ACTIV-AUDIT
audit and consulting

INDEPENDENT AUDITOR'S REPORT

of Audit firm "ACTIVE-AUDIT"
based on the results of the audit the annual financial statements

JOINT STOCK COMPANY
"BANK FOR INVESTMENTS AND SAVINGS"

at the end of the day 31.12.2019

This "Auditor's report" is addressed to:

- The Management Board of JOINT STOCK COMPANY "BANK FOR INVESTMENTS AND SAVINGS";
- National Bank of Ukraine;
- National Commission on Securities and Stock Market;
- All other possible users of the annual financial statements of JOINT STOCK COMPANY "BANK FOR INVESTMENTS AND SAVINGS".

Report on the audit of financial statements

Qualified Opinion

We have audited the annual financial statements of Joint-Stock Company "BANK FOR INVESTMENTS AND SAVINGS". (hereinafter - JSC "BANK FOR INVESTMENTS AND SAVINGS", the Bank), which consists of the Financial Statement as of December 31, 2019, the Statement of profit and loss and other comprehensive income, Statement of changes in equity and Statement of cash flows for the year that ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as of December 31, 2019, its financial results and cash flows for the year that ended, in accordance with International Financial Reporting Standards (IFRS), and meets the requirements of the Law of Ukraine "On Accounting and Financial Reporting in Ukraine" dated July 16, 1999 №. 996-XIV, concerning the preparation of financial statements.

Basis for Qualified Opinion

We note that according to the results of the audit of the Bank's financial statements for 2018, the auditors expressed an opinion with a reservation given the increase in the results of the audit as of December 31, 2018 provisions for loans and receivables by 48,274 thousand UAH, a corresponding increase in expenses for reporting 2018 year and reduction as of December 31, 2018 of assets and capital by the specified amount. This required an appropriate adjustment of incoming balances and comparative information in the Bank's financial statements for the year ended 31 December 2019.

In our opinion, given the accounting estimates employed by the Bank in determining the risk and provisioning for possible losses on credit operations as of the reporting date should be increased provisions for loans and advances to customers amounting to 36,936 thousand UAH, under specified assets as of the reporting date, the costs of reducing the usefulness of financial assets should be reduced and increased in the reporting year. Given the significant credit risks inherent in the Bank, there is a possibility that the Bank's losses from loan impairment and customer indebtedness may increase due to changes in the economic and political situation in Ukraine that we cannot predict.

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibility in accordance with these standards described in section "Auditor's Responsibility for the Audit of Financial Statements" in our report. We are independent in relation to the Bank in accordance with Code of Ethics for Professional Accountants (including international independence standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements applicable in Ukraine to our audit of financial statements, as well as fulfill other ethical obligations in accordance with these requirements and the IESBA Code. We believe that the audit evidence we receive is sufficient and acceptable to use as the basis for our qualified opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of 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 the following issues as key audit issues that should be reflected in our report:

• judgments and estimates of credits and debts of clients;

• valuation of the fair value of investment property;

• related party transactions.

Our views on judgments and assessments of loans and receivables are set out in the section "Basis for qualified opinion".

Valuation of the fair value of Investment Property

As at the reporting date, the Bank's assets include investment property with a carrying amount of 282,020 thousand UAH, which is 7.4% of the total assets of the Bank as at the reporting date.

We identified this area as a key audit issue since the Bank's management should apply the material judgments necessary to determine the fair value of the property in question and given the significant proportion of total assets in the total assets of the Bank. The cost of reflection in the balance of the Bank of the said property is based on the findings of independent appraisers.

We have conducted procedures to determine the range of estimates in which the fair value of the investment property and property passed into the ownership of the bank as mortgagee, including:

- assessed the objectivity, independence of external appraisers who determined the market value of the Bank's property at the reporting date, and analyzed the main approaches and methodology for determining the market value of the objects;
- attracted experts in valuation of real estate in order to obtain an independent opinion on the market value of the Bank's assets at the reporting date.

In addition, we received appropriate confirmation of the Bank's ownership of these assets and analyzed the circumstances related to lawsuits that may lead to a restriction of the Bank's rights to use/dispose of these assets.

Information on the investment property of the Bank is disclosed in Note 10 to the financial statements.

Related party transactions

We identified the issues of identification and recognition of related parties as well as transactions with them as a key issue of audit due to the significant amount of outstanding balances with the Bank's related operations with related parties, as well as considering the subjective nature of the judgments, which are used in identifying and recognizing related parties, and significant estimates of managerial assumptions in determining the control and influence that determine the status of related parties.

Note 34 "Financial risk management" to the Bank's annual financial statements discloses information on exceeding the ratio of the maximum amount of credit risk for operations with persons connected with the Bank (H9) as of the reporting date, the estimated value of which as of the end of the day on December 31, 2019 was 70,92% at the normative value - no more than 25%. The Bank has developed and submitted to the National Bank of Ukraine a plan of measures for bringing in until 01.07.2021 activities in accordance with the requirements of the legislation and regulatory legal acts of the National Bank of Ukraine regarding operations with persons related to the Bank.

Information on significant accounting policies is presented in Note 4 and Note 41 to expand the information on transactions with related parties.

During the audit, we evaluated the approach and methodology used by the Bank to identify related parties in accordance with IAS 24 Related party transactions, the Law of Ukraine on Banks and Banking, and the regulatory requirements of the National Bank of Ukraine. In addition, we have analyzed the approach of the Bank to disclosing information on the balances and transactions with related parties in the financial statements and compliance with the plan agreed upon with the National Bank of Ukraine to bring the Bank's activities in line with the requirements of the legislation and regulatory acts of the National Bank of Ukraine on operations with bank related persons.

Emphasis of Matter

Operating environment

We draw attention to the political and economic changes in Ukraine that have affected and may affect the Bank's activities, as well as to the circumstances that exist at the date of this report related to the epidemiological situation in the world and in Ukraine in particular, resulting in limited and the activity of business entities is suspended. Information on this is provided in Notes 2, 42 to the financial statements. We cannot predict the duration and consequences of these circumstances. The financial statements reflect the current assessment by management of the possible impact of the operating conditions on the Bank's operations and financial condition. Future operating conditions may differ from this estimate and the impact of such future changes on the Bank's operations and financial condition may be material. Our report has not been modified on this issue.

Information other than the Financial Statements and Auditor's Report Thereon

Management is not responsible for other information. Other information consists of the information contained in the Management Report (Report on Management) of the JSC "BANK FOR INVESTMENTS AND SAVINGS" for the year ended 31 December 2019 (overheads - Management Report), but not the financial statements and our auditor's report on it.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

In accordance with the requirements of Art. 40^1 of the Law of Ukraine "On Securities and Stock Market" we report the following.

We checked the information contained in the section "Corporate Governance Report" of the Management Report regarding:

• compliance by the Bank with the provisions of the Code of Corporate Governance,

• held during the reporting period of the general meeting of shareholders of the Bank and adopted at the meeting of decisions,

• the personal composition of the Supervisory Board and the Management Board of the Bank, the committees of the Bank's Management Board, and the meetings and decisions taken by them,

and did not establish significant discrepancies with the information provided in the Code of Corporate Governance of the JSC "BANK FOR INVESTMENTS AND SAVINGS" (approved by the General Meeting of Shareholders of the Bank on 21.04.2019, Protocol No.17) Codes of corporate ethics of JSC "BANK OF INVESTMENTS AND SAVINGS" (approved by the decision of the Supervisory Board of the Bank on 27.03.19, Protocol No.47/7), other Bank's regulations / policies adopted by the Bank in terms of corporate governance, other information and / or our knowledge, obtained during the audit.

We have considered the issues contained in the Corporate Governance Report section of the Management Report regarding:

• the main characteristics of the Bank's internal control and risk management system;

• a list of persons who directly or indirectly own a significant block of shares in the Bank;

• information on any restrictions on the rights of participation and voting of shareholders at the General Meeting of the Bank;

• the procedure for appointing and dismissing officials of the Bank;

• powers of the Bank's officials,

and express our opinion that this information was disclosed by management in compliance with current legislation, in particular the Laws of Ukraine "On Securities and Stock Exchange" and "On Financial Services and State Regulation of Financial Services Markets", consistent with other parts of the annual report and not established material contradicts the information obtained by us during the audit of the financial statements of the Bank.

The Supervisory Board of the Bank considered and approved the Action Plan to implement the recommendations of the National Bank / eliminate inconsistencies to improve corporate governance in accordance with the Guidelines for the organization of corporate governance in banks of Ukraine, approved by the NBU Board No.814-rsh from 03.12.2018.

The responsibility of Management and those charged with Governance for the financial statements

Management is responsible for the preparation and fair financial liability of IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In the preparing of financial statements, management is responsible for assessing the Bank's ability to continue its operations on an ongoing basis, disclosing, where applicable, business continuity issues, and using assumptions of continuity as a basis for accounting, unless management or plans to liquidate the Bank or cease its activities, or has no other real alternatives to it.

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

Auditor's responsibility for audit of financial statements

Our objectives are to obtain reasonable assurance that the financial statements as a whole do not contain material misstatement due to fraud or error and the issuance of an auditor's report containing our opinion. Reasonable confidence is a high level of certainty, but it does not guarantee that an audit conducted in accordance with the ISA will always detect a material misstatement when it exists. Misstatement may be the result of fraud or error; they are considered to be material if, individually or in aggregate, they are reasonably expected to affect the economic decisions of users that are taken on the basis of these financial statements.

As part of an audit in accordance with the requirements of ISA, we use professional judgments and professional skepticism throughout the audit engagement. In addition, we:

• Identify and assess the risks of material misstatement of financial statements as a result of fraud or error, develop and perform audit procedures in response to these risks, and obtain audit evidence that is sufficient and acceptable to use as the basis for our opinion. The risk of non-disclosure of material misstatement due to fraud is higher than for distortion due to a mistake, as fraud may involve collusion, forgery, intentional omission, incorrect statements or neglect of internal control measures;

• Obtain an understanding of the internal control activities related to the audit, to develop audit procedures that are appropriate to the circumstances, rather than to express an opinion on the effectiveness of the internal control system;

• Evaluate the appropriateness of accounting policies and the validity of accounting estimates and relevant disclosures made by management;

• Conclude on to the appropriateness of using the assumption of continuity of activities as a basis for accounting by management and, on the basis of audit evidence obtained, we conclude that there is a significant uncertainty about events or conditions that would significantly cast doubt on the Bank's ability to continue its continuous activities. If we conclude that the existence of such significant uncertainty, we should draw attention in our auditor's report to relevant disclosures in the financial statements or, if such disclosures are inappropriate, to modify their views. Our conclusions are based on audit evidence received prior to the date of our auditor's report. However, future events or conditions may force the Bank to cease its activities on an ongoing basis;

• Assess the overall presentation, structure and content of financial statements, including disclosures, as well as whether the financial statements of operations and events underlying its compilation are presented in such a way as to achieve a credible presentation.

We inform the Supervisory Board about the planned volume and time of the audit and audit significant results, including any significant deficiencies of internal controls identified during our audit.

We also submit to the Supervisory Board the assertion that we have met the relevant ethical requirements for independence, and we notify them of all relations and other issues that might reasonably be considered as affecting our independence and, where applicable, regarding the relevant precautionary measures.

From the list of all issues that were provided to the Supervisory Board, we identified those that were most important during the audit of the current financial statements, that is, those that are key issues in the audit. We describe these issues in our auditor's report except when a legislative or regulatory act prohibits public disclosure of the issue or if, in very exceptional circumstances, we determine that such a question should not be covered in our report, as the negative effects of such coverage may be expected to outweigh it utility for the public interest.

Report on the other legal and regulatory requirements

In accordance with the requirements of the Law of Ukraine "On Banks and Banking", the Law of Ukraine "On Securities and the Stock Exchange", the Law of Ukraine "On the Audit of Financial Reporting and Auditing Activities", the Regulations on the Procedure for Submitting an Audit Report to the National Bank of Ukraine on the Results of the Annual the audit of financial statements (approved by the Resolution of the Board of the National Bank of Ukraine dated August 2, 2014, No90), requirements of the Licensing Conditions for Professional Activity in the Stock Market (Securities Market) - Securities Trading Activities (approved by the decision of the National Commission on Securities and Stock Market No819 from 14.05.2013), Requirements for the audit report submitted to the National Commission on securities and stock market upon receipt of a license to carry out professional activities in the securities market (approved by the decision of the National Commission on Securities and Stock Market No60 from 12.02.2013) we report on other issues related to the Bank's annual financial statements and our audit. The full text of our "Report on the requirements of other laws and regulations» is available at https://www.bisbank.com.ua/files/Richnyy%20finansovyy%20zvit%20za%202019%20rik.pdf.

In carrying out the audit of financial statements for 2018 year, those policies and procedures in the accounting, internal control and risk management systems concerning statements in the financial statements were considered.

Applications:

- Annual financial statements of the Bank

The partner of an audit engagement, resulting in the Report of the independent auditor, is Domarieva Nataliia.

Signed on behalf of the audit firm Limited Liability Company "Audit Firm "ACTIVE-AUDIT" (registration number in the Register of Auditors and Auditors, issues "Audit Subjects", "Subjects of audit activity that are entitled to conduct mandatory audit of financial statements", "Subjects of audit activity that have the right to conduct mandatory audit of financial statements of enterprises of public interest" - 2315)

Director **Mnishchenko V.**

the registration number in the Register of Auditors and Subjects audit activity (issue "Auditors") - 100062

Аудиторська фірма «Актив-Аудит»
Ідентифікаційний код 30785437

An audit engagement partner **Domarieva N.**

Director of Audit

the registration number in the Register of Auditors and Subjects audit activity (issue "Auditors") - 100065

23-B, General Naumova Str., Kiev

07 May 2020

CONTENT

(in thousands of Ukrainian hryvnias unless otherwise indicated)

Statement of financial position
As at 31 December 2019

	Notes	2019	2018
ASSETS			
Cash and cash equivalents	6	737 380	600 949
Loans and liabilities of banks	7	-	14 633
Loans and liabilities of clients	8	2 415 991	2 996 407
Investments in securities	9	212 570	154 307
Derivative financial assets	38	-	242
Investment property	10	282 020	282 020
Deferred tax asset	30	633	398
Property, plant and equipment and intangible assets	12	59 521	44 887
Assets usage rights	11	20 311	-
Other financial assets	13	75 074	103 212
Other assets	14	6 453	8 853
Non-current assets held for sale, and disposal group assets	15	9 197	
Total assets		**3 819 150**	**4 205 908**
LIABILITIES			
Bank funds	16	1	-
Clients` money	17	3 095 802	3 546 690
Derivative financial liabilities	38	1 663	1 225
Debt securities issued by the Bank	18	504	56
Accounts payable on current income tax	30	2 056	686
Provisions for liabilities	19	2 661	982
Lease liabilities of the lessee (lease)	20	18 874	-
Other financial liabilities	21	111 522	96 781
Other liabilities	22	25 052	15 680
Total liabilities		**3 258 135**	**3 662 100**
EQUITY			
Share capital	23	500 000	500 000
Reserves and other funds		34 561	34 055
Revaluation reserves	24	2 175	(371)
Retained earnings /(uncovered losses)		24 279	10 124
Total equity		**561 015**	**543 808**
Total liabilities and equity		**3 819 150**	**4 205 908**

Approved for release and signed

2 April 2020 Chairman of the Board V.O. Zinnikov

Chernukha S.V. Chief Accountant Y.M. Kyryliuk
☎ (044) 207-70-35

Notes on pages 5-49 form an integral part of these financial statements

(In thousands of Ukrainian hryvnias unless otherwise indicated)

Statement of profit or loss and other comprehensive income
For the year ended 31 December 2019

	Notes	2019	2018
Interest income	26	404 112	377 277
Interest expenses	26	(258 053)	(243 813)
Net interest income /(Net interest expenses)		***146 059***	***133 464***
Commission income	27	380 729	320 114
Commission expenses	27	(20 655)	(10 720)
Net income/(loss) from transactions with financial instruments that are recorded at fair value through income or loss		14 154	25 362
Net income from operations with derivative financial instruments		*14 154*	*25 362*
Net income/(loss) from transactions with debt financial instruments that are recorded at fair value through other comprehensive income		-	(2)
Net income/(loss) from operations with foreign currency		27 287	12 477
Net income/(loss) from revaluation of foreign currency		(10 244)	2 955
Net loss from impairment of financial assets	7 8 13	(18 481)	(56 740)
Net loss from impairment of other assets	14	(3)	1 489
Net loss/(income) from increase/(decrease) in provisions for liabilities		(1 679)	804
Net income/(loss) from derecognition of financial assets (liabilities) that are recorded at amortized cost		7 534	5 880
Accumulated income/(loss) from reclassification of financial assets that are recorded at fair value through other comprehensive income to fair value through profit or loss		3 874	(113)
Other operating income	28	19 945	11 451
Employee benefits expenses		(155 482)	(118 912)
Expenses on wear and tear and depreciation		(34 411)	(9 199)
Other administrative and operating expenses	29	(328 605)	(306 292)
Profit/(loss) before income tax		***30 022***	***12 018***
Income tax expense		(5 743)	(1 837)
Profit/(loss) for the year		***24 279***	***10 181***
OTHER COMPREHENSIVE INCOME:			
ARTICLES THAT WILL BE RECLASSIFIED IN PROFIT OR LOSS			
Changes in the results of revaluation of debt financial instruments:		2 546	(335)
net change in fair value		6 420	(448)
net change in fair value, that is carried over to profit or loss		(3 874)	113
Other comprehensive income after tax		2 546	(335)
Total comprehensive income for the year		**26 825**	**9 846**
Total comprehensive income, that belongs to Bank owners		26 825	9 846
Profit/(loss) per share from continuing operations		48.56	20 36
Profit/(loss) per share that belongs to Bank owners		48.56	20 36

Approved for release and signed

2 April 2020 Chairman of the Board V.O. Zinnikov

Chernukha S.V. Chief Accountant Y.M. Kyryliuk
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УКРАЇНА М.КИЇВ «БАНК ІНВЕСТИЦІЙ ТА ЗАОЩАДЖЕНЬ» АКЦІОНЕРНЕ ТОВАРИСТВО
«БАНК ІНВЕСТИЦІЙ ТА ЗАОЩАДЖЕНЬ» №1

(In thousands of Ukrainian hryvnias unless otherwise indicated)

Statement of changes in equity
For the year ended 31 December 2019

	Notes	Share capital	Reserves and other funds	Revaluation reserves	Retained earnings	Total
Balance at 31 December 2017		**500 000**	**33 589**	**(36)**	**9333**	**542 886**
Impact of the application of IFRS 9					(57)	(57)
Adjusted Balance at 1 January 2018		**500 000**	**33 589**	**(36)**	**9 276**	**542 829**
Total comprehensive income		-	-	(335)	10 181	9 846
Profit for the year		-	-		10 181	10 181
Other comprehensive income		-	-	(335)	-	(335)
Allocation of profit to reserves and other funds		-	466		(466)	-
Dividends		-	-	-	(8 867)	(8 867)
Balance at 31 December 2018		**500 000**	**34 055**	**(371)**	**10 124**	**543 808**
Adjusted Balance at 1 January 2019		500 000	34 055	(371)	10 124	543 808
Total comprehensive income		-	-	2 546	24 279	26 825
Profit for the year		-	-		24 279	24 279
Other comprehensive income		-	-	2 546	-	2 546
Allocation of profit to reserves and other funds		-	506		(506)	-
Dividends		-	-	-	(9 618)	(9 618)
Balance at 31 December 2019		**500 000**	**34 561**	**2 175**	**24 279**	**561 015**

Approved for release and signed

2 April 2020 Chairman of the Board V.O. Zinnikov

Chernukha S.V. Chief Accountant Y.M. Kyryliuk
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(In thousands of Ukrainian hryvnias unless otherwise indicated)

Statement of cash flaws
(by direct method)
for the year ended 31 December 2019

	2019	*2018*
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest income received	398 894	363 777
Interest expenses paid	(285 785)	(265 973)
Commission income received	382 194	316 710
Commission expenses paid	(25 817)	(10 145)
The result of transactions with financial instruments that are carried at fair value through profit or loss	14 834	24 920
The result of transactions in financial instruments that are carried at fair value through other comprehensive income to fair value through profit or loss	3 874	(115)
The result of derecognition of financial assets (liabilities) that are carried at amortized cost	7 534	5 880
The result of foreign exchange transactions	27 287	12 477
Other operating income received	19 666	9 556
Staff payments are paid	(158 819)	(121 146)
Administrative and other operating expenses are paid	(328 605)	(306 292)
Income tax paid	(4 608)	(1 388)
Cash received / (paid) from operating activities to changes in operating assets and liabilities	***50 649***	***28 261***
CHANGES IN OPERATING ASSETS AND LIABILITIES		
Net (increase) / decrease in loans and advances to banks	40 516	(43 013)
Net (increase) / decrease in loans and receivables	244 922	51 668
Net (increase) / decrease in other financial assets	1 929	(81 729)
Net (increase) / decrease in other assets	2 470	(1 592)
Net increase / (decrease) in bank funds	1	-
Net increase / (decrease) in customer funds	(108 942)	(132 942)
Net increase / (decrease) in debt securities issued by the bank	488	(13 819)
Net increase / (decrease) in other financial liabilities	10 286	76 835
Net increase / (decrease) in other liabilities	12 989	4 498
Net cash received / (used) from operating activities	***255 308***	***(111 833)***
CASH FROM INVESTMENT ACTIVITIES		
(Acquisition) / redemption of investments in securities	(59 533)	(101 253)
Acquisition of fixed assets	(9 618)	(23 010)
Acquisition of intangible assets	(16 860)	(113)
Net cash received / (used) from investing activities	***(86 011)***	***(124 376)***
CASH FROM FINANCIAL ACTIVITIES		
Assets / (Obligations of the lessee)	(23 786)	-
Net cash received / (used) from financial activities	***(23 786)***	-
The impact of changes in the official exchange rate of the National Bank of Ukraine on cash and cash equivalents	(12 861)	2 488
Influence of the reserve on cash	3 743	(4 471)
Differences between accrued and paid interest	38	(457)
Net increase / (decrease) in cash and cash equivalents	136 431	(238 649)
Cash and cash equivalents at the beginning of the period	600 949	839 598
Cash and cash equivalents at the end of the period	737 380	600 949

Approved for release and signed

2 April 2020 Chairman of the Board V.O. Zinnikov

Chernukha S.V. Chief Accountant Y.M. Kyryliuk
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Note 1. Background information

JOINT STOCK COMPANY «BANK FOR INVESTMENTS AND SAVINGS» (hereinafter – the Bank) was registered by National Bank of Ukraine on 9 August 2005.

Legal address of the Bank is 83D Yuri Ilyenko Street, Kyiv 04119, Ukraine.

The Bank web-site address is www.bisbank.com.ua.

The reporting period of these financial statements is the year ended 31 December 2019.

These financial statements are prepared as of 31 December 2019 and presented in thousands of hryvnias.

The Bank is a member of the bank system of Ukraine (as of the end of 2019, there were 75 operating banks in Ukraine), regulated by National Bank of Ukraine.

The Bank is an independent financial institution which is not a part of any consolidated groups or a subsidiary of any other company. The supreme governance body is the General Meeting of Shareholders of JSC «BANK FOR INVESTMENTS AND SAVINGS».

The Bank is an active member of the Deposit Guarantee Fund.

At the end of the year ended 31 December 2019, the Bank employed 744 people (at the end of 2018 the bank employed 633 people).

As of the reporting date, the regional network of the Bank consists of the Head Office and 40 departments located in the majority of regions in Ukraine (at the end of 2018 the number of branches of the Bank was 32 departments).

The strategic goal of the Bank is to create a new quality standard of client-oriented service; to strengthen the Bank's reputation as a stable and reliable Ukrainian bank, to maintain the trend of the dynamic increase in the main financial indicators and to secure high liquidity and solvency.

The Bank provides its services according to the license of the National Bank of Ukraine № 221 as of 24 October 2011 according to license, the Bank is allowed to carry out the following transactions:

1. Attract deposits (funds and precious metals) from a broad customer base of individuals and legal entities;
2. Open and maintain current (correspondent) accounts of clients, including accounts in precious metals;
3. Allocation of deposit funds and precious metals on behalf of the Bank, at its own discretion and risk.
4. Foreign exchange transactions.

The Bank is not classified as a specialized bank.

Main activities of the Bank include: credit and deposit transactions, cash and settlement customer service, foreign exchange transactions, transactions with securities, payment card transactions, and documentary transactions. The policy of flexible and tailored approach to every client allows the Bank to expand its client base continuously and attract its clients' funds to deposits (due to the range of client services offered), and also to credit extensively the real economy sector of Ukraine.

The Bank is also active on the interbank market. It uses instruments of the interbank market to attract or place resources promptly and also to perform foreign exchange transactions both for the benefit of its clients and for the benefit of using its own currency position.

For the purpose of international transactions, the Bank established correspondent relations with JSC «Ukrgasbank», JSC «FUIB», JSCB «Pivdennyi», JSCB «INDUSTRIALBANK» etc.

The Bank is the member of SWIFT payment system since 2006. In 2008, the Bank joined Visa International payment system and received from the National Bank of Ukraine a registration certificate that confirms its right to issue Visa International payment cards, and started issuing payment cards of this system, namely, Visa Electron, Visa Classic, Visa Gold, and Visa Platinum.

The Bank was assigned to the group of banks with private equity according to the NBU classification.

At 31 December 2019, holders of a significant share in the capital of the Bank are the following residents of Ukraine:

Serhiy Mykolayovych Lahur: 24.9% of share capital (including direct ownership of 24.9%);

Stepan Petrovych Ivakhiv – 23.3% of share capital (including direct ownership of 23.3%);

Andriy Volodymyrovich Popov: 15.00% of share capital (including direct ownership of 9.7998% indirect ownership of 5.2002%);

Managers of the Bank do not own its shares.

The Bank was not part of any merger, takeover, partition or separation in the reporting year.

On 28 December, 2019 «Rurik», independent rating agency confirmed the long-term credit rating of JSC «BANK FOR IN-VESTMENTS AND SAVINGS» at the level of uaAA («investment level») with a stable forecast. The agency also confirmed the bank deposit stability rating of «4+» («high reliability»).

The financial statements for the year ended 31 December 2019, were approved by the Bank on 2 April 2020.

Note 2. Economic environment of the Bank's activity

In 2019, Ukraine is projected to record the largest economic growth (3.5%) since the beginning of the 2008 economic crisis. In the coming years, the trend of GDP growth will only gain momentum according to current macro-forecasts. This progress is taking place despite Russian aggression, as a result of which Ukraine has lost a third of its industrial potential and has been forced to invest up to 10% of its budget in defense. The next positive step to increase GDP by at least 1% should be the expected opening of the land market.

According to the baseline forecast, economic growth will remain stable next year, and in 2021 - will accelerate to 4%. This will be facilitated by further growth in household incomes and productivity, a softer monetary policy and a high level of investment. It is expected that fiscal policy will not change fundamentally. In 2020, the marginal budget deficit is planned at 2.1% of GDP (in 2019 - 2.3%).

The macroeconomic situation contributes to financial stability and the strengthening of the financial sector. Reducing inflation to the target level and reducing its volatility will help restore long-term lending. The main macroeconomic risk today is significant external payments on public debt. To reduce it, it is necessary to maintain access to finance in international markets. Therefore, the implementation of the new program with the IMF and the terms of cooperation with other MFIs remains critical. Other risks are the reduction or complete cessation of transit of Russian gas through Ukraine from 2020, the cooling of the world economy and the delay in implementing structural reforms.

Inflation: Approached the goal of the NBU. Inflation will slow to 4.9% by the end of 2019 due to the strong hryvnia, low world oil and gas prices and a significant grain harvest. In 2020, low energy prices, together with tight fiscal policy and still high interest rates, will continue to dampen consumer price growth. The expected strengthening of the hryvnia in the first half of 2020 should further slow inflation. At the same time, the positive effect of the strengthening of the hryvnia exchange rate in the first half of 2020 may become negative in the second half of 2020, when the national currency will begin to weaken. Other pro-inflationary risks include stronger consumer demand, poorer agricultural yields and higher-than-expected oil prices. Inflation is projected to be close to 5.3% by the end of 2020.

An unexpected outbreak of coronavirus in early 2020 caused a global shock to supply and demand and led to an oil war. The damage from the coronavirus pandemic may outweigh the damage from the global financial crisis of 2008 and the terrorist attacks of September 11, 2001

Rising markets, including Ukraine, are hit hardest. They are negatively affected by the monetary policy of the world's leading central banks, declining demand for commodities, supply chain disruptions and rising debt burden.

If the coronavirus outbreak has a short-term impact on the world economy and has a negligible impact on Ukraine's economy, there is a risk that the coronavirus outbreak will have a more negative impact on Ukraine's economy. A significant decline in world demand, especially from China, will lead to lower world prices, especially for steel and iron ore. Given the scale of China's economy and its involvement in world trade and global value chains, the effects of weakening demand will also be compounded by negative impacts on manufacturing activities. On the other hand, prices on the world energy market will decrease more significantly, which largely compensates for the decline in Ukrainian exports.

According to the updated macro-forecast of the Government of Ukraine, the inflation rate in 2020 will increase to 11.6%, and GDP will fall by 4.8%. The average annual hryvnia exchange rate should fall from 27 hryvnias per dollar to 29.5 hryvnias per dollar. According to negative scenarios of analysts, if the quarantine is extended until June July 2020, GDP may fall by 9%, as in 2015, and the national currency will fall to 35 UAH per dollar.

In times of crisis, the Bank will continue to operate within the approved areas of activity and the Bank's Development Strategy for 2019-2022, adjusted for the decline in economic activity in the country and the risks it imposes on the Bank. In the event of an increase in the number of quarantine measures and the continuation of the crisis in the economy, it is possible to review the pace of development and optimize some areas of business.

Note 3. Principles of the financial statement presentation

The financial statements for the year ended 31 December 2019 were prepared by the Bank according to the requirements of the International Financial Reporting Standards (IFRS), which have been adopted and issued by the International Accounting Standards Board (IASB), and explanations published by the IFRS Interpretations Committee (IFRS IC).

The Bank conducts accounting in accordance with IFRS principles.

These financial statements have been prepared on a going concern basis, assuming that the Bank is able to continue as a going concern.

The functional currency of the Bank accounting records and financial statements preparation is Ukrainian hryvnia. Unless stated otherwise, the statements are represented in hryvnias and rounded to thousands. Balances carried at the reporting date in a currency other than the functional currency, are translated into the functional currency at the official exchange rates of foreign currencies.

Note 4. Accounting policies principles

4.1. Consolidated financial statements

The Bank is not a member of any group of legal entities where it would be a parent or a subsidiary. The Bank does not present consolidated financial statements for the reporting period.

4.2. The basis of measurement of preparation of financial statements

The bases of measurement of financial instruments are fair value, cost, amortized cost.

Fair value is the price that would be received to sell an asset or paid to transfer a liability under an agreement in the normal course of business between market participants at the measurement date. The best evidence of fair value is the quoted price in an active market. An active market is a market in which transactions in an asset or liability are conducted with sufficient frequency and volume to provide valuation information on an ongoing basis. Fair value is determined in accordance with IFRS 13 "Fair value measurement".

Initial cost - historical (actual) cost of property, plant and equipment or intangible assets in the amount of cash or the fair value of other assets paid (transferred) used to purchase (create) fixed assets or intangible assets.

Amortized cost of a financial asset or financial liability is the amount at which a financial asset or financial liability is measured at initial recognition, less received or paid out [main amount of debt, interest income (expense), or other payments related to the initiation of a financial asset or financial liability] increased or decreased by the amount of accumulated depreciation calculated using the effective interest rate, - difference between initially recognized amount and amount settled the financial instrument as well as for financial assets adjusted for the estimated provision for loan losses.

Effective interest rate method is a method for calculating the amortized cost of a financial asset or financial liability (or a group of financial assets or financial liabilities) and the distribution of income in the form of interest or expense for the payment of interest over a relevant period of time. Effective interest rate is a rate that exactly discounts the expected flow of future cash payments or receipts over the expected life of the financial asset or financial liability to the gross carrying amount of the financial asset or the amortized cost of the financial liability. The Bank calculates the effective interest rate on the basis of future expected cash flows, taking into account all terms and conditions of the agreement on the financial asset, without taking into account expected credit losses.

An effective interest rate adjusted for credit risk is a rate that accurately discounts the expected future cash inflows or outflows over the expected life of the financial asset to the amortized cost of a financial asset that is acquired or created by a depreciated financial asset. The Bank calculates the effective interest rate adjusted for credit risk based on future expected cash flows, taking into account all terms and conditions of the financial asset and expected loan losses.

The Bank's accounting policies for the recognition and measurement of specific assets and liabilities, income and expenses are disclosed in the related notes to this report.

4.3. Financial instruments

A financial instrument is an agreement that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial instruments are stated at fair value through profit or loss, at fair value through profit or loss through other comprehensive income or amortized cost, depending on their classification.

Fair value is the price that would be received to sell an asset or paid to transfer a liability under an arm's length transaction between market participants at the measurement date. The best evidence of fair value is the quoted price in an active market. An active market is a market in which transactions in an asset or liability are performed with sufficient frequency and volume to provide valuation information on an ongoing basis.

A portfolio of financial derivatives that are not traded in an active market is measured at fair value based on the price that would be obtained from the sale of a net long position (ie an asset) for a specific risk or the transfer of a net short position (ie a liability).) for acceptance of credit risk during the usual agreement between market participants on the valuation date.

Valuation models are used to determine the fair value of financial instruments for which market information about the transaction price is not available.

The fair value of a financial instrument on initial recognition is usually the transaction price (ie the fair value of the consideration given or received (based on paragraph AG76 of IFRS 13). However, if any portion of the consideration given or received relates not to a financial instrument but to something else, the Bank measures the fair value of the financial instrument. For example, the fair value of a non-interest-bearing long-term loan or receivable may be measured as the present value of all future cash flows discounted at the prevailing market interest rate (s) for a similar instrument (similar in currency, term, type to interest). rates and other factors) with a similar credit rating. The amount lent in excess of this fair value is an expense or a decrease in income, unless it is recognized as any other type of asset. For transactions with shareholders, such results are formed in equity.

Upon initial recognition of a financial instrument, the Bank recognizes in profit or loss the amount of the difference between the fair value of the financial asset or financial liability and the value of the contract in correspondence with the discount / premium accounts, if the effective interest rate on this instrument is higher or lower than the market. The difference between the fair value of the agreement with the Bank's shareholders is reflected in the capital accounts and is included in installments in retained earnings (loss) during the period of its retention or the total amount at the disposal of the financial instrument.

All transactions for the purchase or sale of financial assets that involve delivery during a period determined by law or market traditions ("ordinary" purchase sale agreements) are recognized on the settlement date, ie the date on which the Bank actually delivers the financial asset. All other transactions for the purchase of financial instruments are recognized when the Bank becomes a party to the contract for the purchase of a financial instrument.

Financial assets

Initial recognition and evaluation

On initial recognition, financial assets at fair value through profit or loss are carried at fair value; all other categories of financial assets - at fair value plus costs directly attributable to the acquisition of the financial asset. The best evidence of fair value at initial recognition is the transaction price. Gains or losses on initial recognition are recognized only when there is a difference between the fair value and the transaction price, which can be confirmed by other current transactions observed on the market with the same instrument or valuation model that uses as base data only observable market data.

Date of recognition

All transactions for the purchase and sale of financial assets that require the delivery of assets within the period prescribed by law, or in accordance with the rules adopted in the relevant market (trading on standard terms), are recognized on the date of the transaction, ie the date the Bank takes an obligation to buy or sell an asset. All other acquisition transactions are recognized when the Bank becomes a party to the contract in respect of the financial asset.

Classification and subsequent valuation of financial assets: valuation categories

Financial assets at initial recognition are classified as financial assets at fair value through profit or loss (FVPL (fair value through profit or loss)); financial assets measured at fair value through other comprehensive income (in equity) (FVOCI (fair value through other comprehensible income)), and financial assets measured at amortized cost (AC). The classification of financial assets is based on a combination of the business model of managing the relevant portfolio of assets and cash flow characteristics, which determines the valuation model.

Defining a business model

The business model reflects the method used by the Bank to manage assets in order to obtain cash flows: whether the Bank's objective is to obtain only contractual cash flows from assets ("withholding assets to obtain contractual cash flows"), or to obtain contractual cash flows, and cash flows arising from the sale of an asset ("retention of assets to obtain contractual cash flows and sale of financial assets") or, if these items cannot be applied above, financial assets belong to the category of "other" business models and are measured at fair value through profit or loss.

The business model is determined for a group of assets (at the portfolio level) on the basis of all relevant evidence that the Bank intends to perform to achieve the target set for the portfolio available at the valuation date.

Determining the characteristics of cash flows

Business model of the Bank`s assets management is a set of intentions, policies, methods and procedures that determine:

- a way of managing financial assets to achieve a certain goal;
- directions (sources) of obtaining economic benefits from such assets;
- a way of generating cash from use of such assets.

For the debt financial assets, depending on their management objectives, the Bank allocates 3 business models:

- Business model 1 - assets held exclusively for the purpose of obtaining cash flows stipulated by agreement;

Main characteristics of the model 1:

✓ holdings of assets for the purpose of obtaining cash flows that are stipulated by the terms of the respective agreements;

✓ sales are secondary in relation to the purpose of this model; as a rule, rare sales (in the context of the frequency of their implementation and volume).

- Business Model 2 - assets held for the purpose of obtaining cash flows stipulated by the contract or sale;

Main characteristics of the model 2:

✓ the goal is achieved as a result of obtaining contractual cash flows and a result of sale of an asset; as a rule, more sales (in terms of frequency of their implementation and volume) compared to model 1.

- Business Model 3 - all other assets (including trading, asset management based on fair value, increasing cash flows to the maximum through the sale of assets).

For equity instruments, depending on their management objectives, the Bank distinguishes two business models: Business Model 2 or Business Model 3.

In order to determine the economic substance of cash flows the terms of contracts are analyzing by the debt financial instruments. Such analysis is carried out by conducting SPPI-testing.

Depending on the defined asset management model and the SPPI test result (whether or not the SPPI test is passed), financial assets are classified according to valuation models as being valued:

➢ at amortized cost (Business model 1and SPPI-test past);

➢ at fair value with a reflection of a revaluation result in profit or loss (FVPL (fair value through profit or loss) (Business model 3 and SPPI test passed or SPPI test not completed);

➢ at fair value with revaluation in other comprehensive income (in capital) (FVOCI (Business model 2 and SPPI-test passed).

Reclassification of financial assets

The condition for reclassification of debt financial assets is a change in the business model. That is, the Bank reclassifies debt financial assets in the event of a change in the business model used to manage them, except for financial assets, which the Bank determines at its discretion at fair value with the recognition of revaluation through gains / losses at initial recognition.

During the reporting year and the comparable period, the Bank did not change its business model and did not reclassify its financial asset portfolios.

Impairment of financial assets: estimated reserve for expected credit losses

After initial recognition in respect of financial assets measured at amortized cost and fair value with revaluation through other comprehensive income (other than equity instruments), an estimated provision is recognized for expected credit losses on recognition of an accounting loss immediately after initial recognition of the asset.

Based on forecasts, the Bank estimates expected credit losses related to debt instruments measured at amortized cost and fair value with the recognition of revaluation through other comprehensive income, and with the risks arising from liabilities under lending. The Bank assesses expected credit losses and recognizes an estimated provision for credit losses for each reporting date (month). The estimate of expected credit losses reflects: an unbiased and probabilistic amount determined by estimating the range of possible outcomes, the time value of money and all reasonable and validated information about past events, current conditions and projected future economic conditions available for reporting date without excessive costs and effort.

Debt instruments measured at amortized cost are presented by the Bank in the statement of financial position less expected loan losses. In relation to credit obligations, including guarantees provided by the Bank, in the statement of financial position the Bank recognizes a separate provision for expected credit losses as part of liabilities.

The Bank applies a "three-stage" model of impairment accounting based on changes in credit quality since initial recognition. A financial instrument that is not impaired at initial recognition is classified as related to Stage 1. For financial assets of Stage 1, the expected credit loss is estimated at an amount equal to the portion of the expected credit loss for the entire period that arises as a result. defaults that may occur within the next 12 months or before the maturity date under the agreement, if it occurs before the end of 12 months ("12-month expected credit losses"). If the Bank identifies a significant increase in credit risk since initial recognition, the asset is transferred to Stage 2 and the expected credit loss on that asset is estimated on the basis of expected credit losses over the entire term, ie until the maturity date under the agreement, but keeping the expected prepayment, if it is provided ("expected credit losses for the entire period"). If the Bank determines that a financial asset is impaired, the asset is transferred to Stage 3 and the expected credit loss is measured as the expected credit loss for the entire term. For acquired or created credit-impaired financial assets, expected credit losses are always assessed as expected credit losses for the entire term.

The Bank determines the following factors of default (signs of impairment) of the debtor for the purposes of formation of reserves (Stage 3):

For corporate loan portfolios (legal entities and interbank loans (IBC)):

- ✓ ***Soft-factors of default:***
  - Significant financial difficulties of the issuer or borrower (the company does not generate sufficient operating flows (the proceeds do not cover the existing credit obligations according to the latest financial statements[1] or the actual debt to the Bank))[2];
  - Significant violation of the terms of the contract (except for overdue debt);
  - Provision of preferential / non-market of lending, which is related to financial difficulties of the borrower;
  - Availability of the information on the possibility of bankruptcy or similar financial reorganization of the borrower;
  - Buying / selling of an asset with a significant discount (more than 30%).
- ✓ ***Hard-factors of default (resulting PD = 100%, i.e. without taking into account flaws from repayment of the loan):***
  - Overdue of a debt for 91 days and more (for MBC 7+);
  - The availability of Soft-factors of default on the background of overdue debt of 31+ (for MBC 3+);
  - Other factors which according to the Bank`s judgment in the particular case are significant.
- ✓ ***POCI (Loan depreciation):***
  - Modification of a financial asset that results in termination of a financial instrument in the presence of the above depreciation signs.

For a loan portfolio of individuals (resulting PD = 100%, i.e. without taking into account the flows from repayment of the loan):

- Overdue of a debt for 91 days and more;
- Death of the debtor-individual.

For financial guarantees and letters of credit - does not apply (all financial liabilities under guarantees and letters of credit are recognized in Stage 1).

For balances on correspondent accounts:

- The availability of the information on the bankruptcy, non-payment and withdrawal from the market or similar financial reorganization of the borrower;

For accounts receivable

- Overdue of a debt for 91 days and more.

Factors indicating signs of high credit risk of the debtor (SICR) (Stage 2)

For loan portfolios (legal entities, individuals, interbank)

- Overdue 31-90 days with the absence of signs of impairment (soft, hard or POCI) (overdue 3 – 7 for IBL).

For accounts receivable:

- Overdue 31-90 days.

For balances on correspondent accounts, financial guarantees and letters of credit;

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[1] Quarterly financial data is presented for annual measurement according to the method of moving annual amount or to the method 4/N

[2] For IBCs - incomes do not cover aggregate interbank loans or debt to the Bank.

- Not applicable.

The Bank recognizes expected credit losses over the life of the financial asset (simplified approach):

1) by trade accounts receivable or assets under contracts arising from transactions in the scope of applying IFRS 15 "Revenue from contracts with customers" and which:

do not include a significant component of financing in accordance with IFRS 15 or contain a significant component of financing in accordance with IFRS 15. The Bank, in its accounting policies, selects an estimate of the estimated provision for expected losses in an amount that equals expected credit losses over the life of the financial asset. Such accounting policies is applied by the Bank to all such accounts receivable or all assets under contracts, or may be applied separately to trade accounts receivable and to contractual assets;

2) on lease operations that fall within the scope of application of IFRS on lease. The Bank elects an estimate of the estimated provision for expected losses in the amount equal to the credit loss for the entire duration of the financial asset. Such accounting policies is applied to all leasing transactions or can be applied separately to financial or operating leases.

The Bank, for the purpose of calculating the amount of credit risk on an asset, determines component value of the default probability according to separate methods for assessing the financial status of the debtors based on the range for the respective class of the debtor / counterparty, taking into account the documented own historical experience of the Bank.

The Bank documents its own experience of calculating the historical indicator PD with the relevant Credit Committee's report and updates the information on an annual basis.

The Bank, in order to create a provision for financial instruments, carries out an assessment of the risks of financial instruments, from the date of their recognition until the date of termination of such recognition.

The assessment of the financial state and the procedure for determining the index of the class debtor / counterparty, the default probability indicator (PD) is regulated by internal methods.

Loans-impaired financial assets (POCIs) - created or modified-may be classified by the Bank only in Stage 3 (until the end of the validity period of such an asset). The effective interest rate for such assets is calculated on the basis of expected cash flows, taking into account expected credit losses throughout the life of the asset - that is, the estimated amount of contractual cash flows decreases by the amount of credit losses expected during the entire life of the instrument.

Interest income on loans with impaired financial assets is calculated by multiplying the effective interest rate (adjusted for credit risk taking into account credit risk, if the asset was loan-denominated at initial recognition) on the amortized cost of the asset. Expected credit losses for ROSI assets are estimated at an amount equal to the credit loss expected during the entire life of the financial asset.

At each reporting date, the Bank recognizes the results of changes in expected credit losses over the life of financial asset that is impaired during initial recognition (including positive changes) in profit or loss as expenses / income for the formation / disbanding of estimated reserves. Income from the dismantling of estimated reserves is recognized even in the case of a non-excess of the value of the previously formed provision for such financial asset.

The Bank recognizes at the date of derecognition of an initial financial asset the income or expense from derecognition, which is the difference between carrying amount of the initial financial asset and the fair value of the financial asset.

Derivative financial instruments and other financial instruments at fair value through profit or loss are initially recognized at fair value. All other financial instruments are initially recognized at fair value plus expenses incurred in carrying out the transaction. Profit or loss on initial recognition is recognized only if there is a difference between the fair value and contract price.

Impairment losses are recognized in profit or loss as incurred as a result of one or more events (loss events) that occurred after the initial recognition of the financial asset and affect the amount or timings of pre-estimated cash flows that are attributable to the financial asset or group financial assets, if such losses can be reliably estimated. If the Bank determines that there are no objective evidence of impairment of an individually assessed financial asset, it relates that asset to a group of financial assets with similar characteristics of credit risk and implements their collective assessment for impairment. The main factors that the Bank considers when determining the impairment of a financial asset is its past due status and the ability to realize the relevant collateral (if available).

For collective valuation purposes, financial assets are grouped together based on similar characteristics of credit risk. These characteristics are taken into account in determining the expected future cash flows for a group of such assets and are indicators of the ability of the borrower (debtor) to pay the amount of the debt in accordance with the terms of agreement on assets being valued.

Future cash flows in a group of financial assets that are collectively assessed for impairment are calculated on the basis of contractual cash flows from assets and prior experience of the Bank as to the extent to which these amounts will become past due as a result of past loss events and to what extent these overdue amounts it is possible to repay. Previous experience is adjusted based on existing data that reflects the impact of current conditions that did not affect the period on which the previous experience of losses is based and eliminates the impact of those conditions in the previous period that do not exist at the moment.

Impairment losses are recognized by creating a provision in the amount necessary to reduce the carrying amount of the asset to the present value of the expected cash flows (excluding future, not yet incurred credit losses) discounted at the original effective interest rate for the asset.

The calculation of the current value of estimated future cash flows of collateralized with financial asset reflects cash flows that may arise as a result of foreclosure less costs for obtaining and selling collateral irrespective of the probability of foreclosure.

In the presence of at least one individually significant financial asset from the borrower, all other financial assets of such a borrower are also recognized as individually significant. The financial assets of one debtor, which are not individually separate, are recognized as being individually irrelevant.

If, in a subsequent period, the amount of the impairment loss for an asset decreases and this reduction can be objectively related to an event occurring after the recognition of an impairment loss, the previously recognized impairment loss is reduced by adjusting the provision account. The amount of the reduction is recognized in profit or loss for the year.

Assets that are not repayable are written off at the expense of a corresponding provision for impairment losses based on decisions of the Board of the Bank. The repayment of previously written off amounts is recorded on the account to account for deductions in reserves or accounts to account for the repayment of previously written off debts in profit or loss for the year.

Derecognition of financial assets

The Bank derecognises financial assets when (a) those assets have been repaid or the cash flow rights associated with those assets have expired, or (b) the Bank has transferred cash flow rights from the financial assets or entered into a transfer agreement; and (i) also transferred all risks and rewards associated with the ownership of these assets, or (ii) neither transferred nor retained substantially all the risks and rewards associated with the ownership of these assets, but lost control of the data assets. Control is retained if the counterparty does not have the practical ability to sell the asset entirely to an unrelated third party without imposing restrictions on the sale.

Modification of financial assets

Occasionally, the Bank reviews or modifies the contractual terms of financial assets.

A modification may not result in derecognition of such a financial asset or may result in derecognition of a financial asset followed by recognition of a new financial asset.

An existing asset should be derecognised and a new asset recognized if the contractual cash flows change significantly as a result of negotiations or other modifications.

Factors to be analyzed for this purpose are suggested to consider, among others, the following:

- reduction of contractual cash flows to amounts that the borrower is expected to be able to pay if such borrower has financial difficulties;
- establishing significantly new conditions, such as linking the return on the asset to the share of profit or capital, which significantly affects the risk profile of the financial asset;
- significant extension of the loan due to financial difficulties of the borrower;
- significant change in interest rates;
- change in the currency in which the loan is denominated;
- changes in collateral, other types of risk protection and mechanisms for improving credit quality, which significantly affects the credit risk inherent in the financial asset

If the modified terms differ materially so that the cash flow rights to the primary asset expire, the Bank derecognises the primary financial asset and recognizes the new asset at fair value. The date of revision of the terms is the date of initial recognition for the purposes of calculating subsequent impairment, including to determine the fact of a significant increase in credit risk. The Bank also assesses whether a new loan or debt instrument meets the criteria for making payments solely on account of principal and interest. Any discrepancy between the carrying amount of the derecognised primary asset and the fair value of the new, significantly modified asset is recognized in profit or loss on derecognition, unless the nature of the discrepancy relates to transactions with owners.

In a situation where the revision of the terms was caused by the borrower's financial difficulties and its inability to make the initially agreed payments, the Bank compares the initial and adjusted expected cash flows on the asset for significant differences in risks and rewards of the asset as a result of modifying the contract. If the risks and rewards do not change, the significant difference between the modified asset and the original asset is absent and its modification does not result in derecognition. The Bank recalculates gross carrying amount by discounting the modified cash flows of the contract at the initial effective rate (or at the effective interest rate adjusted for credit risk for acquired or created initially impaired financial assets) and recognizes a gain or loss on composition of the Bank's profit or loss.

The Bank transfers the gross carrying amount of a financial asset and recognizes income or expense from the modification if the terms of the contractual financial asset are reviewed by agreement of the parties or any other modification occurs that does not derecognise the original financial asset.

The Bank calculates the new gross carrying amount as the present value of the revised or modified cash flows foreseen in the contract, discounted at the original effective interest rate (or the original effective interest rate adjusted for credit risk) for purchased or created impaired financial assets. The Bank includes transaction costs in the carrying amount of a modified financial asset and depreciates them over the life of the asset.

The Bank recognizes the difference between the gross carrying amount under the original terms and the gross carrying amount under the revised or modified terms as income or expenses from the modification.

The Bank derecognises an initial financial asset and recognizes a new financial asset if the revised or modified cash flows specified in the contract result in derecognition of the original financial asset. The Bank recognizes a new financial asset at fair value at the modification date, taking into account the transaction costs associated with the creation of a new financial asset (except for a new asset that is carried at fair value through profit or loss), and determines the amount expected credit losses within 12 months.

The Bank recognizes cumulative changes in expected credit losses over the life of a financial asset if the modification results in a new financial asset that is impaired at initial recognition.

Write-off of financial assets

Financial assets are written off against accumulated reserves when the Bank has exhausted all practical possibilities to recover them and has come to the conclusion that expectations regarding the return of such assets are unfounded. Write-off is the termination of recognition. Signs that there are no reasonable expectations regarding compensation are the expiration of the statute of limitations; non-repayment of the debt due to insufficiency of the property of an individual, provided that the actions of the creditor aimed at compulsory recovery of the borrower's property did not lead to full repayment of the debt; impossibility of debt collection in connection with the action of force majeure, natural disaster (force majeure), confirmed in the manner prescribed by law; overdue debt for more than 360 days. The Bank may write off financial assets that are still subject to foreclosure when the Bank attempts to recover arrears, although it has no reasonable expectation that they will be recovered. Bad debts written off from the Bank's reserves are taken into account on off-balance sheet accounts, provided that the Bank has legal opportunities to collect the debt based on the decision of the Management Board of the Bank. In case of debt repayment or occurrence of events that indicate the lack of legal capacity of the Bank to collect debt under the laws of Ukraine, the debt is written off from off-balance sheet accounts based on the decision of the Board of the Bank. The return of previously written-off amounts is reflected in the account for accounting for deductions to reserves or the account for accounting for the return of previously written-off debts as part of profit or loss for the year.

Credit commitments

The Bank issues commitments to extend credit, which are commitments that can be reversed only in response to significant adverse changes, including due to increased credit risk. Such liabilities are initially recognized at fair value. The amount of the commission is amortized on a straight-line basis over the term of the obligation, except for the obligation to provide loans, if it is probable that the Bank will enter into a specific loan agreement and will not plan to implement the loan within a short period after its provision. : such commission income related to the loan obligation is accounted for as deferred income and is included in the carrying amount of the loan on initial recognition.

At the end of each reporting period, loan commitments are estimated based on a model of expected credit loss on the loan and taking into account the credit conversion factor (CCF).

Collateral received for non-payment

Collateral received for non-payment represents financial and non-financial assets received by the Bank in settling overdue loans. These assets are initially recognized at fair value on receipt and are included in property, plant and equipment, other financial assets, investment property or inventories as part of other assets depending on their nature and the Bank's intentions regarding their retention, and subsequently accounted for accordingly. to the Bank's accounting policies for these asset categories.

Financial liabilities

Categories of valuation of financial liabilities

Financial liabilities are classified as subsequently measured at amortized cost using the effective interest method, except for: (i) financial liabilities measured at fair value through profit or loss; (ii) below-market lending liabilities; (iii) financial guarantee agreements, avals, sureties.

Initial recognition and evaluation

All financial liabilities are initially recognized at fair value, net of borrowings, borrowings, deposits received and payables directly attributable to their initial issue.

Subsequent evaluation

Subsequent evaluation of financial liabilities depends on their classification.

Subsequently, after initial recognition, the Bank measures lending liabilities provided at a lower than market rate and financial guarantees at the higher of the following two values:

1) the amount of the estimated reserve for expected credit losses;

2) the amount of the fair value of the financial liability less amortization of accumulated income in accordance with the principles of its recognition.

Derecognition of a financial liability

A financial liability is derecognised when it is discharged, canceled or expires. If an existing financial liability is replaced by another from the same creditor on significantly different terms, or significant adjustments are made to the existing obligation, such replacement or adjustment shall be deemed to terminate the recognition of the original obligation and recognition of a new liability, and the difference in the corresponding carrying amount is recognized in the income statement.

4.4. Cash and cash equivalents

Cash and cash equivalents are assets that can be converted into cash on first demand and which are subject to an insignificant risk of changes in value. Cash and their equivalents include the cash in hand, in ATMs and computer-based self-service facilities, funds on the correspondent account with the National Bank of Ukraine, NBU deposit certificates, deposits and overnight loans with other banks provided that no credit risk exists.

Balances of the mandatory reserve with National Bank of Ukraine are carried amortized cost and comprise mandatory reserve deposits, which cannot be used to finance routine operations of the Bank.

Information of cash and cash equivalents is disclosed in Note 6 Cash and cash equivalents.

4.5. Loans and liabilities of the banks

In the normal course of business, the Bank allocates funds or deposits in other banks for different periods.

Funds provided to banks with fixed maturity are measured at amortized cost using the effective interest rate method. Funds that have no fixed maturity are recorded at amortized cost in accordance with expected maturities of such assets. Amounts, placed in banks are recorded by deducting any provision for impairment losses.

4.6. Loans and liabilities of clients

The Bank assesses loans after initial recognition at amortized cost using the effective interest rate minus the amount of the provision for compensation for possible losses on credit operations.

The Bank records in the accounting for initial recognition income or loss on the amount of difference between fair value of a financial asset or financial liability and value of contract in correspondence with the discount account (premium) if the effective interest rate on this instrument is higher or lower than market. The difference between fair value of a financial asset or a financial liability and the value of an agreement with the shareholders of the Bank is reflected in equity and included in parts to retained earnings (loss) during the period of its maintenance or the total amount at the time of the disposal of the financial instrument.

The Bank recognizes interest income on financial assets at the gross carrying amount of such an asset on Stages 1 and 2 using the effective interest rate that is used to discount estimated cash flows when determining the impairment of a financial asset. For loans on Stage 3 impairment, the Bank recognizes, for each month, the impairment of interest income, which is calculated using the effective interest rate method for the depreciated cost of a financial asset

During the reporting year 2019, the Bank provided clients with guarantees to ensure the offer and guarantees of ensuring compliance with the terms of contracts. The provided financial guarantees were initially measured at fair value, which is equal to the amount of received commissions (remuneration for the provided guarantee). The commission received for the guarantee provided is amortized over the term of the relevant guarantee by the straight-line method.

In order to maintain the solvency of borrowers who are in difficulty due to unforeseen circumstances, appropriate reduction of credit risk and ensuring the stability of their activities, the Bank restructures credit operations.

Restructuring is a change of essential conditions under the preliminary agreement by concluding an additional agreement with the debtor in connection with the financial difficulties of the debtor (as defined by the Bank) and the need to create favorable conditions for fulfilling its obligations under the asset (interest rate change, cancellation (in full or partly) accrued and unpaid financial sanctions (fines, penalties, penalties) for late payment of debtor debts, change of the debt repayment schedule, change in the size of the commission, etc.).

The Bank is constantly analyzing restructured loans in order to control the quality of loan restructuring and the possibility of future payments. Such loans continue to be valued for impairment.

Primarily impaired financial assets can be acquired assets, as well as internally created - for example, new ones that are provided to a client in default, and restructured (substantially modified). Initially impaired financial assets are initially recognized on a fair value basis. If the instrument is purchased outside market conditions, additional profits/losses are recognized separately. Primarily for impaired financial assets, initially expected loan losses are included in the effective interest rate, and an increase (decrease) in expected credit losses after initial recognition is recognized through the provision for impairment. The Bank does not recognize the estimated provision for purchased or created depreciated financial assets at the date of initial recognition. Initially, expected credit losses for such financial asset are included in the effective interest rate adjusted for the credit risk. Upon termination of recognition of purchased loans, the amount of excess compensation received over the carrying amount is recognized by the Bank as the income from derecognition of a financial asset in Profit and Loss Statement.

To calculate the effective interest rate, the Bank determines the cash flows taking into account all the conditions of the financial instrument, including all fees and other amounts that are an integral part of the income (expenses) of the financial instrument. The Bank uses the cash flows provided for in the relevant agreement during the term of the agreement if it is not possible to reliably estimate the cash flows or the expected maturity of the financial instrument.

The Bank reflects commissions, which are an integral part of the income (expenses) of a financial instrument, on the discount accounts (premiums) on this financial instrument.

Commissions, which are an integral part of the effective interest rate on a financial instrument, include:

1) commissions for preparatory work received by the Bank in connection with the creation or acquisition of a financial instrument, which include: commissions for assessing the financial condition of the borrower; commissions for evaluation of guarantees, pledges; commissions for discussing the terms of the instrument; commissions for preparation, processing of documents and implementation of the operation;

2) commissions received (paid) by the Bank for credit commitments (credit line provisioning) at the time of loan initiation (except when these credit commitments are measured at fair value through profit or loss), are recognized as an integral part of the income (expenses) of the financial instrument, if there is a probability that the loan agreement will be concluded. Commissions are recognized as commission income (expenses) at the end of the term of the obligation, if the term of the provided credit obligation expires without granting a loan;

3) other commissions, which are an integral part of the income (expenses) of the financial instrument.

Commissions that are not an integral part of the effective interest rate on a financial instrument include:

1) commissions for credit support;

2) commissions for credit obligations (except for cases when these credit obligations are measured at fair value with revaluation due to profit / loss), if the conclusion of a credit agreement is unlikely;

3) loan syndication commissions received by the Bank, which is the organizer of the syndicated loan and is not one of the creditors (or is one of the creditors, but receives the same effective rate on its part of the syndicated loan as other participants, provided that it carries the same risks as other participants).

The Bank depreciates all commissions and other amounts paid or received, transaction costs and other premiums and discounts included in the effective interest rate over the expected life of the financial instrument or, if commissions and other amounts paid or received, transaction costs, premiums or discounts belong to a shorter period, then this period applies.

The Bank takes into account the initially expected credit losses in cash flows when calculating the effective interest rate, adjusted for credit risk, for impaired financial assets acquired or created during initial recognition.

The effective interest rate changes for floating rate financial instruments in the event of a periodic revaluation of cash flows to reflect market interest rates.

The Bank adjusts the gross carrying amount of a financial asset or the amortized cost of a financial liability to reflect actual and revised previously estimated cash flows if it subsequently revises previous estimates of amounts of payments and receipts (except for modifications and changes in estimates of expected credit losses) by financial instruments.

The Bank translates the gross carrying amount of a financial asset or the amortized cost of a financial liability by calculating the present value of future cash flows under the contract, discounted at the financial instrument's original effective interest rate (in the case of acquired or impaired financial assets). using an effective interest rate adjusted for credit risk). The adjustment is recognized as part of percentage income / expenses in correspondence with discount / premium accounts.

The Bank recognizes interest income on financial assets in the first and second stages of credit risk (an estimated provision for the first and second stages of impairment is recognized) on the gross carrying amount of such assets using the initial effective interest rate.

The Bank recognizes interest income on financial assets in the third stage of impairment (the estimated provision for stage 3 of impairment is recognized) at amortized cost (reduced by the amount of the provision) of such assets using the effective interest rate.

Information on loans and receivables is disclosed in the Statement of Financial Position and Note 8 "Loans and receivables".

4.7. Investments in securities

Financial investments, depending on their management model, can be evaluated:

- at amortized cost,
- at fair value through profit or loss, due to other comprehensive income,
- at fair value through profit or loss.

Investments that are recorded at amortized cost, are investments in debt securities and shares held in the business model, the objective of which is achieved by obtaining contractual cash flows, which are exclusively payments by principal debt and interest for the unpaid principal amount. Investments carried at amortized cost are initially recognized at fair value, taking into account the relevant transaction costs. In cases, where fair value of the compensation granted does not equal the fair value of debt securities, for example, when debt securities have a higher/lower market value, the difference between fair value of consideration provided and the fair value of debt securities is recognized as income/loss on initial recognition of a financial asset and included in the profit and loss account and other comprehensive income according to the nature of these losses in ordinary operations or in equity - on transactions with shareholders.

After initial recognition, these investments are recorded at amortized cost using the effective interest rate method. Investments that are recorded at amortized cost, are recorded without reserves on allowance for impairment losses.

Investments at fair value through profit or loss on other comprehensive income are investments in debt securities and shares held in a business model, the purpose of which is achieved both by obtaining cash flows that are exclusively payments by main amount of debt and debt for interest on the outstanding part of the main amount and through sale . Such debt securities are initially recorded at fair value plus transaction costs. Subsequently, securities are measured at fair value with the revaluation of other comprehensive income, with the exception of impairment losses, gains or losses from foreign currency transactions and interest income accrued using the effective interest method, recognized directly in the income statement and losses and other total income. During sale, income/loss previously recognized in equity will be reflected in the statement of income and other comprehensive income. The result of sale of investments carried at fair value with the recognition of revaluation through other comprehensive income is recognized in the income statement and other comprehensive income at the time of disposal and is the difference between the sale price and the carrying amount at the time of the transaction.

Investments are carried at fair value with recognition of revaluation through profit or loss are investments in debt securities and equity instruments that do not meet the criteria for their subsequent measurement at amortized cost or at fair value through recognition of revaluation due to other comprehensive income. The cost of acquiring such investments is recorded in the statement of income and other comprehensive income at the time of their implementation.

For determining the fair value of investments held at fair value through profit or loss, the Bank uses market quotes. If there is no active market for investments, the Bank determines the fair value using the valuation techniques. These techniques include the use of recent market transactions between intermediaries, interested and independent parties, reference to the current fair value of another, virtually identical, instrumental, discounted cash flow analysis, and other acceptable methods. In case of estimation technique commonly used by market participants to determine the price of a tool, and if there is evidence that this methodology ensures the assurance of price determination obtained in the course of market transactions, the Bank applies this methodology.

The Portfolio of the Bank's securities is measured by reflecting changes in the fair value of investments in equity instruments in other comprehensive income. This choice is made for each investment separately. Impairment losses on investments in equity instruments are not recognized. The Bank reassesses financial assets carried at fair value with the recognition of revaluation in other comprehensive income, after interest and amortization of a discount/premium, formation of an estimated provision for loan losses at least once a month.

4.8. Derivative financial instruments

Derivative instruments is a financial instrument or other contract that has the following characteristics:

- its value changes in response to a change in the interest rate, price of a financial instrument, commodity price, exchange rate, price index or rates, etc., provided that in the case of a non-financial variable, this variable is not defined for the underlying contract ;
- which does not require an initial net investment less than would be required for other types of contracts that are expected to have a similar response to changes in market factors;
- which is repaid on a future date.

The Bank enters into derivative financial instruments, including agreements on the sale and exchange (conversion) of foreign currency with other banks, and currency swaps designed to manage currency risk and liquidity risk, as well as for trading purposes. Such derivative financial instruments are initially measured and accounted for at fair value. Expenses on transactions are recognized in the expense accounts at the time of their initial recognition. All derivative financial instruments are recognized as assets when their fair value is positive and as liabilities when their fair value is negative.

Derivative financial instruments used by the Bank are not intended for hedging and do not qualify for hedge accounting.

4.9. Agreements on the sale (purchase) of securities with the obligation of reverse repurchase (sale)

Sales and repurchase agreements (repurchase agreements) are recorded as secured financing operations. Securities sold under repurchase agreements are reflected in the statement of financial position and, at the same time, in the form of a repurchase agreement, if the counterparty has a right to sell or repossess these securities. The relevant liabilities are included in debt to credit institutions or customers.

Purchase of securities under reverse repurchase agreements is reflected in the debt of credit institutions or loans to customers, depending on the terms of the contract. The difference between the sale price and reverse sale price is recognized as interest and accrued over the term of the repo agreements using the effective interest method.

Securities transmitted under loans to counterparties continue to be reflected in the statement of financial position. Securities borrowed are not recognized in the statement of financial position unless they are sold to third parties when the acquisition and sale are recognized in the statement of income as a result of trading securities. The obligation to repay them is recorded at fair value through trade transactions.

During the reporting year of 2019, the Bank conducted reverse repurchase operations with banks and business entities.

4.10. Investments in associates and subsidiaries

Investments in associates and subsidiaries are absent due to the absence of associated and affiliated companies in the Bank.

4.11. Investment property

Investment property - real estate (land or building or part of the building, or a combination thereof) maintained by the Bank (owner or lessee under a finance lease agreement) in order to obtain lease payments (lease payments) or increase the cost of capital or to achieve both goals.

The Bank has established the following criteria for the recognition of investment property:

1) The property has been acquired by the Bank for the purpose of its further transfer in financial or operational leasing;
2) Under the lease agreement, at least 90% of the part of the object is transferred to the lease and the lease object is transferred to the lease for a period of more than one year.

At initial recognition, investment property is valued and reflected in the accounting for original assets, which includes the purchase price of this property and all costs directly related to its acquisition. After initial recognition of an investment property, its further assessment is carried out by the Bank at fair value with the recognition of changes in fair value in profit or loss; depreciation and impairment are not recognized. In order to determine the fair value of investment property, it is mandatory for the Bank to involve a valuation subject that has a corresponding license in accordance with the requirements of the Law of Ukraine «On valuation of property, property rights and professional appraisal activity in Ukraine». The Bank reviews the fair value annually before preparing the financial statements.

The valuation of property made by the subject of valuation activities is recorded in the Property Valuation Report (property valuation act), which contains the conclusions on the value of the property and confirms the performed procedures for valuation of property carried out by the entity of valuation activity.

An estimator determines the fair value of property, plant and equipment on the basis of their market value. If the difference between the book value of the investment property and the fair value of the estimated valuation entity is not material (10%), the value of investment property is not adjusted.

During the reporting year 2019, investment property recognized by the Bank in previous reporting periods, which became the property of the Bank by foreclosure on the subject of the mortgage on the basis of the agreement on satisfaction of the mortgagee's claims, was leased. Income from the lease of investment real estate in 2019 amounted to 9,425 thousand UAH.

4.12. Goodwill

Goodwill (value of goodwill) is an intangible asset whose value is defined as the difference between the market price and the book value of the enterprise's assets as a whole property complex, resulting from the use of better management, dominant position in the market of goods, services, new technologies and more. The value of goodwill is not amortized and is not taken into account in determining the costs of the taxpayer in respect of whose assets such goodwill arose.

During the reporting year 2019, goodwill was not recognized by the Bank.In 2018, the Bank did not recognize any goodwill.

4.13. Property, plant and equipment

Property, plant and equipment are tangible items that the Bank holds for use in the course of business, supply of services, for rental to others, or for administrative purposes and that are expected to be used from the date of commissioning during more than one year, and the unit (set) cost of which (including VAT) is more than 6 thousand UAH.

Non-current tangible assets with cost not exceeding 6,000 UAH useful life exceeding one year are recognized as low-value non-current assets.

Purchased property, plant and equipment are valued at their initial cost. The purchase price includes the purchase price, state duty, customs clearance, shipping and unloading costs, installation costs and other costs directly related to this transaction.

The initial value of non-current assets is increased by the amount of costs associated with the improvement of the object (modernization, modification, completion, further equipping, reconstruction, etc.), resulting in increased future economic benefits, initially expected from the use of this facility.

After initial recognition of non-current assets, their subsequent accounting with the Bank is carried out using the method of primary cost (cost) less accumulated depreciation and accumulated impairment losses. Revaluation of non-current assets is not performed.

The costs of current repairs and maintenance of assets are included in the costs as they are made and do not affect the carrying amount of non-current assets.

If the Bank's Management Board decides to revalue the relevant group of property, plant and equipment, further accounting for this group of property, plant and equipment will be carried at the revalued amount (fair value) less accumulated depreciation and accumulated impairment losses.

According to the decision of the Management Board of the Bank to perform a revaluation, the Bank revalues an item of property, plant and equipment if its residual value differs significantly (by more than 10%) from its fair value at the balance sheet date. The Bank revalues intangible assets at fair value if there is an active market for such assets.

If an item is revalued on the same date, the value of all non-current assets of the group or subgroup (except for those intangible assets for which there is no active market) is revalued.

The revaluation of a group of property, plant and equipment that has been revalued in prior periods should continue to be performed on a regular basis so that their residual value at the balance sheet date does not differ materially from its fair value.

In the event that the Bank revalues the relevant group of intangible assets, they are subsequently subject to annual revaluation.

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

Based on the results of the annual mandatory inventory, the Central Inventory Commission may make proposals on the need to determine the fair value of fixed assets and / or intangible assets.

The carrying amount of property, plant and equipment is reviewed by the Inventory Commission by determining the ratio of the fair value of the item to its residual value.

The residual value is considered confirmed if the Inventory Commission has not submitted a proposal to the Board of the Bank to change the value of fixed assets and the need to revalue them.

If necessary, review (study) of the value of fixed assets and intangible assets and their revaluation is carried out during the year.

To compare the residual value of an item of property, plant and equipment and / or intangible assets with the fair value of such items, data from price lists or other information carriers of the active market for property, plant and equipment and / or intangible assets are used.

In the reporting year 2019, the Bank did not recognize a decrease in the usefulness of fixed assets, given the lack of possible loss of economic benefits of fixed assets accounted for on the Bank's balance sheet.

4.14. Intangible assets

Intangible assets include non-monetary assets that are non-material and can be identified. An intangible asset is recognized as an asset if there is a probability of obtaining future economic benefits associated with its use and its value can be measured reliably. Intangible assets include acquired licenses and software and are recorded at historical cost, which consists of actual costs of acquisition (manufacturing) and bringing to a condition at which they are suitable for use in accordance with the intended purpose.

Subsequently, intangible assets are measured at their actual value less accumulated depreciation and accumulated impairment losses.

For each intangible asset, an individual useful life period is determined, which is determined by the Bank on its own, based on the following criteria: Bank's experience with similar assets, current trends in the development of software products, operational characteristics.

Revision of the depreciation rates and terms of useful use of intangible assets put into exploitation is carried out in case of change of the expected benefits from their use. During the reporting year 2019 the Bank did not change the depreciation rates and useful lives of intangible assets.

A review (research) of the value of intangible assets is carried out at least once a year, before the preparation of annual financial statements. Impairment of intangible assets during the reporting year 2019 was not recognized by the Bank, taking into account the absence of possible loss of economic benefits from intangible assets recorded on the Bank's balance sheet.

4.15. Operating leases (leases) for which the bank is a lessor

Operating lease - a business transaction of the Bank, which involves the transfer to the lessee for temporary use of the asset for a period not exceeding its full depreciation, with the mandatory return of such asset after the expiration of the lease agreement. The asset transferred under operating lease remains in the Bank's non-current assets. The transfer of the asset is carried out on the basis of the act of acceptance of the transfer.

Accounting for non-current assets transferred to operating lease may be maintained by the lessor as part of fixed assets, investment property.

During the lease term, the lessor accrues depreciation on the assets transferred to the operating lease (lease) on a general basis.

Taking into account the accrual principle, the Bank accrues monthly lease payments specified in the lease agreement, regardless of the terms of payment of such payments. The charge is made on the first working day of the month.

If the lessee transfers the advance payment for a period exceeding the reporting month, the amount of lease payments is included in deferred income. During the following reporting periods, it is gradually included in the Bank's income.

The costs of maintaining and operating the leased asset may be borne by both the Bank and the lessee, depending on the terms of the agreement. If the costs of maintaining and operating the leased asset are borne by the Bank, then such costs are accounted for in the normal manner specified in the Bank's internal documents.

The return of the asset by the lessee is carried out within the time and on the terms specified in the lease agreement, and is based on the act of transfer.

4.16. Financial leasing (lease) for which the bank is a lessor

Financial leasing is a business transaction that involves the transfer to the lessee of property that is a fixed asset and purchased or manufactured by the lessor, as well as all risks and rewards associated with the right to use and own the leased asset.

Leasing (lease) is considered financial if the leasing (lease) agreement contains one of the following conditions:

- the leased object is transferred for a period during which at least 75 percent of its original value is depreciated, and the lessee is obliged on the basis of the lease agreement and during its term to purchase the leased object with the subsequent transfer of ownership from lessor to lessee for the price specified in such a leasing agreement;
- book (residual) value of the leased asset at the end of the lease agreement provided for in such an agreement is not more than 25 percent of the original cost of such leased asset, effective at the beginning of the lease agreement;
- the amount of leasing (rent) payments from the beginning of the lease term is equal to or exceeds the initial value of the leased object;
- property transferred to financial leasing, made to order by the lessee (lessee) and after the expiration of the lease agreement may not be used by persons other than the lessee (lessee), based on its technological and qualitative characteristics.

At the beginning of the lease term, the lessor recognizes assets leased under a finance lease as a loan [finance lease (lease)] in the amount of the net investment in the lease, and derecognises the object of the finance lease.

The lessor calculates the net investment in the lease as the present value of the lease payments and the present value of the unsecured liquidation value of the asset, discounted using the allowable interest rate specified in the contract.

The lessor's initial direct costs should be included in the initial estimate of the net investment. The allowable rental interest rate should be determined so that the initial direct costs are automatically included in the net rental investment and are not added separately.

Lease payments at the date of commencement of the lease, which are included in the estimate of net investment in the lease and not received at the date of commencement of the lease, consist of the following payments for the right to use the underlying asset during the lease term:

1) fixed payments less any lease incentives payable;
2) variable lease payments, depending on the index or rate, initially estimated using the index or rate on the date of the lease;
3) payments of any liquidation value guarantees provided to the lessor by the lessee, a party related to the lessee, or a third party not related to the lessor and capable of repaying the obligations under the guarantee from a financial point of view;
4) payments of the price of realization of the possibility of acquisition, if the lessee is reasonably sure that he realizes such possibility;
5) payments at the expense of fines for termination of the lease, if the terms of the lease provide for the possibility of termination of the lease by the lessee.

For the lessor, lease payments also include any liquidation guarantees provided to the lessor by the lessee, a party related to the lessee, or a third party unrelated to the lessor and financially capable of meeting the obligations under the guarantee. . Lease payments do not include payments related to non-lease components.

The lessor recognizes finance income over the lease term based on a model that reflects a constant periodic rate of return on the lessor's net investment in the lease.

The lessor applies the requirements of IFRS 9 Financial Instruments to the net investment in the lease.

4.17. Leasing (rent), for which the bank is a tenant

The Bank evaluates the lease agreement (hereinafter - the lease agreement) as a whole or individual components as a lease agreement, if the following criteria are met:

- the asset is identified;
- the lessee is given the right to receive virtually all economic benefits from the use of the identified asset during the entire period of use of the asset;
- the lessee is given the right to determine how the asset is used throughout the period of use in exchange for compensation;

The lessor does not have a significant right to replace the asset during its useful life.

The Bank defines the lease term as a non-negative lease term together with:

- the periods to which the right to extend the lease applies, if the lessee is reasonably sure that he will take advantage of this opportunity;
- the periods covered by the right to terminate the lease, if the lessee is reasonably certain that he will not take advantage of this opportunity.

The Bank reviews the lease term if there is a change in the non-cancellation lease term.

The Bank has the right not to recognize the lease agreement and not to reflect in the account the asset for use rights and the lease obligation in the case of:

- short-term lease - the term of the lease agreement (from the date of conclusion to the date of repayment) is less than or equal to 1 year (also for the first application from 01.01.2019 - from the date of first application);
- leases for which the value of the leased asset is less than or equal to 5,000.00 USD at the NBU exchange rate at the date of recognition of the asset;
- the area of the leased object is less than 10 sq.m.

The Bank recognizes lease payments as an expense on a straight-line basis over the term of the lease or on a systematic basis if it applies an exemption from the recognition of the lease.

The Bank recognizes a lease asset and a lease asset at the inception of the lease.

The Bank measures the asset in the form of the right of use at cost, which includes the following:

- the value of the initial assessment of the lease obligation;
- lease payments in favor of the lessor on or before the date of commencement of the lease less any incentive payments from the lease received from the lessor;
- any initial direct costs incurred by the Bank;
- an estimate of the costs to be incurred by the Bank in dismantling and relocating the underlying asset, restoring the site in which it is located, or restoring the underlying asset to the condition required under the lease. The Bank shall recognize the costs of dismantling, relocating and restoring an underlying asset as part of the cost of the asset in the form of a right of use when it incurs a liability for such costs. Such costs may be incurred on the lease date or for a specified period due to the use of the underlying asset.

At the date of commencement of the lease, the Bank recognizes a lease liability at the present value of the lease payments to be made during the lease term. The Bank discounts payments for the right to use the underlying asset during the lease term (lease payments) using the interest rate stipulated in the lease agreement. If such a rate is not specified in the agreement, the Bank determines the rate of additional borrowing of the lessee by the rate on domestic government borrowing (IGLBs) as of the date of recognition of the lease obligation, taking into account the term of such lease.

Lease payments on the lease date include:

- fixed payments (including essentially fixed payments) less any rental incentives to be received;
- variable lease payments that depend on an index or rate that were initially measured using that index or rate at the date of the lease;
- amounts to be paid by the lessee under liquidation value guarantees;
- the price of fulfilling the possibility of acquiring an asset, if the lessee is reasonably confident that he will use such an opportunity;
- payments as penalties for termination of the lease, if the lease term reflects the realization by the lessee of the possibility of termination of the lease.

Incentive leases paid or payable to the Bank are deducted from the lease payments and reduce the initial measurement of the asset in the form of a right of use. Incentive lease payments payable to the Bank at the inception of the lease reduce the Bank's lease obligations.

Variable lease payments that depend on an index or rate are included in the amount of lease payments and are measured using the index or rate accepted at the valuation date (for example, the lease commencement date at the initial valuation). Subsequently, the Bank revalues the lease liability in the event of a change in cash flows (in the case of an adjustment to the lease payments) to reflect changes in future payments as a result of a change in the index or rate used to determine the lease payments.

If there is reasonable assurance that the Bank will not terminate the lease, the lease term is determined on the basis that the lease termination option will not be exercised and any termination penalties are excluded from the lease payments. Otherwise, the penalty for termination of the lease is included in the lease payments.

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

The Bank classifies non-current assets as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

Non-current assets are classified by the Bank as those held to sale, if the following criteria are met on the date of the decision to recognize them as assets held for sale: the condition of the assets allows to sell them immediately, and their sale within one year following the classification is highly probable.

Mortgages (non-current assets) for which the Bank acquires ownership for sale are measured and accounted for at the lower of carrying amount and fair value less costs to sell.

Fair value is determined on the basis of an independent appraiser's report, book value - on the basis of accounting data of the mortgagor.

Depreciation on such assets is not accrued.

During the reporting year 2019, the Bank recognized non-current assets held for sale in the amount of 9,197 thousand UAH in connection with the acquisition of ownership of the mortgaged property by applying for foreclosure on it out of court, including on the basis of a mortgage agreement.

4.19. Amortization

All non-current assets (except for land and capital investments in progress) are subject to depreciation and amortization.

Amortization is not charged if the carrying amount of non-current assets equals their liquidation value.

Amortization of non-current assets is charged from the first day of the month following the month of acquisition and is terminated on the first day of the month following the month of the asset disposal.

Non-current asset depreciation or amortization rates are based on the useful lives of non-current as-sets. Deprecation or amortization is charged on a straight-line basis.

Property, plant and equipment is depreciated and intangible assets are amortized over their useful lives determined by the permanent commission at their initial recognition based on useful lives of groups and subgroups of non-current assets classified by the Bank for accounting purposes, and useful lives of intangible assets set forth by title documents (contracts, licenses etc.) taking into account minimum depreciation and amortization terms specified by the Tax Code of Ukraine, namely:

- Land plots – not depreciated;
- Buildings, structures and transmissions equipment - 20 years;
- Machinery equipment - 4 - 10 years;
- vehicles (moto cars) – 5 years;
- instruments, fixtures, and furniture - 4 - 5 years;
- other property, plant and equipment - 12 years.

Low-value non-current tangible assets are 100% depreciated in the first month of their use.

The Bank did not revise depreciation and amortization rates and useful lives of non-current assets in 2019.

4.20. Discontinued operations

According to International Financial Reporting Standards, a discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale, and:

(a) represents a separate major line of business or geographical area of operations,

(b) is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations or

(c) is a subsidiary acquired exclusively with a view to resale.

In 2019, the Bank did not discontinue banking operations under the license of the National Bank of Ukraine.

4.21. Attracted funds

Attracted funds include non-derivative financial liabilities to customers and banks and initially recognized at fair value from the moment the Bank receives cash. Further accounting after initial recognition takes place at amortized cost.

Acceptance, servicing, return of deposits, accrual and payment of interest on them are made in accordance with the terms of the signed contracts in national and foreign currencies. The Bank is a member of the Deposit Guarantee Fund.

Revenues and expenses are recognized on the basis of accrual basis or on the basis of the outcome of the agreement, using the effective interest rate. The accrual of interest on borrowed funds is carried out using the "fact/fact" method.

4.22. Debt securities issued by the Bank

Savings (deposit) certificate is a security certifying the amount of the contribution made by the Bank, and the rights of the depositor (certificate holder) to receive from the expiry of the prescribed time deposit amount and interest established certificate. The Bank issues nominal saving (deposit) certificates for a period of six months.

Savings (deposit) certificates are issued in both national and foreign currencies exclusively in documentary (paper) form.

The Bank recognizes profit or loss in the case of raising funds for a deposit (with the issuance of a savings certificate) at a rate lower or higher than the market value. In transactions with shareholders, this difference is reflected in the capital account.

If the period of receipt of the deposit (deposit) for fixed-term savings (deposit) certificate expires, the certificate is considered a document on demand, on which the Bank relies obligation to pay the amount specified therein deposit (deposits) and interest when filing Savings (deposit) certificate.

4.23. Subordinated debt

Subordinated debt is ordinary, non-secured by the Bank debt capital instruments (constituent elements of capital) that, according to the agreement, cannot be taken from the Bank for five years, and in the event of bankruptcy or liquidation, they are returned to the investor after the repayment of the claims of all other creditors. Subordinated debt may be included in the Bank's capital after obtaining a permit from the National Bank. The amount of subordinated debt included in the capital annually decreases by 20% of its original size over the past five years of the contract.

During the reporting period 2019, the Bank did not attract funds on subordinated debt terms.

4.24. Income tax

The taxation of profits of the Bank during the reporting year was carried out in accordance with the requirements of the Tax Code of Ukraine.

The tax rate for income in 2019 is set at 18%.

The Bank, in determining the temporary differences associated with deferred taxes, uses a method based on the use of the proper balance sheet and tax base.

In accordance with IAS 12, Income Taxes, temporary differences are the difference between the carrying amount of an asset or a liability in a statement of financial position and its tax base. Deferred tax assets and deferred tax liabilities are calculated by the Bank on a quarterly basis (based on the frequency of preparation of interim financial statements).

Income tax expense in the financial statements consists of current tax and changes in deferred tax amounts.

Income tax expense is recognized in profit or loss, except for amounts attributable directly to equity.

4.25. Share capital and emission differences

Share capital is the obligation paid by shareholders to make a subscription for shares in the authorized capital, the amount of which is registered in accordance with the procedure established by the legislation of Ukraine. The increase (decrease) of the authorized capital of the Bank is carried out in accordance with the procedure established by the National Commission for Securities and Stock Market. In accordance with the Laws of Ukraine «On Banks and Banking» and «On Joint Stock Companies» and the Articles of the Bank, the decision on issue of shares is made by a decision of the General Meeting of Shareholders. As of December 31, 2019, the Bank did not issue or place privileged shares.

Emission Income (Emission Difference) and Other Income from Transactions with Shareholders. This income arises as the difference between the nominal value of the shares and the price of their placement, as well as the forgiveness of debt to shareholders, the provision of non-repayable financial assistance and income (loss) on initial recognition of financial instruments at a non-market rate or not at fair value. During the reporting year, the Bank did not conduct transactions with shareholders that would have an impact on the Bank's capital.

Contributions to the authorized capital are recorded at their fair value at the date of the transaction.

As of December 31, 2019, the registered and fully paid share capital consisted of 500,000 ordinary registered shares with a nominal value of 1,000 UAH each one All ordinary shares give the same voting rights on the principle of «one share - one vote».

4.26. Preferred shares

There are no preferred shares in the Bank.

4.27. Own shares repurchased from shareholders

The Bank has no repurchased own shares.

4.28. Dividends

The Bank's ability to declare and pay dividends is subject to the rules and regulations of Ukrainian law. Dividends are recognized as a liability and deducted from equity only if they have been declared payable.

Dividends are part of net profit distributed among shareholders in accordance with their share in the authorized capital of the Bank. Payment of dividends is made from net profit of the reporting year and/or retained earnings on the basis of the decision of the General Meeting of Shareholders. The amount of dividends is determined by the decision of the General Meeting of Shareholders.

In the reporting year 2019, the General Meeting of Shareholders decided on April 21, 2019 to pay dividends to the shareholders of the Bank in the amount of 9,617,340.88 UAH. In the reporting year, the Bank did not pay dividends to shareholders due to regulatory restrictions.

4.29. Recognition of income and expenses

The Bank recognizes interest income on financial assets carried at amortized cost, at an effective interest rate to gross book valueand at fair value through other comprehensive income, except for:

1) purchased or created depreciated financial assets. For such financial assets, the effective interest rate adjusted for credit risk is applied to the amortized cost of the financial asset from the date of initial recognition;

2) financial assets that were not acquired or created by impaired financial assets, but subsequently became depreciable financial assets. For such financial assets, the Bank applies an effective interest rate to the amortized cost of a financial asset in subsequent reporting periods.

The Bank recognizes interest income at the effective interest rate to the gross carrying amount of the financial asset starting from the next interest accrual date if, as a result of the impact of certain events, the previously impaired financial asset has recovered, and is no longer impaired.

According to the professional judgment of the management of the Bank, the effective interest rate is not calculated on demand financial instruments or short-term products, for which it is impossible to determine future cash flows in advance, and if the impact of the effective interest rate is very low and also on funds. which by their economic essence and style can be attributed to them:

- financial instruments on current and correspondent accounts;
- cash on demand for payment card transactions;
- overdraft loans on current, card and correspondent accounts, including unauthorized ones;
- deposits on demand;
- overnight loans and deposits;
- revolving credit lines, including loans using payment cards, on which issuance and repayment is carried out in advance of unforeseen schedule.

For financial instruments that make it impossible to determine future cash flows and to which the effective interest rate does not apply, the Bank uses a nominal interest rate to recognize interest income.

All other payments, commission and other income and expenses are generally accounted for using the accrual method, regardless of the degree of completeness of a particular transaction, which is defined as the proportion of the actual service provided in the total amount of services to be provided.

Revenues and expenses recognized by the Bank from transactions to be reflected in the financial statements are allocated to income and expenses received as a result of the operational, investment and financial activities of the Bank.

Revenues and expenses arising from operations are determined by an agreement between their participants or other documents drawn up in accordance with the requirements of the current legislation of Ukraine.

Income and expense items are valued and accounted for during economic transactions, regardless of when the funds were received or paid. Amortization of a discount (premium) for financial instruments is carried out simultaneously with accruals of interest.

(in thousands of Ukrainian hryvnias unless otherwise indicated)

Income (expenses) for one-time services (for example, fees for exchanged currencies, provision of (obtaining) consultations, etc.) are recognized without reference to accrued income (expense) accounts if the funds are received (paid) in the reporting period, in which these services were actually provided (received).

Commitments and other payments, which are an integral part of the income (expenses) of a loan, before the time of issue of a loan or a tranche on a credit line, are reflected by the Bank on the accounts of future income accounts. The commission received by the commission is included in the financial instrument at the time of issuing such a loan by transferring the latter to the discount account (premium).

The Bank, in accordance with IFRS 15 uses the following five-step model for income recognition (The 5-step model) on its analysis:

1) identification of the contract;
2) identification of individual obligations to perform within the framework of the concluded agreement;
3) determination of the price of the contract;
4) distribution of the price of the contract between the obligations to perform;
5) recognition of income when (or as it is) fulfilled an obligation to perform.

4.30. Revaluation of foreign currency

Monetary assets and liabilities denominated in foreign currencies are translated into Ukrainian hryvnia at the official rate of the National Bank of Ukraine, effective on the day of the transaction.

For each subsequent post-recognition date, all monetary items in foreign currency are recorded in the accounting book at the official exchange rate of the hryvnia to foreign currencies at the balance sheet date.

Income and losses resulting from the revaluation of foreign currency are included in the item "Result from revaluation of foreign currency" Income Statement and other comprehensive income (Statement of financial position).

Non-monetary items in foreign currency and banking metals, which are accounted for at cost, are recorded in accounting records at the official exchange rate of hryvnia to foreign currencies at the date of recognition (date to transaction).

Non-monetary items in foreign currency recorded at fair value are recorded in the accounting at the official exchange rate of hryvnia to foreign currencies at the date of determination of their fair value.

Assets and liabilities denominated in foreign currencies are recorded in the financial statements in UAH equivalent in official currency on December 31, 2019 or at the date of their recognition. Balances with technical account of currency position are not included in the financial statements.

In preparing these financial statements, the Bank used such official hryvnia rates to foreign currencies:

Currency code		Currency name and amount		31 December 2019
826	GBP	1	English pounds	31,0206
840	USD	1	US dollars	23,6862
985	PLN	1	Polish zloty	6,1943
643	RUB	10	Russian rubles	3,8160
756	CHF	1	Swiss francs	24,2711
978	EUR	1	Euros	26,4220

4.31. Offsetting of articles of assets and liabilities

The offsetting of financial assets and liabilities with subsequent inclusion in the Statement of financial position (Balance sheet) only of their nominal amount may be made only if there is a legally determined right to offset the recognized amounts if it intends to calculate on the basis of the net amount or simultaneously realize the asset and pay off the obligations.

4.32. Accounting for the impact of inflation

The need for transferring financial statements in accordance with IAS 29, «Financial Reporting in Hyperinflationary Economies», is a matter for judgment. Characteristics of the economic environment of Ukraine for the reporting year 2019 are not indicators of hyperinflation, therefore the Bank did not recalculate financial statements.

4.33. Payments to employees and deductions related to them

Employee benefits include:

a) short-term payment:
- o wages, social security contributions;
- o paid annual leave temporary disability;
- o participation in the bonus,

б) other long-term benefits, such as
- o payments for long-term disability.

The main deductions from payments made by the Bank to its employees are the personal income tax and military fee. Also, when making settlements with employees of the Bank and employees who perform work under contracts of civil law, the calculation of a single contribution to the payroll fund.

The Bank monthly calculates and forms the provision for payments for unused vacations of the Bank's employees.

The program of non-state pension provision in the Bank is not implemented.

4.34. Information on operating segments

According to the requirements of IFRS 8, «Operating segments» information should be disclosed both in relation to business segments and in relation to geographical segments. In this case, one of these formats is considered primary, and the other one is secondary.

The Bank determined the primary disclosure of business segments. According to geographical segments, reporting is not disclosed at all, because the Bank does not operate outside Ukraine.

The formation of operating segments is based on the selected areas of operational activity:

1) services for corporate clients: the business segment provides services for servicing current accounts, deposits (deposits), providing loan financing in various forms, foreign currency purchase and sale services, etc.;

2) services for individuals: the business segment provides banking services to individuals-individuals, including opening and maintaining current accounts, deposits (deposits), servicing, lending, etc.;

3) interbank business: a business segment that organizes Bank financing and risk management by raising funds in financial markets, investing in liquid assets.

The operating banking segment is recognized as a reporting entity if most of its revenue is generated from services to external clients, and at the same time, its performance met one of the following criteria:

- the income of this segment is not less than 10% of the total income;
- the financial result of this segment is not less than 10% of the total financial result;
- the book value of assets of this segment is not less than 10% of the aggregate value of assets of all operating segments.

Transactions between segments are executed under normal market conditions. Resources are redistributed between segments, which causes the appearance of transfer costs or segment revenue. No other significant redistribution between segments does not exist. Assets and liabilities of a segment make up most of the currency of the balance sheet and do not exclude tax consequences. Capital is not fixed by segment except for the result of the current year and other aggregate income.

There was no change in the accounting policies for recognizing and distributing segments in the reported year.

4.35. Related Party Transactions

The Bank determines the list of persons associated with the Bank in accordance with the requirements of International Accounting Standard 24 (IAS 24), «Disclosure of related parties».

Agreements with persons affiliated with the Bank cannot provide for conditions that are not current market conditions. Agreements entered into with persons related to the Bank on conditions that are not current market conditions shall be considered invalid from the moment of their conclusion.

4.36. Changes in accounting policies, accounting estimates, corrections of material errors and presentation in financial statements

Changes in accounting policies are made in cases where it is necessary to move to the requirements of a new or revised standard or interpretation, as well as on the Bank's own initiative, if as a result of such changes the information presented in the financial statements will be more reliable and meaningful.

IFRS 16 was issued in January 2016 and replaces IAS 17 Leases, IFRIC Interpretation 4, Determination of Lease Signs in an Agreement, SIC Explanatory Notes 15 leases - incentives "and the Explanation of the SIC 27"Defining the nature of transactions that have a legal form of lease "IFRS 16 establishes the principles for recognizing, measuring, presenting and disclosing leases and requires lessees to reflect all leases using a single accounting model in the balance sheet, similar to the accounting procedures in IFRS 17 for finance leases. The standard provides for two exemptions from recognition for tenants - for the lease of low-value assets and short-term leases (ie leases with a term of not more than 12 months). At the inception of the lease, the lessee will recognize the lease payment obligation (ie the lease obligation) as well as the asset that represents the right to use the underlying asset over the lease term (ie the asset in the form of the right of use). Tenants are required to recognize interest expense on a lease liability separately from the depreciation expense of the asset in the form of a right of use.

Tenants should also revalue the lease obligations when an event occurs (for example, a change in the lease term, a change in future lease payments as a result of a change in the index, or the rate used to determine such payments). In most cases, the lessee considers the amount of the revaluation of the lease liability as an adjustment to the asset in the form of the right of use.

The accounting procedure for a lessor in accordance with IFRS 16 is virtually unchanged from IFRS 17. Lessors should continue to classify leases using the same classification principles as in IFRS 17, distinguishing between two types of leases. : operational and financial. In addition, IFRS 16 requires lessors and tenants to disclose more information than IAS 17.

The new standard sets out the principles for recognizing, measuring, presenting and disclosing lease information. All leases result in the lessee obtaining the right to use the asset from the effective date of the lease, as well as in obtaining financing if the lease payments are made over a period of time. Accordingly, IFRS 16 abolishes the classification of leases as operating or financial, as required by IFRS 17, and instead introduces a single model for accounting for leases for tenants. Tenants will be required to recognize: (a) assets and liabilities in respect of all leases with a term of more than 12 months, except when the value of the leased asset is insignificant; and (b) the depreciation of the leased assets separately from the interest on the lease payments in the income statement. Thus, the lessor continues to classify leases as operating or finance leases and, accordingly, to report them separately. In transition to IFRS 16, the Bank has chosen a modified approach to the retrospective application of the standard as a lessee.

4.37. Significant accounting judgments and estimates, their impact on the recognition of assets and liabilities

The preparation of financial statements in accordance with IFRS requires the Bank to formulate certain judgments, estimates and assumptions that affect the application of accounting policies, as well as the amounts of assets and liabilities, income and expenses that are reflected in the reporting. Estimates and related assumptions are based on historical experience and other factors that are considered reasonable under these circumstances, the results of which form the basis for judgments regarding the book value of assets and liabilities. Professional judgments that have the most significant effect on the amounts disclosed in the financial statements and estimates that may result in significant adjustments to the carrying amount of assets and liabilities over the subsequent periods include:

Continuity of activity – these financial statements are based on the assumption that the Bank is able to continue its operations on a continuous basis in the near future, has neither intentions nor the need for liquidation or significant reduction of volume of operations.

Impairment losses on loans. The valuation of allowances for impairment losses requires the use of significant professional judgments. The Bank regularly reviews its loans to assess their impairment. The Bank evaluates provisions for active operations in order to maintain the amount of provisions at a level that, in the opinion of the management, will be sufficient to cover losses incurred in relation to the Bank's lending portfolio. The calculation of loan provisions for which the Bank recognized the impairment is based on estimates carried out using statistical techniques based on historical experience. The results obtained are adjusted on the basis of the professional judgment of the management. In the Bank's view, the accounting estimates associated with determining the amount of provisions for impairment losses are the main source of uncertainty in the assessment due to the fact that they are particularly sensitive to changes from the period to the period, as assumptions about the future level default and estimation of potential losses related to the decrease in the value of loans and granted funds is based on the latest performance of the Bank, as well as any significant difference between expected losses of the Bank as reflected in baggage reserves and actual losses will require the Bank reserves, the amount of which can significantly affect its profit and loss and other comprehensive income (Income Statement) and the statement of financial position (balance sheet) in future periods. The amount of provisions for impairment losses in financial statements was determined on the basis of existing economic and political conditions. The Bank is not able to predict what changes in the economic and political situation will take place in Ukraine and the impact these changes can have on the adequacy of provisions for losses in future periods.

Note 8 provides information on the carrying amount of loans and the amount of recognized credit risk exposure. If the actual amounts of redemption were less than those estimated by the management, the Bank would have to record additional costs incurred in recognition of the impairment of loans.

Fair value of financial instruments. If the fair value of financial assets and liabilities reflected in the Statement of Financial Position cannot be determined on the basis of prices in an active market, it is determined using a variety of valuation techniques that include the application of mathematical models. Output data for these models is determined on the basis of the observable market, if possible, and when this is not possible, then when determining the fair value, certain necessary judgments are used.

Fair value of mortgaged property. The mortgaged property is used in the calculation of provisions for loan risks at fair value based on the reports prepared by valuation entities that are not related to the Bank. When determining the value of mortgaged property, an estimated value based on the professional judgment of valuation experts is used. The valuation of the fair value of mortgaged property requires the formation of judgments and the application of assumptions about the comparability of property objects and other factors. Based on the above, the provision for impairment of loans may be affected by the application of the estimated value of collateral. The accounting estimates associated with real estate valuation are the main source of estimation uncertainty, as recognition of a change in estimates may potentially have a significant impact.

Note 5. Transition to new and amended standards, interpretations

A number of new standards and interpretations have been issued that are mandatory for annual periods beginning on or after 1 January 2020 and that the Bank has not yet adopted in advance:

IFRS 17 Insurance Contracts (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021).

IFRS 17 replaces IFRS 4, which allowed companies to apply existing insurance contract accounting practices, making it difficult for investors to compare and contrast the financial performance of other insurance companies. IFRS 17 is the only principle-based accounting standard for all types of insurance contracts, including reinsurance contracts available to the insurer. According to this standard, recognition and measurement of groups of insurance contracts should be carried out at (i) the present value of future cash flows (cash flows on performance of contracts), adjusted for risk, which takes into account all available information on cash flows on performance of contracts, respectively to the observed market information, to which is added (if the value is a liability) or from which is deducted (if the value is an asset) (ii) the amount of retained earnings for a group of contracts (service margin under contracts). Insurers will reflect the profits from the group of insurance contracts for the period during which they provide insurance coverage, and as they are exempt from risk. If a group of contracts is or becomes unprofitable, the organization will immediately reflect the loss. The Bank is currently assessing the impact of the new standard on its financial statements. In addition, the potential impact of the standard on insurance products embedded in loan agreements and similar instruments is considered.

Amendments to the Conceptual Framework for Financial Reporting (published on March 29, 2018 and effective for annual periods beginning on or after January 1, 2020).

The conceptual framework for financial reporting in the new version includes a new chapter on valuation, recommendations for reporting financial results, improved definitions and recommendations (in particular, definition of liabilities) and explanations on important issues such as the role of management, prudence and uncertainty in preparation financial statements.

Business Definition - Amendments to IFRS 3 (issued on 22 October 2018 and effective for acquisitions from the beginning of the annual reporting period beginning on or after 1 January 2020).

These amendments make changes to the definition of business. Business consists of contributions and essential processes, which together form the ability to generate returns. The new guidance includes a system for determining the availability of input and the significant process, including for companies in the early stages of development that have not yet paid off. If there is no return for an enterprise to be considered a business, there must be an organized workforce. The definition of the term "return" is narrowed to focus on goods and services provided to customers, on the creation of investment income and other income, while excluding the results in the form of reduced costs and other economic benefits. In addition, it is no longer necessary to assess whether market participants are able to replace missing items or integrate acquired activities and assets. The organization may use a "concentration test". Acquired assets will not be considered business if virtually all of the fair value of the acquired gross assets is concentrated in a single asset (or group of similar assets). The amendments are promising, and the Bank will apply them and assess their impact from January 1, 2020.

Significance determination - Amendments to IFRS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020).

These amendments clarify the definition of materiality and application of this concept by incorporating the definition recommendations previously presented in other IFRSs. In addition, the explanations for this definition have been improved. The amendments also ensure consistency in the use of materiality in all IFRS standards. Information is considered material if it is reasonably expected that its omission, distortion or difficulty in understanding it may affect the decisions made by key users of general purpose financial statements based on such financial statements provided by the reporting enterprise. The Bank is currently assessing the impact that the amendments will have on its financial statements.

Amendments to IFRS 10 and IAS 28 - "Sale or Contribution of Assets in Agreements between an Investor and its Associate or Joint Venture" (issued on September 11, 2014 and effective for annual periods beginning on or after the date will be determined by the IFRS Board, or after that date).

These amendments eliminate the inconsistency between the requirements of IFRS 10 and IAS 28 relating to the sale or contribution of assets to an associate or joint venture by an investor. The main effect of applying the amendments is that profit or loss is recognized in full if the transaction relates to a business. If the assets are not a business, even if those assets are owned by a subsidiary, only part of the profit or loss is recognized. The Bank is currently assessing the impact that the amendments will have on its financial statements.

Amendments to the Conceptual Framework for Financial Reporting (published on March 29, 2018 and effective for annual periods beginning on or after January 1, 2020).

The conceptual framework for financial reporting in the new version includes a new chapter on valuation, recommendations for reporting financial results, improved definitions and recommendations (in particular, definition of liabilities) and explanations on important issues such as the role of management, prudence and uncertainty in preparation financial statements.

Base interest rate reform - amendments to IFRS 9, IFRS 39, IFRS 7 (issued on 28 September 2019 and effective for annual periods beginning on or after 1 January 2020).

The amendments were triggered by the replacement of base interest rates, such as the London Interbank Demand Rate (LIBOR) and other interbank interest rates (IBOR). The expected changes will apply to all hedging relationships that involve the risk of changes in interest rates affected by the reform.

These new standards and interpretations are not expected to have a material impact on the Bank's financial statements.

(in thousands of Ukrainian hryvnias unless otherwise indicated)

Note 6. Cash and cash equivalents
Table 6.1. Cash and cash equivalents

	2019	2018
Cash	208 598	201 773
Deposit certificates issued by NBU	189 238	127 200
Funds in the National Bank of Ukraine (except mandatory reserves)	43 580	86 203
Correspondent accounts, deposits and overnight loans in	304 125	197 677
Ukraine	*303 972*	197 677
Other countries	153	-
Cash reserve and cash equivalents	(8 161)	(11 904)
Total cash and cash equivalents	***737 380***	**600 949**

In accordance with the requirements of the National Bank of Ukraine, the Bank reserves and retains the required reserves on the correspondent account of the Bank opened at the National Bank of Ukraine. The formation of mandatory reserves is carried out in accordance with the norms of obligatory reserve set by the National Bank of Ukraine for deposits and deposits of legal and physical persons on demand and funds on current accounts and on time deposits and deposits (deposits) of legal entities and individuals . The amount of mandatory reserves, which must be kept daily at the beginning of the trading day on the correspondent account of the bank at the National Bank of Ukraine, must be not less than 40% of the reserve base calculated for the relevant maintenance period. As of December 31, 2019, the amount of mandatory reserves, which banks should hold on a correspondent account with the National Bank of Ukraine daily at the beginning of the trading day, the National Bank reduced to 0%. Thus, the Bank can quickly dispose of additional liquid funds.

Table 6.2. Analysis of changes in provision for cash and cash equivalents

	2019	2018
Provision for impairment at the beginning of the period	(11 904)	(7 967)
Changes from the application of IFRS 9	-	(534)
Adjusted provision for impairment at the beginning of the period	(11 904)	(8 501)
(Increase)/decrease in provision during the period	3 743	(3 403)
Reserve as of the end of the period	***(8 161)***	**(11 904)**

Table 6.3. Analysis of changes in the gross carrying amount of cash and cash equivalents

	2019	2018
Gross book value at the beginning of the period	612 853	847 566
Acquired/initiated financial assets	5 905 458	5 088 540
Financial assets whose recognition has been canceled or canceled (other than written off)	(5 854 504)	(5 529 832)
Exchange rate differences	(12 861)	12 921
Other changes	94 357	193 658
Gross book value at the end of the reporting period, cash and cash equivalents	***745 303***	***612 853***

Table 6.4. Analysis of the credit quality of cash and cash equivalents for 2019

Rating level	Certificates of deposit issued by the NBU	Funds in the National Bank of Ukraine (except required reserves)	Correspondent accounts, overnight deposits and loans with banks	Total
High rating	189 238	43 580	278 776	511 594
Standard rating	-	-	25 349	25 349
Rating is lower than standard	-	-	-	-
Total cash and cash equivalents	***189 238***	***43 580***	***304 125***	***536 943***

Table 6.5. Analysis of the credit quality of cash and cash equivalents for 2018

Rating level	Certificates of deposit issued by the NBU	Funds in the National Bank of Ukraine (except required reserves)	Correspondent accounts, overnight deposits and loans with banks	Total
High rating	127 200	86 203	152 191	365 594
Standard rating	-	-	45 486	45 486
Rating is lower than standard	-	-	-	-
Total cash and cash equivalents	127 200	86 203	197 677	411 080

Note 7. Loans and receivables

As at the reporting date the Bank qualifies Loans and receivables of banks as financial assets measured at amortized cost.

Table 7.1. Loans and receivables of banks that are accounted at amortized cost

	2019	**2018**
Correspondent accounts in banks of:	-	517
Ukraine	-	-
Other countries	-	517
Loans granted to other banks	-	-
Short-term	-	*40 000*
Long-term	-	-
Provision for loans granted to other banks, which are accounted for at amortized	-	(25 884)

(in thousands of Ukrainian hryvnias unless otherwise indicated)

cost		
Total loans and advances to banks that are accounted for at amortized cost	-	***14 633***

As at the end of the day on December 31, 2019, the Bank did not enter into agreements for the placement of deposits with other banks and contracts for the purchase and reverse sale (reverse repurchase) with other banks.

Table 7.2. Analysis of credit quality of loans granted to other banks, which are accounted for at amortized cost for the previous 2018

	Stage 1	Stage 2	Stage 3	Acquired or created depreciated assets	Total
Loans granted to other banks	-	-	40 517	-	40 517
High credit risk	-	-	40 517	-	40 517
Total gross book value of loans granted to other banks	-	-	40 517	-	40 517
Provision for loans granted to other banks	-	-	(25 884)	-	(25 884)
Total loans granted to other banks	-	-	***14 633***	-	***14 633***

Table 7.3. Analysis of changes in provisions for impairment of loans and advances to banks recorded at amortized cost for the reporting 2019

	Stage 1	Stage 2	Stage 3	Total
Provision for impairment at the beginning of the period	-	-	*(25 884)*	*(25 884)*
Acquired / initiated financial assets	-	-	25 884	25 884
Provision for impairment at the end of the period	-	-	-	-

Table 7.4. Analysis of changes in provisions for impairment of loans and advances to banks accounted for at amortized cost for the previous 2018

	Stage 1	Stage 2	Stage 3	Total
Provision for impairment at the beginning of the period	-	-	(715)	(715)
Acquired / initiated financial assets	-	-	(25 169)	(25 169)
Provision for impairment at the end of the period	-	-	*(25 884)*	*(25 884)*

Table 7.5. Analysis of the change in the gross carrying amount for impairment of loans and liabilities in banks, which are recorded at amortized cost for the reporting 2019

	Stage 1	Stage 2	Stage 3	Initially depreciated assets	Total
Gross book value at the beginning of the period	-	-	40 517	-	40 517
Acquired / initiated financial assets	-	-	-	-	-
Financial assets that have been derecognised or redeemed (other than derecognised)	-	-	(40 517)	-	(40 517)
Other changes	-	-	-	-	-
Gross book value at the end of the reporting period	-	-	-	-	-

Table 7.5. Analysis of the change in the gross carrying amount for impairment of loans and liabilities in banks, which are recorded at amortized cost for the previous 2018

	Stage 1	Stage 2	Stage 3	Initially depreciated assets	Total
Gross book value at the beginning of the period			715	-	715
Acquired / initiated financial assets			40 000	-	40 000
Other changes			(198)	-	(198)
Gross book value at the end of the reporting period			***40 517***	-	***40 517***

Note 8. Loans and liabilities of clients

As at the reporting date, the Bank classifies Credits and liabilities to clients as financial assets measured at amortized cost

Table 8.1. Loans and liabilities of clients, which are recorded at amortized cost

	2019	2018
Loans granted to legal entities	2 401 355	3 180 740
Loans granted to individuals - entrepreneurs	18 643	18 404
Mortgage Loans to Individuals	42 193	7 890
Loans granted to individuals for current needs	317 433	103 385
Other loans granted to individuals	10 192	5 931

(in thousands of Ukrainian hryvnias unless otherwise indicated)

Provision for loans granted to customers, which are accounted for at amortized cost	(373 825)	(319 943)
Total loans and liabilities of recorded at amortized cost	***2 415 991***	***2 996 407***

Concentration of loans to customers:

As of December 31, 2019, the total amount of loans issued to the 10 largest borrowers of the Bank amounted to 1,521,344 thousand UAH or 63% of the loan portfolio.

As at 31 December 2018, the total amount of loans issued to the 10 largest borrowers of the Bank amounted to 1,974,671 thousand UAH or 66% of the loan portfolio.

The Bank has no securities pledged as collateral for loans and indebtedness of clients under repo transactions.

Table 8.2. Analysis of the credit quality of loans and liabilities of clients recorded at amortized cost for the reporting year 2019

	Stage 1	Stage 2	Stage 3	Acquired or created depreciated assets	Total
Loans and liabilities of clients at amortized cost:					
Minimum credit risk	294 817	-	30 637	-	325 454
Low credit risk	497 397	-	50 708	-	548 105
Average credit risk	369 286	8 977	64 842	-	443 105
High credit risk	734 353	1 231	150 334	-	885 918
Default assets	161 490	1 542	424 202	-	587 234
Total gross carrying value of loans and liabilities of clients recorded at amortized cost	***2 057 343***	***11 750***	***720 722***	-	***2 789 816***
Provisions for impairment of loans and liabilities of clients recorded at amortized cost	(45 287)	(2 165)	(326 373)	-	(373 825)
Total loans and liabilities of clients recorded at depreciated cost	***2 012 056***	***9 585***	***394 350***	-	***2 415 991***

Table 8.3. Analysis of the credit quality of loans and liabilities of clients recorded at amortized cost for the previous year 2018

	Stage 1	Stage 2	Stage 3	Acquired or created depreciated assets	Total
Loans and liabilities of clients at amortized cost:					
Minimum credit risk	164 587	-	15 064		179 651
Low credit risk	906 449	-	41 992		948 441
Average credit risk	1 133 290	-	-		1 133 290
High credit risk	5 994	-	184 685		190 679
Default assets	179 280	14 017	670 992		864 289
Total gross carrying value of loans and liabilities of clients recorded at amortized cost	***2 389 600***	***14 017***	***912 733***	-	***3 316 350***
Provisions for impairment of loans and liabilities of clients recorded at amortized cost	(26 032)	(343)	(293 568)	-	(319 943)
Total loans and liabilities of clients recorded at depreciated cost	***2 363 568***	***13 674***	***619 165***	-	***2 996 407***

Table 8.4. Analysis of the change in the gross carrying amount for impairment of loans and liabilities of clients at amortized cost for 2019

	Stage 1	Stage 2	Stage 3	Initially depreciated assets	Total
Gross book value at the beginning of the period	***2 389 600***	***14 017***	***912 733***	-	***3 316 350***
Acquired / initiated financial assets	1 604 979	8 898	391 475	-	2 005 352
Financial assets, recognition of which has been canceled or canceled (other than write-offs)	(1 789 220)	(13 990)	(399 782)	-	(2 202 992)
Transition to stage 1	-	-	-	-	-
Transition to stage 2	(3 124)	2 852	-	-	(272)
Transition to stage 3	(70 073)	(27)	59 858	-	(10 242)
Write-off of financial assets at the expense of reserves	-	-	-	-	-
Other changes (changes in debts under current contracts)	(74 818)	-	(243 562)	-	(318 380)
Gross book value at the end of the reporting period	***2 057 344***	***11 750***	***720 722***	-	***2 789 816***

Table 8.5. Analysis of the change in the gross carrying amount for impairment of loans and liabilities of clients at amortized cost for 2018

	Stage 1	Stage 2	Stage 3	Initially depreciated assets	Total
Gross book value at the beginning of the period	***2 238 057***	-	***1 434 822***	-	***3 672 879***
Acquired / initiated financial assets	809 991	10	351 022	-	1 161 023

(in thousands of Ukrainian hryvnias unless otherwise indicated)

Financial assets, recognition of which has been canceled or canceled (other than write-offs)	(480 568)	-	(811 820)	-	(1 292 388)
Transition to stage 1	40 419	-	(40 741)	-	(322)
Transition to stage 2	(40 310)	14 007	-	-	(26 303)
Transition to stage 3	(2 525)	-	2 058	-	(467)
Write-off of financial assets at the expense of reserves	-	-	(9 424)	-	(9 424)
Other changes (changes in debts under current contracts)	(175 464)	-	(13 184)	-	(188 648)
Gross book value at the end of the reporting period	***2 389 600***	***14 017***	***912 733***	-	***3 316 350***

Table 8.6. Analysis of changes in provisions for impairment of loans and liabilities of clients at amortized cost in 2019

	Stage 1	Stage 2	Stage 3	Acquired or created depreciated assets	Total
Adjusted provisions for impairment at the beginning of the period	***(26 032)***	***(343)***	***(293 568)***	-	***(319 943)***
(Increase) / decrease in provision for impairment during the period	(19 255)	(1,823)	(2,521)	-	(23 599)
Increase in reserve on new contracts	(33 633)	(1 434)	(221 676)		(256 743)
(Increase) / decrease in provision for impairment under current contracts	(7 844)	-	54 461		46 617
Financial assets whose recognition has been canceled or canceled (except write-offs)	21 259	333	174 630	-	196 222
The overall effect of the transition between stages	963	(722)	(9 936)	-	(9 695)
Transition to stage 1	-	-	-	-	-
Transition to stage 2	*65*	*(731)*	-		*(666)*
Transition to stage 3	*898*	*9*	*(9 936)*		*(9 029)*
Write-off of financial assets at the expense of the provision	-	-	-	-	-
Adjustment of interest income, recorded at amortized cost	-	-	(30 283)	-	(30 283)
Provision for depreciation at the end of the period	***(45 287)***	***(2 166)***	***(326 372)***	-	***(373 825)***

Table 8.7. Analysis of changes in provisions for impairment of loans and liabilities of clients at amortized cost in 2018

	Stage 1	Stage 2	Stage 3	Acquired or created depreciated assets	Total
Provision for impairment at the beginning of the period	*(9 047)*	-	*(286 150)*	-	*(295 197)*
Changes from the application of IFRS 9 *expected loan losses*	*(24 046)*	-	*23 154*	-	*(892)*
Adjusted provisions for impairment at the beginning of the period	***(33 093)***	-	***(262 996)***	-	***(296 089)***
(Increase) / decrease in provision for impairment during the period	7 061	(343)	(13 232)	-	(6 514)
Increase in reserve on new contracts	*(15 908)*	*(4)*	*(51 671)*		*(67 583)*
(Increase) / decrease in provision for impairment under current contracts	*9 256*	-	*(162 094)*	-	*(152 838)*
Financial assets whose recognition has been canceled or canceled (except write-offs)	*13 965*		*190 652*		*204 617*
The overall effect of the transition between stages	(252)	(339)	9 881	-	9 290
Transition to stage 1	*(508)*		*11 232*		*10 724*
Transition to stage 2	*197*	*(339)*			*(142)*
Transition to stage 3	*59*		*(1 351)*		*(1 292)*
Write-off of financial assets at the expense of the provision	-	-	*9 424*	-	*9 424*
Adjustment of interest income, recorded at amortized cost	-	-	*(26 764)*	-	*(26 764)*
Provision for depreciation at the end of the period	***(26 032)***	***(343)***	***(293 568)***	-	***(319 943)***

Table 8.8. Structure of loans by types of economic activity

	2019		2018	
	amount	%	amount	%
Real estate operations, leasing, engineering and services	55 521	2.0	50 283	1.5
Healthcare	9 463	0.3	51 748	1.6
Trade; repair of cars, household products and personal items	1 562 569	56.0	2 216 551	66.8
Agriculture, hunting, forestry	17 555	0.6	21 735	0.7

(In thousands of Ukrainian hryvnias unless otherwise indicated)

	2019		2018	
	amount	%	amount	%
Construction of buildings	172 213	6.2	286 446	8.6
Ground and pipeline transport	99 680	3.6	178 843	5.4
Production and distribution of electricity, gas and wate	59 797	2.1	-	-
Activities of hotels and similar temporary accommodation facilities	32 498	1.2	-	-
Manufacture of machinery, equipment and other products	172 568	6.2	165 912	5.0
Activities in the field of sports, organization of recreation and entertainment	130 378	4.7	75 133	2.3
Individuals	369 818	13.3	116 804	3.5
Others	107 756	3.9	152 896	4.6
Total loans and liabilities of clients without provisions	***2 789 816***	***100.00***	***3 316 350***	***100***

The table shows the balance of loans arrears, broken down by type of economic activity. The main sectors of the economy that lend to the Bank are: trade; real estate transactions; building construction; repair of cars, household appliances, etc. The Bank for the purpose of minimizing credit risk sets sector lending limits that were not violated during the reporting year.

Table 8.9. Information on loans by type of collateral for 2019

	Loans granted to legal entities	Loans granted to individuals - entrepreneurs	Mortgage Loans to Individuals	Loans granted to individuals for current needs	Other loans granted to individuals	Total
Unsecured loans	1 287	-	-	71 269	10 192	82 748
Loans secured with	2 400 068	18 643	42 193	246 164	-	2 707 068
cash	*892 465*	-	-	*14 688*	-	907 153
real estate	*923 663*	*18 643*	*42 193*	*161 929*	-	1 146 428
including housing	*6 207*	-	*38 371*	*105 930*	-	150 508
warranties and sureties	-	-	-	*4 359*	-	4 359
Other assets	*583 940*	-	-	*65 188*	-	*649 128*
Total loans and advances to customers without provisions	***2 401 355***	***18 643***	***42 193***	***317 433***	***10 192***	***2 789 816***

Table 8.10. Information on loans by type of collateral for 2018

	Loans granted to legal entities	Loans granted to individuals - entrepreneurs	Mortgage Loans to Individuals	Loans granted to individuals for current needs	Other loans granted to individuals	Total
Unsecured loans	-	-	-	10 973	5 906	16 879
Loans secured with	3 180 740	18 404	7 890	92 412	25	3 299 471
cash	*1 236 009*	-	-	*2 228*	-	*1 238 238*
real estate	*1 247 710*	*18 272*	*7 890*	*74 384*	-	*1 348 255*
including housing	*4 661*	-	*7 532*	*52 762*	-	*64 956*
warranties and sureties	-	-	-	*11 420*	*25*	*11 444*
Other assets	*697 021*	*132*	-	*4 380*	-	*701 533*
Total loans and advances to customers without provisions	***3 180 740***	***18 404***	***7 890***	***103 385***	***5 931***	***3 316 350***

During the 2018, the Bank made a decision on satisfaction of the requirements of the mortgagee by acquiring the title to the mortgage subject to the mortgage treaties, as a result of which overdue loan debt was repaid to the amount of 277,229 UAH thousand and credited to the balance of the Bank investment property for the amount of 282 020 thousand UAH.

Table 8.11. Impact of collateral value on credit quality for 2019

	Carrying value loans	Expected cash flows from the sale of pledged collateral	Impact of collateral
Loans granted to legal entities	2 047 177	4 065 738	(2 018 561)
Loans granted to individual entrepreneurs	16 784	86 202	(69 418)
Mortgage Loans to Individuals	41 733	61 352	(19 619)
Loans granted to individuals for current needs	302 348	451 919	(149 571)
Other loans to individuals	7 949	7 210	739
Total loans	***2 415 991***	***4 672 421***	***(2 256 430)***

Table 8.12. Impact of collateral value on credit quality for 2018

	Carrying value loans	Expected cash flows from the sale of pledged collateral	Impact of collateral
Loans granted to legal entities	2 866 261	5 360 083	(2 493 822)
Loans granted to individual entrepreneurs	17 467	146 109	(128 642)
Mortgage Loans to Individuals	7 874	23 733	(15 859)
Loans granted to individuals for current needs	100 127	348 373	(248 246)

(in thousands of Ukrainian hryvnias unless otherwise indicated)

Other loans to individuals	4 679	-	4 679
Total loans	***2 996 408***	***5 878 298***	***(2 881 890)***

The valuation of the pledged property is carried out by an independent certified subject of valuation activities in accordance with Article 3 of the Law of Ukraine "On valuation of property, property rights and professional appraisal activity in Ukraine", in accordance with the procedure established by the regulatory acts specified in Article 9 of this Law, namely, the provisions (national standards) of property valuation, which are approved by the Cabinet of Ministers of Ukraine, methods and other normative-legal acts, which are made taking into account the requirements of the provisions (national standards) and approved by the Cabinet of Ministers of Ukraine or the State Property Fund of Ukraine (in particular, National Standards: № 1 «General Principles of Appraisal of Property and Property Rights», № 2 «Estimation of Real Estate», № 3 «Estimation of Integral Property Complexes» and other documents).

The review (actualization) of the value of the items of mortgaged property is carried out by an independent certified subject of valuation activity, taking into account the change in the market condition of such property and / or the state of preservation of this property, but at least once every twelve months for real estate, equipment and vehicles , once for six months - for other property, using comparative, cost and return approaches (separately), as well as by combining these.

Table 8.13. Information on the total amount of minimum lease payments to be received by financial leasing (lease) and their present value in 2019.

	Less than 1 year	From 1 to 5 years	More than 5 years	Total
The total amount of minimum lease payments leased under finance lease as at 31 December 2019	375	-	-	375
Future financial income	57	-	-	57
Provision for financial lease at the end of the reporting period	(1)	-	-	(1)
Present value of minimum lease payments at the end of the reporting period	*385*	-	-	*385*

Table 8.14. Information on the total amount of minimum lease payments to be received by financial leasing (lease) and their present value in 2018.

	Less than 1 year	From 1 to 5 years	More than 5 years	Total
The total amount of minimum lease payments leased under finance lease as at 31 December 2018.	278	-	-	278
Future financial income	32	-	-	32
Provision for financial lease arrears	(8)	-	-	(8)
The present value of minimum lease payments by the end of 2018	***243***	-	-	***243***

Note 9. Investments in securities

Table 9.1. Investments in securities

	2019	2018
Securities that are recorded at amortized cost	-	-
Securities that are recorded at fair value through another comprehensive income	212 570	154 307
Securities that are recorded fair value through profit / loss	-	-
Total securities	***212 570***	***154 307***

Table 9.2. Investments in securities that are recorded at fair value through other comprehensive income

	2019	2018
Debt securities	210 395	154 678
government bonds	*210 395*	*154 678*
Shares of enterprises and other non-fixed income securities	784	784
fair value of which is determined by the calculated method	*784*	*784*
Revaluation of securities that are accounted for fair value through another cumulative income	1 391	(1 155)
Total securities, which are recorded at fair value because of another aggregate income	***212 570***	***154 307***

As at the balance sheet date, all securities are accounted for at fair value through other comprehensive income. Investments in securities consist of debt securities in the form of government bonds in the amount of 210 395 UAH thousand and an admitted valuation of 2 175 thousand UAH, the fair value of which at 31 December 2019 amounts to 212 570 thousand UAH (as at 31 December 2018 -154 307 thousand UAH) and participation in LLC «BUSINESS OF INVESTMENTS AND SAVINGS», in the amount of 784 thousand UAH, and a recognized discount of 748 thousand UAH, the fair value of which as of December 31, 2019 is 0 thousand UAH (as of December 31, 2018 - 0 thousand UAH).

Debt securities in the Bank's portfolio as at 31.12.2019 and 31.12.2018 are characterized by low credit risk.

The Bank did not transfer securities without termination of recognition in the form of collateral for repo transactions.

Table 9.3. Major equity investments and other non-fixed income securities that are recorded at fair value through other comprehensive income

Company name	Type of activity	Country of registration	Fair value 2019	Fair value 2018
LLC «BUSINESS FOR INVESTMENT AND SAVINGS»	Code CFAA 64.99 Provision of other financial	804	0	0

(In thousands of Ukrainian hryvnias unless otherwise indicated)

services

Note 10. Investment property
Table 10.1. Investment property estimated using the fair value method

	2019	2018
Fair value of investment property at the beginning of the period	282 020	-
Acquisition	-	282 020
Fair value of investment property at the end of the period	282 020	282 020

During the 2018, the Bank made a decision on satisfaction of the requirements of the mortgagee by acquiring the title to the mortgage subject to the mortgage treaties, as a result of which overdue loan debt was repaid to the amount of UAH 277,229 thousand and credited to the balance of the Bank investment property for the amount of 282 020 thousand UAH.

As of December 31, 2019, the deviation of the fair value of investment property determined in accordance with International Standards on valuation and IFRS according to the report of LLC «Vector Vote» (certificate of valuation entity № 777/19 of October 11, 2019, issued by the State Property Fund of Ukraine) is not from the carrying value substantial (less than 10%)

As a result, the Bank did not reflected the revaluation of investment property in 2019. As on December 31, 2019, the fair value of investment property in accordance with the report on the independent appraisal of LLC «Vector Vote» was 280 140 thousand UAH.

Table 10.2. Amounts recognized in the Profit and Loss Statement and other comprehensive income

Amounts of income and expenses	2019	2018
Income from lease of investment property	9 373	6 016
Direct operating expenses (including repairs and maintenance) from investment property generating rental income	-	-
Other direct costs that do not generate rental income	-	-

Note 11. Assets usage rights
Table 11.1. Assets usage rights

	2019	2018
Recognition of agreements related to the transition to IFRS 16	35 542	-
Receipt of new agreements	7 143	-
Revaluation of an asset (revaluation - change in the amount of rent)	313	-
Revaluation of an asset (depreciation - change in the amount of rent, the impact of the inflation index and exchange rate)	(119)	-
Depreciation charges	*(22 568)*	-
Book value at the end of the period	***20 311***	-
Initial (revalued) cost	***42 998***	-
Depreciation at the end of the reporting period	***(22 687)***	-

Note 12. Property, plant and equipment and intangible assets
Transactions of receipt, transfer, disposal of fixed assets and intangible assets are stated at book value

Table 12.1. Property, plant and equipment and intangible assets

	Ground section	Buildings, constructions and transmission devices	Machinery and equipment	Vehicles	Instruments, instruments, inventory (furniture)	Other fixed assets	Other non-current tangible assets	Incomplete capital investments in fixed assets and intangible assets	Intangible assets	Total
Carrying amount at the beginning of the previous period	**87**	**14 421**	**7 805**	**534**	**1 781**	**1 239**	**1 608**	**1 354**	**2 133**	**30 962**
Initial (revalued) cost	*87*	*21 165*	*18 665*	*1 975*	*5 479*	***2 619***	*6 221*	*1 354*	*5 118*	*62 683*
Wear and tear at the beginning of the previous period	-	*(6 744)*	*(10 860)*	*(1 441)*	*(3 698)*	*(1 380)*	*(4 613)*	-	*(2 985)*	*(31 721)*
Comings-in	-	-	15 146	-	836	1 497	2 857	13 189	512	34 037
Capital investments for the completion of fixed assets and improvement of intangible assets	-	12	80	-	2	98	3 125	(1 764)	6	1 559
Other translations	-	-	-	-	-	-	-	(12 389)	-	(12 389)
Disposal	-	-	-	-	-	(78)	-	-	(5)	**(83)**
Depreciation deductions	-	(936)	(2 586)	(188)	(476)	(195)	(4 202)	-	(616)	**(9 199)**
Disposal of depreciated OZ	-	-	(32)	-	(36)	(119)	(3)	-	(233)	**(423)**

(In thousands of Ukrainian hryvnias unless otherwise indicated)

	Ground section	Buildings, constructions and transmission devices	Machinery and equipment	Vehicles	Instruments, instruments, inventory (furniture)	Other fixed assets	Other non-current tangible assets	Incomplete capital investments in fixed assets and intangible assets	Intangible assets	Total
Carrying amount at the end of the previous period (at the beginning of the reporting period)	**87**	**13 497**	**20 445**	**346**	**2 143**	**2 561**	**3 388**	**390**	**2 030**	**44 887**
Initial (revalued) cost	*87*	*21 177*	*33 859*	*1 975*	*6 281*	*4 017*	*12 200*	*390*	*5 398*	*85 384*
Depreciation at the end of the previous period (at the beginning of the reporting period)	-	*(7 680)*	*(13 414)*	*(1 629)*	*(4 138)*	*(1 456)*	*(8 812)*	-	*(3 368)*	*(40 497)*
Comings-in	-	-	3 957	-	937	412	1 399	17 508	10 133	34 346
Capital investments for the completion of property, plant and equipment and improvement of intangible assets	-	-	-	-	-	20	1 934	(1 943)	826	837
Other transfers	-	-	-	-	-	-	-	(8 512)	-	(8 512)
Retirement	-	-	(9)	-	-	(12)	(173)	-	-	(194)
Depreciation deductions	-	(937)	(5 626)	(173)	(600)	(259)	(3 337)	-	(911)	(11 843)
Disposal of depreciated OZ	-	-	(110)	-	(218)	(190)	(280)	-	(86)	(884)
Carrying amount at the end of the reporting period	**87**	**12 560**	**18 767**	**173**	**2 480**	**2 722**	**3 211**	**7 443**	**12 078**	**59 521**
initial (revalued) cost	*87*	*21 177*	*37 697*	*1 975*	*7 000*	*4 247*	*15 080*	*7 443*	*16 271*	*110 977*
Depreciation at the end of the reporting period	-	*(8 617)*	*(18 930)*	*(1 802)*	*(4 520)*	*(1 525)*	*(11 869)*	-	*(4 193)*	*(51 456)*

As for December 31, 2019:
- The Bank did not have property, plant and equipment and intangible assets in respect of which the legislation provides for restrictions on possession, use and disposal.
- The Bank did not have collateral property, plant and equipment.
- The Bank did not have property, plant and equipment that are temporarily not used (preservation, reconstruction, etc.).
- The Bank did not have any property, plant and equipment withdrawn from operation for sale;
- The initial cost of fully amortized non-current assets amounted to UAH 24,111 thousand;
- The Bank does not have the value of intangible assets that are subject to a restriction of ownership;
- The Bank did not have created intangible assets;
- The Bank did not have any increase or decrease during the reporting period arising from revaluation, as well as from impairment losses recognized or reversed directly in equity.

Note 13. Other financial assets
Table 13.1. Other financial assets

	2019	2018
Accounts receivable from transactions with banks	75 462	73 937
Accounts receivable for transactions with customers	1 232	17 250
Accounts receivable for transactions with payment cards	8 118	3 317
Accounts receivable from operations with other financial instruments	7 682	1 515
Monetary funds with limited right of use	27 103	25 287
Other financial assets	3 262	5 550
Provision for impairment of other financial assets	(47 784)	(23 644)
Total other financial assets minus reserves	***75 074***	***103 212***

The article «Moneys with Limited Use Rights» shows the balances on the balance account «Funds of the Bank in Settlements», which records the guarantee deposit in PJSC IB «Pivdennyi» Bank and PJSC «BANK FAMILYI» for ensuring fulfillment of obligations under the agreement on support for membership in IPS VISA.

(in thousands of Ukrainian hryvnias unless otherwise indicated)

As at the reporting date, the Bank does not have receivables for securities, which were transferred in the form of a loan and which the receiver of securities has the right to sell or provide to the next pledge, in accordance with the terms of the contract or existing practice.

Table 13.2. Analysis of changes in provision for impairment of other financial assets for 2019

	Accounts receivable from transactions with banks	Accounts receivable for transactions with customers	Accounts receivable from operations with other financial instruments	Monetary funds with limited right of use	other financial assets	Total
Balance at the beginning of the period	*(3 831)*	*(17 084)*	*(980)*	*(860)*	*(889)*	*(23 644)*
(Increase) / decrease in provision for impairment of other financial assets during 2018	(34 275)	16 245	(5 347)	(409)	(820)	(24 607)
Write-off at the expense of the reserve	-	196	259	-	12	467
Balance at the end of the period	***(38 106)***	***(644)***	***(6 069)***	***(1 269)***	***(1 697)***	***(47 784)***

Table 13.3. Analysis of changes in provision for impairment of other financial assets for 2018

	Accounts receivable from transactions with banks	Accounts receivable for transactions with customers	Accounts receivable from operations with other financial instruments	Monetary funds with limited right of use	other financial assets	Total
Balance at the beginning of the period	(749)	-	-	-	(463)	(1 212)
(Increase) / decrease in provision for impairment of other financial assets during 2018	(3 082)	(17 084)	(980)	(860)	(426)	(22 432)
Balance at the end of the period	***(3 831)***	***(17 084)***	***(980)***	***(860)***	***(889)***	***(23 644)***

During 2018, the counterparties partially repaid the previously written off bad financial receivables in the amount of 756 thousand UAH.

Table 13.4. Analysis of the change in the gross carrying amount for the cancellation of other financial assets for the reporting of 2019

	Accounts receivable from transactions with banks	Accounts receivable for transactions with customers	Accounts receivable for transactions with payment cards	Accounts receivable from operations with other financial instruments	Monetary funds with limited right of use	other financial assets	Total
Balance at the beginning of the period	***73 938***	***17 250***	***3 317***	***1 515***	***25 287***	***5 550***	***126 857***
Accounts receivable initially recognized during the reporting period	2 653	1 149	20	7 130	-	1 611	12 563
Accounts receivable, the recognition of which was terminated or repaid	(122)	(16 913)	(32)	(442)	(1)	(3 525)	(21 035)
Write-off at the expense of the reserve		(196)	-	(259)	-	(12)	(467)
Other changes	(1 007)	(58)	4 813	(262)	1 817	(362)	4 941
Balance at the end of the period	***75 462***	***1 232***	***8 118***	***7 682***	***27 103***	***3 262***	***122 859***

The line "Other changes" reflects the amount of increase / (decrease / repayment) of receivables under existing agreements during the reporting year 2019.

Table 13.5. Analysis of the change in the gross carrying amount for the cancellation of other financial assets for the previous 2018

(in thousands of Ukrainian hryvnias unless otherwise indicated)

	Accounts receivable from transactions with banks	Accounts receivable for transactions with customers	Accounts receivable for transactions with payment cards	Accounts receivable from operations with other financial instruments	Monetary funds with limited right of use	other financial assets	Total
Balance at the beginning of the period	14 188	306	5 367	212	15 748	5 611	41 432
Accounts receivable initially recognized during the reporting period	60 823	17 163	40	1 303	1	4 194	83 523
Accounts receivable, the recognition of which was terminated or repaid	(9 002)	(182)	(138)	-	(6)	(3 612)	(12 939)
Other changes	7 928	(37)	(1 952)	-	9 544	(643)	14 840
Balance at the end of the period	***73 937***	***17 250***	***3 317***	***1 515***	***25 287***	***5 550***	***126 856***

Table 13.6. Analysis of the credit quality of other financial assets for the reporting year 2019

	Minimal credit risk	Low credit risk	Average credit risk	High credit risk	Default assets	Total
Accounts receivable from transactions with banks	78	74 635	-	-	749	75 462
Accounts receivable for transactions with customers	1 137	40	-	-	55	1 232
Accounts receivable for transactions with payment cards	8 118	-	-	-	-	8 118
Accounts receivable from operations with other financial instruments	-	3 144	-	408	4 129	7 682
Monetary funds with limited right of use	27 103	-	-	-	-	27 103
Other financial assets	3 088	38	1	3	132	3 262

Table 13.7. Analysis of the credit quality of other financial assets for the previous 2018

	Minimal credit risk	Low credit risk	Average credit risk	High credit risk	Default assets	Total
Accounts receivable from transactions with banks	73 188	-	-	-	749	73 938
Accounts receivable for transactions with customers	17 230	20	-	-	-	17 250
Accounts receivable for transactions with payment cards	3 317	-	-	-	-	3 317
Accounts receivable from operations with other financial instruments	325	306	-	673	212	1 515
Monetary funds with limited right of use	25 287	-	-	-	-	25 287
Other financial assets	5 220	269	23	39	-	5 550

Note 14. Other assets

Table 14.1. Other assets

	2019	2018
Accounts Receivable for Acquisition of Assets	245	218
Prepayment for services	153	469
Precious metals	179	746
Other assets	148	146
Costs of future periods	6 024	7 568
Reserve for other assets	(296)	(293)
Total other assets minus reserves	***6 453***	***8 853***

Costs of future periods:

as of 31.12.2019: rent - 4,325 thousand UAH; license fees and use of software - 474 thousand UAH; communal services - 94 thousand UAH; insurance - 10 thousand UAH; others (including communication) - 1,122,000 UAH.
as of 31.12.2018: rent - 4,094 thousand UAH; license fees and use of software - 1,914 thousand UAH; utilities - 101 thousand UAH; audit - 608 thousand UAH.

Table 14.2. Analysis of changes in provisions for impairment of other assets for the reporting year 2019

	Accounts receivable for purchase of assets	Prepayment for services	Total
Balance at the beginning of the period	(22)	(271)	(293)
(Increase) / decrease in reserve under impairment during the period	(135)	132	(3)
Balance at the end of the period	***(157)***	***(138)***	***(296)***

Table 14.3 Analysis of changes in provisions for impairment of other assets for the previous year 2018

	Accounts receivable for purchase of assets	Prepayment for services	Total
Balance at the beginning of the period	(1 428)	(354)	(1 782)

(in thousands of Ukrainian hryvnias unless otherwise indicated)

(Increase) / decrease in reserve under impairment during the period	1 406	83	1 489
Balance at the end of the period	(22)	(271)	(293)

Note 15. Non-current assets held for sale and assets of the disposal group
Table 15.1. Non-current assets held for sale

	2019	2018
Non-current assets held for sale	9 197	-
Total non-current assets held for sale	***9 197***	-

In December 2019, the balance sheet of JSC " BANK FOR INVESTMENTS AND SAVINGS " accepted non-current assets held for resale, for a total amount of 9,197 thousand UAH, namely:
Property complex of equestrian sports base, with a total area of 941.4 sq.m. worth 1,256 thousand UAH, and a land plot with a total area of 3.91 hectares worth 5,273 thousand UAH, as well as a line for processing natural stone materials worth 2,667 thousand UAH.

Note 16. Bank funds
The bank opened a Loro account of JSC "City Bank", the balance of which at the reporting date is 1 thousand UAH.
Note 17. Clients` money
Table 17.1. Clients` money

	2019	2018
Other legal entities	1 695 402	1 800 307
current accounts	*232 553*	*288 542*
term funds	*1 462 849*	*1 511 765*
Individuals:	1 400 400	1 746 383
current accounts	*257 839*	*159 642*
term funds	*1 142 561*	*1 586 741*
Total clients` money	***3 095 802***	***3 546 690***

As of December 31, 2019, the Bank placed 10 largest customers in the amount of 1 079 588 thousand UAH accounted for 35% of clients' funds (as of December 31, 2018 – 1 682 480 thousand UAH accounted for 47%).

The carrying value of borrowed funds of customers, which is collateral for credit operations and financial liabilities, provided by the Bank, as of December 31, 2019: 936 145 thousand UAH (as of December 31, 2018: 1 253 099 UAH). These are term deposits of clients in the amount of 1 927 412 thousand UAH and cash cover for financial obligations in the amount of 8 734 thousand UAH. Of them 926 357 thousand UAH were given as collateral for corporate loans and 9 789 thousand UAH - on loans of individuals. (2018: UAH 1 236 009 thousand and UAH 2 228 thousand respectively).

Table 17.2. Distribution of clients' money by types of economic activity

	2019		2018	
	amount	%	amount	%
Production and distribution of electricity, gas and water	72 877	2.4	2 327	0.1
Real estate operations, leasing, engineering and services	37 825	1.2	71 647	2.0
Trade, repair of cars, household products and personal items	245 636	7.9	418 105	11.8
Agriculture, hunting, forestry	18 984	0.6	38 490	1.1
Construction of buildings and structures	165 979	5.4	82 641	2.3
Insurance and other financial services (reinsurance and non-state pension provision)	119 711	3.9	87 204	2.5
Ground and pipeline transport	11 635	0.4	8 506	0.2
Activity in the field of administrative and auxiliary services	10 048	0.3	33 330	0.9
Arts, sports, entertainment and recreation	141 524	4.6	84 649	2.4
Mining and processing industry	85 457	2.8	561	0.0
Non-resident	712 459	23.0	841 417	23.7
Individuals	1 396 666	45.1	1 741 963	49.1
Others	77 003	2.5	135 850	3.8
Total customer funds	**3 095 802**	**100.00**	***3 546 690***	***100.00***

Note 18. Debt securities issued by the Bank
Table 18.1. Debt securities issued by the Bank

	2019	2018
Deposit certificates	504	56
Total	***504***	***56***

As of the reporting date, the Bank issued two non-coupon savings certificates in US dollars, maturing on January 3, 2020, at which the annual interest rate is 4.5%, and on June 6, 2020, at which the annual interest rate is 4%.

As at the reporting date, the Bank has no assets provided as collateral for securities issued by the bank and convertible debt instruments (including components of liability and equity), their carrying amount, exchange procedures and methods for determining fair value.

Note 19. Provisions for liabilities
Table 19.1. Changes in provisions for liabilities in 2019

(in thousands of Ukrainian hryvnias unless otherwise indicated)

	Loan commitments	Total
Balance at the beginning of the period	*982*	*982*
Formation and / or increase of reserve	1 679	1 679
Balance at the end of the period	***2 661***	***2 661***

The provisions in the table set out in the table are formed for bank guarantees provided to legal entities and individuals, and for unused balances on credit lines that are accounted for off-balance sheet accounts.

Table 19.2. Changes in provisions for liabilities in 2018

	Loan commitments	Total
Balance at the beginning of the period	2 833	2 833
Changes from the application of IFRS 9	(1 047)	(1 047)
Adjusted provisions for liabilities at the beginning of the period	1 786	1 786
Formation and / or increase of reserve	(804)	(804)
Balance at the end of the period	***982***	***982***

Note 20. The obligation of the tenant lease (rent)
Table 20.1. The obligation of the tenant lease (rent)

	2019	2018
Recognition of obligations under leases related to the transition to IFRS 16	33 105	-
Recognition of liabilities upon receipt of new agreements in the reporting period	6 957	-
Accrued interest on the obligation	4 290	-
Revaluation of liabilities (revaluation - change in the amount of rent)	294	-
Revaluation of liabilities (depreciation - change in the amount of rent, the impact of inflation and exchange rates)	(539)	-
Decrease in book value of the obligation at display of the paid rent payments to the lessor	(25 233)	-
Book value at the end of the period	***18 874***	-

Note 21. Other financial liabilities
Table 21.1. Other financial liabilities

	2019	2018
Accounts payable for operations with other financial instruments	13 706	5 795
Accured expenses	51	5 213
Accounts payable for transactions with payment payment systems	4 823	85 462
Accounts payable for operations with currency	48	40
Accounts payable for transactions with banks	83 551	-
Other financial liabilities	258	271
Dividends payable	9 085	-
Total other financial liabilities	***111 522***	***96 781***

Note 22. Other liabilities
Table 22.1. Other liabilities

	2019	2018
Accounts payable for taxes and duties, except for income tax	5 108	6 278
Accounts payable for acquiring assets	393	37
Accounts payable for services	7 865	1 932
Provision of holiday pay	9 779	6 483
future revenues	1 870	948
Other liabilities	37	2
Total	***25 052***	***15 680***

Note 23. Share capital and emission differences (share premium)
Table 23.1. Share capital and emission differences (share premium)

	Number of shares in circulation (thousand pcs)	Simple shares (thousand pieces)	Total cost of shares (shares) (UAH thousand)
Balance as at 31 December 2017	500	500	500 000
Balance as at 31 December 2018	500	500	500 000
Balance as at 31 December 2019	500	500	500 000

During the reporting year, the Bank did not issue an additional issue of shares. At the reporting date, all 500 000 ordinary shares were issued, the nominal value of one share - 1,000 UAH. Each ordinary registered share gives the shareholder the right to vote in a resolution of all issues from which decisions are made by the General Meeting of Shareholders.

(in thousands of Ukrainian hryvnias unless otherwise indicated)

Ordinary shares give their owners the right to receive part of the Bank's income in the form of dividends, to participate in management of the Bank, to receive part of the property of the Bank in case of its liquidation and other rights stipulated by the Law of Ukraine «On Joint Stock Companies». Ordinary shares give their owners the same rights.

Note 24. Movement of revaluation reserve (components of other comprehensive income)
Table 24.1. Movement of revaluation reserve (components of other comprehensive income)

	2019	2018
Balance at the beginning of the year	(371)	(36)
Revaluation of securities	*2 546*	(336)
changes in revaluation to fair value	*6 420*	*(449)*
Revenue (expense) as a result of sale of debt securities,, reclassified in the reporting period for profit or loss	*3 874*	*(113)*
Total changes in revaluation reserves (other comprehensive income) less tax on profit	2 546	(336)
Balance at the end of the year	***2 175***	***(371)***

Note 25. Maturity analysis of assets and liabilities
Table 25.1. Maturity analysis of assets and liabilities

	2019			2018		
	less than 12 months	more than 12 months	total	less than 12 months	more than 12 months	total
ASSETS						
Cash and cash equivalents	737 380	-	737 380	600 949	-	600 949
Derivative financial instruments	-	-	-	242	-	242
Cash in other banks	-	-	-	14 633	-	14 633
Loans and liabilities of clients	1 533 236	882 756	2 415 991	2 680 724	315 683	2 996 407
Investments in securities	120 938	91 632	212 570	119 315	34 992	154 307
Investment property	-	282 020	282 020	-	282 020	282 020
Deferred tax asset	633	-	633	398	-	398
Property, plant and equipment and intangible assets	-	59 521	59 521	-	44 887	44 887
Assets usage rights	-	20 311	20 311	-	-	-
Other financial assets	48 276	26 798	75 074	77 569	25 643	103 212
Other assets	6 453	-	6 453	8 853	-	8 853
Non-current assets, held for sale	9 197	-	9 197	-	-	-
Total assets	***2 456 112***	***1 363 038***	***3 819 150***	***3 502 683***	***703 225***	***4 205 908***
LIABILITIES			-			
Bank funds	1	-	1	-	-	-
Client`s money	2 404 894	690 908	3 095 802	3 469 834	76 856	3 546 690
Derivative financial liabilities	1 663	-	1 663	1 225	-	1 225
Debt securities, issued by the Bank	504	-	504	56	-	56
The obligation of the tenant lease (rent)	14 500	4 374	18 874	-	-	-
Commitment to current income tax	2 056	-	2 056	686	-	686
Provisions for liabilities	2 387	274	2 661	893	89	982
Other financial liabilities	98 918	12 604	111 522	94 813	1 968	96 781
Other liabilities	15 003	10 049	25 052	8 135	7 545	15 680
Total liabilities	2 539 926	718 209	3 258 135	***3 575 642***	***86 458***	***3 662 100***

Note 26. Interest income and expenses
Table 26.1. Interest income and expenses

	2019	2018
INTERST INCOME		
Interest income, calculated on the effective interest rate		
Interest income on financial assets that are accounted for at amortized cost		
Loans and customer due diligence	350 074	330 982
Money in other banks	15 279	14 674
Correspondent accounts in other banks	3 999	8 042
Total interest income on financial assets carried at amortized cost	*369 351*	*353 698*
Interest income on financial assets carried at fair value through other comprehensive income		
Investments in securities	34 761	23 579
Total interest income on financial assets at fair value through other comprehensive income	*34 761*	*23 579*
Total interest income calculated at effective interest rate	*404 112*	*377 277*
Total interest income	***404 112***	***377 277***
INTEREST EXPENSES		
Interest expense calculated at the effective interest rate		
Interest expense on financial liabilities, which are accounted for at amortized cost		
Debt securities issued by the bank	(12)	(357)
Term funds of legal entities	(96 795)	(83 984)
Term deposits of individuals	(138 860)	(144 699)
Overnight credits received from other banks	-	(40)
Loans received from other banks for repo transactions	(1 104)	(522)

(in thousands of Ukrainian hryvnias unless otherwise indicated)

	2019	2018
Refinancing loans received from the NBU	(1 648)	-
Current accounts	(15 344)	(14 210)
Financial leasing (rent)	(4 290)	
Total interest expense calculated at the effective interest rate	(258 053)	*(243 813)*
Total interest expenses	***(258 053)***	***(243 813)***
Net interest income / (expenses)	146 059	133 464

Note 27. Commission income and expenses
Table 27.1. Commission income and expenses

	2019	2018
COMMISSION INCOME		
Settlement and cash transactions	327 311	267 291
Securities Transactions	1	-
Credit Client Services	9 582	15 651
Transactions in the foreign exchange market	9 242	9 678
Trust management operations	13	648
Guarantees provided	21 444	19 803
Others	13 135	7 044
Total commission income	***380 729***	***320 115***
COMMISSION EXPENSE		
Settlement and cash transactions	(20 338)	(10 465)
Transactions with securities	(190)	(153)
Others	(127)	(102)
Total commission expense	***(20 655)***	***(10 720)***
Net commission income / expenses	***360 073***	***309 395***

Note 28. Other operating income
Table 28.1. Other operating income

	2019	2018
Operating lease income (lease)	11 713	7 132
Income from modification of financial assets	1 034	-
Surpluses in payment terminals and unclaimed payments	4 035	2 724
Reward for cooperation agreements	1 078	1 217
Other	1 563	318
Total operating income	***19 945***	***11 451***

Note 29. Administrative and other operating expenses
Table 29.1. Administrative and other operating expenses

	2019	2018
Wages and bonuses	(127 492)	(97 272)
Accrual on the wages fund	(27 140)	(20 890)
Other employee benefits	(851)	(750)
Total staff costs	***(155 483)***	***(118 912)***

Table 29.2. Depreciation costs

	2019	2018
Depreciation of fixed assets	(10 933)	(8 583)
Depreciation of software and intangible assets	(911)	(616)
Amortization of asset use rights	(22 568)	
Total depreciation costs	**(34 411)**	***(9 199)***

Table 29.3. Administrative and other operating expenses

	2019	2018
Costs of maintenance of fixed assets and intangible assets, tele-communication and other operational services	(25 803)	(22 606)
Operating lease expenses (lease):	(235 750)	(227 639)
short-term lease costs	*(465)*	-
costs associated with the lease of low-value assets	*(228 790)*	-
maintenance costs of leased fixed assets	*(6 495)*	*(7 957)*
Other costs related to fixed assets	(234)	(118)
Professional services	(3 591)	(3 259)
Marketing and advertising costs	(5 788)	(3 362)
Collection costs	(17 906)	(16 266)

(in thousands of Ukrainian hryvnias unless otherwise indicated)

Security costs	(7 137)	(4 303)
Payment of other taxes and fees other than income tax	(13 312)	(13 447)
Other	(19 083)	(15 292)
Total administrative and other operating expenses	***(328 605)***	***(306 292)***

Note 30. Income tax expenses
Table 30.1. Income tax expenses

	2019	2018
Current income tax	(5 978)	(2 020)
Change in deferred income tax	235	183
Total income tax expense	***(5 743)***	***(1 837)***

Table 30.2. Reconciliation of the amount of income tax expense with the accounting profit tax

	2019	2018
Profit before tax	30 022	12 018
Theoretical tax deductions at the appropriate tax rate	(5 404)	(2 163)
IMPLEMENTATION OF ACCOUNT PROFIT (LOSS)		
Expenses that are not included in the amount of expenses for the purpose of calculating tax revenue, but recognized in accounting (specify what)	(11 873)	(3 866)
Including:		
Amount of accrued depreciation of fixed assets and intangible assets according to accounting data	(1 880)	(1 142)
Amount of the residual value of the object of fixed assets in case of liquidation according to the accounting data	(35)	(20)
Amount of expenses on provision of loan commitments and guarantees on accounting data	(9 922)	(2 620)
Amount of use of created reserves to write off assets, which is not taken into account for tax purposes	(36)	-
Amount of funds donated to non-profit organizations in the amount that exceeds 4% of taxable profit of the previous financial year	-	(26)
Interest income on impaired loans	-	(58)
Expenses included in the amount of expenses for the purpose of calculating tax profit but not recognized in accounting	11 299	4 009
Including:		
Amount of accrued depreciation of fixed assets and intangible assets according to tax accounting data	1 629	968
The amount of the residual value of the item of property, plant and equipment in the event of liquidation according to the tax records	51	19
Change in provision for loan commitments and guarantees with increased financial results before tax	3 985	1 701
Amount of used reserves provision	5 634	1 064
Amount of adjustments in the provision for active operations as a result of applying IFRS 9	-	257
Income which is not subject to income tax, but recognized in the accounting of DTA	235	183
Other adjustments	-	(1)
Income tax expense	***(5 743)***	***(1 837)***

Table 30.3. Tax implications related to the recognition of deferred tax assets and deferred tax liabilities for 2019

	31.12.2018	Recognized in profits / damages	31.12.2019
Tax effect of temporary differences that reduce (increase) the tax amount and carry forward tax losses for future periods	398	235	633
Property, plant and equipment	398	235	633
Net deferred tax asset (liability)	398	235	633
Recognized deferred tax asset	***398***	***235***	***633***

Table 30.4. Tax implications related to the recognition of deferred tax assets and deferred tax liabilities for 2018

	31.12.2017	Recognized in profits / damages	31.12.2018
Tax effect of temporary differences that reduce (increase) the tax amount and carry forward tax losses for future periods	215	183	398
Property, plant and equipment	215	183	398
Net deferred tax asset (liability)	215	183	398
Recognized deferred tax asset	***215***	***183***	***398***

Note 31. Earnings per ordinary share
Table 31.1. Net and adjusted earnings per one ordinary share

	2019	2018
Profit (loss) owned by the owners of ordinary shares of the bank	24 279	10 181
Profit (loss) owned by the owners of preferred shares of the bank	-	-

Profit (loss) per year	24 279	10 181
Average annual number of ordinary shares in circulation (thousand pieces)	500	500
Average annual number of preferred shares in circulation (thousand pieces)	-	-
Net and adjusted earnings (loss) per one ordinary share	48.56	20.36
Net and adjusted profit (loss) per preferred share		-

Table 31.2. Calculation of profit belonging to owners of simple and preferred shares of the bank

	2019	2018
Profit (loss) for the year owned by the owners of the bank	24 279	10 181
Dividends on ordinary and preferred shares	9 618	8 867
Retained earnings (loss) for the year	24 279	10 181
Retained earnings (loss) for the year owned by the owners of preferred shares, depending on the conditions of the shares	-	-
Dividends on privileged shares, for which a decision has been made regarding payment during the year	-	-
Profit (loss) for the year owned by the owners of preferred shares	-	-
Retained earnings (loss) for the year owned by the holders of ordinary shares, depending on the conditions of the shares	24 279	10 181
Dividends on ordinary shares, on which it was decided to pay during the year	9 618	8 867
Profit (loss) for the year owned by the shareholders - owners of ordinary shares	24 279	10 181

Note 32. Dividends
Table 32.1. Dividends

	2019	2018
	For ordinary shares	For ordinary shares
Balance at the beginning of the period	-	-
Dividends on which a decision is made to pay during the period	9 618	8 867
Dividends paid during the period	-	(8 867)
Balance at the end of the period	9 618	-
Dividends per share, on which the decision was made regarding payment during the period	***19.24***	***17.73***

In the reporting year 2019, pursuant to the decision of the General Meeting of Shareholders dated April 21, 2019, the Bank withheld and transferred to the state budget of Ukraine personal income tax in the amount of 5% of the accrued dividend and military fee of 1, 5% of the accrued amount of dividends. The transfer of taxes to the state budget of Ukraine was carried out on June 27, 2019.

In the reporting year, the Bank did not pay dividends to shareholders due to regulatory restrictions.

Note 33. Operating segments

Table 33.1. Revenues, expenses and results of reporting segments for 2019

	Name of reporting segments			Other segments and operations	Withdrawal	Total
	corporate services clients	services to individuals	Interbank Business			
Commission income	52 213	320 554	7 962	-	-	***380 729***
Other operating income	-	7 782	-	12 163	-	***19 945***
Income from other segments	-	-	-	-	-	-
Total revenue segments	**340 405**	**390 218**	**62 000**	**12 163**	-	***804 786***
Interest expenses	(105 914)	(145 096)	(2 753)	(4 290)	-	(258 053)
Commission expenses	-	(16 317)	(4 021)	(317)	-	(20 655)
The result of the revaluation of financial instruments carried at fair value through profit or loss	-	-	14 154	-	-	
Result from foreign exchange transactions	-	-	27 287	-	-	27 287
Result from revaluation of foreign currency transactions	-	-	(10 244)	-	-	(10 244)
Net loss / gain on impairment of financial assets	(16 769)	(12 628)	10 916	-	-	(18 481)
Net loss from impairment of other assets	-	-	-	(3)	-	(3)
Net loss / (profit) from increase / decrease in liabilities	(1 679)	-	-	-	-	(1 679)
Net profit / (loss) from derecognition of financial assets carried at amortized cost	-	7 534	-	-	-	7 534
Accumulated profit / (loss) from the reclassification of financial assets at fair value through other comprehensive income to fair value through profit or loss	-	-	3 874	-	-	3 874
Expenses for payments to employees	-	-	-	(155 482)	-	(155 482)
Depreciation and amortization costs	-	-	-	(34 411)	-	(34 411)

(in thousands of Ukrainian hryvnias unless otherwise indicated)

	Name of reporting segments			Other segments and operations	Withdrawal	Total
	corporate services clients	services to individuals	Interbank Business			
Other administrative and operating expenses	-	-	-	(328 605)	-	(328 605)
Profit / (loss) before tax	216 043	223 711	101 213	(510 945)	-	30 022
Income tax expense	-	-	-	(5 743)	-	(5 743)
SEGMENT RESULT	***216 043***	***223 711***	***101 213***	***(516 688)***	-	***24 279***
Profit (loss)						***24 279***

Table 33.2. Revenues, expenses and results of reporting segments for 2018

	Name of reporting segments			Other segments and operations	Withdrawal	Total
	corporate services clients	services to individuals	Interbank Business			
Revenues from external customers	***375 792***	***271 671***	***30 102***	***31 277***	-	***708 842***
Interest income	317 213	13 769	22 716	23 579	-	377 277
Commission income	58 579	254 149	7 386	-	-	320 114
Other operating income	-	3 753	-	7 698	-	11 451
Revenue from other segments	-	-	-	-	-	-
Total revenue segments	***375 792***	***271 671***	***30 102***	***31 277***	-	***708 842***
Interest expense	(93 832)	(149 419)	(562)			(243 813)
Commission costs	-	(8 894)	(1 571)	(255)		(10 720)
Result from revaluation of financial instruments carried at fair value through profit or loss	-	-	25 362	-	-	25 362
Result from revaluation of financial instruments at fair value through other comprehensive income	-	-	-	(2)	-	(2)
Result from operations with foreign currency	-	-	12 477	-	-	12 477
Result from revaluation of operations with foreign currency	-	-	2 955	-	-	2 955
Net loss / gain on impairment of financial assets	(2 214)	(4 301)	(50 225)	-	-	(56 740)
Net loss from impairment of other assets	-	-	-	1 489	-	1 489
Net loss / (profit) from increase / decrease in provisions for liabilities	804	-	-	-	-	804
Net gain / (loss) from derecognition of financial assets carried at amortized cost	-	-	-	5 880	-	5 880
Accumulated profit / (loss) from reclassification of financial assets carried at fair value through other comprehensive income to fair value through profit or loss	-	-	-	(113)	-	(113)
Expenditure on employee benefits	-	-	-	(118 912)	-	(118 912)
Costs of wear and tear and depreciation	-	-	-	(9 199)	-	(9 199)
Other administrative and operational expenses	-	-	-	(306 292)	-	(306 292)
Profit / (loss) before tax	-	-	-	-	-	12 018
Income tax expense	-	-	-	(1 837)	-	(1 837)
SEGMENT RESULT	***280 550***	***109 057***	***18 538***	***(397 964)***	-	10 181
Profit (loss)	-	-	-	-	-	10 181

Table 33.3. Assets and liabilities of reporting segments for 2019

	Services for corporate clients	Services for individuals	Interbank Business	Other segments and operations	Total
ASSETS OF SEGMENTS					
Asset segments	2 067 726	360 148	804 543	-	3 232 417
Total asset segments	2 067 726	360 148	804 543	-	3 232 417
Unallocated assets	-	-	-	586 734	586 734

(In thousands of Ukrainian hryvnias unless otherwise indicated)

Total assets	***2 067 726***	***360 148***	***804 543***	***586 734***	***3 819 150***
LIABILITY OF SEGMENTS					
Obligations of segments	1 717 812	1 399 735	85 262	-	3 202 809
Total liabilities of segments	1 717 812	1 399 735	85 262	-	3 202 809
Retained liabilities	-	-	-	55 326	55 326
Total liabilities	***1 717 812***	***1 399 735***	***85 262***	***55 326***	***3 258 136***
OTHER SEGMENT ARTICLES					
Capital Investments				2 780	2 780
Amortization				(11 843)	(11 843)

Table 33.4. Assets and liabilities of reporting segments for 2018

	Services for corporate clients	Services for individuals	Interbank Business	Other segments and operations	Total
ASSETS OF SEGMENTS					
Asset segments	2 889 332	115 996	662 649	-	3 667 977
Total asset segments	2 889 332	115 996	662 649	-	3 667 977
Unallocated assets	-	-	-	537 931	537 931
Total assets	***2 889 332***	***115 996***	***662 649***	***537 931***	***4 205 908***
LIABILITY OF SEGMENTS					
Obligations of segments	1 897 072	1 747 398	1 225	-	3 645 695
Total liabilities of segments	1 897 072	1 747 398	1 225	-	3 645 695
Retained liabilities	-	-	-	16 405	16 405
Total liabilities	***1 897 072***	***1 747 398***	***1 225***	***16 405***	***3 662 100***
OTHER SEGMENT ARTICLES					
Capital Investments				3 323	3 323
Amortization				(9 199)	(9 199)

For purposes of reporting, the operations of the Bank are divided into such segments:

Corporate customer services: this business segment includes servicing current accounts of legal entities, attracting deposits, providing credit lines in the form of «overdraft», servicing card accounts, providing loans and other types of financing, operations with foreign currency.

Services for individuals: provision of banking services to private individuals. This segment includes the same types of banking products as the corporate banking segment, as well as the services of opening and maintaining accounts and individuals, including accounts for the personal use of current and savings accounts, deposits, servicing credit cards for salaries projects.

Interbank business: operations on the interbank market, securities transactions issued by NBU, currency transactions.

Other segments and operations: includes transactions for the Bank's operations, fixed assets and intangible assets, deferred tax assets, prepayments and receivables related to the Bank's administrative and business activities.

Table 33.5. Information about geographic regions

	2019			2018		
	Ukraine	other countries	total	Ukraine	other countries	total
Revenues from external customers	804 786	-	804 786	708 842	-	708 842
Property, plant and equipment	59 521	-	59 521	39 079	-	39 079

Note 34. Financial risk management

The purpose of management of financial risks in the Bank is:

- providing profitable activities taking into account the moderate level of risks;
- compliance with all requirements of the National Bank of Ukraine on risk management;
- approximation of risk management standards to the Basel Committee's methodological recommendations (in particular, changes in the risk management framework of the Bank include a gradual transition from Basel I to Basel II-III).

The Bank's risk management system is designed in such a way that it involves all levels of management: the Supervisory Board defines the Bank's development strategy, forms a risk management strategy and policy; The Risk Management Committee monitors the state of implementation of measures for the operational elimination of deficiencies in the functioning of the risk management system, implementation of recommendations and comments of the internal audit unit, external auditors, the National Bank and other controlling bodies; The Management Board of the Bank manages the Bank's operations, general management of the risk management process, implements risk management policies approved by the Supervisory Board of the Bank, ensures the implementation of procedures for the identification, assessment, monitoring and monitoring of risks; The Risk Management provides direct analysis, monitoring and risk control, the impact of which on the Bank's indicators is most significant.

In addition, collegial bodies (Credit Committee, Assets and Liabilities Management Committee, Tariff Committee, Tender Committee) have been created and on a permanent basis, the task of which is also to efficiently solve tactical tasks in risk management.

The level of risk management existing in the Bank fully corresponds to the volume and complexity of the operations it conducts. The Bank uses the modern analytical module «Asset and Liability Analyzer», which allows automated management accounting to be used for management of major types of risks, which allows to promptly make the necessary decisions to minimize the negative impact of risks on the Bank's financial performance.

(In thousands of Ukrainian hryvnias unless otherwise indicated)

Among the financial risks that are managed on a systematic basis (daily) by the Bank, traditional ones should be distinguished: credit risk, market risk (interest rate, currency and price), and liquidity risk.

Credit risk

Credit risk (the most significant among all risks) is the risk of default by the borrower and interest thereon. Minimization of this risk is achieved due to the Bank's introduction of clear lending procedures for conducting credit operations and weighted methodologies used in the analysis of the solvency of the borrower, as well as through lending mainly under liquidity provision (real estate, property rights to cash deposits and others).

Among the methods used by the Bank in managing credit risk, one should distinguish: setting limits on credit operations (on the borrower, on the economy, on a geographical basis,on related parties, etc.); observance of obligatory economic norms of the National Bank of Ukraine (standards of credit risk); use of modern methods of analysis of the borrower's activity; establishment of credit ratings according to the Bank's own scale, based on financial stability of borrowers; mortgage insurance and financial risks; application of different methods for assessing the market value of pledged property (income, costing methods and analogue method); Conducting a structuring of a loan portfolio taking into account changes in the business environment.

In carrying out credit operations, the standards of credit risks established by the National Bank of Ukraine (Instruction on the procedure for regulating the activities of the Bank in Ukraine, approved by the Resolution of the Board of the National Bank of Ukraine dated August 28, 2001, No. 368) must comply with the following:

the maximum amount of credit risk per counterparty (H7);

Large Credit Risks (H8). The credit risk accepted for a single counterparty or a group of related counterparties is considered to be large if the sum of all claims against this counterparty or a group of related counterparties and all off-balance sheet commitments given by the Bank to a counteragent or a group of related counterparties is greater than 10% of the regulatory capital of the Bank;

The values of the credit risk standards (H7, H8, H9) are calculated in accordance with the requirements of the National Bank of Ukraine and are monitored daily by the Bank's management. As of December 31, 2019, they made H7 – 18.98% (with a normative value of no more than 25%), H8 – 147.52% (with a normative value of no more than 800%), H9 – 70.92% (at the normative value not more than 25%) (2018, H7 - 21,47%, H8 – 283,12%, H9 – 162,19%).

The National Bank of Ukraine approved the Bank's Action Plan to bring its activities in line with the requirements of the laws and regulatory acts of the National Bank of Ukraine regarding operations with bank related persons, namely: bringing the norm of H9 to the normative value. The plan is designed for 5 years. The Bank adheres to the established Plan.

The maximum amount of credit risk is presented as follows:

Statement of financial position	2019	2018
Cash and cash equivalents (minus cash)	528 782	399 176
Loans and liabilities of banks	-	14 633
Loans and liabilities of clients	2 415 991	2 996 407
Investments in securities (including T-bills)	212 570	154 307
Other financial assets	75 074	103 212
	3 232 417	***3 667 735***
Off-balance sheet items		
Lending commitments	562 624	402 979
Guarantees	2 073 020	1 152 395
	2 635 644	***1 555 374***

The credit quality of financial assets is controlled by the Bank by establishing external and internal credit ratings of borrowers. The credit quality of the class of assets relating to the items of the statement of financial position related to lending based on external ratings and the credit ratings adopted by the Bank is disclosed in Notes 7, 8 and 9.

Market risk

Market risk is the risk of unexpected losses due to unfavorable changes in foreign exchange rates, interest rates, share prices, etc. According to the Basel Committee classification, market risks are subdivided into currency risk, interest rate risk and price risk. Market risk management according to the above classification is centrally managed by the Risk Management Department, using advanced measurement, measurement and control techniques. Market risk reports are heard by the Assets and Liabilities Management Committee, which then decides to adjust risk positions based on expected / projected levels of exchange rates, interest rates, and securities prices.

The Bank and the Bank have the largest impact on the Bank's currency and interest rate risk, while the impact of price risk is virtually absent.

Currency risk

Currency risk (component of market risk) is a risk associated with an existing or potential impact on the Bank's inflows as a result of unfavorable fluctuations in the exchange rates of foreign currencies and the cost of banking metals. Minimization of this risk is reached at the expense of the Bank conducting foreign exchange operations exclusively within limits of the currency position.

Among the methods that the Bank uses in managing currency risk, one should distinguish: VAR-methodology; setting limits on the maximum possible size of the currency position; observance of obligatory economic norms of the National Bank of Ukraine (norms of currency risk); currency risk hedging; back testing, stress testing in different scenarios for the development of financial markets.

Table 34.1. Currency risk analysis

	2019				2018			
	Monetary assets	Monetary liabilities	Derivative financial instruments	net position	Monetary assets	Monetary liabilities	Derivative financial instruments	Net position
US Dollars	237 960	132 283	(87 349)	18 328	1 991 769	1 998 936	-	(7 167)
Euro	93 321	100 169	-	(6 847)	385 859	270 915	(116 677)	(1 733)
Pounds sterling	2	5	-	(3)	69	393	-	(323)
Other currencies	526	79	-	447	1 069	308	-	760
Total	***331 809***	***232 537***	***(87 349)***	11 923	***2 378 766***	***2 270 552***	***(116 677)***	***(8 463)***

(In thousands of Ukrainian hryvnias unless otherwise indicated)

Table 34.2. Changes in profit or loss and equity as a result of possible changes in the official exchange rate of hryvnia against foreign currencies as at the reporting date, provided all other variables remain fixed

	2019		2018	
	impact on profit (loss)	impact on equity	impact on profit (loss)	impact on equity
Strengthening the US dollar by 20%	(3 998)	(3,998)	(1 433)	(1 433)
Weakening of the US dollar by 20%	3 998	3,998	1 433	1 433
Strengthening the euro by 20%	(524)	(524)	(347)	(347)
Weakening the euro by 20%	524	524	347	347
Strengthening the pound sterling by 20%	(1)	(1)	(65)	(65)
Pound Sterling Decrease by 20%	1	1	65	65
Strengthening of other currencies and banking metals	120	120	152	152
Weakening of other currencies and bank metals	(120)	(120)	(152)	(152)

Interest rate risk

Interest rate risk is a risk associated with an existing or potential impact on the Bank's inflow due to adverse fluctuations in interest rates. Minimization of this risk is achieved by balancing assets and liabilities that are sensitive to changes in the interest rate.

Among the methods used by the Bank in managing interest rate risk, it should be highlighted: GEP-analysis and setting limits on the maximum possible discrepancies between assets and liabilities that are sensitive to interest rate changes; management of the structure of assets and liabilities using spread indicators, net interest margins, yield / value of individual articles of interest-bearing assets/liabilities (in terms of different currencies); carrying out a well-balanced pricing policy in order to maximize net interest income; conducting stress testing in different scenarios for the development of financial markets.

Table 34.3. General analysis of interest rate risk

	On demand and less than 1 month	From 1 to 12 months	More than a year	Non-interest-bearing risk	Total
2019					
Total financial assets	1 036 106	1 724,671	1,042,458	354,823	4,158,059
Total financial liabilities	1 270 278	1 197 466	707,101	10,980	3,185,826
Net interest rate gap at the end of the reporting period	***(234,172)***	***527,205***	***335,357***	***343,843***	***972,233***
2018					
Total financial assets	1 226 887	2 211 709	357 570	409 742	4 205 908
Total financial liabilities	1 173 627	2 303 625	85 344	99 504	3 662 100
Net interest rate gap at the end of the previous period	***53 260***	***(91 916)***	***272 226***	***310 238***	***543 808***

The table shows interest-bearing assets and liabilities sensitive to changes in the carrying amount and maturity dates.
Interest on all items of assets and liabilities given in the table are charged at fixed rates.

Table 34.4. Monitoring of interest rates on financial instruments

(%)

	2019				2018			
	UAH	US dollar	Euro	other	UAH	US dollar	Euro	other
Assets								
Cash and cash equivalents	1.15	-	-	-	2.83	0.27	-	-
Money in other banks	13.67	1.01	-	-	22.85	2.22	-	-
Loans and liabilities of clients	20.85	6.09	5.52	-	19.52	7.10	5.70	-
Investments in securities	13.55	8.95	-	-	17.87	7.53	-	-
Liabilities								
Bank`s money	13.54	-	-	-	-	-	-	-
Clients` money	12.91	3.99	3.16	-	11.93	5.30	4.76	-
Current accounts	3.82	2.93	-	-	3.57	1.77	0.42	-
term funds	15.74	4.10	3.73	-	16.01	5.44	5.44	-
Debt securities, issued by the Bank	-	4.30	-	-	-	4.48	-	-
The obligation of the tenant lease (rent)	7.40	-	-	-	-	-	-	-

The table shows the weighted average interest rate. The interest rate is calculated as a percentage in the annual calculation.

Geographic risk

Table 34.5. Analysis of the geographical concentration of financial assets and liabilities for the reporting year 2019

	Ukraine	OECD	Other countries	Total
Assets				
Cash and cash equivalents	737 237		143	737 380
Derivative financial assets	-	-	-	-
Loans and liabilities of banks	-	-	-	-
Loans and liabilities of clients	2,415 991	-	-	2 415 991
Investments in securities	212 570	-	-	212 570
Other financial assets	75 074	-	-	75 074
Total financial assets	***3 440 872***	-	***143***	***3 441 015***

(in thousands of Ukrainian hryvnias unless otherwise indicated)

Liabilities				
Money in other banks	1	-	-	1
Clients` money	2 383 227	2 963	709 612	3 095 802
Derivative financial liabilities	1 663	-	-	1 663
Debt securities issued by the Bank	504	-	-	504
Other funds raised	-	-	-	-
Other financial liabilities	111 522	-	-	111 522
Total financial liabilities	**2 496 917**	**2 963**	**709 612**	**3 209 492**
Net Balance Sheet for Financial Instruments	***943 955***	***(2 963)***	***(709 469)***	***231 523***
Liabilities of a loan nature	2 635 644	-	-	2 635 644

Table 34.6. Analysis of the geographical concentration of financial assets and liabilities for the previous 2018

	Ukraine	OECD	Other countries	Total
Assets				
Cash and cash equivalents	600 949	-	-	600 949
Derivative financial assets	242			242
Loans and liabilities of banks	14 633	-	-	14 633
Loans and liabilities of clients	2 996 407	-	-	2 996 407
Investments in securities	154 307			154 307
Other financial assets	103 212	-	-	103 212
Total financial assets	***3 869 750***	-	-	***3 869 750***
Liabilities				
Money in other banks	-	-	-	-
Clients` money	2 705 239	1 333	840 118	3 546 690
Derivative financial liabilities	1 225	-	-	1 225
Debt securities issued by the Bank	56	-	-	56
Other funds raised	-			-
Other financial liabilities	96 781			96 781
Total financial liabilities	***2 803 301***	***1 333***	***840 118***	***3 644 752***
Net Balance Sheet for Financial Instruments	***1 066 449***	***(1 333)***	***(840 118)***	***224 998***
Liabilities of a loan nature	1 555 349	25	-	1 555 374

The concentration of geographic risk is determined on the basis of the analysis of assets and liabilities from the point of view of their origin (place of registration). At the same time, institutions that conduct their activities in different economic environments, caused by different political, regulatory and legal conditions of economic activity, are sensitive to geographical risk. At the same time, the wrong choice for directing funds can lead to financial losses.

Taking into account that the Bank carries out its activities only on the territory of Ukraine, geographical risk is considered by the Bank as non-significant, that is, it has no impact on the Bank's profit and equity.

Liquidity risk

Liquidity risk is a risk that the Bank will not be able to meet its obligations to its clients and counterparties in a timely manner and in full. Minimization of this risk is achieved by balancing the Bank's own structure of assets and liabilities by terms of repayment / repayment (including, in terms of the main currencies in which the Bank carries out operations).

Among the methods that the Bank uses in managing liquidity risk, it should be highlighted: GEP-analysis and setting limits on the maximum possible liquidity breaks; use a billing calendar; observance of liquidity indicators (including obligatory economic norms of the National Bank of Ukraine, liquidity coverage ratio (LCR) and reserve requirements); diversification of assets and liabilities; support in the current state of the plan in case of unforeseen situations; conducting stress testing of the Bank's liquidity position under various scenarios for the development of financial markets.

Table 34.7. Analysis of financial liabilities by maturity in 2019

	On demand and less than 1 month	From 1 to 12 months	From 12 months up to 5 years	More than 5 years	Total
Clients` money	1 102 056	1 150 538	242 727	434 424	2 929 745
Other financial liabilities	153 353	23 026	7 856	8 411	192 646
Financial guarantees	324 237	1 039 542	709 136	-	2 072 915
Other liabilities of a loan nature	12 104	398 990	143 673	7 856	562 623
Total potential future payouts on financial liabilities	1 591 750	2 612 096	1 103 392	450 691	5 757 929

Table 34.8. Analysis of financial liabilities by maturity in 2018

(in thousands of Ukrainian hryvnias unless otherwise indicated)

	On demand and less than 1 month	From 1 to 12 months	From 12 months up to 5 years	More than 5 years	Total
Clients` money	1 166 668	2 303 167	76 834	22	3 546 691
Other financial liabilities	91 251	3 522	1 968		96 741
Financial guarantees	243 918	693 660	214 817	-	1 152 395
Other liabilities of a loan nature	23	303	77	-	403
Total potential future payouts on financial liabilities	1 501 860	3 000 652	293 696	22	4 796 230

Maturities are determined from the reporting date to the maturity date under the contract. Such amounts represent contractual undiscounted cash flows that are different from the amounts shown in the balance sheet, since the carrying amounts are based on discounted cash flows.

Table 34.9. Analysis of financial assets and liabilities by maturity based on expected maturities in 2019

	On demand and less than 1 month	From 1 to 12 months	From 12 months up to 5 years	More than 5 years	Total
Assets					
Cash and cash equivalents	737 380	-	-	-	737,380
Derivative financial instruments	-	-	-	-	-
Loans and liabilities of banks	-	-	-	-	-
Loans and liabilities of clients	240 878	1 292 357	296 441	586 315	2 415 991
Investments in securities	3 341	117 597	91 632	-	212 570
Other financial assets	47 582	694	25 993	805	75 074
Total financial assets	***1 029 181***	***1 410 648***	***414 066***	***587 120***	***3 441 015***
Liabilities					
Bank funds	1	-	-	-	1
Clients` money	1 229 361	1 175 533	253 353	437 555	3 095 802
Derivative financial instruments	1 663	-	-	-	1 663
Debt securities issued by the Bank	243	261	-	-	504
The obligation of the tenant lease (rent)	2 324	12 176	4 374	-	18 874
Other financial liabilities	90 906	8 012	3 464	9 140	111 522
Total financial liabilities	***1 324 497***	***1 195 982***	***261 191***	***446 695***	***3 144 767***
Net liquidity breakdown on December 31st	(295 316)	214 666	152 875	140 425	212 650
The aggregate liquidity gap on December 31st	(295 316)	(80 650)	72 225	212 650	212 650

Table 34.10. Analysis of financial assets and liabilities by maturity based on expected maturities in 2018

	On demand and less than 1 month	From 1 to 12 months	From 12 months up to 5 years	More than 5 years	Total
Assets					
Cash and cash equivalents	600 949	-	-	-	600 949
Derivative financial instruments	242	-	-	-	242
Loans and liabilities of banks	14 633	-	-	-	14 633
Loans and liabilities of clients	834 157	1 846 567	225 454	90 229	2 996 407
Investments in securities	42 985	76 330	34 992	-	154 307
Other financial assets	76 655	914	25 643	-	103 212
Total financial assets	***1 569 621***	***1 923 811***	***286 089***	***90 229***	***3 869 750***
Liabilities					
Clients` money	1 166 667	2 303 167	76 834	22	3 546 690
Derivative financial instruments	1 225	-	-		1 225
Debt securities issued by the Bank	56	-	-	-	56
Other financial liabilities	91 291	3 522	1 968	-	96 781
Total financial liabilities	***1 259 239***	***2 306 689***	***78 802***	***22***	***3 644 712***
Net liquidity breakdown on December 31st	310 382	(382 878)	207 287	90 207	224 998
The aggregate liquidity gap on December 31st	310 382	(72 496)	134 791	224 998	224 998

The data on financial assets and liabilities in the table are presented at their book value, that is, taking into account discounted cash flows.

Note 35. Capital management

(In thousands of Ukrainian hryvnias unless otherwise indicated)

The Bank's management of capital is primarily aimed at protecting against possible risks inherent in its activities. The adequacy of the Bank's capital is controlled both through compliance with the mandatory economic standards of the National Bank of Ukraine (capital standards) and by the recommended indicators set by the Basel Capital Accord. In particular, the Bank calculates capital adequacy on a quarterly basis in accordance with Basel II recommendations (the quantitative measurement of credit, market and operational risk is carried out using the Standardized Approach).

The main objective of the Bank's capital management is to ensure balanced growth of assets and regulatory capital. In particular, in the Bank's active and passive operations policy, great importance is given to improving the structure of assets weighed on the basis of risk factors (avoiding too high a specific weight of assets, which should be weighed against the risk factor of 100%). Also, in order to improve the level of capitalization (if necessary), the Bank may refuse to pay dividends to participants and/or to increase the volume of regulatory capital both through contributions to the authorized capital and by attracting subordinated debt. In addition, the Bank constantly works to minimize distortions from regulatory capital: active work is ongoing on repayment of overdue accrued income, positive liquidity breaks are not allowed for more than 1 year, etc.

Capital adequacy ratio in accordance with the requirements of National Bank of Ukraine

According to the requirements of the National Bank of Ukraine, banks should maintain a capital adequacy ratio of 10% of the amount of assets weighted by risk factors. The table below lists the capital adequacy ratio of the Bank, calculated as of December 31, 2019 and 2018. During the reporting period and prior periods, the Bank complied with all capital standards established by the National Bank of Ukraine.

Table 35.1. Regulatory capital structure

	2019	2018
Regulatory capital of the bank (RC)	**565 075**	**504 197**
Actually paid registered authorized capital	500 000	500 000
Opened reserves created or increased due to retained earnings:		
General reserves and reserve funds, which are created in accordance with the laws of Ukraine	34 562	34 055
of them reserve funds	34 562	34 055
Reduction of OK (amount of non-formed reserves, intangible assets minus the amount of depreciation, capital investments in intangible assets, losses past and current years)	(11 843)	(29 858)
including:		
Intangible assets minus the amount of wear	(11,843)	(2 084)
Capital investment in intangible assets	-	-
Losses of past years	-	1 427
Estimated loss of current year	-	(26 348)
result of the current year	-	*149 762*
uncovered credit risk	-	*(172 252)*
profit of previous years	-	*1,369*
accrued income that has not been received for more than 30 days from the date of their accrual, the maturity of which has not expired	-	*67*
accrued income, the payment term of which according to the contract has expired	-	*6 086*
the amount of the reserve for accrued income is actually formed	-	*(926)*
Fixed capital (OC) (Tier 1 capital)	***522 719***	***504 197***
Estimated profit for the current year	42 356	-
result of the current year	*79,192*	-
uncovered credit risk	*(32 619)*	-
accrued income that has not been received for more than 30 days from the date of their accrual, the maturity of which has not expired	2 687	-
accrued income, the payment term of which according to the contract has expired	5 893	-
the amount of the reserve for accrued income is actually formed	(4 363)	-
Additional capital (2nd level capital)	42 356	-
Total regulatory capital	***565,075***	***504 197***
Assets weighted at risk	4,220,964	3 536 322
The aggregate amount of an open foreign currency position in all foreign currencies	21 557	24 770
The amount of uncovered credit risk	(32 619)	(172 252)
Normative for the adequacy of regulatory capital (normative value - not less than 10%)	***13.42%***	***14.88%***

Note 36. Trust management accounts
Table 36.1. Trust management accounts

	2019	2018	Changes (+; -)
Current accounts of the trustee's trustee bank	-	171	(171)
Accounts receivable from operations of trust management	-	-	-
Other assets in trust management	-	49 779	(49 779)
Total for active trust accounts	-	***49 950***	***(49 950)***
Funds of banking management	-	(49 950)	49 950
Total for passive accounts of trust management	-	***(49 950)***	***49 950***

As of December 31, 2019, the Bank closed construction financing funds managed by the Bank.

(in thousands of Ukrainian hryvnias unless otherwise indicated)

Note 37. Contingent liabilities of the Bank

Information about events that occurred at the end of 2019 but not reflected in other notes that the probability of a loss of resources embodying economic benefits is not in line with the determination of the obligation, in particular:

1) review of cases in court.

At the reporting date, as of December 31, 2019, cases involving the Bank, in which the Bank is the respondent in the amount of 1 046 561,18 UAH is available in the courts.

As a whole, as shown by the preliminary analysis of litigation, litigation does not entail a negative risk for the financial position and stability of the Bank.

2) potential tax liabilities.

The Bank's policy on tax accounting is aimed at observing the principles of caution and prudence, is carried out in full compliance with the current legislation regulating its activities, the Bank has calculated all relevant taxes.

The Bank does not foresee the risks associated with the emergence of potential tax liabilities and, at the end of the reporting period, does not assess their financial impact.

The correctness of drawing up tax returns, as well as other issues of compliance, is subject to verification and study by a number of supervisory bodies. The controlling body has the right to carry out an inspection and independently determine the amount of taxpayer's monetary obligations no later than the end of 1095 days (2 555 days in the case of verification of a controlled transaction) that occurs on the last day of the deadline for filing a tax return.

3) capital investment obligations.

Capital commitments are not available as at the end of December 31, 2019.

4) adherence to special requirements.

As of December 31, 2019, the Bank does not have requirements for compliance with certain conditions for received loan funds

5) operational lease obligations (lease).

As at the reporting date, there are no non-cancellable agreements with the Bank on operating lease (lease).

6) loan commitments.

As at 31.12.2019, the amount of commitments related to lending (as a rule, these are withdrawal lines provided to customers) amounted to 562 624 thousand UAH. Their possible financial impact on the Bank's financial performance is unimportant and does not involve serious risks (in particular, liquidity risk), given that 95% of them are reversal, that is, they are not risky.

Table 37.1. Structure of loan commitments

	2019	2018
Unused Credit Line	562 624	392 705
Export letters of credit	-	10 274
Import letters of credit	-	1 155
Guarantees issued	2,073,020	1 152 395
Provision for loans related to lending	(2 661)	(982)
Total liabilities related to lending, minus provisions	***2 632 983***	***1 555 547***

Table 37.2. Lending commitments in terms of currencies

	2019	2018
UAH	2 227 997	1 309 908
US Dollar	218 268	242 611
Euro	186 718	3 029
Total	***2 632 983***	***1 555 547***

7) Assets pledged and assets subject to restriction relate to the possession, use and disposal of assets.

As at 31.12.2019 and as of December 31, 2018, the Bank did not have any assets pledged and those that are subject to restrictions related to their possession, use and disposal.

Note 38. Derivative financial instruments and hedging

Table 38.1. Fair value of derivative financial instruments that is accounted for through profit or loss

	2019		2018	
	positive value fair cost	negative value fair cost	positive value fair cost	negative value fair cost
Forward contracts	-	-	-	-
Futures contracts	-	-	-	-
Swap contracts	87,349	(87,349)	116 677	(116 677)
Options	-	-	-	-
Pure fair value	-	***(1,663)***	***242***	***(1 225)***

During the reporting period, the Bank did not use derivative financial instruments for hedge accounting purposes.

Note 39. Fair value for financial instruments

Fair value is determined by the Bank as the amount for which a financial instrument can be exchanged between knowledgeable and interested parties under normal conditions other than compulsory or liquidation. The best evidence of fair value is the market price of a financial instrument.

The Bank has calculated the fair value of financial instruments based on available market information (if any exists) and using the appropriate valuation technique.

(In thousands of Ukrainian hryvnias unless otherwise indicated)

For assets with a maturity of up to one month, the fair value is approximately equal to the carrying amount due to the relatively high urgency of these financial instruments. For longer-term indebtedness of other banks and other banks, the interest rates applied reflect market rates and, accordingly, the fair value is close to the balance sheet.

The carrying amount of available-for-sale securities is an adequate estimate of their fair value. Interest-bearing securities include interest rates that reflect fair market rates, and, accordingly, fair value is close to the carrying amount of these instruments.

The fair value of a loan portfolio is based on the characteristics of the loan servicing and the interest rate of individual loans in each portfolio sector. The provision for loan impairment is based on the risk premium applicable to various types of loans, based on factors such as: the current situation in the economy, in which the borrower operates, the financial position of each borrower and the guarantees received. Accordingly, the provision for losses on loans is considered as a weighted estimate of possible losses that is required to reflect the impact of credit risk.

Mostly, loans are provided at market rates, and therefore current balance sheet balances represent a fair value valuation. Accordingly, the carrying amount, calculated as the amortized cost of such instruments, is a moderate approximation to their fair value.

For deposits with a maturity of up to one month, the fair value is approximately equal to the carrying amount due to the comparative short-term nature of these financial instruments. For longer-term deposits, interest rates applied reflect market rates and, consequently, fair value approximates the book value.

Table 39.1. Fair value and levels of input hierarchy used for valuation of assets and liabilities for 2019

	Fair value for different valuation models				
	market quotations (1-st level)	evaluation model using observational data (2-st level)	a valuation model that uses indicators not supported by market data (3-st level)	Total fair value	Total book value
ASSETS					
Cash and cash equivalents	-	737 380	-	737 380	737 380
cash	-	*208 598*	-	*208 598*	*201 773*
funds in the National Bank of Ukraine (except required reserves)	-	*43 580*	-	*43 580*	*86 203*
correspondent accounts deposits and overnight loans in banks	-	*295 963*	-	*295 963*	*185 773*
Certificates of deposit issued by the NBU	-	*189 238*	-	*189 238*	*127 200*
Customers loans	-	-	2 415 991	2 415 991	2 415 991
loans to legal entities	-	-	*2 047 177*	*2 047 177*	*2 047 177*
loans to individuals-entrepreneurs	-	-	*16 785*	*16 785*	*16 785*
mortgage loans to individuals	-	-	*41 733*	*41 733*	*41 733*
loans for current needs of individuals	-	-	*302 348*	*302 348*	*302 348*
other loans to individuals	-	-	*7 949*	*7 949*	*7 949*
Investments in securities	212 570	-	-	212 570	212 570
government bonds	*212 570*	-	-	*212 570*	*212 570*
other financial assets	-	75 074	-	75 074	75 074
receivables from transactions with banks	-	*37 356*	-	*37 356*	*37 356*
receivables from customer transactions	-	*588*	-	*588*	*588*
receivables from credit and debit card transactions	-	*8 118*	-	*8 118*	*8 118*
receivables from transactions with other financial instruments	-	*1 613*	-	*1 613*	*1 613*
cash with limited right of use	-	*25 835*	-	*25 835*	*25 835*
other financial assets	-	*1 563*	-	*1 563*	*1 563*
Investment real estate	-	282 020	-	282 020	282 020
Fixed assets and intangible assets	-	59 521	-	59 521	59 521
land plots	-	*87*	-	*87*	*87*
building structures and transmitting devices	-	*47 356*	-	*47 356*	*47 356*
intangible assets	-	*12 078*	-	*12 078*	*12 078*
LIABILITIES	-	-	-	-	-
Bank funds	-	1	-	1	1
Clients` money	-	3 095 802	-	3 095 802	3 095 802
other legal entities	-	*1 695 402*	-	*1 695 402*	*1 695 402*
individuals	-	*1 400 400*	-	*1 400 400*	*1 400 400*
Derivative financial liabilities	1 663	-	-	*1 663*	*1 663*
Debt securities issued by the Bank	-	504	-	504	504
deposit certificates	-	*504*	-	*504*	*504*
Other financial liabilities	-	111 522 -	-	111 522	111 522

Table 39.2. Fair value and levels of input hierarchy used for valuation of assets and liabilities for 2018

	Fair value for different valuation models	Total fair	Total book

(in thousands of Ukrainian hryvnias unless otherwise indicated)

	market quotations (1-st level)	evaluation model using observational data (2-st level)	a valuation model that uses indicators not supported by market data (3-st level)	value	value
ASSETS					
Cash and cash equivalents	-	600 949	-	600 949	600 949
cash	-	*201 773*	-	*201 773*	*201 773*
funds in the National Bank of Ukraine (except for mandatory reserves)	-	*86 203*	-	*86 203*	*86 203*
correspondent accounts, deposits and overnight loans at banks	-	*185 773*	-	*185 773*	*185 773*
Deposit certificates issued by NBU	-	*127 200*	-	*127 200*	*127 200*
Loans and arrears of banks	-	14 633	-	14 633	14 633
Loans and arrears of banks Loans granted to other banks	-	*14 633*	-	14 633	14 633
Loans and customer due diligence	-	-	2 996 407	*2 996 407*	*2 996 407*
loans to legal entities	-	-	*2 866 261*	*2 866 261*	*2 866 261*
loans to individual entrepreneurs	-	-	*17 467*	*17 467*	*17 467*
mortgage loans of individuals	-	-	*7 874*	*7 874*	*7 874*
loans for current needs of individuals	-	-	*100 127*	*100 127*	*100 127*
other loans to individuals	-	-	*4 679*	*4 679*	*4 679*
Investments in securities	154 307	-	-	154 307	154 307
government bonds	*154 307*	-	-	*154 307*	*154 307*
Derivative financial assets	242	-	-	242	242
Other financial assets	-	103 212	-	103 212	103 212
receivables from operations with banks	-	*70 107*	-	*70 107*	*70 107*
accounts receivable for transactions with customers	-	*166*	-	166	166
receivables from operations with credit and debit cards	-	*3 317*	-	*3 317*	*3 317*
receivables from operations with other financial instruments	-	*535*	-	*535*	*535*
money with limited right of use	-	*24 427*	-	*24 427*	*24 427*
Other financial assets	-	*4 661*	-	*4 661*	*4 661*
Investment property	-	282 020	-	282 020	282 020
Property, plant and equipment and intangible assets	-	44 887	-	44 887	44 887
ground section	-	*87*	-	*87*	*87*
buildings, constructions and transmission devices	-	*42 771*	-	*42 771*	*42 771*
Intangible assets	-	*2 029*	-	*2 029*	*2 029*
LIABILITIES	-	-	-	-	-
Clients` money	-	3 546 690	-	3 546 690	3 546 690
state and public organizations	-	-	-	-	-
other legal entities	-	*1 800 306*	-	*1 800 306*	*1 800 306*
individuals	-	*1 746 384*	-	*1 746 384*	*1 746 384*
Derivative financial liabilities	1 225	-	-	*1 225*	
Debt securities issued by the Bank	-	56	-	56	56
deposit certificates	-	*56*	-	*56*	*56*
Other financial liabilities	-	96 781-	-	96 781	96 781

During the reporting period and prior periods, the Bank had no financial assets whose fair value cannot be measured reliably.

The bank did not hold a pledge that it was allowed to sell or re-install.

Note 40. Presentation of the financial instruments by rating category
Table 40.1. Financial assets by rating category for reporting 2019

		Financial assets held at fair value through other comprehensive income		Financial assets held at fair value through profit / (loss)		
	Financial assets carried at amortized cost	Debt financial assets held at fair value through other comprehensive income	Capital instruments	Financial assets that are initially recognized at fair value through profit or loss	Financial assets that are necessarily accounted for at fair value through profit or loss	Total
ASSETS						
Cash and cash equivalents	485 201	-	-	-	-	485 201
Credits and customer support	2 415 991	-	-	-	-	2 415 991
loans to legal entities	*2 063 962*	-	-	-	-	*2 063 962*

(In thousands of Ukrainian hryvnias unless otherwise indicated)

loans to individuals	*310 297*	-	-	-	-	*310 297*
mortgage loans	*41 733*	-	-	-	-	*41 733*
Investments in securities	-	212 570	-	-	-	212 570
Other financial assets	75 074	-	-	-	-	75 074
receivables from operations with banks	*37 356*	-	-	-	-	*37 356*
accounts receivable for transactions with customers	*588*	-	-	-	-	*588*
accounts receivable for transactions with payment cards	*8 118*	-	-	-	-	*8 118*
receivables from operations with other financial instruments	*1 613*	-	-	-	-	*1 613*
money with limited right of use	*25 835*	-	-	-	-	*25 835*
Other financial assets	1 563	-	-	-	-	1 563
Total financial assets	***2 976 267***	***212 570***	-	-	-	***3 188 837***

Table 40.2. Financial assets by rating category for the previous 2018

		Financial assets held at fair value through other comprehensive income		Financial assets held at fair value through profit / (loss)		
	Financial assets carried at amortized cost	Debt financial assets held at fair value through other comprehensive income	Capital instruments	Financial assets that are initially recognized at fair value through profit or loss	Financial assets that are necessarily accounted for at fair value through profit or loss	Total
ASSETS						
Cash and cash equivalents	312 972	-	-	-	-	312 972
Loans and arrears of banks	14 633	-	-	-	-	14 633
loans granted to other banks	*14 633*	-	-	-	-	*14 633*
Credits and customer support	2 996 407	-	-	-	-	2 996 407
loans to legal entities	*2 883 727*	-	-	-	-	*2 883 727*
loans to individuals	*104 806*	-	-	-	-	*104 806*
mortgage loans	*7 874*	-	-	-	-	*7 874*
Investments in securities	-	154 307	-	-	-	154 307
Derivative financial assets	-	-	-	242	-	242
Other financial assets	103 212	-	-	-	-	103 212
receivables from operations with banks	*70 106*	-	-	-	-	*70 106*
accounts receivable for transactions with customers	*166*	-	-	-	-	*166*
accounts receivable for transactions with payment cards	*3 317*	-	-	-	-	*3 317*
receivables from operations with other financial instruments	*535*	-	-	-	-	*535*
money with limited right of use	*24 427*	-	-	-	-	*24 427*
Other financial assets	*4 661*	-	-	-	-	*4 661*
Total financial assets	***3 427 224***	***154 307***	-	***242***	-	***3 581 773***

Table 40.3. Financial liabilities by rating category for the reporting year 2019

		Financial liabilities at fair value through profit / (loss)		
	Financial liabilities that are accounted for at amortized cost	Financial liabilities that are recognized initially at fair value through profit or loss	Financial liabilities are held for trading	Total
LIABILITIES				
Bank funds	1	-	-	1
Clients' money	3 095 802	-	-	3 095 802
Derivative financial liabilities	-	1 663	-	1 663
Debt securities issued by the Bank	504	-	-	504
Other financial liabilities	111 522	-	-	111 522
Total financial liabilities	***3 207 829***	***1 663***	-	***3 207 829***

Table 40.4. Financial liabilities by rating category for the previous year 2018

		Financial liabilities at fair value through profit / (loss)		
	Financial liabilities that are accounted for at amortized cost	Financial liabilities that are recognized initially at fair value through profit or loss	Financial liabilities are held for trading	Total
LIABILITIES				

(in thousands of Ukrainian hryvnias unless otherwise indicated)

Clients' money	3 546 690	-	-	3 546 690
Derivative financial liabilities	-	1 225	-	1 225
Debt securities issued by the Bank	56	-	-	56
Total financial liabilities	***3 546 746***	***1 225***	-	***3 547 971***

Note 41. Related party transactions

In the reporting year, the approach to determining the persons related to the Bank has not changed. For the purposes of drawing up these financial statements, the parties are deemed to be linked if they are jointly controlled, or if one party controls another or has the ability to materially affect the financial and operating decisions of the other party in accordance with IAS 24 «Related party disclosures». When considering each possible case of relations with related parties, the essence of these relationships, and not just the legal form, is taken into account.

In the course of its activities, banking operations are conducted with major shareholders, leading management personnel, associates and other related parties. These operations include settlements, loans, documentary operations, deposits, foreign exchange operations.

Table 41.1. Balances with related parties as at the end of 2019

	The largest participants (shareholders) of the bank	Leading management personnel	Associated companies	Other related parties
Customers loans and advances (contractual interest rate of 1 -33 0%)	688	140	987 127	206 511
Provision for loan arrears as of December 31	(35)	(5)	(18 797)	(42 665)
Other assets	-	-	-	-
Clients' money (contractual interest rate 1 -23 %)	17 258	5 550	114 119	790 474
Debt securities issued by the Bank	(7)	(1)	(2)	(3)
Provisions for liabilities	-	-	(3)	(134)
Other liabilities	9 085	-	-	-

Table 41.2. Income and expenses related to transactions with related parties for 2019

	The largest participants (shareholders) of the bank	Leading management personnel	Associated companies	Other related parties
Interest income	-	16	71 419	32 613
Interest expense	(108)	(64)	(14 474)	(42 066)
Dividends	-	-	-	-
Commission income	113	30	1 571	271
Deductions to provisions for loan impairment and funds in other banks	123	18	(18 732)	(34 646)

Table 41.3. Other rights and obligations with related parties as at the end of 2019

	The largest participants (shareholders) of the bank	Leading management personnel	Associated companies	Other related parties
Import letters of credit	-	-	-	-
Other liabilities	810	97	1 000	123 167
Guarantees provided	-	-	94	-

Table 41.4. Total amount of loans granted to related parties and repaid by related parties during the reporting year 2019

	The largest participants (shareholders) of the bank	Leading management personnel	Associated companies	Other related parties
Amount of loans granted to related parties	7 882	1 934	2 348 520	911 613
Loans repayment by related parties	(7 756)	(2 012)	(2 923 055)	(860 616)

Table 41.5. Balances with related parties as at 31 December 2018

	The largest participants (shareholders) of the bank	Leading management personnel	Associated companies	Other related parties
Customers loans and advances (contractual interest rate of 1 -33 0%)	1 102	136	452	1 659 074
Provision for loan arrears as of December 31	(158)	(23)	(65)	(8 019)
Other assets	-	-	-	1 866
Clients' money (contractual interest rate 1 023 %)	7 511	3 147	4 016	54 820
Debt securities issued by the Bank	-	-	-	-

Provisions for liabilities	40	2	6	25
Other liabilities	-	6	2	19 115

Table 41.6. Revenues and expenses from transactions with related parties for the previous 2018

	The largest shareholders (shareholders) of the bank	Leading management personnel	Associated companies	Other related parties
Interest income	197	15	78	138 701
Interest expense	(111)	(13)	(42)	(8 050)
Dividends	8 867	-	-	-
Commission income	286	48	86	18 061
Deductions to provisions for loan impairment and funds in other banks	158	23	65	(150 020)

Table 41.7. Other rights and obligations related to transactions with related parties as at the end of previous 2018

	The largest participants (shareholders) of the bank	Leading management personnel	Associated companies	Other related parties
Import letters of credit	-	-	-	-
Other liabilities	848	111	198	1 166
Guarantees provided	-	-	-	2 026

Table 41.8. Total amount of loans granted to related parties and repayments by related parties during the previous period

	The largest participants (shareholders) of the bank	Leading management personnel	Associated companies	Other related parties
Amount of loans granted to related parties	662	49	178	-
Loans repayment by related parties	-	-	-	768 914

Table 41.9. Payments to top management

	2019		2018	
	expenses	accrued liability	expenses	accrued liability
Current paychecks for employees	9 288	713	8 109	579
Payments on release	-	-	-	-

Note 42. Subsequent events

According to the management, there were no significant events between the reporting date and the date of approval of the annual financial statements of the Bank for 2019, which need to be adjusted and may affect the economic decisions of users.

In early 2020, the COVID-19 coronavirus unexpectedly broke out in the world. According to World Bank experts, pandemics today could be a real shock to the world economy: a major pandemic could cause economic losses of almost 5% of world GDP, or more than 3 trillion USD, while losses from a "weak" flu pandemic such as the H1N1 virus in 2009) may cost about 0.5% of world GDP.

In March 2020, the first case of coronavirus was registered in Ukraine, as a result of which the Government of Ukraine decided to impose quarantine. First of all, all educational institutions were closed, restrictions on the movement of persons, suspension of transport connections, restrictions on the work of many enterprises in the field of services, entertainment, retail and others were introduced.

An unexpected outbreak of coronavirus in early 2020 caused a global shock to supply and demand and led to an oil war. According to the forecasts of the Government of Ukraine, the inflation rate in 2020 will increase to 11.6%, and GDP will fall by 4.8%. The average annual exchange rate should decrease from 27 UAH per dollar to 29.5 UAH per dollar. According to the negative scenarios of analysts, if the quarantine is extended until June-July 2020, GDP may fall by 9%, as in 2015, and the national currency will fall to 35 UAH per dollar.

Given the difficult economic conditions caused by the pandemic, the Bank will continue its activities under the Bank's Development Strategy for 2019-2022, taking into account the risks caused by the pandemic and the decline in economic activity in Ukraine in the world. If the duration of quarantine measures increases and the crisis in the economy continues, it is possible to review the pace of development and optimize some areas of business.

Approved for release and signed

2 April 2020 Chairman of the Board V.O. Zinnikov

Chernukha S.V. Chief accountant Y.M. Kyryliuk
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