Contents

MANAGEMENT REPORT OF THE JSC "CB GLOBUS"

PUBLIC JOINT STOCK COMPANY "COMMERCIAL BANK GLOBUS" was established in 2017.
The legal address: 19/5, Kurenivskyi Lane, 04073, Kyiv, Ukraine.
On 28 December 2018, its joint stock incorporation was changed from public to private. Furthermore, the Bank's name was changed to **JOINT STOCK COMPANY "COMMERCIAL BANK "GLOBUS"**. As a result of this changes JSC "CB GLOBUS" obtained a banking licence no. 240 on 21 Janaury 2019.

I. Business Profile

1.1. External environment in which the Bank operates

Macroeconomic environment

According to the statistical service, there is a positive GDP movement over the last years. The table below details the growth of real GDP (in constant prices of 2010) compared to similar reporting periods of the previous year.

Year	2017	2018	Q1 2019	Q2 2019	Q3 2019
Movement of real GDP, yoy, %	2.5%	3.3.%	2.5%	4.6%	4.1%

However, the growth of exports and imports by results of 2019 is slower than in previous years.

Indicator	2017	2018	2019
Exports, yoy	17.1%	9.7%	7%
Imports, yoy	19.2%	12.6%	7%

Agricultural production index was 101.% compared to 2018 (mainly due to the high yield of agricultural crops – grains and legume crops). Retail turnover index is 110.5%. However, overall industrial production declined by 0.8% compared to 2018.
Starting from 2018, there is a gradual decline of inflation:

Year	2014	2015	2016	2017	2018	2019
Consumer price index, yoy, %	12.1	48.7	13.9	14.4	10.9	7.9

In 2019 there was a strengthening of the Ukrainian hryvnia:

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
USD/UAH exchange rate	7.94	7.97	7.99	7.99	11.89	21.84	25.55	26.60	27.220	25.85

Furthermore, according to the Ministry of Finance, due to the inflow of international investors (primarily due to sales of domestic government loan bonds), the share of public debt in the national currency has increased from June 2019 – as at 31 October 2019, it accounted for 39.5% (1 January 2019: 33.4%).

Date	01/01/2017	01/01/2018	01/01/2019	01/01/2020
number of operating banks	96	82	77	75
movement		-14	-5	-2

Starting from 1 January 2019, 20 banks account for 90% of net banking system assets. In addition, there is a slight increase in the concentration:

Date	01/01/2017	01/01/2018	01/01/2019	01/01/2020
Weight of assets of TOP 20 banks	89.4%	90.7%	91.0%	92.2%

Most banking system assets were comprised of assets of state-owned banks. At the same time, there is a tendency to reduce the market share of foreign banks and increase the share of private banks.

The number of points of sale of banks is gradually decreasing. This is due to both the reduction in the number of banks and the development of remote service technologies.

Over the past 3 years, the deepest decline in the number of branches is observed among state-owned and foreign banks. However, at the end of 2019 the rate of decline has slowed significantly.

In 2017-2019, there was a growth in the loan portfolio due to an increase in retail lending.

The weight of foreign currency loans in the loan portfolio is gradually decreasing, mainly, in the retail portfolio amidst the ban of foreign currency retail lending. The strengthening of the Ukrainian hryvnia also affected the decline of the foreign currency share in the loan portfolio.

During 2019, the loan portfolio of the real sector decreased by 13%.

Amounts due to individuals prevail in the bank liability structure with a pronounced trend towards their gradual increase amidst the decreasing weight of amounts due to the National Bank of Ukraine, interbank market and amounts due to international financial institutions.

The weight of foreign currency cash in bank liabilities is gradually decreasing.

In 2019, the National Bank of Ukraine reduced the key policy rate five times. As a result, the key policy rate decreased from 18% to 13.5%.

Amidst the decreased key policy rate of the National Bank of Ukraine, there also was a stable downward trend in interest rates on loans to entities. Deposit and lending rates varied significantly during the year. However, since August, they tended to decrease as well. Interest rates on consumer loans are slowly declining due to a high demand for this type of lending and high risk of unsecured lending.

1.2 Executives and officers

Members of the Supervisory Board as at the beginning of 2020:

- Polkovskyi D.E. – Chairperson of the Supervisory Board, shareholder's representative appointed on 17 March 2016;
- Kurilenko S.B. – Member of the Supervisory Board, shareholder's representative appointed on 16 December 2016;
- Sylniahina O.A. – Member of the Supervisory Board, shareholder's representative appointed on 5 December 2019;
- Bortnyk V.M. – Independent Member of the Supervisory Board appointed on 20 April 2015;
- Voshchylko M.V. – Independent Member of the Supervisory Board appointed on 4 July 2017;
- Mustafaieva D.N. – Independent Member of the Supervisory Board appointed on 19 February 2019.

Members of the Management Board as at the beginning of 2020:
- Mamedov S.H. - Chairperson of the Management Board appointed on 15 December 2016;
- Dmitriieva O.M. – First Deputy Chairperson of the Management Board appointed on 5 December 2019, member of the Management Board since 16 December 2016;
- Yevchuk H.P. - Deputy Chairperson of the Management Board appointed on 23 March 2015;
- Lipatova A.M. – Chief Accountant appointed on 17 January 2018;
- Klevaichuk S.V. – Operations Director appointed on 3 October 2013;
- Sheffer M.Ya. – Head of Financial Monitoring appointed on 14 December 2009;
- Solodkyi V.V. – Head of Project Management appointed on 20 May 2019, member of the Management Board since 1 July 2016;
- Yermolova O.H. – Director of Risk Management appointed on 20 May 2019.

The Bank has the following collegiate bodies:
- Asset/Liability Committee (ALCO);
- Loan Committee and small loan committees (corporate, small and medium-sized, retail and digital businesses);
- Tariff Committee;
- Financial Monitoring Committee.

1.3 General meeting of shareholders
In 2019, the general meeting of shareholders (hereinafter – General Meeting) were held ten times to adopt decisions within the competence of this body in accordance with the Articles of Association of the Bank (hereinafter – Articles of Association) with regard to: reviewing and approving the report of the Supervisory Board and the Management Board for 2018, determining the key lines of business for 2019, reviewing and approving the independent auditor’s report on the Bank’s performance in 2018, approving the profit allocation procedure based on results for 2018, changes in the Supervisory Board, approving the new revision of the Regulation on the Supervisory Board, the Regulation on the Management Board and other internal regulations of the Bank that govern the operating procedures of the Bank's management bodies and matters related to its current operation.

1.4 Structural units
According to the classification of the National Bank of Ukraine, the Bank falls within the group of banks with private capital. As at 1 January 2020, the Bank is ranked 29 by the amount of assets.
During 2019, the number of structural units of the Bank has not changed and there are 31 branches operating as at 1 January 2020. Of this amount: 12 branches are located in Kyiv, 2 are in Kharkiv, 1 is in Zaporizhzhia, 1 is in Dnipro, 1 is in Chernihiv, 1 is in Kamianets-Podilskyi, 1 is in Odesa, 1 is in Sumy, 1 is in Lviv, 1 is in Poltava, 1 is in Mykolaiv, 1 is in Ternopil, 1 is in Cherkasy, 1 is in Chernivtsi, 1 is in Vinnytsia, 1 is in Ivano-Frankivsk, 1 is in Rivne, 1 is in Zhytomyr, 1 is in Kherson.

1.5 Share purchase
The number of issued and paid shares is 300,000. In the reporting year, the Bank did not issue any additional shares. The amount of share capital is UAH 300,000,000.
The sole shareholder of the Bank is LLC “UKRAINIAN MEDIA TECHNOLOGIES”.
The Bank’s beneficiaries are:
- Sylniahina O.A. (member of the Supervisory Board) – indirect shareholding – 100% via LLC “KETLEN” (50.5%), which holds 99.993% in LLC “UKRAINIAN MEDIA

TECHNOLOGIES” and via LLC “UKRAINIAN MEDIA TECHNOLOGIES” (0.007%);

- Polkovskyi D.E. (Chairperson of the Supervisory Board) – indirect shareholding – 49.50% via LLC “KETLEN” (5%) and via TERMAN INTERNATIONAL LTD, British Virgin Islands, (100%), which holds 44.5% in LLC “KETLEN”.

1.6 Current business model

The Bank’s business model is universal. Its priority lines of business are SME lending, new-build mortgages, car lending and retail lending.

As at 10 December 2019, the Bank’s credit rating on the national scale was uaAA, whilst its deposit rating remained at ua2+ on the scale of Expert-Rating, a rating agency. As far as the Expert-Rating scale, the rating is updated on the basis of key results of the bank's performance for 9 months 2019, special and regular information of the Bank as a securities issuer, as well as separate forms of the Bank's statistical reporting for January-October 2019.

The Bank is licensed by the National Securities and Stock Market Commission to conduct professional activity on the stock market:

Series AV No. 263178 – trading in securities – dealer activity;

Series AV No. 263177 – trading in securities – broker activity;

Series AE No. 263375 – professional activity on the stock market – custody activity.

1.7 Key products and services

Banking products and services offered by the Bank are designed to fully meet the financial needs and interests of both individuals and entities.

As far as individuals, the Bank offers a number of deposit, loan and card products, as well as loyalty programmes for depositors that allowed customers to get interest premiums on their deposits. In particular:

- **Deposit products** – Deposit Facility ‘Velykyi’, Deposit Facility ‘Zruchnyi’, Deposit Facility ‘Klasychnyi’ and Deposit Facility ‘Nakopychuvalnyi’ with loalty programmes ‘Bonus’ and ‘Bonus+’, as well as Savings (Deposit) Certificate. In December last year, the bank introduced a loyalty programme ‘Automatic Prolongation’ for all deposit programmes (including deposit special offers) that contemplates an automatic extension option;
- **Loan products** – Cash Loan, Overdraft ‘Shchedryi Tato’, Credit Card ‘Zapasochka’, Mortgage Lending (new-build houses), Mortgage Lending (finished housing), Programme ‘Avto v kredyt’, Retail Lending. In November of the reporting year, the bank introduced Mortgage Lending (finished housing);
- **Payment cards** – Premium Card (Platinum MasterCard); Savings Card (‘Vidsotochka’), Credit Card (‘Zapasochka’), Payroll Card (Debit Mastercard), Tariff Plan ‘Standartna Kartka’, Youth Card (Debit Mastercard U-card and Platinum Mastercard U-card), Tariff Plan ‘Biudzhetna Kartka’, Business Cards, Tariff Plans ‘Deposit Card’.

The following products are offered to entities:

- **Deposit products** – Term Deposit, Deposit Facility, Deposit ‘Comfort’, Programme ‘General Deposit Contract’.
- **Loan products** – Overdraft ‘10*10’ (deferential-interest overdraft); Overdraft ‘Velykyi’; ‘Working Capital Financing’; ‘Specialised Machinery on Credit’; ‘Equipment on Credit’; ‘Elevator Equipment’; ‘Vehicle for Business’; Business Development Loans; (Used) Machinery on Credit; Provision of guarantees (bid bond, travel guarantee, performance

guarantee, payment guarantee); Provision of guarantees to IATA accredited agents, including in cooperating with ADDITIONAL LIABILITY COMPANY “INSURANCE COMPANY GUARDIAN”; Bill avalisation.

In addition, the Bank offers payroll card programmes, export-import support services, safe deposit box rentals and VIP BANKING.

1.8 Rewards received for the reporting period

In 2019, the Bank did not pay dividends to ordinary share holders. Losses incurred by the Bank in 2018 in the amount of UAH 19,708 thousand were covered as follows:

- some losses were covered by retained historical earnings of UAH 2,611,762.63;
- the remaining losses were directed to uncovered historical losses.

Total expenses on remuneration of key management personnel of JSC “CB GLOBUS” for 2019 increased by UAH 493 thousand and amounted to UAH 36,385 thousand compared to 2018 (UAH 35,892 thousand).

As at 31 December 2019, the remuneration to key management personnel was as follows:

Management body	**Current employee benefits**	
	expenses	**accrued liabilities**
Management Board	27,669	2,209
Supervisory Board	8,260	2,115
Other key management personnel	456	9
Total	36,385	4,333

II. Management's Objectives and Strategy

2.1 Priorities and roadmap

Capable of adapting to the customers’ needs in a timely manner, the Bank always seeks to maintain its business stability by enhancing customer confidence, balancing the interests of partners, customers and shareholders and sustaining a positive brand image.

The Bank's key objective is to earn profit, whilst maintaining a stable growth pattern, and to satisfy the key needs of its customers. Based on financial results, the Bank evaluates the performance and motivation of its management personnel. Employees are motivated by reference to key performance indicators assigned to the Bank's branches, front office, back office and middle office, which has a positive effect on the overall result.

To arrive at the intended level of profits, the Bank designs the individual plans tailored to each business and financial responsibility centre and supervises the progress on a quarterly basis. Significant changes in the external or internal environment constitute the basis for adjusting plans for future periods.

Furthermore, management and employees must strictly comply with the code of conduct and risk management policies, as well as with the limits and restrictions on the Bank's operations.

In the reporting period, additional criterion for evaluating the implementation of the strategic objective was the growth of the retail lending portfolio.

Main competitive advantages are the Bank's focus on customer needs, prompt delivery of banking services and their affordability.

2.2. Success and performance evaluation criteria

The key criteria to evaluate the Bank's performance are its results (amount of earnings, return on assets, return on equity, ratings of the Bank) and risk exposure (non-performing assets ratio, credit risk exposure, resource base stability, matching of asset/liability maturities, resilience to potential shocks as evaluated by stress tests, etc.).

One of the main criteria to assess performance is the growth of interest and fee income both with and without reference to the expenditure pattern; growth of financial result; increase in the customer base; loan portfolio build-up and its adequate quality; increase in and sustainability of the resource base, compliance with the limits and restrictions set.

2.3 Changes in targets and performance for the reporting period

In 2019, the Bank ranked first in the nomination ‘Mortgages’ according to FINANCIAL CLUB AWARDS. As at 1 January 2020, the Bank’s portfolio of mortgage loans provided to individuals amounted to UAH 406 million (993 loans) and the average loan amounted to UAH 408 thousand. The portfolio quality is high since the Bank has no bad debt on loans secured by property rights. With the newly introduced programmes, the Bank ensures support of its social function:

- ✓ assistance in resolving housing issues of displaced people;
- ✓ implementation of state programmes aimed at providing citizens with affordable housing;
- ✓ assistance in resolving housing issues of young families (35 years or younger).

The Bank is one of the five leaders in car lending. The Bank works with more than 400 car dealerships (including with UkrAvto, AIS, Eurocar, Bohdan, NIKO dealership network; also, import lending programmes RAVON and Hyundai Finance were implemented for the purchase of new cars) and holds a 3% share of the car lending market. The Bank’s strengths include a prompt decision-making, availability of car lending programmes for entities, lending of cars with mileage.

The Bank has implemented the best practice in the collateral-free retail lending market (decision-making is based on the Credit Expert system), allowing it to take decisions in 15 seconds or less from the moment the customer’s application enters the system. In May 2019, this system served as the basis to implement cash loans.

Throughout 2019, the Bank was strengthening its position in the consumer lending market and by results of the reporting year it generated a loan portfolio of more than UAH 140 million. The Bank provided almost 20,000 loans totalling over UAH 200 million. Among its main partners are Eldorado, ALLO, Mobizhuk, Speakup and others (the number of partner stores totals more than 2 thousand). The Bank is interested in developing the consumer lending since it is a high margin product and because it is an effective channel for attracting new customers, which allows to cross-sell other banking products.

2.4 Research and development

The Bank conducted no research and development.

III. Resources, Risks and Relations

3.1 Key financial and non-financial resources
3.1.1 Equity structure

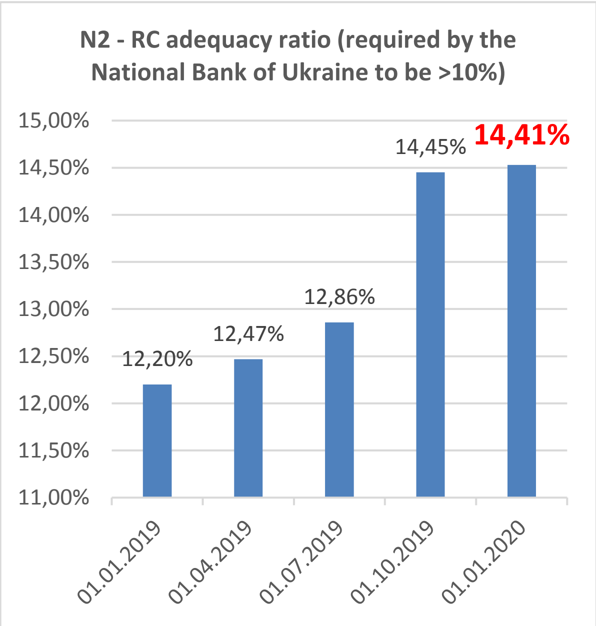
In 2019, the regulatory capital of the Bank was significantly increased mainly through the profits earned (the profits for 2019 amounted to UAH 44.9 million).

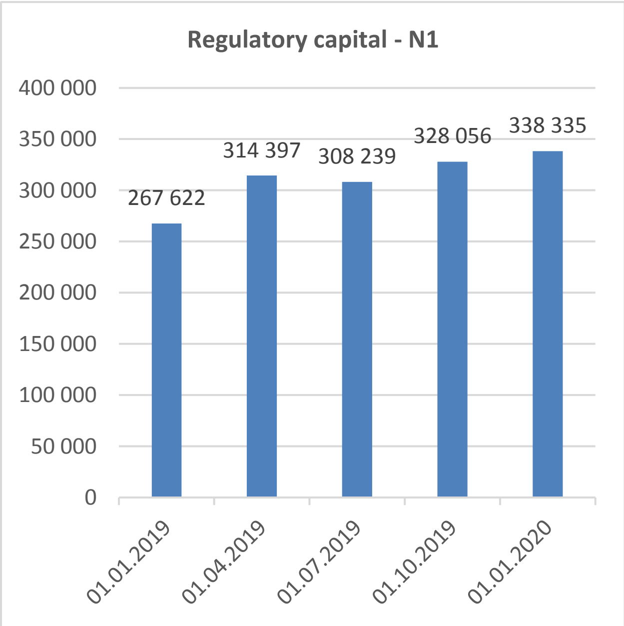
Regulatory capital structure, UAH '000

Indicator	01/01/2019	01/01/2020	Change, %
1. Total core capital (CC), including:	161,106	238,542	48.07%
- actually paid authorised share capital	300,000	300,000	0
- total provisions and reserve funds formed under the law of Ukraine	1,350	1,350	0
- total reduction of core capital	-140,244	-62,808	-55.22%
2. Total supplementary capital before calculation (SC)	106,516	99,793	-6.31%
- subordinated debt included in capital (SC)	106,516	99,793	-6.31%
3. Redeployment	0	0	0
Total regulatory capital (RC)	**267,622**	**338,335**	26.42%

The regulatory capital is adequate for the Bank to operate efficiently and comply with the capital adequacy ratios set by the National Bank of Ukraine.

Throughout 2019, the Bank did not violate the requirements on the size of regulatory capital and capital adequacy ratio. (the figure was changed!)





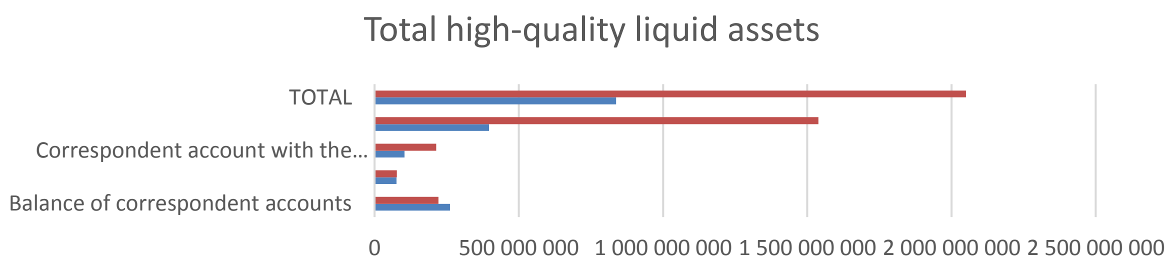
3.1.2 Financial mechanisms

The Bank's financial mechanisms are in line with the applicable law of Ukraine. Ultimately, these financial mechanisms are strategic and tactical plans for the Bank's development approved by the Bank’s Supervisory Board and monitored on a quarterly basis.

Also, the Bank uses a product pricing mechanism, which, depending on the type of product, is approved at the level of the Tariff Committee, Loan Committee and ALCO. The Bank establishes the rates of expenditure and the Management Board monitors their compliance.

3.1.3 Liquidity

In 2019, the Bank implemented a conservative liquidity management strategy and intends to continue doing so in 2020.



	Balance of correspondent accounts	Cash on hand	Correspondent account with the NBU	Domestic government loan bonds and certificates of deposit of the NBU	TOTAL
At the reporting date 28.12.2019	221 091 627	77 537 394	213 890 158	1 538 280 184	2 050 799 362
At the reporting date 29.12.2018	261 170 343	75 741 223	103 560 094	396 601 251	837 072 912

The total size of liquid cash of the Bank in 2019 has increased significantly and fully allowed the Bank to fulfil the assumed pecuniary obligations in a timely manner.

The Bank's liquidity position is constantly analysed both on the side of assets and liabilities by maturities, currencies and concentration of counterparties. The Bank has respective limits (upper and lower thresholds) on the liquidity gaps by maturity periods: on demand, up to 31 days, 32 to 365 (366) days, 1 to 5 years, more than 5 years.

3.1.4 Cash flows

Cash flows are managed in accordance with the internal normative acts of the Bank and the NBU’s requirements in force. In the short term, cash flows are managed by the Treasury on the basis of a payment schedule, in which the planning of cash inflows and outflows is broken down by currencies and forms of payment (cash/non-cash). In the mid term, cash flows management is based on projected inflows and outflows of cash, structure of deposit and loan portfolios, customer behaviour forecasts and measurement of the liquidity cushion needed to offset the peak payments. The key element of cash flows management is the strategy aimed at reducing concentrations on both asset- and liability-side transactions thus significantly mitigating the Bank’s risks in terms of liquidity management.

3.1.5 Human resources, intellectual capital, technological resources

The Bank recognises personnel as its most valuable capital and makes efforts aimed at professional training, refinement of forms and methods of employee motivation and corporate culture

development.
By improving the system of personnel training, assessment and motivation, the Bank strives to reduce the labour turnover and improve the Bank's performance.
As at 1 January 2020 the Bank has 539 in-house employees and as at 1 January 2019 it had 512 in-house employees.
The Bank uses appropriate software in its operations thus automating a vast portion of the Bank's business and improving performance of its employees.
Main types of software used by the Bank are as follows:

Software	Functions
Core banking system B2	Functions comprise input, processing, storage and output of information about the Bank's operating activities and accounting
Card back office system BCZ-CARD+	Issuer's module that covers the entire scope of banking operations using payment tools and produces the reports necessary
Interactive system iFOBS for servicing front office customers	Remote servicing of customer's accounts; also includes the Client-Bank system for individuals and entities
Human resources and payroll management system HRM :: eCSpert	Time management and salary accounting system
E-document circulation system MEDoc	E-reporting and exchange of invoices, acts, contracts and other legal documents
SWIFT Alliance	Software product that allows to access and send data via SWIFT network
Mebius-STAT	Validation of static reporting data, consolidation of data, calculation of indicators, production of reports and their submission to the NBU
ARM-NBU-Inf	Software of the National Bank of Ukraine designed to exchange information between the core banking system and informational tasks
ARM-NBU-SEP	Automated work environment ARM-NBU that incorporates both software and hardware means of protecting information to be used within the system of electronic payments (SEP)

3.2 Risk management system

3.2.1 Risk management policies and strategy

The Bank has a risk management strategy aimed at preventing risks, mitigating damage from risks, maximising additional earnings and generating revenue as a result of risk management procedures.
Entities below are subjects of the Bank’s management system: Supervisory Board and Audit Committee of the Supervisory Board; Management Board; Management Board Committees (Loan Committee, small loan committees, Asset/Liability Committee, Tariff Committee and other collegiate bodies established by the Management Board of the Bank); compliance units (Internal Audit Service; Risk Management Unit; Compliance Unit; business units of he Bank).
The Bank's organisational model within the risk management system entails separation and direct subordination of its Risk Management Unit and Compliance Unit to the Supervisory Board, which allows for a timely identification, measurement, monitoring, control and mitigation of risks, and ensures appropriate reporting.
The Bank conducts a comprehensive assessment of the following significant risks that are inherent to its business profile: credit risk, liquidity risk, interest rate risk in the banking book, market risk, operational risk and compliance risk.

When assessing all these risks, the Bank also takes into account the concentration risk. The Bank considers the concentration risk as a concentration of its assets and liabilities with regard to:

- a single debtor/counterparty and a group of related counterparties;
- business lines and products;
- types of economic activity (industry concentration) and geographical regions;
- parties related to counterparties, whose financial results depend on one activity or core product;
- class of debtors/counterparties determined on the basis of Regulation No. 351[1];
- type of debtor's/counterparty's performance guarantee;
- type of currency.

The Bank's risk management system has three lines of defence.

First line	Second line	Third line
• at the level of business units and operational units of the Bank that assume risks, bear responsibility for those risks and submit reports on the current risk management;	• at the level of Risk Management Unit and Compliance Unit of the Bank;	• at the level of Internal Audit Service that audits and evaluates the performance of the risk management system.

Risks are managed in stages as follows:

1) risk identification;
2) risk assessment;
3) making decisions responsive of that risk;
4) risk monitoring and control;
5) evaluating performance of risk management.

Managers of risk management units and compliance units have the right to attend the meetings of all (without exception) collegial bodies of the Bank and to veto the decisions of these bodies, if implementation of these decisions will lead to:

- ✓ a violation of the risk appetite and/or risk limits set by the Supervisory Board;
- ✓ a violation of the law, related professional association standards applying to the Bank;
- ✓ a conflict of interest;
- ✓ other results within the competence of the Supervisory Board.

The responsibilities of risk management are clearly delineated and strictly regulated thus allowing to avoid overlapping in functions and ensuring an adequate level of responsibility for the decisions made.

3.2.2 Significant risks, risk development and mitigation Adverse effects and potential opportunities

For the Bank, significant risks are the credit risk, liquidity risk, interest rate risk and market risk in terms of currency risk and commodity risk.

The quality of the Bank's loan portfolio is much higher than the Ukrainian average across banks with private capital and the banking system in general, which proves that the Bank implements a well-balanced credit policy and manages the credit risk efficiently.

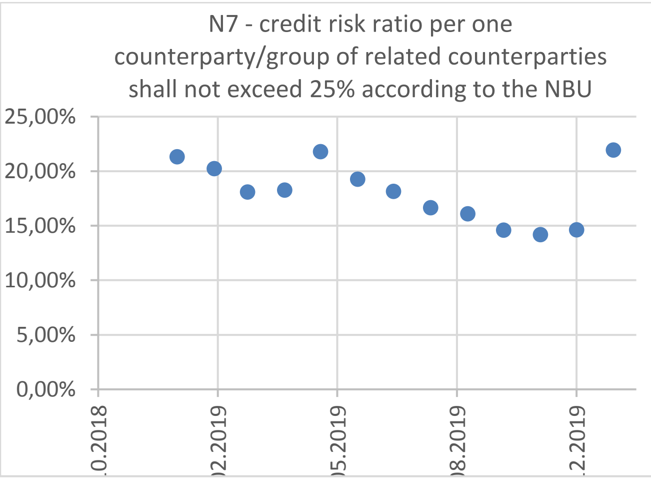
Quality of credit risk management

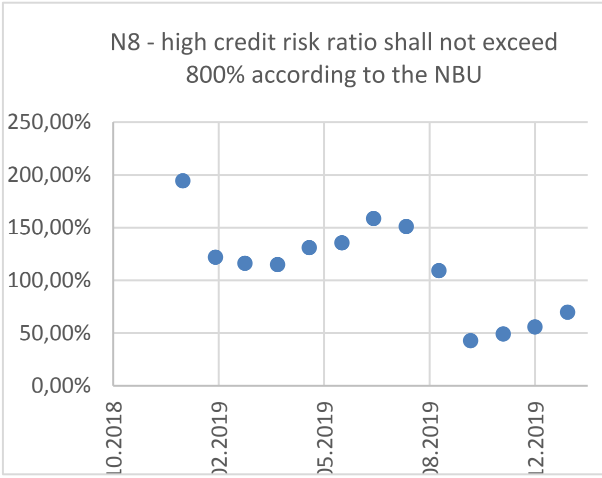
Indicators	01/01/2019	01/01/2020	Change, %

[1] Regulation on Determining the Size of the Credit Risk on Asset-side Banking Transactions approved by the Resolution of the NBU Board No. 351 dated 30 June 2016 as amended

Indicators	01/01/2019	01/01/2020	Change, %
Loan portfolio, UAH ‘000	1,636,621	1,772,733	8%
Non-performing loans, UAH ‘000	171,148	201,977	18%
NPL ratio, %	10.50%	11.39%	8%
NPL ratio in total across banks with private capital, %	23.00%	18.60%	-19%

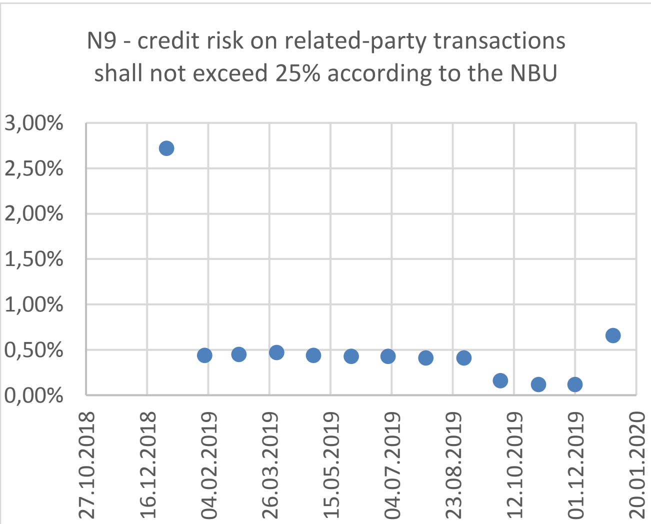
The Bank complies with the credit risk ratios set by the National Bank of Ukraine and does not have a significant concentration of high credit risks – 69.57% of regulatory capital, whilst the ratios set by the National Bank of Ukraine is 800%.





In 2019, the concentration of loans to the largest counterparties decreased significantly in accordance with the Bank’s strategic priorities. Thus, the concentration of the largest 20 counterparties in the Bank's loan portfolio decreased by 24.16% and the concetration of the largest 40 borrowers decreased by 20.04%. In 2020, the Bank plans to reduce further the concentration of the loan portfolio and prioritise the development of retail lending in accordance with its strategy.

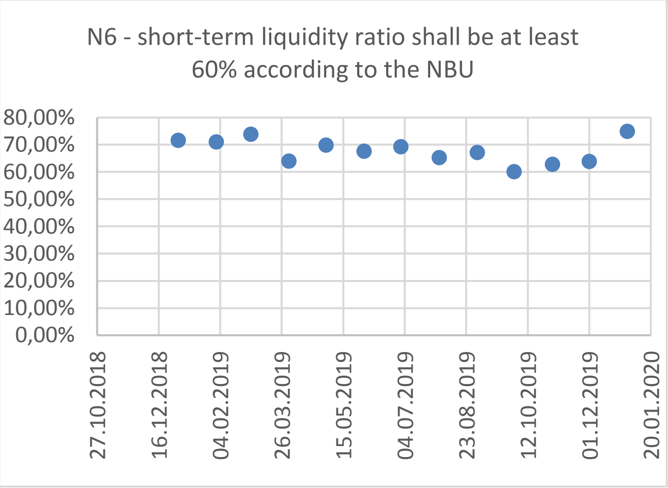
The Bank issues almost no loans to parties related to the Bank, which account for 0.66% of the regulatory capital as at 1 January 2020, whilst the ratio of the National Bank of Ukraine is 25%.



In 2020, the Bank plans to continue implementing a well-balanced credit policy.

Liquidity risk

The Bank has complied with the liquidity ratios in the reporting year. Average short-term liquidity ratio (N6) for 2019 is 67.47%. Furthermore, the Bank complied with the liquidity coverage ratios (LCR) set by the National Bank of Ukraine.



The structure of assets and liabilities is balanced in terms of their maturity periods. Liquidity gap limits were fully observed during the year. The Risk Management Unit reported to ALCO on a monthly basis with regard to liquidity gaps in maturities and compliance with internal limits on liquidity gaps. The Bank's further strategy is to reduce liquidity gaps.

Interest rate risk

Interest rate risk is an integral element of the Bank's operations. Throughout the first half of 2019, there has been an upward trend in interest rates both on bank lending and deposit services, whilst in the second half the interest rates started to decrease.

In its operations, the Bank assesses and monitors the interest rate risk through GAP analysis of maturities and monitors interest rates on financial instruments by maturities and currencies. When assessing the interest rate risk, the Bank focuses on the short-term management of net interest income, their stabilisation and improvement in quality.

In view of changes on the financial market and interest rates, the Bank makes adjustments to respective interest rates on its bank products.

Currency risk

One of the indicators to reflect the Bank's currency risk is the aggregate amount of its open position in all foreign currencies and precious bank metals.

In 2019, the National Bank of Ukraine set the same limits both for the long and short open foreign currency positions at 5%. In the end of 2020, the limits on open foreign currency position were increased to 10%.

Throughout 2019, JSC “CB GLOBUS” has complied with the limits set. Thus, the average long open position in foreign currency was at 1.3% and the average short open position in foreign currency was at 1.6%.

In order to manage the foreign currency position and minimise the currency risk, the Bank limits foreign currency transactions and performs structural balancing with regard to sizes and maturities.

3.3 Relations with shareholders and related parties

The Bank enters into transactions with shareholders and related parties on standard terms, whilst avoiding the conflict of interest. The volume of these transactions is insignificant.

Balances on lending transactions with parties related to the Bank amount to UAH 1,784 thousand as at 31 December 2019.

Balances on borrowings from related parties amount to UAH 41,739 thousand as at 31 December 2019.

Transactions with shareholders and related parties have no adverse effect on the Bank's operations. The maximum credit risk ratio on transactions with related parties (N9) has been varying from 0.12% to 2.71% in 2019, which indicates that the credit risk on these transactions is insignificant (the NBU ratio is 25%).

IV. Current performance and further development perspectives

4.1 Key trends and factors affecting the business

The Bank's strategy is contingent upon the sustainable growth of the Ukrainian economy, ongoing cooperation with the International Monetary Fund and other international financial institutions, non-escalation of political conflicts and takes into account the Programme for Comprehensive Development of the Financial Sector developed by the National Bank of Ukraine.

Events below have become significant risk factors for the Bank's operations in 2019: presidential elections, strengthening of the Ukrainian hryvnia, the policy of the National Bank of Ukraine to increase the requirements to ratios and bank reserves. It is expected that significant foreign currency payments, that Ukraine will make on public and publicly guaranteed debt, changes in the Ukrainian government, decline of the industrial production and other factors will have a significant effect in 2020.

The Development Strategy and Business Plan of the Bank for 2020 were significantly affected by the findings of the resilience assessment conducted by the National Bank of Ukraine in 2019, which resulted in an approval of the Capitalisation/Restructuring Plan for 2020 by the National Bank of Ukraine and the Bank.

4.2 Bank's performance against management's targets

In 2019, the Bank has met the targets set in the Business Plan of the Bank in terms of assets and liabilities and completed 55% of the revenue plan.

Performance against targets for 2019

A) Plan performance in terms of liabilities

	ACTUAL	TARGET	performance to plan, %
	31/12/2019	**31/12/2019**	
SHAREHOLDER FUNDS			
Equity	325,496,493	362,135,542	90%
Subordinated debt	99,792,816	102,000,000	98%
TREASURY			
Interbank loans	53,814,000	150,000,000	36%
CORPORATE BUSINESS			
deposits from entities	452,021,918	390,000,000	116%
current accounts of entities	1,197,962,301	550,290,000	218%
SMALL AMD MEDIUM-SIZED ENTERPRISES			
Deposits from entities and individual entrepreneurs	157,165,701	70,600,000	223%
current accounts of entities and individual entrepreneurs	281,816,081	168,420,000	167%
RETAIL BANKING			
deposits from individuals	910,889,693	931,186,306	98%
current accounts of individuals	169,505,541	61,700,000	275%
card accounts of individuals	171,771,764	181,693,465	95%
ACCOUNTS PAYABLE, OTHER	110,864,627	116,410,237	95%
TOTAL	**3,931,100,936**	**3,084,435,551**	**127%**

B) Plan performance in terms of assets

	ACTUAL 31/12/2019	TARGET 31/12/2019	performance to plan, %
TREASURY			
Securities (government securities)	1,542,118,036	428,872,872	360%
CORPORATE BUSINESS			
loans to entities	397,526,073	530,000,000	75%
overdrafts of entities	97,913,695	236,195,562	41%

	ACTUAL 31/12/2019	TARGET 31/12/2019	performance to plan, %
SMALL AMD MEDIUM-SIZED ENTERPRISES			
car loans to entities and individual entrepreneurs	176,911,899	141,564,581	125%
overdrafts of entities and individual entrepreneurs	3,998,882	2,750,000	145%
other loans (including machinery on credit)	44,168,149	42,552,326	104%
RETAIL BANKING			
mortgage loans to individuals	405,591,237	400,000,000	101%
car loans to individuals	267,541,556	260,538,290	103%
card loans to individuals	133,405,822	145,238,198	92%
other loans	8,439,886	10,143,675	83%
consumer loans	130,450,725	248,908,438	52%
loans in cash	12,740,339	38,773,533	33%
CASH ON HAND	77,537,394	65,000,000	119%
- CASH ON CORRESPONDENT ACCOUNT WITH THE NATIONAL BANK OF UKRAINE	213,890,158	150,000,000	143%
CASH ON CORRESPONDENT ACCOUNTS WITH OTHER BANKS	239,083,023	180,000,000	133%
RESERVES	-171,798,066	-182,558,205	94%
ACCOUNTS RECEIVABLE, OTHER	142,156,682	167,456,281	85%
PROPERTY, PLANT AND EQUIPMENT AND OTHER ASSETS	209,425,447	219,000,000	96%
TOTAL	**3,931,100,936**	**3,084,435,551**	**127%**

B) Plan performance in terms of revenue

	ACTUAL	TARGET	performance to plan, %
	31/12/2019	31/12/2019	
- TREASURY			
Securities	61,384,788	48,039,469	128%
Foreign currency transactions + other revenue	99,221,920	66,598,477	149%
CORPORATE BUSINESS			

	ACTUAL	TARGET	performance to plan, %
	31/12/2019	31/12/2019	
accounts + foreign currency	24,884,849	23,030,629	108%
loans to entities - reserve-related expenses	38,524,449	92,961,830	42%
overdrafts of entities - - reserve-related expenses	27,492,313	31,342,707	88%
guarantees	68,628,658	56,615,429	121%
SMALL AMD MEDIUM-SIZED ENTERPRISES			
accounts + foreign currency	21,805,050	21,708,459	100%
car loans to entities and individual entrepreneurs - reserve-related expenses	37,255,903	33,594,696	111%
overdrafts of entities - - reserve-related expenses	403,784	523,270	77%
other loans - reserve-related expenses	9,217,712	8,386,930	110%
RETAIL BANKING			
accounts + foreign currency + payments - expenses	11,851,455	9,856,567	120%
mortgage loans to individuals - reserve-related expenses	85,634,382	101,189,882	85%
car loans to individuals - reserve-related expenses	54,198,029	60,293,231	90%
card loans to individuals - reserve-related expenses	56,227,250	48,529,232	116%
other loans - reserve-related expenses	1,779,285	2,505,533	71%
consumer loans - reserve-related expenses and costs	18,524,016	19,145,718	97%
loans in cash - reserve-related expenses	1,054,720	5,224,567	20%
TOTAL REVENUE (minus commission expenses and reserves)	618,088,563	629,546,627	98%
INTEREST EXPENSES	-273,238,857	-270,395,496	101%
WAGES AND SALARIES	-210,256,175	-178,216,342	118%
OTHER EXPENSES (leases, amortisation/depreciation, administrative expenses)	-89,751,217	-98,836,244	91%
PROFIT	**44,942,314**	**81,581,363**	**55%**

In 2019, the key achievements of the Bank are as follows:
- the Bank’s profit for 2019 amount to UAH 44,942,314;
- customer base and borrowings increased significantly;
- portfolios of mortgage loans, machinery loans to SMEs, consumer loans to individuals increased significantly;
- wages and salaries of the Bank’s employees increased significantly;

- based on findings of a comprehensive inspection of the NBU conducted at the end of 2019, the Bank almost does not need to increase the credit risk exposure or adjust the economic ratios.

In 2019, according to overall results of a reputable survey Top-50 Banks of Ukraine, the Bank was ranked 24th among 50 leading Ukrainian banks and collected the following awards:
Nomination ‘Mortgage’ – 1st place;
Nomination ‘Car Loan’ – 5th place;
Nomination ‘Loans to Small and Medium-sized Enterprises’ – 8th place;
Nomination ‘Overdrafts’ – 9th place;
Nomination ‘Best Top Manager’ – 10th place.

4.3 Analysis of significant changes in financial position, liquidity and results

The Bank has earned UAH 63.91 million in profit for 2019.

Key indicators of revenue and expenses of the Bank in 2019	**in Ukrainian hryvnia**
INTEREST EXPENSES	-276,530,224
INTEREST INCOME	425,230,586
FEES, COMMISSIONS AND OTHER INCOME	325,376,560
OTHER EXPENSES	-97,279,355
ADMINISTRATIVE EXPENSES	-331,855,252
OPERATING RESULT	44,942,314
NET PROFIT	44,942,314

Net interest income for 2019 amounted to UAH 148.7 million.
In 2019, the Bank has significantly increased the amount of high-quality liquid cash, allowing it to smooth out shocks in the future.
From 1 January 2019 to 1 January 2020, balances on deposit and current accounts from bank customers increased by 55% from UAH 2,164.47 million to UAH 3,356.7 million.

4.4 Reasons for changing indicators of the reporting period

A significant increase in the assets and liabilities of the Bank is associated with increases in its customer base. Significant increases in interest income is associated with the growth of the more profitable loan portfolio. Accordingly, retail lending to individuals through retail chains increased significantly in 2019. The increase in fee and commission income is driven by the growth in guarantee transactions.

4.5 Intention to implement the Bank’s strategy in the long term

According to the Strategy for 2020-2022 and Business Plan for 2020, the Bank plans to maintain a universal bank profile and continue its policy of qualitative growth.
Key objectives for 2020 are as follows:

- to earn UAH 62.35 million in profit;
- to continue development of lending programmes from 2019: target housing loans, car loans, loans on machinery, overdrafts, working capital loans to entities, card loans to individuals;
- to decrease the amount of foreign currency borrowings;
- to continue decreasing concentration in the loan portfolio and borrowings.

V. Key Performance Indicators (KPI)

Management evaluates the Bank's performance based on its progress in achieving the planned performance indicators, primarily the profit-related figures, and compliance with the economic ratios set by the National Bank of Ukraine.
Planned performance indicators as a whole and for main business units of the Bank are set by the Supervisory Board as part of its Business Strategy for three years and Business Plan for one year.
Planned performance indicators of its branches are set by business units of the Bank.
Information about the Bank's implementation of the Business Plan in 2019 is detailed in Section 4.2.

VI. Use of Financial Derivatives

In 2019, the Bank did not enter into derivatives or transaction with derivative securities.

VII. Corporate Governance Report

The Corporate Governance Code of the Bank approved by Shareholder Decision No. 2 dated 24 September 2018 (minutes no. 2). In 2019, the wording of the Corporate Governance Code was not amended. This document is available at the official website of the Bank: https://globusbank.com.ua/ua/korporativnoe-upravlenie.html
The Bank's management strictly complies with the approved Corporate Governance Code. The Corporate Governance Code is consistent with the law of Ukraine.

7.1. General meetings of shareholders (members) and summary of decisions approved.

In 2019, the general meetings of shareholders addressed the following matters:

1) changes in composition of the Supervisory Board (meetings dated 17 January 2019, 19 February 2019 and 4 December 2019);
2) approval of the request of the Supervisory Board to conduct a significant transaction in 2019 on operations with deposit certificates of the National Bank of Ukraine (a meeting dated 29 January 2019);
3) review and approval of the report of the Supervisory Board and Management Board on the Bank's performance for 2018, identification of key lines of business of the Bank for 2019, review and approval of the independent auditor's report prepared by LLC "Baker Tilly Ukraine" on the Bank's performance for 2018, annual financial statements of the Bank for 2019, approval of the procedure for profit allocation (loss coverage) of the Bank based on results of 2018, as well as election of members to the Supervisory Board, including the Chair of the Supervisory Board and resolution of matters related to current operations of the Bank (a meeting dated 26 April 2019);
4) remuneration to members of the Supervisory Board (a meeting dated 26 April 2019);
5) approval of the market value of property and recognition of property impairment: horticultural society "Borovyk" (a meeting dated 3 June 2019);
6) approval of the Regulation on the Supervisory Board, the Regulation on the Management Board, the Regulation on the Remuneration to the Supervisory Board, the Regulation on the Remuneration to the Management Board, and the Regulation on the Procedure for the

Recruitment, Assessment and Election of a Candidate Member to the Supervisory Board (a meeting dated 26 September 2019);

7) remuneration to a member of the Supervisory Board: (a meeting dated 1 October 2019);
8) issue of an approval, as requested by the Supervisory Board, to conduct a significant transaction during 2019 on operations with deposit certificates of the National Bank of Ukraine (a meeting dated 28 December 2019).

General meetings imposed no restrictions on shareholders (members) with regard to their right of participation and right of vote.

7.2. Members of the Supervisory Board and collegiate executive body of the Bank, their committees, information on the meetings held and summary of decisions adopted.

From 4 December 2019, the Supervisory Board is represented by:

1) Chairperson of the Supervisory Board, Polkovskyi D.Ye.;
2) Member of the Supervisory Board, Sylniahina O.A.;
3) Member of the Supervisory Board, Kurilenko S.B.;
4) Member of the Supervisory Board, Bortnyk V.M. (independent director);
5) Member of the Supervisory Board, Voshchylko M.V.(independent director);
6) Member of the Supervisory Board, Mustafaieva D.N. (independent director).

From 19 February 2019, the Supervisory Board is represented by:

1) Chairperson of the Supervisory Board, Polkovskyi D.Ye.;
2) Member of the Supervisory Board, Rybytva O.A.;
3) Member of the Supervisory Board, Kurilenko S.B.;
4) Member of the Supervisory Board, Bortnyk V.M. (independent director);
5) Member of the Supervisory Board, Voshchylko M.V.(independent director);
6) Member of the Supervisory Board, Mustafaieva D.N. (independent director).

From 17 January 2019, the Supervisory Board is represented by:

1) Chairperson of the Supervisory Board, Polkovskyi D.Ye.;
2) Member of the Supervisory Board, Rybytva O.A.;
3) Member of the Supervisory Board, Kurilenko S.B.;
4) Member of the Supervisory Board, Bortnyk V.M. (independent director);
5) Member of the Supervisory Board, Voshchylko M.V.(independent director).

Until 17 January 2019, the Supervisory Board is represented by:

1) Chairperson of the Supervisory Board, Polkovskyi D.Ye.;
2) Member of the Supervisory Board, Rybytva O.A.;

3) Member of the Supervisory Board, Kurilenko S.B.;

4) Member of the Supervisory Board, Bortnyk V.M. (independent director);

5) Member of the Supervisory Board, Voshchylko M.V.(independent director);

6) Member of the Supervisory Board, Didenko V.V. (independent director).

In 2019, the Bank's Supervisory Board held 59 meetings. The meetings addressed the matters falling within the competence of the Supervisory Board, the law of Ukraine and the Articles of Associations of the Bank.

Key matters on the agenda of the Supervisory Board were review and approval of the following:

1) report for 2018, work plan and expenditure budget for 2019 of the Internal Audit Service of the Bank, composition of the Audit Committee of the Supervisory Board, report for 2018 and remuneration to the Management Board, report on the inspection of the Bank by the National Bank of Ukraine, regular reports of the Audit Committee of the Supervisory Board, compliance unit, risk management unit, risk limits, powers of the Management Board to conduct significant transactions, internal regulations, and other matters related to the Bank's operations (17 meetings in Q1 2019);
2) regular reports of the compliance unit, risk management unit, risk limits, independent auditor's report for 2018, organisational structure of the Bank, composition of the Management Board of the Bank and Loan Committee of the Management Board, progress of the Management Board in achieving planned indicators, movement of specific indicators and compliance with limits set by the Bank, regulations on structural units and other internal regulations, and other matters related to the Bank's operations (19 meetings in Q2 2019);
3) regular reports of controlling units of the Bank, risk management strategy and business plan correlation, selection of the audit firm to conduct an independent audit, internal regulations, and other matters related to the Bank's operations (11 meetings in Q3 2019);
4) Capitalisation/restructuring programmes of the Bank, strategy and results of work with bad debt, strategic areas of work with non-core assets, business plan of the Bank for 2020, results of inspection of non-performing asset management, powers of the Management Board to conduct significant transactions, results of the test of the members of the Supervisory Board, members of the Management Board and head of internal audit of the Bank for business reputation and professional suitability requirements established by the National Bank of Ukraine, regular reports of the controlling units of the Bank, risk limits, internal regulations and other matters related to the Bank's business (12 meetings in Q4 2019).

In order to maintain close cooperation between the Management Board and Supervisory Board, the Bank has an Audit Committee created by the Supervisory Board in 2017. The Audit Committee is chaired by an independent member of the Supervisory Board, who has the required qualification and certification. The Audit Committee is represented by 3 members of the Supervisory Board, including 2 independent members.

The composition of the Audit Committee and the Supervisory Board was subject to the following **changes**:

1) **As from 19 February 2019, the Audit Committee is represented by:**
   - Voshchylko M.V., Chairperson of the Committee;

- Kurilenko S.B., member of the Committee;
- Mustafaieva D.N., member of the Committee;

2) **Until 19 February 2019, the Audit Committee is represented by:**
   - Voshchylko M.V., Chairperson of the Committee;
   - Kurilenko S.B., member of the Committee;
   - Polkovskyi D.E., member of the Committee.

The Audit Committee is assigned with the following functions: monitoring of internal controls; supervision of the Internal Audit Service and Compliance Unit, including approval/appointment or terminating the employment of head officers; review of audit reports prepared by the Internal Audit Service; selection of and cooperation with an external auditor; and supervision of compliance with the law and internal procedures.

During the reporting year, 21 meetings of the Audit Committee were held to consider matters related to the Internal Audit Service's work plan, audit findings and progress of implementing respective recommendations, internal controls assessment report, reports of the Internal Audit Service and Compliance Unit, conflict of interest reports, as well as the matters of engaging an audit firm to confirm the Bank's financial statements for 2019 (including the assessment of the auditor's independence).

As from 5 December 2019, the Management Board is represented by:
1) Chairperson of the Management Board, Mamedov S.H.;
2) First Deputy Chairperson of the Management Board, Dmitriieva O.M.;
3) Deputy Chairperson of the Management Board, Yevchuk H.P.;
4) member of the Management Board – Chief Accountant, Lipatova A.M.;
5) member of the Management Board – Operations Director, Klevaichuk S.V.;
6) member of the Management Board – Director of Risk Management, Yermolova O.H.;
7) member of the Management Board – Head of Project Management Solodkyi V.V.;
8) member of the Management Board – Head of Financial Monitoring Sheffer M.Ya.

As from 20 May 2019, the Management Board is represented by:
1) Chairperson of the Management Board, Mamedov S.H.;
2) Deputy Chairperson of the Management Board, Sylniahina O.A.;
3) Deputy Chairperson of the Management Board, Dmitriieva O.M.;
4) Deputy Chairperson of the Management Board, Yevchuk H.P.;
5) member of the Management Board – Chief Accountant, Lipatova A.M.;
6) member of the Management Board – Operations Director, Klevaichuk S.V.;

9) member of the Management Board – Director of Risk Management, Yermolova O.H.;

7) member of the Management Board – Head of Project Management Solodkyi V.V.;

8) member of the Management Board – Head of Financial Monitoring Sheffer M.Ya.

Until 20 May 2019, the Management Board is represented by:

1) Chairperson of the Management Board, Mamedov S.H.;

2) Deputy Chairperson of the Management Board, Sylniahina O.A.;

3) Deputy Chairperson of the Management Board, Dmitriieva O.M.;

4) Deputy Chairperson of the Management Board, Yevchuk H.P.;

5) member of the Management Board – Chief Accountant, Lipatova A.M.;

6) member of the Management Board – Operations Director, Klevaichuk S.V.;

7) member of the Management Board – Head of Risk Management Solodkyi V.V.;

8) member of the Management Board – Head of Financial Monitoring Sheffer M.Ya.

In 2019, the Management Board of the Bank held 99 meetings, of which 23 were held in Q1 2019, 28 in Q2 2019, 23 in Q3 2019 and 25 in Q4 2019.

Key matters on the agenda of the Management Board were review and approval of the following: forms of the Bank's agreements and products, internal regulations, regular reports of the risk management unit, compliance unit, financial monitoring unit with regard to related parties, lending decisions, limits on transactions with counterparty banks and movement of specific indicators and compliance with limits set by the Bank, results of work with bad debt, specific matters of giving sponsorship assistance by the Bank and economic activity of the Bank, staffing chart and other matters related to the Bank's operating activity.

To ensure the implementation of strategic and current objectives assigned to the Management Board, the following committees were established:

1. **Loan Committee.** In 2019, the composition of the Loan Committee was changed as follows:

    3) **As from 5 December 2019, the Loan Committee is represented by:**

    - Chairperson of the Committee – Chairperson of the Management Board, Mamedov S.H.;
    - Deputy Chairpersons of the Committee – First Deputy Chairperson of the Management Board, Dmitriieva O.M., and Deputy Chairperson of the Management Board, Yevchuk H.P.;
    - Committee members – Director of Risk Management Yermolova O.H., Head of Security Ivanenko A.L. and Head of Small and Medium-sized Enterprises Shulha O.A.;

    4) **As from 20 May 2019, the Loan Committee is represented by:**

    - Chairperson of the Committee – Chairperson of the Management Board, Mamedov S.H.;

- Deputy Chairpersons of the Committee – Deputy Chairpersons of the Management Board Sylniahina O.A. and Dmitriieva O.M.;

- Committee members – Deputy Chairperson of the Management Board Yevchuk H.P., Director of Risk Management Yermolova O.H., Head of Small and Medium-sized Enterprises Shulha O.A.

5) **Until 20 May 2019, the Loan Committee is represented by:**
   - Chairperson of the Committee – Chairperson of the Management Board, Mamedov S.H.;

   - Deputy Chairpersons of the Committee – Deputy Chairpersons of the Management Board Sylniahina O.A. and Dmitriieva O.M.;

   - Committee members: Deputy Chairperson of the Management Board Yevchuk H.P., Head of Risk Management Solodkyi V.V., Head of Small and Medium-sized Enterprises Shulha O.A.

In 2019, the Loan Committee held 251 meetings which addressed the following matters:
- approval of loan programmes and loan issue decisions; review of results of monitoring the Bank's loan portfolio and non-performing loans;

- review and approval of the credit risk assessment on asset-side transactions of the Bank;

- review and approval of the allowance for potential losses on asset-side transactions / financial liabilities;

- approval of classification and quality assessment of the Bank's assets; ensuring compliance with credit risk assessment procedures.

2. **Asset/Liability Committee (ALCO).** In 2019, the composition of the committee was changed as follows:
   6) **As from 5 December 2019, the ALCO is represented by:**
      - Chairperson of the Committee – Head of Treasury, Lazariev D.Ye.;

      - Deputy Chairperson of the Committee – Chairperson of the Management Board, Mamedov S.H.;

      - Committee members – First Deputy Chairperson of the Management Board Dmitriieva O.M., Deputy Chairperson of the Management Board Yevchuk H.P., Director of Risk Management Yermolova O.H.

   7) **As from 20 May 2019, the ALCO is represented by:**
      - Chairperson of the Committee – Head of Treasury, Lazariev D.Ye.;

      - Deputy Chairperson of the Committee – Chairperson of the Management Board, Mamedov S.H.;

- Committee members – Deputy Chairpersons of the Management Board Sylniahina O.A., Dmitriieva O.M. and Yevchuk H.P., as well as the Director of Risk Management Yermolova O.H.

8) **Until 20 May 2019, the Alco is represented by:**
   - Chairperson of the Committee – Head of Treasury, Lazariev D.Ye.;
   - Deputy Chairperson of the Committee – Chairperson of the Management Board, Mamedov S.H.;
   - Committee members – Deputy Chairperson of the Management Board Sylniahina O.A., Dmitriieva O.M. and Yevchuk H.P., as well as the Head of Risk Management – Solodkyi V.V.

In 2019, the ALCO held 131 meetings which addressed the following matters:

- balance between risks, profits and liquidity of the Bank;
- profitability of banking operations;
- compliance with banking regulations set by the National Bank of Ukraine, including those related to reserves;
- optimisation of cash flows and payment discipline;
- minimum required level of liquidity through the cheapest way possible;
- meeting the interests of the Bank, shareholders and customers.

3. **Financial Monitoring Committee** deals with matters related to the Bank's ability to fulfil obligations as a subject of financial monitoring. In 2019, the composition of the committee was changed as follows:

1) **As from 5 December 2019, the Financial Monitoring Committee is represented by:**
   - Chairperson of the Committee – Chairperson of Financial Monitoring, Sheffer M.Ya.;
   - Deputy Chairperson of the Committee – Deputy Chairperson of the Management Board, Yevchuk H.P.;
   - Committee members – Operations Director of the Bank Klevaichuk S.V., Director of Risk Management Yermolova O.H. and Head of Legal Department Bondarenko R.V.;

2) **As from 1 October 2019, the Financial Monitoring Committee is represented by:**
   - Chairperson of the Committee – Chairperson of Financial Monitoring, Sheffer M.Ya.;
   - Deputy Chairperson of the Committee – Deputy Chairperson of the Management Board, Sylniahina O.A.;

- Committee members – Operations Director Klevaichuk S.V., Director of Risk Management Yermolova O.H. and Head of Transaction Banking Panichuk O.V.;

3) **As from 20 May 2019, the Financial Monitoring Committee is represented by:**
   - Chairperson of the Committee – Chairperson of Financial Monitoring, Sheffer M.Ya.;
   - Deputy Chairperson of the Committee – Deputy Chairperson of the Management Board, Sylniahina O.A.;
   - Committee members – Operations Director of the Bank Klevaichuk S.V., Director of Risk Management Yermolova O.H. and Head of Account Management Kuchuk A.O.

4) **Until 20 May 2019, the Financial Monitoring Committee is represented by:**
   - Chairperson of the Committee – Chairperson of Financial Monitoring, Sheffer M.Ya.;
   - Deputy Chairperson of the Committee – Deputy Chairperson of the Management Board, Sylniahina O.A.;
   - Committee members – Operations Director, Klevaichuk S.V.; Head of Risk Management, Solodkyi V.V.; and Head of Account Management, Kuchuk A.O.

4. Tariff Committee deals with matters related to setting tariffs and prices on services of the Bank. In 2019, the composition of the committee was changed as follows:

1) **As from 5 December 2019, the Financial Monitoring Committee is represented by:**
   - Chairperson of the Committee – First Deputy Chairperson of the Management Board, Dmitriieva O.M.;
   - Deputy Chairperson of the Committee – Deputy Chairperson of the Management Board, Yevchuk H.P.;
   - Committee members – Chief Accountant Lipatova A.M. and Operations Director Klevaichuk S.V.

2) **Until 5 December 2019, the Financial Monitoring Committee is represented by:**
   - Chairperson of the Committee – Deputy Chairperson of the Management Board, Dmitriieva O.M.;
   - Deputy Chairperson of the Committee – Deputy Chairperson of the Management Board, Yevchuk H.P.;
   - Committee members – Deputy Chairperson of the Management Board, Sylniahina O.A.; Chief Accountant, Lipatova A.M.; and Operations Director, Klevaichuk S.V.

7.3. Main characteristics of internal control system.

There were no changes of internal control system of the Bank in the reporting period. The Regulation on the Internal Control System of the Bank was approved by decision of the Supervisory Board of the Bank dated 20 August 2018 (minutes no.). The Regulation outlined main characteristics of internal control system, methods of control and assessment.

The Bank designed a 3-level internal control system (ICS) using the COSO model (three lines of defence). For conceptual representation of the model, refer to figure 1.

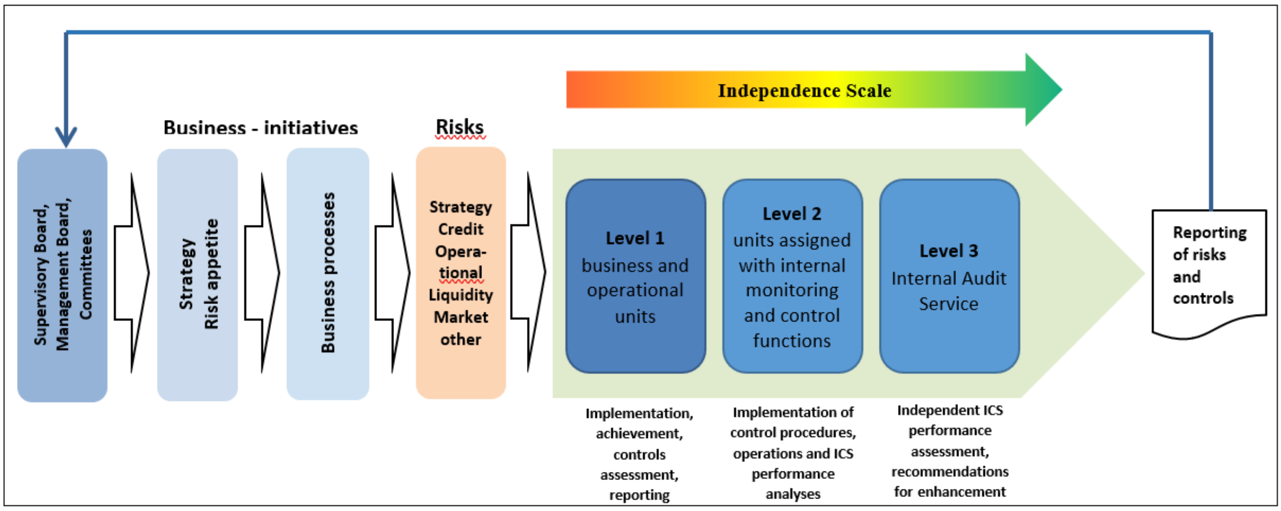


Figure 1. ICS model

Level 1 controls (business and operational units) are responsible for risk identification and handling, development/updating and achievement of milestones that constitute an integral part of daily duties. For example: for front office employees - checking documents during customer identification, preventing the risk of fraud when opening and maintaining accounts; for a business line – development of a business process for opening a customer account, which elaborates on what actions and control measures need to be undertaken, progress monitoring and performance analysis of the process and its controls.

Level 1 controls are not independent since controlling actions are designed and exercised directly and first-hand.

Level 2 controls (units assigned with internal monitoring and control functions) are responsible for development of risk control and management procedures, control over their compliance, continuous performance monitoring of Level 1, assistance to those implementing Level 1 controls with risk prevention and handling, design and implementation of controls. This level is the management function. It has a higher degree of objectivity but is not fully independent of Level 1, since both levels work together in a close and active cooperation. Level 2 approves and contributes to the development of business processes, controls the risk exposure and effectiveness of controls.

Level 3 controls (units exercising independent control) are responsible for an independent performance assessment of risk management and ICS. Level 3 controls include the Internal Audit Service, which is not directly involved in transactions or transaction control. Therefore, it is independent and provides for the highest level of objectivity in an assessment.

Depending on the classification method, the Bank determines the following types of control by:

- ✓ the timing of control (preliminary, current and post-control);
- ✓ the purpose of control (prevention, identification and adjustment);

- ✓ the subjects of control (independent, double, collegiate and automated);
- ✓ by frequency (functional (permanent) and periodic);
- ✓ the scope of control (full, portfolioand selective).

7.4. List of direct/indirect majority shareholders

List of direct/indirect majority shareholders of the Bank:

1) Limited Liability Company “UKRAINIAN MEDIA TECHNOLOGIES” is the sole shareholder that directly holds 100% of shares in the Bank;
2) Limited Liability Company “KETLEN” – indirect shareholding in the Bank – 99.993% via LLC “UKRAINIAN MEDIA TECHNOLOGIES”;
3) Sylniahina Olena Anatoliivna – indirect shareholding in the Bank – 50.5% via LLC “KETLEN”, which holds 99.993% in LLC “UKRAINIAN MEDIA TECHNOLOGIES”, and 0.007% via LLC “UKRAINIAN MEDIA TECHNOLOGIES”.
4) TERMAN INTERNATIONAL LTD. – indirect shareholding in the Bank – 44.4969% via LLC “KETLEN”, which holds 99.993% in LLC “UKRAINIAN MEDIA TECHNOLOGIES”.
5) Polkovskyi Dmytro Eduardovych – indirect shareholding in the Bank – 100.00% via TERMAN INTERNATIONAL LTD and 44.4969% via LLC “KETLEN”, which holds 99.993% in LLC “UKRAINIAN MEDIA TECHNOLOGIES”, and 5% via LLC “KETLEN”, which holds 99.993% in LLC “UKRAINIAN MEDIA TECHNOLOGIES”.

No changes took place in the structure of majority shareholders in the reporting period.

7.5. Appointment and dismissal procedure

The procedure for appointing and dismissing officers of the issuer is governed by the Articles of Association, Regulation on the Supervisory Board and Regulation on the Management Board.

Supervisory Board is elected for three years at the General Meeting from the Bank's shareholders (individuals with a full civic capacity and/or entities), their representatives or independent members. The number of members in the Supervisory Board is regulated by the Articles of Association and cannot be more than five (5) people.

Members are elected to the Supervisory Board only by cumulative voting. An entity elected to the Supervisory Board as a member can have an unlimited number of representatives in the Supervisory Board. The actions of such shareholder representatives in the Supervisory Board are governed by the shareholder himself/herself. At least one third of the Supervisory Board should be comprised of independent directors and, in any case, in the quantity of three people or more.

Members of the Supervisory Board (candidates) shall meet requirements for business reputation and professional suitability, have impeccable business reputation, and independent directors shall meet independence requirements of the law of Ukraine. Independent director (candidate) shall have expertise in the areas of corporate governance, banking and their regulation to the extent necessary for the effective performance of duties in the Supervisory Board.

The Supervisory Board members cannot be members of the Management Board of the Bank. They cannot hold any other positions in the Bank under an employment contract or render any services to the Bank under a civil contract.

Collective suitability of the Supervisory Board (existence of collective knowledge, skills, professional and managerial experience among the Chairperson and members of the Supervisory

Board to the extent necessary (sufficient) to understand all aspects of the Bank's operations, adequately assess risks, make informed decisions, and ensure effective management and control of the Bank's operations as a whole) shall always correspond to the size, special features of the bank, the nature and scope of banking and other financial services, the risk profile of the bank, the systemic importance of the bank and the banking group of which the bank is a part.
Members of the Supervisory Board are approved for positions in accordance with the procedure established by the National Bank of Ukraine.
The Chairperson of the Supervisory Board is elected by the General Meeting. A member of the Supervisory Board, who has been the chairperson of the Bank's collegiate executive body during the previous year, cannot become the Chairperson of the Supervisory Board. The Supervisory Board has the right to re-elect the Chairperson of the Supervisory Board at any time.
General Meeting of Shareholders may decide on the early termination of the powers of the Supervisory Board members and the simultaneous election of new members at any time and in any case in compliance with the applicable law of Ukraine.
Without the decision of the General Meeting, the powers of a member of the Supervisory Board shall be terminated early:

1) at his or her own request and subject to written notice sent to the Bank 14 calendar days in advance;
2) in case the member of the Supervisory Board is unable to perform his or her duties for the reasons of ill health;
3) if a court ruling or judgement becomes effective and is passed upon the officer thus precluding him/her to perform duties as a member of the Supervisory Board.
4) if he or she dies or is recognised incapable, restrictedly capable, missing or dead.

Powers of the Supervisory Board member shall be terminated immediately with the contract concluded with him/her.
If the Supervisory Board member leaves the Supervisory Board, his/her duties and powers are assigned to the members of the Supervisory Board remaining prior to the respective decision of the General Meeting.
In case of restructuring, liquidation or appointment of temporary administration of the Bank, the powers of members of the Supervisory Board are terminated in accordance with the law of Ukraine.
The Management Board is the executive body of the Bank that manages the Bank’s current operations, establishes funds necessary for its statutory activities and is responsible for the Bank’s performance in accordance with the principles and procedure established by the Articles of Association of the Bank, resolutions of the General Meeting of Shareholders and the Supervisory Board.
The number of members and composition of the Management Board is approved by the Supervisory Board of the Bank in a procedure and within the powers conferred in accordance with the Articles of Association and internal regulations of the Bank.
The Management Board shall comprise of at least three people. The Management Board is comprised of the Chairperson, Deputy Chairperson(s) and members of the Management Board.
Chairperson and members of the Management Board are assigned by the Supervisory Board of the Bank for a period of 5 years or less. Powers of the Chairperson and members of the Management Board may be terminated when stipulated by the law of Ukraine and agreements (contracts) with them. On behalf of the Bank, an agreement (contract) concluded with each member of the Management Board is signed by the Chairperson of the Supervisory Board or a person authorised for such actions by the Supervisory Board of the Bank.

Any individual that has full legal capacity and meets the qualification requirements for professional suitability and business reputation established by the Law "On Banks and Banking Activity" and regulations of the National Bank of Ukraine may become a member of the Management Board. The Supervisory Board of the Bank supervises the compliance of the Chairperson and members of the Management Board with the law of Ukraine.

The Management Board is chaired and managed by its Chairperson elected by a decision of the Supervisory Board.

The Chairperson, Management Board members and Chief Accountant of the Bank assume office on the basis of agreements (contracts) concluded with them and upon a respective approval by the National Bank of Ukraine.

Powers of the Chairperson and Management Board members may be terminated when stipulated by the law of Ukraine and agreements (contracts) concluded with them.

7.6. Powers conferred upon the Bank's officers.

Powers of the Bank's officers are determined by the Articles of Association, Regulation on the Supervisory Board and Regulation on the Management Board.

Chairperson of the Supervisory Board:

1) organises the work of the Supervisory Board and exercises control over the achievement of planned indicators;
2) ensures clear segregation of duties between the members of the Supervisory Board and efficient exchange of information;
3) convenes and presides at meetings of the Supervisory Board, approves the agenda, ensures observance of the agenda;
4) ensures priority of strategic matters of the Bank during discussions at the meetings of the Supervisory Board;
5) encourages and facilitates open and critical discussion of the matter at the meetings of the Supervisory Board, and ensures that each individual opinion is spoken and discussed before the final decision;
6) ensures that decisions of the Supervisory Board are based on documents and information, which are made available to members of the Supervisory Board in advance of the meeting for them to be able to examine the matter (conduct a comprehensive assessment of the information provided) and make an informed decision;
7) organises the keeping of meeting minutes of the Supervisory Board and their storage;
8) organises the creation of committees of the Supervisory Board and nomination of Supervisory Board members to committees, coordinates activities, communication between committees and with other bodies and officers of the Bank;
9) prepares speeches and reports to the General Meetings on the activities of the Supervisory Board, general condition of the Bank and measures taken to achieve the Bank's targets;
10) assesses the performance of the Supervisory Board;
11) liaises with other bodies and officers of the Bank;
12) performs other functions stipulated by the law of Ukraine, the Articles of Association, decisions of the General Meetings, etc.

The **Supervisory Board** has the exclusive competence:

1) to approve the Bank's development strategy in accordance with the key lines of business outlined by the General Meetings;

2) to approve the Bank's budget, including the budget of the Internal Audit, and to approve the Bank's business development plan;
3) to define and approve the risk management strategy, policy and procedures, as well as the list of risks and limits of risk exposure;
4) to ensure the functioning of internal control system of the Bank and control over its effectiveness;
5) to control the effectiveness of the risk management system;
6) to approve the recovery plan for the Bank's operations;
7) to identify capitalisation sources and other financing of the Bank;
8) to determine the Bank's lending policy;
9) to determine the Bank’s organisational structure, including that of the internal audit unit;
10) to approve internal rules applying to the Bank's structural units, unless their approval lies within the competence of the General Meetings. In this regard, the rules or other internal regulations that establish the procedure for conducting certain transactions by the Bank and the respective cooperation between its units, or those that are staffing or office administration procedures in nature, i.e. regulate the ongoing statutory activity, may be approved by other bodies/officers of the Bank in accordance with the powers conferred by the Articles of Association;
11) to appoint and dismiss the Chairperson and members of the Management Board, elect and terminate the powers of a person acting in place of the suspended Chairperson or Supervisory Board member, to appoint and dismiss the Head the Internal Audit Unit;
12) to control the activities of the Management Board, make suggestions for their improvement;
13) to establish the procedure and plans for the internal audit unit and control over its activity;
14) to chose an audit firm to conduct an external audit, approve the terms of a contract concluded with the firm and to determine the amount of consideration for the services;
15) to review an independent audit opinion, prepare recommendations for the General Meeting and adopt decisions on that audit opinion;
16) to control the removal of deficiencies identified by the National Bank of Ukraine and other state executive and administrative authorities which supervise the Bank's operations within their competence, as well as by an internal audit unit and an audit firm based on the independent audit findings;
17) to decide on the establishment of and shareholding in subsidiaries, their reorganisation and liquidation, creation of standalone units of the Bank, approval of their status and regulations;
18) to approve the terms of civil and employment contracts concluded with the members of the Management Board and employees of the internal audit unit and to determine the amount of consideration, including incentive and compensation payments;
19) to ensure that the Bank provides (publishes) reliable information on its activities in a timely manner and in accordance with the law;
20) to convene, prepare the agenda, adopt decisions on the date of the General Meetings;
21) to notify about the convening of the General Meetings in accordance with the law of Ukraine;
22) to adopt decisions on the placement of securities (other than shares) by the Bank;
23) to adopt decisions on the repurchase of securities (other than shares) placed by the Bank;
24) to adopt decisions on the sale of shares that were previously repurchased by the Bank;
25) to settle matters related to the Bank's participation in groups and other entities, change or termination of shareholding;

26) to adopt decisions on entering into significant transactions, if the market value of the property or services thereunder is within the range of ten (10) and twenty-five (25) percent of the asset value according to the latest annual financial statements of the Bank, except for transactions involving lending, guarantees, attraction of bank deposits and other banking operations stipulated by the licence of the National Bank of Ukraine; In addition to this exception, transactions qualifying for such an exception shall be also regulated by the Articles of Association and the law of Ukraine;
27) to adopt decisions on the selection (replacement) of the custodian and/or clearing institution, to approve the terms of contract with that institution and to determine the amount of consideration for the services;
28) to send, to the extent allowed by the law of Ukraine, proposals to shareholders on the repurchase of their shares;
29) to approve the procedure for entering into transactions with parties related to the Bank;
30) to determine the date of forming a list of parties entitled to dividends, procedure for and periods of dividend payment within the time frame allowed by the law of Ukraine;
31) to decide on undertaking acquisitions by the Bank in any way or manner allowed by the applicable law (including, but not limited to, by way of purchase, gift, barter, merger, participation in the share capital increase, etc.) of the entirety or a portion of assets, shares or interest in the share capital of financial institutions or any other potential competitors of the Bank, as well as the rights to their acquisition, except for the acquisition of shares by the Bank in the ordinary course of securities trading;
32) to handle matters determined by the law of Ukraine to be the competence of the Supervisory Board in the event of the Bank’s reorganisation;
33) to adopt decisions on entering into a transaction of interest, unless the Articles of Association, this Regulation and the applicable law of Ukraine prohibit to do so;
34) to determine whether it is probable that the Bank will be declared insolvent as a result of obligations assumed or their performance, including those related to the payment of dividends or share repurchase;
35) to adopt decisions on the selection of a valuation firm to appraise the Bank’s property, approve terms of contract with the valuer and determine the amount of consideration for its services;
36) to control the activities of the Management Board, make improvement suggestions and supervise the implementation of decisions of the General Meeting and the Supervisory Board;
37) to determine the procedure for the audit and control of the financial and economic activity of the Bank;
38) to approve the market value of the property, whenever stipulated by the law of Ukraine;
39) to approve the terms of payroll settlements and financial incentives for management (directors) of the Bank's branches and representation offices.
40) to approve the current (annual) and prospective budgets of the Bank, determine the procedure for creating, forming and using the Bank’s funds;
41) to issue decisions on holding the officers within the Bank's management bodies liable for property damage;
42) to determine which information about the Bank's operations shall be confidential;
43) to exercise other powers, including those delegated by the General Meeting.

Chairperson of the Management Board carries out functions of the chairperson of the collegiate body of the Bank, organises and ensures prompt resolution of issues related to management of the Bank's operations. Also, within its competence, the Chairperson:

1) acts on behalf of the Bank without the power of attorney, represents its interests before all enterprises, organisations, institutions, individuals, national and local self-government authorities, both in Ukraine and abroad;
2) dispose of the Bank's assets and funds in accordance with the applicable laws of Ukraine and the Articles of Association of the Bank;
3) issues powers of attorney on behalf of the Bank, enters into and signs contracts, including foreign economic contracts, establishes the procedure for signing contracts and other commitments and documents on behalf of the Bank;
4) on behalf of the Bank, signs legal claims, appeals, cassation appeals and other documents submitted to courts of any level or jurisdiction;
5) signs financial and other documents of the Bank;
6) approves decisions of the standing committee on property write-offs from the Bank's books, such as: property, plant and equipment and other non-current assets that are not ready for use, obsolete, physically impaired, damaged as a result of an accident or natural calamity, missing as a result of theft or detected in a stocktaking as a shortage in accordance with the applicable law of Ukraine;
7) gives suggestions as to the size and composition of the Bank's funds, as well as the procedure for their creation;
8) prepares materials to be reviewed at the regular and extraordinary General Meetings of Shareholders of the Bank;
9) approves the Bank's staffing schedule;
10) allocates duties among the members of the Management Board and determines their functional powers;
11) prepares reports on the implementation of the programmes approved by the General Meetings and submits documents for a review to the General Meetings of Shareholders, Supervisory Board and Audit Committee (if any) of the Bank;
12) issues orders and directives with regard to the Bank's operations, approves staff instructions for managers, their deputies and specialists at the Bank's structural units;
13) adopts decisions on the appointment and dismissal of structural unit managers, their deputies, specialists and other employees of the Bank, determines their salaries and premiums, applies financial incentives, makes decisions about bringing them to disciplinary or material liability;
14) performs other functions as assigned by the General Meeting of Shareholders, Supervisory Board and Management Board;

The competence of **the Management Board** shall include the resolution of all issues related to the management of the day-to-day operations of the Bank, except for issues related to the exclusive competence of the General Meeting and the Supervisory Board of the Bank. The Management Board is accountable to the General Meeting and the Supervisory Board and organises implementation of their decisions.

Management Board:

1) ensures preparation of the Bank's budget estimates, development strategies and business plans to be further approved by the Supervisory Board;
2) implements the development strategy and business plan of the Bank determined by the Supervisory Board;

3) determines forms and establishes the procedure for monitoring the Bank's activities;
4) implements the risk management strategy and policies approved by the Supervisory Board of the Bank, ensures implementation of risk identification, assessment, control and monitoring procedures;
5) forms the Bank's organisational structure as determined by the Supervisory Board;
6) ensures development of regulations that govern activities of the Bank's structural and standalone units in accordance with its development strategy;
7) ensures security of the Bank’s IT systems and systems used to hold the assets of its customers;
8) ensures compliance of the Bank's operations with the law of Ukraine and risk appetite statement approved by the National Bank of Ukraine;
9) informs the Supervisory Board about the Bank's performance indicators, any identified violations of law, internal regulations, as well as on the exposure to risks arising from the Bank’s operations and any deterioration of its financial position or any threat of such deterioration;
10) ensures development, participates in the development and approves internal regulations of the Bank with regard to risk management in compliance with the requirements of the National Bank of Ukraine and other matters;
11) prepares and submits to the Supervisory Board of the Bank the management reports on the risks to which the Bank is exposed, which include information about new types of products and significant changes in the Bank's operations;
12) prepares and submits to the Supervisory Board of the Bank the proposals for the necessity of making changes to the risk management strategy and policy;
13) controls the communication of information about changes made to the risk management strategy and policy and other internal risk management regulations with relevant structural units and employees of the Bank;
14) develops measures for the prompt elimination of deficiencies in the functioning of the risk management system, implementation of recommendations and observations on the results of risk assessment, audits of the internal audit unit, external auditors and supervisory bodies;
15) approves the limits for each type of risk in accordance with the list of limits set by the Supervisory Board;
16) manages the current operations of the Bank and organises the implementation of decisions of the General Meeting and the Supervisory Board;
17) informs the Supervisory Board on the untimely or inadequate performance of obligations of parties related to the Bank;
18) deals with matters related to the Bank's operations and disposes of the Bank's property within its competence;
19) defines the basic principles of conducting asset- and liability-side transactions;
20) submits annual reports and suggestions on the allocation of net profits for the review of the General Meetings of Shareholders;
21) as appropriate, prepares suggestions on matters to be considered by the General Meeting or the Supervisory Board;
22) approves the internal system of the Bank’s units and a system of incentives for those working at the units;
23) within its competence, adopts decisions on writing off the bad assets of the Bank, shortages and losses of its inventories in accordance with the law of Ukraine;

24) within its competence, adopts decisions and authorises the sale or write-off of assets pledged as collateral to the Bank, which were recognised on the Bank's balance sheet to repay the debt on loans and other asset-side transactions;
25) establishes standing bodies (committees, commissions, groups) to which certain powers of the Management Board can be delegated, as appropriate, and ensures supervision of these bodies;
26) prepares current, monthly, quarterly and annual reports on the main aspects of the Bank's economic activity and submits such reports to the Supervisory Board, as well as other special reports and documents at the request of the Supervisory Board;
27) prepares the Bank’s annual and prospective budgets (cost estimates) and business plans and submits them to the Supervisory Board for review and approval;
28) submits the financial statements and statistical reports to the National Bank of Ukraine with regard to the Bank's transactions, liquidity, solvency, profitability, as well as information about affiliates, related parties to assess the financial position of the Bank;
29) publishes the annual financial statements and the audit report, as well as information about majority shareholders to the extent and in a procedure established by the National Bank of Ukraine.
30) approves the Bank's internal documents (rules, procedures, practices, regulations, standards, standard contracts, etc.), including those that define the procedure and conditions for conducting banking operations, functions and activities of the Bank's structural units and regulate the Bank's current operations, except for those falling within the competence of the General Meeting and Supervisory Board Banks;
31) approves the size of remuneration to other employees of the Bank by reference to the remuneration policy approved at the Bank;
32) performs other functions necessary to ensure the day-to-day operation of the Bank.

Duties related to work organisation, current management and supervision are allocated between members of the Management Board of the Bank as follows:

1) Chairperson of the Management Board, Mamedov S.H., controls all day-to-day operations of the Management Board and directly manages the units of the Bank:

- legal support and security;
- human resources and administrative support;
- information security;
- project management;
- financial monitoring;
- treasury;
- digital business;
- custody;
- non-performing asset management;
- methodology;

- labour safety;
- vice presidents and advisers to the Chairperson of the Management Board of the Bank;

2) First Deputy Chairperson of the Management Board Dmitriieva O.M. directly manages the following units:
- retail business;
- SMEs;
- marketing and advertising;
- remote customer service;
- branches of the Bank;

3) Deputy Chairperson of the Management Board Yevchuk H.P. directly manages the following units:
- corporate business;
- trade finance transactions;
- corporate, regional and other sales;

4) Chief Accountant Lipatova A.M. directly manages the following branches:
- intrabank and tax accounting;
- reporting;
- accounting controls and methodology;
- cash operations;

5) Operations Director Klevaichuk S.V. directly manages the following units:
- customer support;
- banking support;
- payment card;
- IT;
- administrative and business management;

6) Director of Risk Management Yermolova O.H. directly manages the following units:
- risk management;
- restructuring and enforcement;
- loan application review;
- finance and budgeting.

The Chairperson of the Management Board, his/her deputies and Chief Accountant within their competence are charged with appropriate powers to sign documents on behalf of the Bank.

7.7. Annual consideration of members of the Supervisory Board and Management Board.
Total expenses on remuneration of members of the Supervisory Board and the Management Board of JSC "CB GLOBUS" for 2019 increased by UAH 37 thousand and amounted to UAH 35,929 thousand compared to 2018 (UAH 35,892 thousand).

Remuneration of members of the Supervisory Board and the Management Board as at 31 December 2019 is as follows (in thousands of UAH):

Management body	Current employee benefits	
	expenses	accrued liabilities
Management Board	27,669	2,209
Supervisory Board	8,260	2,115
Total	**35929**	**4324**

7.8. Significant risk factors that affected the operations of the financial institution during the year.
Events below have become significant risk factors for the Bank's operations in 2019: presidential elections, strengthening of the Ukrainian hryvnia, the policy of the National Bank of Ukraine to increase the requirements to ratios and bank reserves. It is expected that significant foreign currency payments, that Ukraine will make on public and publicly guaranteed debt, changes in the Ukrainian government, decline of the industrial production and other factors will have a significant effect in 2020.

7.9. Related-party transactions, including those within one industrial and financial group or other association, conducted during the year.
The Bank enters into transactions with shareholders and related parties on standard terms, whilst avoiding the conflict of interest. The volume of these transactions is insignificant.
Balances on lending transactions with parties related to the Bank amount to UAH 1,784 thousand as at 31 December 2019.
Balances on borrowings from related parties amount to UAH 41,739 thousand as at 31 December 2019.
Transactions with shareholders and related parties have no adverse effect on the Bank's operations. The maximum credit risk ratio on transactions with related parties (N9) has been varying from 0.12% to 2.71% in 2019, which indicates that the credit risk on these transactions is insignificant (the NBU ratio is 25%).

7.10. Performance of internal audit (control) system during the year.
Internal Audit Service of the Bank is an operational control body that reports to the Supervisory Board and ensures supervision of the Bank's operations by verifying the potentially risk-bearing processes, as well as by conducting performance and adequacy assessments of the risk management and corporate governance systems.
Internal Audit Service has the authority to carry out their functional duties in compliance with the principles of independence, objectivity, impartiality, professional competence and ethics.
The primary focus of the Internal Audit Service in the reporting year was conducting audits in the most risk-taking areas by reference to the comprehensive assessment of risks to which the Bank is

exposed (corporate and retail lending, cash and settlement, bank risk management, performance of financial monitoring functions by the Bank, etc.). Unannounced audits were conducted at 16 branches of the Bank.
In order to prevent violations and deficiencies, the audit included an independent assessment of the following:

- the compliance of the Bank's management and employees with the law of Ukraine, regulations and internal rules, professional responsibilities and rules;
- the identification and analysis of violations of the applicable law of Ukraine, professional standards, internal rules that regulate the Bank's operations;
- the timeliness of eliminating the deficiencies identified by the NBU and other state executive and administrative authorities, which supervise the Bank's operations within their competence;
- the quality of management reporting, etc.

Where the results of audit reports and recommendations provided for a need to enhance the controls, measures were designed with specific timelines for their implementation, which overall contributed to a higher performance both when managing the banking processes, controlling procedures and, directly, when conducting transactions. The Internal Audit Service carries out the operational control over the full implementation of recommendations.
The audit findings allowed to establish that, in general, the risks on the Bank's operations are controllable, banking operations are carried out within the regulatory requirements and powers conferred, banking risk management procedures minimise the risk exposure of the banking environment and prevent risk escalation.
Based on the internal self-assessment of the quality of internal audit functions, taking into account the main aspects (internal regulatory framework, work planning and plan implementation status, audits, audit effectiveness and implementation of audit recommendations, interaction with the National Bank of Ukraine), the performance of the Internal Audit Service of the Bank in 2019 was assessed as satisfactory and good by decision of the Bank's Supervisory Board dated 28 December 2019 (Minutes No. 52).

7.11. Disposal of assets in excess over the amount allowed by the Articles of Association during the year.
In 2019, the Bank had no disposals of assets that would exceed the limit established by its Articles of Association.

7.12. External audit activity.
By the Decision of the Supervisory Board dated 26 September 2019, LLC "BAKER TILLY UKRAINE" was elected as the Bank's external auditor in view of its good reputation and strong track record on the audit services market.
This audit firm:

- has a total audit experience of more than 18 years;
- provides audit services to the Bank during the year;
- has had no cases of conflict of interest and/or combining functions of an internal auditor for the period of cooperation with the Bank;
- has had no penalties imposed by the Audit Chamber of Ukraine during the year and no facts of reporting misstated records as a financial institution, as supported by an audit opinion and identified by state regulators of the financial services markets;

- has not received any recommendations from the state regulators of the financial services markets with regard to the audit opinion;
- has not provided any other audit services to the Bank.

7.13. Violations of internal rules by members of the Supervisory Board and Management Board resulting in damage to the Bank or financial services users.

No violations of internal rules by members of the Supervisory Board and Management Board that would result in damage to the Bank or financial services users were identified in the reporting period.

7.14. Corrective actions applied during the year by state executive authorities to the Bank, including to its Supervisory Board and Management Board.

In 2019, the Bank incurred penalties for violating the tax law in the total amount of UAH 26.6 thousand.

No corrective actions were applied to members of the Supervisory Board and Management Board.

7.15. Results of valuation of assets in case of their purchase/sale during the year in excess of the amount allowed by the Articles of Association.

In 2019, the Bank did not purchase or sell assets in excess of the limit established by the Articles of Association.

7.16. Internal audit of the Supervisory Board was not conducted

7.17. Implemented recommendations made by state regulators of the financial services markets with regard to the audit opinion.

In 2019, the Bank received no recommendations from state regulators of the financial services markets with regard to the audit opinion.

7.18. Protection of the rights and interests of the users of financial services by the Bank.

The Bank has no separate structural unit that would handle customer appeals (complaints). However, the processing of appeals, including complaints, filed by customers is governed by the Office Administration Instruction and Customer Service Standards and Recommendations Book.

All proposals, appeals and complaints received from the Bank's customers are registered on the day of receipt and are accumulated at the Bank's head office, where they are submitted for a review to the Chairperson of the Management Board Mamedov S.H. or the First Deputy Chairperson of the Management Board Dmitriieva O.M., who personally assign a responsible person for their handling. The period for reviewing and taking measures to resolve the issues underlying the appeal (complaint) is no more than one month from the date of receipt by the Bank. An appeal (complaint) shall be considered satisfied only if it has been followed up by exhaustive measures and the customer was notified on them.

In 2019, the Bank received 115 customer complaints, which were satisfied in full. For the most part, these complaints pertained to: accrual of interest/penalties on loans to individuals issued via electronic means of payment, automatic notifications on the loan instalment (frequency and time).

In 2019, 26 customer complaints were referred to courts of various instances. Ten cases ended in the Bank's favour and sixteen cases are pending as at 1 January 2020.

7.19. List of services provided

The Bank provides financial services solely under the licences, permissions and applicable law of

Ukraine, namely: depositing of monetary resources and precious bank metals, opening and maintenance of current (correspondence) customer accounts, placement of borrowed monetary resources and precious bank metals on its own behalf, terms and at its own risk, issue and servicing of payment cards, provision of guarantees and sureties, money transfers, professional activities (dealing, brokerage, custody) on the stock market.

7.20. Information about the Bank's corporate governance, the reporting of which is regulated by laws on the regulation of certain financial services markets and/or regulations of the state regulators of the financial services markets adopted in accordance with such laws.

The Bank's corporate governance report duly prepared in accordance with the applicable law of Ukraine is submitted on an annual basis to the National Commission for State Regulation of Financial Services Markets before 30 April.

Authorised for issue and signed on 29 May 2020.

Chairperson of the Management Board S.H. Mamedov

Chief Accountant A.M. Lipatova

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Supervisory Board of JSC "CB GLOBUS"
To the National Bank of Ukraine
To the National Securities and Stock Market Commission

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of JOINT STOCK COMPANY "COMMERCIAL BANK GLOBUS" (hereinafter – the Bank) that include:

- statement of financial position as at 31 December 2019;
- statement of profit or loss and other comprehensive income for 2019;
- statement of changes in equity for 2019;
- statement of cash flows (direct method) for 2019;
- notes to financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the financial reporting requirements of the Law of Ukraine "On Accounting and Financial Reporting in Ukraine".

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing (ISA). Our responsibility in accordance with these standards is set out in the *Auditor's Responsibility for the Audit of Financial Statements* of our report. We are independent of the Group in accordance with the *International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code")* together with the ethical requirements that are relevant to our audit of the financial statements in Ukraine, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Emphasis of matter

We draw your attention to Note 40 to the financial statements that describes the potential effects of COVID-19 pandemic on the business and economy as a whole, which cannot be quantified yet. It cannot be excluded that an economic slowdown could also emerge with potential implications, not yet quantifiable, for the Bank's returns, mainly with reference to the operating income and the cost of risk. Our opinion is not modified in respect of this matter.
We draw your attention to Note 25 to the financial statements, which presents information on the deficit of assets with a maturity of less than 12 months. The difference between the Bank's assets and liabilities in this time period amounts to UAH 435,204 thousand or 11.08% of the total Bank's assets as at 31 December 2019. This maturity

structure of assets and liabilities requires enhanced control and reallocation measures. The Bank believes that liquidity gap will have an insignificant effect on the Bank's operations in view of the retrospective analysis of the actual maturity periods. Our opinion is not modified in respect of this matter.

Key audit matters that include the most significant assessed risks of material misstatement, as well as the assessed risks of material misstatement due to fraud

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have identified that the matters below are key audit matters and that they should be presented in our report.

Key audit matters	How our audit considered the key audit matters
Impairment provision for loans and advances to customers – UAH 176,392 thousand	
Refer to Notes 8 and 4.4	
We have focused our attention on this matter as a key audit matter due to the materiality of the balances of loans and advances to customers and the subjective nature of the judgements used in calculating the impairment. Impairment provision reflects the management's estimate of expected losses based on the portfolios of loans and advances to customers at the reporting date. The measurement of expected credit losses of a financial instrument is carried out in a way that reflects: an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, time value of money and all reasonable and supportable information about past events, current conditions and forecasts of future conditions by reference to all reasonable and supportable information, including that which is forward-looking. Identifying whether there has been a significant increase in credit risk, impairment and determining the recoverable amount involves certain assumptions and analysis of different factors, including the borrower's financial position, expected future cash flows, observable market prices, fair value of collateral. The use of different models and assumptions can lead to different outcomes in provisioning for impairment losses on loans and advances to customers.	Our procedures included, among others, the following: - Familiarising with the internal controls system implemented by the management personnel with a focus on the calculation of impairment provisions for loans and advances to customers both on an individual and collective basis. - We also independently evaluated the appropriateness of management's judgements regarding the calculation methodology and inputs about past events, current conditions and forward-looking information to calculate the probability of default, as well as the recoverable amounts and collateral value. - We have conducted a selective test of assumptions underlying the calculation of impairment and its quantification, including the analysis of the borrowers' financial position, forecasts about future cash flows and collateral measurement. For loan impairment provisions that showed no individual indications of impairment, we tested the models and inputs used in those models, as well as their mathematical accuracy. We identified no material mismatches as a result of these tests.

Other information

Management is responsible for the other information. The other information includes information set out in the Management Report for 2019, prepared in accordance with the Law of Ukraine “On Accounting and Financial Reporting in Ukraine” and other applicable laws and regulations, and the information set out in the Annual Information of the Securities Issuer for 2019, which includes a statement of corporate governance as part of the management report, in accordance with the Law of Ukraine “On Securities and Stock Market”, but does not constitute the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

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

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

Responsibility of management and those charged with governance for financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. In addition, we:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or override of internal controls;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statement or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Laws and Regulatory Requirements

Other information required by Article 14 of the Law of Ukraine "On the Audit of Financial Statements and Auditing Activities"

In accordance with Article 14 of the Law of Ukraine "On the Audit of Financial Statements and Auditing Activities", we present in our independent auditor's report the following information required in addition to the International Standards on Auditing:

Appointment and audit duration

We were appointed as auditors by decision of the Supervisory Board of the Bank No. 40 dated 26 September 2019 to conduct a statutory audit of the Bank's financial statements for the year ended 31 December 2019. The period of total uninterrupted statutory audit of the Bank's financial statements, including the previous renewals and reappointments, is 2 years.

Non-audit services and auditor independence

We confirm that, to the best of our knowledge and belief, we have not provided any illegal non-audit services to the Bank or to any of its controlled entities in accordance with part 4 Article 6 of the Law of Ukraine “On the Audit of Financial Statements and Audit Activities”. We, including our key audit partner, were independent in relation to the Bank as part of the audit.

We have provided to the Bank or its controlled entities the following services, other than statutory audit services, that were not disclosed in the financial statements or in the Management Report: assessment of the quality of the Bank’s assets and collateral adequacy on lending transactions as at 1 January 2019 within the requirements of the Terms of Reference to assess the resilience of the Ukrainian banks and banking system approved by Resolution of the Management Board of the National Bank of Ukraine No. 97-РШ dated 5 February 2019.

Consistency of the audit report with the additional report to the Audit Committee

We confirm that our audit opinion on the financial statements set out in this report is consistent with the additional report to the audit committee.

Consistency of the management report with the financial statements

Based on the results of work performed during the audit and taking into account the obtained knowledge and understanding of the Bank's activities and operating environment, in all material aspects:

- management report of the JSC "CB GLOBUS" for 2019, which includes the statement of corporate governance as a separate section, was prepared in accordance with the Law of Ukraine "On Accounting and Financial Reporting in Ukraine", "Guidance on the Procedure for the Preparation and Publication of the Financial Statements of Ukrainian Banks" approved by Resolution No. 373 of the National Bank of Ukraine (NBU) as of 24 October 2011 and other applicable laws and regulations and the information illustrated in the management report is consistent with the financial statements;

- we identified no material misstatements in the management report.

Explanations of the audit effectiveness in identifying violations, in particular, those related to fraud

The purpose of our audit with regard to fraud was to identify and assess risks of material misstatements due to fraud, to obtain sufficient appropriate audit evidence on the assessed risks of material misstatement due to fraud through appropriate audit procedures responsive to those risks and to take necessary measures regarding the actual and suspected cases of fraud identified during the audit. However, the main responsibility for preventing and identifying fraud lies with those charged with governance and management of the Bank.

Identification and assessment of potential risks related to violations	**Actions responsive of assessed risks**

In identifying and assessing the risks of material misstatement with regard to identifying violations, in particular, those related to fraud and non-compliance with laws and regulations, our procedures included, among others, the following:
- inquiries to the management and those charged with governance, including the receipt and review of supporting documentation on the Bank's policies and procedures with regard to:
  - identification, evaluation and compliance with laws and regulations and availability of records about any instances of their violation;
  - identification and response to risks of fraud and availability of records about any factual, suspected or anticipated fraud; and
  - internal controls implemented to reduce risks related to fraud or non-compliance with laws and regulations.
- discussions between audit team members with a particular emphasis on how and where the financial statements of the Bank may be susceptible to material misstatement due to fraud, including how fraud might occur. As part of this discussion, we identified a potential fraud with regard to the following: income recognition, management override of controls; and
- obtaining an understanding of laws and regulations that apply to the Bank and constitute a regulatory framework for its operations. At the same time, special attention was given to those laws and regulations that directly affected the financial statements or which had a fundamental impact on the Bank's operations. Key laws and regulations that we considered in this context included the Law of Ukraine "On Banks and Banking Activities" and
	As a result of our risk identification and assessment procedures, we have not identified any matters related to the risk of fraud or non-compliance with laws and regulations that could be used as key audit matters.
	Our procedures in response to other identified risks, among others, included the following:
	- review of disclosures to financial statements and testing of supporting documentation in order to assess compliance with the applicable laws and regulations set out in this section;
	- inquiring from management and those charged with governance and internal legal professionals with regard to the existing and potential lawsuits and claims;
	- performance of analytical procedures to detect any unusual or unexpected relationships that might point to risks of material misstatements due to fraud;
	- familiarisation with the meeting minutes of those charged with governance and review of internal audit reports;
	- testing the compliance of accounting information and adjustments; assessment of whether judgements and decisions made by the management in determining accounting estimates indicate a bias; evaluation of the economic feasibility of significant transactions that are unusual or outside the ordinary course of business.
	We also communicated relevant identified laws and regulations and potential fraud risks to all members of the audit team and remained alert throughout the audit to any indications of fraud or non-compliance with laws and regulations.

Identification and assessment of potential risks related to violations	Actions responsive of assessed risks
regulations of the National Bank of Ukraine on licensing and prudential supervision, Law of Ukraine “On Securities and Stock Market” and applicable regulations of the National Securities and Stock Market Commission, Law of Ukraine “On Financial Services and State Regulation of the Financial Services Markets”.	

Other matters

Based on the results of work performed during the audit and taking into account the obtained knowledge and understanding of the Bank's activities and operating environment, in all material aspects:

- the information illustrated in the corporate governance report as part of the Management Report of JSC “CB GLOBUS” for 2019 in accordance with paragraphs 1-4 part 3 Article 40^1 of the Law of Ukraine “On Securities and Stock Market” was prepared in accordance with the Law of Ukraine “On Securities and Stock Market” and other applicable laws and regulations is consistent with the financial statements;

- in our opinion, the statement of corporate governance as part of the Management Report of the JSC “CB GLOBUS” for 2019, which is responsibility of the Bank’s management, presents all the information required by paragraphs 5-9 part 3 Article 40^1 of the Law of Ukraine “On Securities and Stock Market”.

Other laws and regulations

Reporting as required by the Law of Ukraine “On Banks and Banking Activities” and “Regulation on the Procedure for a Bank to Submit an Audit Report on the Findings of the Annual Audit of Financial Statements to the National Bank of Ukraine” approved by the Resolution of the National Bank of Ukraine No. 90 dated 2 August 2019

According to the Law of Ukraine “On Banks and Banking Activities” and requirements of the Regulation on the Procedure for a Bank to Submit and Audit Report on the Findings of the Annual Audit of Financial Statements approved by the Regulation of the National Bank of Ukraine No. 90 dated 2 August 2019, the audit report shall also contain information (assessment) on:

1) the compliance (fair presentation) of information about the allocation of the bank's assets and liabilities by maturities in a file with figures from the statistical report A7X “Information about the structure of assets and liabilities by periods”, which the bank prepares and submits to the National Bank of Ukraine, as at 1 January in the year after the reporting year.

2) the bank's compliance with regulations imposed by the National Bank of Ukraine with regard to:

- internal controls;
- internal audit;
- identification of the credit risk exposure for asset-side banking transactions;
- recognition of parties related to the bank and descriptions of transactions with them;
- adequacy of the Bank's capital that should be determined by reference to the quality of the bank's assets;
- accounting.

The purpose of the audit was to express an opinion that the Bank’s annual financial statements for 2019 present fairly, in all material aspects, the Bank's financial statements in accordance with the International Financial Reporting Standards.

Information presented in this report is the result of our procedures conducted as part of the audit of the Bank’s financial statements for 2019. This information was obtained on the basis of selective testing to the extent necessary for planning and conducting audit procedures in accordance with International Standards on Auditing.

This report is intended for the Bank’s management and the National Bank of Ukraine and cannot be used by any other party. When reviewing this report, the limited nature (as mentioned above) of the procedures for assessing matters related to the Bank's activities, organisation of its accounting system and internal controls should be also taken into account.

In addition, it should be considered that the assessment criteria on those matters related to the Bank's operations, organisation of its accounting system and internal controls can be different from the criteria applied by the National Bank of Ukraine.

According to the results of our audit procedures within the audit of annual financial statements, we present information (assessment) on the matters above:

As a result of audit procedures within the audit of annual financial statements, we did not find evidence of the Bank's non-compliance with the NBU’s requirements with regard to consistency (fair presentation) of information on allocation of the Bank's assets and liabilities by maturities in a file that contains figures from the statistical report A7X “Information about the structure of assets and liabilities by periods”, which the bank prepares and submits to the National Bank of Ukraine, as at 1 January in the year after the reporting year, i.e. as at 1 January 2019.

The Bank’s compliance with regulations imposed by the National Bank of Ukraine with regard to:

internal control

As a result of audit procedures within the audit of annual financial statements, we found no evidence that the structure and internal controls of the Bank did not comply with the NBU regulations, in particular, with the Regulation of the National Bank of Ukraine No. 88 dated 2 July 2019 “On the Approval of the Regulation on Organising Internal Controls in the Banks of Ukraine and Banking Groups”.

internal audit

In our opinion, at the time of the audit, the Bank's internal regulatory documents on internal audit procedures are in line with the NBU regulations, in particular, the Resolution of the National Bank of Ukraine No. 311 as of 10 May 2016 “On the Approval of the Regulation on Organising the Internal Audit in Banks of Ukraine”. Internal audit procedures are conducted in accordance with the Bank's internal regulations.

insofar as determining the size of the credit risk on asset-side banking transactions

The Bank calculated the credit risk amount as at the reporting date in accordance with the NBU’s regulations, including the Regulation on Determining the Size of the Credit Risk on Asset-side Banking Transactions approved by the Resolution of the NBU Board No. 351 as of 30 June 2016 (hereinafter – NBU Resolution No. 351).

As a result of audit procedures within the audit of annual financial statements, we did not identify any departures from the credit risk calculation made by the Bank as at 31 December 2019. We have identified a necessity to increase the credit risk as at 31 December 2019 by UAH 10,661.6 thousand. Furthermore, the provision for lending transactions should be increased by UAH 18,964.7 thousand. Management of the Bank agreed with the auditor's opinion and made a respective adjustment. The Bank recognises the provision for lending transactions in its financial statements in full.

identification of parties related to the Bank and related-party transactions

As a result of audit procedures, we did not find any evidence of non-compliance of the Bank's risk management system with regard to related-party transactions, procedures for identifying parties related to the Bank and related-party transactions with the NBU regulations. During our audit, we identified no violations of regulations applicable to related-party transactions.

adequacy of the Bank's capital that should be determined by reference to the quality of its assets

The Bank’s share capital as at 31 December 2019 is adequate and accounts for UAH 300,000 thousand. (refer to Note 24 Share capital and issue profit/loss (share premium)).

The Bank's regulatory capital as at 31 December 2019 according to the Bank amounts to UAH 338,335 thousand, which is in line with the NBU's regulations (refer to Note 31 Capital management). Information identified above should be considered in increasing the credit risk amounts and provision for lending transactions.

accounting

The Bank's accounting system is in line with the NBU's regulations and the Bank's accounting policies.

The reporting required by "Requirements to an Audit Opinion Submitted to the National Securities and Stock Market Commission for Obtaining a Licence to Conduct Professional Activity on the Securities Market" approved by the Decision of the National Securities and Stock Market Commission No. 160 as of 12 February 2013.

In accordance with the Requirements to an Audit Opinion Submitted to the National Securities and Stock Market Commission for Obtaining a Licence to Conduct Professional Activity on the Securities Market approved by the Decision of the National Securities and Stock Market Commission (hereinafter – NSSMC) No. 160 as of 12 February 2013, we present the following information and conclusions:

main information about the Bank

full name – JOINT STOCK COMPANY "COMMERCIAL BANK GLOBUS"

legal entity's identification code in the Unified State Register of Enterprises and Organisations of Ukraine specified in the Unified State Register of Legal Entities and Individual Entrepreneurs and Public Organisations – 35591059

location – 19/5, Kurenivskyi Lane, 04073, Kyiv, Ukraine

Date of state registration – 29 November 2007

principal activity – other types of monetary intermediation

date of changes to constituent documents – the Bank's Articles of Association as amended and approved by Shareholder's Decision No. 3 dated 4 December 2019 and as agreed by the NBU on 27 December 2019.

list of participants (shareholders) (individuals – last name, first name and patronymic; entities – name, form of incorporation, location), who own 5% of shares (interest) or more as at the date of the audit opinion with an indication of the actual quantity of shares – LLC "Ukrainian Media Technologies", Ukraine, – 100% in share capital.

compliance of the equity size presented in the applicant's financial statements for the last reporting period preceding the licence application date with the applicable regulations of the Commission

The Bank's equity in accordance with the financial statements as at 31 December 2019 amounts to UAH 325,496 thousand. The size of the Bank's regulatory capital is in line with the NBU's regulations. According to audit findings, the Bank's capital meets the regulations of the NSSMC.

compliance of the share capital with constituent documents

The Bank's share capital as at 31 December 2019 is in line with the constituent documents of the Bank and amounts to UAH 300,000 thousand.

formation and payment of the share capital (fully or partially paid, documents (specifying the name, date, number) that were used to form an audit opinion). If the share capital is not fully paid, the paid and unpaid amounts are to be specified.

The Bank's registered and fully paid (in cash) share capital as at 31 December 2019 amounts to UAH 300,000 thousand.

Information about the formation and payment of the Bank's share capital:

- payment order no. 1 dated 12/02/2019 in the amount of UAH 75,000,000 (Minutes of the Founders Meeting dated 22 January 2017);

- payment order no. 1 dated 28/05/2008 in the amount of UAH 85,000,000 (contract no. 2-EM dated 27/05/2008);

- payment order no. 12 dated 23/08/2016 in the amount of UAH 140,000,000 (purchase and sales contract no. E-1/16 dated 23/08/2016).

the applicant's lack of overdue obligations to pay taxes (presence/absence of a tax debt) and duties, unpaid penalties for violating the legislation related to financial services, including those provided on the securities market

As at 31 December 2019, the Bank has no overdue obligations to pay taxes and duties, as well as obligations to pay penalties for violating the legislation on financial services, including those provided on the securities market.

the uses of cash not contributed to form the share capital of the entity, which, according to its Articles of Association, intends to carry out a professional activity on the securities market from the date of inception of or changes in the Articles of Association with regard to the entity's principal activity.

According to the Bank's information, all contributions into the Bank's share capital were used for statutory activities.

the applicant's related parties identified as such by the auditor during the audit of financial statements

During the audit of financial statements, we identified no related parties that were not identified by the Bank or any respective related-party transactions that were not disclosed in Note 39 Related-party transactions.

the existence and volume of contingent assets and/or liabilities, the recognition of which is probable

During the audit of financial statements, we did not identify any contingent assets and/or liabilities, the recognition of which is probable, other than those stated by the Bank in Note 36 Contingent liabilities of the Bank

events after the balance sheet date that were not disclosed in the financial statements but can have a significant effect on the applicant's financial position

During the audit of financial statements, we did not identify any events after the balance sheet date that were not disclosed in the financial statements but may have a significant effect on the Bank's financial position. (refer to Note 40 Subsequent events)

existence of other facts and circumstances that can have a significant effect on the applicant's future operations and assessment of its extent

Based on our audit findings, we did not identify any facts or circumstances other than those specified in the *Emphasis of matter* section of the *Report on the Audit of Financial Statements* that can have a significant effect on the Bank's future operations.

More specifically, the composition and structure of the Bank's financial investments do not, in our opinion, pose a threat to the Bank's future operations.

As at 31 December 2019, the composition and structure of financial investments of the Bank is represented by investments in certificates of deposit of the National Bank of Ukraine at the carrying amount of UAH 778,003 thousand and domestic government loan bonds at the carrying amount of UAH 764,115 thousand (refer to Note 7 Investments in securities)

other financial information in accordance with the law

Our audit of the Bank's financial statements did not apply to any other financial information under the law, other than that presented in the Bank's financial statements for 2019 and that illustrated in this section of our report with regard to other laws and regulations.

main information about the terms and conditions of the audit contract

date and number – No. 173/19 dated 17 October 2019

audit start and completion dates – 15 November 2019 and 30 April 2020.

Key audit partner

The Audit Engagement Partner is Gagik Nersesian.

General Director

BAKER TILLY UKRAINE LLP Oleksandr Pochkun

Auditor registration number in the Register of Auditors and Auditing Entities: No. 100810.

Partner

BAKER TILLY UKRAINE LLP Gagik Nersesian

Auditor registration number in the Register of Auditors and Auditing Entities: No. 100799.

29 May 2020

Kyiv, Ukraine

Main information about the audit firm

Full name: Limited Liability Company "BAKER TILLY UKRAINE”.
Location: office 9, 3, Hrekova St., 04112, Kyiv
Actual address: 28, Fizkultury St., 03150, Kyiv
Registration number in the Register of Auditors and Auditing Entities: No. 2091.

STATEMENT OF FINANCIAL POSITION
as at 31 December 2019

(UAH '000)

Item	Notes	31/12/2019	31/12/2018
ASSETS			
Cash and cash equivalents	6	523,998	438,558
Investments in securities	7	1,542,118	397,743
Loans and advances to customers	8	1,596,340	1,552,002
Investment property	9	89,872	85,998
Accounts receivable on current income tax		545	545
Deferred tax asset		20,000	20,000
Property, plant and equipment and intangible assets	10	97,039	101,973
Right-of-use assets	11	22,515	-
Other assets	12	5,120	8,459
Other financial assets	13	14,448	12,064
Non-current assets held for sale and disposal groups	14	15,011	11,228
Total assets		**3,927,006**	**2,628,570**
Amounts due to banks	15	54,149	-
Amounts due to customers	16	3,352,671	2,170,299
Derivative financial liabilities	22	411	5
Lease liabilities	21	22,155	-
Debt securities issued by the Bank	17	280	5,019
Provisions for liabilities	18	12,682	4,422
Other financial liabilities	19	32,901	42,071
Other liabilities	20	25,765	18,940
Subordinated debt	23	100,496	107,260
Total liabilities		**3,601,510**	**2,348,016**
EQUITY			
Share capital	24	300,000	300,000
Retained earnings (uncovered losses)		24,146	(20,796)
Reserves and other funds of the Bank		1,350	1,350
Total equity		**325,496**	**280,554**
Total liabilities and equity		**3,927,006**	**2,628,570**

Authorised for issue and signed on 29 May 2020.

Chairperson of the Management Board S.H. Mamedov

Chief Accountant A.M. Lipatova

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME for 2019

(UAH '000)

Item	Notes	2019	2018
1	2	3	4
Interest income	26	425,230	340,270
Interest expenses	26	(276,530)	(240,522)
Net interest income	26	*148,700*	*99,748*
Fee and commission income	27	191,007	186,334
Fee and commission expenses	27	(17,387)	(13,597)
Net fee and commission income	27	*173,620*	*172,737*
Net profit/(loss) from transactions with financial instruments carried through profit or loss	33	21,967	42,217
Net profit/(loss) from foreign currency transactions		63,837	5,738
Net profit/(loss) from foreign currency translation		11,290	(6,738)
Net gain/(loss) from impairment of loans and advances to customers, amounts due from other banks		(79,363)	(12,294)
Net loss from impairment of accounts receivable and other assets		1,992	(9,593)
Net profit/(loss) in provisions for liabilities		(2,521)	3,831
Other operating income	28	37,275	94,810
Employee benefits expense	29	(210,256)	(134,958)
Depreciation and amortisation	29	(28,339)	(15,063)
Administrative and other operating expenses	29	(93,223)	(114,087)
Impairment of investment property		(37)	(146,056)
Profit/(loss) before tax		**44,942**	**(19,708)**
Income tax expenses			-
Profit/(loss) from continuing operations		44,942	(19,708)
Profit/(loss) for the year		**44,942**	**(19,708)**
OTHER COMPREHENSIVE INCOME:			
Other comprehensive income after tax for the year		-	-
Total comprehensive income for the year		**44,942**	**(19,708)**
Profit/(loss) per share from continuing operations:			

net profit and adjusted net profit per ordinary share		149.80	(65.69)

Authorised for issue and signed on 29 May 2020.

Chairperson of the Management Board S.H. Mamedov

Chief Accountant A.M. Lipatova

STATEMENT OF CHANGES IN EQUITY for 2019

(UAH '000)

Item	Share capital	Reserves, other funds and revaluation reserves	Retained earnings	Total equity
1	2	3	4	5
Balance as at 31 December 2017 (restated)	**300,000**	**-**	**13,727**	**313,727**
Effect of adopting IFRS 9	-	-	(13,466)	(13,466)
Adjusted balance as at 1 January 2018	**300,000**	**-**	**261**	**300,261**
Total comprehensive income	-	-	(19,707)	(19,707)
Distribution of profits	-	1,350	(1,350)	-
Balance as at 31 December 2018	**300,000**	**1,350**	**(20,796)**	**280,554**
Total comprehensive income	**-**	**-**	**44,942**	**44,942**
Distribution of profits				
Balance as at 31 December 2019	**300,000**	**1,350**	**24,146**	**325,496**

Authorised for issue and signed on 29 May 2020.

Chairperson of the Management Board S.H. Mamedov

Chief Accountant A.M. Lipatova

STATEMENT OF CASH FLOWS (DIRECT METHOD)
for 2019

(UAH '000)

Item	Notes	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:			
Interest income received	26	364,481	323,096
Interest expenses paid	26	(293,149)	(237,128)
Fee income received	27	191,007	186,334
Fee and commission expenses paid	27	(17,387)	(13,597)
Results of transactions with securities		21,877	47,775
Results of transactions with financial derivatives		(3,202)	(7,362)
Results of foreign currency transactions		63,838	5,738
Other operating income received	28	33,105	89,802
Personnel expenses paid	29	(201,114)	(129,641)
Administrative and other operating expenses paid	29	(71,518)	(100,522)
Income tax paid		-	(368)
Net cash received/(paid) from operating activities before changes in operating assets and liabilities		**87,938**	**164,127**
Changes in operating assets and liabilities:			
Net (increase)/decrease in financial instruments carried at AC	7	(662,000)	114,424
Net (increase)/decrease in financial instruments carried at FVTPL	7	(438,373)	-
Net (increase)/decrease in customer loans and borrowings	8	(115,115)	(320,950)
Net (increase)/decrease in other financial assets	13	(6,650)	1,898
Net (increase)/decrease in other assets	12	879	(2,288)
Net increase/(decrease) in amounts due to banks	15	53,814	(1)
Net increase/(decrease) in amounts due to customers	16	1,181,237	234,449

Item	Notes	2019	2018
Net increase/(decrease) in provisions for liabilities	18	5,787	(737)
Net increase/(decrease) in debt securities issued by the Bank	17	(4,571)	(15,228)
Net increase/(decrease) in other financial liabilities	19	(6,160)	15,378
Net cash flows from/(used in) operating activities		**96,786**	**191,072**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sale of investment property	9	-	18,461
Proceeds from sale of property, plant and equipment	10	57	-
Purchase of property, plant and equipment	10	(8,914)	(15,792)
Purchase of intangible assets	10	(5,389)	(24,960)
Net cash flows from/(used in) investing activities		**(14,246)**	**(22,291)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipt of subordinated debt	23	-	46,516
Repayment of other borrowings		-	(56,133)
Net cash flows from/(used in) financing activities		**-**	**(9,617)**
Effect of the NBU exchange rate changes on cash and cash equivalents		**2,900**	**(27,933)**
Net increase/(decrease) in cash and cash equivalents		**85,440**	**131,231**
Cash and cash equivalents at the beginning of the period		438,558	307,327
Cash and cash equivalents at the end of the period		523,998	438,558

Authorised for issue and signed on 29 May 2020.

Chairperson of the Management Board S.H. Mamedov

Chief Accountant A.M. Lipatova

NOTES TO FINANCIAL STATEMENTS

Note 1. Information about the Bank

JOINT STOCK COMPANY "COMMERCIAL BANK GLOBUS", which, in accordance with para. 1.3 of the Articles of Association, is the successor of rights and liabilities of the Open Joint Stock Company "Commercial Bank Globus" (hereinafter – the Bank), established on 22 January 2007 by decision of the Meeting of Founders.

Limited Liability Company "UKRAINIAN MEDIA TECHNOLOGY" is the founder of the Bank.

The JSC "CB GLOBUS" was registered on 29 November 2007 by the National Bank of Ukraine, in witness whereof a respective record was made in the State Register of Banks, according to which Certificate No. 320 was issued.

the Bank is registered and located at:

19/5 Kurenivskyi Lane, 04073, Kyiv, Ukraine.

The incorporation form of the JSC "CB GLOBUS" is a joint stock company.

The Bank's management bodies are:

- General Meetings of Shareholders;
- Supervisory Board;
- Management Board.

According to the staffing schedule, the Bank had 539 employees as at 31 December 2019 and 512 employees as at 31 December 2018.

BUSINESS PROFILE

According to the Articles of Association, the JSC "CB GLOBUS" is a universal banking institution that operates within the territory of Ukraine in accordance with the applicable law and regulations of the National Bank of Ukraine.

LINES OF BUSINESS THAT ARE ACTUALLY PERFORMED AND SHOULD BE PERFORMED

Bank services are provided in accordance with the Law of Ukraine "On Banks and Banking Activity", the Articles of Association and to the extent allowed under the licenses granted by the National Bank of Ukraine.

The JSC "CB GLOBUS" conducts bank operations in the Ukrainian market on the basis of the Bank Licence No. 240 dated 21 January 2019 issued by the National Bank of Ukraine.

The Bank provides a wide range of banking services to its customers in accordance with the Law of Ukraine "On Banks and Banking Activity":

- attracting deposits in monetary resources and precious bank metals that can be placed by an unlimited number of entities and individuals;
- opening and maintenance of current (correspondence) customer accounts, including those in precious bank metals, and escrow accounts;

- opening of deposits in monetary resources and precious bank metals, including on current accounts, on the Bank's own behalf, terms and at its own risk.
- provision of advisory and informational services about the banking and financial services;
- provision of services to individuals and entities in the trading of cash and non-cash currency valuables and immediate crediting of these valuables to their accounts in accordance with the Law of Ukraine “On Currency and Currency Transactions”;
- organisation of purchase and sales of securities on the customer’s behalf;
- transactions on the securities market on its own behalf (including underwriting):
- transactions related to the custody activity of a custodian institution;
- storage of valuables or rental of a personal bank safe;
- transactions on behalf of customers or on their own behalf:

- with money market instruments;
- with exchange-rate and interest-rate instruments;
- with financial futures and options.

In addition, the JSC “CB GLOBUS” is licensed by the National Securities and Stock Market Commission to conduct professional activity on the stock market:

Series AE No. 263178 – trading in securities – dealer activity;

Series AE No. 263177 – trading in securities – broker activity;

Series AE No. 263375 – custody activity – custody activity of a custodian institution;

As at 31 December 2019, the JSC “CB GLOBUS” established correspondence relations with 9 banks, including with one non-resident bank (OJSC “Belinvestbank”, Minsk, Belarus). The number of correspondence nostro accounts (34) and vostro accounts (12) is sufficient to ensure the settlement with counterparties in the fastest way possible.

JSC “CB GLOBUS” is:

- a member of the Deposit Guarantee Fund (Certificate No. 193);
- an incumbent member of the Independent Association of Banks of Ukraine;
- an incumbent member of the PFTS Ukraine Stock Exchange;
- an incumbent member of the Perspektyva Stock Exchange;
- an incumbent member of the PJSC “Ukrainian Exchange”;
- a member of the Society for Worldwide Interbank Financial Telecommunication (SWIFT);
- a member of the Ukrainian National SWIFT Member and User Group “UkrSWIFT”;
- a member of the Professional Association of Capital Markets and Derivatives.

The JSC “CB GLOBUS” is a user of the information system about contracts on the interbank credit market “CredInfo”, information and dealing system “UkrDealing”, system for validating contracts on the interbank currency market of Ukraine of the National Bank of Ukraine, REUTERS system, Bloomberg system.

STRATEGIC OBJECTIVE

The primary objective of the Bank's operations, as defined by its Shareholders, is to earn profits by providing a full range of domestic and international banking services, including, but not limited to, banking operations related to commercial, investment, custody and any other activity that may be allowed to banks in accordance with the applicable law of Ukraine.

Throughout 2019, GLOBUS Bank continued to operate in all lines of its business. However, in view of the situation inside the country, the main objective was to comply with the policy for reducing risk exposure on its transactions. Corporate and retail lending, foreign currency trading in customer transactions, currency exchange, cash management services for individuals and entities, attraction of retail and corporate deposits, securities trading, treasury operations are the principal areas for the institution’s development in the reporting period.

The customer-centred approach, high professionalism and speed of service remain to be the top priority of the Bank.

RESULTS OF BANKING AND OTHER OPERATIONS

The JSC “CB GLOBUS” has earned profit of UAH 44,942 thousand for the reporting period.

Interest income has the largest share in the Bank's revenue structure – 65% or UAH 425,230 thousand.

Interest expenses cover 44% or UAH 276,530 thousand in the expense structure of 2019.

As at the close of 31 December 2019, the equity accounted for UAH 325,496 thousand.

The regulatory capital calculated under the methodology of the National Bank of Ukraine was UAH 338,335 thousand.

SUMMARY OF COUNTERPARTY SEGMENTS

Since the establishment, the Bank's policy has prioritised the formation and growth of the customer base. Thus, the number of the Bank’s counterparties increased by 4,798 (7%) compared to the previous year and reached 64,511 as at 31 December 2019.

Base of the Bank's counterparties

Counterparty segment	**Quantity**	
	2019	2018
Banks	65	66
Corporate customers	8,547	7,420
Individuals	55,899	52,227
Total counterparties	**64,511**	**59,713**

At the close of 31 December 2019, the share of each counterparty's segment in the Bank's structure of counterparties was as follows:

- banks – 0.1%;
- corporate customers – 13.25%;
- individuals – 86.65%.

In 2019, as in previous reporting periods, the Bank's management focused on expanding its customer base and diversifying its resource base to reduce the liquidity and solvency risks of the JSC "CB GLOBUS" due to potential wild swings in balances on customer accounts.

TERMINATION OF CERTAIN TYPES OF BANKING OPERATIONS

Throughout 2019, the JSC "CB GLOBUS" had no asset ownership restrictions imposed, nor was it subject to any types of ownership termination restrictions.

The Bank was not subject to mergers, acquisitions, divisions, or demergers.

ORGANISATRIONAL STRUCTURE AND MANAGEMENT

The overall organisational structure of the JSC "CB GLOBUS" (hereinafter – the Structure) was developed on the basis of the applicable law of Ukraine and the Articles of Association. It consists of the governance bodies, controlling bodies, executive bodies and structural units.

The Bank's management bodies are the General Meeting of Shareholders, Supervisory Board and Management Board, which is also its executive body. The Bank's controlling bodies are the Audit Committee, Internal Audit Service, Compliance Unit.

The General Meeting of Shareholders is the supreme management body of the Bank. The General Meeting of Shareholders carries out general management of the Bank's operations, sets the objectives and development strategy, adopts decisions on amending/revising the Articles of Association, makes changes to the Share Capital, approves the Bank's operating results, profit allocation procedure, procedure and periods for paying shares of profit, loss coverage procedure.

The Bank has the following collegiate bodies:

- Asset/Liability Committee (ALCO);
- Loan Committee;
- Tariff Committee;
- Technology Committee.

All decisions adopted by committees are documented and notified to the authorised officers of the Bank. Committee meetings are held on a monthly basis.

MANAGEMENT'S SHAREHOLDING

According to the Articles of Association, the Bank's management consists of the Chairperson and members of the Supervisory Board, Chairperson, his/her deputies and members of the Management Board, Chief Accountant and his/her deputies. The Bank's management has no direct shareholding in the Share Capital. Member of the Supervisory Board – Sylniahina Olena Anatoliivna – indirectly holds 50.5% of shares in the share capital. The Chairperson of the Supervisory Board – Polkovskyi Dmytro Eduardovych – indirectly holds 49.4965% of shares.

MAJORITY SHAREHOLDING IN THE BANK

As at 31 December 2019, the majority shareholders are:

LLC "UKRAINIAN MEDIA TECHNOLOGIES" – 100% in the share capital of the JSC "CB GLOBUS".

Indirect majority shareholders:

LLC "KETLEN" – by holding 99.993% in the share capital of LLC "UKRAINIAN MEDIA TECHNOLOGIES";

Sylniahina Olena Anatoliivna (individual/natural person) – by holding 50.5% in the share capital of LLC "KETLEN". She is the majority shareholder of the Bank – 50.5%;

TERMAN INTERNATIONAL LTD. – by holding 44.5% in the share capital of LLC "KETLEN";

Polkovskyi Dmytro Eduardivych (individual/natural person) – by holding 5% in the share capital of LLC "KETLEN" and 100% in the share capital of TERMAN INTERNATIONAL LTD, which holds 44.5% in the share capital of LLC "KETLEN". He is the majority shareholder of the Bank – 49.5%.

Authorised for issue and signed on 29 May 2020.

Chairperson of the Management Board S.H. Mamedov

Chief Accountant A.M. Lipatova

Note 2. Economic environment in which the Bank operates

The Bank conducts its operations in Ukraine. The Ukrainian economy, while deemed to be market-driven, continues to display certain characteristics intrinsic to a developing economy. These characteristics include, but are not limited to, low levels of liquidity in the capital markets, high inflation and significant imbalances in the public finance and foreign trade.

Following the significant deterioration in 2014 and 2015, the current political and economic situation in Ukraine remains unstable. However, macroeconomic indicators show a positive pattern. In 2019, the Ukrainian government continues to pursue a comprehensive structural reform agenda aiming at the removal of the existing imbalances in the economy, public finance and governance, fighting corruption, reforming judiciary system, etc. with the ultimate goal to secure conditions for the economic recovery in the country. Stabilisation of the Ukrainian economy in the foreseeable future depends on success of actions undertaken by the Government and securing continued financial support of Ukraine by international donors and international financial institutions.

On 6 September 2019 and 27 September 2019, Fitch and Standard & Poor’s upgraded Ukraine’s sovereign rating to B. Agencies noted a significant improvement in the macroeconomic situation, responsible fiscal and budgetary policies and the emergence of a “window of opportunity” for economic reforms.

During 2019, the official UAH/USD exchange rate established by the National Bank of Ukraine has decreased by 14.45% from UAH/USD 27.688264 as at 1 January 2019 to UAH/USD 23.6862 as at 31 December 2019. The structural liquidity surplus in the financial market persisted throughout 2019. The banking sector continues to work against the backdrop of liquidity surplus. The Management Board of the National Bank of Ukraine approved a decision to decrease the key policy rate to 13.5% p.a. starting from 13 December 2019. In 2019, the key policy rate was decreased from 18% to 13.5%. The National Bank of Ukraine speeds up the easing of the monetary policy, since the rapid strengthening of hryvnia leads to a faster decline of inflationary pressure than expected.

The Ukrainian banks have adequate capitalisation and are profitable in the current macroeconomic environment. Furthermore, the sector's resilience to systemic risks is improving. Performance of the banking system is improving: loan portfolio is increasing, its quality is improving, allocations to reserves are the lowest in more than a decade, banks generate high returns. Therefore, the capital adequacy of the banking system is much higher than minimum ratios.

Known and estimated results of the above factors on the financial position and performance of the Bank during the reporting period were taken into account while preparing these financial statements. The Bank’s management monitors the developments in the current environment and takes actions, as appropriate, to minimise any adverse effects to the extent possible. Further negative developments in the political, macroeconomic and/or international commerce environment may further adversely affect the Bank’s financial position and performance in a manner not currently determinable.

Note 3. Basis of preparation

These financial statements are prepared in accordance with International Financial Reporting Standards on the historical cost basis, except for measurements of certain financial instruments at fair value.

The financial statements are presented in Ukrainian hryvnia (UAH), and all values are rounded to the nearest thousand (UAH ‘000), unless otherwise stated.

Statement of compliance

The Bank's financial statements are prepared in accordance with IFRS as issued by the International Accounting Standards Board (IASB).

Presentation of financial statements

The Bank presents its statement of financial position in order of liquidity. Analysis of the recovery or settlement of assets and liabilities with a breakdown of those being settled or recovered within 12 months after the date of the statement of financial position (current/short-term) and more than 12 months after the date of the statement of financial position (non-current/long-term) is presented in Note 25.

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Income and expenses are offset in the statement of profit or loss only when required or permitted by a financial reporting standard or interpretation, which is specified in the Bank's accounting policy.

The accounting policies below do not include new standards, amendments to standards, and interpretations that are optional in 2019.

Note 4. Significant accounting policies

The Bank's accounting policies are formed in accordance with the applicable law of Ukraine, regulations of the National Bank of Ukraine and are based on International Financial Reporting Standards.

In its accounting policies, the Bank is governed by the principles of fair presentation, substance over form, autonomy, prudence, continuity, accrual and matching of income and expense, consistency and historical cost.

Methods and principles of measuring specific assets and liabilities are set out below.

The procedure of accounting for operations performed by the Bank is governed by separate internal documents that constitute a part of the Bank's Accounting Policies.

Note 4.1. Basis of measurement.

Financial instruments are carried at fair value or amortised cost, depending on their classification as described below.

Measurement at fair value

Fair value (FV) is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between participants of the principal market or the most advantageous market at the measurement date. The Bank determines the fair value of financial instruments on the basis of prices obtained directly from external data or using valuation techniques. A financial instrument is considered to be quoted in an active market, if quoted prices are readily and regularly available from a stock exchange or other organisation, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

In the absence of an active market, the basis of fair value measurement is the data about the recent arrangements entered into by unrelated parties. Amounts received from enforced recovery are not fair value.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or analysis of financial data about the investees are used to measure the fair value of certain financial instruments for which external market pricing information is not available. Applying these valuation techniques may require assumptions that are not supported with market data. In these financial statements, information is presented when replacing such assumption with an alternative one can result in a material change in profit, revenue, total amount of assets or liabilities.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisers, brokers and dealers, levies by regulatory agencies and security exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Measurement at amortised cost

Amortised cost (AC) is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to the maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of the related items in the statement of financial position.

The effective interest rate method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

Note 4.2. Initial recognition of financial instruments

Financial instruments carried at FVTPL on initial recognition are measured by the Bank at their fair value less transaction costs. The Bank accounts for transaction costs incurred for acquiring such financial instruments on expense accounts at the date of transaction.

Other financial instruments are initially recorded at fair value including transaction costs.

All financial liabilities, except for those designated as at FVTPL and those arising when the transfer of a financial asset carried at fair value does not qualify for derecognition, are measured at AC using the effective interest rate method. Premiums and discounts, including original transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

Note 4.3 Classification of financial assets

A financial asset is measured at AC if both of the following conditions are met and it is not designated as at FVTPL:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

A financial asset is measured at FVOCI if both of the following conditions are met and it is not designated at the Bank's discretion as measured at FVTPL:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets not qualifying for measurement at AC or FVOCI as described above, are measured at FVTPL. In addition, the Bank may, at initial recognition, irrevocably designate a financial asset that would otherwise qualify for recognition at AC or FVOCI as measured at FVTPL, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio of financial assets and the operation of these policies in practice, including whether management’s strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the maturities of the financial assets to the maturities of any related liabilities that are funding those assets, or realising cash flows through the sale of the assets;

- how the performance of the portfolio is evaluated and reported to the Company’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; and

- the frequency, volume and timing of sales in prior periods, reasons for such sales, and expectations about future sales. However, the information about the sales is not considered in isolation but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Recognised financial assets are reclassified only if the Bank makes changes to the business model for its operations.

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, ‘principal’ is defined as the fair value of the financial asset on initial recognition. ‘Interest’ is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest on the principal outstanding (SPPI criterion), the Bank considers the contractual terms of the financial instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

Note 4.4 Impairment

IFRS 9 requires the Bank to apply significant judgements over how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model is applied to the following financial instruments that are not at FVTPL:

• financial assets that are debt instruments;

• lease receivables;

• loan commitments and financial guarantee contracts (previously the impairment was measured in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets).

The Bank recognises the ECL allowances at an amount equal to 12-month expected credit losses or lifetime ECLs.

The Bank assesses the quality of financial assets as follows:

- if the credit risk of the financial instrument has not increased significantly since the initial recognition, then the loss allowance for that financial asset is equal to the amount of 12-month ECLs;

- if there has been a significant increase in credit risk since the initial recognition, the Bank recognises a loss allowance for that financial asset at an amount equal to lifetime ECLs;

Measurement of expected credit losses

Expected credit loss is a probability-weighted estimate of credit losses that is measured by the Bank as follows:

• financial assets that are not credit-impaired at the reporting date: as a present value of all estimated cash shortfalls (i.e. is the difference between the cash flows that are due to the Bank in accordance with the contract and the cash flows that the Bank expects to receive);

• for financial assets that are credit-impaired at the reporting date, as the difference between the asset’s gross carrying amount and the present value of estimated future cash flows;

• for undrawn loan commitments, as a present value of the difference between contractual cash flows due to the Bank, if the holder of the loan commitment draws down the loan, and the cash flows that the Bank expects to receive, if the loan is drawn down; and

• for financial guarantee contracts, the present value of expected payments to reimburse the holder for credit losses that it incurs less any amounts that the Bank expects to recover.

Significant increase in credit risk and definition of default

In determining whether there is a significant increase in the credit risk (i.e. risk of default) on the financial instrument since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort, including both the quantitative and qualitative information, and analysis based on the Bank's historical experience, expert monetary evaluation of the credit quality and forward-looking information.

For identifying whether there is a significant increase in credit risk or a default event, the Bank uses the internal methodology.

For calculating an allowance, the Bank allocates financial assets by individually significant and not individually significant.

For impaired and individually significant assets, impairment is determined on an individual basis. For financial assets that are not individually significant and not impaired, impairment is determined on a collective basis.

Financial assets are written off against related provisions or allowances when there is no reasonable expectation of recovery according to the Bank's management.

Note 4.5. Derecognition and contract modification

A financial asset (or a part of a financial asset, or a group of similar financial assets) is derecognised when:

– the rights to receive cash flows from the financial asset have expired; or

– the Bank has transferred its rights to receive contractual cash flows from that asset, or if it has retained the right to receive cash flows of the asset, but has assumed a contractual obligation to pay them in full without material delay to a third party under a pass-through arrangement.

– the Bank has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Bank has transferred its rights to receive cash flows from an asset, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Bank's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset or the maximum amount of consideration that the Bank could be required to repay.

The transfer of assets results in derecogntion if the Bank has transferred substantially all risks and rewards of the asset and is transferring control of the asset.

Financial liabilities are derecognised when the respective obligations are discharged, cancelled or expire.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or where the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of profit and loss and other comprehensive income.

When accounting for contractual changes or modifications of a financial asset that result in a renegotiation of cash flows of the asset, the Bank:

– derecognises the original financial asset and recognises a new financial asset; or

– continues to recognise the original financial asset on new terms.

When the contract on a financial asset is renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Bank shall recalculate the gross carrying amount of the financial asset and shall recognise a modification gain or loss.

The Bank recalculates the gross carrying amount as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset's original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired (POCI) financial assets).

Transaction costs are included in the carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

The Bank recognises the difference between the original gross carrying amount and the renegotiated or modified gross carrying amount as modification gain or loss.

Note 4.6. Cash and cash equivalents.

Cash and cash equivalents include cash on hand; balances on the Bank's correspondent accounts in the National Bank of Ukraine that are not mandatory reserves; balances on correspondent bank accounts and cash in banks that are readily convertible to known amounts of cash at short notice and non-restricted cash balances that are subject to an insignificant risk of changes in value.

Restricted cash balances are excluded from cash and cash equivalents. Cash and cash equivalents are carried at AC.

Note 4.7. Mandatory reserves with the National Bank of Ukraine.

The NBU has cancelled the requirement to place the mandatory reserve cash with a separate account, which restricted the use of cash.

Note 4.8. Investments in securities.

Financial assets measured at FVTPL include debt securities, shares and other financial investments held in the trading portfolio and those designated by the Bank as at FVTPL on initial recognition.

Balances on financial assets measured at FVTPL are presented in the ***Statement of Financial Position (Balances Sheet)***. Results from trading financial assets measured at FVTPL are presented in the ***Statement of Profit or Loss and Other Comprehensive Income (Income Statement)*** and in the ***Statement of Cash Flows (direct method)***.

Note 4.9. Loans and advances to banks.

Loans and cash in banks are recognised as financial assets in Loans and Receivables and are initially measured at fair value (first-day profit/loss) plus related transaction costs.

After the initial recognition, they are measured at AC using the effective interest method. Cash without fixed maturity is carried at AC by reference to the expected maturity dates for such assets.

The Bank recognises the impairment of loans and cash in banks on special reserve (provision) accounts. The asset's carrying amount is decreased by the amount of impairment provision. The amount of loss is recognised on expense accounts in the statement of comprehensive income.

Interest income on loans granted to banks and deposits placed was recognised on interest income accounts using the effective interest method.

Note 4.10. Loans and advances to customers.

After the initial recognition, at the balance sheet date, loans are measured at AC using the effective interest rate over the amortisation of the discount (premium) and interest accrual at least once a month, or at FVTPL. The Bank's fees and commissions are treated as discount/interest income if such fees are paid by a customer and are related to the issue of a loan.

The Bank recognises interest income using the effective interest rate. The Bank applies nominal interest rate to financial instruments, for which future cash flows cannot be reliably measured (overdraft loans, revolving credit facilities) and to which the effective interest rate is not applied.

In the financial statements for 2019, the results from transactions on loan debt of the Bank's customers are stated in ***the Statement of Profit or Loss and Other Comprehensive Income (Income Statement)*** and ***the Statement of Cash Flows (direct method)*** as a net (increase)/decrease in loans and advances to customers.

Loans issued to customers are stated in ***the Statement of Financial Position (Balance Sheet)*** as the carrying amount minus special provisions for credit risk (Note 8).

Note 4.11. Reverse purchase/repurchase contracts.

Securities sold under sale and repurchase (repo) contracts are accounted for as secured financial transactions. These securities are recognised on the balance sheet and the counterparty’s liabilities are included in amounts payable under repo transactions.

Securities acquired under repo contracts are treated as accounts receivable on repurchase transactions. The difference between the purchase price and repurchase price is the interest income and is recognised in the statement of profit or loss over the term of the repo contract. Accounts receivable to be settled under repo contracts are recognised net of the provision for impairment losses. Where assets acquired under the repo contract are sold to a third party, the obligation to repurchase securities is recognised as trade payables and is measured at FV.

Under repo transactions, the Bank, acting as a purchaser, receives a reward in the form of interest or in the form of a difference from a repurchase of securities at the price greater than the (discounted) purchase price. Therefore, the accounting for interest income under repo transactions is different in form of the reward received.

The Bank's expenses from repo transactions are amortised over the entire term of the contract.

In the event of indefinite repo transactions, the amortisation period is determined on a forward-looking basis depending on the expected maturity.

Note 4.12. Investment property.

Property (land or a building – or part of a building – or both) owned or held by the Bank under a finance lease to earn rentals or for capital appreciation or both is classified as investment property.

If the Bank acquires through foreclosures a property comprising land and buildings and has no clear intention as to their further use, then such assets are classified as investment property.

The Bank measures and accounts for the investment property at cost that consists of its purchase price and all expenses that are directly attributable to the acquisition.

Investment property is subsequently measured at cost plus accumulated depreciation and impairment losses.

Investment property (other than land) is depreciated on a straight-line basis. In 2019, the useful lives of investment property were 25 years. The Bank recognises depreciation charges on investment property in the Statement of Profit or Loss and Other Comprehensive Income (Income Statement).

In 2019, the impairment of investment property and decreases in the carrying amount were recognised. Impairment losses are stated under the heading ***"Impairment of investment property"***.

Costs of the day-to-day servicing, repairs and maintenance of an investment property item are recognised under the heading ***"Administrative and other operating expenses"*** in ***the Statement of Profit or Loss and Other Comprehensive Income (Income Statement)*** in the period in which they are incurred.

Operating lease income from investment property is disclosed in **line 1 Table 9.3 Note 9**.

Information about investment property is presented in ***the Statement of Financial Position (Balance Sheet)*** under the heading "**Investment property"** and in ***Note 9***.

Note 4.13 Property, plant and equipment and intangible assets

An intangible asset is carried at its historical cost less any accumulated amortisation and accumulated impairment losses.

Historical cost of property, plant and equipment includes its cost plus all related costs of acquisition, transportation, installation and putting these items into operation.

All of the Bank's intangible assets have finite useful lives and primarily include computer software and software licences.

The carrying amounts of property, plant and equipment and intangible assets are depreciated/amortised over their expected useful lives for the purpose of their gradual retirement. Depreciation/amortisation is charged on a straight-line basis.

In 2019, the useful lives of property, plant, and equipment and intangible assets were not revised. The useful life of intangible assets is determined in accordance with internal regulations of the Bank.

An item of property, plant and equipment or intangible asset is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

The Bank assesses at the end of each reporting period whether there is any indication that an asset may be impaired. Where the carrying amount of the asset exceeds the recoverable amount, the carrying amount is written down to its recoverable amount.

The Bank recognises depreciation charges on property, plant and equipment under the heading ***"Depreciation and amortisation expenses"*** in ***the Statement of Profit or Loss and Other Comprehensive Income (Income Statement).***

Gain or loss arising from disposal of property, plant and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) are recognised under the heading "Other operating income" or ***"Administrative and other operating expenses"*** in ***the Statement of Profit or Loss and Other Comprehensive Income (Income Statement)***.

Expenses incurred to maintain property, plant and equipment are recognised under the heading ***"Administrative and other operating expenses"*** in ***the Statement of Profit or Loss and Other Comprehensive Income (Income Statement)*** in the period in which they were incurred.

The Bank did not remeasure the cost of property, plant and equipment in the reporting period.

Residual value of property, plant and equipment is 0.

Information about the property, plant and equipment is presented in ***the Statement of Financial Position (Balance Sheet)*** under the heading ***"Property, plant and equipment and intangible assets"***, in Note 10 and in ***the Statement of Cash Flows (direct method)***.

Note 4.14 Operating leases where the Bank acts as a lessor and/or a lessee.

In the current year, the Bank applied IFRS 16 Leases that is effective for annual periods beginning on or after 1 January 2019. IFRS 16 introduces new or amended lease accounting requirements. The standard introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement of all leases, other than short-term leases and leases of low-value assets. Unlike the lessor accounting, the lessee accounting requirements have remained largely unchanged.

The effect of applying IFRS 16 on the separate financial statements of the Bank is detailed below.

The date of first application of IFRS 16 for the Bank is 1 January 2019.

The Bank applied IFRS 16 retrospectively and the cumulative effect of initially applying IFRS 16 is recognised at the date of initial application. Accordingly, comparative figures were not restated.

Effect of the new definition of a lease. The Bank applied a practical expedient introduced as part of transition to IFRS 16, whereby the Bank is not required to reassess whether the contract is, or contains, a lease. Accordingly, this standard applies to contracts that were previously identified as leases applying IAS 17 Leases and IFRIC 4 Determining whether an Arrangement contains a Lease.

Effect on lessee accounting

Operating lease: IFRS 16 will change the Group's principle of accounting for leases that were previously classified as operating leases under IAS 17.

On initial application of IFRS 16 for all leases (except for those specified below), the Bank:

 has recognised the right-of-use assets and lease liabilities initially measured at the present value of future lease payments in the separate statement of financial position;

 has recognised the depreciation of right-of-use assets and interest on lease liabilities in the statement of profit or loss;

 has presented expenses in operating expenses as part of profit or loss.

The Bank applied a single discount rate for the portfolio of leases with similar characteristics.

Effect on lessor accounting

IFRS 16 does not significantly changes the lessor accounting. Under IFRS 16, the lessor continues to classify leases as finance or operating and account for these two types of lease differently.

However, IFRS 16 changed and expanded the disclosure requirements, especially in terms of the lessor's risk management for the rights it retains in underlying assets.

Operating lease expenses are stated in **line 2 Table 29.3** ***Note 29 Administrative and other operating expenses***.

In 2019, the Bank leased out its premises and land.

Lease payments under the operating lease are recognised monthly as income on a straight-line basis over the lease period.

Lease income are stated in **line 2** ***Note 28 Other operating income***.

Note 4.15. Non-current assets held for sale and disposal groups.

The Bank classifies non-current assets and disposal groups as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use when the conditions below are met: the asset is available for immediate sale in its present condition and its sale is highly probable during the year from the date of classification.

Prior to initial classification as held for sale, the Bank measures the carrying amount and recognises it at the lower of the carrying amount or fair value less costs to sell.

Information about non-current assets held for sale and disposal groups is presented in ***the Statement of Financial Position (Balance Sheet)***,

Note 4.16. Derivative financial instruments.

In the normal course of business, the Bank enters into various derivative financial instruments, including forwards and swaps, for managing the currency risk and liquidity risk, as well as for trading purposes. Financial derivatives used by the Bank are not intended for hedging and are do not qualify for hedge accounting. Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value at each reporting date. All derivative instruments are carried as assets when fair value is positive and as liabilities when fair value is negative.

Derivative instruments are included to other assets or other liabilities in the separate statement of financial position. Gains or losses arising from these instruments are included in other income in the separate statement of profit or loss and other comprehensive income.

Note 4.17. Financial liabilities

Financial liabilities are classified either as financial liabilities at FVTPL or other financial liabilities.

Other financial liabilities. Other financial liabilities including deposits and borrowings are initially recognised at fair value less transaction costs. Other financial liabilities are subsequently carried at amortised cost using the effective interest method.

Effective interest rate is a method of calculating the amortised cost of a financial liability and allocating interest expenses over the relevant period. For more information about the effective interest rate, refer to section “Net interest income” above.

Derecognition of financial liabilities. The Bank derecognises financial liabilities when, and only when, the Bank’s obligations are discharged, cancelled or have expired.

The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

Financial guarantee contracts. A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Bank are initially measured at fair value and are subsequently carried at the higher of:

 the amount of loss allowance determined under IFRS 9.

 the amount initially recognised less any cumulative amount of income recognised in line with the Bank’s revenue recognition policy.

Financial guarantees are presented as reserves in the separate statement of financial position and their measurement is presented in other comprehensive income.

Note 4.18. Financial liabilities at fair value through profit or loss

Financial liabilities carried at FVTPL include the following transactions:

- purchase and sale, TOM or SPOT foreign currency translation;
- regular-way purchase of financial investments (securities are transferred within ten business days) if the transaction date and payment date are not matching.

On initial recognition, financial liabilities and financial assets are measured at FV plus transaction costs directly attributable to their acquisition or issue. Transaction costs include payments to third parties, i.e. those parties that, although help conducting a transaction, act neither as a buyer, nor seller.

When there is an active market, the fair value of a liability is its market price. In the absence of an active market, the financial liability is carried at its cost less impairment losses.

Financial liabilities are written off on the date of their settlement, cancellation or expiration.

Note 4.19. Debt securities issued by the Bank.

Self-issued debt securities include savings (deposit) certificates issued by the Bank. Self-issued debt securities are recognised on accounts of section 33 "Self-issued debt securities and financial derivatives". The Bank issues registered savings (deposit) certificates.

Income on savings certificates is paid upon presentation to the Bank.

This information is presented in the note ***"Debt securities issued by the Bank"***.

Note 4.20. Provisions for liabilities.

Provisions for granted financial liabilities secure their fulfilment in the future, which is recognised in the Bank's balance sheet as a liability and indicates the probable outflow of resources associated with the fulfilment of such financial liabilities by the Bank.

Credit-related commitments include: loan commitments, letters of credit, financial guarantees and bill avalisation.

Financial liabilities are initially recognised at fair value, which is normally the amount fees received (for guarantees). The Bank amortises the amount of fees on a straight-line basis over the life of the liability. At every reporting date, the financial guarantees are measured at the higher of cash required to settle the obligation at the reporting date or initially recognised amount of obligation less accumulated depreciation.

The Bank charges the provision for liabilities by reference to the loss rate on lending transactions, credit conversion factor and the amount of consideration received gross of depreciation (for guarantees).

If the amount of provision increases in subsequent periods after the provision for granted financial liabilities is created, the Bank adjusts the previously formed provision for such liabilities.

Where it is required to fulfil the financial liability assumed, the Bank uses the respective provision created for that financial liability.

Provisions for contingent liabilities are measured in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets (IAS 37) that requires the use of management's estimates and judgements. Contingent liabilities are not recognised in the statement of financial position. They are disclosed in the notes to financial statements unless the probability of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognised in the statement of financial position. They are recognised in the notes to financial statements when the inflow of economic benefits to the Bank is probable.

This information is disclosed in the Note "Provisions for liabilities" to the Statement of Financial Position (Balance Sheet) and the Note "Fee and commission income and expenses" to the Statement of Profit or Loss and Other Comprehensive Income (Income Statement).

Note 4.21. Subordinated debt.

Subordinated debt is an ordinary not secured debt capital instrument, which according to the contract cannot be redeemed earlier than in five years and which in the event of the bankruptcy or liquidation returns to the investor after satisfying claims of all other creditors. However, when included in the capital, such amounts cannot be more than 50% of the core capital with an annual decrease by 20% of its original value over the last 5 years of the contract term.

Subordinated debt is initially recognised at fair value, which equals to the amount of proceeds less transaction costs. In subsequent periods, the amount of liabilities is carried at amortised cost using the effective interest method.

Interest expenses from subordinated debt are recognised on a monthly basis using the effective interest rate by increasing the expenses. The advance payment of the interest on amounts borrowed through subordinated debt is not allowed. The capitalisation of interest on subordinated debt is not allowed.

Note 4.22. Income tax.

Taxation. Income tax expense represents the amount of current and deferred tax expense.

Current income tax.

Current income tax expenses are based on taxable profit for the year. Taxable profit differs from the financial profit before tax recognised in the separate statement of profit or loss and other comprehensive income, since it does not include items of income and expenses that are taxable or attributable to expenses in other periods and excludes items that are never taxable or attributable to expenses for taxation purposes. Current tax expenses of the Bank are calculated using the tax rate ruling during the reporting period.

Deferred income tax.

Deferred income tax is a tax that is expected to be paid or recovered for differences between the carrying amounts of assets and liabilities in the separate financial statements and appropriate tax base used in determining taxable profit, and is recognised using the balance sheet liability method.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. These assets are not recognised if the temporary differences arise from the initial recognition of other assets and liabilities in a transaction that affects neither taxable profit or accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax is recognised in the separate statement of profit or loss and other comprehensive income, unless it relates to items that are directly attributable to equity items, in which case the deferred tax is also recognised in equity.

In Ukraine, there are other taxes that apply to the Bank's business. These taxes are included as a component of operating expenses in the separate statement of profit or loss and other comprehensive income.

Information about the Bank's income tax liabilities is presented in ***the Statement of Financial Position (Balance Sheet)*** and in Note 30 to ***the Statement of Profit or Loss and Other Comprehensive Income (Income Statement)***.

Note 4.23. Share capital and share premium

Share capital contributions are recorded at cost. Share premium represents the excess of contributions received over the nominal value of shares issued. Gains and losses from the sale of own shares are included in share premium.

Dividends on ordinary shares are recognised in equity as a decrease in equity in the period in which dividends are declared.

Note 4.24. Funds of the Bank

The Bank creates a reserve fund to cover for contingent losses from banking operations. Amounts directed to the reserve fund according to the Law of Ukraine “On Banks and Banking Activity” should be at least 5% of the Bank's net profit but not more than 25% of the Bank’s regulatory capital.

The Bank’s reserve fund can be used only to cover for the Bank's losses at the end of the reporting year based on the decision of the Supervisory Board and in a procedure established by the General Meeting of Shareholders.

Note 4.25. Recognition of income and expenses.

Income and expenses are recognised in accordance with the key principles of international financial reporting standards – accrual, matching, prudence.

The Bank applies the accrual basis of accounting that requires all income and expenses to be recognised in the period in which they were incurred.

Interest income and expenses are recognised in the reporting period in which they were incurred and are calculated on an accrual basis using the effective interest method.

Note 4.26. Foreign currency translation.

Transactions with foreign currencies and precious bank metals are initially recognised in the reporting currency by translating the foreign currency amount at the official exchange rate of UAH to foreign currencies ruling at the transaction date (i.e. the date on which assets, liabilities, equity, income and expenses are recognised).

Assets and liabilities in foreign currencies and precious bank metals are recognised in the UAH equivalent at the official rate ruling at the date of financial statements or the reporting date.

In ***the Statement of Financial Position (Balance Sheet)***, the Bank's monetary assets and liabilities are recognised at the NBU's official exchange rate of UAH to foreign currencies and precious bank metals at the end of the period, which are represented as follows:

	31 December 2019 (in UAH)	**31 December 2018**
USD	23.686200	27.688264
EUR	26.422000	31.714138
RUB	0.38160	0.39827
GBP	31.020600	35.131366
CHF	24.271100	28.248096
XAU	35802.1700	35364.835
PLN	6.194300	7.370581

Results of translating assets and liabilities in foreign currencies and precious bank metals are stated in ***the Statement of Profit or Loss and Other Comprehensive Income (Income Statement)***, in ***the Statement of Cash Flows (Direct Method)***.

Note 4.27. Offsetting assets and liabilities.

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

In the reporting year 2019 and the previous 2018, the Bank did not offset financial assets and liabilities.

Note 4.28. Accounting for effect of inflation

Ukraine had been considered a hyperinflationary economy for the period ended 31 December 2000. Since the Bank was incorporated and conducted business after that period, IAS 29 Financial Reporting in Hyperinflationary Economies did not apply.

Note 4.29. Employee benefits and related charges

Wages, salaries, contributions to the state social insurance fund, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services were rendered by the employees. According to the Ukrainian legislation, the Bank makes contributions to the following state social insurance funds: pension fund, social insurance against temporary disability, mandatory state social insurance against unemployment and casualty insurance.

Contributions made to the state social funds are expensed as incurred. Employee benefits expenses include cost of charging a provision for vacation and bonuses. The Bank has no other post-employment benefit obligations or other significant benefits that would require accrual.

Expenses associated with employee benefits and related charges are recognised under the heading "Employee benefits expense" in ***the Statement of Profit or Loss and Other Comprehensive Income (Income Statement)***.

Note 4.30. Operating segment information

The Bank identifies the following operating segments:

- services to individuals that take the form of individual current accounts, personal savings and loans;

- corporate banking services that take the form of direct lending, opening of current accounts, deposits, loans and other credit products, foreign currency transactions and derivative products, as well as transactions with SMEs.

In addition, the segment “Investment banking” was separated.

Note 4.31. Related-party transactions.

Parties are generally considered to be related if the parties are under common control, under joint control or if one party has the ability to control the other party or can exercise significant influence over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Note 4.32. Changes in accounting policies and estimates, correction of significant errors and their presentation in the financial statements.

In the current year, the Bank applied IFRS 16 Leases that is effective for annual periods beginning on or after 1 January 2019. IFRS 16 introduces new or amended lease accounting requirements. The standard introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement of all leases, other than short-term leases and leases of low-value assets. Unlike the lessor accounting, the lessee accounting requirements have remained largely unchanged.

The effect of applying IFRS 16 on the separate financial statements of the Bank is detailed in Note 4.14.

Note 4.33. Significant accounting estimates and judgements that affect the recognition of assets and liabilities

The Bank uses estimates and assumptions that affect the amounts recognised in the financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management’s historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also applies professional judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Losses from impairment of loans and advances. Overdue debt on all loans to corporate, bank and retail customers is analysed monthly to determine the amount of impairment losses that are recognised by establishing impairment provisions. In addition, each category of loans is collectively assessed for impairment with consideration of losses incurred in the past. This assessment considers the results of modelling the losses to maturity by the portfolios of loans that are past due, but were not individually assessed as impaired.

The Bank uses assumptions as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual asset in that portfolio. Such indications may include observable data indicating adverse changes in the payment status of borrowers that are part of the group.

Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Financial assets are assessed for impairment by creating provisions for the full amount of the net credit risk (weighted against a respective provision ratio) for all types of credit transactions and not only when there is objective evidence of impairment of financial assets or a group of financial assets.

Recognition of deferred income tax asset. The deferred tax assets recognised on the balance sheet is substantially the amount of tax losses incurred that can be recovered by future deductions from the taxable profit. Deferred income tax assets are recorded to the extent that realisation of the related tax credit is probable in accordance with the applicable law at the end of the reporting period. The future taxable profits and the amount of tax benefits that are probable in the future are based on the medium term business plan prepared by management and extrapolated results thereafter. The business plan is based on management expectations that are believed to be reasonable under the circumstances. Management expects a moderate increase in the Bank's corporate loan portfolio and credit quality improvement, further development of the personal financing, improvement of the range of banking products and services, which will result in the increase of the fee and commission income, implementation of effective expense control programmes, improved performance of its branches and further optimisation of the staff size. It should be noted that as at 31 December 2017, the tax law of Ukraine does not limit the period of use of tax losses carried forward. Significant changes to the assumptions above about recognising a deferred tax asset can potentially result in the derecognition of a deferred income tax asset.

Going concern. The Bank’s management prepared these financial statements on a going concern basis. In making this professional judgement, management has taken into account the relative stability of the deposit market and its sensitivity to interest rates, which will allow the Bank to manage its financing needs through pricing. In addition, management has considered the following internal circumstances: the increasing volumes of customer lending, the increasing share of UAH deposits in the retail portfolio, timely repayment of all liabilities, further increase in the volume of retail lending. The Bank will continue to receive advisory support from external auditors and other experts as necessary.

Cost provides for carrying the Bank's assets at the amount of actual acquisition costs as at the date of acquisition and the Bank's liabilities at the amount of mobilised cash in exchange for liabilities (deposits). The Bank carries the property, plant and equipment and intangible assets and financial instruments (accounts receivable, securities, investments in associates, subsidiaries) at cost.

Market value is the amount that can be received from selling an asset in an active market. When accounting for assets and liabilities at market value, the assets are carried at the amount that would have to be paid if the same or an equivalent asset was currently acquired. When accounting for liabilities, they are recognised at the amount of cash needed to make the current payment. The asset value is reconciled to its market value through revaluation.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Assets received free of charge and assets received as a result of exchanging for a dissimilar asset are carried at fair value.

Carrying amount is the amount at which an asset is recognised after deducting any accumulated depreciation (amortisation) and accumulated impairment losses thereon.

Assessment of political situation.

The political and economic instability in Ukraine over the past year has led to a significant devaluation of the Ukrainian hryvnia against the major currencies.

The current situation in Ukraine, in spite of all stabilisation measures taken by the Ukrainian parliament, the government and the National Bank of Ukraine, demonstrates the factors of economic instability as at the date of these financial statements.

Economic instability may persist in the near future, and it is probable that the market value of the Bank's assets may be lower than their carrying value, which can have a material effect on the Bank's profitability.

Note 5. New and revised standards issued but not yet effective

NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO CURRENT STANDARDS AND INTERPRETATIONS

The Bank first applied IFRS 16 Leases. The nature and effect of changes from applying this standard on the financial statements are detailed below.
In 2019, some other amendments to standards and interpretations were first applied with no effect on the Bank's financial statements. The Bank did not early apply the standards, interpretations or amendments that were issued but not yet entered into effect.
IFRS 16 Leases
IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement Contains a Lease, SIC-15 Operating Leases − Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.
Lessor accounting under IFRS 16 is substantially unchanged from accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases. Therefore, the adoption of IFRS 16 had no effect on the accounting for leases in which the Bank acts as a lessor.
The Bank first applied IFRS 16 on 1 January 2019 using a fully retrospective approach. On transition to the standard, the Bank decided to apply a practical expedient allowing it not to assess whether a contract is, or contains, a lease as at 1 January 2019. Instead, the Bank applied the standard at initial recognition only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4. The Bank decided to apply a practical expedient for recognition of leases, for which the lease term comprises 12 months or less from the commencement date and that contain no purchase options (short-term lease) and for leases in which the underlying asset is of low value (lease of low-value assets).

Application of IFRS 16 has had the following effect:

IFRS 16 will change the Bank's principle of accounting for leases that were previously classified as operating leases under IAS 17.
On initial application of IFRS 16 for all leases (except for those specified below), the Bank:
• has recognised the right-of-use assets and lease liabilities initially measured at the present value of future lease payments in the separate statement of financial position;
• has recognised the depreciation of right-of-use assets and interest on lease liabilities in the separate statement of profit or loss.

The Bank recognises lease expenses on a straight-line basis as allowed by IFRS 16. These expenses are presented as part of other operating expenses in profit or loss.

Line	Item	31/12/2019
1	2	3
ASSETS		
1	Right-of-use assets	32,529
2	Depreciation of right-of-use assets	(10,014)
3	**Total effect of recognised right-of-use assets**	**22,515**
LIABILITIES		
4	Lease liabilities of the lessee	21,897
5	Accrued expenses on lease liabilities of the lessee	258
6	**Total effect of recognised lease liabilities of the lessee**	**22,155**
DEPRECIATION		
7	Depreciation of right-of-use assets	(9,991)
EXPENSES		
8	Interest expense on lease liabilities of the lessee	(3,294)
9	**Total effect on the financial result**	**(13,285)**

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment
The interpretation considers the procedure for accounting for income tax when there is uncertainty about tax treatments that affects the application of IAS 12 Income Taxes. The interpretation does not apply to taxes and levies outside the scope of IAS 12 and has no special requirements related to interest and penalties associated with uncertainties over tax treatments. In particular, the interpretation addresses the following issues:
• whether the entity considers uncertain tax treatments separately;
• the assumptions the entity makes about the examination of tax treatments by taxation authorities;
• how the entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax benefits and tax rates;
• how the entity considers changes in facts and circumstances.
The Bank determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments based on which approach better predicts the resolution of the uncertainty.
In adopting the interpretation, the Bank assessed whether it has any uncertain tax treatments. The Bank has concluded that tax authorities are likely to accept the tax treatments used by the Bank. This interpretation had no effect on the Bank's financial statements.
Amendments to IFRS 9 Prepayment Features with Negative Compensation
Under IFRS 9 the debt instrument can be measured at amortised cost or fair value through other comprehensive income provided that the contractual cash flows represent solely payments of

principal and interest on the principal amount outstanding (SPPI criterion) and the instrument is held within a business model that allows for such classification. The Amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that cause the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

These amendments had no effect on the Bank's financial statements.

Amendments to IAS 19 Plan Amendment, Curtailment or Settlement

Amendments to IAS 19 address the procedure for accounting when the plan amendment, curtailment or settlement occurs over the reporting period. These amendments clarify that if a plan amendment, curtailment or settlement occurs in the reporting period, the entity should determine current service cost for the remainder of the reporting period after the plan amendment, curtailment or settlement on the basis of actuarial assumptions used to remeasure the defined net benefit liability (asset) that reflect the benefits offered under the plan and plan assets after that event. The entity shall also determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event, and the discount rate used to remeasure that net defined benefit liability (asset).

These amendments had no effect on the Bank's financial statements.

Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures

The amendments clarify that an entity shall apply IFRS 9 to long-term interests in an associate or a joint venture, to which the equity method is not applied, that, in substance, form part of the entity's net investment in the associate or joint venture (long-term interest). This clarification is important because it implies that the expected loss model under IFRS 9 also applies to such long-term investments.

The amendments also clarify that, in applying IFRS 9, an entity does not take into account any losses of the associate or joint venture, or any impairment losses on the net investment recognised as adjustments to the net investments in an associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

These amendments had no effect on the Bank's financial statements.

Annual Improvements to IFRS Standards 2015- 2017 Cycle

IFRS 3 Business Combinations

The amendments clarify that when an entity obtains control over a business that is a joint operation, it shall apply the requirements for a business combination achieved in stages, including the remeasurement of previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

These amendments had no effect on the Bank's financial statements.

IFRS 11 Joint Arrangements

The amendments to IFRS 11 apply to a party that participates in, but does not have joint control of, a joint operation, that then obtains joint control of the joint operations in which the activity of the joint operations constitutes a business, as defined in IFRS 3. The amendments clarify that the previously held interests in the joint operation are not remeasured.

These amendments had no effect on the Bank's financial statements.

IAS 12 Income Taxes

The amendments clarify that income tax consequences of dividends are more directly linked to past transactions or events that generated distributable profits than to distributions to owners. Therefore an entity shall recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

The amendments should first be applied to tax consequences of dividends recognised on or after the beginning of the earliest comparative period.

These amendments had no effect on the Bank's financial statements.

IAS 23 Borrowing Costs

The amendments clarify that when a qualifying asset is ready for its intended use or sale, an entity treats any outstanding borrowings made specifically to obtain that qualifying asset as part of the funds that it has borrowed generally after substantially all activities necessary to prepare the asset for its intended use or sale are complete.
An entity shall apply the amendments to borrowing costs that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments.
These amendments had no effect on the Bank's financial statements

Standards issued but not yet effective

Standards, amendments and interpretations that were issued but are not yet effective as at the date of the Bank's financial statements are set out below. Bank intends to apply these standards, amendments and interpretations from their effective date, if necessary.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts – a new comprehensive financial reporting standard for insurance contracts that addresses the recognition and measurement, presentation and disclosure matters. When IFRS 17 becomes effective, it supersedes IFRS 4 Insurance Contracts that will be issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.
IFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. This standard is not applicable to the Bank.

Definition of a Business (Amendments to IFRS 3)

In October 2018, the International Accounting Standards Board issued Definition of a Business (Amendments to IFRS 3) which changed the definition of a business and are intended to assist entities to determine whether the integrated set of activities is a business or not. These amendments clarify minimum requirements for a business, remove the assessment of a market participant's ability to replace missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definition of a business and outputs, and introduce an optional fair value concentration test. In addition to the amendments, new illustrative examples were issued.
Since these amendments are applied prospectively to transactions or other events that occur on or after the date of initial application, these amendments will not have an effect on the Bank at the transition date.

Definition of Material (Amendments to IAS 1 and IAS 8).

In October 2018, the IASB issued Definition of Material (Amendments to IAS 1 Presentation of Financial Statements. and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors) to harmonise the definition of 'material' used across different standards and clarify certain aspects of the definition. According to the new definition: "information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements ,which provide financial information about a specific reporting entity".
The Bank does not expect these amendments to have any material effect on its financial statements.

Note 6. Cash and cash equivalents

Table 6.1. Cash and cash equivalents

(UAH '000)

Line	Item	31/12/2019	31/12/2018
1	2	3	4
1	Cash	76,179	72,934
2	Balances with the National Bank of Ukraine (excluding mandatory reserves)	213,890	103,560
3	Correspondent accounts, overnight deposits and loans in banks:	233,929	262,064
3.1	in Ukraine	232,182	261,355
3.2	in other countries	1,747	709
4	**Total cash and cash equivalents**	**523,998**	**438,558**

Figures of this note are used: in the line "Cash and cash equivalents" of the Statement of Financial Position (Balance Sheet); in Note 30 Financial risk management:

Table 34.6 Analysis of geographical concentration of financial assets and liabilities as at 31 December 2019;
Table 34.7 Analysis of geographical concentration of financial assets and liabilities as at 31 December 2018;
Table 34.10 Analysis of financial assets and liabilities by maturities based on expected maturities as at 31 December 2019;
Table 34.11 Analysis of financial assets and liabilities by maturities based on expected maturities as at 31 December 2018;

As at 31 December 2019, the Bank had no investments in short-term loans and overnight loans to other banks that would be attributable to cash under IFRS.

Table 6.2. Analysis of changes in the carrying amount of cash and cash equivalents

Line	Item	31/12/2019	31/12/2018
1	2	3	4
1	Gross carrying amount at the beginning of the period	438,558	307,327
2	Increase in cash	3,245	3,155
3	Increase in cash with the National Bank of Ukraine (other than mandatory reserves)	110,330	23,820
4	Increase in cash at correspondent accounts with Ukrainian banks	(28,135)	104,256
5	Gross carrying amount of cash and cash equivalents at the end of the reporting period	523,998	438,558

Table 6.3. Credit quality analysis of cash and cash equivalents

(UAH '000)

Line	Credit rating	Total
1	2	3
1	High	523,998
2	Total cash and cash equivalents	523,998

Note 7. Investments in securities at FVTPL

Table 7.1. Investments in securities (UAH '000)

Line	Item	31/12/2019	31/12/2018
1	2	3	4
1	Securities at AC	778,003	115,151
2	Securities at FVTPL	764,115	282,592
3	**Total securities**	**1,542,118**	**397,743**

Table 7.2. Investments in securities at AC (UAH '000)

Line	Item	31/12/2019	31/12/2018
1	2	3	4
1	Certificates of deposit issued by the NBU	778,003	115,151
2	**Total investments in securities at AC**	778,003	**115,151**

Table 7.3. Investments in securities at FVTPL (UAH '000)

Line	Item	31/12/2019	31/12/2018
1	2	3	4
1	Government bonds	764,115	282,592
2	**Total investments in securities at FVTPL**	**764,115**	**282,592**

As at 31 December 2019, the Bank recognises securities (bonds) of the PJSC "RYTM" in the amount of UAH 2,328 for which a write-down was created for the full amount of debt. The carrying amount of securities of the PJSC "RYTM" is zero.

Figures of this note are used in the line "Financial assets at FVTPL" of the Statement of Financial Position (Balance Sheet).

Amounts of income accrued and not received on debt securities at the close of the day:

- UAH 30,582 thousand as at 31 December 2019;
- UAH 10,043 thousand as at 31 December 2018.

Table 7.4. Credit quality analysis of investments in securities at AC as at 31 December 2019 (UAH '000)

Line	Item	Stage 1	Total
1	2	3	4
1	Certificates of deposit issued by the NBU	778,003	778,003
1.2	Including risk-free	778,003	778,003
2	**Total debt securities at AC**	**778,003**	**778,003**

Table 7.5. Credit quality analysis of investments in securities at AC as at 31 December 2018 (UAH '000)

Line	Item	Stage 1	Total
1	2	3	4
1	Certificates of deposit issued by the NBU	115,151	115,151
1.2	Including risk-free	115,151	115,151
2	**Total debt securities at AC**	**115,151**	**115,151**

Table 7.6. Credit quality analysis of debt securities at FVTPL as at 31 December 2019

(UAH '000)

Line	Item	Risk-free	Total
1	2	3	4
1	Government bonds	764,115	764,115
2	**Total debt securities at FVTPL**	**764,115**	**764,115**

Table 7.7. Credit quality analysis of debt securities at FVTPL as at 31 December 2018

(UAH '000)

Line	Item	Risk-free	Total
1	2	3	4
1	Government bonds	282,592	282,592
2	**Total debt securities at FVTPL**	**282,592**	**282,592**

Note 8. Loans and advances to customers

Table 8.1. Loans and advances to customers

(UAH '000)

Line	Item	31/12/2019	31/12/2018
1	2	3	4
1	Loans and advances to customers at AC	1,595,251	1,552,002
2	Loans and advances to customers at FVTPL	1,089	-
3	Total loans and advances to customers, net of provisions	1,596,340	1,552,002

Table 8.2. Loans and advances to customers at AC

(UAH '000)

Line	Item	31/12/2019	31/12/2018
1	2	3	4
1	Loans to entities	763,385	805,874
2	Loans to individuals	577,546	465,122
3	Mortgage loans	430,712	383,743
4	Provision for loans to customers at AC	(176,392)	(102,737)
5	Total loans and advances to customers at AC	1,595,251	1,552,002

Table 8.3. Loans and advances to customers at FV

(UAH '000)

Line	Item	31/12/2019	31/12/2018
1	2	3	4
1	Loans to individuals	1,089	-
2	Total loans and advances to customers at FV	1,089	-

Table 8.4. Credit quality analysis of loans and advances to customers at AC as at 31 December 2019

(UAH '000)

Line	Item	Stage 1	Stage 2	Stage 3	Total
1	2	3	4	5	6
1	Loans and advances to customers at AC				
2	Minimum credit risk	914,554	-	-	914,554
3	Low credit risk	422,620	-	-	422,620
4	Medium credit risk	132,593	67,208	-	199,801
5	High credit risk	-	37,973	-	37,973
6	Default assets	-	-	196,695	196,695
7	Total gross carrying amount of loans and advances to customers at AC	1,469,767	105,181	196,695	1,771,643
8	Impairment provision for loans and advances to customers at AC	(27,615)	(9,837)	(138,940)	(176,392)
9	Total loans and advances to	1,442,152	95,344	57,755	1,595,251

	customers at AC				

Table 8.5. Credit quality analysis of loans and advances to customers at AC as at 31 December 2018

(UAH '000)

Line	Item	Stage 1	Stage 2	Stage 3	Total
1	2	3	4	5	6
1	Loans and advances to customers at AC				
2	Minimum credit risk	867,279	-	-	867,279
3	Low credit risk	479,341	-	-	479,341
4	Medium credit risk	138,931	37,562	-	176,493
5	High credit risk	-	55,886	-	55,886
6	Default assets	-	-	75,740	75,740
7	Total gross carrying amount of loans and advances to customers at AC	1,485,551	93,448	75,740	1,654,739
8	Impairment provision for loans and advances to customers at AC	(23,882)	(3,651)	(75,204)	(102,737)
9	Total loans and advances to customers at AC	1,461,669	89,797	536	1,552,002

Table 8.6. Credit quality analysis of loans and advances to customers at FVTPL for the reporting period

(UAH '000)

Line	Item	Minimum credit risk	Low credit risk	Medium credit risk	Total
1	2	3	4	5	6
3	Loans to individuals	1,021	19	49	1,089
5	Total loans and advances to customers at FVTPL	1,021	19	49	1,089

In 2018, the Bank had no loans and advances to customers at FVTPL. Therefore, Table "Credit quality analysis of loans and advances to customers at FVTPL for the previous period" is not filled out.

Table 8.7. Analysis of changes in impairment provisions for loans and advances to customers at AC, as at 31 December 2019

(UAH '000)

Line	Item	Stage 1	Stage 2	Stage 3	Total
1	2	3	4	3	5
1	Impairment provision as at 1 January 2019	23,882	3,651	75,204	102,737
2	Purchased or originated financial assets	14,760	7,226	17,984	39,970

3	Derecognised or repaid financial assets (other than those written-off)	(4,402)	(1,386)	(15,291)	(21,079)
4	Overall effect of transfers between stages	(2,185)	(106)	2,291	-
4.1	Transfer to Stage 1	274	(224)	(50)	-
4.2	Transfer to Stage 2	(1,911)	1,911	-	-
4.3	Transfer to Stage 3	(548)	(1,793)	2,341	-
5	Assets written off against provision	-	-	(194)	(194)
6	Other movements	(4,440)	452	58,946	54,958
7	Impairment provision as at 31 December 2019	27,615	9,837	138,940	176,392

Table 8.8 Analysis of changes in impairment provisions for loans and advances to customers as at 31 December 2018

(UAH '000)

Line	Item	Stage 1	Stage 2	Stage 3	Total
1	2	3	4	3	5
1	Impairment provision as at 1 January 2018	13,311	744	133,875	147,930
2	Purchased or originated financial assets	40,508	1,590	5,882	47,980
3	Derecognised or repaid financial assets (other than those written-off)	(1,015)	(744)	(14,986)	(16,745)
4	Overall effect of transfers between stages	(25,019)	625	24,394	-
4.1	Transfer to Stage 1	(25,019)	625	24,394	-
4.2	Transfer to Stage 2	-	-	-	-
4.3	Transfer to Stage 3	-	-	-	-
5	Assets written off against provision	-	-	(72,304)	(72,304)
6	Other movements	(3,903)	1,436	(1,657)	(4,124)
7	Impairment provision as at 31 December 2018	23,882	3,651	75,204	102,737

Table 8.9. Analysis of changes to the carrying amount for loans and advances to customers at AC as at 31 December 2019

(UAH '000)

Line	Item	Stage 1	Stage 2	Stage 3	Total
1	2	3	4	5	6
1	Gross carrying amount at 1 January 2019	1,485,551	93,448	75,740	1,654,739
2	Purchased or originated financial assets	855,665	91,233	21,203	968,101
3	Derecognised or repaid financial assets (other than those written-off)	(594,921)	(30,366)	(15,291)	(640,578)
4	Transfer to Stage 1	(59,687)	6,815	1,115	(51,757)
5	Transfer to Stage 2	16,745	(55,597)	-	(38,852)
6	Transfer to Stage 3	42,942	48,782	(1,115)	90,609
7	Derecognition of financial assets against provisions	-	-	(194)	(194)
8	Other movements	(276,528)	(49,134)	115,237	(210,425)
9	Gross carrying amount at 31 December 2019	1,469,767	105,181	196,695	1,771,643

Table 8.10. Analysis of changes in the gross carrying amount for impairment in loans and advances to customers at AC as at 31 December 2018

Line	Item	Stage 1	Stage 2	Stage 3	Total
1	2	3	4	5	6
1	Gross carrying amount at the beginning of the period	1,228,380	1,402	150,542	1,380,324
2	Purchased or originated financial assets	987,477	35,332	5,882	1,028,691
3	Derecognised or repaid financial assets (other than those written-off)	(528,571)	(1,403)	(14,987)	(544,961)
4	Transfer to Stage 1	(63,443)	44,865	18,578	-
5	Derecognition of financial assets against provisions	0	0	(72,304)	(72,304)
6	Other movements	(138,292)	13,252	(11,971)	(137,011)
7	Gross carrying amount at the end of the reporting period	1,485,551	93,448	75,740	1,654,739

Table 8.11. Loan structure by types of economic activity

(UAH '000)

Line	Economic activity	31/12/2019		31/12/2018	
		amount	%	amount	%
1	2	3	4	5	6
1	Production and distribution of electricity, gas and water	68,636	3%	71,363	4%
2	Transactions with property, leasing, engineering and servicing	22,020	1%	94,755	6%
3	Trade, repair of cars, household goods and private goods	334,832	19%	323,145	20%
4	Agriculture, hunting, forestry	80,937	5%	83,180	5%
5	Individuals	1,008,259	57%	848,865	51%
6	Construction	176,435	10%	177,894	11%
7	Other	81,613	5%	55,537	3%
8	**Total loans and advances to customers, net of provisions**	**1,772,732**	**100%**	**1,654,739**	**100%**

Table 8.12. Information about loans by the type of collateral as at 31 December 2019

(UAH '000)

Line	Item	Loans to entities	Loans to individuals	Mortgage loans	Total
1	2	3	4	5	6
1	Unsecured loans	27,582	304,339	244	332,165
2	Loans secured by	735,803	274,296	430,468	1,440,567
2.1	cash	58,154	328	10,962	69,444
2.2	real estate	337,595	2,530	160,604	500,729
2.2.1	including residential property	86,078	2,530	154,640	243,248
2.3.	guarantees and sureties	62,053	1,622	170,913	234,588
2.4	other assets	278,001	269,816	87,989	635,806
3	Total loans and advances to customers, net of provisions	763,385	578,635	430,712	1,772,732

Table 8.13 Information about loans by the type of collateral as at 31 December 2018

(UAH ‘000)

Line	Item	Loans to entities	Loans to individuals	Mortgage loans	Total
1	2	3	4	5	6
1	Unsecured loans	9,156	161,151	219	170,526
2	Loans secured by	796,718	303,971	383,524	1,484,213
2.1	cash	71,342	3,284	64,877	139,503
2.2	real estate	381,724	2,642	99,514	483,880
2.2.1	including residential property	111,058	2,595	95,455	209,108
2.3.	guarantees and sureties	36,786	6,278	146,707	189,771
2.4	other assets	306,866	291,767	72,426	671,059
3	Total loans and advances to customers, net of provisions	805,874	465,122	383,743	1,654,739

Table 8.14 Effect of collateral value on credit quality as at 31 December 2019

(UAH ‘000)

Line	Item	Carrying amount of loans	Expected cash flows from sale of collateral	Effect of collateral
1	2	3	4	5 = 3 - 4
2	Loans to entities	657,020	428,126	228,894
3	Loans to individuals	509,770	170,708	339,062
4	Mortgage loans	429,550	357,115	72,435
5	Total loans	1,596,340	955,949	640,391

Table 8.14 Effect of collateral value on credit quality as at 31 December 2018

Line	Item	Carrying amount of loans	Expected cash flows from sale of collateral	Effect of collateral
1	2	3	4	5 = 3 - 4
2	Loans to entities	744,357	473,651	270,706
3	Loans to individuals	424,398	191,389	233,009
4	Mortgage loans	383,247	304,630	78,617
5	Total loans	1,552,002	969,670	582,332

Note 9. Investment property

Table 9.1. Investment property measured under the cost approach as at 31 December 2019 (UAH ‘000)

Line	Item	Land	Buildings	Land improvements	Total
1	2	3	4	5	6
1	**Opening balance**	**40,000**	**42,246**	**3,752**	**85,998**
1.1	Cost	94,190	63,519	3,794	161,503
1.2	Depreciation	-	(2,964)	(42)	(3,006)
1.3.	Impairment	(54,190)	(18,309)	-	(72,499)
2	Purchases	-	6,052	-	6,052
3	Amortisation	-	(1,889)	(252)	(2,141)
4	Impairment	-	(37)	-	(37)
5	**Closing balance**	**40,000**	**46,372**	**3,500**	**89,872**
5.1	Cost	94,190	69,571	3,794	167,555
5.2	Depreciation	-	(4,853)	(294)	(5,147)
5.3	Impairment	(54,190)	(18,346)	-	(72,536)

Figures of this note are used in the line “Investment property” of the Statement of Financial Position (Balance Sheet).

All non-residential buildings such as investment property items and some land plots are granted in an operating lease. The resultant income is illustrated in the line 1 of the Note 28 Other operating income Land is generally held for a currently undetermined future use and some land plots are leased.

All asses other than land plots are depreciated on a straight-line basis at a depreciation rate of 4% and with a useful life of 25 years. When owning the investment property, depreciation is charged for buildings and not for plots of land.

According to accounting policies, the cost approach was selected for further accounting. The original fair value of the investment property was based on the measurement of an independent valuer. The Bank regularly monitors the fair value of the investment property (at least once a year) based on the measurement of an independent valuer. The carrying amount of the investment property at the reporting date is in line with its fair value.

Table 9.2. Investment property measured under the cost approach as at 31 December 2018 (UAH ‘000)

Line	Item	Land	Buildings	Land improvements	Total
1	2	3	4	5	5
1	**Opening balance**	**186,473**	**66,333**	**-**	**252,806**
1.1	Cost	275,389	67,143	-	342,532
1.2	Depreciation	-	(532)	-	(532)
2	Purchases	-	-	3,794	3,794
3	Amortisation	-	(2,432)	(42)	(2,474)

4	Adjustment of amortisation from disposal of investment property	-	905	-	905
5	Impairment	(126,695)	(18,309)	-	(145,004)
6	Impairment from disposal of assets	161,421	278	-	161,699
7	Disposals	(180,985)	(3,624)	-	(184,609)
8	**Closing balance**	**40,000**	**42,246**	**3,752**	**85,998**
8.1	Cost	94,190	63,519	3,794	161,503
8.2	Depreciation	-	(2,964)	(42)	(3,006)
8.3	Impairment	(54,190)	(18,309)	-	(72,499)

Table 9.3. Amounts recognised in the Statement of Profit or Loss and Other Comprehensive Income

Line	Income and expense	31/12/2019	31/12/2018
1	2	3	4
1	Rental income from investment property	929	2,397
2	Direct operating expenses (including repairs and maintenance) arising from investment property that generated rental income	(546)	(913)
3	Other direct expenses that do not generate rental income	(67)	(21)
4	Recognition of investment property impairment	(37)	(146,056)

Note 10. Property, plant and equipment and intangible assets

Table 10.1. Property, plant and equipment and intangible assets as at 31 December 2019

(UAH ‘000)

Line	Item	Buildings, structures and transfer devices	Machinery and equipment	Vehicles	Tools, fixtures, fittings (furniture)	Other, PP&E	Other non-current tangible assets	In-progress capital investments in PP&E and intangible assets	Intangible assets	Total
1	2	3	4	5	6	7	8	9	10	11
1	Carrying amount at the beginning of 2018:	54,697	4,396	1,779	1,280	433	3,132	53	6,943	72,713
1.1	Historical (revalued) cost	78,007	8,897	2,201	2,707	923	11,690	53	10,419	114,897
1.2	Depreciation at the beginning of 2018	(23,310)	(4,501)	(422)	(1,427)	(490)	(8,558)	-	(3,476)	(42,184)
2	Additions	-	3,640	-	229	64	8,803	45,423	22,136	80,295
3	Capital investments for completing property, plant and equipment and improving intangible assets	68	676	-	-	-	-	-	2,815	3,559
5	Other transfers	-	-	-	-	-	-	-	-	-
6	Disposals	-	(197)		(41)	(43)	(406)	(42,017)	(1)	(42,705)
7	Amortisation charges	(3,090)	(985)	(396)	(250)	(84)	(2,306)	-	(4,778)	(11,889)
9	Carrying amount at the end of 2018 (beginning of 2019)	51,675	7,530	1,383	1,218	370	9,223	3,459	27,115	101,973
9.1	Historical (revalued) cost	78,075	13016	2,201	2,894	944	20,087	3,459	35,370	156,046
9.2	Depreciation at the end of 2018 (beginning of 2019)	(26,400)	(5,486)	(818)	(1,676)	(574)	(10,864)	-	(8,255)	(54,073)
10	Additions	-	2,985	3,546	110	67	1,163	17,482	349	25,702
11	Capital investments for completing property, plant and equipment and improving intangible assets	-	963	-	25	-	51	-	5,040	6,079
13	Other transfers	-	-	-	-	-	-	-	-	-
14	Disposals	-	(192)	(219)	(13)	(28)	(101)	(20,503)	(7)	(21,063)
15	Amortisation charges	(3,091)	(1,546)	(295)	(196)	(94)	(3,022)	-	(7,408)	(15,652)
17	Carrying amount at the end of 2019	48,584	9,740	4,415	1,144	315	7,314	438	25,089	97,039
17.1	Historical (revalued) cost	78,075	16,772	5,529	3,016	984	21,200	438	40,752	166,766
17.2	Depreciation at the end of 2019	(29,491)	(7,032)	(1,114)	(1,872)	(669)	(13,886)	-	(15,663)	69,727

Figures of this note are used in the line “Property, plant and equipment and intangible assets” of the

Statement of Financial Position (Balance Sheet).

Also, the amount of accumulated amortisation (depreciation) for the year is analysed in Note 28 Administrative and other expenses.

JSC “CB GLOBUS” has no:

- property, plant and equipment restricted for ownership, use and management;
- property, plant and equipment and intangible assets pledged as collateral;
- property, plant and equipment retired for sale;
- intangible assets with restricted right of ownership.

Generated intangible assets and purchases in a business combination are absent. Impairment losses were not remeasured, assessed or recognised. Impairment losses were not recognised or reversed in profit or loss in accordance with IAS 36. Contractual commitments for the acquisition of property, plant and equipment are absent.

Historical (revalued) cost of fully depreciated property, plant and equipment is

- UAH 15,001 thousand as at 31 December 2019;
- UAH 13,625 thousand as at 31 December 2018.

No changes in the carrying amount of property, plant and equipment took place as a result of revaluation.

Impairment losses recognised or reversed directly in equity are absent.

Note 11. Right-of-use assets

As at 31 December 2019, the right-of-use assets under lease arrangements at the cost of UAH 22,515 thousand recognised by the Bank were included under the heading “Right-of-use assets” in the Statement of Financial Position (Balance Sheet).

Table 11.1 Right-of-use assets by their maturities as at 31 December 2019

(UAH ‘000)

Line	Item	Less than 12 months	More than 12 months	Total
1	2	3	4	5
1	Right-of-use assets	2,566	19,949	22,515
2	**Total right-of-use assets**	**2,566**	**19,949**	**22,515**

Note 12. Other assets

Table 12.1. Other assets

(UAH '000)

Line	Item	31/12/2019	31/12/2018
1	2	3	4
1	Accounts receivable on asset acquisitions	448	148
2	Prepayments for services	251	1,795
3	Precious metals	575	1,654
4	Deferred expenses	3,545	6,087
5	Inventories	296	477
6	Accounts receivable on taxes and mandatory payments, other than income tax	155	163
7	Provision for impairment of other assets	(150)	(1,865)
8	**Total other assets less provisions**	**5,120**	**8,459**

Figures of this note are used in the line "Other assets" of the *Statement of Financial Position (Balance Sheet).*

Table 12.2. Analysis of changes in provisions for impairment of other assets as at 31 December 2019

(UAH '000)

Line	Movements in provisions	Accounts receivable on asset acquisitions	Prepayments for services
1	2	3	4
1	Balance as at 31 December 2018	(130)	(1,735)
2	(Increase)/decrease in impairment provision for the period	-	1,715
3	Balance as at 31 December 2019	(130)	(20)

Note 13. Other financial assets

Table 13.1. Other financial assets

(UAH ‘000)

Line	Item	31/12/2019	31/12/2018
1	2	3	4
1	Accounts receivable on securities	-	30
2	Accounts receivable on transactions with payment cards	1,020	93
3	Accounts receivable on transactions with other banks	13,704	13,704
4	Accounts receivable on transactions with other financial instruments	3,101	7,490
5	Accounts receivable on unrecovered transfers paid to individuals	3,369	5,752
6	Accounts receivable on income accrued	1,766	1,873
7	Accounts receivable on lending transactions.	497	5
8	Cash on settlement accounts in other banks	5,154	3,528
9	Other financial assets	57	430
10	Provision for impairment of other financial assets	(14,220)	(20,841)
11	**Total other financial assets less provisions**	**14,448**	**12,064**

As at 31 December 2019, the sum of line 8 “Cash on settlement accounts in other banks” includes amounts of guaranteed deposits placed by the Bank with the Operational Department of the NBU, PJSC “BANK FAMILNYI”, PJSC “FUIB”, JSB “UKRGAZBANK”.

As at 31 December 2018, the sum of line 5 includes amounts of guaranteed deposits placed by the Bank with the Operational Department of the NBU, PJSC “BANK FAMILNYI”, PJSC “FUIB”, JSB “UKRGAZBANK”.

Table 13.2. Analysis of changes in impairment provisions for other assets as at 31 December 2019

(UAH ‘000)

Line	Movements in provisions	Accounts receivable on transactions with other banks	Accounts receivable on transactions with other financial instruments	Total
1	2	3	4	5
1	Opening balance	(13,704)	(7,137)	(20,841)
2	(Increase)/decrease in impairment provision for the period	-	263	263
3	Write-off against the provision	-	6,358	6,358
4	Closing balance	(13,704)	(516)	(14,220)

Table 13.3. Analysis of changes in impairment provisions for other assets as at 31 December 2018

(UAH ‘000)

Line	Movements in provisions	Accounts receivable on transactions with other banks	Accounts receivable on transactions with other financial instruments	Total
1	2	3	4	5
1	Opening balance	(13,704)	(689)	(14,393)
2	(Increase)/decrease in impairment provision for the period	-	(6,448)	(6,448)
3	Closing balance	(13,704)	(7,137)	(20,841)

Table 13.4. Analysis of changes in gross carrying amount of other assets as at 31 December 2019 (UAH ‘000)

Line	Item	Accounts receivable on securities	Accounts receivable on transactions with payment cards	Accounts receivable on transactions with other banks	Accounts receivable on transactions with other financial instruments	Accounts receivable on unrecovered transfers paid to individuals	Accounts receivable on income accrued	Accounts receivable on lending transactions.	Cash on settlement accounts in other banks	Other financial assets	Total
1	2	3	4	5	6	7	8	9	10	11	12
1	Opening balance	30	93	13,704	7,490	5,752	1,873	5	3,958	-	32,905
2	Accounts receivable initially recognised during the reporting period	769,363	1,582,385	-	90,519	149,301	22,534	3,618	13,821,141	2,667	16,441,528
3	Derecognised or settled accounts receivable	(769,393)	(1,581,458)	-	(88,889)	(151,684)	(22,641)	(3,126)	(13,819,945)	(2,610)	(16,439,746)
4	Write-off against the provision	-	-	-	(6,019)	-	-	-	-	-	(6,019)
5	Closing balance	-	1,020	13,704	3,101	3,369	1,766	497	5,154	57	28,668

Table 13.5. Analysis of changes in gross carrying amount of other assets as at 31 December 2018

(UAH ‘000)

Line	Item	Accounts receivable on securities	Accounts receivable on transactions with payment cards	Accounts receivable on transactions with other banks	Accounts receivable on transactions with other financial instruments	Accounts receivable on unrecovered transfers paid to individuals	Accounts receivable on income accrued	Accounts receivable on lending transactions.	Cash on settlement accounts in other banks	Other financial assets	Total

1	2	3	4	5	6	7	8	9	10	11	12
1	Opening balance	159	4,542	13,704	-	7,804	2,030	-	2,444	5	30,688
2	Accounts receivable initially recognised during the reporting period	810	1,575,864	-	24,176	182,530	21,190	23	9,548,640	11	11,353,244
3	Derecognised or settled accounts receivable	(939)	(1,580,313)	-	(16,686)	(184,582)	(21,347)	(18)	(9,547,126)	(16)	(11,351,027)
4	Closing balance	30	93	13,704	7,490	5,752	1,873	5	3,958	-	32,905

Table 13.6. Analysis of credit quality of other financial assets as at 31 December 2019

(UAH '000)

Line	Item	Minimum credit risk	Low credit risk	Medium credit risk	High credit risk	Default assets	Total
1	2	3	4	5	6	7	8
1	Accounts receivable on securities	-	-	-	-	-	-
2	Accounts receivable on transactions with payment cards	1,020	-	-	-	-	1,020
3	Accounts receivable on transactions with other banks	-	-	-	-	13,704	13,704
4	Accounts receivable on transactions with other financial instruments	3,101	-	-	-	-	3,101
5	Accounts receivable on unrecovered transfers paid to individuals	3,369	-	-	-	-	3,369
6	Accounts receivable on income accrued	1,050	511	77	29	99	1,766
7	Accounts receivable on lending transactions.	148	38	-	49	262	497
8	Cash on settlement accounts in other banks	5,154	-	-	-	-	5,154
9	Other financial assets	57	-	-	-	-	57

Table 13.7 Analysis of credit quality of other financial assets as at 31 December 2018

(UAH '000)

Line	Item	Minimum credit risk	Low credit risk	Medium credit risk	High credit risk	Default assets	Total
1	2	3	4	5	6	7	8
1	Accounts receivable on securities	30	-	-	-	-	30
2	Accounts receivable on transactions with payment cards	93	-	-	-	-	93
3	Accounts receivable on transactions with other banks	-	-	-	-	13,704	13,704
4	Accounts receivable on transactions with other financial instruments	801	-	-	-	6,689	7490
5	Accounts receivable on unrecovered transfers paid to individuals	5,752	-	-	-	-	5,752
6	Accounts receivable on income accrued	891	668	60	-	254	1,873
7	Accounts receivable on lending transactions.	5	-	-	-	-	5
8	Cash on settlement accounts in other banks	3,958	-	-	-	-	3,958

Note 14. Non-current assets held for sale and disposal groups

Table 14.1 Non-current assets held for sale and disposal groups as at 31 December 2019

(UAH '000)

Line	Item	31/12/2019	31/12/2018
1	2	3	4
1	Real estate held for sale	15,011	11,228
2	**Total non-current assets held for sale**	**15,011**	**11,228**

Figures of this note are used in the line "Non-current assets held for sale and disposal groups" of the Statement of Financial Position (Balance Sheet).

In the reporting period, the land acquired by the Bank in exchange for real estate was included in non-current assets held for sale, which was previously recognised in investment property. The Bank has adopted a sale plan and programme, undertakes sales activities and negotiates with potential buyers. The sale is expected to take place in 2020. In 2020-2019, the Bank did not dispose of any non-current assets held for sale. In 2020-2019, the operations were not discontinued.

Note 15. Amounts due to banks

(UAH '000)

Line	Item	31/12/2019	31/12/2018
1	2	3	4
1	Loans received:	54,149	-
1.1	Short-term	54,149	-
1.2	Long-term	-	-
2	**Total amounts due to banks**	54,149	**-**

Figures of this note are used in the line 14 "Amounts due to banks" of the Statement of Financial Position (Balance Sheet).

Amounts of accrued and unpaid expenses on amounts due to banks at the end of the day:
- UAH 336 thousand as at 31 December 2019;
- UAH 0 thousand as at 31 December 2018.

Amounts due to banks are analysed as part of Note 33 Financial risk management:

Table 33.5. Monitoring of interest rates on financial instruments;
Table 33.10 Analysis of financial assets and liabilities by maturities based on expected maturities as at 31 December 2019;
Table 33.11 Analysis of financial assets and liabilities by maturities based on expected maturities as at 31 December 2018.

Note 16. Amounts due to customers

Table 16.1. Amounts due to customers

(UAH '000)

Line	Item	31/12/2019	31/12/2018
1	2	3	4
1	Government and non-government organisations:	302	2,928
1.1	Current accounts	302	400
1.2	Term deposits	-	2,528
2	Other entities	2,095,345	1,113,301
2.1	Current accounts	1,480,957	763,626
2.2	Term deposits	614,388	349,675
3	Individuals:	1,257,024	1,054,070
3.1	Current accounts	337,250	192,580
3.2	Term deposits	919,774	861,490
4	**Total amounts due to customers**	**3,352,671**	**2,170,299**

Figures of this note are used in the line "Amounts due to customers" of the Statement of Financial Position (Balance Sheet).

Amount of accrued and unpaid expenses on amounts due to customers at the end of the day:

- UAH 14,968 thousand as at 31 December 2019;
- UAH 12,592 thousand as at 31 December 2018;

Amounts due to customers are analysed in Note 30 Financial risk management: Table 34.5 Monitoring of interest rates on financial instruments;

Table 34.6 Analysis of geographical concentration of financial assets and liabilities as at 31 December 2019;

Table 34.7 Analysis of geographical concentration of financial assets and liabilities as at 31 December 2018;

Table 34.10 Analysis of financial assets and liabilities by maturities based on expected maturities as at 31 December 2019;

Table 34.11 Analysis of financial assets and liabilities by maturities based on expected maturities as at 31 December 2018.

Table 16.2. Allocation of amounts due to customers by types of economic activity

(UAH '000)

Line	Economic activity	31/12/2019		31/12/2018	
		amount	%	amount	%
1	2	3	4	5	6
2	Production and distribution of electricity, gas and water	71,102	2.12%	70,980	3.27%
3	Transactions with property, leasing, engineering and servicing	349,334	10.41%	126,526	5.83%
4	Trade, repair of cars, household goods and private goods	349,692	10.42%	219,018	10.09%
5	Agriculture, hunting, forestry	7,987	0.2%	3,114	0.14%
1	2			3	4
6	Individuals	1,257,024	37.6%	1,054,070	48.57%
7	Insurance services	140,668	4.2%	72,457	3.34%
8	Transportation activities and additional transportation services	23,515	0.7%	38,615	1.78%
9	Provision of information services	4,053	0.12%	1,251	0.06%
10	Provision of financial services	47,638	1.42%	114,089	5.25%
11	Education, health and welfare plans	4,519	0.13%	4,103	0.19%
12	Cash of non-resident entities	18,458	0.5%	11,053	0.51%
13	Construction and specialised construction works	862,312	25.7%	353,533	16.29%
14	Advertising activities	4,443	0.13%	7,073	0.33%
15	Production of vehicles	1,623	0.05%	3,678	0.17%
16	Production of finished metal products	6,633	0.2%	16,069	0.74%
17	Other	203,670	6.1%	74,670	3.44%
18	Total amounts due to customers	3,352,671	100%	2,170,299	100%

The carrying amount of borrowings is UAH 57,313 thousand that were pledged as collateral on lending transactions in the amount of UAH 54,453 thousand.

The carrying amount of borrowings is UAH 216,586 thousand that were pledged as collateral on guarantees in the amount of UAH 406,926 thousand.

Note 17. Debt securities issued by the Bank

Table 17.1. Debt securities issued by the Bank

(UAH ‘000)

Line	Item	31/12/2019	31/12/2018
1	2	3	4
1	Certificates of deposit	280	5,019
2	Total	280	5,019

In 2019, JSC "CB GLOBUS” repurchased registered savings (deposit) certificates for individuals.

As at 31 December 2019, the following items are included under the heading “Debt securities issued by the Bank”:

- savings (deposit) certificates issued by bank – UAH 274 thousand;
- accrued expenses on savings (deposit) certificates issued by bank – UAH 6 thousand.

There are no assets pledged as collateral on securities issued by the Bank and convertible debt instruments.

Note 18. Provisions for liabilities

Table 18.1. Changes in provisions for liabilities as at 31 December 2019

(UAH ‘000)

Line	Movements in provisions	Credit-related commitments
1	Balance as at 31 December 2018	**4,422**
2	Creation and/or (increase) of provision	2,521
3	Fees and commissions received under guarantees issued	14,086
4	Amortisation of fees and commissions received under guarantees issued that is recognised in the Statement of Profit or Loss and Other Comprehensive Income.	(4,739)
5	Gains from derecognition of financial liabilities	(3,481)
6	Effect of translation in presentation currency	(127)
7	**Balance as at 31 December 2019**	**12,682**

Figures of this note are used in the line “Provisions for liabilities” of the Statement of Financial Position (Balance Sheet).

Provisions for granted financial liabilities secure their fulfilment in the future, which is recognised in the Bank's balance sheet as liabilities and is indicative of probable losses due to an outflow of resources associated with the fulfilment of such financial liabilities by the Bank.

In the reporting period, the Bank has not drawn on the provisions for granted financial guarantees to fulfil the assumed liabilities.

Also, in 2019 the Bank received a compensation for the guarantee payment of UAH 113 thousand that was previously repaid against the provision.

Under the contracts with customers, the term of guarantees and loan commitments expires in 2019-2029. The Bank amortises the amount of fees and commissions received for providing a guarantee on a straight-line basis over the life of the liability.

Note 19. Other financial liabilities

Table 19.1. Other financial liabilities

(UAH '000)

Line	Item	31/12/2019	31/12/2018
1	2	3	4
1	Accounts payable on transactions with payment cards	530	93
2	Accounts payable on foreign currency transactions	3	25,303
3	Accounts payable on electronic money issue	-	8,500
4	Loan amounts on suspense	117	29
5	Accounts payable on transactions with banks	18,109	4,399
6	Accounts payable to customers	2,209	1,605
7	Accounts payable on dormant accounts	1,089	1,082
8	Accounts receivable on lending transactions	69	-
9	Accrued expenses	5	16
10	Cash on settlement	10,770	1,044
11	**Total other financial liabilities**	**32,901**	**42,071**

Figures of this note are used in the line "Other liabilities" of the Statement of Financial Position (Balance Sheet).

The sum of line 2 consists of the credited foreign currency to be sold under surrender requirement and translated cash to purchase foreign currency at the Interbank FX Market of Ukraine under spot and tom transactions.

Note 20. Other liabilities

Table 20.1. Other liabilities

(UAH ‘000)

Line	Item	31/12/2019	31/12/2018
1	2	3	4
1	Accounts payable on taxes and duties other than income tax	4,775	4,715
2	Accounts payable on settlements with employees	15,415	11,589
3	Accounts payable on asset acquisitions	96	155
4	Deferred income	3,726	1,978
5	Other debt	1,753	503
6	**Total**	**25,765**	**18,940**

Note 21. Lease liabilities

As at 31 December 2019, the lease liability was included in the line “Lease liabilities” of the Statement of Financial Position (Balance Sheet) at the present value of lease payments unpaid at the reporting date of UAH 22,155 thousand.

Table 21.1 Analysis of lease liabilities by maturities as at 31 December 2019

(UAH ‘000)

Line	Item	Less than 12 months	More than 12 months	Total
1	2	3	4	5
1	Lease liabilities	11,041	11,114	22,155
2	**Total lease liabilities**	**11,041**	**11,114**	**22,155**

Note 22. Derivative financial liabilities

Table 22.1 Derivative financial liabilities

(UAH ‘000)

Line	Item	31/12/2019	31/12/2018
1	2	3	4
1	Revaluation of foreign currency sale/purchase forwards	411	5
2	**Total derivative financial assets**	**411**	**5**

Note 23. Subordinated debt

Table 23.1 Subordinated debt liabilities (UAH ‘000)

Line	Item	31/12/2019	31/12/2018
1	2	3	4
1	Subordinated debt	99,799	106,524
2	Interest accrued on subordinated debt	697	736
3	**Total subordinated debt liabilities**	**100,496**	**107,260**

Figures of this note are used in the line “Subordinated debt” of the Statement of Financial Position (Balance Sheet).

The Bank received the UAH denominated subordinated debt of UAH 60,000 thousand in 2013 from a resident entity.

The subordinated debt was drawn for 14 years until 2027 and an interest rate of 8.95% per annum.

If the Bank is liquidated, the subordinated debt will be repaid after the demands of all other creditors are settled.

In 2017, the Bank change the investor under subordinated debt with a non-resident entity and obtained a respective permit from the National Bank of Ukraine.

In 2018, the Bank attracted 2 additional USD deposits from a resident individual in the amount of UAH 46,524 thousand for 10 years with a maturity in 2028 at an interest rate of 8% and 9.5% per annum.

Note 24. Share capital and issue profit/loss (share premium)

(UAH '000)

Line	Item	Number of shares in issue (in thousands)	Ordinary shares	Total
1	2	3	4	5
1	Balance at the end of the day 31 December 2018	300	300,000	300,000
2	**Balance at the end of the day 31 December 2019**	**300**	**300,000**	**300,000**

Figures of this note are used in the line 24 "Share capital" of the Statement of Financial Position (Balance Sheet).

Number of shares authorised: Three hundred thousand (300,000) shares.

Number of shares issued and paid: Three hundred thousand (300,000) shares.

Nominal value per share: one thousand Ukrainian hryvnias (UAH 1,000).

No preferences and restrictions were granted or imposed.

No options and sale contracts were granted or executed.

No decision to change the Bank's share capital has been adopted since its incorporation.

Note 25. Analysis of assets and liabilities by maturities

According to IAS 1 Presentation of Financial Statements (paras. 60 and 63), the Bank's management believes that the presentation of assets and liabilities in increasing or decreasing order of liquidity renders information more reliable and relevant than presentation on a current basis because the Bank does not supply goods or services within a clearly identifiable operating cycle. Therefore, the balances for assets and liabilities are presented by reference to their contractual maturities.

Taking into account:

- actual maturities of target loans for vehicles and property when the Bank's customers repay loans much earlier than the contractual payments;
- maturities on personal deposits when the vast majority of depositors renew their deposits.

The Bank's management believes that liquidity gaps will have an immaterial effect on the Bank's operations.

Line	Item	Notes	31/12/2019			31/12/2018		
			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	523,998	-	523,998	438,558	-	438,558
2	Investments in securities	7	1,111,790	430,328	1,542,118	397,743	-	397,743
3	Loans and advances to customers	8	1,078,367	517,973	1,596,340	707,868	844,134	1,552,002
4	Investment property	9	-	89,872	89,872	-	85,998	85,998
5	Accounts receivable on income tax		545	-	545	545	-	545
6	Deferred tax asset		-	20,000	20,000	-	20,000	20,000
7	Property, plant and equipment and intangible assets	10	-	97,039	97,039	-	101,973	101,973
8	Right-of-use assets	11	2,566	19,949	22,515	-	-	-
9	Other assets	12	5,120	-	5,120	8,459	-	8,459
10	Other financial assets	13	14,448	-	14,448	12,064	-	12,064
11	Non-current assets held for sale and disposal groups	14	-	15,011	15,011	-	11,228	11,228
12	**Total assets**		**2,736,834**	**1,190,172**	**3,927,006**	**1,565,237**	**1,063,333**	**2,628,570**
LIABILITIES								
13	Amounts due to banks	15	54,149	-	54,149	-	-	-
14	Amounts due to customers	16	3,038,658	314,013	3,352,671	1,855,027	315,272	2,170,299
15	Debt securities issued by the Bank	17	280	-	280	4,859	160	5,019
16	Provisions for liabilities	18	8,136	4,546	12,682	1,925	2,497	4,422
17	Lease liabilities	21	11,041	11,114	22,155	-	-	-
18	Other liabilities	20	25,765	-	25,765	18,940	-	18,940
19	Other financial liabilities	19	32,901	-	32,901	42,071	-	42,071
20	Derivative financial liabilities	22	411	-	411	5	-	5
21	Subordinated debt	23	697	99,799	100,496	736	106,524	107,260
22	**Total liabilities**		**3,172,038**	**429,472**	**3,601,510**	**1,923,564**	**424,453**	**2,348,016**

Note 26. Interest income and expense

(UAH ‘000)

Line	Item	31/12/2019	31/12/2018
1	2	3	4
INTEREST INCOME CALCULATED USING THE EFFECTIVE INTEREST RATE			
Interest Income on financial assets at AC			
1	Loans and advances to customers	362,598	310,205
2	Cash in other banks	2,002	117
3	Correspondent accounts with other banks	126	60
4	Debt securities	12,891	6,770
5	Total interest income on financial assets at AC	377,617	317,152
OTHER INTEREST INCOME AT FVTPL			
6	Loans and advances to customers	70	-
7	Debt securities	47,504	23,081
8	Other	39	37
9	Total interest income on financial assets at FVTPL	47,613	23,118
10	**Total interest income**	**425,230**	**340,270**
INTEREST EXPENSES CALCULATED USING THE EFFECTIVE INTEREST RATE			
Interest expenses on financial liabilities at AC			
11	Term deposits of entities	(58,085)	(43,268)
12	Other borrowings	-	(2,018)
13	Term deposits of individuals	(120,926)	(126,079)
14	Term deposits of other banks	(34,571)	(19,938)
15	Current accounts	(50,428)	(40,672)
16	Debt securities issued by the Bank	(36)	(917)
17	Lease liabilities	(3,294)	-
18	Interest expense on subordinated debt	(9,190)	(7,630)
19	Total interest expenses calculated using the effective interest rate	(276,530)	(240,522)
20	**Total interest expenses**	**(276,530)**	**(240,522)**
21	**Net interest income/(expenses)**	**148,700**	**99,748**

Figures of this note are used in the line 1 and 2 and line 3 “Net interest income” of the Interim Condensed Statement of Profit or Loss and Other Comprehensive Income (Income Statement).

Note 27. Fee and commission income and expenses

(UAH ‘000)

Line	Item	31/12/2019	31/12/2018
1	2	3	4
	FEE AND COMMISSION INCOME:		
1	Cash and settlement operations	129,645	116,912
2	Transactions with securities	990	683
3	Fee and commission income from currency market transactions	14,015	13,837
4	Agent’s fees	932	1,034
5	Commissions for servicing loans and credit-related commitments	16,596	12,051
6	Other	1,294	888
7	Guarantees issued	27,535	40,929
8	**Total fee and commission income**	**191,007**	**186,334**
	FEE AND COMMISSION EXPENSES:		
9	Cash and settlement operations	(11,844)	(9,068)
10	Payment card transactions	(5,536)	(4,517)
11	Other	(7)	(12)
12	**Total fee and commission expenses**	**(17,387)**	**(13,597)**
13	**Net commission income/expenses**	**173,620**	**172,737**

Figures of this note are used in the Interim Condensed Statement of Profit or Loss and Other Comprehensive Income (Income Statement).

Note 28. Other operating income

(UAH ‘000)

Line	Item	31/12/2019	31/12/2018
1	2	3	4
1	Rental income from investment property	929	1,147
2	Operating lease (rental) income from other property	1,251	1,251
3	Income from disposal of PP&E and intangible assets	57	465
4	Income from disposal of investment property	-	326
5	Income from insurance agency services	22,132	23,086
6	Income from advisory services	4,170	5,046
7	Fines and penalties incurred	2,874	1,255
8	Payment of dividends on the customers’ behalf	-	406
9	Reversal of investment property impairment	-	1,053
10	Result from debt restructuring	-	54,907
11	Result from selling debt securities at FVOCI	-	23
12	Income from derecognition of financial liabilities	4,170	4,985
13	Other	1,692	860
14	**Total operating income**	**37,275**	**94,810**

Figures of this note are used in the line “Other operating income” of the Statement of Profit or Loss and Other Comprehensive Income (Income Statement).

Note 29. Administrative and other operating expenses

Table 29.1 Employee benefits expense

(UAH ‘000)

Line	Item	31/12/2019	31/12/2018
1	2	3	4
1	Salaries and bonuses	(185,905)	(116,853)
2	Payroll accruals	(23,360)	(17,437)
3	Other employee benefits	(991)	(668)
4	**Total personnel expenses**	**(210,256)**	**(134,958)**

Table 29.2 Depreciation/amortisation expense

(UAH ‘000)

Line	Item	31/12/2019	31/12/2018
1	2	3	4
1	Depreciation of property, plant and equipment	(7,926)	(7,690)
2	Amortisation of software and intangible assets	(8,281)	(4,780)
3	Depreciation of investment property	(2,141)	(2,593)
4	Depreciation of right-of-use assets	(9,991)	-
5	**Total depreciation/amortisation expense**	**(28,339)**	**(15,063)**

Table 29.3 Other administrative and other operating expenses

(UAH '000)

Line	Item	31/12/2019	31/12/2018
1	2	3	4
1	Expenses for maintenance of property, plant and equipment and intangible assets, telecommunication and other utility, operating services	(16,472)	(13,698)
2	Operating lease expenses	(3,402)	(14,430)
3	Professional services	(1,914)	(1,135)
4	Marketing and advertising expenses	(1,633)	(1,598)
5	Insurance expenses	(3,755)	(25,534)
6	Payment of other taxes and duties, other than income tax	(10,514)	(11,359)
7	Legal services, notary services, property valuation	(3,364)	(3,021)
8	Household costs	(3,490)	(3,033)
9	Payment processor services	(2,497)	(1,828)
10	Other administrative expenses	(8,966)	(4,140)
11	Sponsorship and charity, charges to benefit plans	(750)	(2,418)
12	Penalties, fines paid by the Bank	(17)	(3,425)
13	Negative result from disposal of PP&E and intangible assets	(6)	(17)
14	Negative result from disposal of investment property	-	-
15	Security expenses	(789)	(866)
16	Expenses from received financial advisory services	(20,818)	(20,829)
17	Other	(14,836)	(6,756)
18	**Total administrative and other operating expenses**	**(93,223)**	**(114,087)**

Figures of this note are used in the Statement of Profit or Loss and Other Comprehensive Income (Income Statement).

Note 30. Income tax expenses

In the reporting and previous periods, the Bank had no income tax expenses. For this reason, the table "Income tax expenses" was not filled.

Table 30.1. Reconciliation of expected and actual tax expense

(UAH '000)

Line	Item	31/12/2019	31/12/2018
1	2	3	4
1	**Profit before tax**	44,942	(19,708)
2	Theoretical tax deductions at applicable tax rate (18%)	(8,090)	3,547
3	Expenses not included in tax expenses	1,138	(1,319)

4	Accumulated tax losses	(5,666)	5,719
5	Non-recognition of deferred tax assets	12,618	(7,947)

The Bank recognised deferred tax asset on the basis of the Bank's financial model approved for 2019-2020 and key profitability ratios set for 2019-2020.

Table 30.2. Tax consequences related to recognition of deferred tax assets and deferred tax liabilities as at 31 December 2019

Line	Item	Balance as at 1 January 2019	Transfer to non-current assets held for sale	Recognised in profit/loss	Recognised in equity	Balance at the end of the day 31 December 2019
1	2	3	4	5	6	7
1	Carrying amount of PP&E and intangible assets	13,348	-	136	-	13,484
2	Negative result from selling securities	3,399	-	1,329	-	4,728
3	Impairment of securities	719	-	(327)	-	392
4	Carryforward of tax losses for previous periods	15,322	-	(13,756)	-	1,566
5	Non-recognition of deferred tax assets	(12,788)	-	12,618	-	(170)
6	**Net deferred tax asset/(liability)**	**20000**	-	**-**	**-**	**20000**
7	Recognised deferred tax asset	20000	-	-	-	20000

Table 30.3. Tax consequences related to recognition of deferred tax assets and deferred tax liabilities as at 31 December 2018

(UAH ‘000)

Line	Item	Balance as at 1 January 2018	Transfer to non-current assets held for sale	Recognised in profit/loss	Recognised in equity	Balance at the end of the day 31 December 2018
1	2	3	4	5	6	7
1	Carrying amount of PP&E and intangible assets	16,243	-	(2,895)	-	13,348
2	Negative result from selling securities	1,823	-	1,576	-	3,399
3	Impairment of securities	719	-	-	-	719
4	Carryforward of tax losses for previous periods	6,056	-	9,266	-	15,322
5	Non-recognition of deferred tax assets	(4,841)	-	(7,947)	-	(12,788)
6	**Net deferred tax asset/(liability)**	**20,000**	-	**-**	**-**	**20,000**
7	Recognised deferred tax asset	20,000	-	-	-	20,000

Note 31. Profit/(loss) per ordinary and preference share

Table 31.1. Net and adjusted profit/(loss) per one ordinary and preference share.

(UAH ‘000)

Line	Item	31/12/2019	31/12/2018
1	2	4	5
1	Profit/(loss) attributable to holders of ordinary shares of the Bank	44,942	(19,708)
3	**Profit/(loss) for the year**	**44,942**	**(19,708)**
4	Average annual number of ordinary shares outstanding (in thousands)	300	300
6	**Net and adjusted profit/(loss) per ordinary share (UAH)***	**149.80**	**(65.69)**

*Nominal value per share is UAH 1,000.00.

Figures of this note are used in the line “Net and adjusted profit per ordinary and preference share” of the Statement of Profit or Loss and Other Comprehensive Income (Income Statement).

The number and nominal value of shares is illustrated in Note 25 “Share capital and share premium”.

Note 32. Operating segments

The Bank's segments are strategic business units that focus on different customers. They are managed separately because each business unit requires different marketing strategies and service levels.

Table 32.1. Income, expenses and results of operating segments for as at 31 December 2019

(UAH '000)

Line	Item	Reportable segment			Other segments and transactions	Total
		services to corporate customers	services to individuals	investment banking activity		
1	2	3	4	5	6	7
	Income from external customers:					
1	Interest income	154,345	208,362	62,523	-	425,230
2	Fee and commission income	153,775	30,734	6,498	-	191,007
3	Other operating income	7,158	26,302	-	3,815	37,275
4	**Total segment income**	**315,278**	**265,398**	**69,021**	**3,815**	**653,512**
5	Interest expenses	(96,347)	(136,422)	(34,571)	(9,190)	(276,530)
6	Allocated to the impairment provision for loans and cash in other banks	(72,939)	(6,424)	-	-	(79,363)
7	Allocated to the impairment provision for accounts receivable and other financial assets	1,992	-	-	-	1,992
8	Result from transactions with financial instruments carried through profit or loss	-	-	21,967	-	21,967
9	Result from foreign currency transactions	-	-	63,837	-	63,837
10	Result from revaluation of foreign currency	-	-	11,290	-	11,290
11	Fee and commission expenses	(6,220)	(11,167)	-	-	(17,387)
12	Allocated to provision for liabilities	(2,521)	-	-	-	(2,521)
13	Administrative and other operating expenses	(20,818)	(2,497)	-	(308,540)	(331,855)
14	Income tax expense	-	-	-	-	-
15	**SEGMENT RESULT:**	**118,425**	**108,888**	**131,544**	**(313,915)**	**44,942**

In 2019, the JSC "CB GLOBUS" had no counterparty, whose total operating income would exceed 10% of the Bank's income.

Table 32.2. Income, expenses and results of operating segments for as at 31 December 2018 (UAH ‘000)

Line	Item	Reportable segment			Other segments and transactions	Total
		services to corporate customers	services to individuals	investment banking activity		
1	2	3	4	5	6	7
	Income from external customers:	**273,446**	**256,153**	**31,607**	**60,208**	**621,414**
1	Interest income	168,564	141,641	30,065	-	340,270
2	Fee and commission income	103,422	81,393	1,519	-	186,334
3	Other operating income	1,460	33,119	23	60,208	94,810
4	**Total segment income**	**273,446**	**256,153**	**31,607**	**60,208**	**621,414**
5	Interest expenses	(76,587)	(141,138)	(20,779)	(2,018)	(240,522)
6	Allocated to the impairment provision for loans and cash in other banks	(45,132)	23,310	-	-	(21,822)
7	Allocated to the impairment provision for accounts receivable and other financial assets	9,593	-	-	-	9,593
8	Result from transactions with financial instruments carried through profit or loss	-	-	(7,304)	-	(7,304)
9	Result from revaluation of other financial instruments at FVTPL	-	-	(12,185)	-	(12,185)
10	Result from foreign currency transactions	-	-	67,142	-	67,142
11	Result from revaluation of foreign currency transactions	-	-	(6,436)	-	(6,436)
12	Fee and commission expenses	(237)	(8,317)	(5,043)	-	(13,597)
13	Allocated to provision for liabilities	(4,345)	(1,482)	-	-	(5,827)
14	Administrative and other operating expenses	(489)	(11,421)	(21,423)	(376,831)	(410,164)
15	Income tax expense	-	-	-	-	-
16	**SEGMENT RESULT:**	**156,249**	**117,105**	**25,579**	**(318,641)**	**(19,708)**

In 2018, the JSC “CB GLOBUS” had no counterparty, whose total operating income would exceed 10% of the Bank’s income.

Table 32.3. Assets and liabilities of operating segments for the reporting period as at 31 December 2019

(UAH '000)

Line	Item	Reportable segment			Other segments and operations	Total
		services to corporate customers	services to individuals	investment banking activity		
1	2	3	4	5	6	7
	SEGMENT ASSETS					
1	Segment assets	657,019	939,320	1,776,047	229,971	3,602,357
2	Non-current assets held for sale (disposal groups)	-	-	-	15,011	15,011
3	Unallocated assets	-	-	-	309,638	309,638
4	**Total assets**	**657,019**	**939,320**	**1,776,047**	**554,620**	**3,927,006**
	SEGMENT LIABILITIES					
5	Segment liabilities	2,108,329	1,257,304	54,149	100,496	3,520,278
6	Unallocated liabilities	-	-	-	81,232	81,232
7	**Total liabilities**	**2,108,329**	**1,257,304**	**54,149**	**181,728**	**3,601,510**

Line 5 column 6 "Other segments and operations" reflects subordinated debt.

Unallocated assets include cash, precious bank metals, correspondent account in the National Bank of Ukraine, other assets, other financial assets.

Unallocated liabilities include derivative financial liabilities, other liabilities, other financial liabilities, lease liabilities.

Table 32.4. Assets and liabilities of operating segments for the reporting period as at 31 December 2018

(UAH '000)

Line	Item	Reportable segment			Other segments and transactions	Total
		services to corporate customers	services to individuals	investment banking activity		
1	2	3	4	5	6	7
	SEGMENT ASSETS					
1	Segment assets	744,357	807,645	659,807	208,516	2,420,325
2	Non-current assets held for sale (disposal groups)	-	-	-	11,228	11,228
3	Total segment assets	744,357	807,645	659,807	219,744	2,431,553
4	Unallocated assets	-	-	-	197,017	197,017
5	**Total assets**	**744,357**	**807,645**	**659,807**	**416,761**	**2,628,570**
	SEGMENT LIABILITIES					

Line	Item	Reportable segment			Other segments and transactions	Total
		services to corporate customers	services to individuals	investment banking activity		
6	Segment liabilities	1,117,036	1,059,089	-	107,261	2,283,386
7	Total segment liabilities	1,117,036	1,059,089	-	107,261	2,283,386
8	Unallocated liabilities	-	-	-	64,631	64,631
9	**Total liabilities**	**1,117,036**	**1,059,089**	**-**	**171,892**	**2,348,017**

Table 32.5. Information about geographical regions

(UAH '000)

Line	Item	2019			2018		
		Ukraine	other countries	total	Ukraine	other countries	total
1	Income from external customers	653,512	-	653,512	621,279	136	621,415
2	Property, plant and equipment	186,911	-	186,911	206,089	-	206,089

Note 33. Result from transactions with financial assets at FVTPL

Table 33.1. Result from transactions with financial assets at FVTPL s as at 31 December 2019

(UAH '000)

Line	Item	Income less expense from transactions with financial assets at FVTPL
1	2	3
1	Government bonds	2,336
2	Total result from transactions with debt securities at FVTPL	2,336
3	Purchase and sale of foreign currencies on financial derivatives	19,631
4	Total result from transactions with financial assets at FVTPL	21,967

Table 33.2. Result from transactions with financial assets at FVTPL as at 31 December 2018.

(UAH '000)

Line	Item	Income less expense from transactions with financial assets at FVTPL
1	2	3
1	Government bonds	(7,395)
2	Total result from transactions with debt securities at FVTPL	(7,395)
3	Foreign currency sale and purchase	49,612
4	Total result from transactions with financial assets at FVTPL	42,217

Note 34. Financial risk management

Credit risk is defined as the existing or potential risk to the Bank's earnings and capital arising from the counterparty’s failure to fulfil the terms of any financial agreement with the Bank or otherwise fulfil the obligations it assumes.

The main purpose of risk management is to create an efficient management system to achieve the Bank’s current and strategic objectives using appropriate measures and instruments for managing and controlling risks arising from external environments, asset and liability structure and operations of the Bank.

The main body to manage the Bank's credit risk is the Management Board, whose responsibilities include development of the Bank’s risk management system that consists of regulatory documents such as regulations, procedures, methods, etc. The Bank adopts decisions to provide loans, to acquire the right of recourse in factoring transactions, to provide guarantees, sureties and other obligations for third parties that entail a cash-based settlement and to conduct leasing transactions on a collegiate basis with the Loan Committee. Also, the Bank has a limits system allowing for unsecured interbank placements that are to be approved at the ALCO meetings.

The Bank’s policy stipulates clear and consistent credit ratings for loan portfolios, allowing for a targeted risk management and comparison of credit risks by all lines of business. The resultant risk ratings are assessed on a regular basis.

The assessment categorises the credit risk into an individual risk and portfolio risk. Individual credit risk originates from an individual counterparty of the Bank. In case with the individual credit risk, an individual counterparty is assessed for creditworthiness. Portfolio credit risk manifests itself through decreases in the value of the Bank’s assets. When assessing the portfolio credit risk, asset concentration and diversification are assessed.

At the portfolio level, the Bank uses the following methods of credit risk management:

- loan portfolio diversification;
- establishing limits;
- creation of provisions and reserves;
- systematic analysis of loan portfolio performance.

Methods for managing the individual credit risk:

- regulatory monitoring of the borrower's and issuer's financial position;
- compliance with limits and ratios;
- monitoring of loan collateral (periodic review and revaluation of collateral, taking into account decreases in the collateral value over the loan period).

Methods for mitigating the individual credit risk:

- use of collateral;
- risk transfer (insurance);
- lending in tranches;
- use of a penalty interest rate as appropriate.

Throughout the reporting period, the provisions for asset-side banking transactions were created in full. High credit risk ratios remained within limits. As at 31 December 2019, credit risk ratios were as follows:
- (N7) - maximum credit risk ratio per counterparty – 14.98%;

- (N8) - high credit risk ratio – 38.02%.

Market risk is the existing or potential risk to the Bank’s earnings and capital arising from adverse fluctuations in the value of securities and commodities and in foreign exchange rates on the instruments in the trading portfolio. This risk arises from dealing, acceptance of positions in debt and equity securities, currencies, goods and derivatives.

Under the strategy approved, the market risk limits are observed through:

- optimising trading positions on major currencies, securities, other financial and derivative instruments in the Bank's trading portfolio;
- establishing limits for open positions;
- compliance with limits of currency position.

The Bank's risk management system consists of regulatory documents (regulations, procedures, methods, etc.) that are approved by the Management Board.

Given the Bank's near-term development strategy, it should be noted that the Bank does not intend to make extensive use of both balance sheet and off-balance sheet investments. Therefore, the market risk arising from adverse fluctuations in the value of derivatives is not specific to the Bank.

Currency risk is the likelihood that changes in foreign exchange rates will lead to losses resulting from changes in the market value of assets or liabilities. Currency risk is classified into:

- transaction risk;
- risk of translating one currency into another (translation risk);
- economic currency risk.

Volatility and fluctuating exchange rates cause currency risks. Sharp fluctuations in the exchange rates may be attributed to both economic and political factors. The main factor affecting the credit risk exposure is the performance of the Bank's currency position.

The purpose of effective currency risk management is to protect the Bank's profit and capital, ensure that the Bank’s currency risk profile is aligned with its expectations of the future foreign currency fluctuations.

The effect of exchange rate changes on the Bank's capital is estimated using the amount of its open currency position.

The currency risk exposure is determined by:

- the Bank’s open currency position for different foreign currencies (i.e. to which extent the balance sheet and off-balance sheet items are mismatched);
- exchange rate movements (contingent upon market performance);
- qualification and appropriateness of actions of those directly executing contracts on behalf of the Bank, i.e. managers of the Bank's assets and liabilities.

Under volatile conditions in the financial market, the currency position is managed by the limiting method. The limiting of an open currency position contemplates establishment of a quantitative limit for the ratio of the open currency position to the Bank’s capital. Limits confine the risk exposure associated with fluctuating exchange rates that the Bank is ready to bear. Limits are set for each currency separately.

Interest rate risk is an existing or potential risk to earnings or capital arising from adverse changes in interest rates. This risk affects both the Bank’s profitability and the economic value of its assets, liabilities and off-balance sheet instruments. If the Bank borrows cash at a fixed interest rate, it

should place such cash at a higher interest rate with reference to the respective period. To ensure higher returns, the Bank's management should maintain a higher margin between interest rates on borrowings and placements by reference to the availability period. One of components of the asset and liability management is the management of maturities on interest-sensitive assets and liabilities, for example by means of the gap analysis. The Bank accrues the interest on assets and liabilities at a fixed interest rate.
The main body responsible for managing interest rate risk is the Management Board. Functions related to the implementation of the interest rate risk management policy and decision-making are assigned to the Asset/Liability Committee.

The Analysis, Planning and Risk Department measures the value of liabilities and return on assets, balance between maturities of assets and liabilities, net interest margin, spread of the Bank, provides recommendations to the ALCO with regard to changes in the interest rates for deposit and loan products.

Operational risk is a potential risk to the Bank's existence arising from deficiencies in corporate governance, internal controls or inadequacy of informational technologies and date processing processes in terms of manageability, versatility, reliability, controllability and continuity of these technologies. The operational risk can also stem from inadequate strategies, policies and use of informational technologies. Other aspects of operational risk include the likelihood of unforeseen events (fire or natural disasters).

The Bank's operational risk control system comprises procedures and controls for the operational risk specific to the Bank's operations, including controls over compliance with the Bank's accounting policies and regulatory requirements of the NBU with regard to asset valuation and financial reporting methods; controls over the functioning of the Bank's IT systems and for ensuring the Bank continues as a going concern, including data redundancy and recovery processes, as well as backup systems in the event that the access is lost or vital data/technology is destroyed.

Liquidity risk is an existing or potential risk that arises from the Bank's failure to meet its obligations in due time, without incurring unacceptable losses.

For the purposes of liquidity and solvency management, the Bank has developed the Liquidity and Solvency Management System. The system addresses two main objectives: the management of the Bank's current payment position, and the management of the Bank’s solvency and liquidity for a specific term.

The Management Board is the liquidity risk management body of the Bank. Its responsibilities include development of liquidity management policy, approval of related policies and procedures.

The ALCO is the executive committee of the Management Board. Its functions include implementation of liquidity management policy, making current decisions with regard to liquidity management, approval of internal limits of the Bank. The Bank’s liquidity management can be divided into three parts: day-to-day liquidity management, current liquidity management and long-term liquidity management.

The Bank's main liquidity management methods are as follows:

- analysis of the actual liquidity and solvency situation;
- forecasts of the liquidity and solvency taking into account the planned transactions and measures;
- establishing limits for the Bank’s transactions, as well as for liquidity and solvency ratios;
- planning of the Bank's transactions, adjustment of their conditions and similar measures for the purpose of liquidity and solvency management.

In the reporting year, the liquidity remained within the ratios set.

Liquidity ratios as at 31 December 2019 were as follows:

- N6 - short-term liquidity ratio – 74.98%;
- weighted average LCR for all currencies – 183.3669%;
- weighted average LCR in foreign currency – 166.5338%.

Currency risk

Table 34.1. Currency risk analysis

(UAH ‘000)

Line	Currency	31/12/2019				31/12/2018			
		monetary assets	monetary liabilities	derivative financial instruments	net position	monetary assets	monetary liabilities	derivative financial instruments	net position
1	2	3	4	5	6	7	8	9	10
1	USD	375,834	(337,857)	16,901	54,878	357,772	(356,580)	4,120	5,312
2	EUR	165,186	(150,054)	-	15,132	75,123	(78,845)	-	(3,722)
3	Gold	1,386	(930)	-	456	2,454	(891)	-	1,563
4	Other	4,729	(4,898)	-	(169)	3,052	(1,848)	-	1,204
5	Total	547,134	(493,739)	16,901	70,297	438,401	(438,164)	4,120	4,357

Table 34.2. Changes in profit or loss and equity due to possible changes in the official exchange rates of UAH to foreign currencies as at the reporting date, provided that all other variables remain unchanged

Tables below illustrate currencies that expose the Bank to a significant risk as at 31 December 2018 with regard to non-trading monetary assets and liabilities and projected cash flows.

The purpose of the analysis is to determine the effect of potential moderate changes in the exchange rates of foreign currencies to Ukrainian hryvnia, provided all other variables in the Bank’s income statement remain unchanged (due to availability of non-trading monetary assets and liabilities, the fair value of which is sensitive to exchange rates). The effect on equity is no different than the effect on the income statement. Negative values in the table below represent a potential net decrease in the income statement or in equity, whilst positive values reflect a potential net increase.

Line	Item	31/12/2019		31/12/2018	
		effect on profit/ (loss)	effect on equity	effect on profit/ (loss)	effect on equity
1	2	3	4	5	6
1	USD strengthening by 5%	2,744	2,744	266	266
2	USD strengthening by 15 %	8,232	8,232	797	797
3	USD weakening by 5%	(2,744)	(2,744)	(266)	(266)

Line	Item	31/12/2019		31/12/2018	
		effect on profit/ (loss)	effect on equity	effect on profit/ (loss)	effect on equity
4	EUR strengthening by 5%	757	757	(186)	(186)
5	EUR strengthening by 15 %	2,270	2,270	(558)	(558)
6	EUR weakening by 5%	(757)	(757)	186	186
7	Gold strengthening by 5%	23	23	78	78
8	Gold weakening by 5%	(23)	(23)	(78)	(78)
9	Strengthening of other currencies by 5%	(8)	(8)	60	60
10	Weakening of other currencies by 5%	8	8	(60)	(60)

The sum of lines 9, 10 consists of the following currencies: Swiss franc (CHF), the pound sterling (GBP), Russian ruble (RUB), Belarusian ruble (BYN), Polish zloty (PLN).

Table 34.3. Changes in profit or loss and equity due to possible changes in the official exchange rates of UAH to foreign currencies set as a weighted average FX rate, provided that all other variables remain unchanged

Line	Item	Weighted average FX rate, 2019		Weighted average FX rate, 2018	
		effect on profit/ (loss)	effect on equity	effect on profit/ (loss)	effect on equity
1	USD strengthening by 5%	2,991	2,991	261	261
2	USD strengthening by 15 %	8,973	8,973	783	783
3	USD weakening by 5%	(2,991)	(2,991)	(261)	(261)
4	EUR strengthening by 5%	828	828	(189)	(189)
5	EUR strengthening by 15 %	2,484	2,484	(566)	(566)
6	EUR weakening by 5%	(828)	(828)	189	189
7	Gold strengthening by 5%	23	23	76	76
8	Gold weakening by 5%	(23)	(23)	(76)	(76)
9	Strengthening of other currencies by 5%	(9)	(9)	62	62
10	Weakening of other currencies by 5%	9	9	(62)	(62)

The sum of lines 9, 10 consists of the following currencies: Swiss franc (CHF), the pound sterling (GBP), Russian ruble (RUB), Belarusian ruble (BYN), Polish zloty (PLN).

Interest rate risk

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

Table 34.4. General analysis of the interest rate risk

(UAH ‘000)

Line	Item	On demand and less than 1 month	From 1 to 12 months	More than a year	Non-monetary	Total
1	2	3	4	5	6	7
	2019					
1	Total financial assets	1,304,338	826,813	1,260,031	-	3,391,183
2	Total financial liabilities	360,898	901,251	412,478	-	1,674,627
3	Net gap on interest rates at the end of the previous period	943,440	(74,438)	847,554	-	1,716,555
	2018					
4	Total financial assets	412,731	798,565	766,170	-	1,977,466
5	Total financial liabilities	1,201,778	658,076	426,970	-	2,286,824
6	Net gap on interest rates at the end of the previous period	(789,047)	140,489	339,200	-	(309,358)

The table contains interest-sensitive financial assets and financial liabilities.

The main types of interest rate risks to which the Bank is exposed are:

- repricing/mismatch risk that arises from mismatches in maturities (for fixed-rate instruments) between bank assets and liabilities;

- yield curve risk that arises from changes in the slope and shape of the yield curve;

- basis risk is the risk of changes in the interest rate that arises from the imperfect correlation in the adjustment of the rates earned and paid by the Bank on different instruments with otherwise similar repricing characteristics. This risk is not inherent to the Bank.

The Bank's portfolios have no variable interest rates that could be subject to repricing depending on the benchmark interest rate.

When assessing the interest rate risk on the basis of maturity gap analysis, the Bank focuses on the short-term management of net profits, their stabilisation and quality improvement.

Table 34.5. Monitoring of interest rates on financial instruments;

(%)

Line	Item	2019				2018			
		UAH	USD	EUR	other	UAH	USD	EUR	other
1	2	3	4	5	6	7	8	9	10
	Assets								
1	Cash and cash equivalents	-	-	-	-	-	-	-	-
2	Trade debt securities	15.50	7.93	-	-	16.25	7.00	-	-
3	Loans and advances to customers	20.06	5.10	-	-	20.37	11.00	-	-
	Liabilities								
4	Amounts due to banks	15.15	-	-	-	-	-	-	-
5	Amounts due to customers	10.42	2.95	1.36	4.43	13.12	2.76	2.00	1.75
5.1	current accounts	4.78	0.36	0.12	-	6.52	0.65	0.1	-
5.2	term deposits	17.19	4.09	3.28	4.50	16.93	4.37	3.96	4.86
6	Other liabilities	-	-	-	-	-	-	-	-
7	Subordinated debt	9.1	8.87	-	-	8.95	8.75	-	-

For asset- and liability-side transactions of the Bank, interests are accrued at a fixed interest rate.

Geographical risk is the risk of financial losses as a result of a failure to fulfil commitments before the Bank by customers or counterparties residing in a particular country and therefore subject to the risks specific to this country. Since the Bank generally conducts its operations in the territory of Ukraine, the geographical risk is insignificant and is a secondary segment that has no material effect on the Bank's operations.

Table 34.6. Analysis of geographical concentration of financial assets and liabilities as at 31 December 2019

(UAH '000)

Line	Item	Ukraine	OECD	Other countries	Total
1	2	3	4	5	6
	Assets				
1	Cash and cash equivalents	522,251	-	1,747	523,998
2	Investments in securities	1,542,118	-	-	1,542,118
3	Loans and advances to customers	1,596,340	-	-	1,596,340
4	Other financial assets	14,443	2	3	14,448
5	**Total financial assets**	**3,675,152**	**2**	**1,750**	**3,676,904**
	Liabilities				
6	Amounts due to other banks	54,149	-	-	54,149
7	Amounts due to customers	3,326,419	24,389	1,863	3,352,671

Line	Item	Ukraine	OECD	Other countries	Total
8	Debt securities issued by the Bank	280	-	-	280
9	Other financial liabilities	32,898	3	-	32,901
10	Subordinated debt	40,040	-	60,456	100,496
11	**Total financial liabilities**	**3,453,786**	**24,392**	**62,319**	**3,540,497**
12	Net balance sheet position on financial instruments	221,366	(24,390)	(60,569)	136,407
13	Credit-related commitments	1,120,071	61,953	-	1,182,024

Table 34.7. Analysis of geographical concentration of financial assets and liabilities as at 31 December 2018

Line	Item	Ukraine	OECD	Other countries	Total
1	2	3	4	5	6
	Assets				
1	Cash and cash equivalents	437,849	-	709	438,558
2	Investments in securities	397,743	-	-	397,743
3	Loans and advances to customers	1,552,002	-	-	1,552,002
4	Other financial assets	10,192	-	1	10,193
5	**Total financial assets**	**2,397,786**	**-**	**710**	**2,398,496**
	Liabilities				
6	Amounts due to customers	2,156,029	6,221	8,049	2,170,299
7	Debt securities issued by the Bank	5,019	-	-	5,019
8	Other financial liabilities	42,076	-	-	42,076
9	Subordinated debt	46,804	-	60,456	107,260
10	**Total financial liabilities**	**2,249,928**	**6,221**	**68,505**	**2,324,654**
11	Net balance sheet position on financial instruments	147,857	(6,221)	(67,795)	73,841
12	Credit-related commitments	886,354	-	-	886,354

Liquidity risk

The liquidity risk is managed by the main method – analysis of assets and liabilities by amounts, demands and maturities. The Bank analyses the liquidity risk by maturities based on the discounted cash flows.

Table 34.8. Analysis of financial liabilities by maturities as at 31 December 2019

Line	Item	On demand and less than 1 month	From 1 to 12 months	From 12 months to 5 years	Over 5 years	Total
1	2	3	4	5	6	7
	Liabilities					
1	Amounts due to banks	54,149	-	-	-	54,149
2	Amounts due to customers	2,126,420	909,324	314,013	2,914	3,352,671
2.1	Amounts due to individuals	427,193	667,985	160,443	1,404	1,257,024
2.2	Other	1,699,227	241,339	153,570	1,510	2,095,647
3	Debt securities issued by the Bank	142	138	-	-	280
4	Subordinated debt	697	-	-	99,799	100,496
5	Other financial liabilities	23,355	4,785	3,506	1,255	32,901
6	Supply forward contracts, net	92,901	-	-	-	92,901
7	Financial guarantees	19,044	398,129	184,116	-	601,289
8	Other credit-related commitments	439,322	102,040	35,703	3,670	580,735
9	**Total potential future payments on financial liabilities**	**2,756,030**	**1,414,416**	**537,338**	**107,638**	**4,815,422**

Table 34.9 Analysis of financial liabilities by maturities as at 31 December 2018

Line	Item	On demand and less than 1 month	From 1 to 12 months	From 12 months to 5 years	Over 5 years	Total
1	2	3	4	5	6	7
	Liabilities					
1	Amounts due to banks	-	-	-	-	-
2	Amounts due to customers	1,194,248	655,765	311,533	8,753	2,170,299
2.1	Amounts due to individuals	301,805	496,285	253,080	2,900	1,054,070
2.2	Other	892,443	159,480	58,453	5,853	1,116,229
3	Debt securities issued by the Bank	2,548	2,311	160	-	5,019
4	Subordinated debt	736	-	-	106,524	107,260
5	Other financial liabilities	41,746	318	1	11	42,076
6	Supply forward contracts, net	-	-	-	-	-
7	Financial guarantees	86,644	151,196	162,681	-	400,521
8	Other credit-related commitments	316,969	149,454	12,841	6,570	485,834
9	**Total potential future payments on financial liabilities**	**1,642,891**	**959,044**	**487,216**	**121,858**	**3,211,009**

Tables below disclose the Bank's liabilities at the reporting dates by contractual maturities remaining. The amounts disclosed in the table are contractual undiscounted cash flows, including gross loan commitments and financial guarantees. These undiscounted cash flows differ from the amount included in the Statement of Financial Position (Balance Sheet) because the carrying amounts are based on discounted cash flows.

Table 34.10. Analysis of financial assets and liabilities by maturities based on expected maturities as at 31 December 2019

Line	Item	On demand and less than 1 month	From 1 to 12 months	From 12 months to 5 years	Over 5 years	Total
1	2	3	5	6	7	8
	Assets					
1	Cash and cash equivalents	523,998	-	-	-	523,998
2	Investments in securities	813,625	298,165	430,328	-	1,542,118
3	Loans and advances to customers	262,107	523,994	461,630	348,609	1,596,340
4	Other financial assets	6,051	4,654	500	3,243	14,448
5	**Total financial assets**	**1,605,781**	**826,813**	**892,458**	**351,852**	**3,676,904**
	Liabilities					
6	Amounts due to banks	54,149	-	-	-	54,149
7	Amounts due to customers	2,126,420	909,324	314,013	2,914	3,352,671
8	Debt securities issued by the Bank	142	138	-	-	280
9	Other financial liabilities	23,355	4,785	3,506	1,255	32,901
10	Subordinated debt	697	-	-	99,799	100,496
11	**Total financial liabilities**	**2,204,763**	**914,247**	**317,519**	**103,968**	**3,540,497**
12	Net liquidity gap at the end of the day 31 December	(598,982)	(87,434)	574,939	247,884	136,407
13	Gross liquidity gap at the end of the day 31 December	(598,982)	(686,416)	(111,477)	136,407	

Table 34.11. Analysis of financial assets and liabilities by maturities based on expected maturities as at 31 December 2018

Line	Item	On demand and less than 1 month	From 1 to 12 months	From 12 months to 5 years	Over 5 years	Total
1	2	3	5	6	7	8
	Assets					
1	Cash and cash equivalents	438,558	-	-	-	438,558
2	Investments in securities	147,610	194,653	55,480	-	397,743
3	Loans and advances to customers	264,621	576,690	418,879	291,812	1,552,002
4	Other financial assets	3,011	3,327	-	3,855	10,193
5	**Total financial assets**	**853,800**	**774,670**	**474,359**	**295,667**	**2,398,496**
	Liabilities					
6	Amounts due to customers	1,194,247	655,765	311,533	8,754	2,170,299
7	Debt securities issued by the Bank	2,549	2,311	159	-	5,019
8	Other financial liabilities	41,746	318	1	11	42,076
9	Subordinated debt	736	-	-	106,524	107,260
10	**Total financial liabilities**	**1,239,278**	**658,394**	**311,693**	**115,289**	**2,324,654**
11	Net liquidity gap at the end of the day 31 December	(385,479)	116,276	162,666	180,378	73,841
12	Gross liquidity gap at the end of the day 31 December	(385,479)	(269,203)	(106,537)	73,841	

Note 35. Capital management

The Supervisory Board conducts the capital management by setting target indicators for the capital. The Bank manages the capital sufficiency to protect itself from the risks specific to its activities. The Bank's risk management policy is focused at securing the capital adequacy and is controlled through ratios set by the NBU as a result of its supervision over the Bank. The main purpose of capital management is to ensure compliance with external requirements for the capital and maintain adequate capital ratios for the Bank to conduct its activities and maximise the shareholder value. The Bank manages the capital structure by reference to the changes in economic environments and the characteristics of risks specific to its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue equity securities.

Table 35.1. Regulatory capital structure

(UAH '000)

Line	Item	31/12/2019	31/12/2018
1	Regulatory capital	338,335	263,920
1.1	core capital (Tier 1 capital), including:	238,542	157,404
1.1.1	actually paid authorised share capital	300,000	300,000
1.1.2	disclosed provisions created or increased by retained earnings	1,350	1,350
1.1.3	reduction of core capital (intangible assets less amortisation; capital investments in intangible assets; loss for previous and current years), including:	(62,807)	(143,946)
1.1.3.1	intangible assets less amortisation	(25,089)	(27,115)
1.1.3.2	capital investments in intangible assets	0	(9)
1.1.3.3	loss for previous periods (5031)	(20,796)	(1,089)
1.1.3.4	estimated loss for the current year	(16,921)	(115,733)
1.2	supplementary capital (Tier 2 capital), including:	99,793	106,516
1.2.1	subordinated debt included in capital	99,793	106,516
For reference:			
2	Estimated profit/loss for the current year	(16,921)	(115,733)
3	Result of the current year (5999)	71,975	(19,708)
4	Result of the reporting year (group 504)	0	0
5	Excess of uncovered credit risk	(72,585)	(85,161)
6	Income not received for more than 30 days from the accrual date, for which the term of payment has not expired	(8,799)	(7,645)
7	Accrued income for which the term of payment has expired	(26,956)	(6,947)
8	Partial amount of the provision for asset-side banking transactions that is included in the income accrued but not received for more than 30 days (prefixed with '-')	19,444	3,728

The capital is one of the most important Bank's performance indicators. Its main purpose is to cover the adverse effects of various risks that the Bank assumes in its operations and to ensure the protection of deposits, financial firmness and stability of the Bank.

In 2019, the capital remained within the ratios set.

As at 31 December 2019, the ratios were as follows:

N1 - regulatory capital of the Bank – UAH 338,335 thousand;
N2 - regulatory capital adequacy ratio – 14.53 %;
N3 - core capital adequacy ratio – 10.24 %.

As at 31 December 2018, the ratios were as follows:

N1 - regulatory capital of the Bank – UAH 263,920 thousand;
N2 - regulatory capital adequacy ratio – 12.04%;
N3 - core capital adequacy ratio – 7.18%.

Note 36. Contingent liabilities of the Bank

Legal proceedings.

In 2019, 13 lawsuits were initiated against the Bank for the total of UAH 10,947 thousand:

- 1 lawsuit concerned a partial contract rescission;
- 1 lawsuit concerned a contract rescission;
- 3 lawsuits concerned recognition of an executive inscription as unenforceable;
- 1 lawsuit concerned rescission of the ownership certificate;
- 1 lawsuit concerned recognition of a contract as terminated;
- 6 lawsuits against the Bank concerned recovery of cash.

The Bank's management believes that legal proceedings will have no negative effect on the Bank's financial position. Accordingly, it did not create provisions for contingent liabilities.

Capital investment commitments

As at 31 December 2019, the contractual obligations associated with the acquisition of intangible assets amount to UAH 3,185.5 thousand.

Credit-related commitments.

The key aim of these instruments is to ensure provision of cash to customers where needed. Loan commitments represent the unused portion of the loans approved for issue. With respect to loan commitments, the Bank is potentially exposed to losses in an amount equal to the total amount of unused commitments if they are risk-laden, i.e. irrevocable. However, the probable amount of losses is less than the total amount of unused commitments, because most of the loan commitments are contingent upon the customer's compliance with certain creditworthiness standards. The credit risk for these commitments decreases since the Bank's credit transactions are secured with collateral. The Bank monitors the remaining maturity of its credit-related commitments, because long-term liabilities generally have a higher level of credit risk than short-term liabilities.

The likelihood of an impairment loss on the Bank's credit-related commitments is assessed for as insignificant.

As at 31 December 2019, the amount of credit-related commitments (excluding guarantees) recognised by the Bank is UAH 580,735 thousand, which consists of:
- risk-laden (irrevocable) – UAH 69,952 thousand;
- risk-free (revocable) – UAH 510,783 thousand.

Table 36.2. Structure of loan commitments

(UAH '000)

Line	Item	31/12/2019	31/12/2018
1	2	3	4
1	Loan commitments provided	580,735	485,833
2	Guarantees issued	601,289	400,521
3	Provision for credit-related commitments	(4,906)	(1,625)
4	**Total credit-related commitments less provisions**	**1,177,118**	**884,729**

Table 36.3 Credit-related commitments by currencies

(UAH '000)

Line	Item	31/12/2019	31/12/2018
1	2	3	4
1	UAH	1,075,765	760,179
2	USD	56,142	63,048
3	EUR	45,211	61,502
4	**Total**	**1,177,118**	**884,729**

Table 36.4. Analysis of credit quality of loan commitments as at 31 December 2019

(UAH '000)

Line	Item	Stage 1	Stage 2	Stage 3	Total
1	2	3	4	5	6
1	Loan commitments				
2	Minimum credit risk	847,834	-	-	847,834
3	Low credit risk	226,458	-	-	226,458
4	Medium credit risk	98,749	37	-	98,786
5	High credit risk	-	8,946	-	8,946
6	Total loan commitments	1,173,041	8,983	-	1,182,024
7	Impairment provision for loan commitments	(4,797)	(109)	-	(4,906)
8	Total loan commitments less provisions	1,168,244	8,874	-	1,177,118

Table 36.5. Analysis of changes in the impairment provision for loan commitments as at 31 December 2019 (UAH '000)

Line	Item	Stage 1	Stage 2	Stage 3	Total
1	2	3	4		6
1	Impairment provision at the beginning of the period	1,582	43	-	1,625
2	Provision for loan commitments granted	4,249	5	-	4,254
3	Provision for loan commitments that were derecognised or expired (other than those written-off)	(1,300)	(43)	-	(1,343)
4	Overall effect of transfers between stages				
4.1	Transfer to Stage 1	(105)	-	-	(105)
4.2	Transfer to Stage 2	-	105	-	105
4.3	Transfer to Stage 3	-	-	-	-
5	Foreign exchange differences	(13)	-	-	(13)
6	Other movements	383	-	-	383
7	Impairment provision at the end of the period	4,796	110	-	4,906

Table 36.6. Analysis of changes in the carrying amount/nominal value for impairment of loan commitments as at 31 December 2019

(UAH '000)

Line	Item	Stage 1	Stage 2	Stage 3	Total
1	2	3	4	5	6
1	Gross carrying amount at the beginning of the period	885,854	500	-	886,354
2	Granted loan commitments	688,559	37	-	688,596
3	Loan commitments that were derecognised or expired (other than those written-off)	(399,817)	(500)	-	(400,317)
4	Transfer to Stage 1	(8,946)	-	-	(8,946)
5	Transfer to Stage 2	-	8,946	-	8,946
6	Transfer to Stage 3	-	-	-	-
7	Foreign exchange differences	(3,549)	-	-	(3,549)
8	Other movements	10,940	-	-	10,940
9	Gross carrying amount at the end of the reporting period	1,173,041	8,983	-	1,182,024

Table 36.7. Assets pledged as collateral without derecognition

(UAH '000)

Line	Item	31/12/2019		31/12/2018	
		assets pledged as collateral	secured liability	assets pledged as collateral	secured liability
1	2	3	4	5	6
1	Property rights to cash	4,504	4,504	2,908	2,908
2	Financial assets at FVTPL	54,149	54,167	-	-
3	**Total**	**58,653**	**58,671**	**2,908**	**2,908**

Note 37. Derivative financial instruments

Table 37.1. Fair value of derivative financial instruments

The Bank designates into this category the derivative financial assets and liabilities held in the Bank's trading portfolio as at FVTPL.

As at the reporting date, the Bank has entered into forward contracts to acquire domestic government bonds.

These financial assets are carried at fair value that is determined on the basis of market prices. Revaluation result (gain) was recognised as an asset, whilst (loss) was recognised as a liability.

(UAH '000)

Line	Item	Note	31/12/2019		31/12/2018	
			positive fair value	negative fair value	positive fair value	negative fair value
1	2	3	4	5	6	7
1	Forward contracts	12	56	412	-	5
2	Swap contracts	20	-	-	-	-
3	Net fair value	20	-	356	-	5

Hedge accounting

Although the Bank trades with derivatives for risk hedge accounting, these instruments are not eligible for hedge accounting.

Note 38. Fair value of financial instruments

To increase consistency and comparability in fair value measurements and related disclosures, IFRS 13 establishes a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs).

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability.

Table 38.1 Analysis of financial instruments at fair value through profit or loss according to fair value hierarchy as at 31 December 2019.

(UAH '000)

Line	Item	Fair value based on different valuation techniques			Total carrying amount
		Quoted prices (Level 1)	Observable inputs (Level 2)	Unobservable inputs (Level 3)	
1	2	3	4	5	6
I	FINANCIAL ASSETS				
1	**Investments in securities**	**764,115**	**-**	**-**	**764,115**
1.1	government bonds	764,115	-	-	764,115
3	**Total investments in securities**	**764,115**	**-**	**-**	**764,115**
II	FINANCIAL LIABILITIES				
4	**Derivative financial liabilities**	**-**	**-**	**411**	**411**
5	**Total financial liabilities at FV**	**-**	**-**	**411**	**411**

Table 38.2 Analysis of financial instruments at fair value through profit or loss according to fair value hierarchy as at 31 December 2018.

(UAH '000)

Line	Item	Fair value based on different valuation techniques			Total carrying amount
		Quoted prices (Level 1)	Observable inputs (Level 2)	Unobservable inputs (Level 3)	
1	2	3	4	5	6
I	FINANCIAL ASSETS				
1	**Financial assets at FVTPL**	**282,592**		**-**	**282,592**
1.1	government bonds	282,592	-	-	282,592
3	**Total financial assets at FV**	**282,592**	**-**	**-**	**282,592**
II	FINANCIAL LIABILITIES				
4	**Derivative financial liabilities**	**-**	**-**	**5**	**5**
5	**Total financial liabilities at FV**	**-**	**-**	**5**	**5**

Table 38.3 Fair value and inputs used in valuation of assets and liabilities as at 31 December 2019

(UAH '000)

Line	Item	Fair value based on different valuation techniques			Total fair value	Total carrying amount
		Quoted prices (Level 1)	observable inputs (Level 2)	unobservable inputs (Level 3)		
1	2	3	4	5	6	7
I	ASSETS					
1	**Cash and cash equivalents**	**-**	**523,998**	**-**	**523,998**	**523,998**
1.1	cash	-	76,179	-	76,179	76,179
1.2	balances with the National Bank of Ukraine (excluding mandatory reserves)	-	213,890	-	213,890	213,890
1.3	Correspondent accounts, overnight deposits and loans in banks	-	233,929	-	233,929	233,929
2	**Investments in securities**	**764,115**	**-**	**778,003**	**1,542,118**	**1,542,118**
2.1	government bonds	764,115	-	-	764,115	764,115
2.2	Certificates of deposit issued by the NBU	-	-	778,003	778,003	778,003
3	**Loans and advances to customers**	**-**	**-**	**1,596,340**	**1,596,340**	**1,596,340**
3.1	loans to entities	-	-	657,020	657,020	657,020
3.2	Loans to individuals	-	-	509,770	509,770	509,770
3.3	mortgage loans to individuals	-	-	429,550	429,550	429,550
4	**Other financial assets**	**-**	**-**	**14,448**	**14,448**	**14,448**
4.1	accounts receivable on transactions with other financial instruments	-	-	3,101	3,101	3,101

Line	Item	Fair value based on different valuation techniques			Total fair value	Total carrying amount
		Quoted prices (Level 1)	observable inputs (Level 2)	unobservable inputs (Level 3)		
1	2	3	4	5	6	7
4.2	accounts receivable on transactions with payment cards	-	-	1,020	1,020	1,020
4.3	cash on settlement accounts in other banks	-	-	5,154	5,154	5,154
4.4	Other financial assets	-	-	5,173	5,173	5,173
5	**Total assets**	**764,115**	**523,998**	**2,388,791**	**3,676,904**	**3,676,904**
II	LIABILITIES					
6	**Amounts due to banks**	-	**-**	**54,149**	**54,149**	**54,149**
7	**Amounts due to customers**	**-**	-	**3,352,671**	**3,352,671**	**3,352,671**
7.1	government and non-government organisations	-	-	302	302	302
7.2	other entities	-	-	2,095,345	2,095,345	2,095,345
7.3.	individuals	-	-	1,257,024	1,257,024	1,257,024
8	**Debt securities issued by the Bank**	**-**	-	**280**	**280**	**280**
8.1	certificates of deposit	-	-	280	280	280
9	**Derivative financial liabilities**	**-**	-	**411**	**411**	**411**
10	**Other financial liabilities**	**-**	-	**32,901**	**32,901**	**32,901**
10.1	accounts payable on transactions with banks	**-**	-	18,109	18,109	18,109
10.2	accounts payable on dormant accounts	**-**	-	1,089	1,089	1,089
10.3	cash on settlement	**-**	-	10,770	10,770	10,770
10.4	other financial liabilities	**-**	-	2,933	2,933	2,933
11	**Subordinated debt**	**-**	-	**100,496**	**100,496**	**100,496**
12	**Total liabilities**	**-**	-	**3,540,908**	**3,540,908**	**3,540,908**

Table 38.4 Fair value and inputs used in valuation of assets and liabilities as at 31 December 2018

(UAH '000)

Line	Item	Fair value based on different valuation techniques			Total fair value	Total carrying amount
		Quoted prices (Level 1)	observable inputs (Level 2)	unobservable inputs (Level 3)		
1	2	3	4	5	6	7
I	ASSETS					
1	**Cash and cash equivalents**	**-**	**438,558**	**-**	**438,558**	**438,558**
1.1	cash	-	72,934	-	72,934	72,934
1.2	balances with the National Bank of Ukraine (excluding mandatory reserves)	-	103,560	-	103,560	103,560
1.3	Correspondent accounts, overnight deposits and loans in banks	-	262,064	-	262,064	262,064
2	**Investments in securities**	**282,592**	**-**	**115,151**	**397,743**	**397,743**
2.1	government bonds	282,592	-	-	282,592	282,592
2.2	Certificates of deposit issued by the NBU	-	-	115,151	115,151	115,151
3	**Loans and advances to customers**	**-**	**-**	**1,552,002**	**1,552,002**	**1,552,002**
3.1	loans to entities	-	-	736,417	736,417	736,417
3.2	loans to individual entrepreneurs	-	-	7,939	7,939	7,939
1	2	3	4	5	6	7
3.5	mortgage loans to individuals	-	-	383,247	383,247	383,247
3.6	consumer loans to individuals	-	-	114,119	114,119	114,119
3.7	other loans to individuals	-	-	310,280	310,280	310,280
4	**Other financial assets**	**-**	**-**	**12,064**	**12,064**	**12,064**
4.1	accounts receivable on securities	-	-	30	30	30
4.2	accounts receivable on transactions with payment cards	-	-	93	93	93
4.3	cash on settlement accounts in other banks	-	-	3,528	3,528	3,528
4.4	Other financial assets	-	-	8,413	8,413	8,413
5	**Total assets**	**282,592**	**438,558**	**1,679,217**	**2,400,367**	**2,400,367**
II	LIABILITIES					
6	**Amounts due to customers**	**-**	-	**2,170,299**	**2,170,299**	**2,170,299**
6.1	government and non-government organisations	-	-	2,928	2,928	2,928
6.2	other entities	-	-	1,113,301	1,113,301	1,113,301
6.3	individuals	-	-	1,054,070	1,054,070	1,054,070
7	**Debt securities issued by the Bank**	**-**	-	**5,019**	**5,019**	**5,019**
7.1	certificates of deposit	-	-	5,019	5,019	5,019
8	**Derivative financial liabilities**	**-**	-	**5**	**5**	**5**
9	**Other financial liabilities**	**-**	-	**42,071**	**42,071**	**42,071**
9.1	accounts payable on electronic money issue	**-**	-	8,500	8,500	8,500
9.2	accounts payable on transactions	**-**	-	93	93	93

Line	Item	Fair value based on different valuation techniques			Total fair value	Total carrying amount
		Quoted prices (Level 1)	observable inputs (Level 2)	unobservable inputs (Level 3)		
1	2	3	4	5	6	7
	with payment cards					
9.3	accounts payable on foreign currency transactions	-	-	25,303	25,303	25,303
9.4	other financial liabilities	-	-	8,175	8,175	8,175
10	**Subordinated debt**	-	-	**107,260**	**107,260**	**107,260**
11	**Total liabilities**	-	-	**2,324,654**	**2,324,654**	**2,324,654**

Note 39. Related-party transactions

Table 39.1. Balances of related-party transactions as at 31 December 2019

(UAH '000)

Line	Item	Major participants (shareholders) of the Bank	Entities under common control	Key management personnel	Other related parties
1	Loans and advances to customers (contractual interest rate 21-26%)	-	40	1,529	230
2	Provision for loan debt	-	-	25	15
3	Amounts due to customers (contractual interest rate 1-25.5%)	8,929	965	16,104	21,747
4	Subordinated debt	60,456	-	40,040	-

Table 39.2. Income and expense from related-party transactions for 2019

Line	Item	Major participants (shareholders) of the Bank	Entities under common control	Key management personnel	Other related parties
1	Interest income	-	-	157	16
2	Interest expenses	(5,398)	(47)	(3,994)	(368)
3	Fee and commission income	6	8	12	23
4	Allocated to the impairment provision for loans and cash in other banks	-	-	(26)	(15)

Table 39.3. Other rights and commitments under related-party transactions at the end of the day 31 December 2018

Line	Item	Major participants (shareholders) of the Bank	Key management personnel	Other related parties
1	Other loan commitments given to customers	250	1,205	30

Table 39.4. Total amount of loans issued to related parties and repaid by related parties for 2019

Line	Item	Major participants (shareholders) of the Bank	Key management personnel	Entities under common control	Other related parties
1	Amount of loans issued to related parties for the period	-	916	-	230
2	Amount of loans repaid by related parties for the period	-	234	-	-

Table 39.5. Balances of related-party trasnactions as at 31 December 2018

Line	Item	Major participants (shareholders) of the Bank	Entities under common control	Key management personnel	Other related parties
1	Loans and advances to customers (contractual interest rate 21-26%)	-	40	1,528	29
2	Provision for loan debt	-	-	(12)	(1)
3	Amounts due to customers (contractual interest rate 1-25.5%)	1,324	639	4,334	24,435
4	Subordinated debt	60,456	-	46,804	-

Table 39.6. Income and expense from related-party transactions for 2018

Line	Item	Major participants (shareholders) of the Bank	Entities under common control	Key management personnel	Other related parties
1	Interest income	-	-	268	757
2	Interest expenses	(5,690)	(80)	(2,643)	(1,084)
3	Fee and commission income	5	7	13	23
4	Allocated to the impairment provision for loans and cash in other banks	(1)	-	(15)	(35)

Table 39.7. Other rights and commitments under related-party transactions at the end of the day 31 December 2018

Line	Item	Major participants (shareholders) of the Bank	Key management personnel	Other related parties
1	Other loan commitments given to customers	250	871	6,502

Table 39.8. Total amount of loans issued to related parties and repaid by related parties for 2018

Line	Item	Major participants (shareholders) of the Bank	Key management personnel	Entities under common control	Other related parties
1	Amount of loans issued to related parties for the period	-	1,272	40	-
2	Amount of loans repaid by related parties for the period	31	1,173	-	4,979

Table 39.9. Remuneration of key management personnel.

Line	Item	2019		2018	
		expenses	accrued liabilities	expenses	accrued liabilities
1	2	3	4	5	6
1	Current employee benefits	36,385	4,333	35,892	3,536

Note 40. Subsequent events

No significant events occurred between the balance sheet date and the date of the Bank's financial statements for the year ended 31 December 2019 that would require adjustments or affect the economic decisions of the users. The Bank did not carry out any non-typical transactions that could affect assets, liabilities and capital or cash flows.

Information about coronavirus

On 31 December 2019, the World Health Organization reported a limited number of cases of pneumonia of unknown origin detected in Wuhan, Hubei. On 7 January 2020, the Chinese government identified the new type of coronavirus (COVID-19) as the cause. Since 31 December 2019, the development and spread of COVID-19 has led to a multitude of associated events. Early 2020 was characterised by the spread of the pandemic caused by the COVID-19 coronavirus. In Ukraine, the first case of a coronavirus was detected on March 3.

To prevent the spread of COVID-19 virus in Ukraine, in March 2020 the Ukrainian government introduced temporary restrictions at the state border, cancelled regular transport and imposed other restrictions for the time of the national quarantine. Depending on further developments of the pandemic, the restrictive measure may be lifted or extended.

It cannot be excluded that an economic slowdown could also emerge with potential implications, not yet quantifiable, for the Bank's returns, mainly with reference to the operating income and the cost of risk.

Following the COVID-19 outbreak, the Bank continues to monitor the situation carefully and take precautionary measures in accordance with the recommendations of the World Health Organization and local authorities.

Authorised for issue and signed on 29 May 2020

Chairperson of the Management Board	S.H. Mamedov
Chief Accountant	A.M. Lipatova