**Management staff**	**Other related parties**
1	**2**	**3**	**4**	**5**
1	Interest income	40	51	17
2	Commission income	21	8	69

3	Foreign currency revaluation	898	114	(160)
4	Other operating income	2	2	4
5	Interest expenses	1	41	7
6	Impairment loss on financial assets	(65)	(62)	(27)
7	Administrative and other operating expenses	-	-	(2,216)

Table 33.3. Balances on transactions with related parties as of December 31, 2017

(thousand UAH)

Line	**Article title**	**Largest participants (bank shareholders)**	**Management staff**
1	**2**	**3**	**4**
1	Client funds	2	7,981

Table 33.4. 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 33.5. Payments to key management personnel (thousands of UAH)

Line	**Article title**	**2018 year**		**2017 year**	
		Costs	**Accrued liability**	**Costs**	**Accrued liability**
1	Current employee benefits	22,665	733	16,901	450
2	Severance payments	-	–	-	–

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.