JSC “CB GLOBUS” ANNUAL REPORT FOR 2018

26 April 2019

Contents

MANAGEMENT REPORT OF THE JSC “CB GLOBUS”

The Management Report supplements the financial statements of the JSC “CB GLOBUS” with information about the current, past and future events to provide comprehensive information to its users, helping to evaluate the Bank's performance and management’s actions against the strategic targets declared.

The Management Report is prepared in accordance with the laws and regulations effective in Ukraine: the Law of Ukraine “On Securities and Stock Market” No. 3480-IV as of 23 February 2006 as amended and revised, the Law of Ukraine “On Financial Services and State Regulation of the Financial Services Markets” No. 2664-III as of 12 July 2001 as amended and revised and the Guidance on the Procedure for the Preparation and Publication of the Financial Statements of Ukrainian Banks approved by Resolution of the Board of the National Bank of Ukraine No. 34 as of 14 November 2018 as amended and revised.

PUBLIC JOINT STOCK COMPANY “COMMERCIAL BANK GLOBUS” was established in 2007. Legal address of the Bank: Ukraine, 04073, Kyiv, 19/5 Kurenivskyi Lane.

On 28 December 2018, the form of joint stock corporation of the Bank was changed (from public to private). Also, the Bank's name was changed to JOINT STOCK COMPANY “COMMERCIAL BANK GLOBUS”.

Due to these changes, the JSC “CB GLOBUS” obtained a new banking licence no. 240.

I. Business Profile

1.1 External environment, in which the Bank operates

Macro environment

The economy of Ukraine has shown the maximum increase for the last seven years. Real GDP has increased by 3.2% for 2018. The state budget income amounted to UAH 928.1 billion in 2018, which by 17% exceeds the results of 2017.

The budget deficit for the reporting year amounted to 1.7% as compared to the planned 2.4% The government and guaranteed debt ratio to the national GDP decreased to 60.9%. At the same time, the government and guaranteed debt of Ukraine for the year increased by 2.6% and amounted to USD 78.3 billion at the end of 2018.

Foreign exchange reserves reached USD 20.8 billion being the highest figure in the last five years. They increased by 17.6% for 2018.

In 2018, consumer inflation slowed down to 9.8% (from 13.7% in 2017), which is the lowest level in the last five years. This was achieved primarily due to a tight monetary policy of the National Bank of Ukraine (NBU). At the same time, despite its year-on-year decline the inflation predictably exceeded the NBU’s target of 6% ± 2 pp at the end of 2018.

The reporting year is characterised by an acceleration in economic activity. Thus, the key branches production index (KBPI) grew by 3.5% (2.1% in 2017) due to the record yield of maze and oilseeds, as well as a steady consumer demand. Retail and industry turnover continued to surge (6.1% and up to 1.1%, respectively).

However, the industrial production index of 95.3% showed a 1.8% decline compared to 2017. Growth rates in the processing, engineering and chemical industries have noticeably slowed, as did the volume of construction works.

The results of 2018 marked a strengthening of the Ukrainian hryvnia. The NBU official exchange rate was 28.07 UAH/USD at the beginning and 27.68 UAH/USD at the end of 2018, that is USD became cheaper by nearly 40 kopecks.

Banking sector

Ukraine had 77 operating banks in late 2018, which was 5 banks fewer than at the beginning of the year. Asset concentration in the sector has remained unchanged over the past two years, with the top-20 banks accounting for 91% of net assets at the end of the reporting period.

The market share of state-owned banks almost did not change – 54.7% by net assets and 63.4% by household deposits. Retail lending was on the rise in 2018, boosting PrivatBank’s share of net assets by 1.3 pp to 20.7%, and that of the private banks by 0.9 pp to 14.8%.

Short-term resources dominate in the structure of banks’ liabilities – 62% have maturities of less than 1 month. More than 85% of their total liabilities were borrowed from the domestic market. Almost 80% of liabilities are amounts due to customers. As of today, other funding sources are insignificant.

The funding base was growing as the year progressed. Throughout 2018, UAH deposits of households and entities increased 14.8% and 6.8%, respectively. The dollarisation level across the Ukrainian banking sector was and remains high. The spikes of inflation and devaluation constantly caused the Ukrainian hryvnia to lose its purchasing power. For that reason, households kept a significant portion of savings in a foreign currency. This trend continued in 2018 as well. Deposit dollarisation accounted for 47.3% at the year-end.

In 2018, the NBU raised the discount rate four times from 14.5% to 18%, with the last rate hike occurring in late Q3. Despite the higher discount rate, interest rates on deposits were practically unchanged in the first six months and started rising only in Q3 as deposit growth slowed. In Q4, the average interest rate on 12-month household deposits denominated in UAH edged up 0.6 pp to 15.7% per annum, whilst that on 12-month USD deposits grew 0.1 pp to 3.6% per annum. Stronger competition for corporate deposit has led to a rise in UAH deposits to 14.5% per annum (+5.3 pp in 2018).

Over the course of 2018, loan portfolios of the banking system improved in quality. In Q4, the NPL ratio declined 1.7 pp to 52.8%. The improvement in loan quality came for the most part after the surge in retail lending statistically diminished the NPL ratio. The NPL coverage ratio stands at 95.5%, which is acceptable according to international standards.

In 2018, the banking sector earned the record UAH 21.7 billion in net profit (an ROE of 14.3%). Operating income grew by 27.5%, driven primarily by an increase in net interest and fee income. Meanwhile, operating performance remained unchanged, with the cost-to-income ratio (CIR) being 58.9%.

In 2018, the regulating environment underwent significant changes. A number of laws were passed to facilitate the foreign exchange liberalisation, improve corporate governance in state-owned banks, reduce the cost of lending, make bankruptcy procedures more efficient and enhance controls over the quality of audit services. A new liquidity ratio was introduced.

1.2 Executives and officers

Members of the Supervisory Board as at the beginning of 2019

Polkovskyi D.E. – Chairman of the Supervisory Board, shareholder's representative appointed on 17 March 2016.
Rybytva O.A. – Member 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.
Bortnyk V.M. – Independent Member of the Supervisory Board appointed on 20 April 2015.
Didenko V.V. - Independent Member of the Supervisory Board appointed on 10/12/2018.
Voshchylko M.V. – Independent Member of the Supervisory Board appointed on 4 July 2017.

Members of the Management Board as at the beginning of 2019

Mamedov S.H. – Chairman of the Management Board appointed on 15 December 2016.
Sylniahina O.A. – Deputy Chairman of the Management Board appointed on 29 May 2012.
Dmitriieva O.M. – Deputy Chairman of the Management Board appointed on 16 December 2016.
Yevchuk H.P. – Deputy Chairman 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 Risk Management appointed on 1 July 2016.

The Bank has the following collegiate bodies: Asset/Liability Committee (ALCO); Loan Committee, Small Loan Committee; Tariff Committee; Technology Committee; Financial Monitoring Committee; Audit Committee.

1.3 General meetings of shareholders

In 2018, the general meetings of shareholders (hereinafter – General Meetings) were held four times to adopt decisions within the competence of this body in accordance with the Articles of Associations of the Bank (hereinafter – Articles of Association) with regard to: reviewing and approving the report of the Supervisory Board and the Management for 2018, determining the key lines of business for 2018, reviewing and approving the independent auditor’s report on the Bank’s results in 2017, approving the procedure for profit allocation by the results of 2017, electing the members and Chairman of the Supervisory Board, approving the new revision of the Regulation on the Supervisory Board and Corporate Governance Code, considering matters about changes in the type of the Bank's joint stock incorporation and its name, introducing respective amendments to the Articles of Association, changing the composition of the Supervisory Board and resolving matters related to current operations of the Bank.

1.4 Structural units

Under the NBU's classification, the Bank belongs to the group of private equity banks. As at 1 January 2019, the Bank is ranked 33 by assets volume.

The JSC “CB GLOBUS” has 31 operating divisions, of which: 12 divisions in Kyiv, 2 in Kharkiv, 1 in Zaporizhzhia, 1 in Dnipro, 1 in Chernihiv, 1 in Kamianets-Podilskyi, 1 in Odesa, 1 in Sumy, 1 in Lviv, 1 in Poltava, 1 in Mykolaiv, 1 in Ternopil, 1 in Cherkasy, 1 in Chernivtsi, 1 in Vinnytsia, 1 in Ivano-Frankivsk, 1 in Rivne, 1 in Zhytomyr, 1 in Kherson.

To optimise the structure of the Bank's divisions and ensure their efficiency throughout 2018, one division in Kyiv located at 18 Mechnykova St. was closed and another division was established in Kherson at 66 Ushakova Ave.

1. 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. (Deputy Chairman of the Management 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. (Chairman 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. It prioritises such lines of business as SME lending, new-build mortgages, car lending and retail lending.

As at 11 September 2018, 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.

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 – professional activity on the stock market – depositary activity.

1.7 Key products and services

Banking products and services offered by the JSC "CB GLOBUS" 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. More specifically:

- Deposit products – Deposit Facility 'Velykyi', Deposit Line 'Convenient', Deposit Line 'Classic', Deposit Line 'Cumulative', 'Golden Investment' (in precious bank metals), Savings (Deposit) Certificate.
- Loan products – Cash Loan, Deposit-secured Loan, Overdraft 'Generous Dad', Credit Card 'Zapasochka', Mortgaging (new build houses), Mortgaging (finished housing), Programme 'Car Loan'.
- Payment cards – Premium Card (Platinum MasterCard); Savings Card ('Vidsotochka '), Credit Card ('Zapasochka'), Payroll Card, Standard Card ('Instant Card', 'Standard New'), Youth Card (Debit Mastercard U-card), Business Card, Deposit Card.

The following products are offered to entities:

- Deposit products – Term Deposit, Deposit Line, Deposit 'Comfort', Programme 'General Deposit Contract'.
- Loan products – Overdraft '10*10' (deferential-interest overdraft); Overdraft 'Collateral-based'; 'Working Capital Financing'; 'Specialised Machinery on Credit'; 'Equipment on Credit'; 'Elevator Equipment'; Provision of guarantees (bid bond, travel guarantee, performance guarantee, payment guarantees); 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 2018, the Bank did not pay dividends to ordinary share holders. Part of the Bank's profit at the end of 2017 was directed to increase the reserve fund, another part – to cover losses of the previous years, and the rest – to the retained earnings of the Bank.

The total expenses on payments to the key management personnel of the JSC “CB GLOBUS” accounted for UAH 35,892 for 2018.

Payments to key management personnel as at 31 December 2018, UAH ‘000

Management body	**Current employee benefits**	
	expenses	**accrued liabilities**
Management Board	29,019	1,678
Supervisory Board	6,873	1,858
Total	35,892	3,536

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 the financial results, the Bank evaluates the performance and motivation of its employees, including those of the management personnel. That said, employees working at divisions, front office, back office and middle office have KPIs that have a positive effect on the overall result, when achieved.

To arrive at the targeted profits, the Bank designs individual plans for each business and financial responsibility centre and supervises the progress on a quarterly basis. Significant changes in external or internal environments are adjusted for in the plans for future periods.

The Management Board 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, one additional criterion for evaluating the implementation of the strategic objective was the growth of the retail and SME lending portfolios.

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

Key criteria to evaluate the Bank's performance are its results (amount of earnings, return on assets, return on capital, bank rating) and absence of risks on its operations (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 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 2018, the Bank launched a credit pipeline programme together with its partner “Target – finance” to issue consumer loans on goods sold at non-food retail chains. As at 1 January 2019, there were 1,328 loans issued for the total amount of UAH 8,527 thousand.

2.4 Research and development

The Bank conducted no R&D activities.

III. Resources, Risks and Relations

3.1 Key financial and non-financial resources

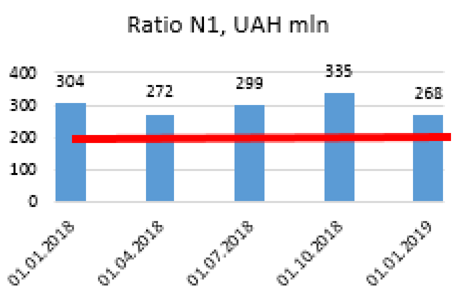
3.1.1 Equity structure

In 2018, additional resources of USD 1.68 million were raised in a form of subordinated debt for 10 years.

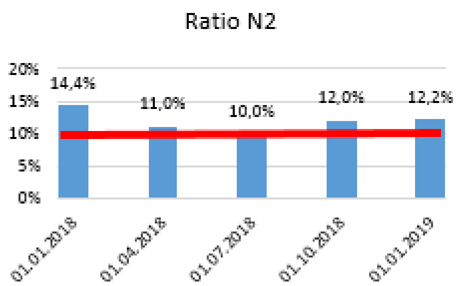
Regulatory capital structure, UAH ‘000

Indicators	01 Jan 2018	01 Jan 2019	Change, %
1. Total core capital, including:	243,784	157,404	-35
- actually paid authorised share capital	300,000	300,000	0
- total provisions and reserve funds formed under the law of Ukraine	0.00	1,350	-
- total reduction of core capital	(56,216)	(143,946)	+156
2 Total additional capital before calculation	60,000	106,516	+78
- subordinated debt included in capital	60,000	106,516	+78
3 Redeployment	0	0	0
Total regulatory capital	**303,784**	**263,920**	**-13**

The decrease of regulatory capital at the end of 2018 is primarily associated with an increase in the credit risk and a negative financial result in 2018.



In general, 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 2018, the Bank did not violate the requirements on the size of regulatory capital and capital adequacy ratio.

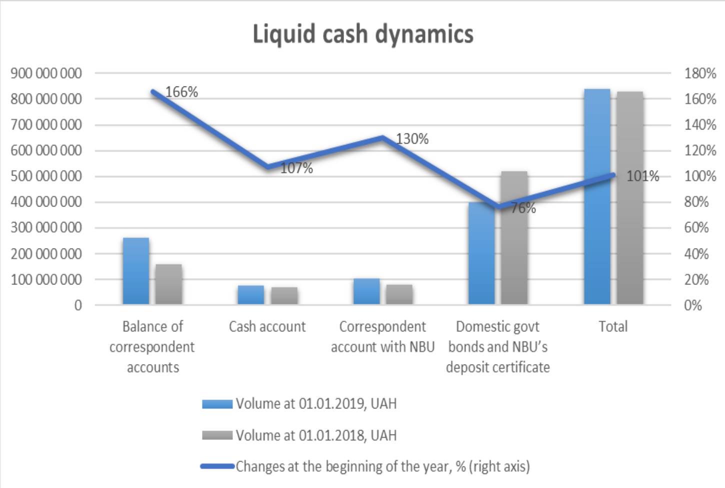
3.1.2 Financial mechanisms

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 Board and monitored on a quarterly basis.

Also, there was a product pricing mechanism implemented, which, depending on the type of product, is approved at the level of the Tariff Committee, Loan Committee and ALCO. Expenditure ratios are being introduced, and the Management Board monitors the compliance.

3.1.3 Liquidity

In 2018, the Bank implemented a conservative liquidity management strategy and intends to continue doing so in 2019.
The total size of liquid cash in 2018 was adequate and fully allowed the Bank to fulfil the assumed monetary liabilities 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) 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 by a payment schedule, in which the planning of cash inflows and outflows is broken down by currencies and form 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 mitigating the Bank’s risks related to liquidity management.

3.1.5 Human resources, intellectual capital, technological resources

The Bank recognises personnel as its most valuable capital and targeted efforts are made in professional training, refinement of forms and methods of employee motivation and corporate culture development.

By improving the system for personnel training, assessment and motivation the Bank strives to reduce the labour turnover and improve the Bank's performance.

According to the staffing schedule, the Bank had 512 employees as at 1 January 2019 and 476 employees as at 1 January 2018.

The Bank uses sufficient software in its operations thus rendering automatic a vast portion of the Bank's business and improving performance of its employees.

The Bank uses the following software: core banking system B2, card back office system BCZ-CARD+, interactive system iFOBS for servicing front office customers, personnel and payroll management system HRM::eCSpert, e-document circulation system MEDoc, SWIFT Alliance, Mebius-STAT, ARM-NBU-Inf, ARM-NBU-SEP, etc.

Software	Functions

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
Personnel 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 products 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 core banking systems and informational tasks across banks
ARM-NBU-SEP	automated work environment ARM-NBU that entails both software and hardware means of protecting information to be used within 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 Committee, Asset/Liability Committee, Tariff Committee and other collegiate bodies established by the Management Board of the Bank); Internal Audit Service; Risk Management Board; Compliance Service; business units of he Bank).

The Bank's organisational model within the risk management system entails the separation and direct subordination of its Risk Management Board to the Supervisory Board as a standalone unit thus allowing for a timely identification, measurement, monitoring, control and mitigation of risks, as well as for due 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, operational risk and market 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 by:

- a single debtor/counterparty and 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;
- type of debtor's/counterparty's performance guarantee;
- type of currency.

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

Line 1	Line 2	Line 3
• at the level of the Bank's business and support units that assume the risks and responsibility for the risks and report about the ongoing risk management;	• at the level of the Risk Management Service and the Compliance Service;	• at the level of Internal Audit Service that verifies 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 risk management efficiency.

Managers of the risk management 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:

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

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

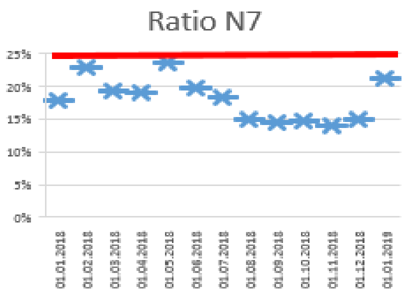
3.2.2 Significant risks, risk development and mitigation Adverse effects and potential opportunities

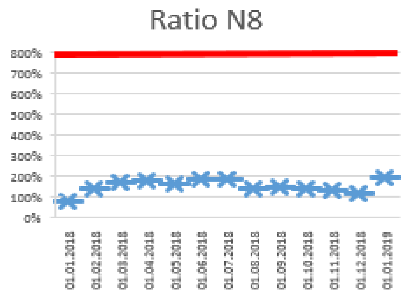
For the Bank significant risks are the credit risk, liquidity risk, interest rate risk and market risk (particularly, the currency risk).

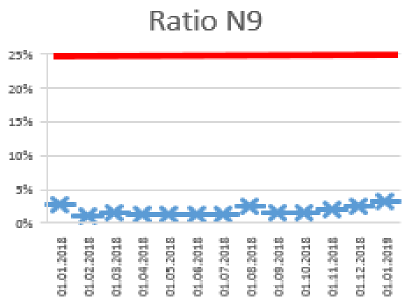
Credit risk

The Bank has complied with all credit risk ratios in the reporting year.

The quality of its loan portfolio for 2018 was improved significantly, as evidenced by a UAH 149.2 million decline in non-performing loans, with the NPL ratio dropping from 12.9% to 10.3% to the total loan portfolio.







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

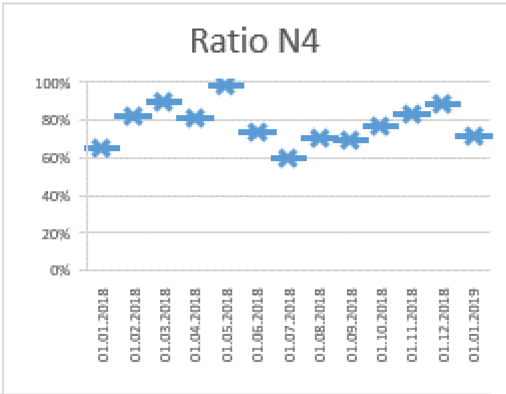
Quality of credit risk management

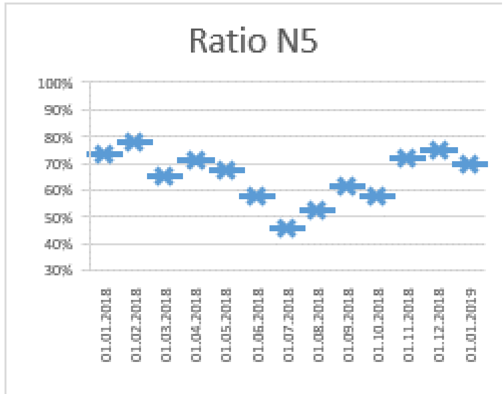
Indicators	01 Jan 2018	01 Jan 2019	Change
Loan portfolio, UAH ‘000	1,380,242	1,654,739	274,496
Non-performing loans, UAH ‘000	320,336	171,148	-149,188
NPL ratio, %	23.2%	10.3%	-12.9%
NPL ratio across private equity banks in general, %	24.1%	23.0%	-1.1%

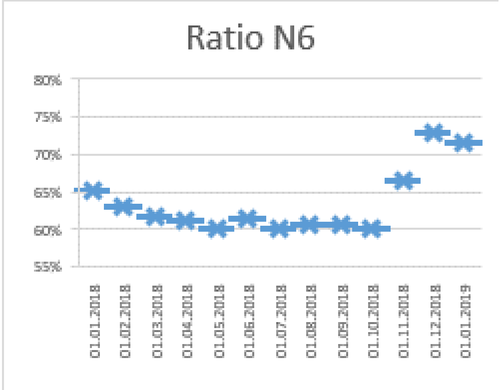
In 2018, the concentration of loans to the largest counterparties was reduced significantly in accordance with the Bank's strategic priorities for 2018. Thus, the concentration of the largest 20 counterparties in the Bank's loan portfolio decreased by 12% and that of the largest 40 debtors – by 15%. In 2019, 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. Yearly average liquidity ratios for 2018 are as follows: absolute liquidity ratio (N4) – 78%, current liquidity ratio (N5) – 65%, short-term liquidity ratio (N6) – 63%.







The structure of assets and liabilities is balanced with regard to their maturity periods. Liquidity gap limits were fully observed during the year. The Risk Management Board 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 risk is an integral element of the Bank's operations. Throughout 2018, there has been an upward trend in interest rates both on bank loan and deposit services.

In its operations, the JSC “CB GLOBUS” 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 profits, 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 foreign exchange position on all foreign currencies and precious bank metals.

The Resolution of the National Bank of Ukraine as of 29 March 2018 regulates the limits on short and long open FX positions. In June, the National Bank of Ukraine decided to set the same ‘mirror’ limits at 5% both for long and short open FX positions.

Throughout 2018, the JSC “CB GLOBUS” has complied with the limits set. Thus, the average long open FX position stood at 1.4% and the average short open FX position at 1.7%.

In order to manage the FX position and minimise the currency risk, the Bank limits foreign exchange transactions and performs structural balancing by 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 contract interest rate on lending transactions with related parties is 21-26%. Balances on these transactions account for UAH 1,597 thousand as at 31 December 2018.

The contract interest rate on borrowings from related parties varies from 1% to 25.5%. These transaction balances account for UAH 30,732 thousand as at 31 December 2018.

Throughout 2018, the Bank derived from asset- and liability-side transactions with related parties UAH 1,025 thousand of interest income, UAH 48 thousand of fee income and incurred UAH 9,497 of interest expenses.

Transactions with shareholders and related parties have no immediate effect on the Bank's operations. The maximum credit risk ratio on bank operations with related parties (N9) has been varying from 1.2% to 3.26% in 2018, which indicates that the credit risk on these operations is insignificant. At the end of 2018, the average credit risk ratio across Ukrainian banks was 11.2%.

IV. Performance and perspectives of further development

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.

Indicators of Ukraine's economic development (factual and projected)

Indicators	2017	2018	Increase, yoy	2019[1]	Increase, yoy
Real GDP, yoy, %	2.5	3.5	1	4	0.5
Nominal GDP, UAH bn	2982.9	3428	445.1	3854	426
NBU reference rate, (end of period) %	14.5	16	1.5	12	-4
USD/UAH foreign exchange rate (end of period)	28.07	29.9	1.83	31	1.1
USD/UAH foreign exchange rate (average)	26.6	29.3	2.7	30.5	1.2
Consumer prices, past 12 months, (end of period) %	13.7	9.9	-3.8	7.3	-2.6
Average rate of interest on UAH loans, %	21.2	19	-2.2	18	-1
Monthly average nominal wage, yoy, %	35.5	19.7	-15.8	13.6	-6.1
Monthly average real wage, yoy, %	19	9.8	-9.2	6.3	-3.5
Average rate of interest on UAH deposits, %	14.6	13.5	-1.1	12.5	-1
Average rate of interest on USD deposits, %	4.6	3.5	-1.1	3.2	-0.3
Unemployment rate (ILO methodology)	9.5	9.3	-0.2	9	-0.3

Events below have become significant risk factors for the Bank's operations in 2018: martial law imposed in November-December 2018; FX market volatility; high inflation expectations; tight monetary policy implemented by the National Bank of Ukraine. It is expected that results of presidential elections will have a significant impact on the Bank's operations in 2019, as well as Ukraine's ability to perform substantial payments on public and publicly guaranteed (PPG) debt.

4.2 Bank's performance against management's targets

Targets set by the Supervisory Board for 2018 were achieved, except for the financial result. The Bank's main achievements are:

- top rankings in four nominations based on the survey Top-50 Banks of Ukraine
Nomination 'Mortgage' – 1st place;
Nomination 'Car Loan' – 2nd place;
Nomination 'Classic Deposit' – 4th place;
Nomination 'Savings Deposit' – 7th place;
- Bank's profit before impairment of investment assets was UAH 122 million.

[1] projected figures

Performance against targets for 2018

Item	Actual values	Targeted values	Performance to targets ratio, %
I. INCOME	**662,631**	**463,593**	**143%**
1. Interest income	340,270	255,751	133%
2. Fee and commission income	186,334	159,808	117%
3. Result from trading transactions	41,217	48,034	86%
4. Other income	94,810	-	-
II. EXPENSES	**682,339**	**427,673**	**160%**
1. Interest expenses	240,522	160,137	150%
2. Fee and commission expenses	13,597	8,421	161%
3. Personnel expenses	134,958	93,894	144%
4. Other expenses - total	293,262	165,221	177%
III. PROFIT BEFORE TAX	**-19,708**	**35,920**	**-55%**

Overall, the JSC “CB GLOBUS” was ranked 25th among 50 leading Ukrainian banks thus improving its last year result by 11 positions.

- a low-risk diversified portfolio of consumer and SME loans was created for UAH 1,043 million;
- on 4 May 2018, the NBU registered an international payment system GLOBUS;
- consumer lending was introduced;
- enhanced cooperation with developers, car dealers, vehicle manufacturers, agricultural machinery and equipment.

In general, the Bank's performance can be described as average with a moderate risk exposure (as shown in Section 3).

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

In 2018, the Bank decreased its financial result by UAH 28.9 million as compared to the previous year due to increased allocations to provisions for asset-side transactions and due to revaluation of investment property.

Net interest income for the reporting period was increased more than twofold, whilst the fee income – by 42.2% or UAH 51.2 million.

By results of 2018, the Bank has increased the amount of liquid cash, which allows for shock smoothing in the future.

At the same time, its resource base was increased at the expense of amounts due to customers by 8% or UAH 233 million.

Bank's key performance indicators for 2018

Indicators	01 Jan 2019	01 Jan 2018	Change	
			UAH ‘000	%
Cash and cash equivalents	438,558	307,327	131,231	43%
Financial assets at fair value through profit or loss	397,743	520,688	-122,945	-24%
Loans and advances to customers, of which	1,552,002	1,232,312	319,690	26%
Investment property	85,998	252,806	-166,808	-66%
Property, plant and equipment and intangible assets	101,973	72,713	29,260	40%
Accounts receivable on current income tax	545	340	205	60%
Deferred tax asset	20,000	20,000	0	0%
Other assets	20,523	29,826	-9,303	-31%
Non-current assets held for sale and disposal groups	11,228	5,186	6,042	117%
Total assets	**2,628,570**	**2,441,198**	**187,372**	**8%**
Amounts due to customers, of which	2,170, 299	1,936,994	233,305	12%
Derivative financial liabilities	5	118	-113	-96%
Other borrowings	0	59,961	-59,961	0%
Debt securities issued by the Bank	5,019	20,257	-15,238	-75%
Provisions for liabilities	4,422	9,371	-4,949	-53%
Other liabilities	61,011	40,328	20,683	51%
Subordinated debt	107,261	60,441	46,820	77%
Total liabilities	**2,348, 017**	**2,127, 471**	**220,546**	**10%**
Net interest income	99,748	49,134	50,614	103%
Net fee and commission income	172,737	121,449	51,288	42%
Financial result	**-19,708**	**9,238**	**-28,946**	**-313%**

The Bank's customer loan portfolio has increased by 26% mostly through the growth of consumer lending (loan gain accounts for UAH 318.4 million), which meets with the Bank's priorities and development strategy for 2018.

4.4 Reasons for changing indicators of the reporting period

Expansion of the Bank's loan portfolio and its resource base is contingent upon the achievement of the Bank's targets. By 2018, the Bank approved a moderate growth strategy that will allow for an 8% asset accumulation once implemented.

The significant increase in the Bank's interest income stems from the surge in consumer lending. In 2018, the consumer lending was extended with retail lending via retail chains. The increase in fee 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 2019-2021, the JSC “CB GLOBUS” plans to maintain a universal bank profile and continue its policy of qualitative growth, reduction of concentrations, developing new lines for retail lending and SME lending.

Under this strategy, the Bank can significantly increase all the key balance sheet ratios. Thus, its assets should grow by UAH 528 million or 20% in three years. The increase in net asset value by UAH 137 million or 42% will be possible due to an increase in the share capital and generation of profits. It is planned to increase bank liabilities by UAH 391 million or 17% in three years.

Improvements in the Bank's portfolio performance are planned to be achieved through expanding the customer base and introducing new loan and deposit products. More specifically, these products include: consumer loan, credit cards, SME lending, payroll card programmes, guarantees.

To achieve its targets, the Bank intends to:

- facilitate the use of e-commerce;
- introduce loyalty programmes for separate customer segments;
- develop new bank deposit and loan products;
- increase brand awareness by advertising and image campaigns;
- increase the scope and volume of guarantee transactions;
- enhance cooperation with existing partners and engage new ones;
- increase the scope of division operations and on-line services;
- to promote professionalism among employees.

The Bank plans to earn a net profit of UAH 82 million in three years. The Bank's operations will result in profitability growth. Thus, the return on assets will grow from -0.7% in 2018 to 1.2% in 2021, whilst the return on capital will improve to 8.2% in 2021.

V. Key Performance Indicators (KPI)

To measure the Bank's performance against targets, the management uses performance metrics that can be classified into partial and general. Partial KPIs are used to independently measure the efficiency of divisions, business segments and structural units. General KPIs reflect the Bank's performance as a whole and include the following metrics: return on assets, return on equity, net interest margin and CIR (cost/income ratio).

Bank's performance indicators

Indicators	01 Jan 2018	01 Jan 2019	Change
Return on assets, %	0.4	-0.7	-1.1
Return on equity, %	2.9	-7.0	-9.9
Net interest margin, %	5.55	5.71	+0.16
Cost/income ratio, %	61.5	60.2	-1.3

According to the results of 2018, the return on assets and equity declined, which triggered the impairment of investment property of the Bank and caused it to create provisions for asset-side transactions. Meanwhile, the net interest margin increased by 0.16 pp, which drove up the Bank's interest income. The Bank's operating efficiency in 2018 improved by 1.3 pp.

VI. Use of Financial Derivatives

In 2018, the JSC “CB GLOBUS” conducted no transactions with financial derivatives designated for hedge accounting.

VII. Corporate Governance Report

The Bank has its own Corporate Governance Code approved by the revised decision of general meetings of shareholders as of 24 September 2018 (minutes no. 2). The Code is available at the Bank's official website: https://globusbank.com.ua/ua/korporativnoe-upravlenie.html

The Bank did not apply the corporate governance codes of stock exchanges, business associations or any other code of corporate governance.

The Bank's management strictly complies with the approved Corporate Governance Code. The Corporate Governance Code was revised to the extent of changes in the Ukrainian law.

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

General meetings of shareholders (members) as of 26 April 2018 had the following agenda:

1. Reviewing and approving the report prepared by the Supervisory Board and Management Board on the results of the JSC "CB GLOBUS”. Determining the key lines of its business for 2018.

2. Reviewing and approving an independent auditor's opinion (independent auditor's report) made by LLC “Audit Firm Active-Audit” on the results of the JSC “CB GLOBUS” for 2017, annual financial statements of the Bank for the year ended 31 December 2017 and measures proposed by the Supervisory Board in response to the external audit findings.

3. Approving the procedure of profit allocation (loss coverage) the JSC “CB GLOBUS” based on results in 2017.

4. Electing members to the Supervisory Board, including the Chair of the Supervisory Board.

5. Resolving matters related to current operations of the Bank.

General meetings of shareholders (members) as of 24 September 2018 had the following agenda:

1. Approving the new revision of the Regulation on the Supervisory Board and Corporate Governance Code.

General meetings of shareholders (members) as of 4 December 2018 had the following agenda:

1. Changing the type of joint stock incorporation of the Bank.

2. Changing the name of the Bank.

3. Introducing new amendments and revisions to harmonise the Articles of Association with the law of Ukraine in force.

General meetings of shareholders (members) as of 10 December 2018 had on the agenda the matter of changing the composition of the Supervisory Board**.**

General meetings imposed no restrictions on the shareholders’ (members’) 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.

The Supervisory Board as from 10 December 2018 is represented by:

- Chairman of the Supervisory Board, Polkovskyi D.Ye.;
- Member of the Supervisory Board, Rybytva O.A.;
- Member of the Supervisory Board, Kurilenko S.B.;
- Member of the Supervisory Board, Bortnyk V.M.;
- Member of the Supervisory Board, Voshchylko M.V.;
- Member of the Supervisory Board, Didenko V.V.

The Supervisory Board as from 10 December 2018 is represented by:

- Chairman of the Supervisory Board, Polkovskyi D.Ye.;
- Member of the Supervisory Board, Rybytva O.A.;
- Member of the Supervisory Board, Kurilenko S.B.;
- Member of the Supervisory Board, Bortnyk V.M.;
- Member of the Supervisory Board, Voshchylko M.V.;
- Member of the Supervisory Board, Prokhorenko V.V.

In 2018, the Bank’s Supervisory Board held 66 meetings. The meetings pertained to matters falling within the competence of the Supervisory Board, the law of Ukraine and the Bank's Articles of Associations.

Key matters on the agenda were reviewing and approving matters related to approval of: the Bank’s organisational structure; regulations applying to structural units; financial and economic activity, including the progress on strategic objectives and current financial targets; results of stress tests; audit findings; remuneration of the Management Board members; budget estimate and work plan of the Internal Audit Service; composition of collegiate bodies of the Bank; the list of parties related to the Bank; internal rules on the Bank's operations; the Bank’s capitalisation programme; an audit firm for confirming the annual financial statements.

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 represented by 3 members of the Supervisory Board, including 2 independent members. The Audit Committee is headed by an independent member of the Supervisory Board, who has the required qualification and certification.

The Audit Committee is assigned with the following functions: monitoring of internal controls; control over the Internal Audit Service and Compliance Service, 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, 18 meetings of the Audit Committee were held to consider matters related to the Internal Audit Service's work plan, audit findings and status of implementing respective recommendations, internal controls evaluation report, reports of Internal Audit Service and Compliance Service, conflict of interest reports, as well as the matters of engaging an audit firm to confirm the financial statements for 2018 (including the assessment of the auditor's independence).

The Management Board is represented by:

- Chairman of the Management Board, Mamedov S.H.;
- Deputy Chairman of the Management Board, Sylniahina O.A.;
- Deputy Chairman of the Management Board, Dmitriieva O.M.;
- Deputy Chairman of the Management Board, Yevchuk H.P.;
- Chief Accountant, Lipatova A.M.;
- Operations Director, Klevaichuk S.V.;
- Head of Risk Management, Solodkyi V.V.;
- Head of Financial Monitoring, Sheffer M.Ya.

On 17 January 2018, the Chief Accountant, Lipatova A.M., was introduced to the Management Board.

In 2018, the Management Board held 132 meetings, including joint meetings with the Supervisory Board. Key matters on the agenda were: approval of internal documents; approval of report on operational and compliance risks; approval of changes to the working schedule; approval of the list of individuals and entities related to the Bank.

To ensure the implementation of strategic and current objectives assigned with the Bank’s Management, there were created responsible committees.

Loan Committee:

- Head of the Committee – Chairman of the Management Board, Mamedov S.H.;
- Deputy Head of the Committee – Deputy Chairmen of the Management Board, Sylniahina O.A. and Dmitriieva O.M.;
- Committee members: Deputy Chairman of the Management Board Yevchuk H.P. (in the event of temporary absence – Head of Corporate Business Koliadina N.Yu.), Head of Risk Management Solodkyi V.V., Head of Small and Medium-sized Enterprises Shulha O.A.

In 2018, the Loan Committee held 262 meetings. Consideration was given to: approving of loan programmes and loan issue decisions; reviewing the results of monitoring of the Bank’s loan portfolio and non-performing loans; reviewing and approving the credit risk assessment on asset-side transactions of the Bank; reviewing and approving the calculated provisions for potential expenses on asset-side transactions/financial liabilities; approving the classification and quality assessment of the Bank's assets; ensuring the compliance with credit risk assessment procedures.

Asset/Liability Committee (ALCO):

- Head of the Committee – Head of Treasury, Lazariev D.Ye.;

- Deputy Head of the Committee – Chairman of the Management Board, Mamedov S.H.;
- – Committee members: Deputy Chairmen 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 2018, ALCO held 213 meetings. Consideration was given to ensuring: a balance between risks, the Bank has profits and liquidity; profitability of bank operations; compliance with banking regulations set by the National Bank of Ukraine, including those related to reserves and provisions; optimisation of cash flows and payment discipline; minimum bank liquidity through the cheapest way possible; compliance with the interests of the Bank, shareholders and customers.

Financial Monitoring Committee:

This committee deals with matters related to the Bank's ability to fulfil obligations as a subject of financial monitoring.

The committee is represented by:

- Head of the Committee – Head of Financial Monitoring, Sheffer M.Ya.;
- Deputy Head of the Committee – Deputy Chairman 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.

Tariff Committee

The Tariff Committee deals with matters related to setting tariffs and prices on services of the Bank.

The committee is represented by:

- Head of the Committee – Deputy Chairman of the Management Board, Dmitriieva O.M.;
- Deputy Head of the Committee – Deputy Chairman of the Management Board, Yevchuk H.P.;
- Committee members – Deputy Chairman of the Management Board, Sylniahina O.A.; Chief Accountant, Lipatova A.M.; and Operations Director, Klevaichuk S.V.

Technology Committee

This committee deals with matters related to implementation of the Bank's strategic objectives in the field of informational technology, security and IT risk management, support and control of the Bank's technological processes.

The committee is represented by:

- Head of the Committee – Operations Director, Klevaichuk S.V.;
- Deputy Head of the Committee – Head of IT Department, Viun Ye.V.;

- Committee members – Deputy Head of the Management Board, Dmitriieva O.M.; and Head of Cryptosecurity at IT Department, Loza V.L.

7. 3. Main features of internal control system.

In the reporting period, changes were made in the Bank's internal control system. By the Decision of the Supervisory Board of the Bank as of 20 August 2018, new Regulation on the Bank's Internal Control System was approved. The Regulation outlined main features of internal control system, control methods and assessment methods.

The Bank's designed an internal control system (ICS) based on 3 levels of control using the COSO model (three lines of defence) as the reference. See fig. 1 for conceptual representation of the model.

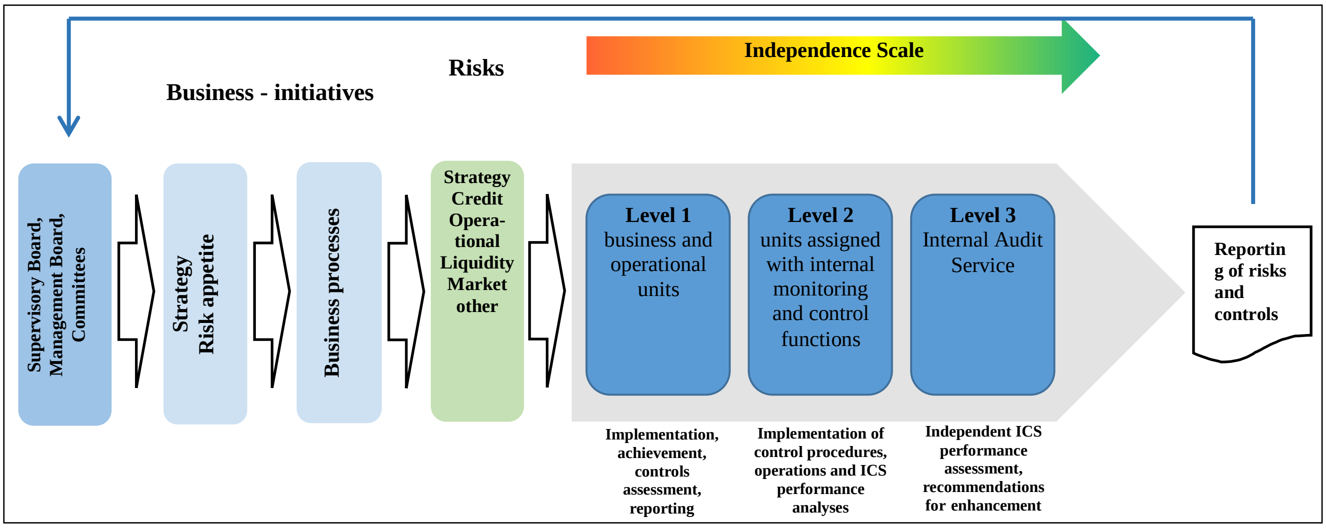


Figure 1. ICS model

Level 1 (business and operational units) is responsible for risk identification and handling, development/updating and achievement of milestones that constitute an integral part of daily duties. Level 1 controls are not independent since controlling actions are designed and exercised directly and first-hand.

Level 2 (units assigned with internal monitoring and control functions) is 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 into the development of business processes, controls the risk exposure and effectiveness of controls.

Level 3 (units exercising independent control) is 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 method of classification, the Bank determines the types of controls by their timings (preliminary, current and post-control), by subjects of control (vertical, horizontal), by method (manual, automatic), by scope (transactional/comprehensive and selective) and by application tools.

7.4. List of direct/indirect majority shareholders

Limited Liability Company “UKRAINIAN MEDIA TECHNOLOGIES” is the sole shareholder that directly holds 100% in the Bank;

Limited Liability Company “KETLEN” – indirect shareholding – 99.993% via LLC “UKRAINIAN MEDIA TECHNOLOGIES”;

Sylniahina Olena Anatoliivna – indirect shareholding – 50.5% via LLC “KETLEN”, which holds 99.993% in LLC “UKRAINIAN MEDIA TECHNOLOGIES”, and 0.007% via LLC “UKRAINIAN MEDIA TECHNOLOGIES”.

TERMAN INTERNATIONAL LTD. – indirect shareholding – 44.4969% via LLC “KETLEN”, which holds 99.993% in LLC “UKRAINIAN MEDIA TECHNOLOGIES”.

Polkovskyi Dmytro Eduardovych – indirect shareholding – 100.00% via TERMAN INTERNATIONAL LTD and 44.4969% via LLC “KETLEN”, which holds 99.993% in LLC “UKRAINIAN MEDIA TECHNOLOGIES”.

Indirect shareholding – 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.

The Supervisory Board is elected for three years at the General Meetings 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.

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

The Chairman of the Supervisory Board is elected by the General Meetings. A member of the

Supervisory Board, who has been the chairman of the Bank's collegiate executive body during the previous year, cannot become the Chairman of the Supervisory Board. The Supervisory Board has the right to re-elect the Chairman of the Supervisory Board at any time.

Above mentioned officers shall exercise their powers as the Chairman or Supervisory Board members on the basis of agreements (contracts) concluded with them and upon a respective approval by the National Bank of Ukraine.

The powers of members of the Supervisory Board can be terminated by decision of the General Meetings of Shareholders of the Bank with regard to their early termination. Also, the powers of any member of the Supervisory Board can be terminated:

- at his/her personal request in writing sent to the Bank upon a two weeks’ prior notice following the date of termination.

- if the officer cannot perform his/her duties for reasons of health;

- 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.

- if the officer has died, is deemed to be fully or partially disabled, missing, or deceased;

- if the Bank receives a request on replacing a member of the Supervisory Board that is a shareholder representative.

Powers of a Supervisory Board member shall be terminated immediately with the contract concluded with him/her.

The Management Board is the Bank's executive body that organises and manages the Bank's operations and is responsible for the results of its work before the Bank's Supervisory Board in accordance with the Articles of Association, decisions of the General Meetings and the Supervisory Board of the Bank.

Any individual having full legal capacity can become a member of the Bank’s Management Board, unless he/she is a member of the Supervisory Board.

The number of members in the Management Board is determined by decisions of the Supervisory Board and formed from the Deputy Chairmen and members of the Management Board. The Management Board is appointed by decision of the Supervisory Board for a period of up to 5 years. It consists of at least 3 people.

The Management Board is directed and managed by its Chairman elected by a decision of the Supervisory Board.

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

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

7.6. Duties conferred to 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.

Chairman of the Supervisory Board

− organises the work of the Supervisory Board and exercises control over implementation of the work plan approved by the Supervisory Board;

− convenes and chairs the Supervisory Board meetings, approves the agenda, ensures observance of the agenda, organises the keeping of minutes of the Supervisory Board meetings and ensures the storage of minutes of the Supervisory Board meetings;

− 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;

− prepares speeches and reports to the General Meetings on the activities of the Supervisory Board, general condition of the Bank and measures taken to arrive at the Bank's targets;

− provides recommendations to the General Meetings with regard to renewing the powers of the Supervisory Board members;

− assesses the performance of the Supervisory Board;

− liaises with other bodies and officers of the Bank.

Supervisory Board has the exclusive competence:

− to approve the Bank’s development strategy in accordance with the key lines of business outlined by the General Meetings;

− to approve the Bank's budget, including the budgets of the Internal Audit, and to approve the Bank's business development plan;

− to define and approve the risk management strategy, policy and procedures, as well as the list of risks and limits of exposure;

− to ensure the functioning of internal control system of the Bank and control over its effectiveness;

− to control the effectiveness of the risk management system;

− to approve the recovery plan for the Bank's operations;

− to identify capitalisation sources and other financing of the Bank;

− to determine the Bank's lending policy;

− to determine the Bank’s organisational structure, including that of the internal audit unit;

− to approve internal rules applying to the Bank's structural units, insofar as their approval lies within the competence of the General Meetings. To that note, the regulations or other internal normative documents that establish the procedure for conducting certain transactions by the Bank and the respective cooperation between certain units or those that are staffing or office administration 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;

– to appoint and dismiss the Chairman and members of the Management Board, elect and terminate the powers of a person acting in place of the suspended Chairman or Supervisory Board member, appoint and dismiss the head the internal audit unit;

– to control the activities of the Management Board, give improvement suggestions;

– to establish the procedure and plans for the internal audit unit and control over its activity;

– 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;

– to review an external audit opinion, prepare recommendations for the General Meetings of Shareholders and adopt decisions on that audit opinion;

– 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 audit firm based on the internal audit findings;

– to decide on the establishment of and shareholding in subsidiaries, their reorganisation and liquidation, creation of standalone units of the Bank, approve their status and regulations;

– 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;

– to ensure that the Bank provides (publishes) reliable information on its activities in a timely manner and in accordance with the law;

– to convene the General Meetings, prepare the agenda of the General Meetings, adopt decisions on the date of the General Meetings;

– to notify about the General Meetings as stipulated by with the law;

– to adopt decisions on the placement of securities (other than shares) by the Bank;

– to adopt decisions on the repurchase of securities (other than shares) by the Bank;

– to adopt decisions on the sale of shares that were previously repurchased by the Bank;

– to settle matters related to the Bank's participation in groups and other entities, change or termination of shareholding;

– to adopt decisions on entering into big 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 the provision of loans, guarantees, attraction of bank deposits and other banking operations stipulated by the licence of the National Bank of Ukraine; In addition to this exception, such transactions shall be also regulated by the Articles of Association and applicable law;

− 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;

− to send, to the extent allowed by law, proposals to shareholders on the repurchase of their shares;

− to approve the procedure for entering into transactions with parties related to the Bank;

− 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 law;

− to decide on the Bank's acquisition in any way or manner allowed by the applicable law (including, but not limited to, by way of purchase, gift, exchange, 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 right to their acquisition, except for the acquisition of shares by the Bank in the ordinary course of securities trading;

− to handle matters that the law of Ukraine stipulates to be the competence of the Supervisory Board in the event of the Bank’s reorganisation;

− 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;

− 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;

− to adopt decisions on the selection of a valuer to appraise the Bank’s property, approve terms of contract with that valuer and determine the amount of consideration for the services;

− to control the activities of the Management Board, give improvement suggestions and supervise the implementation of decisions of the General Meetings and the Supervisory Board;

− to determine the procedure for audit and control of the financial and economic activity of the Bank;

− to approve the market value of the property, whenever stipulated by law;

− to approve the terms of payroll settlements and financial incentives for the management (directors) of the Bank's branches and representation offices.

− to approve the current (annual) and prospective budgets of the Bank, determine the procedure for creating, forming and using the Bank’s funds;

− to issue decisions on holding the officers within the Bank's management bodies liable for property damage;

− to determine which information about the Bank's operations shall be confidential;

− to exercise other powers, including those delegated by the General Meetings.

Chairman of the Board:

− acts on behalf of the Bank without the power of attorney, represents its interests before all enterprises, organisations, institutions, individuals, state and local self-government authorities, both in Ukraine and abroad;

− manages the property and cash of the Bank in accordance with the law of Ukraine and Articles of Association;

− 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;

− on behalf of the Bank, signs legal claims, appeals, cassation appeals and other documents submitted to courts of any level or jurisdiction;

− signs financial and other documents of the Bank;

− approves decisions of the permanent 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 law of Ukraine;

− gives suggestions as to the size and composition of the Bank's funds, as well as the procedure for their creation;

− prepares materials to be reviewed at the regular and early General Meetings;

− approves the Bank's staffing schedule;

− prepares reports on the implementation of the programmes approved by the General Meetings and submits documents for a review to the General Meetings, Supervisory Board and Audit Committee (if any);

− 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;

− adopts decisions on the appointment and dismissal of structural units 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;

− performs other functions as assigned by the General Meetings, Supervisory Board and Management Board;

− allocates duties among the members of the Management Board and determines their functional powers by issuing a principal activity order on the allocation of duties between the Bank's management and on granting the right to sign financial, payment and other documents of the Bank, as well as by issuing a power of attorney on behalf of the Bank;

− exercises control over all current activities of the Management Board;

– personally carries out the general management and organisation of units by such operations as: treasury operations, including dealing operations, operations with cash and precious bank metals; securities operations; staffing and general office administration; financial monitoring; analysis, planning and risks; occupational safety; methodology.

Management Board:

− ensures preparation of the Bank's budget estimates, strategies and business development plans to be further approved by the Supervisory Board;

− implements the Bank's strategy and business development plan;

− determines the form and procedure for monitoring the Bank's operations;

− implements the strategy and risk management policies approved by the Supervisory Board, implements the procedures for identification, assessment, control and monitoring of risks.

− forms the Bank's organisational structure as determined by the Supervisory Board;

− develops regulations that govern activities of the Bank’s structural and standalone units in accordance with the Bank's development strategy;

− ensures security of the Bank’s IT systems and systems used to store assets of its customers;

– informs the Supervisory Board about the Bank's performance indicators, any identified violations of law, internal rules, about any deterioration of the Bank's financial position, about the danger of such deterioration or about the level of risks arising from the Bank's activity;

– manages the current operations of the Bank and organises the implementation of decisions of the General Meeting and the Supervisory Board;

− deals with matters related to the Bank's operations and manages the Bank's property within its competence;

– defines the basic principles of conducting asset- and liability-side transactions;

− submits an annual balance sheet (statement) to the General Meetings, as well as suggestions on allocating the Bank's net profits;

− as appropriate, prepares suggestions on matters to be considered by the General Meetings or Supervisory Board;

− approves the internal system of the Bank’s units and a system of incentives for those working at the units;

− adopts decisions on writing off the Bank’s bad assets, shortages and losses of its inventories in accordance with the law of Ukraine;

− 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;

− establishes permanent bodies (committees, commissions, groups) to which certain powers of the Management Board can be delegated, as appropriate;

− prepares current, monthly, quarterly and annual reports on the main aspects of the Bank's economic activities and submits such reports to the Supervisory Board, as well as other special reports and documents at the request of the Supervisory Board;

− prepares the Bank’s annual and prospective budgets (estimates) and business plans to be submitted to the Supervisory Board for approval;

− 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 within the competence of the General Meeting and Supervisory Board;

− performs other functions necessary to ensure the current operations of the Bank.

7.7. Annual consideration of members of the Supervisory Board and Management Board.

The total expenses on payments to the key management personnel of the JSC “CB GLOBUS” accounted for UAH 35,892 for 2018.

Payments to key management personnel as at 31 December 2018, UAH ‘000

Management body	**Current employee benefits**	
	expenses	**accrued liabilities**
Management Board	29,019	1,678
Supervisory Board	6,873	1,858
Total	35,892	3,536

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 2018: martial law imposed in November-December 2018; FX market volatility; high inflation expectations; tight monetary policy implemented by the National Bank of Ukraine. It is expected that results of presidential elections will have a significant impact on the Bank's operations in 2019, as well as Ukraine's ability to perform substantial payments on public and publicly guaranteed (PPG) debt.

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 contract interest rate on lending transactions with related parties is 21-26%. These transaction balances account for UAH 1,597 thousand as at 31 December 2018.

The contract interest rate on borrowings from related parties varies from 1% to 25.5%. These transaction balances account for UAH 30,732 thousand as at 31 December 2018.

Throughout 2018, the Bank derived from asset- and liability-side transactions with related parties UAH 1,025 thousand of interest income, UAH 48 thousand of fee income and incurred UAH 9,497 of interest expenses.

Transactions with shareholders and related parties have no immediate effect on the Bank's operations.

7.10. Performance of internal audit (control) system during the year.

The Internal Audit Service of the JSC "CB GLOBUS” is an operational control body that reports to the Supervisory Board of the Bank, and being an element of internal control system (ICS), it ensures control of:

the Bank's operations by conducting audits and evaluations of potentially risk-bearing processes;

effectiveness and adequacy of internal risk management system;

corporate governance in accordance with the types and volumes of transactions.

Internal auditors of the Bank have 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 were conducting audits at all levels of the management and control by reference to the comprehensive assessment of risks that the Bank is exposed to. Thus, the key lines of the Bank's operations were audited during the year (corporate and consumer lending, assessment of effectiveness of the ICS and corporate governance, management of bank risks and their effect on the capital, activities of collegiate bodies, accounts receivable, transactions with payment cards via international payment systems, opening and maintaining correspondent accounts, financial monitoring functions carried out by the Bank). Unannounced audits were conducted at 12 divisions of the Bank.

For preventing violations and deficiencies, the audit included an independent assessment of the ICS with regard to:

the compliance with the law of Ukraine, regulations of the National Bank of Ukraine and internal rules, their professional responsibilities and rules established by the Articles of Association and the Bank's regulatory documents by its management and employees.

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 activities of the Compliance Service and risk management unit of the Bank;

the quality of management and risk reporting to the Bank's management.

The Bank's Internal Audit Service assessed the effectiveness and adequacy of the ICS, examined the compliance with legal requirements, assessed the quality of duties performed by the Bank's employees, assessed the risk exposure on the Bank's operations and provided respective counselling and clarifications on the nature of the banking operations, deficiencies/violations in its activities.

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, the allocation of responsibilities between structural units (officers) ensures the reliability of the ICR, banking risk management procedures minimise the risk exposure of the banking environment and prevents their growth.

The annual work plan of the Internal Audit Service is performed in a timely and complete manner.

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.

Thus, 58 recommendations were provided for 2018, most of which were implemented in the reporting period. The Bank's Internal Audit Service supervises the full implementation of the recommendations.

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, audits, audit effectiveness and implementation of audit findings, interaction with the National Bank of Ukraine), the activity of the Internal Audit Service of the Bank in 2018 was assessed as satisfactory by the decision of the Bank's Supervisory Board as of 8 January 2019 (Minutes No. 1).

7.11. Disposal of assets in excess over the amount allowed by the Articles of Association during the year.

In 2018, the Bank disposed of no assets in excess over the amount allowed by the Articles of Association.

7.12. External audit activity.

By the Decision of the Supervisory Board as of 25 September 2018 BAKER TILLY UKRAINE LLP, an audit firm, 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;
- 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 of a financial institution, that are supported by an audit opinion, as 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 2018, the Bank incurred penalties for violating the currency, tax and financial monitoring law of Ukraine for the total of UAH 3.4 million.

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 2018, the Bank carried out no purchase or sales of assets in the amount exceeding the one allowed 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 2018, 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 of financial services users 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 Chairman of the Management Board or the Deputy Chairman of the Management Board, who personally assign a person with respective duties.

The period for reviewing and taking measures to resolve the issues brought up in 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 2018, the Bank received 23 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, accrual and payment of interest on retail deposits.

In 2018, 7 customer complaints were referred to courts of various instances. Four cases ended to the Bank's favour, and three cases are pending as at 1 January 2019.

7.19. List of services provided

The Bank provides financial services solely under the licences, permissions and applicable law of Ukraine, namely: monetary resources and precious bank metals depositing, 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 bodies conducting state regulation of the financial services markets adopted in accordance with such laws.

The Bank's corporate governance report duly prepared under the requirements of the applicable law of Ukraine is submitted on an annual basis to the National Commission regulating the financial services markets before 30 April.

Approved for issue and signed on 26 April 2019

Chairman of the Management Board S.H. Mamedov

Chief Accountant A.M. Lopatova

INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Supervisory Board of the 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 the following:

- Statement of Financial Position as at 31 December 2018;
- Statement of Profit and Loss and Other Comprehensive Income for 2018;
- Statement of Changes in Equity for 2018;
- Statement of Cash Flows (direct method) for 2018;
- Notes to Financial Statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material aspects, the financial position of the Bank as at 31 December 2018, as well as its financial results and cash flows for the year then ended, in accordance with the International Financial Reporting Standards (IFRS) and comply with the Law of Ukraine "On Accounting and Financial Reporting in Ukraine" with regard to the preparation of financial statements.

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing (ISAs). 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 to the Bank in accordance with the *Code of Ethics for Professional Accountants* of the International Ethics Standards Board for Accountants (*IESBA Code*) and ethical requirements applicable to our audit of financial statements in Ukraine, and we have met other ethical obligations in accordance with these requirements and the IESBA Code. We believe that the evidential matter we obtained is sufficient and acceptable to be used as the basis for our opinion.

Emphasis of matter

We draw your attention to Note 22 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 358,327 thousand or 13.6% of the total Bank's assets as at 31 December 2018. This structure of assets and liabilities by maturities 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 on this matter has not been modified.

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	The way our audit considered the key audit matters
Provision for impairment losses on loans and advances to customers – UAH 102,737 thousand *Refer to Notes 8 and 4.4*	
We have focused our attention on this area 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. Provision for impairment losses reflect 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 on 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 provisions for impairment losses on loans and advances to customers both on an individual and collective basis. - We also independently evaluated the relevance of the 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 on the 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 discrepancies as a result of these tests.

Other matters

The Bank's financial statements for the year ended 31 December 2017, before changes, were audited by Another Auditor, whose report as at 23 April 2018 contained a qualified opinion with caution due to the lack of reasonable assurance about the Bank's ability to obtain in the future sufficient taxable profit to realise the taxable temporary differences arising out of tax losses, as well as the necessity to decrease the value of the property on the balance sheet due to the cancellation of the right of ownership by the court. Moreover, Another Auditor's report contained the emphasis of matter paragraph that indicated the shortage of assets with maturities of less than 12 months.

As part of our audit of the financial statements for 2018, we have also examined the adjustments set out in Note 38 that were made to the financial statements for 2017. In our opinion, such adjustments are acceptable and were made in due course. We were not engaged in the audit, review, or any procedures regarding the Bank's financial statements for 2017 other than those related to the examination of adjustments. Therefore, we do not provide our opinion or any other form of assurance with regard to the financial statements for 2017 in their entirety.

Other information

The management is responsible for any other information. Other information includes information set out in the Management Report for 2018, prepared in accordance with the Law of Ukraine “On Accounting and Financial Reporting in Ukraine” and other applicable legal and regulatory requirements, and the information set out in the Annual Information of the Securities Issuer for 2018 (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 shall not apply to other information, and we make no conclusions with any level of assurance about this other information.

In connection with our audit of the financial statements, it is our responsibility to review other information mentioned above, whilst considering whether there is a material inconsistency between other information and financial statements or our knowledge obtained during the audit, or whether this other information appears as such that contains a material misstatement.

If, based on our work concerning other information obtained before the date of the auditor's report we conclude that there is a material misstatement of other information, we are obliged to report this fact. We have not identified such facts that would have to be included in the report.

Responsibilities of the management and those charged with governance for the financial statements

The management is responsible for the preparation and fair presentation of the financial statements according to IFRS and the Law of Ukraine "On Accounting and Financial Reporting in Ukraine" with regard to the preparation of the financial statements and for such internal controls as the 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, the management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, the matters related to going concern and using the going concern basis of accounting unless the 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 supervising the process of financial reporting by the Bank.

Auditor’s responsibility for the audit of financial statements

Our objectives include obtaining reasonable assurance on whether the financial statements, in their entirety, are free from material misstatement, whether due to fraud or error, as well as issueing an auditor's report with our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can result from fraud or error. They are considered material if, individually or collectively, they are reasonably expected to affect the users’ economic decisions taken on the basis of these financial statements.

As part of our audit in accordance with ISA, we exercise professional judgement and maintain professional scepticism throughout the entire audit engagement. In addition, we:

- identify and assess the risks of material misstatement of financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that would be 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, misstatements or neglect of internal controls;

- obtain an understanding of internal controls 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 internal controls;

- evaluate the appropriateness of accounting policies applied and the reasonability of accounting estimates and related disclosures made by the management;

- conclude on the appropriateness of the management’s use of the going concern basis of accounting and, based on the audit evidence obtained, we come to the conclusion whether there exists any material uncertainty 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 statements or, if such disclosures are inappropriate, 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 to 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 our statement of compliance with relevant ethical requirements pertaining the independence and inform them on all relations and other matters that could be reasonably deemed as such that affect our independence including, where applicable, on all the related precautionary measures.

From the matters communicated to 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 a law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that such matters 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:

Audit objective and the duration of the audit engagement

We were appointed as auditors by decision of the Bank's Supervisory Board as of 25 September 2018 to conduct a statutory audit of the Bank's financial statements for the year ended 31 December 2018. The period of total uninterrupted statutory audit of the Bank's financial statements, including the previous renewals and reappointments, is 1 year.

Non-audit services and auditor independence

We confirm that, to the best of our knowledge and belief, we have not provided to the Bank any illegal non-audit services as set out in part 4 Article 6 of the Law of Ukraine "On the Audit of Financial Statements and Auditing Activities". We, including our key audit partner, were independent in relation to the Bank as part of the audit.

We did not provide to the Bank any services, other than statutory audit services, that were not disclosed in the financial statements or the management report.

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 2018, 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 in response to those risks and to take necessary measures regarding the factual 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 the Bank's management.

Identification and assessment of potential risks related to violations	**Actions in response to 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 of any factual, suspected or anticipated fraud; and
  - internal controls implemented to reduce risks related to fraud or non-compliance with laws and regulations.
- discussion by audit team members aimed at to determining under which circumstances and at what stage may the Bank's financial statements be most vulnerable to material misstatement due to fraud, including fraud techniques. As part of this discussion, we identified a potential fraud in the areas of income recognition, management's
	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 the 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 indicate at 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

Identification and assessment of potential risks related to violations	Actions in response to assessed risks
negligence of control measures; 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. The key laws and regulations that we considered in this context included the Law of Ukraine “On Banks and Banking Activities” and 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”.	feasibility of significant transactions that are unusual or outside the ordinary course of business. We also communicated relevant identified laws and regulations, 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.

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:

- we examined the information illustrated in the statement of corporate governance as part of the management report of the JSC “CB GLOBUS” for 2018 in accordance with items 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; it 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 2018, 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 as of 2 August 2018.

According to the Law of Ukraine “On Banks and Banking Activities” and requirements of the Regulation on the Procedure for a Bank to Submit an Audit Report on the Findings of the Annual Audit of Financial Statements approved by the Regulation of the National Bank of Ukraine No. 90 as of 2 August 2018, the audit report shall also contain information (evaluation) 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 insofar as:

- internal controls;
- internal audit;
- determining the size of the credit risk for asset-side banking transactions;
- identifying parties related to the bank and conducting transactions with them;
- sufficiency of the Bank's capital that should be determined by reference to the quality of the bank's assets.
- accounting.

The aim of the audit was to express an opinion that the Bank’s annual financial statements for 2018

present fairly, in all material aspects, the Bank's financial statements in accordance with 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 2018. 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 information of and use by 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 (evaluation) 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.
Regarding the Bank's compliance with regulatory requirements imposed by the National Bank of Ukraine with regard to:
internal controls
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's regulations, in particular, with the Regulation of the National Bank of Ukraine No. 867 as of 29 December 2014 "On the Approval of the Regulation on Organising Internal Controls in Banks of Ukraine".

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.
regarding 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 material departures from the credit risk calculation made by the Bank as at 31 December 2018. We have identified the need to increase the credit risk as at 31 December 2018 for the total amount of UAH 14.9 thousand.
regarding the recognition 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 on related-party transactions.
regarding the sufficiency 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 2018 is sufficient and according to the Bank's information amounts to UAH 300,000 thousand (refer to Note 21 Share capital and issue profit/loss (share premium).
The Bank's regulatory capital as at 31 December 2018 according to the Bank amounts to UAH 263,920 thousand, which is in line with the NBU's regulations (refer to Note 31 Capital management).*regarding the 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 – Ukraine, 04073, Kyiv, 19/5 Kurenivskyi Lane

Date of state registration – 29 November 2007

main types of 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 as of 4 December 2018 and as agreed by the NBU on 27 December 2018

list of participants (shareholders) (natural persons – last name, first name and patronymic; legal 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% of the share capital.

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

The Bank’s equity in accordance with the financial statements as at 31 December 2018 amounts to UAH 280,553 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.

regarding the compliance of the share capital with constituent documents

The Bank’s share capital as at 31 December 2018 is in line with the constituent documents of the Bank and amounts to UAH 300,000 thousand.

regarding the formation and payment of the share capital (fully or partially paid, documents (containing 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 2018 amounts to UAH 300,000 thousand.

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

- payment order no. 1 dated 12 February 2018 in the amount of UAH 75,000,000 (Minutes of the Founders’ Meetings dated 22 January 2017);
- payment order no. 1 dated 28 May 2008 in the amount of UAH 85,000,000 (contract no. 2-EM as of 27 May 2008)
- payment order no. 12 dated 23 August 2016 in the amount of UAH 140,000,000 (Purchase and Sales Contract No. E-1/16 as of 23 August 2016).

regarding 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 2018, 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.

regarding the uses of cash not contributed to form the share capital of the legal 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 main types of the entity’s activity.

According to the Bank's information, all contributions in the Bank’s share capital were used to conduct statutory activities of the Bank.

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

During the audit of financial statements, we did identify no related parties that were not identified by the

Bank or any respective related-party transactions that were not disclosed in Note 37 Related-party transactions.

regarding 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 32 Contingent liabilities of the Bank

regarding the 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 can have a significant effect on the Bank's financial position. (refer to Note 39 Events after the reporting date).

regarding the availability of other facts and circumstances that can have a significant effect on the applicant's future operations and the assessment as to which 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 2018, the composition and structure of the Bank's financial investments is represented as investments in the NBU's certificates of deposit for UAH 115,151 thousand and government bonds for UAH 282,592 thousand (refer to Note 7 Investments in securities).

regarding 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 2018 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 of the audit contract – No. 191/18 dated 27 September 2018

audit start and finish dates – 15 November 2018 and 20 April 2019.

Key audit partner

The engagement partner on the audit resulting in this independent auditor's report is Nersesian Gagik Serhiiovych.

General Director

BAKER TILLY UKRAINE LLP Oleksandr Pochkun

Auditor's registration number in the Register of Audit Firms and Auditors: No. 100810.

Partner

BAKER TILLY UKRAINE LLP Gagik Nersesian

Auditor's registration number in the Register of Audit Firms and Auditors: No. 100799.

Auditor

BAKER TILLY UKRAINE LLP Oleksandr Luksha

Auditor's registration number in the Register of Audit Firms and Auditors: No.100785

8 May 2019

Kyiv, Ukraine

Main information about the audit firm:

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

STATEMENT OF FINANCIAL POSITION

as at 31 December 2018

Item	Notes	31 Dec 2018	31 Dec 2017 (restated)
ASSETS			
Cash and cash equivalents	6	438,558	307,327
Investments in securities	7	397,743	520,688
Loans and advances to customers	8	1,552,002	1,232,312
Investment property	9	85,998	252,806
Accounts receivable on current income tax		545	340
Deferred tax asset		20,000	20,000
Property, plant and equipment and intangible assets	10	101,973	72,713
Other assets	11	20,523	29,826
Non-current assets held for sale and disposal groups	12	11,228	5,186
Total assets		**2,628,570**	**2,441,198**
Due to banks	13	-	1
Amounts due to customers	14	2,170,299	1,936,994
Derivative financial liabilities	19	5	118
Other borrowings	16	-	59,961
Debt securities issued by the Bank	15	5,019	20,257
Provisions for liabilities	17	4,422	9,371
Other liabilities	18	61,011	40,328
Subordinated debt	20	107,261	60,441
Total liabilities		**2,348,017**	**2,127,471**
EQUITY			
Share capital	21	300,000	300,000
Retained earnings (losses)		(20,797)	13,727
Reserves and other funds of the Bank		1,350	-
Total equity		**280,553**	**313,727**
Total liabilities and equity		**2,628,570**	**2,441,198**

First-time adoption of IFRS 9 by the Bank took place as at 1 January 2018. Comparative information is not restated under the transition methods selected. As a result of IFRS 9, the Bank changed presentation of certain items, with the comparative information being presented accordingly (refer to Note 38).

Approved for issue and signed on 26 April 2019

Chairman of the Management Board S.H. Mamedov

Chief Accountant A.M. Lipatova

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME for 2018

Item	Notes	2018	2017 (restated)
1	2	3	4
Interest income	23	340,270	245,582
Interest expenses	23	(240,522)	(196,448)
Net interest income	23	*99,748*	49,134
Fee and commission income	24	186,334	129,599
Fee and commission expenses	24	(13,597)	(8,150)
Net fee and commission income	24	*172,737*	121,449
Net profit/(loss) from transactions with financial instruments carried through profit or loss	34	42,217	(10,639)
Net profit/(loss) from foreign currency transactions		5,738	85,970
Net profit/(loss) from foreign currency translation		(6,738)	(3,371)
Net gain from impairment of loans and advances to customers, cash in other banks		(12,294)	20,336
Net loss from impairment of accounts receivable and other assets.		(9,593)	(14,052)
Net profit/(loss) in provisions for liabilities		3,831	(3,755)
Other operating income	25	94,810	19,599
Employee benefits expense	26	(134,958)	(80,350)
Depreciation and amortisation expense	26	(15,063)	(7,764)
Administrative and other operating expenses	26	(114,087)	(84,533)
Impairment of investment property		(146,056)	(89,194)
Profit/(loss) before tax		**(19,708)**	**2,830**
Income tax expenses	27	-	19,874
Profit/(loss) from continuing operations		(19,708)	22,704
Profit/(loss) for the year		**(19,708)**	**22,704**
OTHER COMPREHENSIVE INCOME:			
Other comprehensive income after tax for the year		-	-
Total comprehensive income for the year		**(19,708)**	**22,704**
Profit/(loss) per share from continuing operations:		(65.69)	75.68
net profit and adjusted net profit per ordinary share		(65.69)	75.68

First-time adoption of IFRS 9 by the Bank took place as at 1 January 2018. Comparative information is not restated under the transition methods selected. As a result of IFRS 9, the Bank changed presentation of certain items, with the comparative information being presented accordingly (refer to Note 38).

Approved for issue and signed on 26 April 2019

Chairman of the Management Board S.H. Mamedov

Chief Accountant A.M. Lipatova

STATEMENT OF CHANGES IN EQUITY
for 2018

Item	Notes	Share capital	Unregistered share capital	Provisions, other funds and revaluation reserve	Retained earnings	Total equity
1	2	3		4	5	6
Balance as at 31 December 2016		**160,000**	**140,000**	**60,015**	**(68,992)**	**291,023**
Total comprehensive income for 2017 (restated)	38	-	-	-	22,704	22,704
Unregistered share capital		140,000	(140,000)	-	-	-
Allocation of reserve fund		-	-	(60,015)	60,015	-
Balance as at 31 December 2017 (restated)		**300,000**	**-**	**-**	**13,727**	**313,727**
Effect of adopting IFRS 9		-	-	-	(13,466)	(13,466)
Adjusted opening balance as at 1 January 2018		**300,000**	**-**	**-**	**261**	**300,261**
Total comprehensive income		-	-	-	(19,708)	(19,708)
Distribution of profits		-	-	1,350	(1,350)	-
Balance as at 31 December 2018		**300,000**	**-**	**1,350**	**(20,797)**	**280,553**

First-time adoption of IFRS 9 by the Bank took place as at 1 January 2018. Comparative information is not restated under the transition methods selected. As a result of IFRS 9, the Bank changed presentation of certain items, with the comparative information being presented accordingly (refer to Note 38).

Approved for issue and signed on 26 April 2019

Chairman of the Management Board S.H. Mamedov

Chief Accountant A.M. Lipatova

STATEMENT OF CASH FLOWS (DIRECT METHOD)
for 2018

Item	Notes	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:			
Interest income received	23	323,096	227,951
Interest expenses paid	23	(237,128)	(190,087)
Fee and commission income received	24	186,334	129,599
Fee and commission expenses paid	24	(13,597)	(8,151)
Results of transactions with securities		47,775	(1,122)
Results of transactions with financial derivatives		(7,362)	(4,852)
Results of foreign currency transactions		5,738	74,147
Other operating income received	25	89,802	19,599
Personnel expenses paid	26	(129,641)	(76,288)
Administrative and other operating expenses paid	26	(100,522)	(73,855)
Income tax paid		(368)	222
Net cash received/(paid) from operating activities before changes in operating assets and liabilities		**164,127**	**97,163**
Changes in operating assets and liabilities:			
Net (increase)/decrease in trade securities	7	114,424	(321,820)
Net (increase)/decrease in cash in other banks		-	12,495
Net (increase)/decrease in customer loans and borrowings	8	(320,950)	(517,067)
Net (increase)/decrease in other financial assets	11	1,898	(3,086)
Net (increase)/decrease in other assets	11	(2,288)	(11,779)
Net (increase)/decrease in amounts due to banks	13	(1)	(32)
Net increase/(decrease) in amounts due to customers	14	234,449	888,925
Net increase/(decrease) in provisions for liabilities	17	(737)	2,429
Net increase/(decrease) in debt securities issue by the Bank	15	(15,228)	10,328
Net increase/(decrease) in other financial liabilities	18	15,378	(11,753)
Net cash flows from/(used in) operating activities		**191,072**	**145,803**

CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from the sale of investment property	9	18,461	-
Purchases of property, plant and equipment	10	(15,792)	(12,580)
Acquisition of intangible assets	10	(24,960)	(4,321)
Net cash flows from/(used in) investing activities		**(22,291)**	**(16,901)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipt of subordinated debt	20	46,516	-
Receipt of other borrowings	16	-	19,129
Repayment of other borrowings	16	(56,133)	-
Net cash flows from/(used in) financing activities		**(9,617)**	**19,129**
Effect of the NBU exchange rate fluctuations on cash and cash equivalents		**(27,933)**	**495**
Net increase/(decrease) in cash and cash equivalents		**131,231**	**148,526**
Cash and cash equivalents at the beginning of the period		307,327	158,801
Cash and cash equivalents at the end of the period		438,558	307,327

First-time adoption of IFRS 9 by the Bank took place as at 1 January 2018. Comparative information is not restated under the transition methods selected. As a result of IFRS 9, the Bank changed presentation of certain items, with the comparative information being presented accordingly (refer to Note 38).

Approved for issue and signed on 26 April 2019.

Chairman 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 GLOBUS JSC 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:

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

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 512 employees as at 31 December 2018 and 476 employees as at 31 December 2017.

BANKING SPECIALTY

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 Activities”, 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 on the Ukrainian market on the basis of the Bank Licence No. 240 as of 26 October 2011 and General Licence for Currency Transactions No. 240 as of 26 October 2011.

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

- 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;
- transactions with currency valuables under the General License for Currency Transactions No. 240 as of 26 October 2011;
- 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 securities custodian;
- 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 2018, 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 fastest possible settlement with counterparties.

JSC "CB GLOBUS" is:

- a member of the Deposit Guarantee Fund (Certificate No. 193);
- a full member of the Independent Banks Association of Ukraine;
- a full member of the PFTS Ukraine Stock Exchange;
- a full member of the Perspektyva Stock Exchange;
- a full 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 transactions related to commercial, investment, custodian and any other activity that may be allowed to banks in accordance with the applicable law of Ukraine.

Throughout 2018, 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.

In 2018, GLOBUS Bank continued its expansion in the retail lending market, mainly on account of a project that will allow the Bank to penetrate the new market, where it will provide consumer loans on durable goods. This became the logical outcome of the project to build an automated decision-making system based on the Credit Expert system, which allowed the Bank to implement the market's best practices as far as decision-making (15 seconds) and minimum documents package.

Having operated for three months on the market, the Bank issued 1,319 loans for the total amount of UAH 8 million.

At the same time, the Bank continues to develop such business lines as car lending and new-build mortgaging, which allowed the Bank to grow its market share from 0.31% to 0.43 by the end of 2018 with the retail loan portfolio growth rate of UAH 320 million or 60%.

The main factors for the credit portfolio growth were the following market areas:

- New-build mortgages – almost 570 loans for UAH 308 million have been issued and over 100 development projects have been accredited. The partnership network has been extended to 35 development companies operating nationwide in Ukraine (22 developers gained in 2018), whilst the loan portfolio as at 1 January 2019 accounted for UAH 354 million.
- Car lending continued to remain a second priority in the retail lending in 2018. In 2018, 520 loans were issued for a total of UAH 183 million. Q2 2018, Globus Bank became a winner of Prowtobank Awards in the nomination ‘Best Car Loans’ and was ranked 1st by Prostobank Consulting for the bank's programme ‘Car Loan’. The Bank's continues to actively cooperate with all major and regional car dealers, focusing on selling its import lending programmes.
- Card loans – over 4,000 credit cards have been registered, and the loan portfolio has increased by more than UAH 78 million or 73%.

The JSC “CB GLOBUS” continues to keep lead in the new-build mortgages segment, which was reconfirmed by yet another victory in 2018 in the nomination ‘The Best Bank Partner’ according to IBUILD – a leading Ukrainian developer awards. Moreover, it was ranked 1st in the nomination ‘Mortgages’ according to Financial Club as part of the FINANCIAL CLUB AWARDS-2018 ceremony.

In the future, the Bank plans to significantly increase the number of partners and broaden the cooperation with developers. Corporation “UkrBud” remains to be its key partner. Cooperation started with such leading developers as: Building Company “NOVBUD”, LLC “K.A.N. DEVELOPMENT”, LLC “HOUSE-BUILDING COMPANY FUNDAMENT”, Building Company “Perfect Group”, LLC “INVESTMENT AND BUILDING COMPANY OBRIY”, LLC “ROYAL HOUSE GROUP”, PJSC “SUBMUD”.

According to results of 2018, the Bank became a leader according to Top-50 Banks of Ukraine, a reputable study, prepared by Financial Club: ranked 1st in nomination ‘Mortgage’, 2nd in nomination ‘Car Loan’, 4th in nomination ‘Classic Deposit’ and 7th in nomination ‘Savings Deposit’. Overall, the JSC “CB GLOBUS” was ranked 25th among 50 leading Ukrainian banks thus improving its last year result by 11 positions.

CASH AND SETTLEMENT SERVICE

GLOBUS Bank offers a full range of cash and settlement services to private customers and constantly improves its product range.

In 2018, the balance on call accounts increased by UAH 40 million, accounting for 54% of the total increase in the passive portfolio of individuals.

Throughout 2018, the Bank’s deposit portfolio of individuals grew by UAH 33 million or 4% of the total deposit portfolio at the beginning of 2018 and reached UAH 867 million.

According to the NBU, Globus Bank was included in top 25 banks with the highest deposit portfolio of individuals in 2018.

On 10 December 2018, Standard-Rating (Ukraine) published its 23rd bank deposit reliability rating, where Globus Bank was included in the TOP-10 banks with the highest level of deposit security.

CARD PRODUCTS

The JSC “CB GLOBUS” is an affiliated member of the international payment system MasterCardWorldwide, a member of the national payment system PROSTIR and a member of the payment system UKRART, and issues payment cards by the following classes:

- MasterCard Platinum Contactless;
- MasterCard Gold Chip;
- MasterCard Standard Chip;
- MasterCard Business Debit;
- MasterCard Debit Chip;
- PROSTIR.

In 2018, the Bank upgraded its line of card products, upgraded technology of its card products and launched a massive issue of MasterCard Debit cards enhanced with the Contactless payment technology. Starting mid-2018, all international payment cards of the bank are serviced in the Internet via 3 Dsecure – MasterCard® SecureCode™ (3-layer payment protection technology) and produced under PIN via SMS technology, allowing customers to order a PIN code first-hand by sending an sms to the Bank and activating the card as needed.

In 2018, the Bank significantly extended the list of additional premium services for V.I.P. clients and added new Mastercard® Exclusive Privileges at Ukrainian airports to its Premium Card and Business Card packages such as:

- VIP lounges for national and international lights MasterCard Lounge (Boryspil International Airport)
- MasterCard Lounge business room for international flights in Kyiv Airport
- Fast Line (fast passport and customs control) for flights (Fast Line Departure) from Boryspil International Airport.
- Fast Line (fast passport and customs control) for flights (Fast Line Arrival) to Boryspil International Airport.
- Fast luggage drop-off and check-in services at Boryspil International Airport.

During 2018, a number of marketing campaigns were launched and implemented to promote non-cash payments among bank customers – general and premium segments: “Follow the trend, Pay contactless”, “Travel at MAXIMUM” and promotional campaign for division employees aimed at increasing sales via contactless payment cards – Contactless.

By results of the year, cashless transactions via international payment cards Mastercard increased by more than 1.5 times to 23% of the total transactions made with bank cards. In total, the issue of the Bank's payment cards grew by 27% to 34,542 cards for the reporting period. Balances on UAH card accounts of individuals and entities accounted for UAH 138,412,182 as at 1 January 2019.

The Bank continued to focus on the premium segment, and in 2018 more than 400 PLATINUM MASTERCARD premium cards were issued.

Since 2016, the Bank has been providing remote banking services to its customers – internet and mobile banking World24.

MONEY TRANSFER

In order to expand the range of its services and to create the most comfortable conditions for servicing the Bank's customers, the JSC “CB Globus” registered its international payment system ‘GLOBUS’ with the National Bank of Ukraine and started working on attraction of participants and expansion of coverage geography. In early 2019, 2 participants of the GLOBUS system were registered, which allowed to significantly increase the number of money transfer branches.

In addition, the Bank has cooperated with international money transfer systems, such as: WESTERN UNION, MoneyGram, RIA , TELEGRAF.

BRANCH NETWORK

In 2018, the Bank continued to optimise its existing regional network to maximise its financial result. In implementing this strategy, another branch was opened in Kherson Region, which is the Bank's first branch in the region, and one more branch in Kyiv.

As at 31 December 2018, there were 31 operating branches in total:

- Kyiv, 19/5 Kurenivskyi Lane, block no. A;
- Zaporizhzhia, 24 Stalevariv St.;
- Kyiv, 3 Anny Akhmatovoi St.;
- Dnipropetrovsk, 55 Dmytra Yavornytskoho Ave.;
- Kamianets-Podilskyi, 43 Haharina St.;
- Kyiv, 16 Pidvysotskoho St.;
- Odesa, 41 Bazarna St.;
- Symu, 12 Kharkivska St.;
- Lviv, 16 Chaikovskoho St.;
- Kharkiv, 20 Haharina Ave.;
- Poltava, 6 Viacheslava Chornovola St.;
- Chernihiv, 24 Polubotka St.;
- Mykolaiv, 53/1A Kosmonavtiv St.;
- Kharkiv, 8 Harshyna St.;
- Ternopil, 37-a Zhyvova St.;
- Cherkasy, 34 Dashkovycha Ostafiia St.;
- Chernivtsi, 29 Olhy Kobylianskoi St.;
- Vinnytsia, 64 Soborna St.;
- Ivano-Frankivsk, 4 Hriunvaldska St.;
- Rivne, 14 Symona Petliury St.;
- Kyiv, 2-a Trublaini St.;
- Kyiv Region, Kyiv-Sviatoshynskyi District, village of Chaiky, 21 Lobanovskoho Valeriia St., block 5;
- Kyiv, 23 Ye. Sverstiuka St.;
- Kyiv, 55 Saksahanskoho St., letter ‘A’;

- Kyiv, 45 Mytropolita Vasylia Lypkovskoho St.;
- Kyiv, 28-V Druzhby Narodiv Blvd.;
- Kyiv Region, Kyiv-Sviatoshynskyi District, village of Petropavlivska Borshchahivka, 2-b Velyka Kiltseva St.;
- Kyiv, 11 Telihy St.;
- Zhytomyr, 10 Velyka Berdychivska St.;
- Kyiv, 28-V Druzhby Narodiv Blvd. (VIP);
- Kherson, 66 Ushakova Ave.;

Development and maintenance of fair and mutually beneficial long-term relationships, partnership and expertise, and maximum satisfaction of the daily needs of corporate businesses remain the core of the Bank's B2B team.

Thus, 2018 has shown that the JSC “CB Globus” is ready to make flexible decisions towards its corporate customers and meet their needs. Because B2B branches can quickly respond to changes, the Bank has managed to maintain partnerships with many companies.

For small- and medium-sized enterprises, key priorities for 2018 were targeted lending for SMEs and agricultural companies: agricultural machinery and equipment purchase; operating cycle financing for agricultural businesses; as well as targeted loans on equipment.

To support SME customers, the priority was given to the following financing areas: catering and hospitality companies; housing and communal companies; manufacturers, agricultural companies; retailers; medical and dental companies.

The SME focus for 2018 entailed engaging new partners, growing the loan portfolio on partner programmes; creating a quality SME loan portfolio that would meet the standards of international financial institutions.

In the reporting year, the Bank traded both corporate and government bonds. Following the issue of licences to conduct professional activity on the stock market by the National Securities and Stock Market Commission, namely dealer and brokerage activities, the Bank has been an active market participant cooperating with leading banking institutions and professional stock market participants. The Bank cooperates with such stock exchanges as PJSC “PFTS Stock Exchange”, PJSC “Perspektyva Stock Exchange” and PJSC “Ukrainian Exchange”.

The Bank's custody activity is one of the most up-to-date and high-tech customer service areas. In response to substantial changes in the applicable law and other ongoing challenges, our custody institution enhances each phase of service and constantly improves the reliability of transaction support.

Particular attention is paid to the introduction of new services for customers and the improvement of custody services. The payment of securities income propelled an intensified cooperation with depositors and allowed to popularise all lines of the Bank's business among the public.

In spite of the general declining trend on the stock market, the Bank maintained positive dynamics and increased its volume of deposit operations. In 2018, more than UAH 560 thousand was received as income on custody services. The total amount of assets in custody is UAH 6,912 million.

The JSC “CB GLOBUS” is consistently rated by the Professional Association of Registrars and

Custodians (PARD) as one of the biggest custody institutions in Ukraine.

The top priority remains to be a customer-centred approach, high professionalism and speed of service.

RESULTS FROM BANKING AND OTHER OPERATIONS

The JSC “CB GLOBUS” has incurred losses of UAH 19,708 thousand for the reporting period.

Interest income has the largest share in the Bank's revenue structure – 51% or UAH 340,270 thousand.

Interest expenses has 37% or UAH 240,522 thousand in the expense structure of 2018.

As at the close of 31 December 2018, the equity accounted for UAH 280,553 thousand.

The regulatory capital calculated by the method of the National Bank of Ukraine was UAH 263,920 thousand.

SUMMARY OF COUNTERPARTY BUSINESS SEGMENTS

From the start of its business, the Bank's policy has prioritised the creation and growth of the customer base. Thus, the number of the Bank’s counterparties increased by 7,788 (15%) compared to the previous year and reached 59,713 as at 31 December 2018.

Counterparty base

Segment	**Quantity**	
	2018	2017
Banks	66	67
Corporate customers	7,420	6,830
Individuals	52,227	45,028
Total counterparties	**59,713**	**51,925**

At the close of 31 Decmeber 2018, the share of each counterparty’s segment in the Bank's structure of counterparties was as follows:

- banks – 0.11%;
- corporate customers – 12.43%;
- individuals – 87.46%.

In 2018, 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 2018, 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 during the reporting period.

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 Service.

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 Chairman and members of the Supervisory Board, Chairman, 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. The Deputy Chairman of the Management Board – Sylniahina Olena Anatoliivna – indirectly holds 50.5% of shares in the share capital. The Chairman of the Supervisory Board – Polkovskyi Dmytro Eduardovych – indirectly holds 49.4965% of shares.

MAJORITY SHAREHOLDING IN THE BANK

As at 31 December 2108, 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%.

Approved for issue and signed on 26 April 2019.

Chairman of the Management Board	S.H. Mamedov
Chief Accountant	A.M. Lipatova

Note 2. Economic environment in which the Bank operates

The economy of Ukraine has shown the maximum increase for the last seven years. Real GDP has increased by 3.2% for 2018. The state budget income amounted to UAH 928.1 billion in 2018, which is 17% more than the results of 2017.

The budget deficit for the reporting year amounted to 1.7% as compared to the planned 2.4% The government and guaranteed debt ratio to the national GDP decreased to 60.9%. At the same time, the government and guaranteed debt of Ukraine for the year increased by 2.6% and amounted to USD 78.3 billion at the end of 2018.

Foreign exchange reserves reached USD 20.8 billion being the highest figure in the last five years. They increased by 17.6% for 2018.

In 2018, consumer inflation slowed down to 9.8% (from 13.7% in 2017), reaching the lowest point in the last five years. This was achieved primarily due to a tight monetary policy of the National Bank of Ukraine (NBU). At the same time, despite its year-on-year decline the inflation predictably exceeded the NBU’s target of 6% ± 2 pp at the end of 2018.

The reporting year is characterised by an acceleration in economic activity. Thus, the key branches production index (KBPI) grew by 3.5% (2.1% in 2017) due to the record yield of maze and oilseeds, as well as a steady consumer demand. Retail and industry turnover continued to surge (6.1% and up to 1.1%, respectively).

However, the industrial production index of 95.3% showed a 1.8% decline compared to 2017. Growth rates in the processing, engineering and chemical industries have markedly slowed, as did the volume of construction works.

The results of 2018 marked a strengthening of the Ukrainian hryvnia. The NBU official exchange rate was 28.07 UAH/USD at the beginning and 27.68 UAH/USD at the end of 2018, that is USD became cheaper by nearly 40 kopecks.

Banking sector

Ukraine had 77 operating banks in late 2018, which was 5 banks fewer than at the beginning of the year. The concentration in the sector remains unchanged during the last two years: at the end of the reporting year, 20 banks accounted for 91% of net assets.

The market share of state-owned banks almost did not change – 54.7% by net assets and 63.4% by household deposits. Retail lending was on the rise in 2018, boosting PrivatBank’s share of net assets by 1.3 pp to 20.7%, and that of the private banks by 0.9 pp to 14.8%.

Short-term resources dominate in the structure of banks’ liabilities – 62% have maturities of less than 1 month. More than 85% of their total liabilities were borrowed from the domestic market. Almost 80% of liabilities are amounts due to customers. As of today, other funding sources are insignificant.

The funding base was growing as the year progressed. Throughout 2018, UAH deposits of households and entities increased 14.8% and 6.8%, respectively. The dollarisation level across the Ukrainian banking sector was and remains to be high. The spikes of inflation and devaluation constantly caused the Ukrainian hryvnia to lose its purchasing power. For that reason, households kept a significant portion of savings in a foreign currency. This trend continued in 2018 as well. Deposit dollarisation accounted for 47.3% at the year-end.

In 2018, the NBU raised the key policy rate four times from 14.5% to 18%, with the last rate hike occurring in late Q3. Despite the higher key policy rate, interest rates on deposits were practically unchanged in the first six months and started rising only in Q3 as deposit growth slowed. In Q4, the average interest rate on 12-month household deposits denominated in UAH edged up 0.6 pp to 15.7% per annum, whilst that on 12-month USD deposits grew 0.1 pp to 3.6% per annum. Stronger competition for corporate deposits took these rates on UAH deposits higher to 14.5% per annum (+5.3 pp in 2018).

Over the course of 2018, lending portfolios of the banking system improved in quality. In Q4, the NPL ratio declined 1.7 pp to 52.8%. The improvement in loan quality came for the most part after the surge in retail lending statistically diminished the NPL ratio. The NPL coverage ratio stands at 95.5%, which is acceptable according to international standards.

In 2018, the banking sector earned the record UAH 21.7 billion in net profit (an ROE of 14.3%). Operating income grew by 27.5%, driven primarily by an increase in net interest and fee income. Meanwhile, operating performance remained unchanged, with the cost-to-income ratio (CIR) being 58.9%.

In 2018, the regulating environment underwent significant changes. A number of laws were passed to facilitate the foreign exchange liberalisation, improve corporate governance in state-owned banks, reduce the cost of lending, make bankruptcy procedures more efficient and enhance controls over the quality of audit services. A new liquidity ratio was introduced.

In general, the relative stability of the national currency and the economic situation in the country, the absence of significant crises and the upward growing pattern of Ukraine's foreign exchange reserves had a positive effect on the financial position and performance of the Bank in 2018.

Note 3. Basis of preparation

These financial statements are prepared in accordance with International Financial Reporting Standards on the historical cost basis, except for the following items: investments held for sale; financial derivatives; other financial assets and liabilities held for trading (sale); financial assets and financial liabilities designated as at FVTPL that were measured at FV. The financial statements are presented in Ukrainian hryvnia (UAH), and all values are rounded to the nearest thousand (UAH ‘000), unless stated otherwise.

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 repayment or settlement of assets and liabilities with a breakdown of those being settled or repaid 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 22.

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 2018.

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. Measurement bases for financial reporting

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 from selling 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 concluded by unrelated parties. Amounts received from direct debiting is 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 inherent 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), advisors, brokers and dealers, levies by regulatory agencies and securities 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 allowance for expected credit losses (ECL). 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

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

A financial asset is any asset of the Bank that is:

- cash;
- equity instrument of another entity;
- contractual right to receive cash from another party to contract or exchange financial assets or financial liabilities with another party under conditions that are potentially favourable to the Bank;
- contract that will or may be settled in another party's equity instrument and is non-derivative for which the Bank is or may be obliged to receive a variable number of its own equity instruments, or a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

A financial liability is any liability of the Bank that is:

- a contractual obligation (to pay or transfer a financial asset to another party, or exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Bank); or
- contract that will or may be settled with in the Bank's equity instrument and is non-derivative for which the Bank is or may be obliged to transfer a variable number of its own equity instruments, or a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

The Bank's equity instrument is any contract that evidences a residual interest in the assets of the Bank after deducting all of its liabilities.

The Bank recognises financial liabilities in its financial statements, when, and only when, it becomes a party to the performance bond of the instrument.

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 FV 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 on the principal amount outstanding (SPPI).

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

- the contractual terms of the financial asset 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. These include whether management’s strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration 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, in particular, the way in which 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 (SPPI), 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.

In making the assessment, the Bank considers:

• contingent events that would change the amount and timing of cash flows;
• leverage features;

• prepayment and extension terms;

• terms that limit the Bank’s claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and

• features that modify consideration of the time value of money – e.g. periodical reset of interest rates.

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract.

Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Note 4.4 Impairment

IFRS 9 replaces the ‘incurred loss’ model under IAS 39 with an ‘expected credit loss’ (ECL) model. This will require the Bank to apply considerable judgement over how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will be 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 the scope of 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. Lifetime ECLs are expected credit losses that result from all possible default events over the remaining lifetime period of the financial instrument, whereas 12-month ECLs represent the important portion of expected credit losses from default events that are expected within 12 months after the reporting date.

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 on this financial asset are equal to the amount of 12-months ECLs;

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

Measurement of expected credit loss

Expected credit loss is a probability-weighted estimate of credit losses. The Bank measures ECLs as follows: • financial assets that are not credit-impaired at the reporting date: as a present value of all expected 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);

• 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;

• undrawn loan commitments: as a present value of the difference between contractual cash flows due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive if the loan will be issued; and

• 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.

The assessment of whether the credit risk has increased significantly from initial recognition of a financial instrument requires identification of the initial recognition date of the instrument. For some revolving credit facilities (such as credit cards and overdrafts), the contract date may be a long time ago. Changes in the contractual terms of a financial instrument may also impact this assessment.

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 impaired, individually insignificant and not impaired financial assets, 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, whilst the difference in the respective carrying amounts is recognised in the statement of profit and loss and 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.

If the contract on a financial asset is renegotiated upon a mutual agreement of the parties or otherwise modified, and the renegotiation or modification does not result in the derecognition of the original financial asset, the Bank shall recalculate the gross carrying amount of the financial asset asset and shall recognise a modification gain or loss.

The Bank calculates the gross carrying amount as the present value of the renegotiated or modified contractual cash flows 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 its life.

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 correspondence bank accounts and cash in banks that is 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. Financial assets at fair value through profit or loss.

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.

The Bank recognises in the trading portfolio securities and other financial investments acquired for sale in the near future and generating a profit from short-term fluctuations in price or dealer's margin, as well as for financial instruments that on initial recognition are part of a portfolio of financial instruments managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

The Bank includes the following securities in financial assets at FVTPL, regardless of their type:

- the fair value of which should be reliably measured;

- from which the Bank intends to generate a profit from short-term fluctuations;

- the Bank can evidence the fact of obtaining income in the past on similar transactions.

The Bank recognises interest income on debt securities that are measured at FVTPL separately.

The Bank charges interest on securities that are measured at FVTPL at the repricing date but at least once a month.

The Bank accrues interest on coupon securities using the interest coupon rate, starting from the date of purchase until the maturity or sale. If the terms of debt securities issue require a full or partial settlement of the par amount, the Bank accrues security interest by reference to the decrease in the par amount of the security.

A discount (premium) on debt securities in the trading portfolio is not amortised.

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. Cash in other banks

Loans and cash in banks are recognised as financial assets in Loans and Receivables and are initially measured at FV (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 provision for impairment. 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.

Loan is the Bank's debt capital in the form of cash that is provided to a customer in temporary use on the basis of intended use, maturity, repayment, interest payment and security (one-time loan in a form of credit line, overdraft, factoring, etc).

Liabilities are requirements for a borrower to pay cash amounts (under loan contracts, aval contracts, surety contracts, guarantees and off-balance sheet liabilities, etc.) at a specified time in the future, including the interest, fines and penalties accrued.

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. The Bank's fees are treated as discount/interest income if such fees are paid by a customer and are related to the issue of loans.

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 2018, 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).

As at 31 December 2018, the Bank created provisions for credit risk with a breakdown of potential losses from the debtor's default. The Bank assesses the risk of counterparty's default on all asset-side banking transactions and financial liabilities transferred to that counterparty.

The Bank creates provisions for potential losses from such transactions: credits; guarantees and sureties; with avalised bills of exchange; with cash collateral in other banks; with cash placed in other banks in the form of loans and time deposits.

Impairment of loans and advances to customers are recognised by creating an expected credit loss (ECL) allowance. The asset's carrying amount is decreased by the provision for impairment. The amount of loss is stated in the Statement of Profit or Loss and Other Comprehensive Income.

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 the probable losses due to an outflow of resources associated with the fulfilment of such financial liabilities by the Bank.

The Bank recognises the impairment of financial assets and creates provisions monthly and in full, irrespective of the amount of income in the reporting month or adjusting entries before preparing the trial balance for the reporting month.

Note 4.11. Reverse purchase/repurchase contracts.

Securities sold under sale and repurchase (repo) contracts are accounted for as secured financial transactions, whilst 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 the 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.

The Bank recognises an asset as investment property if the specified criteria are met:

- it is probable that the future economic benefits associated with the investment property (held primarily to earn rentals or for capital appreciation or both) will flow to the Bank;

- the cost of the investment property can be measured reliably.

Investment property includes:

- land held to derive benefits from long-term capital appreciation rather than for short-term sale in the ordinary course of business;

- land held for a currently undetermined future use, including land and buildings that come into the Bank's possession by the right of foreclosure and the future use of which is not clearly determined.

- a building owned by the Bank or held under a finance lease and leased out under one or more operating leases;

- a building that is vacant but is held to be leased out under one or more operating leases.

If, by the right of foreclosure, the Bank enters into possession of the land and buildings the future use of which is not clearly determined, the assets are classified as investment property as well.

If a portion of an item of property, plant and equipment (PP&E) is held to earn rentals and/or for capital appreciation and the other part of a PP&E item is an operating lease, and these portions cannot be sold separately, then the PP&E item is recognised as an investment property provided it is used primarily to earn rentals and/or for capital appreciation.

Decisions on whether the property shall be classified as investment property or operating property (including transfers from investment property to operating property in use or vice versa) are made by the Management Board and documented in the minutes as appropriate.

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 2018, 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 2018, the investment property impaired and the carrying amount decreased. Impairment losses are stated in ***Impairment of investment property***.

Costs of the day-to-day servicing, repairs and maintenance of an investment property item are recognised in ***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 ***Note 10 Table 10.3 line 1***.

Information about investment property is presented in ***the Statement of Financial Position (Balance Sheet)*** in item “**Investment property”** and in ***Note 9***.

Note 4.13 Property, plant and equipment

Property, plant and equipment is initially recognised and accounted for at cost, which includes all related expenses associated with the initial recognition of the asset. Buildings and structures are subsequently accounted for at revalued amount (at fair value) less any accumulated depreciation and accumulated impairment losses. Property, plant and equipment for all other groups is accounted for at cost less accumulated depreciation and accumulated impairment losses.

The Bank increases the cost of property, plant and equipment by the amount of capital investments associated with the improvement of a PP&E item (modernisation, modification, completion, upgrading, reconstruction) resulting in an increase of future economic benefits originally expected from utilising the item.

The Bank has established the following value indicators for assets that are a part of property, plant and equipment:

assets worth from UAH 0.00 to UAH 6,000.00 are low-value non-current tangible assets and are recognised on the balance sheet account 4500 “Other non-current tangible assets”;

assets worth more than UAH 6,000 are included in property, property, plant and equipment and are recognised on the balance sheet account 4400 “Property, plant and equipment”.

The Bank did not change the depreciation method and the useful lives of property, plant and equipment in the reporting year.

Property, plant and equipment is monthly depreciated over the useful life on a straight-line basis.

Low-value non-current tangible assets are depreciated in the first month of the asset's use in the amount of 100% of its value.

In 2018, the useful lives of property, plant and equipment were:

Buildings and structures – 25 years;

Machinery and equipment – 3-8 years;

Vehicles – 5 years;

Tools, fixtures, fittings (furniture) – 4-10 years;

Other property, plant and equipment – 2-5 years;

Other non-current tangible assets – 2-5 years.

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

The Bank recognises the impairment of property, plant and equipment if evidence is available that economic benefits will flow from the Bank indicating that:

- the asset's market value has declined during the period significantly more than would be expected as a result of the passage of time or normal use;

- significant changes in the asset's use with an adverse effect have taken place during the period, or will take place in the near future, in external factors (technological, market, economic or legal) and internal factors (retirement, restructuring, disposal of the asset before the expected date);

- there is tear and wear;

- the economic performance of an asset is, or will be, worse than expected.

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 in the item “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 in the item ***“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) in the item ***“Property, plant and equipment and intangible assets”***, in Note 11 and in ***the Statement of Cash Flows (direct method)***.

Note 4.14 Intangible assets

Intangible assets are initially recognised and accounted for at cost, which includes all related expenses associated with the initial recognition of the asset. After initial recognition, an intangible asset is carried at its cost less any accumulated amortisation and any accumulated impairment losses.

The Bank increases the cost of intangible assets by the amount of expenses associated with the improvement and enhancement of these intangibles, as well as with the extension of their useful lives, which will result in an increase of future economic benefits originally expected.

The Bank did not change the amortisation method and the useful lives of intangible assets in the reporting year.

Intangible assets are monthly amortised over the useful lives on a straight-line basis.

In 2018, the useful lives of intangible assets were not less than 4 years.

Residual value of intangible assets is 0.

The Bank recognises amortisation charges on intangible assets in the item ***“Depreciation and amortisation expenses”*** in ***the Statement of Profit or Loss and Other Comprehensive Income (Income Statement).***

The Bank recognises impairment of intangible assets if:

significant changes in the asset's use with an adverse effect have taken place during the period, or will take place in the near future, in external factors (technological, market, economic or legal) and internal factors (retirement, restructuring, disposal of the asset before the expected date);

there is wear and tear;

the economic performance of an asset is, or will be, worse than expected.

Gain or loss arising from disposal of intangible assets (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) are recognised in the item “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 intangible assets are recognised in the item 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.

Information about the intangible assets is presented in the Statement of Financial Position (Balance Sheet), in Note “Property, plant and equipment and intangible assets” and in the Statement of Cash Flows (direct method).

Note 4.15 Operating leases where the Bank acts as a lessee and/or a lessor.

Non-current assets, in which the Bank acts as a lessee and/or a lessor, are classified as operating leases if the terms of lease do not provide for a transfer of all risks and rewards of ownership.

For a transaction to qualify for operating lease, the Bank applies the following criteria:

- the lease does not transfer ownership of the asset to the lessee by the end of the lease term;

- the lessee has the option to purchase the asset at a price which is expected to be sufficiently lower than fair value at the date the option becomes exercisable that, at the inception of the lease, it is reasonably uncertain that the option will be exercised;

- the lease term is an insignificant part of the useful life of the asset;

- at the inception date, the present value of the minimum lease payments is substantially different from the fair value of the asset leased;

- the leased assets are not of such a specialised nature that only the lessee can use them without major modifications.

Throughout 2018, the Bank received in the operating lease premises to accommodate its units, ATMs and vehicles.

In operating leases, depreciation is accounted for and accrued by the lessor.

The Bank's expenses to improve the asset received in the operating lease (modernisation, modification, completion, upgrading, reconstruction, etc.) resulting in an increase of future economic benefits originally expected from utilising the asset are recognised as capital investments to create (build) other non-current tangible assets.

Lease payments under the operating lease, where the Bank acts as a lessee, are recognised monthly as expenses over the lease period.

Operating lease expenses are stated in line 5 of ***Note 28 “Administrative and other operating expenses”***.

In 2018, the Bank leased 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 of ***Note 27 “Other operating income”***.

Note 4.16. 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 and 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 4.17 Depreciation and amortisation

Depreciation/amortisation charges are monetary representation of the wear and tear and obsolescence of non-current assets in use.

Depreciation (amortisation) is the systematic allocation of the depreciable amount of non-current assets over their useful lives.

The cost of all non-current assets (tangible and intangible) is subject to amortisation/depreciation, except for land and in-progress capital investments.

The Bank depreciates (amortises) non-current assets monthly on a straight-line basis whereby the annual amount of depreciation (amortisation) is determined by dividing the depreciable value by the useful life of a non-current assets. For assets received, depreciation (amortisation) is charged from the first day of the month following the month of commissioning. For assets disposed, the depreciation (amortisation) is stopped on the first day of the month following the month of disposal.

Property, plant and equipment and intangible assets are depreciated (amortised) over their useful lives. Depreciation (amortisation) of non-current assets does not cease for the period of their reconstruction, modernisation, completion, upgrading and conservation).

The expected useful life of an asset is set and approved by the Management Board.

Useful lives are reviewed when the impairment of property, plant and equipment or a group of similar assets is recognised or when the property, plant and equipment is upgraded, causing the useful life of property, plant and equipment to increase, and at the end of each financial year during the stocktaking as at 1 November of the current year.

Changes above are recognised by the permanent stocktaking committee according to the groups of property, plant and equipment and approved by the Management Board.

The Bank charges depreciation (amortisation) if the carrying amount of non-current assets equals to its residual value.

Residual value of non-current assets is 0.

Depreciation of non-current tangible assets is charged in the first month of an asset's use in the amount of 100% of its value. Other non-current assets are depreciated (amortised) in the amount of not more than UAH 6,000.

Improvements of the asset in an operating lease that increase the future economic benefits increase the carrying amount of the non-current asset created. The amount by which the operating lease improves is depreciated (amortised) on a straight-line basis over the lease term.

Note 4.18. Derivative financial instruments.

Derivative financial instrument (financial derivative) is a financial instrument with all three of the following characteristics:

- its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or similar variable;

- it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors;

- it is settled at a future date.

For the purposes of accounting, financial derivatives are classified into financial derivatives in the Bank's trading portfolio and financial derivatives designated for hedge accounting.

In 2018, the JSC “CB GLOBUS” conducted no transactions with financial derivatives designated for hedge accounting.

Financial derivatives include currency swaps, forward transactions. as well as any combinations of these instruments. All financial derivatives are initially measured and recognised at FV. Transaction costs are recognised as expenses at the time of initial recognition. Claims and liabilities resulting from financial derivatives at the transaction date (initial recognition) are accounted for on off-balance sheet accounts at the contractually fixed rate (price). Claims are equal to liabilities. Fair value of financial derivatives, other than options, is 0 at the transaction date.

At every balance sheet date after the initial recognition, financial derivatives are measured at FV less any transaction costs. Financial derivatives are remeasured to fair value and are recognised on balance sheet accounts as assets or liabilities depending on the remeasurement result.

All derivative instruments are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in fair value of derivative instruments are recognised immediately in the statement of profit or loss. Derivative instruments can be embedded in other contracts (host contract). An embedded derivative is separated from the host contract and is accounted for as a derivative if, and only if, the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host; if a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the combined instrument is not measured at fair value with changes in fair value recognised in profit or loss. Derivatives embedded in financial assets or financial liabilities at FVTPL are not separated.

Financial assets and financial assets are offset and the net amount is recognised in the balance sheet when there is a legally enforceable right to set off the amounts recognised and there is an intent to settle on a net basis or realise the asset and settle the liability simultaneously.

Note 4.19. Borrowings.

Customer borrowings include non-derivative financial liabilities to individuals, state-owned or corporate customers, such as:

- loans granted to/deposits borrowed from other banks;
- term and demand deposits borrowed from customers – individuals and entities;
- self-issued debt securities.

Financial instruments (loans received, deposits received, self-issued securities) are initially recognised at FV that, as a rule, equals to the actual transaction price.

They are subsequently carried at AC using the effective interest method.

Interest expenses include expenses paid by the Bank for using cash, cash equivalents or borrowings that are recognised over the period on a pro rata basis using the effective interest method.

The Bank's fees are treated as discount/interest expenses if such fees are associated with the creation of a financial instrument. fees received by the Bank during provision of services or after completion of certain operations are recognised as fee and commission expenses.

Borrowings are recognised on the basis of accrual accounting and matching principles in the statement of profit or loss and other comprehensive income when the liability is derecognised and through the amortisation process.

Information is presented in the Note 14 Amounts due to customers in ***the Statement of Financial Position (Balance Sheet)*** and ***the Statement of Cash Flows (direct method)***. Income and expenses recognised by the Bank are grouped by their nature and into respective items in the Notes *"**Interest income and expenses", "Commission/fee income and expenses" of the Statement of Profit or Loss and Other Comprehensive Income (Income Statement)***.

Note 4.20. 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;
- purchase of financial investments in a standard procedure (securities are transferred within ten working days) if the transaction date and payment date are 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 4.21. 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 4.22. Provisions for liabilities.

Provisions for granted financial liabilities secure their fulfilment in the future, which is recognised in the Bank’s balance sheet as liabilities 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 amortisation.

The Bank calculates the provision for liabilities by reference to the loan loss rate, credit conversion factor and the amount of consideration received gross of amortisation (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 the 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 4.23. 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 decreasing annually 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 determined 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 4.24. Income tax.

Current income tax expenses are determined on the basis of the tax law and tax rates effective over the period in which the income was received.

Deferred taxes are recognised when a temporary difference exists between the carrying value of the assets of the liability and its tax base.

Deferred tax liabilities are recognised for all temporary differences that increase the tax base.

Deferred tax assets for all temporary differences that decrease the tax base and unused tax loss carry-forwards are recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be realised or tax loss carry-forwards can be utilised.

Deferred tax assets and liabilities are measured by the balance sheet liability method at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws enacted at the reporting date of that period. Deferred tax assets and liabilities are not discounted.

Current and deferred taxes are recognised as tax income or expense and included in profit or loss.

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 4.25. Share capital and share premium

The Bank's share capital is created according to the nominal value of all shares placed. Ordinary shares with discretionary dividends are classified as equity. Incremental costs directly attributable to the issue of new shares shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity.

Note 4.26. Funds of the Bank

The Bank creates a reserve fund to cover contingent losses from banking operations. Amounts directed to the reserve fund according to the Law of Ukraine “On Banks and Banking Activities” has to be not less than 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 the Bank's losses at the year-end based on the decision of the Supervisory Board and in a procedure established by the General Meetings of Shareholders.

Note 4.27. 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 recognises income and expenses, when the following conditions exist:

- recognition of the Bank's real debt on assets and liabilities;

- financial result of a transaction associated with a provision (receipt) of services can be reliably measured.

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. Income and expenses are recognised and measured when the asset is sold or as the services are rendered, regardless of when the cash was received or paid. Expenses that cannot be directly tied to revenues of the period are recorded in expenses of the reporting 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.

Effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or a group of financial assets or financial liabilities) and allocating interest income or interest expense over the relevant period.

Effective interest is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to its net carrying amount (amortised cost).

When calculating the effective interest rate, the Bank determines the cash flows by considering all the contractual terms of the financial instrument, including all fees and other amounts paid to or received by parties to the contract that are an integral part of the income (expense) of a financial instrument.

When it is not possible to reliably estimate the cash flows or the expected life of a financial instrument, the Bank uses the contractual cash flows over the contractual term.

Note 4.28. Foreign currency translation.

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

At every balance sheet date after the recognition:

- all monetary items in foreign currencies and precious bank metals are carried at the official exchange rate of UAH to the foreign currencies and precious bank metals at the balance sheet date;

- non-monetary items in foreign currencies and precious bank metals carried at cost are recognised at the official exchange rate of UAH to the foreign currencies and precious bank metals at the recognition date (transaction date);

- non-monetary assets in foreign currencies and precious bank metals carried at fair value are recognised at the official exchange rate of UAH to the foreign currencies and precious bank metals at the date of the fair value measurement.

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

The Bank's functional currency is Ukrainian hryvnia (UAH). Foreign currency transactions are initially recognised in the functional currency at the exchange rate as at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate as at the reporting date. Profits and losses arising out of the translation of foreign currency transactions are recognised in ***the Statement of Profit or Loss and Other Comprehensive Income (Income Statement)***. Non-monetary items measured at historical cost in the foreign currency are translated at the exchange rate as at the original transaction date. Non-monetary items carried at fair value are translated at the exchange rate as at the date of the fair value measurement.

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 as at the end of the period and are represented as follows:

	31 Dec 2018	**31 Dec 2017**
	(in UAH)	**(in UAH)**
USD	28.067223	27.688264
EUR	**33.495424**	31.714138
RUB	0.48703	0.39827
GBP	**37.733670**	35.131366
CHF	28.618783	28.248096
XAU	36234.7850	35364.835
PLN	8.011726	7.370581

All balance sheet accounts in foreign currencies and precious bank metals other than non-monetary items are translated every time the NBU’s official exchange rate changes. All profits received and losses incurred are included on translation in the net income from foreign currency transaction.

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)***.

Differences between the contractual exchange rate of a foreign currency transaction and the official NBU’s exchange rate at the date of foreign currency transaction is included in the result of foreign currency transactions.

In the Statement of Profit or Loss and Other Comprehensive Income (Income Statement) the Bank’s income and expenses in foreign currencies and precious bank metals arising from instruments in foreign currency and precious bank metals are recognised at the NBU’s official exchange rate of UAH to foreign currencies and precious bank metals as at the date on which the income and expenses occurred in accordance with the matching principle.

To minimise the foreign currency risk, the Bank’s management takes the following actions: daily monitoring of compliance with the limit for the long open FX position, prudent policy of translation transactions with regard to the volumes and rates of exchange, balancing the structure of the foreign currency cash borrowed/placed by the types of currency and maturities, as well as other actions.

Note 4.29. 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 2018 and the previous 2017, the Bank did not offset financial assets and liabilities.

Note 4.30. 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 4.31. Employee benefits and related charges

Employee benefits are all forms of consideration given by the Bank in exchange for service rendered by employees or for the termination of employment.

The Bank has the following types of employee benefits:

1. Short-term employee benefits, such as the following, if expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related services:

   1.1. Wages and salaries:

      1.1.1. job salary;

      1.1.2. bonuses;

      1.1.3. premiums for replacing a temporarily absent employee, overlapping responsibilities;

      1.1.4. indexation.

   1.2. Bonuses;

1.3. Compensated absences:

1.3.1. paid vacation (basic and additional, compensation for unused vacation);

1.3.2. payments to donor employees for the check-up days, blood donation and rest days provided after each blood donation day:

1.3.3. payment for idle not imposed by the employee;

1.3.4. payment for the first five days of temporary disability.

1.4. Material assistance;

1.5. Unified contribution for the statutory public social insurance (unified social tax).

2. Termination benefits are employee benefits payable as a result of either the Bank's decision to terminate an employee’s employment before the normal retirement, or an employee’s decision to accept an offer of benefits in exchange for the termination of employment.

The Bank recognises:

- accrued employee benefits for the work done over the reporting period – as expenses;

- accrued vacation amounts for the time worked (including compensation for unused vacation) and related unified social tax charges – as liabilities (accrued expenses) by creating a provision in the reporting period;

- other payments for the time of absence – as expenses of the current period;

- termination benefits – as expenses of the period in which the liabilities occur for such payments.

At the same time, the Bank incurs an obligation to withhold taxes and duties on employee benefits. In 2018, the Bank withheld a personal income tax and military tax on the employee benefits.

In parallel to the employee benefits, the Bank incurs an obligation to pay the unified social tax from the payroll. The Bank recognises these payments as expenses of the period in which liabilities for such payments occur.

Expenses attributable to the employee benefits and related payments are recognised in the item “Employee benefits expense” in ***the Statement of Profit or Loss and Other Comprehensive Income (Income Statement)***.

Note 4.32. Operating segment information

Segment is a separable component of the Bank's business that either provides services/products (business segment), or that provides products/services within a particular economic environment (geographical segment) and that is subject to risks and ensures returns that are different from those of other segments.

The Bank's reportable segments are its business segments for which the majority of the revenue is earned from sales of services to external customers and for which the revenue, results or assets account for 10% or more of the total segments. These segments are reported separately.

The Bank is organised on the basis of two key business 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. Segments assets and segment liabilities include operating assets and liabilities the majority of which is presented in the balance sheet, except for such items as investment property. Also, this item includes amounts of general administrative expenses and other expenses that arise at the Bank’s level and relate to the Bank as a whole, transactions with financial institutions, transactions with securities from the Bank's portfolios.

Definitions of the segment revenue, segment expenses, segment assets and segment liabilities include amounts of items that are directly attributable to a segment and amounts of items that can be allocated to a segment on a reasonable basis.

Segment revenue is revenue reported in the statement of profit or loss that is directly attributable to a segment, and constitutes the relevant portion of revenue that can be reasonably allocated to a segment, whether from sales to external customers or from transactions with other segments. Other segment revenue includes operating lease income.

Segment expense is an expense resulting from the operating activities of a segment that is directly attributable to the segment, and the relevant portion of an expense that can be reasonably allocated to the segment, including expenses related to the sales to external parties and expenses relating to transactions with other segments.

The segment result is a segment revenue less segment expenses. Internally generated revenue and reconciliation of its allocation are presented in the amounts of each segment (Note 29).

Corporate and individual customers pay a consideration to the Bank in the form of interest for the loans received and in the form of fees for the services rendered. Corporate segments and individual segments have different risk exposures, as well as different needs in the banking services and products. To ensure customer satisfaction, the Bank has banking products developed specifically for each segment that offer special tariffs and interest rates by reference to the risk exposure and the Bank's losses from providing the services.

Benchmark interest rates on loans are approved by the ALCO taking into account the cost of resources. The ALCO approves interest rates for each type of loan and not lower than at the benchmark level set by the ALCO.

Interest rates on deposits are set by the ALCO at the level that is competitive compared to other banks and that ensures returns on banking operations.

Tariffs for the Bank's services are approved by the Tariff Committee. When approving tariffs for the Bank’s services, the Tariff Committee takes into account the Bank's costs of providing services to customers.

Note 4.33. 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 4.34. Changes in accounting policies and estimates, correction of significant errors and their presentation in the financial statements.

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. Early adoption is permitted. IFRS 9 supersedes IAS 39 Financial Instruments: Recognition and Measurement.

The Bank has adopted IFRS 9, published in July 2014, from 1 January 2018. IFRS 9 requirements represent a significant change from IAS 39 Financial Instruments: Recognition and Measurement. The new standard introduces fundamental changes to the accounting for financial assets and separate aspects of accounting for financial liabilities.

Key changes in the Bank's accounting policies as a result of applying IFRS 9 are illustrated below.

Financial assets and financial liabilities: classification

IFRS 9 provides for a new approach for classifying and measuring financial assets that reflects the business model used to manage those assets and the characteristics of the related cash flows. IFRS 9 contains three main categories for classifying financial assets, namely financial assets measured at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVTPL). The standard cancelled the classification of financial assets as held-to-maturity loans and available-for-sale receivables existing under IAS 39.

IFRS 9 largely retains the existing requirements of IAS 39 for the classification of financial liabilities.

Impairment

IFRS 9 replaces the ‘incurred loss’ model under IAS 39 with an ‘expected credit loss’ (ECL) model. The new impairment model also applies to certain credit commitments and financial guarantee contracts, but not to equity investments.

Under IFRS 9, credit losses are recognised earlier than under IAS 39.

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively. Comparatives for the previous periods were not restated. Differences between the prior carrying amount of the instruments and their carrying amount under IFRS 9 were recognised in retained earnings as at 1 January 2018.

The effect of changes in accounting policies as a result of applying IFRS 9 and correcting material errors on the financial statements items are disclosed in Note 38.

Note 4.35. 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 the management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The 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. Past-due debt on all loans to corporate, bank and retail customers is analysed monthly to determine the amount of impairment losses that are recognised through 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 of the portfolios of loans that are past-due, but were not assessed individually as impaired.

The Bank uses assumptions whether there is available data indicating at a decrease in the expected future cash flows from the loan portfolio, which can be measured before the decrease can be compared with a specific asset of the portfolio. Such indications may include existing data indicating adverse changes in the solvency of borrowers that are part of the group.

The management uses estimates that are based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when determining 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 that the financial assets or a group of financial assets impairs.

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 against 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 law effective at the end of the reporting period. The future taxable profits and the amount of tax credit 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. The 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, the 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, the 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

The following standards have been adopted by the Bank from 1 January 2018:

IFRS 9 Financial Instruments.

Based on the analysis of the Bank's financial assets and financial liabilities as at 31 December 2017 and in view of the facts and circumstances at that date, the Bank's management expects that the adoption of the new standard from 1 January 2018 will affect its financial statements.

First-time adoption of IFRS 9 by the Bank took place as at 1 January 2018. Comparative information is not restated under the transition methods selected. As a result of IFRS 9, the Bank changed presentation of certain items, with the comparative information being presented accordingly (refer to Note 38).

IFRS 15 Revenue from Contracts with Customers became effective on 1 January 2018.

IFRS 2 Classification and Measurement of Share-based Payment Transactions became effective on 1 January 2018.

Standards issued but not yet effective

The following standards, interpretations and amendments to standards have been issued, but not yet effective as at 1 January 2019.

Clarifications to IFRS 3 Business Combinations and IFRS 11 Joint Arrangements were introduced.

More specifically, IFRS 3 now contains a requirement to remeasure the interest in a business when an entity obtains control over the business that is joint operation. This requirement refers to positioning of that arrangement as a business combination achieved in stages. However, IFRS 11 now clarifies the definition of joint control that when an entity obtains joint control over a business that is joint operation, it does not remeasure its previously held interest.

IAS 12 Income Taxes also had small transformations. More specifically, paragraph 52B was deleted, whilst its underlying idea was moved to paragraph 52A. Thus, the income tax consequences of dividends are recognised when the liability to pay dividends is recognised. It should be noted that this statement applies to all tax consequences of dividends and not only to situations when there are different tax rates for distributed and undistributed profits.

Amendments were introduced to IAS 23 Borrowing Costs with regard to borrowing costs eligible for capitalisation and that directly relate to paragraph 14. Amendments clarify that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of entity’s borrows generally when calculating capitalisation rates for general borrowings.

As for the other important updates within the scope of IFRS, some changes to IFRS 9, IAS 28, IAS 19 become effective from 1 January 2019.

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 (SPPI test) and the instrument is held within a business model that allows for such classification.

Amendments to IFRS 9 clarify that a financial asset shall be SPPI tested whether or not the events or circumstances result in early termination of the contract and whether or not the party pays or receives reasonable compensation for the early termination.

These amendments apply retrospectively and are effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted. These amendments have no effect on the Bank’s financial statements.

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, under an arrangement between the investor and its associate or joint venture is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business are recognised only to the extent of unrelated investors’ interest in the associate or joint venture. The IASB deferred the effective date for these amendments indefinitely, but the entity applying the amendments early should apply them prospectively. The Bank will apply these amendments after they become effective.

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 explicitly 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 that plan and plan assets after that event.

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).

Also, the amendments clarify that an entity first determines any past service cost or a gain/loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in net interest, is recognised in other comprehensive income.

The amendments to IAS 19 must be applied to plan amendments, curtailments or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019. Earlier application is permitted. These amendments will apply only to the future plan amendments, curtailments and settlements of the Bank.

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

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture (long-term interest),

but to which the equity method is not applied. This clarification is essential 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 ot take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

These amendments apply retrospectively and are effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted. Since the Bank has no long-term investments in an associate or joint venture, these adjustments have no effect on its financial statements.

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 and non-life insurance, direct insurance and reinsurance), regardless of the type of the issuing entity, as well as to certain preventive measures and

financial instruments with discretionary participation feature. There are some expedients within the scope of the standard. The main objective of IFRS 17 is to provide a model of accounting for insurance contracts that is more effective and consistent for insurers. Unlike IFRS 4 that is largely based on previous local accounting policies, IFRS 17 provides a comprehensive model of accounting for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

a specific modification for insurance contracts with direct participation features (variable fee approach);

a simplified approach (premium allocation approach) mainly for short-duration contracts.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2021. In addition, comparative information should also be disclosed. Early application is permitted provided that the entity also applies IFRS 9 and IFRS 15 at the date of first-time adoption. The standard is not applicable to the Bank.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatments

The Interpretation considers the procedure for accounting for income tax when there is uncertainty about tax treatments that affects the application of IAS 12. 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 charges in facts and circumstances.

An entity shall determine 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. The Interpretation is effective for annual periods beginning on or after 1 January 2019.

The Bank will apply these interpretations from the date they become effective. Since the Bank operates in a complex tax environment, the application may affect the Bank's financial statements.

IFRS 16 Leases

IFRS 16 becomes effective from 1 January 2019. The standard was issued in January 2016 and superseded IAS 17 Leases, IFRIC 4 Determining whether an Arrangement Contains a Lease, SIC Interpretation 15 Operating Leases – Incentives and SIC Interpretation 27 Evaluating the Substance of Transactions in the Legal Form of a Lease. IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases and requires that all lessees used a single lessee accounting model, similarly to the accounting procedure stipulated in IAS 17 for finance lease. The standard provides for two recognition exemptions – leases where the underlying asset has a low value (such as personal computers) and short-term leases (leases with a lease term of 12 months or less). At the inception of the lease the lessee shall recognise the liability for lease payments (leasing liability) and asset representing the right to use the underlying asset during the lease term (right-of-use asset). Lessees shall recognise the interest expense on the lease liability separately from depreciation of the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g. a changes in the lease term, changes in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor's accounting under IFRS 16 is substantially unchanged from the current accounting under IAS 17. Lessors will continue to classify leases using the same principles of classification as in IAS 17, distinguishing two types of leases: operating and finance.

In addition, IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019. Early adoption is permitted, but not before applying IFRS 15. A lessee can choose to apply the standard using either a retrospective or a modified retrospective approach. The standard’s transition provisions permit certain exemptions. The Bank is currently assessing the possible impact of adopting IFRS 16 on the financial statements.

According to the Law of Ukraine “On Accounting and Financial Reporting”, companies of public interest shall prepare and submit financial statements to state authorities under international standards in a single electronic format (XBRL format) from 2019.

Main advantages of XBRL:

- automatic data input/output without re-transformation;
- speed and automatic preparation of financial statements, including the consolidated;
- fast, efficient and reliable data analysis and comparison;
- data tracking, faster approval of decisions;
- promoting efficiency and cost-effectiveness for the regulatory (supervisory) process.

Note 6. Cash and cash equivalents

Table 6.1. Cash and cash equivalents

Line	Item	31 Dec 2018	31 Dec 2017
1	2	3	4
1	Cash	72,934	69,779
2	Balances with the National Bank of Ukraine (excluding mandatory reserves)	103,560	79,740
3	Correspondent accounts, overnight deposits and loans in banks:	262,064	157,808
3.1	in Ukraine	261,355	157,792
3.2	in other countries	709	16
4	**Total cash and cash equivalents**	**438,558**	**307,327**

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 30.6 Analysis of geographical concentration of financial assets and liabilities as at 31 December 2018;
table 30.7 Analysis of geographical concentration of financial assets and liabilities as at 31 December 2017;
table 30.10 Analysis of financial assets and liabilities by maturities based on expected maturities as at 31 December 2018;
table 30.11 Analysis of financial assets and liabilities by maturities based on expected maturities as at 31 December 2017;

As at 31 December 2018, the Bank had no investments in short-term loans and overnight loans to other banks that would be attributable to cash under IFRS.

Note 7. Investments in securities

Table 7.1. Investments in securities

Line	Item	31 Dec 2018	31 Dec 2017
1	2	3	4
1	Government bonds	282,592	405,570
2	Certificates of deposit issued by the NBU	115,151	115,118
3	**Total securities**	**397,743**	**520,688**

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

table 30.5. Monitoring of interest rates on financial instruments;

table 30.6 Analysis of geographical concentration of financial assets and liabilities as at 31 December 2018;

table 30.7 Analysis of geographical concentration of financial assets and liabilities as at 31 December 2017;

table 30.10 Analysis of financial assets and liabilities by maturities based on expected maturities as at 31 December 2018;

table 30.11 Analysis of financial assets and liabilities by maturities based on expected maturities as at 31 December 2017;

Amounts of income accrued and not received on transactions with securities at the end of the day:

- UAH 10,043 thousand as at 31 December 2018;
- UAH 15,278 thousand as at 31 December 2017.

Table 7.2. Analysis of credit quality of debt trading securities as at 31 December 2018

Line	Item	Government bonds	Certificates of deposit issued by the NBU	Total
1	2	3	4	5
1	Undue debt securities at FVTPL	282,592	-	282,592
Line	Item	Governmen	Certificate	Total

		t bonds	s of deposit issued by the NBU	
1	2	3	4	5
1.1	government institutions and state-owned companies	282,592	-	282,592
2	Undue debt securities at AC	-	115,151	115,151
2. 1.	government institutions and state-owned companies	-	115,151	115,151
2	**Total debt securities**	**282,592**	**115,151**	**397,743**

As at 31 December 2018, the Bank recognises securities (bonds) of the PJSC “RYTM” in the amount of UAH 3,995 for which a write-down was created for the full amount of debt. The carrying amount of securities of the PJSC “RYTM” is zero.

No securities were pledged as collateral at the end of the day 31 December 2018.

Table 7.3. Analysis of credit quality of debt trading securities as at 31 December 2017

Line	Item	Government bonds	Certificates of deposit issued by the NBU	Total
1	2	3	4	5
1	Undue debt securities at FVTPL	405,570	-	405,570
1.1	government institutions and state-owned companies	405,570	-	405,570
2	Undue debt securities at AC	-	115,118	115,118
2. 1.	government institutions and state-owned companies	-	115,118	115,118
2	**Total debt securities**	**405,570**	**115,118**	**520,688**

Note 8. Loans and advances to customers

Table 8.1. Loans and advances to customers

Line	Item	31 Dec 2018	31 Dec 2017
1	2	3	4
1	Loans to entities	796,057	839,940
2	Loans to individual entrepreneurs	9,817	11,265
3	Mortgages of individuals	383,743	185,606
4	Consumer loans to individuals	147,250	58,656
5	Other loans to individuals	317,872	284,775
6	Provision for loan impairment	(102,737)	(147,930)
7	**Total loans less provisions**	**1,552,002**	**1,232,312**

Figures of this note are used in the line “Loans and advances to customers” of the Statement of Financial Position (Balance Sheet).

Loans and advances to customers (table 8.1.) are analysed in Note 30 Financial risk management:

table 30.5. Monitoring of interest rates on financial instruments;

table 30.6 Analysis of geographical concentration of financial assets and liabilities as at 31 December 2018;

table 30.7 Analysis of geographical concentration of financial assets and liabilities as at 31 December 2017;

table 30.10 Analysis of financial assets and liabilities by maturities based on expected maturities as at 31 December 2018;

table 30.11 Analysis of financial assets and liabilities by maturities based on expected maturities as at 31 December 2017;

Amounts of income accrued and not received on loans granted to the Bank's customers at the end of the day:

- UAH 38,616 thousand as at 31 December 2018;
- UAH 29,273 thousand as at 31 December 2017.

The Bank did not grant loans under repo transactions and has no collateral pledged on loans and advances to customers with the right to repurchase or repledge.

Table 8.2. Analysis of changes in provisions for loan debt as at 31 December 2018

Line	Movements of provisions	Loans to entities	Loans to individual entrepreneurs	Mortgages of individuals	Consumer loans to individuals	Other loans to individuals	Total
1	2	4	6	7	8	9	10
1	Opening balance	(144,679)	(2,075)	(668)	(4,550)	(9,585)	(161,557)
2	(Increase)/decrease in impairment provision for the period	13,557	200	172	(28,581)	2,451	(12,201)
3	Bad debt write-offs against the provision	72,304	-	-	-	-	72,304
4	Effect of translation in presentation currency	(12)	-	-	-	-	(12)
5	Accrual of unrecognised interest	(810)	(3)	-	-	(458)	(1,271)
6	Closing balance	**(59,640)**	**(1,878)**	**(496)**	**(33,131)**	**(7,592)**	**(102,737)**

For the reporting year, the counterparties did not repay the bad debt that was previously written-off against the related provision.
At each balance sheet date, the Bank assesses on an individual basis for any objective evidence indicating impairment of a financial asset.

Table 8.3. Analysis of changes in provisions for loan debt as at 31 December 2017

Line	Movements of provisions	Loans to entities	Loans to individual entrepreneurs	Mortgages of individuals	Consumer loans to individuals	Other loans to individuals	Total
1	2	4	6	7	8	9	10
1	Opening balance	(138,842)	(1,844)	(466)	(1,235)	(12,212)	(154,599)
2	(Increase)/decrease in impairment provision for the period	10,887	(231)	(3,881)	(4,137)	3,995	6,633
Line	Movements of provisions	Loans to entities	Loans to individual entrepreneurs	Mortgages of individuals	Consumer loans to individuals	Other loans to individuals	Total
1	2	4	6	7	8	9	10
3	Bad debt write-offs against the provision	-	-	-	-	26	26
4	Effect of translation in presentation currency	10	-	-	-	-	10
5	Closing balance under IAS 39	(127,945)	(2,075)	(4,347)	(5,372)	(8,191)	(147,930)

Table 8.4. Loan structure by types of economic activity

Line	Economic activity	31 Dec 2018		31 Dec 2017	
		amount	%	amount	%
1	2	3	4	5	6
1	Production and distribution of electricity, gas and water	71,363	4%	61,192	4%
2	Transactions with property, leasing, engineering and servicing	94,755	6%	139,631	10%
3	Trade, repair of cars, household goods and private goods	323,145	20%	358,283	26%
4	Agriculture, hunting, forestry	83,180	5%	64,934	5%
5	Individuals	848,865	51%	529,037	38%
6	Construction	177,894	11%	102,929	7%
7	Other	55,537	3%	124,236	12%
8	**Total loans and advances to customers, net of provisions**	**1,654,739**	**100%**	**1,380,242**	**100%**

The diversification of credit risks is regulated by the Credit Risk Management Policy of the JSC “CB GLOBUS” approved by Decision of the Supervisory Board of the JSC “CB GLOBUS” (minutes no. 27 dated 20 August 2018). The loan portfolio diversification are limited by:

- the type of collateral;

- the type of economic activity.

Type of collateral:

The Bank's loan portfolio has 88.9% loans secured of the total size of the loan portfolio. The priority type of collateral for the Bank is property (28.3% of the loan portfolio), other assets (55.1%), cash (4.8%), which is in line with the limits set.

Type of economic activity:

The main risk for diversifying the loan portfolio is the exposure on the types of economic activity. The Bank's priorities as far as lending of economic entities are companies involved in trade and repair of household goods, which comprise 20% of the total loan portfolio. Next in concentration are companies engaged in construction – 11%; then, agricultural producers and companies conducting real estate transactions and involved in the service sector – all comprise 5% of the total loan portfolio.

Figures of the credit risk concentration are in line with the limits set by the JSC “CB GLOBUS”. The actual value of the credit risk per one counterparty as at 31 December 2018 is 21.21%.

Table 8.5. Information about loans by the type of collateral as at 31 December 2018

Line	Item	Loans to entities	Loans to individual entrepreneurs	Mortgages of individuals	Consumer loans to individuals	Other loans to individuals	Total
1	2	4	6	7	8	9	10

Line	Item	Loans to entities	Loans to individual entrepreneurs	Mortgages of individuals	Consumer loans to individuals	Other loans to individuals	Total
1	Unsecured loans	45,942	1,832	27,188	147,250	18,348	240,560
2	Loans secured by:	750,116	7,985	356,555	-	299,523	1,414, 179
2.1	cash	71,342	467	56,067	-	2,818	130,694
2.2	securities	-	-	-	-	-	-
2.3.	real estate	324,100	174	99,514	-	1,409	425,197
2.3.1	including residential property	111,058	174	95,455	-	1,362	208,049
2.4	guarantees and sureties	-	-	-	-	-	-
2.5	other assets	354,674	7,344	200,974	-	295,296	858,288
3	**Total loans and advances to customers, net of provisions**	**796,058**	**9,817**	**383,743**	**147,250**	**317,871**	**1,654,739**

Debt under loan contracts that have multiple types of collateral were allocated and recognised by the type of collateral based on the ratio of the collateral type to the total collateral pledged under a loan transaction.

Table 8.6. Information about loans by the type of collateral as at 31 December 2017

Line	Item	Loans to entities	Loans to individual entrepreneurs	Mortgages of individuals	Consumer loans to individuals	Other loans to individuals	Total
1	2	4	6	7	8	9	10
1	Unsecured loans	51,411	142	-	58,655	3,700	113,908
2	Loans secured by:	788,530	11,124	185,606	-	281,074	1,266,334
2.1	cash	93,750	2,605	-	-	503	96,858
2.2	real estate	398,980	1,082	17,154	-	1,019	418,235
2.2.1	including residential property	38,094	919	17,154	-	816	56,983
2.3.	vehicles	295,800	7,437	168,452	-	279,552	751,241
3	**Total loans and advances to customers, net of provisions**	**839,941**	**11,266**	**185,606**	**58,656**	**284,774**	**1,380,242**

Table 8.7. Analysis of credit quality as at 31 December 2018

Line	Item	Loans to entities	Loans to individual entrepreneurs	Mortgages of individuals	Consumer loans to individuals	Other loans to individuals	Total
1	2	3	4	5	6	7	8
1	Loan impairment assessed on an individual basis:	796,057	9,817	383,743	147,250	317,872	1,654,739
1.1	overdue up to 31 days	768,050	8,655	383,524	116,775	308,885	1,585, 889
1.2	overdue from 32 to 92 days	5,192	-	-	8,793	419	14,404
1.3	overdue from 93 to 183 days	992	-	219	5,722	1,204	8,137
1.4	overdue from 184 to 365 (366) days	3,219	-	-	11,924	2,447	17,590
1.5	overdue more than 366 (367) days	18,604	1,162	-	4,036	4,917	28,719
2	Total loan amount including provisions	796,057	9,817	383,743	147,250	317,872	1,654,739
Line	Item	Loans to entities	Loans to individual entrepreneurs	Mortgages of individuals	Consumer loans to individuals	Other loans to individuals	Total
1	2	3	4	5	6	7	8
3	Provision for loan impairment	(59,640)	(1,878)	(496)	(33,131)	(7,592)	(102,737)
4	**Total loans less provisions**	**736,417**	**7,939**	**383,247**	**114,119**	**310,280**	**1,552,002**

Table 8.8. Analysis of credit quality as at 31 December 2017

Line	Item	Loans to entities	Loans to individual entrepreneurs	Mortgages of individuals	Consumer loans to individuals	Other loans to individuals	Total
1	2	3	4	5	6	7	8
1	Neither overdue, nor impaired:	737,114	10,107	185,271	57,418	278,111	1,268,021
1.1	large borrowers with credit history over 2 years	133,519	-	-	-	-	133,519
1.2	new large borrowers	207,221	-	-	-	-	207,221
1.3	loans to small companies	396,374	10,107	-	-	-	406,481
1.4	other loans to individuals	-	-	185,271	57,418	278,111	520,800
2	Overdue but not impaired:	1,483	-	335	1,238	894	3,950
2.1	overdue up to 31 days	1,483	-	335	88	157	2,063
2.2	overdue from 32 to 92 days	-	-	-	12	-	12
2.3.	overdue from 93 to 183 days	-	-	-	1,138	737	1,875
3	Loan impairment assessed on an individual basis:	101,343	1,159	-	-	5,769	108,271
3.1	overdue from 93 to 183 days	535	-	-	-	-	535
3.2	overdue from 184 to 365 (366) days	-	-	-	-	2,769	2,769
3.3	overdue more than 366 (367) days	100,808	1,159	-	-	3,000	104,967
4	Total loan amount including provisions	839,940	11,266	185,606	58,656	284,774	1,380,242
Line	Item	Loans to entities	Loans to individual entrepreneurs	Mortgages of individuals	Consumer loans to individuals	Other loans to individuals	Total
1	2	3	4	5	6	7	8
5	Provision for loan impairment	(127,945)	(2,075)	(4,347)	(5,372)	(8,191)	(147,930)
6	**Total loans less provisions**	**711,995**	**9,191**	**181,259**	**53,284**	**276,583**	**1,232,312**

Table 8.9. Effect of collateral value on the credit quality as at 31 December 2018

Line	Item	Carrying amount	Collateral value	Collateral effect
1	2	3	4	5
1	Loans to entities	796,057	1,372,895	(576,838)
2	Loans to individual entrepreneurs	9,817	29,484	(19,667)

Line	Item	Carrying amount	Collateral value	Collateral effect
3	Mortgages of individuals	383,743	465,723	(81,980)
4	Consumer loans to individuals	147,250	-	147,250
5	Other loans to individuals	317,872	522,371	(204,499)
6	**Total loans**	**1,654,739**	**2,390,473**	**(735,733)**

During 2018, the market value of the pledged property (mortgage, vehicles and equipment) was determined by independent valuers at the inception of loan contracts and was accounted for in the relevant off-balance sheet accounts in accordance with the collateral contracts (pledge contracts or mortgage contracts). The pledged property was revalued at the Bank's initiative at least once a year by independent valuers with a subsequent adjustment to the amount of collateral on off-balance sheet accounts.

Non-government securities (corporate bonds) were accepted at the amount designated as market value at inception of a collateral contract on the basis of securities purchase/sale contracts and were confirmed by an extract of the custody institution.

The Bank accepted real estate, vehicles, equipment, acquired in a market by pledgors under purchase/sale agreements, at the purchase price if the purchase was made within one month before the date of the collateral contract.

The Bank makes efforts to find potential buyers for the sale or operational use (lease) of the previously acquired property by foreclosing the collateral to settle the loan debt overdue. These effort resulted in a partial sale (realisation) of the previously acquired property and a fixed-term paid lease of commercial property.

Table 8.10. Effect of collateral value on the credit quality as at 31 December 2017

Line	Item	Carrying amount	Collateral value	Collateral effect
1	2	3	4	5
1	Loans to entities	839,940	1,424,449	(584,509)
2	Loans to individual entrepreneurs	11,265	21,852	(10,587)
3	Mortgages of individuals	185,606	386,381	(200,775)
4	Consumer loans to individuals	58,656	-	58,656
5	Other loans to individuals	284,775	506,393	(221,618)
6	**Total loans**	**1,380,242**	**2,339, 075**	**(958,833)**

Note 9. Investment property

Table 9.1. Investment property measured under the cost approach as at 31 December 2018

Line	Item	Land	Buildings	Land improvements	Total
1	2	3	4	5	6

Line	Item	Land	Buildings	Land improvements	Total
1	**Opening balance**	**186,473**	**66,333**	**-**	**252,806**
1.1	Historical cost	275,389	67,143	-	342,532
1.2	Depreciation	-	(532)	-	(532)
1. 3.	Impairment	(88,916)	(278)	-	(89,194)
2	Purchases	-	-	3,794	3,794
3	Amortisation	-	(2,432)	(42)	(2,474)
4	Impairment	(126,695)	(18,309)	-	(145,004)
5	Transfer to non-current assets held for sale	(214)	-	-	(214)
6	Disposals	(180,985)	(3,624)	-	(184,609)
7	Impairment from assets disposed	161,421	278	-	161,699
8	**Closing balance**	**40,000**	**42,246**	**3,752**	**85,998**
8.1	Historical 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)

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 assets 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 2017

Line	Item	Land	Buildings	Total
1	2	3	4	5
1	**Opening balance**	**233,474**	**5,185**	**238,659**
1.1	Historical cost	233,474	6,085	239,559
1.2	Depreciation	-	(900)	(900)
2	Purchases	41,915	67,143	109,058
3	Amortisation	-	(537)	(537)

Line	Item	Land	Buildings	Total
4	Adjustment of amortisation from disposal of investment property	-	905	905
5	Impairment	(88,916)	(354)	(89,270)
6	Impairment from disposal of assets	-	76	76
7	Transfers to owner-occupied property		(1,403)	(1,403)
8	Disposals	-	(4,682)	(4,682)
9	**Closing balance**	**186,473**	**66,333**	**252,806**
9.1	Historical cost	275,389	67,143	342,532
9.2	Depreciation	-	(532)	(532)
9.3	Impairment	(88,916)	(278)	(89,194)

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

Line	Income and expense	31 Dec 2018	31 Dec 2017
1	2	3	4
1	Rental income from investment property	2,397	870
2	Direct operating expenses (including repairs and maintenance) arising from investment property that generated rental income	(913)	(358)
3	Other direct expenses that do not generate rental income	(21)	(22)
4	Recognition of investment property impairment	(146,056)	(89,194)

Note 10. Property, plant and equipment and intangible assets

Table 10.1. Property, plant and equipment and intangible assets as at 31 December 2018

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 intangibles	Intangible assets	Total
1	2	3	4	5	6	7	8	9	10	11
1	Carrying amount at the beginning of 2017:	54,073	1,819	-	449	216	927	503	3,627	61,614
1.1	Historical (revalued) cost	74,202	5,977	490	1,812	674	7,125	503	6,653	97,436
1.2	Depreciation at the beginning of the reporting 2017	(20,129)	(4,158)	(490)	(1,363)	(458)	(6,198)	-	(3,026)	(35,822)
2	Additions	-	2,518	1,982	908	321	3,055	3,715	845	13,344
3	Capital investments for completing PP&E and improving intangibles	2,402	623	-	46	-	1,800	-	2,932	7,803
5	Other transfers	1,403	-	-	-	-	-	-	-	1,403
6	Disposals	-	(221)	(271)	(59)	(72)	(290)	(4,165)	(11)	(5,089)
7	Amortisation charges	(3,181)	(343)	68	(64)	(32)	(2,360)	-	(450)	(6,362)
9	Carrying amount at the end of 2018 (beginning of 2018)	54,697	4,396	1,779	1,280	433	3,132	53	6,943	72,713

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
9.1	Historical (revalued) cost	78,007	8,897	2,201	2,707	923	11,690	53	10,419	114,897
9.2	Depreciation at the end of the reporting 2017 (beginning of 2018)	(23,310)	(4,501)	(422)	(1,427)	(490)	(8,558)	-	(3,476)	(42,184)
10	Additions	-	3,640	-	229	64	8,803	45,423	22,136	80,295
11	Capital investments for completing PP&E and improving intangible assets	68	676	-	-	-	-	-	2,815	3,559
13	Other transfers	-	-	-	-	-	-	-	-	-
14	Disposals	-	(197)		(41)	(43)	(406)	(42,017)	(1)	(42,705)
15	Amortisation charges	(3,090)	(985)	(396)	(250)	(84)	(2,306)	-	(4,778)	(11,889)
17	Carrying amount at the end of the reporting 2018	51,675	7,530	1,383	1,218	370	9,223	3,459	27,115	101,973
17.1	Historical (revalued) cost	78,075	13,016	2,201	2,894	944	20,087	3,459	35,370	156,046
17.2	Depreciation at the end of the reporting 2018	(26,400)	(5,486)	(818)	(1,676)	(574)	(10,864)	-	(8,255)	(54,073)

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 with limitations of 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. Contractual commitments for the acquisition of property, plant and equipment are absent.

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

- UAH 13,625 thousand as at 31 December 2018;
- UAH 12,910 thousand as at 31 December 2017.

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. Other assets

Table 11.1. Other assets

Line	Item	31 Dec 2018	31 Dec 2017
1	2	3	4
1	Accounts receivable on securities	30	159
2	Accounts receivable on transactions with payment cards	93	4,543
3	Accounts receivable on transactions with other financial instruments	7,490	-
4	Cash on settlement accounts in other banks	3,528	2,444
5	Accounts receivable in banks	13,704	13,704
6	Accounts receivable on unrecovered transfers paid to individuals	5,752	7,804
7	Accounts receivable on commissions and fees accrued	1,457	1,176
8	Accounts receivable on lease income accrued	416	781
9	Other assets	598	77
10	Accounts receivable on asset acquisitions	148	504
11	Prepayments for services	1,795	73
12	Precious metals	1,654	939
13	Deferred expense	6,087	11,920
14	Inventories	477	95
15	Provision for impairment of other assets	(22,706)	(14,393)
16	**Total other assets less provisions**	**20,523**	**29,826**

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

Figures of this note were prepared by financial and non-financial assets:

- financial assets account for UAH 33,068 thousand;
- provisions for impairment of financial assets account for UAH 20,841 thousand;
- non-financial assets account for UAH 10,161 thousand;
- provisions for impairment of financial assets account for UAH 1,865 thousand.

The sum of line 1 consists of the revaluation of the regular way transactions for security purchase.

As at 31 December 2018, the sum of line 5 "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 CB "PRAVEX-BANK", PJSC "BANK FAMILNYI", PJSC "FUIB" and JSB "UKRGAZBANK".

Table 11.2. Analysis of changes in provisions for impairment of other assets as at 31 December 2018

Line	Movements of provisions	Restricted cash	Other assets	Total
1	2	3	4	5
1	Opening balance	(13,704)	(689)	(14,393)
2	(Increase)/decrease in impairment provision for the period	-	(8,313)	(8,313)
3	Closing balance	(13,704)	(9,002)	(22,706)

Table 11.3. Analysis of changes in provisions for impairment of other assets as at 31 December 2017

Line	Movements of provisions	Restricted cash	Other financial assets	Total
1	2	3	4	5
1	Opening balance	(13,704)	(391)	(14,095)
2	(Increase)/decrease in impairment provision for the period	-	(348)	(348)
3	Bad debt write-offs	-	50	50
4	Closing balance	(13,704)	(689)	(14,393)

Table 11.4. Analysis of credit quality of other financial assets as at 31 December 2018

Line	Item	Accounts receivable on securities	Accounts receivable on transactions with other financial instruments	Accounts receivable on transactions with payment cards	Accounts receivable on unrecovered transfers paid to individuals	Cash on settlement accounts in other banks	Other financial assets:	Total
1	2	3	4	5	6	7	8	9
1	Neither overdue, nor impaired	30	787	93	5,752	3,528	1,446	11,636
1.1	large customers with credit history over 2 years	30	-	-	5,752	3,528	1,202	10,512
1.2	new large customers	-	-	-	-	-	149	149
1.3	medium-sized companies	z-	-	-	-	-	-	-
1.4	small-sized companies	-	787	-	-	-	59	846
1.5	individuals	-	-	93	-	-	36	129
2	other financial assets impaired on a portfolio basis	-	-	-	-	-	163	163
3	Receivables impaired on an individual basis:	-	6,703	-	-	-	14,138	20,841
	93 to 183 days	-	-	-	-	-	35	35
3.1	184 to 366 (367) days	-	6,703	-	-	-	65	6,768
3.2	over 366 (367) days	-	-	-	-	-	14,037	14,037
4	Total other financial assets including provision	30	7,490	93	5,752	3,528	15,747	32,640
5	Provision for impairment of other financial assets	-	(6,703)	-	-	-	(14,138)	(20,841)
6	**Total other financial**	**30**	**787**	**93**	**5,752**	**3,528**	**1,609**	**11,799**

	assets less provisions							

Table 11.5. Analysis of credit quality of other financial assets as at 31 December 2017

Line	Item	Accounts receivable on securities	Derivative financial assets in the trading portfolio	Accounts receivable on transactions with payment cards	Accounts receivable on foreign currency transactions	Cash on settlement accounts in other banks	Other financial assets:	Total
1	2	3	4	5	6	7	8	9
1	Neither overdue, nor impaired	159	-	4,543	-	2,444	8,972	16,118
1.1	large customers with credit history over 2 years	159	-	-	-	2,414	34	2,607
1.2	new large customers	-	-	-	--	-	643	643
1.3	medium-sized companies	-	-	-	-	-	8,090	8,090
1.4	small-sized companies	-	-	-	-	30	205	235
1.5	individuals	-	-	4,543	-	-	-	4,543
2	other financial assets impaired on a portfolio basis	-	-	-	-	-	14,570	14570
3	Total other financial assets including provision	159	-	4,543	-	2,444	23,542	30,688
4	Provision for impairment of other financial assets	-	-	-	-	-	(14,393)	(14,393)

5	**Total other financial assets less provisions**	**159**	**-**	**4,543**	**-**	**2,444**	**9,149**	**16,295**

The Bank does not act as a lessor in a finance lease.

In 2018 and 2017, the counterparties did not settle the previously written off bad debt against the provision.

Note 12. Non-current assets held for sale and disposal groups

Table 12.1 Non-current assets held for sale and disposal groups as at 31 December 2018

Line	Item	31 Dec 2018	31 Dec 2017
1	2	3	4
1	Real estate held for sale	11,228	5,186
2	**Total non-current assets held for sale**	**11,228**	**5,186**

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 2019. In 2018-2017, the Bank did not dispose of any non-current assets held for sale. In 2018-2017, the operations were not discontinued;

Note 13. Amounts due to banks

Line	Item	31 Dec 2018	31 Dec 2017
1	2	3	4
1	Correspondent accounts and overnight deposits of other banks	-	1
3	**Total cash of other banks**	**-**	**1**

Figures of this note are used in the line ***“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 0 thousand as at 31 December 2018;
- UAH 0 thousand as at 31 December 2017.

In 2018-2017, the Bank did not default on its liabilities to other banks. As at the reporting date, the Bank had none of its liabilities pledged to third parties as collateral for the cash received from other banks, nor any deposits of other banks received as collateral under lending transactions.

Note 14. Amounts due to customers

Table 14.1. Amounts due to customers

Line	Item	31 Dec 2018	31 Dec 2017
1	2	3	4
1	Government and non-government organisations:	2,928	3,911
1.1	Current accounts	400	1,019
1.2	Term deposits	2,528	2,892
2	Other entities	1,113,301	962,946
2.1	Current accounts	763,626	636,629
2.2	Term deposits	349,675	326,317
3	Individuals:	1,054,070	970,137
3.1	Current accounts	192,580	157,229
3.2	Term deposits	861,490	812,908
4	**Total amounts due to customers**	**2,170,299**	**1,936,994**

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 12,592 thousand as at 31 December 2018;
- UAH 11,353 thousand as at 31 December 2017.

Amounts due to customers are analysed in Note 30 Financial risk management: table 30.5 Monitoring of interest rates on financial instruments;

table 30.6 Analysis of geographical concentration of financial assets and liabilities as at 31 December 2018;

table 30.7 Analysis of geographical concentration of financial assets and liabilities as at 31 December 2017;

table 30.10 Analysis of financial assets and liabilities by maturities based on expected maturities as at 31 December 2018;

table 30.11 Analysis of financial assets and liabilities by maturities based on expected maturities as at 31 December 2017.

Table 14.2. Allocation of amounts due to customers by types of economic activity

Line	Economic activity	31 Dec 2018		31 Dec 2017	
		amount	%	amount	%
1	2	3	4	5	6
2	Production and distribution of electricity, gas and water	70,980	3.27%	31,284	1.62%
3	Transactions with property, leasing, engineering and servicing	126,526	5.83%	128,645	6.64%
4	Trade, repair of cars, household goods and private goods	219,018	10.09%	267,758	13.83%
5	Agriculture, hunting, forestry	3,114	0.14%	5,754	0.30%
1	2	3	4	5	6
6	Individuals	1,054,070	48.57%	970,137	50.08%
7	insurance services	72,457	3.34%	232,329	11.99%
8	Transportation activities and additional transportation services	38,615	1.78%	16,905	0.87%
9	Provision of information services	1,251	0.06%	10,092	0.52%
10	Provision of financial services	114,089	5.25%	46,412	2.4%
11	Education, health and welfare plans	4,103	0.19%	2,043	0.1%
12	Cash of non-resident entities	11,053	0.51%	762	0.04%
13	Construction and specialised construction works	353,533	16.29%	118,654	6.12%
14	Advertising activities	7,073	0.33%	8,591	0.44%
15	Production of vehicles	3,678	0.17%	24,164	1.25%
16	Production of finished metal products	16,069	0.74%	15,693	0.8%
17	Other	74,670	3.44%	57,771	2.97%
18	Total amounts due to customers	2,170,299	100%	1,936,994	100%

The carrying amount of borrowings is UAH 86,338 thousand that were pledged as collateral in lending transactions in the amount of UAH 78,774 thousand, which is recognised in Note 8 Loans and advances to customers (table 8.5).

The carrying amount of borrowings is UAH 50,171 thousand that were pledged as collateral on guarantees in the amount of UAH 165,755 thousand.

Note 15. Debt securities issued by the Bank

Table 15.1. Debt securities issued by the Bank

Line	Item	31 Dec 2018	31 Dec 2017
1	2	3	4
1	Certificates of deposit	5,019	20,257
2	Total	5,019	20,257

In 2018, the JSC "CB GLOBUS” repurchased registered savings (deposit) certificates for individuals.

As at 31 December 2018, the following items are included in debt securities issued by the Bank:

- savings (deposit) certificates issued by bank – UAH 4,846 thousand;
- accrued expenses on savings (deposit) certificates issued by bank – UAH 173 thousand.

There are no assets pledged as collateral on securities issued by the Bank and convertible debt instruments.

Note 16. Other borrowings

Table 16.1. Other borrowings

Line	Item	31 Dec 2018	31 Dec 2017
1	2	3	4
1	Loans received from international and other financial institutions	-	59,961
2	**Total**	**-**	**59,961**

As at the end of the day 31 December 2018, the Bank has fully repaid the loan from international and other institutions.

Note 17. Provisions for liabilities

Table 17.1. Changes in provisions for liabilities as at 31 December 2018

Line	Movements of provisions	Credit-related commitments
1	Balance as at 31 December 2017	**9,371**
2	Effect of IFRS 9	(160)
3	Creation and/or (increase) of provision	(3,831)
4	Fees and commissions received under guarantees issued	15,473
5	Amortisation of fees and commissions received under guarantees issued that is recognised in the Statement of Profit or Loss and Other Comprehensive Income.	(16,199)
6	Effect of translation in presentation currency	(70)
7	Write-off against the provision	(162)
8	**Balance as at 31 December 2018**	**4,422**

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 drawn on the provisions for granted financial guarantees to fulfil the assumed liabilities in the amount of UAH 162 thousand.

In 2018 the Bank as well received a compensation for the guarantee payment of UAH 133 thousand that was previously repaid against the provision.

Under the contracts with customers, the term of guarantees and loan commitments expires in 2018-2029. 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 18. Other liabilities

Table 18.1. Other liabilities

Line	Item	31 Dec 2018	31 Dec 2017
1	Accounts payable on transactions with payment cards	93	272
2	Accounts payable on foreign currency transactions	25,303	11,764
3	Payments for securities to customers	-	11
4	Accounts payable on electronic money issue	8,500	8,500
5	Loan amounts on suspense	29	5
6	Accounts payable on transactions with banks	4,399	2,971
7	Accounts payable on settlements with customers	1,238	2,226
8	Accounts payable on transactions via payment systems (fees and commissions)	40	67
9	Accounts payable on transactions via payment systems (settlements)	907	93
10	Accounts payable on settlements with the custodian	71	4
11	Accounts payable on inactive accounts	1,082	1,078
12	Accounts payable on financial collateral for personal safe keys	393	242
13	Accrued expenses	16	17
14	Accounts payable on taxes and duties other than income tax	4,715	4,380
15	Accounts payable on settlements with employees	11,589	6,276
16	Accounts payable on asset acquisitions	155	5
17	Deferred income	1,978	1,867
18	Other debt	503	550
19	**Total other liabilities**	**61,011**	**40,328**

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.

Figures of this note were prepared under financial and non-financial liabilities allocated at the reporting date as follows:

- UAH 42,071 thousand – other financial liabilities;
- UAH 18,940 thousand – other liabilities.

Note 19. Derivative financial liabilities

As at 31 December 2018, the item “Derivative financial liabilities” of the Statement of Financial Position (Balance Sheet) reflects the revaluation of securities forward contracts in the amount of UAH 5 thousand as at 31 December 2017 – revaluation of the forward contracts of FX purchase/sale in the amount of UAH 118 thousand.

Note 20. Subordinated debt

Table 20.1 Subordinated debt liabilities

Line	Item	31 Dec 2018	31 Dec 2017
1	2	3	4
1	Subordinated debt	106,524	60,000
2	Interest accrued on subordinated debt	737	441
3	**Total subordinated debt liabilities**	**107,261**	**60,441**

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 received for 14 years with the maturity in 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 the reporting 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 8% and 9.5% of interest per annum.

Note 21. Share capital and issue profit/loss (share premium)

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 2017	300	300,000	300,000
2	**Balance at the end of the day 31 December 2018**	**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 exist.

No decision to change the Bank’s share capital has been adopted since its incorporation.

Note 22. Analysis of assets and liabilities by maturities

According to IAS 1 Presentation of Financial Statements (paragraphs. 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 Dec 2018			31 Dec 2017		
			less than 12 months	more than 12 months	*Total*	less than 12 months	more than 12 months	*Total*
1	2	3	4	5	6	7	8	9
ASSETS								
1	Cash and cash equivalents	6	438,558	-	438,558	307,327	-	307,327
2	Investments in securities	7	397,743	-	397,743	520,688	-	520,688
3	Loans and advances to customers	8	707,868	844,134	1,552,002	665,868	566,444	1,232,312
4	Investment property	9	-	85,998	85,998	-	252,806	252,806
5	Accounts receivable on income tax		545	-	545	340	-	340
6	Deferred tax asset		-	20,000	20,000	-	20,000	20,000
7	Property, plant and equipment and intangible assets	10	-	101,973	101,973	-	72,713	72,713
8	Other assets	11	20,523	-	20,523	29,826	-	29,826
9	Non-current assets held for sale and disposal groups	12	-	11,228	11,228	5,186	-	5,186
10	**Total assets**		**1,565,237**	**1,063,333**	**2,628,570**	**1,529, 235**	**911,963**	**2,441,198**
LIABILITIES								
11	Amounts due to banks	13	-	-	-	1	-	1
12	Amounts due to customers	14	1,855, 027	315,272	2,170,299	1,748, 122	188,872	1,936,994
13	Other borrowings	16	-	-	-	59,961	-	59,961
14	Debt securities issued by the Bank	15	4,859	160	5,019	20,257	-	20,257
15	Provisions for liabilities	17	1,925	2,497	4,422	8,576	795	9,371
16	Other liabilities	18	61,011	-	61,011	40,328	-	40,328
17	Derivative financial liabilities		5	-	5	118	-	118
18	Subordinated debt	20	737	106,524	107,261	-	60,441	60,441
19	**Total liabilities**		**1,923,564**	**424,453**	**2,348,017**	**1,877,363**	**250,108**	**2,127,471**

Note 23. Interest income and expense

Line	Item	31 Dec 2018	31 Dec 2017
1	2	3	4
INTEREST INCOME:			
1	Loans and advances to customers	310,205	223,093
2	Cash in other banks	117	2,091
3	Debt securities at FVTPL	23,025	20,348
4	Debt securities at FVOCI	56	-
5	Debt securities at AC	6,770	-
6	Correspondent accounts with other banks	60	50
7	Other	37	-
8	**Total interest income**	**340,270**	**245,582**
INTEREST EXPENSE:			
9	Term deposits of entities	(43,268)	(35,293)
10	Debt securities issued by the Bank	(917)	(782)
11	Other borrowings	(2,018)	(4,184)
12	Term deposits of individuals	(126,079)	(108,700)
13	Term deposits of other banks	(19,938)	(17,810)
14	Current accounts	(40,672)	(24,324)
15	Other	(7,630)	(5,355)
16	**Total interest expenses**	**(240,522)**	**(196,448)**
17	**Net interest income**	**99,748**	**49,134**

Figures of this note are used in the lines “Interest income”, “interest expenses”, “Net interest income” of the Statement of Profit or Loss and Other Comprehensive Income (Income Statement). Line 15 “Other” contains interest expenses from subordinated debt.

Note 24. Commission/fee income and expenses

Line	Item	31 Dec 2018	31 Dec 2017
FEE AND COMMISSION INCOME:			
1	Cash and settlement operations	116,912	81,165
2	Transactions with securities	683	699
3	Fee and commission income from currency market transactions	13,837	12,711
4	Additional fees and commissions for servicing loans and credit-related commitments	12,051	7,204
5	Other	1,922	2,840
6	Guarantees issued	40,929	24,980
7	**Total fee and commission income**	**186,334**	**129,599**
FEE AND COMMISSION EXPENSES:			
8	Cash and settlement operations	(9,068)	(5,819)
9	Fee and commission expenses from transactions with payment cards	(4,517)	(2,323)
10	Other	(12)	(8)
11	**Total fee and commission expenses**	**(13,597)**	**(8,150)**
12	**Net fee and commission income**	**172,737**	**121,449**

Figures of this note are used in the lines “Fee and commission income”, “Fee and commission expenses” and line “Net fee and commission income” of the Statement of Profit or Loss and Other Comprehensive Income (Income Statement).

Note 25. Other operating income

Line	Item	31 Dec 2018	31 Dec 2017
1	2	3	4
1	Rental income from investment property	1,147	870
2	Operating lease (rental) income from other property	1,251	1,290
3	Income from disposal of PP&E and intangible assets	465	48
4	Income from disposal of investment property	326	-
5	Income from insurance agency services	23,086	13,003
6	Income from advisory services	5,046	9
7	Fines and penalties incurred	1,255	236
8	Payment of dividends on the customers’ behalf	406	-
Line	Item	31 Dec 2018	31 Dec 2017
1	2	3	4

9	Reversal of investment property impairment	1,053	-
10	Result from debt restructuring	54,907	-
11	Result from selling debt securities carried at FVTOCI	23	-
12	Income from derecognition of financial liabilities	4,985	-
13	Other	860	4,143
14	**Total operating income**	**94,810**	**19,599**

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 26. Administrative and other operating expenses

Table 26.1 Employee benefits expense

Line	Item	31 Dec 2018	31 Dec 2017
1	2	3	4
1	Salaries and bonuses	116,853	69,082
2	Payroll accruals	17,437	11,050
3	Other employee benefits	668	218
4	**Total personnel expenses**	**134,958**	**80,350**

Table 26.2 Depreciation/amortisation expense

Line	Item	31 Dec 2018	31 Dec 2017
1	2	3	4
1	Depreciation of property, plant and equipment	7,690	6,567
2	Amortisation of software and intangible assets	4,780	462
3	Depreciation of investment property	2,593	735
4	**Total depreciation/amortisation expense**	**15,063**	**7,764**

Table 26.3. Other administrative and operating expenses

Line	Item	31 Dec 2018	31 Dec 2017
1	2	3	4
1	Expenses for maintenance of property, plant and equipment and intangible assets, telecommunication and other utility, operating services	(13,698)	(9,613)
2	Operating lease expenses	(14,430)	(9,934)
3	Security expenses	(866)	(450)
4	Professional services	(1,135)	(850)
5	Marketing and advertising expenses	(1,598)	(2,454)
6	Insurance expenses	(25,534)	(14,955)
7	Payment of other taxes and duties other than income tax	(11,359)	(8,462)
8	Legal services, notary services, property valuation	(3,021)	(3,499)
9	Household costs	(3,033)	(2,275)
10	Payment processor services	(1,828)	(1,160)
11	Other administrative expenses	(4,140)	(6,344)
12	Sponsorship and charity	(2,418)	(1,634)
13	Expenses from received financial advisory services	(20,829)	(15,251)
14	Penalties, fines paid by the Bank	(3,425)	(2)
15	Negative result from disposal of investment property	-	(3,777)
16	Negative result from disposal of PP&E and intangible assets	(17)	(10)
17	Other	(6,756)	(3,863)
18	**Total administrative and other operating expenses**	**(114,087)**	**(84,533)**

Figures of this note are used in the line “Administrative and other operating expenses” of the Statement of Profit or Loss and Other Comprehensive Income (Income Statement).

Note 27. Income tax expenses

Table 27.1 Income tax expenses

Line	Item	for 2018	for 2017
1	2	3	4
1	Current income tax expenses	-	-
2	Benefit from deferred income tax	-	19,874
3	**Total tax benefits**	**-**	**19,874**

Figures of this note are used in the Statement of Profit or Loss and Other Comprehensive Income (Income Statement).

Table 27.2. Reconciliation of expected and actual tax expense

Line	Item	31 Dec 2018	31 Dec 2017
1	2	3	4
1	**Profit before tax**	(19,708)	6,531
2	Theoretical tax deductions at the current tax rate (2017 – 18%, 2016 – 18%)	3,547	(1,176)
3	Expenses not included in tax expenses	(1,319)	16,836
4	Accumulated tax losses	5,719	9,055
5	Non-recognition of deferred tax assets	(7,947)	(4,841)
6	Income tax benefits/(expenses) for the year	-	19,874

The Bank recognised deferred tax asset on the basis of the Bank's financial model approved for 2018–2020 and key profitability ratios set for 2018-2020.

Table 27.3 Tax consequences related to recognition of deferred tax assets and deferred tax liabilities as at 31 December 2018

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

Table 27.4. Tax consequences related to recognition of deferred tax assets and deferred tax liabilities as at 31 December 2017

Line	Item	Balance as at 1 January 2017	Transfer to non-current assets held for sale	Recognised in profit/loss	Recognised in equity	Balance at the end of the day 31 December 2017
1	2	3	4	5	6	7
1	Carrying amount of PP&E and intangible assets	126	-	16,117	-	16,243
2	Negative result from selling securities	**-**	**-**	1,823	-	1,823
3	Impairment of securities	**-**	**-**	719	-	719
4	Carryforward of tax losses for previous periods	**-**	**-**	6,056	-	6,056
5	Non-recognition of deferred tax assets	**-**	**-**	(4,841)	-	(4,841)
6	**Net deferred tax asset/(liability)**	**126**	**-**	**19,874**	**-**	**20,000**
7	Recognised deferred tax asset	126	-	19,874	-	20,000

Note 28. Profit/(loss) per ordinary and preference share

Table 28.1. Net and adjusted profit/(loss) per one ordinary and preference share.

Line	Item	31 Dec 2018	31 Dec 2017

1	2	4	5
1	Profit/(loss) attributable to holders of ordinary shares of the Bank	(19,708)	12,939
3	**Profit/(loss) for the year**	**(19,708)**	**12,939**
4	Average annual number of ordinary shares in issue (in thousands)	300	300
6	**Net and adjusted profit/(loss) per ordinary share (UAH)***	**(65.69)**	**43.13**

*Nominal value per share of the Bank – UAH 1,000.00

Figures of this note are used in the lines “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 21 “Share capital and share premium”.

Note 29. 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 29.1. Income, expenses and results of operating segments as at 31 December 2018

Line	Item	Reporting 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 provision for impairment of loans and cash in other banks	(45,132)	23,310	-	-	(21,822)
7	Allocated to the provision for impairment of 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 29.2. Income, expenses and results of operating segments for as at 31 December 2017

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:	**246,666**	**122,155**	**23,040**	**2,919**	**394,780**
1	Interest income	177,918	45,175	22,489	-	245,582
2	Fee and commission income	68,507	60,541	551	-	129,599
3	Other operating income	241	16,439	-	2,919	19,599
4	**Total segment income**	**246,666**	**122,155**	**23,040**	**2,919**	**394,780**
5	Interest expenses	(51,147)	(117,111)	(18,651)	(9,539)	(196,448)
6	Allocated to the provision for impairment of loans and cash in other banks	10,629	(3,997)	-	-	6,632
7	Allocated to the provision for impairment of accounts receivable and other financial assets	(347)	(1)	-	-	(348)
8	Result from transactions with financial instruments carried through profit or loss	-	-	(5,787)	-	(5,787)
9	Result from revaluation of other financial instruments at FVTPL	-	-	(4,852)	-	(4,852)
10	Result from foreign currency transactions	-	-	85,970	-	85,970
1	2	3	4	5	6	7
11	Result from revaluation of foreign currency transactions	-	-	(3,371)	-	(3,371)
12	Fee and commission expenses	(206)	(4,529)	(3,410)	(5)	(8,150)
13	Allocated to provision for liabilities	(3,391)	(364)	-	-	(3,755)

14	Administrative and other operating expenses	(546)	(9,124)	(18,418)	(233,753)	(261,841)
15	Income tax expense	-	-	-	19,874	19,874
16	Effect of adopting IFRS 9	(16,574)	3,107	-	1	(13,466)
17	**SEGMENT RESULT:**	185,084	(9,864)	54,521	(220,503)	9,238

In 2017, the JSC “CB GLOBUS” had no counterparty, whose total operating income would exceed 10% of the Bank’s income.

Table 29.3. Assets and liabilities of operating segments for the reporting period as at 31 December 2018

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						
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**

Line 6 column 6 “Other segments and transactions” reflect subordinated debt.

Unallocated assets include cash flows, bank metals, correspondent account in the National Bank of Ukraine, derivative financial assets, other assets.

Unallocated liabilities include derivative financial liabilities and other liabilities not classified into segments.

Table 29.4. Assets and liabilities of operating segments as at 31 December 2017

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	721,185	511,127	760,681	72,713	2,065,706
2	Non-current assets held for sale (disposal groups)	-	-	-	5,186	5,186
3	Total segment assets	721,185	511,127	760,681	77,899	2,070,892
4	Unallocated assets	-	-	-	374,007	374,007
5	**Total assets**	**721,185**	**511,127**	**760,681**	**451,906**	**2,444, 899**
SEGMENT LIABILITIES						
6	Segment liabilities	966,857	990,395	1	60,441	2,017, 694
7	Liabilities of disposal groups	-	-	-	-	-
8	Total segment liabilities	966,857	990,395	1	60,441	2,017, 694
9	Unallocated liabilities	-	-	-	109,777	109,777
10	**Total liabilities**	**966,857**	**990,395**	**1**	**170,218**	**2,127,471**

Table 29.5. Information about geographical regions

Line	Item	2018			2017		
		Ukraine	other countries	total	Ukraine	other countries	total
1	Income from external customers	621,279	136	621,415	394,670	111	394,781
2	Property, plant and equipment	206,089	-	206,089	329,220	-	329,220

Note 30. 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 in order 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 2018, credt risk ratios were as follows:
- (N7) - maximum credit risk ratio per counterparty – 21.21%;
- (N8) - high credit risk ratio – 193.07%.

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 can be 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 dynamics (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 refers to a quantitative limit set 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 them at a higher interest rate tied 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 the elements for managing assets and liabilities 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 – management of the Bank's current payment position and 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 2018 were as follows:

- N4 - instant liquidity ratio – 71.91%;
- N5 - current liquidity ratio – 69.60%;
- N6 - short-term liquidity ratio – 71.62%.

Currency risk

Table 30.1. Currency risk analysis

Line	Currency	31 Dec 2018				31 Dec 2017			
		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	357,772	(356,580)	4,120	5,312	400,167	(388,827)	(15,308)	(3,968)
2	EUR	75,123	(78,845)	0	(3,722)	35,780	(60,357)	-	(24,577)
3	Gold	2,454	(891)	0	1,563	1,759	(1,625)	-	134
4	Other	3,052	(1,848)	0	1,204	1,591	(291)	-	1,300
5	Total	438,401	(438,164)	4,120	4,357	439,297	(451,100)	(15,308)	(27,111)

Table 30.2. 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 doesn't differ from 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 Dec 2018		31 Dec 2017	
		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%	266	266	(198)	(198)

Line	Item	31 Dec 2018		31 Dec 2017	
		effect on profit/ (loss)	effect on equity	effect on profit/ (loss)	effect on equity
2	USD strengthening by 15%	797	797	(595)	(595)
3	USD weakening by 5%	(266)	(266)	198	198
4	EUR strengthening by 5%	(186)	(186)	(1,229)	(1,229)
5	EUR strengthening by 15%	(558)	(558)	(3,686)	(3,686)
6	EUR weakening by 5%	186	186	1,229	1,229
7	Gold strengthening by 5%	78	78	7	7
8	Gold weakening by 5%	(78)	(78)	(7)	(7)
9	Strengthening of other currencies by 5%	60	60	65	65
10	Weakening of other currencies by 5%	(60)	(60)	(65)	(65)

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 30.3. 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, 2018		Weighted average FX rate, 2017	
		effect on profit/ (loss)	effect on equity	effect on profit/ (loss)	effect on equity
1	USD strengthening by 5%	261	261	(188)	(188)
2	USD strengthening by 15%	783	783	(564)	(564)
3	USD weakening by 5%	(261)	(261)	188	188
4	EUR strengthening by 5 %	(189)	(189)	(1,102)	(1,102)
5	EUR strengthening by 15 %	(566)	(566)	(3,306)	(3,306)
6	EUR weakening by 5%	189	189	1,102	1,102
7	Gold strengthening by 5%	76	76	6	6
8	Gold weakening by 5%	(76)	(76)	(6)	(6)
9	Strengthening of other currencies by 5%	62	62	59	59
10	Weakening of other currencies by 5%	(62)	(62)	(59)	(59)

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 30.4. General analysis of the interest rate risk

Line	Item	On demand and less than 1 month	From 1 to 12 months	More than 1 year	Non-monetary	Total
1	2	3	4	5	6	7
	2018					
1	Total financial assets	412,731	798,565	766,170	-	1,977,466
2	Total financial liabilities	1,201,778	658,076	426,970	-	2,286,824
3	Net gap on interest rates at the end of the previous period	(789,047)	140,489	339,200	-	(309,358)
	2017					
4	Total financial assets	431,751	668,078	656,701	-	1,756,530
5	Total financial liabilities	464,500	674,963	247,233	-	1,386,696
6	Net gap on interest rates at the end of the previous period	(32,751)	(6,885)	409,468	-	369,832

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 30.5. Monitoring of interest rates on financial instruments;

(%)

Line	Item	2018				2017			
		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	16.25	7.00	-	-	12.25	6.81	-	-
3	Cash in other banks	-	-	-	-	7.13	-	-	-
4	Loans and advances to customers	20.37	11.00	-	-	19.77	13.25	12.00	-
5	Other assets	-	-	-	-	-	-	-	-
	Liabilities								
6	Amounts due to banks	-	-	-	-	13.70	2.55	-	-
7	Amounts due to customers	13.12	2.76	2.00	1.75	13.03	4.09	3.71	3.90
7.1	current accounts	6.52	0.65	0.1	-	6.42	1.69	1.09	-
7.2	term deposits	16.93	4.37	3.96	4.86	17.58	5.44	4.64	4.16
8	Other liabilities	-	-	-	-	-	-	-	-
9	Subordinated debt	8.95	8.75	-	-	8.9	-	-	-

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 30.6. 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	46,805	-	60,456	107,261
10	**Total financial liabilities**	**2,249,929**	**6,221**	**68,505**	**2,324,655**
11	Net balance sheet position on financial instruments	147,857	-6,221	-67,795	73,841
12	Credit-related commitments	886,354	-	-	886,354

Table 30.7. Analysis of geographical concentration of financial assets and liabilities as at 31 December 2017;

Line	Item	Ukraine	OECD	Other countries	Total
1	2	3	4	5	6
	Assets				
1	Cash and cash equivalents	307,311	-	16	307,327
2	Investments in securities	520,688	-	-	520,688
3	Loans and advances to customers	1,232,212	100	-	1,232,312
4	Other financial assets:	16,290	1	4	16,295
5	**Total financial assets**	**2,076,501**	**101**	**20**	**2,076,622**
	Liabilities				
6	Amounts due to other banks	1	-	-	1
7	Amounts due to customers	1,935,041	906	1,047	1,936,994

Line	Item	Ukraine	OECD	Other countries	Total
1	2	3	4	5	6
8	Debt securities issued by the Bank	20,257	-	-	20,257
9	Other borrowings	-	-	59,961	59,961
10	Other financial liabilities	27,368	-	-	27,368
11	Subordinated debt	-	-	60,441	60,441
12	**Total financial liabilities**	**1,982,667**	**906**	**121,449**	**2,105,022**
13	Net balance sheet position on financial instruments	93,834	(805)	(121,429)	(28,400)
14	Credit-related commitments	554,365	-	-	554,365

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 30.8. Analysis of financial liabilities by maturities as at 31 December 2018

Line	Item	On demand and less than 1 month	From 3 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	Other borrowings	-	-	-	-	-
5	Subordinated debt	737	-	-	106,524	107,261
6	Other financial liabilities	41,746	318	1	11	42,076
7	Supply forward contracts, net	-	-	-	-	-
8	Financial guarantees	86,644	151,196	162,681	-	400,521
9	Other credit-related commitments	316,969	149,454	12,841	6,570	485,834
10	**Total potential future payments on financial liabilities**	**1,642,892**	**959,044**	**487,216**	**121,858**	**3,211,010**

Table 30.9. Analysis of financial liabilities by maturities as at 31 December 2017

Line	Item	On demand and less than 1 month	From 3 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	1	-	-	-	1
2	Amounts due to customers	1,086,436	656,883	193,675	-	1,936,994
2.1	Amounts due to individuals	271,837	573,083	125,217	-	970,137
2.2	Other	814,599	83,800	68,458	-	966,857
3	Debt securities issued by the Bank	1,425	18,832	-	-	20,257
4	Other borrowings	-	59,961	-	-	59,961
5	Subordinated debt	441	-	-	60,000	60,441
6	Other financial liabilities	27,162	200	6	-	27,368
7	Supply forward contracts, net	-	-	-	-	-
8	Financial guarantees	78,284	139,914	58,500	-	276,698
9	Other credit-related commitments	199,455	54,977	23,234	-	277,666
10	**Total potential future payments on financial liabilities**	**1,393,204**	**930,767**	**275,414**	**60,000**	**2,659,385**

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 30.10. 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
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
5	**Total financial assets**	**853,800**	**774,670**	**474,359**	**295,667**	**2,398,496**

Line	Item	On demand and less than 1 month	From 1 to 12 months	From 12 months to 5 years	Over 5 years	Total
	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	737	-	-	106,524	107,261
10	**Total financial liabilities**	**1,239,279**	**658,394**	**311,693**	**115,289**	**2,324,655**
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	

Table 30.11. Analysis of financial assets and liabilities by maturities based on expected maturities as at 31 December 2017;

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	307,327	-	-	-	307,327
2	Investments in securities	211,170	210,122	99,396	-	520,688
3	Cash in other banks	-	-	-	-	-
4	Loans and advances to customers	220,069	456,023	395,928	160,292	1,232,312
5	Other financial assets:	14,053	1,934	150	158	16,295
6	**Total financial assets**	**752,619**	**668,079**	**495,474**	**160,450**	**2,076,622**
	Liabilities					
7	Amounts due to other banks	1	-	-	-	1
8	Amounts due to customers	1,086,436	656,884	193,674	-	1,936,994
9	Debt securities issued by the Bank	1,425	18,832	-	-	20,257
10	Other borrowings	-	59,961	-	-	59,961
11	Other financial liabilities	27,162	200	6	-	27,368
Line	Item	On demand and less than 1 month	From 1 to 12 months	From 12 months to 5 years	Over 5 years	Total

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
12	Subordinated debt	441	-	-	60,000	60,441
13	**Total financial liabilities**	**1,115,465**	**735,877**	**193,680**	**60,000**	**2,105, 022**
14	Net liquidity gap at the end of the day 31 December	(362,846)	(67,798)	301 7954	100,450	(28,400)
15	Gross liquidity gap at the end of the day 31 December	(362,846)	(430,644)	(128,849)	(28,400)	

Note 31. 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 sufficiency 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 31.1. Regulatory capital structure

Line	Item	**31 Dec 2018**	**31 Dec 2017**
1	Regulatory capital	263,920	303,784
1.1	core capital (tier 1 capital), including:	157,404	243,784
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	-
1.1.3	reduction of core capital (intangible assets less amortisation; capital investments in intangible assets; loss for previous and current years), including:	(143,946)	(56,216)
1.1.3.1	intangible assets less amortisation	(27,115)	(6,873)
1.1.3.2	capital investments in intangible assets	(9)	(14)
1.1.3.3	loss for previous periods (5031)	(1,089)	(8,977)
1.1.3.4	estimated loss for the current year	(115,733)	(40,352)
1.2	additional capital (tier 2 capital), including:	106,516	60,000
Line	Item	**31 Dec 2018**	**31 Dec 2017**
1.2.1	subordinated debt included in capital	106,516	60,000
For reference:			

2	Estimated profit/loss for the current year (Rpr/z)	(115,733)	(40,352)
3	Result of the current year (5999)	(19,708)	64,129
4	Result of the reporting year (group 504)	0	0
5	Excess of uncovered credit risk	(85,161)	(100,434)
6	Income not received for more than 30 days from the accrual date, for which the term of payment has not expired	(7,645)	(7,621)
7	Accrued income for which the term of payment has expired	(6,947)	(4,409)
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 ‘-’)	3,728	7,983

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 2018, the capital remained within the ratios set.

As at 31 December 2018, the capital was as follows:

N1 - regulatory capital of the Bank – UAH 263,920 thousand;
N2 - regulatory capital adequacy ratio – 12.04%;
N3 - core capital sufficiency ratio – 7.18%.

As at 31 December 2017, the capital was as follows:

N1 - regulatory capital of the Bank – UAH 303,784 thousand;
N2 - regulatory capital adequacy ratio – 14.40%.

Note 32. Contingent liabilities of the Bank

Legal proceedings.

In 2018, 7 lawsuits were initiated against the Bank for the total of UAH 1,031 thousand:

- 1 lawsuit concerned termination of the guarantor contract;
- 2 lawsuits concerned contract rescission;
- 4 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 2017, the contractual obligations associated with the acquisition of property, plant and equipment and non-current tangible assets account for UAH 107.3 thousand and intangible assets account for UAH 21.6 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 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 commitments is assessed for as insignificant.
As at 31 December 2018, the amount of credit commitments (excluding guarantees, aval) recognised by the Bank is UAH 485,833 thousand, and consists of:
- risk exposed (irrevocable) – UAH 52,686 thousand;
- risk free (revocable) – UAH 433,147 thousand.

Table 32.2. Structure of loan commitments

Line	Item	31 Dec 2018	31 Dec 2017
1	2	3	4
1	Loan commitments provided	485,833	277,667
2	Guarantees issued	400,521	276,698
3	Provision for credit-related commitments	(1,625)	(6,646)
4	**Total credit-related commitments less provisions**	**884,729**	**547,719**

Table 32.3. Loan commitments by currencies

Line	Item	31 Dec 2018	31 Dec 2017
1	2	3	4
1	UAH	760,179	488,090
2	USD	63,048	17,169
3	EUR	61,502	42,460
4	**Total**	**884,729**	**547,719**

Table 32.4. Assets pledged as collateral without derecognition.

Line	Item	31 Dec 2018		31 Dec 2017	
		assets pledged as collateral	secured liability	assets pledged as collateral	secured liability
1	2	3	4	5	6
1	Property rights to cash	2,908	2,908	6,704	6,704
2	**Total**	**2,908**	**2,908**	**6,704**	**6,704**

Note 33. Derivative financial instruments

Table 33.1. Fair value of derivative financial instruments carried through profit/loss

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 had entered into forward contracts to acquire domestic government bonds and swap contracts.

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.

Line	Item	Note	31 Dec 2018		31 Dec 2017	
			positive fair value	negative fair value	positive fair value	negative fair value
1	2	3	4	5	6	7
1	Forward contracts	12	-	5	-	-
2	Swap contracts	20	-	-	-	118
3	Net fair value	20	-	5	-	118

Hedge accounting

Although the Bank trades with derivatives designated for risk hedge accounting, these instruments are not eligible for hedge accounting.

Note 34. Result from transactions with financial assets at fair value through profit or loss

Table 34.1. Result from transactions with financial assets at fair value through profit or loss as at 31 December 2018.

Line	Item	Income less expense from transactions with financial assets at FVTPL	Income less expense from transactions with other financial assets at FVTPL
1	2	3	4
1	Government bonds	(7,304)	(91)
2	Total result from transactions with debt securities at FVTPL	(7,304)	(91)
3	Foreign currency sales and purchase	61,706	(12,094)
4	Total result from transactions with financial assets at FVTPL	54,402	(12,185)

Table 34.2 Result from transactions with financial assets at fair value through profit or loss as at 31 December 2017.

Line	Item	Income less expense from transactions with financial assets at FVTPL	Income less expense from transactions with other financial assets at FVTPL
1	2	3	4
1	Government bonds	(3,300)	(7,519)
2	Total result from transactions with debt securities at FVTPL	(3,300)	(7,519)
3	Foreign currency sales and purchase	(2,487)	2667
4	Total result from transactions with financial assets at FVTPL	(5,787)	(4,852)

Note 35. Presentation of financial instruments by measurement categories

Table 35.1. Financial assets by measurement categories as at 31 December 2018

Line	Item	Financial assets at AC	Financial assets at FVTPL	Total
1	2	3	4	5
	ASSETS			
1	Cash and cash equivalents	438,558	-	438,558
2	Investments in securities	115,151	282,592	397,743
3	Loans and advances to customers:	1,552,002	-	1,552,002
3.1	loans to entities	736,417	-	736,417
3.2	Loans to individual entrepreneurs	7,939	-	7,939
3.3	mortgages of individuals	383,247	-	383,247
3.4	consumer loans to individuals	114,119	-	114,119
3.5	other loans to individuals	310,280	-	310,280
4	Other financial assets:	12,228	-	12,228
4.1	accounts receivable on securities	30	-	30
4.2	accounts receivable on transactions with payment cards	93	-	93
4.3	cash on settlement accounts in other banks	3,528	-	3,528
4.4	Other financial assets	8,577	-	8,577

5	**Total financial assets**	**2,117,939**	**282,592**	**2,400,531**

Table 35.2 Financial assets by measurement categories as at 31 December 2017

(UAH ‘000)

Line	Item	Loans and other receivables	Financial assets at FVTPL	Total
1	2	3	4	5
	ASSETS			
1	Cash and cash equivalents	307,327	-	307327
2	Financial assets at FVTPL	-	520,688	520,688
3	Loans and advances to customers:	1,232,312	-	1,232,312
3.1	loans to entities	711,996	-	711,996
3.2	Loans to individual entrepreneurs	9,189	-	9,189
3.3	mortgages of individuals	181,259	-	181,259
3.4	consumer loans to individuals	53,284	-	53,284
3.5	other loans to individuals	276,584	-	276,584
4	Other financial assets:	16,295	-	16,295
4.1	Accounts receivable on securities	159	-	159
4.2	accounts receivable on transactions with payment cards	4,543	-	4,543
4.3	restricted cash	2,444	-	2,444
4.4	Other financial assets	9,149	-	9,149
5	**Total financial assets**	**1,555, 934**	**520,688**	**2,076, 622**

Note 36. 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 36.1 Analysis of financial instruments at fair value through profit or loss according to fair value hierarchy as at 31 December 2018.

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 36.2 Analysis of financial instruments at fair value through profit or loss according to fair value hierarchy as at 31 December 2017.

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**	**405,570**	**115,118**	**-**	**520,688**
1.1	government bonds	405,570	-	-	405,570
1.2	Certificates of deposit issued by the NBU	-	115,118	-	115,118
2	**Other financial assets:**	**-**	**-**	**-**	**-**
2.1	derivative financial assets	-	-	-	-
3	**Total financial assets at FV**	**405,570**	**115,118**	**-**	**520,688**

II	FINANCIAL LIABILITIES				
4	**Other financial liabilities**	**-**	**-**	**118**	**118**
4.1	derivative financial liabilities	-	-	118	118
5	**Total financial liabilities at FV**	**-**	**-**	**118**	**118**

Table 36.3 Fair value and inputs used in valuation of assets and liabilities as at 31 December 2018

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
3.5	mortgages of 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:**	**-**	**-**	**12,228**	**12,228**	**12,228**
4.1	accounts receivable on securities	-	-	30	30	30
4.2	accounts receivable on transactions with payment cards	-	-	93	93	93
4.3	restricted cash	-	-	3,528	3,528	3,528
4.4	Other financial assets	-	-	8,577	8,577	8,577
5	**Total assets**	**282,592**	**438,558**	**1,679,381**	**2,400,531**	**2,400,531**

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
1	2	3	4	5	6	7
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 with payment cards	**-**	-	93	93	93
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**	**-**	-	**107,261**	**107,261**	**107,261**
11	**Total liabilities**	**-**	-	**2,324, 655**	**2,324, 655**	**2,324, 655**

Table 36.4 Fair value and inputs used in valuation of assets and liabilities as at 31 December 2017

(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**	**-**	**307,327**	**-**	**307,327**	**307,327**
1.1	cash	-	69,779	-	69,779	69,779
1.2	balances with the National Bank of Ukraine (excluding mandatory reserves)	-	79,740	-	79,740	79,740
1	2	3	4	5	6	7
1.3	Correspondent accounts,	-	157,808	-	157,808	157,808

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
	overnight deposits and loans in banks					
2	**Investments in securities**	**405,570**	**115,118**	**-**	**520,688**	**520,688**
2.1	government bonds	405,570	-	-	405,570	405,570
2.2	Certificates of deposit issued by the NBU	-	115,118	-	115,118	115,118
3	**Cash in other banks**	**-**	**-**	**-**	**-**	**-**
4	**Loans and advances to customers**	**-**	**-**	**1,232,312**	**1,232,312**	**1,232,312**
4.1	loans to entities	-	-	711,996	711,996	711,996
4.2	loans to individual entrepreneurs	-	-	9,189	9,189	9,189
4.5	mortgages of individuals	-	-	181,259	181,259	181,259
4.6	consumer loans to individuals	-	-	53,284	53,284	53,284
4.7	other loans to individuals	-	-	276,584	276,584	276,584
5	**Other financial assets:**	**-**	**-**	**16,295**	**16,295**	**16,295**
5.1	accounts receivable on securities	-	-	159	159	159
5.2	accounts receivable on transactions with payment cards	-	-	4,543	4,543	4,543
5.3	restricted cash	-	-	2,444	2,444	2,444
5.4	Other financial assets	-	-	9,149	9,149	9,149
6	**Total assets**	**405,570**	**422,445**	**1,248, 607**	**2,076,622**	**2,076,622**
II	LIABILITIES					
7	**Amounts due to banks**	**-**	-	**1**	**1**	**1**
7.1	correspondent accounts and overnight deposits of other banks	-	-	1	1	1
8	**Amounts due to customers**	**-**	-	**1,936,994**	**1,936, 944**	**1,936, 944**
8.1	government and non-government organisations	-	-	3,911	3,911	3,911
8.2	other entities	-	-	962,946	962,946	962,946
8.3	individuals	-	-	970,137	970,137	970,137
9	**Debt securities issued by the Bank**	**-**	-	**20,257**	**20,257**	**20,257**
9.1	certificates of deposit	-	-	20,257	20,257	20,257
10	**Other borrowings**	**-**	-	**59,961**	**59,961**	**59,961**
10.1	Loans received from international and other financial institutions	-	-	59,961	59,961	59,961
11	**Other financial liabilities**	**-**	-	**27,368**	**27,368**	**27,368**
11.1	derivative financial liabilities	-	-	272	272	272

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
11.2	accounts payable on transactions with payment cards	-	-	11,764	11,764	11,764
1	2	3	4	5	6	7
11.3	accounts payable on foreign currency transactions	-	-	118	118	118
11.4	other financial liabilities	-	-	15,214	15,214	15,214
12	**Subordinated debt**	-	-	**60,441**	**60,441**	**60,441**
13	**Total liabilities**	-	-	**2,105, 022**	**2,105, 022**	**2,105, 022**

Note 37. Related-party transactions

Table 37.1. Balances of related-party transactions 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	Provisions for loan debt	-	-	(12)	(1)
3	Amounts due to customers (contractual interest rate 1-25.5%)	1,324	639	4,334	24,435

Table 37.2. 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 provision for impairment of loans and cash in other banks	(1)	-	(15)	(35)

Table 37.3. Other rights and commitments under related-party transactions at the end of the day 31 December 2018

Line	Item	Major participants	Key	Other related

		(shareholders) of the Bank	management personnel	parties
1	Other loan commitments given to customers	250	871	6,502

Table 37.4. 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 37.5. Balances of related-party transactions as at 31 December 2017

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%)	-	-	1,460	5,009
2	Provision for loan debt	-	-	(28)	(35)
3	Amounts due to customers (contractual interest rate 1-25.5%)	4,852	9,355	7,119	27,965
4	Provisions for liabilities	-	-	(20)	(3)

Table 37.6. Income and expense from related-party transactions for 2017

Line	Item	Major participants (shareholders) of the Bank	Entities under common control	Key management personnel	Other related parties
1	Interest income	-	-	222	1,227
2	Interest expenses	(5,333)	(2,201)	(674)	(4,446)
3	Fee and commission income	11	12	14	25
4	Allocated to the provision for loan impairment and cash in other banks	-	-	(19)	(22)
5	Allocated to provision for liabilities	-	-	(2)	(3)

Table 37.7. Other rights and commitments under related-party transactions at the end of the day 31 December 2017

Line	Item	Major participants (shareholders) of the Bank	Key management personnel	Other related parties
1	2	3	4	5
1	Other loan commitments given to customers	-	1,963	264

Table 37.8. Total amount of loans issued to related parties and repaid by related parties for 2017

Line	Item	Major participants (shareholders) of the Bank	Key management personnel	Other related parties
1	2	3	4	5
1	Amount of loans issued to related parties for the period	-	1,208	20
2	Amount of loans repaid by related parties for the period	-	114	44

Table 37.9. Remuneration of key management personnel.

Line	Item	2018		2017	
		expenses	accrued liabilities	expenses	accrued liabilities
1	2	3	4	5	6
1	Current employee benefits	35,892	3,536	18,972	1,590

Note 38. Effect of changes in accounting policies due to adopting new standards and correction of significant errors

Effect of changes in accounting policies due to adopting IFRS 9

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively. Comparatives for the previous periods were not restated. Differences between the prior carrying amount of the instruments and their carrying amount under IFRS 9 were recognised in retained earnings as at 1 January 2018.

Table 38.1 Effect of changes in accounting policies due to adopting new standards on carrying amount

	Measurement category		Carrying amount under IAS 39 (balance at the end of the period 31 December 2017) before provisions	Effect of adopting IFRS 9	Carrying amount under IFRS 9 (balance at the beginning of the period 1 January 2018) before provisions
	IAS 39	IFRS 9			
Cash and cash equivalents	Correspondent accounts with other banks	measured at AC	157,808	-	157,808
Financial assets at FVTPL	Trading securities	measured at FVTPL	520,688	-	520,688
Loans and advances to customers	Loans to individuals	measured at AC	511,127	3,107	514,234
	Loans to entities	measured at AC	721,185	(16,734)	704,451
	Total loans and advances to customers	*measured at AC*	*1,232,312*	*(13,627)*	*1,218, 685*
Other financial assets:	Accounts receivable	measured at AC	1,341	1	1,342
	Total financial assets	*measured at AC*	*1,341*	*1*	*1,342*
Total financial assets	**Total financial assets**		**1,912,149**	**(13,626)**	**1,898, 513**
Financial liabilities	Guarantees provided	measured at FVTPL	272,339	611	272,950
	Other financial liabilities	measured at AC	275,381	(451)	274,930
	Total financial liabilities		547720	160	547880
Total effect of IFRS 9				(13,466)	

As a result of applying IFRS 9, financial liabilities were not reclassified.

The table below analyses the effect of transition to IFRS 9 on retained earnings. Adoption of IFRS 9 had no effect on other equity components.

Table 38.2 Effect of changes in accounting policies due to adopting new standards on retained earnings

	Changes due to applying IFRS 9 as at 1 January 2018
Closing balance under IAS 39	26,405
Recognition of expected credit losses under IFRS 9 (including loan commitments)	(13,466)
Closing balance under IFRS 9 (1 January 2018)	12,939

The table below reconciles:

- the closing balance of provisions for impairment of financial assets under IAS 39 and provisions for loan commitments under IAS 37 Provisions, Contingent Liabilities and Contingent Assets as at 31 December 2017; and
- the opening balance of expected credit losses determined under IFRS 9 as at 1 January 2018.

Table 38.3. Effect of changes in accounting policies due to adopting new standards on provisions for impairment of financial assets

	Measurement category		Provision under IAS 39 (balance at the end of the period 31 December 2017)	Effect of adopting IFRS 9	Provision under IFRS 9 (balance at the beginning of the period 1 January 2018)
	IAS 39	IFRS 9			
Loans and advances to customers	Loans to individuals	measured at AC	(17,910)	3,107	(14,803)
	Loans to entities	measured at AC	(130,020)	(16,734)	(146,754)
	Total loans and advances to customers	*measured at AC*	*(147,930)*	*(13,627)*	*(161,557)*
Other financial assets:	Accounts receivable	measured at AC	(689)	1	(688)
	Total financial assets	*measured at AC*	*(689)*	*1*	*(688)*
Total financial assets	**Total financial assets**		**(148,619)**	**(13,626)**	**(162,245)**
Financial liabilities	Guarantees provided	measured at FVTPL	(4,359)	611	(3,748)
	Other financial liabilities	measured at AC	(2,286)	(451)	(2,737)
	Total financial liabilities		(6,645)	160	(6,485)
Total effect of IFRS 9			(155,264)	(13,466)	(168,730)

Correction of errors

The external auditor's opinion on the financial statements of the Bank for the year ended 31 December 2017 contained warnings about the need to reduce the value of the Bank's property as at 31 December 2017, which was accounted for in the investment property, due to the cancellation of the Bank's ownership to such property in 2017 through legal action.

In 2018, the Bank recognised losses from writing off that property in the item "Other administrative and operating expenses", which did not comply with IFRS.

Under IFRS 8 Accounting Policies, Changes in Accounting Estimates and Errors, such errors of the previous period shall be corrected retrospectively by restating the comparative amounts for the reporting period in which the error occurred.

The Bank did a respective restatement as at 31 December 2017 and recognised the restatement in opening balances for the reporting 2018.

The table below illustrates the effect of the restatement on accounting items:

Report	Accounting item	Before restatement as at 31 December 2017	After restatement as at 31 December 2017	Effect of restatement
Statement of Financial Position	Investment property	256,507	252,806	(3,701)
Statement of Financial Position	Retained earnings (uncovered loss)	17,428	13,727	(3,701)
Statement of Profit or Loss and other Comprehensive Income	Administrative and other operating expenses	(80,756)	(84,533)	(3,777)
Statement of Profit or Loss and other Comprehensive Income	Impairment of investment property	(89,270)	(89,194)	76
Statement of Changes in Equity	Total comprehensive income adjusted for 2017	26,405	22,704	(3,701)

Adjustments made had no effect on the Statement of Cash Flows.

Adjustments of annual financial statements of the Bank in accordance with conclusions/recommendations based on the external audit findings

The Bank adjusted the annual financial statements for 2019 according to conclusions/recommendations based on the external audit findings that the Bank obtained after 31 March 2019. In this regard, the Bank will recognise the results of adjustments in accounting before the deadline for submitting the interim financial statements for the six months of 2019. In particular, the Bank decreased the carrying amount for an investment property item and retained earnings, increased the losses from impairment of investment property in the statement of profit or loss and other comprehensive income for 2018 by UAH 18,118 thousand. The carrying amount of loans and advances to customers was also decreased as at 31 December 2018, and the net loss from impairment of loans and advances to customers for 2018 was decreased by UAH 25,000 thousand.

Adjustments made had no effect on the Statement of Cash Flows.

Note 39. Events after the reporting date

No significant events occurred between the balance sheet date and the date on which the Bank's financial statements for the year ended 31 December 2018 were authorised for issue 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.

Authorised for issue and signed on 26 April 2019.

Chairman of the Management Board	S.H. Mamedov
Chief Accountant	A.M. Lipatova