Joint Stock Company
“The State Export-Import Bank of Ukraine”

Interim condensed consolidated financial statements

for nine months ended 30 September 2018

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As at 30 September 2018
(thousands of Ukrainian hryvnia)

	Notes	30 September 2018 (unaudited)	*31 December 2017*
Assets			
Cash and cash equivalents	5	13,888,835	19,866,217
Amounts due from credit institutions	8	669,273	699,739
Loans to customers	9	71,905,439	67,607,544
Investment securities:	10		
- designated at fair value through profit or loss		26,575,117	28,072,289
- available-for-sale		–	48,254,711
- held-to-maturity		–	96,022
- designated at fair value with recognition of revaluation in other comprehensive income		41,142,198	-
- designated at amortised cost		47,682	-
Tax assets		208,196	122,321
Investment property		1,258,050	1,260,398
Property and equipment		1,612,891	1,641,014
Intangible assets		49,363	49,505
Deferred income tax asset		2,138,292	2,138,292
Non-current assets held for sale		43,097	42,005
Other assets	11	4,424,658	767,916
Total assets		**163,963,091**	**170,617,973**
Liabilities			
Amounts due to credit institutions	12	21,700,766	23,283,787
Amounts due to customers	13	86,546,807	90,501,500
Eurobonds issued	14	43,291,504	38,821,831
Subordinated debt		3,577,776	3,615,792
Provisions for other losses	16	104,271	6,168
Other liabilities	11	350,503	324,948
Total liabilities		**155,571,627**	**156,554,026**
Equity			
Share capital	15	38,730,042	38,730,042
Revaluation reserves	15	(727,915)	282,951
Result from transactions with the shareholder	15	635,104	635,104
Uncovered loss		(30,408,693)	(25,747,076)
Reserve and other funds		162,926	162,926
Total equity		**8,391,464**	**14,063,947**
Total equity and liabilities		**163,963,091**	**170,617,973**

Authorised for release and signed
28 November 2018

Chairman of the Board O.V. Hrytsenko

Head of Accounting and Reporting Department –
Chief Accountant N.A. Potemska

The notes on pages 7-32 form an integral part of these consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS (CONSOLIDATED INCOME STATEMENT)

For nine months ended 30 September 2018

(thousands of Ukrainian hryvnia)

	Notes	2018 for three months ended 30 September	2018 For nine months ended 30 September	2017 for three months ended 30 September	2017 For nine months ended 30 September
		(unaudited)			
Interest income					
Loans to customers designated at amortised cost		2,054,997	5,556,523	1,655,033	5,197,105
Investment securities designated at fair value through profit or loss		309,113	917,225	309,050	897,580
Investment securities other than designated at fair value through profit or loss		–	–	831,316	2,851,902
Investment securities designated at fair value with recognition of revaluation in other comprehensive income		718,060	2,231,213	–	–
Investment securities designated at amortised cost		2,414	8,903	–	–
Amounts due from credit institutions designated at amortised cost		29,579	123,643	117,479	242,608
		3,114,163	**8,837,507**	**2,912,878**	**9,189,195**
Interest expense					
Amounts due to customers		(960,761)	(2,807,823)	(1,027,504)	(3,253,605)
Eurobonds issued		(1,098,101)	(3,075,896)	(868,110)	(2,622,231)
Amounts due to credit institutions		(398,763)	(1,026,677)	(342,208)	(999,287)
Subordinated debt		(81,800)	(230,743)	(69,648)	(208,663)
		(2,539,425)	**(7,141,139)**	**(2,307,470)**	**(7,083,786)**
Net interest income		**574,738**	**1,696,368**	**605,408**	**2,105,409**
Net loss from modification of financial assets designated at amortised cost		(57,816)	(565,893)	–	–
Allowance for loan impairment charge	7	–	–	546,622	(539,933)
Allowance for impairment of other assets and coverage of other losses	7	–	–	1,912	4,648
Reversal of impairment of financial assets	7	993,765	1,554,660	–	–
Net loss due to increase of loan loss provisions		(14,920)	(43,570)	–	–
Commission income		258,521	725,263	236,557	684,931
Commission expense		(97,139)	(264,897)	(81,977)	(239,544)
Net loss/income from investment securities designated at fair value through profit or loss		764,805	(1,281,437)	176,787	(398,453)
Net loss/income from available-for-sale investment securities					
-dealing		–	–	–	(14)
- Reversal of impairment loss		–	–	6,957	4,581
- losses reclassified from statement of total redemption income		–	–	(16,694)	(61,162)

	Notes	2018 for three months ended 30 September	2018 For nine months ended 30 September	2017 for three months ended 30 September	2017 For nine months ended 30 September
		(unaudited)			
Net loss from investment securities designated at fait value with recognition of revaluation in other comprehensive income, reclassified from statement of total redemption income		(7,979)	(50,083)	–	–
Net gains/(losses) from foreign currency transactions:					
- dealing		146,043	302,604	122,647	341,829
- translation differences		(2,094,625)	(34,537)	(451,275)	693,286
Net gains/(losses) from precious metals:					
- dealing		1	193	180	642
- revaluation		152	(676)	(2,892)	(3,258)
Other income		94,517	146,328	55,170	149,132
Personnel expenses	17	(326,605)	(917,069)	(244,669)	(643,115)
Depreciation and amortisation		(24,978)	(74,032)	(25,447)	(75,676)
Other operating expenses	17	(181,812)	(517,754)	(152,633)	(459,096)
Income before tax		**26,668**	**675,468**	**776,653**	**1,564,207**
Income tax expenses		–	(4)	(54,175)	(111,506)
Income for the period		**26,668**	**675,464**	**722,478**	**1,452,701**

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28 November 2018

Chairman of the Board O.V. Hrytsenko

Head of Accounting and Reporting Department –
Chief Accountant N.A. Potemska

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For nine months ended 30 September 2018
(thousands of Ukrainian hryvnia)

	2018		*2017*	
	for three months ended 30 September	*For nine months ended 30 September*	*for three months ended 30 September*	*For nine months ended 30 September*
		(unaudited)		
Income for the period	**26,668**	**675,464**	**722,478**	**1,452,701**
Other comprehensive (loss) / income				
Other comprehensive (loss)/income to be reclassified to the consolidated statement of profit and loss in subsequent periods				
Net income on investment securities available for sale (Note 15)	–	–	367,475	13,648
Net loss from investment securities designated at fair value with recognition of revaluation in other comprehensive income (Note 15)	(209,210)	(929,750)	–	–
Income tax related to other comprehensive income components	–	–	–	–
Other comprehensive (loss) / income for the period	**(209,210)**	**(929,750)**	**367,475**	**13,648**
Total comprehensive (loss) / income for the period	**(182,542)**	**(254,286)**	**1,089,953**	**1,466,349**

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONSOLIDATED STATEMENT OF EQUITY)
For nine months ended 30 September 2018
(thousands of Ukrainian hryvnia)

	Share capital	*Revaluation reserve*	*Result from transactions with the shareholder*	*Uncovered loss*	*Reserve and other funds*	*Total capital*
As at 1 January 2017	**31,008,041**	**725,335**	**–**	**(26,536,036)**	**162,926**	**5,360,266**
Income for the period	–	–	–	1,452,701	–	1,452,701
Other comprehensive income for the period	–	13,648	–	–	–	13,648
Total comprehensive income for the period	**–**	**13,648**	**–**	**1,452,701**	**–**	**1,466,349**
Effect of initial recognition of government bonds received as the shareholder's input (Note 15)	–	–	635,104	–	–	635,104
Depreciation of revaluation reserve, net of tax Note 15)	–	(13,801)	–	13,801	–	–
Increase in share capital (Note 15)	7,722,001	–	–	–	–	7,722,001
As at 30 September 2017 (unaudited)	**38,730,042**	**725,182**	**635,104**	**(25,069,534)**	**162,926**	**15,183,720**
As at 31 December 2017	**38,730,042**	**282,951**	**635,104**	**(25,747,076)**	**162,926**	**14,063,947**
Effect of IFRS 9 application (Note 3)	–	(71,168)	–	(4,758,996)	–	(4,830,164)
Balance at beginning of period recalculated according to IFRS 9	**38,730,042**	**211,783**	**635,104**	**(30, 506,072)**	**162,926**	**9,233,783**
Income for the period	–	–	–	675,464	–	675,464
Other comprehensive loss for the period	–	(929,750)	–	–	–	(929,750)
Total comprehensive loss for the period	**–**	**(929,750)**	**–**	**675,464**	**–**	**(254,286)**
Depreciation of revaluation reserve, net of tax	–	(9,948)	–	9,948	–	–
Income portion allocated for dividend payment (Note 15)	–	–	–	(588,033)	–	(588,033)
As at 30 September 2018 (unaudited)	**38,730,042**	**(727,915)**	**635,104**	**(30,408,693)**	**162,926**	**8,391,464**

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (direct method)

For nine months ended 30 September 2018

(thousands of Ukrainian hryvnia)

	Notes	*For the period ended 30 September* 2018	2017
		(unaudited)	
Cash flows from operating activities			
Interest received		8,174,432	8,433,960
Interest paid		(6,609,784)	(6,825,403)
Commissions received		680,161	687,754
Commissions paid		(264,620)	(239,274)
Result from dealing in foreign currencies and precious metals		302,797	342,471
Personnel expenses paid		(944,164)	(660,493)
Other operating income received		90,138	106,922
Other operating and administrative expenses paid		(491,433)	(462,459)
Cash flow from operating activities before changes in operating assets and liabilities		**937,527**	**1,383,478**
Net increase/(decrease) in operating assets			
Amounts due from credit institutions		59,593	663,508
Loans to customers		(6,448,781)	964,699
Other assets		(3,723,808)	(77,692)
Net increase/(decrease) in operating liabilities			
Amounts due to credit institutions		(173,517)	(1,239,469)
Amounts due to the National Bank of Ukraine		(2,418)	600
Amounts due to customers		(4,581,734)	1,707,666
Other liabilities		56,872	32,780
Net cash flows from operating activities before income tax		**(13,876,266)**	**3,435,570**
Income tax paid	15	**(105,880)**	**(21,241)**
Net cash flows from operating activities		**(13,982 146)**	**3,414,329**
Cash flows from investing activities			
Proceeds from sale and redemption of investment securities		28,880,421	9,284,440
Purchase of investment securities		(22,543,923)	(5,303,932)
Dividends received		560	106
Purchases of property, equipment and intangible assets		(45,796)	(46,661)
Proceeds from property and equipment sale		–	130,997
Proceeds from sale of investment real estate		–	12,154
Net cash flows received / (paid) under investment activities		**6,291,262**	**4,077,104**
Cash flows from financing activities	6		
Income portion allocated for dividend payment		(588,033)	–

	For the period ended 30 September		
	Notes	***2018***	***2017***
		(unaudited)	
Proceeds from issued eurobonds		4,020,167	–
Proceeds from borrowings from credit institutions		1,421,015	363,231
Repayment of borrowings from credit institutions		(3,092,674)	(2,333,052)
Net cash flows from financing activities		**1,760,475**	**(1 969 821)**
Effect of exchange rates changes on cash and cash equivalents		(40,907)	13,977
Effect of loan losses on cash and cash equivalents		(6,066)	–
Net change in cash and cash equivalents		**(5, 977,382)**	**5,535,589**
Cash and cash equivalents, 1 January		19,866,217	21,378,517
Cash and cash equivalents, 30 September	5	**13,888,835**	**26,914,106**

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1. Principal activities

Joint Stock Company The State Export-Import Bank of Ukraine (hereinafter UkrEximBank) was founded in 1992. UkrEximBank operates under Banking License No. 2 dated 5 October 2011 and a General License of the National Bank of Ukraine to conduct foreign currency transactions No. 2-2 dated 18 November 2016.

As at 30 September 2018 and 31 December 2017, 100% of UkrEximBank’s shares were owned by the Cabinet Ministers of Ukraine on behalf of the State of Ukraine.

UkrEximBank’s head office is located in Kyiv at 127 Antonovycha Str. It has 22 branches and 43 operating outlets (31 December 2017: 24 branches and 41 operating outlets) and two representative offices located in London and New-York. UkrEximBank and its branches form a single legal entity.

Traditionally, the main focus of UkrEximBank’s operations was the servicing of various export-import transactions. Currently UkrEximBank’s customer base is diversified and includes a number of large industrial and State owned enterprises. UkrEximBank accepts deposits from the public and makes loans, transfers payments in Ukraine and internationally, exchanges currencies, invests funds and provides cash and settlements, and other banking services to its customers.

One of the main activities of UkrEximBank is to facilitate, on behalf of the Ukrainian Government, the administration of loan agreements entered into by the Ukrainian Government with other foreign governments. UkrEximBank acts as an agent, on behalf of the Ukrainian Government, with respect to loans from foreign financial institutions based on the aforementioned agreements.

The Bank’s aim (in accordance with the Charter) is to create favorable conditions for economic development and support domestic producers, export and import operations, credit and financial support of restructuring processes, strengthening and implementation of industrial and trade potential of industries and manufacturers that are export-oriented or carry out activities related to the production of import-substituting products, and also gains received in the interests of the Bank and its shareholder.

The Banks prepares the separate interim condensed financial statements and interim condensed consolidated financial statements that comprise performance indicators of UkrEximBank and its subsidiaries Lease Company Ukreximleasing and Eximleasing LLC (together referred to as the Bank).

Ukreximleasing, a 100% owned subsidiary was founded in 1997 and operates in Ukraine in the trading and leasing business.

Eximleasing LLC, a 100% owned subsidiary was founded in 2006 and registered in Ukraine, and operates in the trading and leasing business.

2. Basis of preparation and summary of accounting policies

Basis of preparation

These interim condensed consolidated financial statements for nine months ended 30 September 2018 have been prepared in accordance with the International Accounting Standard 34 Interim Financial Reporting (“IAS 34”).

These interim condensed consolidated financial statements do not include all information and data subject to disclosure in the annual financial statements and should be read in conjunction with the Bank’s annual consolidated financial statements as at 31 December 2017, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

These interim condensed consolidated financial statements are presented in thousands of Ukrainian hryvnia (“UAH”), unless otherwise indicated.

Operating environment

The Ukrainian economy is open and deemed to be of market status with certain characteristics of an economy in transition, and it has critical dependence on world commodity prices and low levels of liquidity in the capital markets. Under such circumstances, high risks not typical of mature markets are inherent in banking in Ukraine.

Stabilisation and further recovery of the Ukrainian economy depends on foreign market conditions, situation in the international capital markets and the reach of international financial aid, policy and decisions of the Verkhovna Rada, Government, NBU and Presidential Administration regarding the necessary social and economic reforms, the situation in the east of the country.

The maintenance of the overall positive price dynamics for the main commodity groups of Ukrainian exports contributed to an increase in the export of goods and services from Ukraine in the I-III quarters of the current year.

At the same time the energy price growth, expansion of the investment and consumer demand against the increased overall volatility in the global commodity and financial markets resulted in a surge in imports of goods and services in Ukraine.

Significant costs of servicing and repayment of foreign currency borrowings against the reduction in foreign investment and total revenues from the financial account resulted in decrease in the NBU's international provisions to USD 16.6 billion as of September 30, 2018. Under these conditions, the Ministry of Finance in late August taped the foreign capital market with a private short-term Eurobonds placement in the amount of USD 725 million.

In the III quarter of this year, the tendency towards devaluation of the national currency has resumed in Ukraine. As of September 30, 2018, the official exchange rate of the national currency amounted to UAH 28.30 per 1 USD (as of December 31, 2017 - 28.07).

The domestic demand growth supported by salary increase and international trade enhancement facilitated an upward development of most economic activities and overall recovery of the Ukrainian economy (GDP growth reported during 11 consecutive quarters, in particular, according to the preliminary assessment of the State Statistics Service in the 3rd quarter of this year - by 2.8%). In particular, during nine months of the current year the industrial production in Ukraine grew by 1.8%, retail turnover grew by 5.5%, scope of completed construction works grew by 5.4%, agricultural product output grew by 4.9%.

Due to continuous growth of administratively regulated prices and tariffs, manufacturers' selling prices for industrial products, prices for food products and services, the inflationary rate remained relatively high. According to the State Statistics Service, consumer price index was 5.6% in January-September of the current year (until December 2017), index of producers prices of industrial products was 12.4%. Under such conditions, the NBU continued its stringent monetary policy and during the I - III quarters of the current year, four times consistently raised the discount rate to 18% (as of September 7, 2018).

Poor financial solvency of the population, low liquidity and low efficiency of Ukrainian enterprises are having a negative impact on borrowers' ability to service and repay debts to the Bank and are restricting the funding possibilities in the domestic market.
Possible escalation of the social and political situation before the presidential and parliamentary election campaign in Ukraine, deterioration of foreign trade and macroeconomic situation overall may negatively affect the financial position and operations of the Bank. Upon receipt of such information, the Bank promptly revises its estimates of future cash flows and implements necessary measures to sustain the Bank's business.

Changes in accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Bank's annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of the new Standards below effective as at 1 January 2018. The nature and the effect of these changes are disclosed below. The Bank has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement and is effective for annual periods beginning on or after 1 January 2018. The Bank has not restated comparative information for 2017 for financial instruments in the scope of IFRS 9. Therefore, the comparative information for 2017 is reported under IAS 39 and is not comparable to the information presented for 2018.

The Bank recognised the cumulative transition effect in retained earnings on 1 January 2018 and did not restate comparative information. The information about the impact that the application of IFRS 9 has on the Bank's financial statements is disclosed in Note 3.

(a) Classification and measurement

Under IFRS 9, all debt financial assets that do not meet a "solely payment of principal and interest" (SPPI) criterion, are classified at initial recognition as fair value through profit or loss (FVPL). Under this criterion, the debt instruments that do not correspond to a "basic lending arrangement", such as Ukrainian state bonds that provide for indexation of the nominal value by maturity according to the changes in the average interbank exchange rate of Hryvnia to US Dollar per month prior to the date of issue and per month prior to the maturity date (Note 10), are measured at FVPL. For debt financial assets that meet the SPPI criterion, classification at initial recognition is determined based on the business model, under which these instruments are managed:

- Instruments that are managed on a "hold to collect" basis are measured at amortised cost;
- Instruments that are managed on a "hold to collect and for sale" basis are measured at fair value through other comprehensive income (FVOCI);
- Instruments that are managed on other basis, including trading financial assets, will be measured at FVPL.

Equity financial assets are required to be classified at initial recognition as FVPL unless an irrevocable designation is made to classify the instrument as FVOCI. For equity investments classified as FVOCI, all realised and unrealised gains and losses, except for dividend income, are recognised in other comprehensive income with no subsequent reclassification to profit and loss.

The classification and measurement of financial liabilities remain largely unchanged from the current IAS 39 requirements.

The Bank reclassifies all financial assets at fair value only when it changes its business model of management thereof, except for those determined upon initial recognition as measured at FVPL. Reclassification of the equity financial assets and liabilities is impossible.

(b) Impairment

IFRS 9 requires the Bank to record an allowance for expected credit losses (ECL) on all of its debt financial assets at amortised cost or FVOCI, as well as loan commitments and financial guarantees (hereinafter jointly "financial instruments"). Equity instruments are not subject to impairment under IFRS 9.

The allowance is based on the ECL associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination, in which case the allowance is based on the ECL over the life of the asset. The 12mECL is the portion of LTECL that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LTECL and 12mECL are calculated on either an individual basis or a collective basis.

Assessment of whether the credit risk has increased significantly by considering the change in the risk of default occurring over the remaining life of the financial instrument, identification of default events and calculation of allowance is made by the Bank at the end of each reporting period (monthly).

The Bank groups its financial instruments, for which ECL is measured, as described below:

Stage 1	When financial instruments are first recognised, the Bank recognises an allowance based on 12m ECL. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from other Stages.
Stage 2	When a financial instrument has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECL. Stage 2 financial instruments also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.
Stage 3	Financial instruments considered credit-impaired. For such financial instruments, the Bank records an allowance for the LTECL.
Purchased or originated credit impaired (POCI) assets	Purchased or originated credit impaired assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. ECL are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

To identify whether the credit risk has increased significantly from the moment of the initial recognition of a financial instrument, the Bank uses the defined lists of the events that have the signs of the increased credit risk. Irrespective of whether or not the events that have the signs of the increased credit risk occur, it is deemed that the performance of financial liabilities delayed for more than 30 days is the evidence that the credit risk has increased significantly from the moment of the initial recognition of a financial instrument.

The Bank considers that the event of default has occurred in relation to a financial instrument and, respectively, allocates such asset to Stage 3 (impaired asset) where the borrower has delayed the performance of its financial liabilities for more than 90 days and where the interest due dates have been restructured (for more than 90 days) or where the borrower has been declared bankrupt.

The mechanics of the ECL calculations are outlined below and the key elements are as follows:

Probability of Default (PD)	The Probability of Default is an estimate of the likelihood of default over a given time horizon.
Exposure at Default (EAD)	The Exposure at Default is an estimate of the exposure at default. In the ECL calculation for the entire lifetime of a financial instrument, its expected changes after the reporting date are considered, including the provision / repayment of the debt principal, accrual and payment of interest.
Loss Given Default (LGD)	The Loss Given Default is an estimate of the loss arising in the case where a default occurs. LGD is based on the difference between the contractual cash flows due and the one that the Bank would expect to receive, including from the realization of any collateral.

Depending on the qualities of a financial instrument, the Bank calculates ECL either on an individual basis (scenario analysis) or a collective (portfolio) basis.

The Bank calculates ECLs on an individual basis for all Stage 2 or Stage 3 assets of the borrowers whose debt to the Bank is significant (equivalent to over UAH 300,000 thousand), of bank borrowers, and the assets, which at the moment of derecognition of an initial instrument and recognition of a new one were classified as POCI. As part of the scenario analysis, the Bank calculates ECL based on the forecast of the cash flows discounted using the effective interest rate with due consideration of the period of cash flow proceeds. During calculation, the likelihood that the scenario will be implemented in an upside case, base and downside cases is considered.

The Bank calculates ECL on a collective (portfolio) basis for all other assets grouped by the respective features, including by the credit risk profile, and uses for calculation the models relevant for the respective group and relies on a broad range of forward looking information as economic inputs.

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset’s gross carrying value.

For the off-balance sheet financial instruments, the allowance is calculated similar to that for the balance-sheet financial instruments, with due consideration of a conversion rate.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and amended in April 2016, and it establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. However, the standard does not apply to revenue associated with financial instruments and leases, and therefore, does not impact the Bank’s revenue including interest income, gains/(losses) on operations with investment securities, lease income which are covered by IFRS 9 *Financial Instruments* and IAS 17 *Leases*.

The adoption of IFRS 15 did not impact the Bank’s financial position and the results of the Bank’s operations.

3. Effect of transition to IFRS 9

Implementation of IFRS 9

The table below represents the reconciliation of the carrying amount of financial assets and liabilities when they are transferred from their previous rating categories in IAS 39 to their new rating categories when they are accounted for in accordance with IFRS 9 as at January 1, 2018:

	Measurement under IAS 39			Revaluation of expected credit loss	Measurement under IFRS 9	
Financial assets/liabilities	**Category**	**Amount**	**Re-classification**		**Category**	**Amount**
Cash and cash equivalents	Loans and receivables	19,866,217	-	-	Amortized cost	19,866,217
Amounts due from credit institutions	Loans and receivables	620,848	-	(35,131)	Amortized cost	585,717
Amounts due from credit institutions	Assets designated at fair value through profit or loss	78,891	-	-	fair value through profit or loss	78,891
Loans to customers	Loans and receivables	67,607,544	-	(4,575,706)	Amortized cost	63,031,838
Investment securities:						
- designated at fair value through profit or loss	Assets designated at fair value through profit or loss	28,072,289	-		fair value through profit or loss	28,072,289
- available-for-sale	Assets available for sale	48,254,711	(48,254,711)	-	n/a	n/a
Into category: fair value through other comprehensive income		-	(48,254,711)	(7,374)	fair value through other comprehensive income	48,247,337
- held-to-maturity	Assets held-to-maturity	96,022	(96,022)	–	n/a	n/a
Into category: Amortized cost		-	96,022	-	Amortized cost	96,022
Other financial assets	Loans and receivables	400,758	-	(156,868)	Amortized cost	243,890
Provision for credit-related commitments	n/a	(6,168)	-	(55,085)	n/a	(61,253)
Deferred tax asset		-	-	-		-
Total				**(4,830,164)**		

As at 31 December 2017 all Bank liabilities were designated at amortized cost except for deposits in gold designated at fair value through profit or loss in accordance with IAS 39. Starting from January 1, 2018, all Bank liabilities continued to be designated at amortized cost, except for deposits, which are designated at fair value through profit / loss recognized in profit or loss in accordance with IFRS 9.

The table below presents the effect of transfer to IFRS 9 on revaluation reserve and retained losses:

	Revaluation reserve and retained losses
Revaluation reserve	
Balance as at 31 December 2017 as per IFRS 39	**282,951**
Recognition of expected credit losses for financial assets at FVOCI	(71,168)
Deferred tax asset	-
Balance as at 1 January 2018 as per IFRS 9	**211,783**
Retained losses	
Balance as at 31 December 2017 as per IFRS 39	**(25,747,076)**
Recognition of expected credit losses for financial assets and credit related commitments	(4,830,164)
Adjustment of allowance for impairment of financial assets at FVOCI (reclassification to revaluation reserves)	71,168
Deferred tax asset	–
Balance as at 1 January 2018 under IFRS 9	**(30,506,072)**
Total changes in equity due to application of IFRS 9	**(4,830,164)**

The table below presents reconciliation of the total allowance for impairment of financial assets as per IFRS 39 and estimated liabilities under the contractual and contingent liabilities as per IFRS 37 to the amount of provisions for expected credit losses as per IFRS 9:

Financial assets / liabilities	Allowance for impairment of financial assets and credit related commitments under IAS 39/IAS 37 as at 31 December 2017	Other modifications	Re-calculation of the expected credit loss	Expected credit losses as per IFRS 9 as at 1 January 2018
Amounts due from credit institutions	874,451	12,082 (A)	35,131	921,664
Loans to customers	48,266,639	13,022,903(A)	4,575,706	65,865,248
Investment securities:				
- available for sale under IAS 39/at FVOCI under IFRS 9, including:				
- debt investment securities	3,431,646	715,207 (A)	7,374	4,154,227
- equity instruments	71,168	(71,168) (B)	–	–
Other financial assets	309,474	–	156,868	466,342
Provision for credit-related commitments	6,168	–	55,085	61,253
Deferred income tax asset	–	–	–	–
	52,959,546	**13,679,024**	**4,830,164**	**71,468,734**

(A) Other changes relate to the recognition of the accrued interest income from the impaired financial assets on a gross basis during the transition to the model of accounting under IFRS 9. Those changes did not affect the carrying values of such financial assets.

(B) Other changes relate to the reclassification of allowance for impairment from retained losses to revaluation reserves during the transition to the model of accounting under IFRS 9. This change did not affect the carrying values of such financial assets.

4. Segment information

For management purposes, the Bank recognizes the following operating segments (business units):

Retail banking	Business Unit focusing on servicing retail customers on the full list of products, and selling products that are mainly in standardized form (as per the tariffs approved and the standard procedures) and generally do not require individual approach.
Corporate banking	Business Unit focusing on corporate customers selling products that require individual approach and are mainly offered to corporate clients.
Inter-bank and investments business	Business Unit focusing on the provision of services to participants in the financial markets (money, currency, stock, etc.) and the sale of products related to transactions on the financial markets.

The Board monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance, as explained in the table below, is measured taking into account income and expenses from other segments.

Unallocated amounts include:

- Income tax receivables and payables, the share of assets and costs associated with the work of the Bank's TOP management, i.e. personnel performing general management functions at the level of the entire Bank's system and the Bank's staff, supporting directly the work of the TOP management;
- The result of the revaluation of open currency position (expect for a part of open currency position distinguished by the Bank for carrying out operations on purchase / sale / conversion of cash foreign currency and bank metals and conversion of non-cash foreign currency);
- The difference between inter-segment revenues and costs of all business lines, obtained as a result of transfer rates.

For the purposes of segment reporting interest is split on the basis of uniform transfer rates set by the Assets and Liabilities Committee based on the borrowing rate of the Bank.

During nine months ended 30 September 2018, the Bank had revenues from transactions with a single external customer, that accounted for more than 10% of the total income of the Bank, of UAH 2,958,713 thousand (30 September 2017: UAH 3,506,396 thousand). Revenue from transactions with that external customer is reflected in the segment "Inter-bank and investments business".

Analysis of income of the Bank by banking products and services is presented in the interim condensed consolidated profit and loss statement in Fee and commission income and expenses.

The following table presents income and expenses, profit and loss, certain assets and liabilities information regarding the Bank's operating segments for nine months ended 30 September 2018 (unaudited):

	Retail banking	Corporate banking	Interbank and investments business	Unallocated	Total
External					
Interest income	331,662	5,233,770	3,272,075	–	8,837,507
Commission income	394,459	310,624	20,180	–	725,263
Other income	21,765	45,127	66,071	13,365	146,328
Net gains from from modified financial assets measured at amortised cost	–	–	–	55	55
Reversal of financial assets impairment	–	1,582,640	76,115	–	1,658,755
Reversal of provisions for credit-related commitments	12,095	–	429	–	12,524
Net gains from transactions with foreign currencies	107,838	133,833	88,387	–	330,058
Net gains from operations with banking metals	312	1	–	–	313
Income from other segments	1,873,977	2,005,261	4,551,937	(8,431,175)	–
Total income	**2,742,108**	**9,311,256**	**8,075,194**	**(8,417,755)**	**11,710,803**
Interest expenses	(1,273,549)	(1,535,641)	(4,331,949)	–	(7,141,139)
Commission expense	(153,782)	(105,620)	(5,161)	(334)	(264,897)
Net loss from modified financial assets measured at amortised cost	(1,109)	(564,839)	–	–	(565,948)
Financial assets impairment charge	(100,474)	–	–	(3,621)	(104,095)
Charge of provisions for credit-related commitments	–	(56,094)	–	–	(56,094)
Net losses on investment securities at fair value through profit or loss	–	–	–	(1,281,437)	(1,281,437)
Net losses on investment securities at fair value through other comprehensive income reclassified from statement of comprehensive income on settlement	–	–	–	(50,083)	(50,083)
Net loss from foreign currencies	–	–	–	(61,991)	(61,991)
Net Loss from precious metals	–	–	(773)	(23)	(796)
Personnel expenses	(427,330)	(294,177)	(66,480)	(129,082)	(917,069)
Depreciation and amortisation	(43,509)	(21,458)	(2,932)	(6,133)	(74,032)
Other operating expenses	(337,908)	(109,016)	(21,108)	(49,722)	(517,754)
Expenses from other segments	(267,238)	(4,167,985)	(2,780,100)	7,215,323	–
Segment results	**137,209**	**2,456,426**	**866,691**	**(2,784,858)**	**675,468**
Income tax credit					(4)
Income for the period					**675,464**
Assets and liabilities as at 30 September 2018					
Segment assets	5,264,633	75,271,133	80,883,886		161,419,652
Unallocated assets				2,543,439	2,543,439
Total assets					**163,963,091**
Segment liabilities	36,605,684	50,454,299	68,413,660		155,473,643
Unallocated liabilities				97,984	97,984
Total liabilities					**155,571,627**
Other segment information					
Capital expenditure	(32,240)	(15,323)	(2,095)	(4,381)	(54,039)

The following table presents income and expenses, profit and loss information for nine months of the previous year, ended 30 September 2017 (unaudited), and certain assets and liabilities information regarding the Bank's operating segments as at 31 December 2017:

	Retail banking	**Corporate banking**	**Interbank and investments business**	**Unallocated**	**Total**
External					
Interest income	323,413	4,888,373	3,977,409	–	9,189,195
Commission income	383,571	285,050	16,310	–	684,931
Other income	11,443	130,074	54	7,561	149,132
Net gains from transactions with foreign currencies	104,737	117,852	150,910	661,616	1,035,115
Net gains from operations with banking metals	449	–	2,000	–	2,449
Net gains from investment securities available-for-sale	–	–	–	4,567	4,567
Reversal of financial assets impairment	31,908	–	–	–	31,908
Reversal of allowance for impairment of other assets and coverage of other losses	–	9,801	2,810	–	12,611
Income from other segments	1,999,539	2,275,804	4,109,626	(8,384,969)	–
Total income	**2,855,060**	**7,706,954**	**8,259,119**	**(7,711,225)**	**11,109,908**
Interest expenses	(1,471,836)	(1,782,477)	(3,829,473)	–	(7,083,786)
Commission expense	(147,671)	(83,205)	(8,243)	(425)	(239,544)
Charge to allowance for loan impairment	–	(561,983)	(9,855)	(3)	(571,841)
Net loss from precious metals	–	–	–	(5,065)	(5,065)
Net loss from investment securities designated at fair value re-measured from the comprehensive income statement at maturity	–	–	–	(61,162)	(61,162)
Net loss from investment securities designated at fair value through profit and loss	–	–	–	(398,453)	(398,453)
Personnel expenses	(306,767)	(205,026)	(48,486)	(82,836)	(643,115)
Depreciation and amortisation	(44,768)	(21,438)	(3,284)	(6,186)	(75,676)
Other operating expenses	(299,904)	(90,036)	(18,082)	(51,074)	(459,096)
Allowance for impairment of other assets and coverage of other losses	(6,039)	–	–	(1,924)	(7,963)
Expenses from other segments	(233,792)	(3,894,628)	(3,619,225)	7,747,645	–
Segment results	**344,283**	**1,068,161**	**722,471**	**(570,708)**	**1,564,207**
Income tax expenses					(111,506)
Income for the period					**1,452,701**
Assets and liabilities as at 31 December 2017					
Segment assets	5,122,802	67,677,723	95,345,081		168,145,606
Unallocated assets				2,472,367	2,472,367
Total assets					**170,617,973**
Segment liabilities	36,091,973	54,774,212	65,426,841		156,293,026
Unallocated liabilities				261,000	261,000
Total liabilities					**156,554,026**
Other segment information					
Capital expenditure	(28,210)	(13,484)	(2,067)	(3,893)	(47,654)

The significant part of loss for nine months of 2018 and 2017 from investment securities at fair value through profit and loss occur due to government bonds revaluation adjusted for exchange rate shift.

Geographical information

Most revenues and capital expenditure relates to Ukraine. The Bank has no significant revenue from other countries.

5. Cash and cash equivalents

Cash and cash equivalents comprise:

	30 September 2018 (unaudited)	*31 December 2017*
Current accounts with other credit institutions	7,706,636	9,243,485
Current account with the National Bank of Ukraine	2,618,282	5,383,134
Time deposits with other credit institutions with maturity up to 90 days	1,416,079	–
Cash on hand	1,274,479	1,428,646
Overnight deposits with other credit institutions	879,425	1,257,692
Deposits certificates of the National Bank of Ukraine up to 90 days	–	2,553,260
	13,894,901	**19,866,217**
Less: allowance for impairment	(6,066)	–
Cash and cash equivalents	**13,888,835**	**19,866,217**

6. Amendments in liabilities in financial activities

Amendments in liabilities in financial activities comprise:

	Loans from the credit institutions	***Eurobonds issued***	***Subordinated debt***	***Total***
Book value				
At 31 December 2017	**21,371,452**	**38,821,831**	**3,615,792**	**63,809,075**
Proceeds	1,421,015	4,020,167	–	5,441,182
Repayment	(3,092,674)	–	–	(3,092,674)
Currency translation revaluation	27,563	327,059	27,230	381,852
Other	235,810	122,447	(65,246)	293,011
Book value At 30 September 2018 (unaudited)	**19,963,166**	**43,291,504**	**3,577,776**	**66,832,446**
Book value				
At 31 December 2016	**25,268,686**	**37,562,345**	**3,495,895**	**66,326,926**
Proceeds	363,231	–	–	363,231
Repayment	(2,333,052)	–	–	(2,333,052)
Currency translation revaluation	(556,049)	(904,416)	(86,670)	(1,547,135)
Other	95,073	97,569	(64,275)	128,367
Book value At 30 September 2017 (unaudited)	**22,837,889**	**36,755,498**	**3,344,950**	**62,938,337**

"Other" includes the effect of accrued but unpaid interest on borrowings from credit institutions, issued Eurobonds and subordinated debt. The Bank classifies the paid interest as cash flows from operating activities.

7. Expenses for allowance for impairment

The table below shows the amounts of accrued/reversed allowances for impairment by financial and non-financial assets for nine months ended 30 September 2018, which are recognised in profit or loss.

	2018		2017	
	For three months ended 30 September	*For nine months ended 30 September*	*For three months ended 30 September*	*For nine months ended 30 September*
	(unaudited)			
Loans to customers (Note 9)	942,955	1,478,440	553,249	(527,661)
Due from credit institutions	48,713	62,965	(6,627)	(12,272)
Other financial assets	1,765	12,645	–	–
Other assets	–	–	3,682	5,325
Investment debt securities	332	610	–	–
Reversal/(charge) of allowance for impairment	**993,765**	**1,554,660**	**550,304**	**(534,608)**

8. Due from credit institutions

Amounts due from credit institutions comprise:

	30 September 2018 (unaudited)	*31 December 2017*
Loans and deposits		
Ukrainian banks	1,023,128	1,150,873
OECD banks	207,453	205,759
CIS and other banks	60,026	70,187
	1,290,607	**1,426,819**
Due from other credit institutions		
Current accounts with other credit institutions in precious metals	156,500	72,891
Other amounts due from credit institutions	74,777	74,480
	1,521,884	**1,574,190**
Less: Allowance for impairment	(852,611)	(874,451)
Due from credit institutions	**669,273**	**699,739**

As at 30 September 2018, amounts due from credit institutions are designated at amortised cost (31 December 2017: at amortised cost), except for current accounts in precious metals in the amount of UAH 156,500 thousand (31 December 2017: UAH 72,891 thousand) at fair value through profit or loss (31 December 2018: at fair value through profit or loss).

9. Loans to customers

Loans to customers comprise:

	30 September 2018 (unaudited)	*31 December 2017*
Commercial loans	135,893,041	115,044,665
Overdrafts	1,203,055	709,605
Promissory notes	74,084	52,614
Financial lease receivables	12,803	67,299
	137,182,983	**115,874,183**
Less – allowance for impairment	(65,277,544)	(48,266,639)
Loans to customers at amortised cost	**71,905,439**	**67,607,544**

Loans and advances have been extended to the following types of customers:

	30 September 2018 (unaudited)	*31 December 2017*
Private entities	103,521,417	86,366,875
State entities	31,570,972	28,107,432
Individuals	2,004,947	1,382,786
Municipal entities	85,647	17,090
	137,182,983	**115,874,183**

The movements in allowance for impairment of loans to customers during the nine months ended 30 September 2018 were as follows:

	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2018	**1,068,246**	**40,027**	**64,756,975**	**65,865,248**
New self-produced or purchased assets	157,332	–	–	157,332
Repaid assets	(70,621)	(1,899)	(292,842)	(365,362)
Transfer to Stage 1	1,280	(1,064)	(216)	–
Transfer to Stage 2	(161,843)	297,107	(135,264)	–
Transfer to Stage 3	(999)	(9,214)	10,213	–
Transfer to POCI	–	–	(972,929)	(972,929)
Interest income adjustment	–	–	1,562,103	1,562,103
Recoveries	–	–	20,615	20,615
Modifications in allowance	(6,811)	(75,457)	(245,187)	(327,455)
Translation differences	(47,582)	(14,131)	(3,488,044)	(3,549,757)
As at 30 June 2018 (unaudited)	**939,002**	**235,369**	**61,215,424**	**62,389,795**
New self-produced or purchased assets	182,981	1,837	–	184,818
Repaid assets	(20,805)	(146)	(291,869)	(312,820)
Transfer to Stage 1	326	(32)	(294)	–
Transfer to Stage 2	(7,075)	284,613	(277,538)	–
Transfer to Stage 3	(262)	(13,547)	13,809	–
Transfer to POCI	–	–	(604,574)	(604,574)
Interest income adjustment	–	–	750,447	750,447
Recoveries	–	–	3,946	3,946
Modifications in allowance	(4,607)	(194,238)	(616,108)	(814,953)
Translation differences	56,756	18,945	3,605,184	3,680,885
As at 30 September 2018 (unaudited)	**1,146,316**	**332,801**	**63,798,427**	**65,277,544**

The movements in allowance for impairment of loans to customers during the nine months ended 30 September 2017 were as follows:

	Commercial loans	Overdrafts	Finance lease receivables	Promissory notes	Total
As at 1 January 2017	**45,512,446**	**31,920**	**5,135**	**1,306**	**45,550,807**
Charge/(reversal) for the period	1,100,426	(19,193)	(100)	(223)	1,080,910
Recoveries	21,960	–	–	–	21,960
Amounts written-off	–	–	(152)	–	(152)
Translation differences	(835,192)	–	–	–	(835,192)
As at 30 June 2017 (unaudited)	**45,799,640**	**12,727**	**4,883**	**1,083**	**45,818,333**
Charge/(reversal) for the period	(561,457)	8,462	(150)	(104)	(553,249)
Recoveries	9,785	–	–	–	9,785
Translation differences	789,863	–	–	–	789,863
At 30 September 2017 (unaudited)	**46,037,831**	**21,189**	**4,733**	**979**	**46,064,732**

10. Investment securities

Investment securities designated at fair value through profit and loss

As at 30 September 2018, investment securities designated at fair value through profit and loss with book value of UAH 26,575,117 thousand (31 December 2017: UAH 28,072,289 thousand) are represented Ukrainian state bonds. The conditions of issue of those securities provide for indexation of the nominal value by maturity according to the changes in the average interbank exchange rate of Hryvnia to US Dollar per month prior to the date of issue and per month prior to the maturity date. Coupon yield is not subject to indexation.

Investment securities designated at fair value through recognizing revaluation in other comprehensive income and available-for-sale investment securities

	30 September 2018 (unaudited)	31 December 2017
Ukrainian state bonds	–	46,698,684
Corporate bonds	–	1,540,930
Corporate shares	–	15,097
Available-for-sale investment securities	**–**	**48,254,711**
Ukrainian state bonds	39,689,229	–
Corporate bonds	1,436,759	–
Corporate shares	16,210	–
Investment securities at fair value through other comprehensive income	**41,142,198**	**–**

Investment securities at amortised cost and investment securities held to maturity

	30 September 2018 (unaudited)		31 December 2017	
	Nominal value	Carrying value	Nominal value	Carrying value
Ukrainian state bonds	–	–	98,164	96,022
Held-to-maturity investments		**–**		**96,022**
Ukrainian state bonds	49,082	47,682	–	–
Investment securities at amortised cost		**47,682**		**–**

11. Other assets and liabilities

Other assets comprise:

	30 September 2018 (unaudited)	*31 December 2017*
Other financial assets		
Other accrued income	369,601	328,468
Transit accounts on transactions with payment cards	126,530	156,452
Accounts receivables for transactions with customers	65,237	215,757
Fee for servicing financial guarantees	15,598	9,431
Other	133	124
	577,099	**710,232**
Less – allowance for impairment	(341,848)	(309,474)
Other financial assets	**235,251**	**400,758**
Other assets		

	30 September 2018 (unaudited)	***31 December 2017***
Advance payments	3,266,139	57,179
Other tax assets except for those related to income tax	887,892	259,635
Precious metals	49,732	61,197
Cash funds, availability of which is not confirmed	35,623	35,471
Provisions	27,401	25,313
Other	2,175	1,368
	4,268,962	**440,163**
Less – allowance for impairment	(79,555)	(73,005)
Other assets	**4,189,407**	**367,158**
Total other assets	**4,424,658**	**767,916**

The amount of advance payment includes the amount of advance payment for the acquisition of the items to be provided by the Bank for finance lease in the amount of UAH 3,136,245 thousand . The respective value added tax amount for such advance payment is included in "Other tax assets except for those related to income tax" in the amount of UAH 627,249 thousand. Also, the Bank received advance payments under finance lease transactions in the amount of UAH 1,129,048 thousand (Note 13)

Other liabilities comprise:

	30 September 2018 (unaudited)	***31 December 2017***
Other financial liabilities		
Transit accounts on transactions with customers	36,932	6,126
Transit accounts in respect of card operations	19,936	31,921
Liabilities in respect of financial guarantees issued	9,351	7,123
Accrued expenses	7,726	4,173
Other financial liabilities	**73,945**	**49,343**
Other liabilities		
Provision for unused vacation	99,242	74,213
Payments to Guarantee Fund of Individuals' Deposits	62,782	53,775
Taxes payable other than income tax	40,208	27,705
Deferred income	22,667	29,196
Accrued salary payable	21,781	74,453
Payables on the Bank's business activities	12,597	8,996
Salary withholdings	6,928	3
Accrued pension contribution	1,577	1,030
Other	8,776	6,234
Other liabilities	**276,558**	**275,605**
Total other liabilities	**350,503**	**324,948**

12. Amounts due to credit institutions

Amounts due to credit institutions comprise:

	30 September 2018 (unaudited)	*31 December 2017*
Current accounts		
Ukrainian banks	1,347,530	1,825,511
Banks in the CIS and other countries	418	727
	1,347,948	**1,826,238**
Loans and deposits		
International financial organisations	19,707,419	20,896,851
Ukrainian banks	389,652	86,088
OECD banks	255,747	474,601
	20,352,818	**21,457,540**
Other amounts due to credit instituions	–	9
Amounts due to credit instituions	**21,700,766**	**23,283,787**

For the purposes of the consolidated cash flow statement presentation, the Bank allocates funds attracted from credit institutions between the funds for the operating and financing activities. Funds raised from the Ukrainian banks include attracted guarantee deposits and are included in the category of funds for operating activities, and funds raised from foreign banks for the long-term financing purposes - for financing activities.

13. Amounts due to customers

Amounts due to customers comprise:

	30 September 2018 (unaudited)	*31 December 2017*
Current accounts		
- Legal entities	19,715,445	17,517,732
- Budget financed organizations	6,825,713	6,825,732
- Individuals	4,161,635	4,017,437
- Funds under the Bank's management	1	1
	30,702,794	**28,360,902**
Time deposits		
- Legal entities	33,095,327	41,077,335
- Individuals	21,707,180	21,063,263
- Budget financed organizations	1,041,506	-
	55,844,013	**62,140,598**
Amounts due to customers	**86,546,807**	**90,501,500**
Held as security against letters of credit (Note 16)	1,137,720	350,089
Advance payments received under financial lease (Note 11)	1,129,048	
Held as security against loans to customers	754,103	470,144
Held as security against guarantees and avals (Note 16)	568,059	470,238
Held as security against undrawn loan commitments (Note 16)	3,704	3,239

As at 30 September 2018, amounts due from customers are designated at amortised cost (31 December 2017: at amortised cost), except for attracted deposits and current accounts in gold in the amount of UAH 69,370 thousand (31 December 2017: UAH 118,311 thousand) at fair value with recognition of **revaluation** through profit or loss (31 December 2017: at fair value with recognition of **revaluation** through profit or loss).

14. Eurobonds issued

	30 September 2018 (unaudited)			*31 December 2017*		
	Nominal value (thousand)	*Currency*	*Carrying value*	*Nominal value (thousand)*	*Currency*	*Carrying value*
April 2010 issue	500,000	USD	14,689,082	500,000	USD	14,243,831
October 2010 issue	250,000	USD	7,344,540	250,000	USD	7,121,916
January 2013 issue	500,000	USD	14,315,854	500,000	USD	14,546,737
April 2013 issue	100,000	USD	2,863,171	100,000	USD	2,909,347
March 2018 issue	4,051,000	UAH	4,078,857	-	-	-
Eurobonds issued			**43,291,504**			**38,821,831**

In March 2018, the Bank, through BIZ Finance PLC (company registered in Great Britain) issued Eurobonds in the form of loan participation notes with a par value of UAH 4,051,000 thousand. The bonds had a fixed coupon rate of 16.5% p.a. and maturity in March 2021.

15. Equity

As of September 30, 2018, the Bank's share capital consisted of 26,490,412 ordinary registered shares (31 December 2017: 26,490,412 ordinary registered shares) with a nominal value of UAH 1,462.04 each (31 December 2017: UAH 1,462.04 each). As of September 30, 2018, 26,490,412 ordinary registered shares were fully paid and registered (31 December 2017: all shares were fully paid and registered).

In February 2017, according to the Resolution of the Cabinet of Ministers of Ukraine No. 54 dated 1 February 2017 the Bank's share capital was increased by UAH 3,022,000 thousand through issue of 2,066,975 new shares with nominal value of UAH 1,462.04 each with 100% of these shares kept by the State. In March 2017 these shares were registered.

The State of Ukraine acquired the additional issue of shares by exchanging them to Ukrainian state bonds with the indexed value of UAH 3,022,001 thousand.

As at the date of initial recognition, the difference between the nominal and fair value of Ukrainian state bonds in the amount of UAH 635,104 thousand was recognized as part of the result of transactions with the shareholder.

In March 2017, according to the Resolution of the Cabinet of Ministers of Ukraine No. 123 dated 6 March 2017, the Bank's share capital was increased by UAH 4,700,001 thousand through issue of 3,214,687 new shares with nominal value of UAH 1,462.04 each with 100% of these shares kept by the State. In April 2017 these shares were registered.

The state acquired the additional issue of shares, that increased the share capital of the Bank, by exchanging them to Ukrainian state bonds in the amount of UAH 4,700,001 thousand.

In June 2018, in accordance with the Law of Ukraine On Management of State-Owned Companies, the Resolution of the Cabinet of Ministers of Ukraine No. 139 dated February 28, 2018 *On Approval of basic standard for the reduction of the share of profits for payment of dividends based on the results of financial-economic activity (in 2017) of business entities if their charter capital includes corporate rights of the state*, part of the profit was used by the Bank to pay dividends in the amount of UAH 588,033 thousand. In accordance with Article 57 of the Tax Code of Ukraine, the Bank has accrued and transferred to the budget profit tax advance in the amount of UAH 105,846 thousand.

Movements in revaluation reserves

Movements in revaluation reserves were as follows:

	Property revaluation reserve	*Gains/(losses) on investment securities available for sale*	*Revaluation reserves*
At 1 January 2017	**1,021,863**	**(296,528)**	**725,335**
Depreciation of revaluation reserve, net of tax	(13,801)	–	(13,801)
Net gains on available-for-sale investment securities	**–**	**13,648**	**13,648**
Net losses on **available-for-sale** investment securities reclassified to the consolidated statement of profit and loss (consolidated income statement)	–	61,176	61,176
Net unrealized losses on available-for-sale investment securities	–	(47,528)	(47,528)
At 30 September 2017 (unaudited)	**1,008,062**	**(282,880)**	**725,182**
At 31 December 2017	**724,063**	**(441,112)**	**282,951**
Effect of application of IFRS 9	–	(71,168)	(71,168)
Opening balance calculated according to IFRS 9	**724,063**	**(512,280)**	**211,783**
Depreciation of revaluation reserve, net of tax	(9,948)	–	(9,948)
Other comprehensive (losses)/income reclassified to the consolidated statement of profit and loss in the next periods			
Net losses on investment securities at a fair value with recognition of revaluation in other comprehensive income including:	**–**	**(929,750)**	**(929,750)**
Changes in allowance for impairment on investment securities at a fair value with recognition of revaluation in other comprehensive income	–	610	610
Net realised losses on investment securities at a fair value with recognition of revaluation in other comprehensive income reclassified to the consolidated statement of profit and loss (consolidated income statement)	–	50,083	50,083
Net unrealised losses on investment securities at a fair value with recognition of revaluation in other comprehensive income	–	(980,443)	(980,443)
Income tax related to components of other comprehensive income	–	–	–
At 30 September 2018 (unaudited)	**714,115**	**(1,442,030)**	**(727,915)**

16. Financial commitments and contingencies

The Bank's financial commitments and contingencies comprise the following:

	30 September 2018 (unaudited)	*31 December 2017*
Undrawn loan commitments	5,939,214	363,462
Guarantees	3,016,334	3,045,807
Avals on promissory notes	405,501	333,227
Letters of credit	1,208,260	350,089
	10,569,309	**4,092,585**
Less – loan loss provision	(104,271)	(6,168)
Financial commitments and contingencies (before deducting collateral)	**10,465,038**	**4,086,417**
Less – cash held as security against letters of credit, avals and guarantees, and undrawn loan commitments (Note 13)	(1,709,483)	(823,566)
Financial commitments and contingencies	**8,755,555**	**3,262,851**

17. Personnel expenses and other operating expenses

Personnel expenses and other operating expenses comprise:

	2018		*2017*	
	For three months ended 30 September	*For nine months ended 30 September*	*For three months ended 30 September*	*For nine months ended 30 September*
	(unaudited)			
Salaries and bonuses	277,306	764,518	205,768	535,425
Mandatory payments to state funds	49,299	152,551	38,901	107,690
Personnel expenses	**326,605**	**917,069**	**244,669**	**643,115**
Payables to the Individual Deposit Guarantee Fund	62,782	182,427	53,494	164,938
Repair and maintenance of fixed assets	33,799	91,233	26,180	73,776
Operating taxes	14,880	37,010	14,156	38,082
Security	12,574	36,794	11,145	31,817
Maintenance of premises	7,790	30,015	6,726	26,210
Electronic data processing expenses	9,458	23,287	6,802	19,738
Expenses for cash collection	6,003	16,699	5,738	16,920
Rent of premises	5,303	16,203	6,632	17,236
Household expenses	5,774	15,652	3,839	12,879
Legal and advisory services	4,302	12,097	3,860	13,623
Communication services	3,633	10,510	4,746	10,607
Losses on non-current assets revaluation	–	4,337	–	–
Net losses on impairment of non-financial assets	1,534	4,243	–	116
Business travel and related expenses	1,218	4,211	1,040	3,311
Representative offices expenses	1,172	2,924	820	2,499
Charitable expenses	860	2,623	284	750
Losses on initial recognition of financial instruments	(1,326)	2,088	–	–
Marketing and advertising expenses	1,370	1,733	1,134	4,376
Other	10,686	23,668	6,037	22,218
Other operating expenses	**181,812**	**517,754**	**152,633**	**459,096**

Expenses for payments to the non-state pension fund for the period ended 30 September 2018 amounted to UAH 13,878 thousand (30 September 2017: UAH 8,958 thousand).

18. Fair value of assets and liabilities

Fair value of financial assets and financial liabilities not measured at fair value

Set out below is a comparison by class of the carrying values and fair values of the Bank's financial instruments that are not measured at fair value in the interim condensed consolidated statement of financial position. The table does not include the fair values of non-financial assets and non-financial liabilities.

	30 September 2018 (unaudited)			*31 December 2017*		
	Carrying value	*Fair value*	*Unrecognized gain / (loss)*	*Carrying value*	*Fair value*	*Unrecognized gain / (loss)*
Financial assets						
Cash and cash equivalents	13,888,835	13,888,835	–	19,866,217	19,866,217	-
Amounts due from other banks	512,773	512,773	–	626,848	626,848	-
Loans to customers	71,905,439	69,487,093	(2,418,346)	67,607,544	68,155,687	548,143
Securities held to maturity	–	–	–	96,022	93,598	(2,424)
Securities at amortized cost	47,682	47,145	(537)	-	-	-
Other assets	235,251	235,251	–	400,758	400,758	-
Financial liabilities						
Amounts due to other banks	21,700,766	21,700,766	–	23,283,787	23,283,787	-
Amounts due to customers	86,477,437	86,436,729	40,708	90,383,189	90,386,165	(2,976)
Eurobonds issued	43,291,504	44,133,549	(842,045)	38,821,831	42,375,611	(3,553,780)
Subordinated debt	3,577,776	3,470,939	106,837	3,615,792	3,677,193	(61,401)
Other liabilities	73,945	73,945	–	49,343	49,343	-
Total unrecognized change in unrealized fair value			**(3,113,383)**			**(3,072,438)**

The following describes the methodologies and assumptions used to determine fair values for the financial instruments that are not recorded at fair value in the interim condensed consolidated financial statement.

Assets fair value of which approximates to carrying value

For financial assets and financial liabilities that are liquid or having a short term maturity (up to three months) it is assumed that the carrying value approximates to fair value. This assumption is also applied to demand deposits, savings deposits without a specific maturity and variable rate financial instruments.

Fixed rate financial instruments

The fair value of fixed rate financial assets and liabilities recorded at amortized cost is determined by comparing market interest rates at the date when they were first recognized with current market rates offered for similar financial instruments. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and maturity. For listed debt issued the fair value is determined based on quoted market prices. For those notes issued where quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity.

Fair value of financial assets measured at fair value

The Bank uses the following hierarchy of measurement techniques to determine and disclose fair value of financial assets, including changes in fair value due to certain alternative assumptions used in the measurement model:

- Level 2: where no market quotations are available for a financial instrument, the fair value is measured using valuation techniques based on assumptions supported by observable market prices and rates available at the reporting date, i.e. either directly or indirectly based on observable market inputs;
- Level 3: for financial instruments whose fair values cannot be measured using market quotations or measurement models with observable market inputs, the Bank uses measurement techniques using unobservable inputs that have material impact on reported fair values of financial instruments, which are not based on observable market inputs. This approach is appropriate for investments in non-listed shares and debt securities.

Analysis of financial instruments measured at fair value by level in the fair value hierarchy is presented in the table below:

	Fair value recurring measurements		
As at 30 September 2018 (unaudited)	***Level 2***	***Level 3***	***Total***
Current accounts with other credit institutions in precious metals	156,500	–	156,500
Investment securities at fair value with recognition of revaluation through profit or loss	26,575,117	–	26,575,117
Investment securities at a fair value with recognition of revaluation in other comprehensive income	41,125,988	16,210	41,142,198
Total assets	**67,857,605**	**16,210**	**67,873,815**
Amounts due to customers in precious metals	69,370	–	69,370
Total liabilities	**69,370**	**–**	**69,370**

	Fair value recurring measurements		
As at 31 December 2017	***Level 2***	***Level 3***	***Total***
Current accounts with other credit institutions in precious metals	72,891	-	72,891
Investment securities at fair value with recognition of revaluation through profit or loss	28,072,289	-	28,072,289
Available-for-sale investment securities	48,239,614	15,097	48,254,711
Total assets	**76,384,794**	**15,097**	**76,399,891**
Amounts due to customers in precious metals	118,311	-	118,311
Total liabilities	**118,311**	**-**	**118,311**

The Bank assesses whether any transfers between levels of the fair value hierarchy are required at the end of each reporting period.

During nine months ended 30 September 2018, the Bank did not transfer financial assets from one level of the fair value hierarchy to another level of the fair value hierarchy.

The Bank measures financial assets by discounting cash flows from these instruments using the rates determined on the basis of non-observable market inputs.

Movements in level 3 financial instruments measured at fair value

The following table shows a reconciliation of the opening and closing amount of Level 3 financial assets and liabilities recorded at fair value:

	As at 1 January 2018	*Profit recorded in the interim condensed consolidated statement of profit and loss*	*Settlements*	*As at 30 September 2018 (unaudited)*
Investment securities at a fair value with recognition of revaluation in other comprehensive income	15,097	1,673(a)	(560),(b)	16,210
Total assets	**15,097**	**1,673**	**(560)**	**16,210**

	As at 1 January 2017	*Profit recorded in the interim condensed consolidated statement of profit and loss*	*Settlements*	*As at 30 September 2018 (unaudited)*
Available-for-sale investment securities	11,690	4,687(a)	(106),(b)	16,271
Total assets	**11,690**	**4,687**	**(106)**	**16,271**

(a) for nine months of 2018: UAH 1,113 thousand of gain (reversal of impairment losses) included in "Net gains on impairment of financial assets" and UAH 560 thousand of gain included in "Other income" (nine months of 2017: UAH 4,581 thousand of gain included in "Losses on impairment of available-for-sale investment securities") and UAH 106 thousand of gain included in "Other income".

(b) for nine months of 2018: UAH 560 thousand of settlements includes UAH 560 thousand of repayments (nine months of 2017: UAH 106 thousand of gain includes UAH 106 thousand of repayments).

The table below shows the quantitative information as at 30 September 2018 about significant unobservable inputs used for the fair valuation of financial instruments classified as those of the 3 level of the fair value hierarchy:

As at 30 September 2018 (unaudited)	*Carrying value*	*Valuation technique*	*Unobservable parameter*	*Range of parameter values*
Investment securities at a fair value with recognition of revaluation in other comprehensive income	16,210	Discounted cash flows	Risk factor	Corporate: 0 – 1.0

As at 30 September 2017 (unaudited)	*Carrying value*	*Valuation technique*	*Unobservable parameter*	*Range of parameter values*
Available-for-sale investment securities	16,271	Discounted cash flows	Expected profitability	Corporate: 8.54% - 15.90 %
			Risk factor	Corporate: 0 – 1.0

Gains and losses under level 3 financial instruments included into the consolidated statement of profit and loss:

	For the period ended 30 September 2018 (unaudited)		
	Realized gains	***Unrealized gains***	***Total***
Total gains included in profit and loss for the period	560	1,113	**1,673**

	For the period ended 30 September 2017 (unaudited)		
	Realized gains	***Unrealized gains***	***Total***
Total gains included in profit and loss for the period	106	4,581	**4,687**

19. Related party transactions

In accordance with IAS 24 "Related Party Disclosures", parties are considered to be related if they are under common control, or one party has the ability to control the other party or exercise significant influence over the other party in making operational or financial decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties may enter into transactions, which unrelated parties might not. The terms and conditions of such transactions may differ from those between unrelated parties.

Transactions and balances with related parties comprise transactions with entities controlled by the state (directly or indirectly, or significantly influenced by the state), and key management personnel.

Balances with key management personnel as at 30 September 2018 and 31 December 2017 and related income and expense for nine months ended 30 September 2018 and 2017 are as follows:

	30 September 2018 (unaudited)	***31 December 2017***
	Key management personnel	
Loans to customers, total	**835**	**18**
Less - provisions for impairment	(25)	(2)
Loans to customers, net	**810**	**16**
Current accounts	11,432	5,560
Time deposits	13,700	9,134
Amounts due to customers	**25,132**	**14,694**
Other liabilities	11	12

	For the period ended 30 September	
	2018	***2017***
	(unaudited)	
Interest income on loans	22	21
Interest expense on customers' deposits	(509)	(348)
Commission income	12	12
Translation differences	(942)	53

For nine months ended 30 September 2018, the total remuneration and other benefits paid to key management personnel amounted to UAH 31,115 thousand (including UAH 418 thousand of payment to the non-state pension fund) (30 September 2017: UAH 15,658 thousand (including UAH 200 thousand of payment to the non-state pension fund.)).

In the normal course of business, the Bank enters into contractual agreements with the Government of Ukraine and entities controlled, either directly or indirectly, or significantly influenced by the state. The Bank provides such entities with a full range of banking service including, but not limited to, lending, deposit-taking, issue of guarantees, transactions with securities, cash and settlement transactions.

Balances with government-related entities which are material in terms of the carrying value as at 30 September 2018 (unaudited) were as follows:

Client	***Sector***	***Cash and cash equivalents***	***Loans to customers***	***Amounts due to***	***Guarantees issued***
Client1	State entities	-	-	3,344,212	-
Client2	State entities	-	-	1,475,068	-
Client3	Agriculture and food industry	-	-	20,209,032	-
Client4	Extractive industry	-	16,317,153	740,451	-
Client5	Extractive industry	-	1,823,049	1,077,360	-
Client 6	Power engineering	-	7,738,418	1,745,911	-
Client 7	Mechanical engineering	-	2,548,647	-	210,461
Client 8	Trade	-	-	1,473,271	620,604
Client 9	Trade	-	-	-	341,538
Client 10	Trade	-	-	-	196,526
Client 11	Trade	-	-	-	87,144
Client 12	Finance	2,618,282	-	-	-
Client 13	Transportation and communication	-	-	1,136,358	-
Other	-	-	946,329	7,621,894	-

Balances with government-related entities which are material in terms of the carrying value as at 31 December 2017 were as follows:

Client	***Sector***	***Cash and cash equivalents***	***Loans to customers***	***Amounts due to customers***	***Amounts due to credit institutions***	***Guarantees issued***
Client 1	State entities	-	-	3,546,848	-	-
Client 2	State entities	-	-	1,191,285	-	-
Client 3	Agriculture and food industry	-	-	26,893,949	-	-
Client 4	Extractive industry	-	16,863,172	-	-	-
Client 5	Extractive industry	-	769,062	-	-	-
Client 12	Finance	7,936,394	-	-	-	-
Client 14	Finance	-	-	-	442,939	-
Client 6	Power engineering	-	5,520,516	-		-
Client 7	Mechanical engineering	-	2,531,403	-	-	210,247
Client 8	Trade	-	-	1,328,284	-	650,402
Client 9	Trade	-	-	-	-	724,156
Other	-	-	-	8,765,303	-	-

For nine months ended 30 September 2018, the Bank recorded UAH 2,188,486 thousand (30 September 2017: UAH 1,671,739 thousand) of interest income from material transactions with government-related entities, including interest income of UAH 37,246 thousand (30 September 2017: UAH 160,252 thousand) from transactions with the NBU deposit certificates with maturity up to 90 days as well as UAH 1,007,731 thousand (30 September 2017: UAH 1,253,950 thousand) of interest expenses.

As at 30 September 2018 and 31 December 2017 the Bank's investments in debt securities and shares issued by the state or the government-related corporate entities were as follows:

	30 September 2018 (unaudited)	*31 December 2017*
Investment securities at fair value with recognition of revaluation through profit or loss	26,575,117	28,072,289
Available-for-sale investment securities	–	48,253,645
Investment securities held to maturity	–	96,022
Investment securities at a fair value with recognition of revaluation in other comprehensive income	41,137,655	-
Securities at amortized cost	47,682	-

For nine months ended 30 September 2018, the Bank recorded UAH 2 958 713 thousand (30 September 2017: UAH 3 506 396 thousand) of interest income from transactions with government bonds, and UAH 198 628 thousand (30 September 2017: UAH 243,089 thousand) of interest income from transactions with other investment securities.

20. Capital adequacy

The Bank performs efficient capital adequacy management for protection against risks typical for its activity. The Bank capital adequacy ratios are controlled by application of regulations approved by the NBU and the Basel Capital Accord 1988.

The main goal of the Bank capital management is to ensure compliance with the external requirements regarding capital adequacy and maintaining of high credit ratings and adequate capital adequacy ratios required for carrying out business activities and maximization of shareholder value.

The Bank manages the capital structure and respectively introduces alterations in it subject to changes in economic conditions and risk profiles related to its activity.

Capital adequacy ratio under the NBU requirements

In 2015, the NBU stress-tested 20 largest Ukrainian banks, including the Bank. Special requirements to minimum regulatory capital adequacy ratio of the stress-tested banks are applied. These requirements were agreed by the NBU based on the results of the stress-test and the approved rectification plan, but in any case after the procedures, the regulatory capital adequacy ratio should be at least 5% from February 1, 2016, at least 7% from 1 January 2018, and at least 10% from January 1, 2019. During 2018 and as of September 30, 2018, the Bank complied with these requirements.

The Bank's regulatory capital adequacy ratio was as follows:

	30 September 2018 (unaudited)	*31 December 2017*
Main capital	6,198,551	6,217,716
Additional capital, calculated	3,875,342	4,141,885
Additional capital, included in calculation of total capital (limited to main capital)	3,875,342	4,141,885
Total capital	**10,073,893**	**10,359,601**
Risk weighted assets	**87,234,338**	**74,469,796**
Capital adequacy ratio	11.55%	13.91%

Regulatory capital comprises Tier 1 capital (Main capital), consisting of paid-in registered share capital plus reserves less expected losses, and Tier 2 capital (Additional capital), consisting of asset revaluation reserve, current profit, subordinated debt and retained earnings. For regulatory capital calculation purposes Tier 2 capital amount is limited to 100% of Tier 1 capital.

Capital adequacy ratio under Basel Capital Accord 1988

The Bank's capital adequacy ratios, computed in accordance with the Basel Capital Accord 1988 were as follows:

	30 September 2018 (unaudited)	*31 December 2017*
Tier 1 capital	8,484,275	13,145,892,
Tier 2 capital, calculated	2,737,015	4,426,458,
Tier 2 capital, included in calculation of total capital	2,737,015	4,426,458,
Total capital	**11,221,290**	**17,572,350,**
Risk weighted assets	**88,173,967**	**80,802,113,**
Tier 1 capital adequacy ratio	9.6%	16.3%
Total capital adequacy ratio	12.7%	21.7%