

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

Interim condensed consolidated financial statements

for three months ended 31 March 2018

Translation from Ukrainian original

CONTENTS**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

Interim condensed consolidated statement of financial position (Consolidated balance sheet)	1
Interim condensed consolidated statement of profit and loss (Consolidated financial statement)	2
Interim condensed consolidated statement of comprehensive income	3
Interim condensed consolidated statement of changes in equity (Consolidated statement of equity).....	4
Interim condensed consolidated statement of cash flows	5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Principal Activities	10
2. Basis of Preparation of Financial Statements	11
3. Effect of Transition to IFRS 9	15
4. Segment Information	17
5. Cash and Cash Equivalents	20
6. Amendments in Liabilities in Financial Activities	20
7. Due from Credit Institutions	21
8. Loans to Customers	21
9. Investment Securities	24
10. Other Assets and Liabilities	25
11. Amounts Due to Credit Institutions	26
12. Amounts Due to Customers	27
13. Eurobonds Issued	27
14. Equity	27
15. Financial Commitments and Contingencies	28
16. Commission Income and Expense	29
17. Personnel Expenses and Other Operating Expenses	30
18. Fair Value of Assets and Liabilities	30
19. Related Party Transactions	33
20. Capital Adequacy	35

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(CONSOLIDATED BALANCE SHEET)****For three months ended 31 March 2018***(thousands of Ukrainian hryvnia)*

	<i>Notes</i>	<i>31 March 2018</i>	<i>31 December 2017</i>
Assets			
Cash and cash equivalents	5	17,867,551	19,866,217
Amounts due from credit institutions	7	761,372	699,739
Loans to customers	8	60,927,072	67,607,544
Investment securities:	9		
- designated at fair value through profit or loss		26,248,273	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		43,975,411	-
- designated at amortised cost		70,146	-
Tax assets		122,347	122,321
Investment property		1,260,398	1,260,398
Property and equipment		1,613,638	1,641,014
Intangible assets		54,427	49,505
Deferred income tax asset		2,138,292	2,138,292
Non-current assets held for sale		44,378	42,005
Other assets	10	4,394,356	767,916
Total assets		159,477,661	170,617,973
Liabilities			
Amounts due to credit institutions	11	22,102,261	23,283,787
Amounts due to customers	12	84,173,827	90,501,500
Eurobonds issued	13	40,895,427	38,821,831
Subordinated debt		3,352,156	3,615,792
Provisions for other losses	15	68,540	6,168
Other liabilities	10	364,806	324,948
Total liabilities		150,957,017	156,554,026
Equity			
Share capital	14	38,730,042	38,730,042
Revaluation reserves		(572,876)	282,951
Result from transactions with the shareholder		635,104	635,104
Uncovered loss		(30,434,552)	(25,747,076)
Reserve and other funds		162,926	162,926
Total equity		8,520,644	14,063,947
Total equity and liabilities		159,477,661	170,617,973

Authorised for release and signed

15 May 2018

Chairman of the Board

O.V. Hrytsenko

Head of Accounting and Reporting Department –
Chief Accountant

N.A. Potemka

**CONSOLIDATED STATEMENT OF PROFIT AND LOSS
(CONSOLIDATED INCOME STATEMENT)****For three months ended 31 March 2018***(thousands of Ukrainian hryvnia)*

	2018		2017	
	<i>for three months ended 31 March 2018</i>	<i>for the current quarter on an accrual basis year-to-date</i>	<i>for three months ended 31 March 2017</i>	<i>for the respective quarter of the previous year, on an accrual basis year-to-date</i>
	<i>Notes</i>	<i>March 2018</i>	<i>March 2017</i>	<i>year-to-date</i>
Interest income				
Loans to customers		1,682,571	1,810,694	1,810,694
Investment securities designated at fair value through profit or loss		302,377	282,785	282,785
Investment securities other than designated at fair value through profit or loss		-	864,523	864,523
Investment securities designated at fair value with recognition of revaluation in other comprehensive income		787,757	-	-
Investment securities designated at amortised cost		3,328	-	-
Amounts due from credit institutions		63,500	90,513	90,513
		2,839,533	3,048,515	3,048,515
Interest expense				
Amounts due to customers		(934,884)	(1,037,702)	(1,037,702)
Eurobonds issued		(944,546)	(884,159)	(884,159)
Amounts due to credit institutions		(296,272)	(292,944)	(292,944)
Subordinated debt		(74,526)	(69,621)	(69,621)
		(2,250,228)	(2,284,426)	(2,284,426)
Net interest income		589,305	764,089	764,089
Net income from modification of financial assets designated at amortised cost		111,543	-	-
Allowance for loan impairment charge	7,8	-	(553,148)	(553,148)
Allowance for impairment of other assets and coverage of other losses	10, 15	-	6,331	6,331
Net loss due to financial assets impairment		(254,481)	-	-
Provisions for liabilities	15	(8,018)	-	-
Commission income	16	230,985	219,413	219,413
Commission expense	16	(83,649)	(74,415)	(74,415)
Net loss from investment securities designated at fair value through profit or loss		(1,604,914)	(58,892)	(58,892)
Net loss from available-for-sale investment securities - losses on impairment		-	(12,703)	(12,703)
Net loss from investment securities designated at fair value with recognition of revaluation in other comprehensive income, reclassified from statement of		(41,630)	-	-

The notes on pages 6-75 form an integral part of these consolidated financial statements.

total redemption income				
- dealing		38,103	38,103	117,585
- translation differences		1,689,239	1,689,239	224,351
Net gains/(losses) from precious metals:				
- dealing		126	126	35
- revaluation		(504)	(504)	(589)
Other income		26,182	26,182	30,910
Personnel expenses	17	(267,445)	(267,445)	(170,699)
Depreciation and amortisation		(25,391)	(25,391)	(25,781)
Other operating expenses	17	(171,809)	(171,809)	(144,358)
Income before tax		227,642	227,642	322,129
Income tax expenses		(3)	(3)	(665)
Income for the period		227,639	227,639	321,464

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O.V. Hrytsenko

Head of Accounting and Reporting Department –
Chief Accountant

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**For three months ended 31 March 2018***(thousands of Ukrainian hryvnia)*

	<i>2018</i>		<i>2017</i>	
	<i>for three months ended 31 March 2018</i>	<i>for the current quarter on an accrual basis year-to-date</i>	<i>for three months ended 31 March 2017</i>	<i>for the respective quarter of the previous year, on an accrual basis year-to-date</i>
Income for the period	227,639	227,639	321,464	321,464
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	-	-	234,676	234,676
Net loss from investment securities designated at fair value with recognition of revaluation in other comprehensive income	(781,337)	(781,337)	-	-
Other comprehensive (loss) / income for the period	(781,337)	(781,337)	234,676	234,676
Total comprehensive (loss) / income for the period	(553,698)	(553,698)	556,140	556,140

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**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(CONSOLIDATED STATEMENT OF EQUITY)**

For three months ended 31 March 2018

(thousands of Ukrainian hryvnia)

	<i>Share capital</i>	<i>Unregistered contribution to share capital</i>	<i>Revaluation reserve</i>	<i>Result from transactions with the shareholder</i>	<i>Uncovered loss</i>	<i>Reserve and other funds</i>	<i>Total capital</i>
					(26,536,036		
As at 31 December 2016	31,008,041	-	725,335	-)	162,926	5,360,266
Income for the period	-	-	-	-	321,464	-	321,464
Other comprehensive income for the period	-	-	234,676	-	-	-	234,676
Total comprehensive income for the period	-	-	234,676	-	321,464	-	556,140
Effect of initial recognition of government bonds received as the shareholder's input	-	-	-	635,104	-	-	635,104
Depreciation of revaluation reserve, net of tax	-	-	(4,531)	-	4,531	-	-
Increase in share capital (Note 14)	3,022,000	4,700,001	-	-	-	-	7,722,001,
As at 31 March 2017 (unaudited)	34,030,041	4,700,001	955,480	635,104	(26,210,041)	162,926	14,273,511
					(25,747,076		
As at 31 December 2017	38,730,042	-	282,951	635,104)	162,926	14,063,947
Effect of IFRS 9 application	-	-	(71,167)	-	(4,918,438)	-	(4,989,605)
Balance at beginning of period recalculated according to IFRS 9	38,730,042	-	211,784	635,104	(30,665,514)	162,926	9,074,342
Income for the period	-	-	-	-	227,639	-	227,639
Other comprehensive income for the period	-	-	(781,337)	-	-	-	(781,337)
Total comprehensive income for the period	-	-	(781,337)	-	227,639	-	(553,698)
Depreciation of revaluation reserve, net of tax	-	-	(3,323)	-	3,323	-	-
As at 31 March 2018 (unaudited)	38,730,042	-	(572,876)	635,104	(30,434,552)	162,926	8,520,644

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**For three months ended 31 March 2018**

(direct method)

(thousands of Ukrainian hryvnia)

	<i>For the period ended 31 March</i>		
	<i>Notes</i>	<i>2018</i>	<i>2017</i>
	<i>(unaudited)</i>		
Cash flows from operating activities			
Interest received		3,130,068	2,936,597
Interest paid		(2,156,216)	(2,224,611)
Commissions received		189,650	220,221
Commissions paid		(83,389)	(74,152)
Result from dealing in foreign currencies and precious metals		38,229	117,620
Personnel expenses		(319,910)	(187,092)
Other operating income		23,811	30,908
Other operating and administrative expenses		(156,076)	(144,607)
Cash flow from operating activities before changes in operating assets and liabilities		666,167	674,884
<i>Net increase/ (decrease) in operating assets</i>			
Amounts due from credit institutions		(118,651)	155,804
Loans to customers		1,078,302	986,193
Other assets		(3,704,076)	(17,286)
<i>Net increase/ (decrease) in operating liabilities</i>			
Amounts due to credit institutions		(205,989)	(530,092)
Amounts due to the National Bank of Ukraine		(2,224)	600
Amounts due to customers		(4,875,434)	(1,960,981)
Other liabilities		84,434	21,710
Net cash flows from operating activities before income tax		(7,077,471)	(669,168)
Income tax paid		(29)	-
Net cash flows from operating activities		(7,077,500)	(669,168)
Cash flows from investing activities			
Proceeds from sale and redemption of investment securities		15,007,726	509,903
Purchase of investment securities		(13,568,590)	-
Purchases of property, equipment and intangible assets		(2,966)	(13,757)
Net cash flows received / (paid) under investment activities		1,436,170	496,146
Cash flows from financing activities			
Proceeds from issued eurobonds	6	4,051,000	-
Proceeds from borrowings from credit institutions	6	935,445	311,850
Repayment of borrowings from credit institutions	6	(867,107)	(792,132)

The notes on pages 6-75 form an integral part of these consolidated financial statements.

	<i>Notes</i>	<i>For the period ended 31 March</i>	
		<i>2018</i>	<i>2017</i>
		<i>(unaudited)</i>	
Net cash flows from financing activities		4,119,338	(480,282)
Effect of exchange rates changes on cash and cash equivalents		(476,674)	47,103
Net change in cash and cash equivalents		(1,998,666)	(606,201)
Cash and cash equivalents, 1 January		19,866,217	21,378,517
Cash and cash equivalents, 31 March	5	17,867,551	20,772,316

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15 March 2018

Chairman of the Board

O.V. Hrytsenko

Head of Accounting and Reporting Department –
Chief Accountant

N.A. Potemka

(thousands of Ukrainian hryvnia, unless otherwise stated)

1. Principal activities

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

As at 31 March 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 in Kyiv at 127 Antonovycha Str. It has 24 branches and 41 operating outlets (31 December 2017: 24 branches and 41 operating outlets) and 2 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 is servicing of 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 individuals and legal entities and extends 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 annual financial statements and annual consolidated financial statements that comprise performance indicators of UkrEximBank and its subsidiaries “Lease Company “Ukreximleasing” and “Eximleasing” Ltd (together referred to as the “Bank”).

“Lease Company “Ukreximleasing”, a 100% owned subsidiary was founded in 1997 and registered in Ukraine, and operates in the trading and leasing business.

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

(thousands of Ukrainian hryvnia, unless otherwise stated)

2. Basis of preparation of financial statements

General information

These interim condensed consolidated financial statements for three months ended 21 March 2018 have been prepared in accordance with IFRS 34 – Interim Financial Reporting.

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.

The accounting policies and methods of computation adopted in the preparation of these interim condensed consolidated financial statements are consistent with those followed in the preparation of the Bank's annual consolidated financial statements of the Bank for the financial year 2017, except for the introduction of new IFRS standards as described in Note 2.

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 conditions the banking operations in Ukraine involve high risks that are not typical for developed markets.

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

In the first quarter of 2018, the prices for the key goods exported by Ukraine remained high, regardless the correction of certain commodities markets. Namely, maintenance of high metallurgical product prices and considerable agricultural products supplies contributed to an increase in exports of goods and services.

Energy price growth, expansion of investment and consumer demand resulted in a surge in imports of commodities and services.

The external trade deficit was compensated by receipt of currency to the financial account and increase of private transfers from abroad, which contributed to maintenance of exchange rate stability. As at 31 March 2018 the official exchange rate of the national currency amounted to 26.54 UAH per 1 USD (as at 31 December 2017 — 28.07).

The overall efficiency of cooperation with the IMF and other international financial organizations (IFIs) in the first quarter of the current year remained at low level due to Ukraine's failure to meet the necessary requirements and considerable deceleration of social and economic reforms.

(thousands of Ukrainian hryvnia, unless otherwise stated)

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. In particular, the industrial production in Ukraine grew by 2,4% in January–March of 2018.

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 inflation grew by 3.5% in the first quarter of 2018 (compared to December 2017). Under such conditions, the NBU continued its tough monetary policy and increased the discount rate twice, from 14.5% to 17%.

Growths of the level of non-performing loans, a high level of corporate debt and respective high risks resulted in low credit activity of banks in Ukraine. Thus, a surplus in available liquidity was invested most of the time by banking institutions into low risk financial instruments such as government securities.

The excess of the population's expenses over income, the probability of unemployment growth, low liquidity and low efficiency of Ukrainian enterprises are having a negative impact on borrowers' ability to service and repay debts to 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.

Summary of accounting policies

Changes in accounting policies

The following revised standards became effective for the Bank on 1 January 2018:

IFRS 15 - Revenue from Contracts with Customers

IFRS 15 issued in May 2014 introduces a new five-step model applied to revenue from contracts with customers. Revenue from lease contracts, insurance contracts, as well as revenue from financial instruments and other contractual rights and obligations related to spheres where IAS 17 Leases, IFRS 4 Insurance Contracts and IAS 39 Financial Instruments: Recognition and Measurement (or in case of early application, IFRS 9 Financial Instruments) are applied, respectively does not fall within the scope of IFRS 15 and is governed by respective standards.

Revenue under IFRS 15 is recognized in the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer. The principles of IFRS 15 ensure more structured approach to measurement and recognition of revenue.

The new standard applies to all companies and will substitute all current IFRS requirements to revenue recognition. Full or modified retrospective application is required for annual reporting periods starting on or after 1 January 2018. Early application is allowed.

The Bank experienced no significant impact of IFRS 15 implementation on its financial position or performance.

Amendments to IFRS 2 Classification and assessment of share-based payments transactions

The IFRS Advisory Council issued amendments to IFRS 2 Share-based Payments, which clarify three basic aspects: effects of vesting conditions on measurement of cash-settled based payments transactions; classification of share-based payments transaction that are settled net to meet a statutory tax withholding obligation; accounting for a modifications to the terms and conditions of a share-based payment that changed the

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classification of transaction from a cash-settled to equity-settled. The application of amendments does not require companies to re-measure data for previous periods; retrospective application is allowed if the company decides to apply all the three amendments simultaneously and meets certain other criteria. The above amendments come into effect for annual reporting periods starting on or after 1 January 2018. Early application is allowed. These amendments are not applicable to the Bank.

Amendments to IAS 40 - Transfer to or out of the category of investment property

The amendments clarify when an organization must transfer real estate objects, including real estate under construction or development, to or out of the investment property category. The amendments state that the change in the pattern of use occurs when the property starts or ceases to comply with the definition of investment property and there are evidence of changes in the pattern of its use. Amendments themselves in the intentions of the management to use the property do not indicate a change in the pattern of its use. Entities should apply these amendments prospectively to changes in the pattern of use occurred on or after the date of commencement of the annual reporting period, in which the entity applies the amendments for the first time. The entity should re-analyze the classification of real estate held on that date and, if necessary, transfer the property to reflect the conditions existing on that date. Retrospective application is permitted in accordance with IAS 8, provided that it is possible without using the later information. The amendments are effective for annual periods beginning on or after 1 January 2018. These amendments are not applicable to the Bank.

IFRS 9 Financial Instruments

In July 2014, the IFRS Advisory Council issued the IFRS 9 Financial Instruments that supersedes IAS 39 Financial Instruments: Recognition and Measurement. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. IFRS 9 comes into force for annual reporting periods starting on or after 1 January 2018. Except for hedge accounting, retrospective application is required, but the re-calculation of comparative information is not required.

Introducing the new standard, the Bank recognized the cumulative effect of the transfer of retained earnings as of January 1, 2018, and did not recalculate comparative information.

(a) Classification and measurement

According to IFRS 9 all debt financial assets that do not qualify as the "solely payments of principal and interest on the outstanding principal" (SPPI) are classified at the initially recognition as financial assets measured at fair value through profit or loss (FVPL). According to this criterion, debt instruments that do not comply with the definition of a "basic lending arrangement", such as instruments containing the embedded translation option, are measured at FVPL. For debt financial instruments that meet the SPPI criteria, the classification at initial recognition is determined on the basis of the business model, according to which these instruments are classified as:

- instruments held for cash flows stipulated by the contract are measured at amortized cost;
- instruments held for cash flows stipulated by the contract and sale are classified as being measured at fair value through other comprehensive income (FVOCI);
- instruments held for other purposes are classified as being measured at FVPL.

(thousands of Ukrainian hryvnia, unless otherwise stated)

The equity financial assets at initial recognition are assigned to the category of instruments measured at FVPL, except when it has been decided at its own discretion, without subsequent reclassification in the future, to classify the equity financial asset as being measured at FVOCI. For equity financial instruments that are measured at FVOCI, all realized and unrealized gains and losses, other than dividend income, are recognized in other comprehensive income, without the right to further reclassify them into profit or loss.

Classification and measurement of financial liabilities in accordance with IFRS 9 remained substantially unchanged compared to IAS 39.

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.

At financial assets modification, the Bank de-recognises the initial financial instrument and recognises a new financial instrument only for non-impaired assets.

The Bank does not de-recognise an initial financial asset and recognise a new financial asset, if on the modification date such asset is classified as an impaired asset.

(b) Impairment

IFRS 9 requires the Bank to recognise allowance for expected losses on loans (ELL) for all its debt-based financial assets designated at amortised cost or at fair value through other comprehensive income (FVOCI), as well as the obligation to extend loans and financial guarantee contracts. The allowance is calculated based on ELL related to probability of default during the twelve months to come, if credit risk did not increase significantly from the moment of a financial instrument recognition; in the latter case the allowance is calculated based on ELL for the entire lifetime of an asset. At initial application of IFRS 9, compared to IAS 39, the amount of allowance for expected losses on loans (ELL) did not change significantly for loans of the first stage (no material increase of credit risk) and the second stage (material increase of credit risk). Allowance primarily increased for loans of the third stage (objective evidences of impairment from the moment of financial instruments recognition – signs of default). Such increase is related to the IFRS 9 requirements regarding application of several scenarios (optimistic, basic, pessimistic) of evaluation of individual cash flows by borrowers.

Future changes in accounting policy

Certain new standards and interpretations were published, application of which will be mandatory for annual periods starting on or after 1 January 2019. The Bank has not applied those standards or interpretations before the date of mandatory application thereof.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and superseded IAS 17 Leases, Clarification IFRIC 4 Determining Whether an Arrangement Contains a Lease, Clarification SIC-15 - Operating Leases – Incentives and clarification and SIC-27 - Evaluating the Substance of Transactions in the Legal Form of a Lease.

IFRS 16 establishes principles for recognizing, assessing, presenting and disclosing lease information, and requires lessees to reflect all lease contracts using a single accounting model in the balance sheet, similar to the accounting treatment provided for in IAS 17 for finance lease. The standard provides for two exemptions from

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recognition for lessees - regarding low-value asset lease and short-term lease (particularly, leases with a maturity not exceeding 12 months). At the lease commencement date the lessee will recognize the lease payment obligations (i.e. lease commitments), as well as the asset representing the right to use the underlying asset during the lease term (i.e. the asset in the form of the right of use). Lessees will be required to recognize the cost of interest in respect to the lease obligation separately from the cost of depreciation of an asset in the form of a right of use.

Lessees will also have to revalue their lease obligations when a particular event occurs (for example, changes in lease terms, changes in future lease payments as a result of index changes, or rates used to determine such payments). In most cases, the lessee will take into account the amount of revaluation of a lease obligation as an adjustment of an asset in the form of a right of use.

The accounting treatment for a lessor in accordance with IFRS 16 is practically unchanged from applicable IAS 17 requirements. Lessors will continue to classify the lease using the same classification principles as in IAS 17, highlighting with two types of leases: operational and financial.

Besides, IFRS 16 requires lessors and lessees to disclose more information than IAS 17.

IFRS 16 comes into force for annual reporting periods starting from or after 1 January 2019. Early application is allowed if the company starts applying the new standard of accounting of revenue IFRS 15 starting from the same date. The lessee is entitled to apply this standard using a retrospective approach or a modified retrospective approach. Transitional provisions of the standard provide for certain exemptions. The Bank continues assessing the possible impact of the new standard on its financial statements.

Unless otherwise is indicated above, no material impact of these new standards and interpretations on the Bank's financial statements is expected.

3. Effect of transition to IFRS 9

Implementation of IFRS 9. The Bank introduced IFRS 9 Financial Instruments with the date of transition to IFRS 9 on January 1, 2018, which resulted in amendments in its accounting policies in respect of the recognition, classification and measurement of financial assets and liabilities and impairment of financial assets.

The Bank decided not to convert comparative data and to recognize adjustments to the carrying amount of financial assets and liabilities at the date of initial application in the balance of retained earnings of the current period. Accordingly, the revised requirements of IFRS 7 Financial Instruments: Disclosures in relation to the movements in provisions for expected credit losses were applied exclusively in respect of the current period. Disclosure of the comparative period repeats the disclosure of the previous year.

Amendments in the accounting policy related to the implementation of IFRS 9 applied in the current period are set out in Note 2. The relevant policy applied before 1 January 2018 for comparative information is disclosed in the annual financial statements for the year ended 31 December 2017 year.

The effect of applying IFRS 9 on the Bank is described below.

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:

(thousands of Ukrainian hryvnia, unless otherwise stated)

Financial assets/liabilities	IAS 39		Re-classification	Revaluation of expected credit loss	Other changes in carrying value	IFRS 9	
	Category	Amount				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	-	(35,132)	-	Amortized cost	585,716
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	-	(2,276,393)	(2,458,755)	Amortized cost	62,872,396
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 profit or loss			(48,254,711)	-	-		
Designated at fair value recognizing revaluation through other comprehensive income		n/a	48,254,711	63,794	(71,167)	fair value through other comprehensive income	48,247,338
From category: Assets available-for-sale			48,254,711	63,794	(71,167)		
held-to-maturity	Assets held-to-maturity	96,022	(96,022)	-	-	n/a	n/a
Into category: - Amortized cost			(96,022)				
- Designated at amortized cost		n/a	96,022			Amortized cost	96,022
From category: - Assets held-to-maturity			96,022				
Other financial assets	Loans and receivables	400,758		(156,868)		Amortized cost	243,890
Contractual and contingent liabilities	n/a	4,086,417		(55,085)		n/a	4,031,332
		169,083,697	-	(2,459,684)	(2,529,922)		164,094,091

As at 31 December 2017 all Bank liabilities are 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 revaluation of instruments designated at fair value through recognizing revaluation in other comprehensive income	(71,167)
Balance as at 1 January 2018 as per IFRS 9	211,784
Retained losses	
Balance as at 31 December 2017 as per IFRS 39	(25,747,076)
Recognition of revaluation of expected credit losses from financial assets and liabilities as per IFRS 9, including from instruments designated at fair value through recognizing revaluation in other comprehensive income and other changes in the carrying value of financial assets	(4,918,438)
Balance as at 1 January 2018 as per IFRS 9	(30,665,514)
Total changes in equity due to application of IFRS 9	4,989,605

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:

(thousands of Ukrainian hryvnia, unless otherwise stated)

Financial assets / liabilities	Allowance for impairment of financial assets as per IFRS 39 the contractual and contingent liabilities as per IFRS 37 as at 31 December 2017	Other modifications (Adjustment to interest)	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	35,132	921,665
Loans to customers	48,266,639	15,504,245	2,276,393	66,047,277
Investment securities:				
- Available for sale as per IFRS 39/				
- designated at fair value through recognizing revaluation in other comprehensive income as per IFRS 9	3,502,814	786,375	(63,794)	4,225,395
Other financial assets	309,474	-	156,869	466,343
Contractual and contingent liabilities	6,168	-	55,085	61,253
	52,959,546	16,302,702	2,459,685	71,721,933

4. Segment information

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

Retail banking	Business Unit focussing 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 focussing on corporate customers selling products that require individual approach and are mainly offered to corporate clients.
Inter-bank and investments business	Business Unit focussing 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 whole Bank's system and the Bank's staff, supporting directly the work of TOP management;
- ▶ The result of the revaluation of open currency position (except for a part of open currency position, which is 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.

(thousands of Ukrainian hryvnia, unless otherwise stated)

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 the twelve months ended 31 March 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 1,026,785 thousand (31 March 2017: UAH 1,055,975 thousand). Revenue from transactions with the 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 Item Fee and commission income and expenses.

Geographical information

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

The following table presents income and expenses, profit and loss, certain asset and liabilities information regarding the Bank’s operating segments for three months ended 31 March 2018 (unaudited):

	<i>Retail banking</i>	<i>Corporate banking</i>	<i>Interbank and investments business</i>	<i>Unallocated</i>	<i>Total</i>
External					
Interest income	101,919	1,583,982	1,153,632	-	2,839,533
Commission income	125,016	99,419	6,550	-	230,985
Other income	5,843	16,575	61	3,703	26,182
Net gains from modified financial assets measured at amortised cost	-	111,564	-	-	111,564
Reversal of allowance for loan impairment	-	-	15,496	-	15,496
Reversal of allowance for liabilities	2,224	-	59	-	2,283
Net gains from foreign currencies	30,273	43,145	-	1,679,100	1,752,518
Net gains from precious metals	217	1	-	-	218
Income from other segments	606,354	680,070	1,394,952	(2,681,376)	-
Total income	871,846	2,534,756	2,570,750	(998,573)	4,978,779
Interest expenses	(409,294)	(525,966)	(1,314,968)	-	(2,250,228)
Commission expense	(45,773)	(36,921)	(909)	(46)	(83,649)
Net loss from modified financial assets measured at amortised cost	(21)	-	-	-	(21)
Charge to allowance for loan impairment	(23,909)	(242,329)	-	(3,739)	(269,977)
Charge to allowance for liabilities	-	(10,301)	-	-	(10,301)
Loss from modification of fair value of investment securities designated at fair value through profit and loss	-	-	(1,604,914)	-	(1,604,914)
Net loss from investment securities re- measured from the comprehensive income statement at maturity	-	-	-	(41,630)	(41,630)
Net loss from foreign currencies	-	-	(25,176)	-	(25,176)
Net Loss from precious metals	-	-	(583)	(13)	(596)
Personnel expenses	(126,360)	(86,202)	(18,949)	(35,934)	(267,445)
Depreciation and amortisation	(14,828)	(7,455)	(1,029)	(2,079)	(25,391)
Other operating expenses	(109,946)	(38,081)	(8,223)	(15,559)	(171,809)
Expenses from other segments	(80,316)	(1,295,915)	(987,218)	2,363,449	-
Segment results	61,399	291,586	(1,391,219)	1,265,876	227,642
Income tax credit					(3)
Income for the period					227,639

(thousands of Ukrainian hryvnia, unless otherwise stated)

**Assets and liabilities as at
31 March 2018**

Segment assets	5,005,014	64,535,813	87,479,797		157,020,624
Unallocated assets				2,457,037	2,457,037
Total assets					159,477,661
Segment liabilities	34,176,409	50,533,709	66,084,213		150,794,331
Unallocated liabilities				162,686	162,686
Total liabilities					150,957,017

Other segment information

Capital expenditure	(6,259)	(3,131)	(432)	(875)	(10,697)
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The following table presents income and expenses, profit and loss, certain asset and liabilities information regarding the Bank's operating segments for three months ended 31 March 2017 (unaudited) as well as certain assets and liabilities of the Bank operating segments as at 31 December 2017:

	<i>Retail banking</i>	<i>Corporate banking</i>	<i>Interbank and investments business</i>	<i>Unallocated</i>	<i>Total</i>
External					
Interest income	109,147	1,706,737	1,232,631	-	3,048,515
Commission income	123,895	89,361	6,157	-	219,413
Other income	3,915	24,362	11	2,622	30,910
Net gains from foreign currencies	33,369	40,825	53,078	214,664	341,936
Net gains from precious metals	47	-	3,825	-	3,872
Net gains from investment securities available-for-sale	-	-	-	4,716	4,716
Reversal of allowance for loan impairment	27,400	-	-	-	27,400
Reversal of other impairment and provision	-	7,639	31	-	7,670
Income from other segments	687,559	660,760	1,389,463	(2,737,782)	-
Total income	985,332	2,529,684	2,685,196	(2,515,780)	3,684,432
Interest expenses	(511,798)	(525,223)	(1,247,405)	-	(2,284,426)
Commission expense	(44,753)	(26,401)	(3,162)	(99)	(74,415)
Charge to allowance for loan impairment	-	(575,056)	(5,492)	-	(580,548)
Net loss from precious metals	-	-	-	(4,426)	(4,426)
Loss from investment securities available-for-sale	-	(5)	(17,414)	-	(17,419)
Loss from modification of fair value of investment securities designated at fair value through profit and loss	-	-	-	(58,892)	(58,92)
Personnel expenses	(68,796)	(57,455)	(20,190)	(24,258)	(170,699)
Depreciation and amortisation	(13,888)	(7,475)	(1,837)	(2,581)	(25,781)
Other operating expenses	(93,730)	(31,194)	(4,985)	(14,449)	(144,358)
Charge for other impairment and provisions	(1,304)	-	-	(35)	(1,339)
Expenses from other segments	(77,172)	(1,362,214)	(1,170,134)	2,609,520	-
Segment results	173,891	(55,339)	214,577	(11,000)	322,129
					(665)
Income for the period					321,464
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

(thousands of Ukrainian hryvnia, unless otherwise stated)

Total liabilities					156,554,026
Other segment information					(11,535)
Capital expenditure	(6,220)	(3,340)	(821)	(1,154)	(11,535)

The major part of the loss from investment securities designated at fair value through profit or loss for three months of 2018 and 2017 is attributable to revaluation of government bonds indexed according to changes in the foreign exchange rate.

5. Cash and cash equivalents

Cash and cash equivalents comprise:

	<i>31 March</i>	<i>31 December 2017</i>
	<i>2018(unaudited)</i>	<i>31 December 2017</i>
Current accounts with other credit institutions	12,359,140	9,243,485
Current account with the National Bank of Ukraine	4,253,226	5,383,134
Cash on hand	1,255,185	1,428,646
Deposits certificates of the National Bank of Ukraine up to 90 days	-	2,553,260
Overnight deposits with other credit institutions	-	1,257,692
Cash and cash equivalents	17,867,551	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	935,445	4,051,000	-	4,986,445
Repayment	(867,107)	-	-	(867,107)
Currency translation revaluation	(1,122,623)	(2,064,195)	(194,898)	(3,381,716)
Other	85,898	86,791	(68,738)	103,951
Book value	20,403,065	40,895,427	3,352,156	64,650,648
Book value				
At 31 December 2016	25,268,686	37,562,345	3,495,895	66,326,926
Proceeds	311,850	-	-	311,850
Repayment	(792,132)	-	-	(792,132)
Currency translation revaluation	(175,953)	(286,152)	(27,479)	(489,584)
Other	(11,469)	81,476	(68,253)	1,754
Book value	24,600,982	37,357,669	3,400,163	65,358,814
At 31 March 2017 (unaudited)	24,600,982	37,357,669	3,400,163	65,358,814

*(thousands of Ukrainian hryvnia, unless otherwise stated)***7. Due from credit institutions**

Amounts due from credit institutions comprise:

	<i>31 March</i>	<i>31 December 2017</i>
	<i>2018(unaudited)</i>	
Loans and deposits		
Ukrainian banks	1,106,845	1,150,873
OECD banks	239,957	205,759
CIS and other banks	67,212	70,187
	1,414,014	1,426,819
Due from other credit institutions		
Current accounts with other credit institutions in precious metals	183,571	72,891
Other amounts due from credit institutions	74,448	74,480
	1,672,033	1,574,190
Less: Allowance for expected credit losses/impairment	(910,661)	(874,451)
Due from credit institutions	761,372	699,739

The movements in allowance for expected credit losses in credit institutions are as follows:

	<i>Loans and deposits</i>
As at 1 January 2018 (Note 3)	921,665
Reversal for the period	(6,859)
Translation differences	(4,145)
As at 31 March 2018 (unaudited)	910,661

The movements in allowance for impairment of amounts due from credit institutions are as follows:

	<i>Loans and deposits</i>
As at 1 January 2017	845,865
Charge for the period	5,328
Translation differences	(1,135)
As at 31 March 2017 (unaudited)	850,058

8. Loans to customers

Loans to customers comprise:

	<i>31 March</i>	<i>31 December 2017</i>
	<i>2018(unaudited)</i>	
Commercial loans	124,616,724	115,044,665
Overdrafts	964,917	709,605
Promissory notes	56,783	52,614
Financial lease receivables	17,005	67,299
	125,655,429	115,874,183
Less– allowance for expected credit losses/impairment	(64,728,357)	(48,266,639)
Loans to customers	60,927,072	67,607,544

(thousands of Ukrainian hryvnia, unless otherwise stated)

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

	31 March 2018(unaudited)	31 December 2017
Private entities	96,327,564	86,366,875
State entities	27,378,908	28,107,432
Individuals	1,863,808	1,382,786
Municipal entities	85,149	17,090
	125,655,429	115,874,183

Allowance for expected credit losses of loans to customers

	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2018	1 068 246	40,027	64,939,004	66,047,277
New created or purchased assets	23,452	-	-	23,452
Repaid assets	(2,294)	(398)	(5,801)	(8,493)
Assigned to stage 1	1	(1)	-	-
Assigned to stage 2	(10,712)	10,712	-	-
Assigned to stage 3	(859)	(8,011)	8,870	-
Modifications in allowance	(6,680)	26,486	1,055,054	1,074,860
Translation differences	(33,197)	(1,607)	(2,373,935)	(2,408,739)
As at 31 March 2018(unaudited)	1,037,957	67,208	63,623,192	64,728,357

Allowance for impairment of loans to customers

	Commercial loans	Overdrafts	Financial lease receivables	Promissory notes	Total
At 1 January 2017	45,512,446	31,920	5,135	1,306	45,550,807
Charge/(reversal) for the year	561,812	(13,529)	-	(463)	547,820
Recoveries	3,663	-	-	-	3,663
Amounts written-off	-	-	(152)	-	(152)
Translation differences	(97,330)	-	-	-	(97,330)
At 31 March 2017 (unaudited)	45,980,591	18,391	4,983	843	46,004,808

Credit quality by category of financial assets

The Bank applies an in-house system of calculation of probability of default (PD) for corporate borrowers, which involves the calculation of probability of default (PD) and rating class (PD-Rate) ranging from 1 to 17 (17 grades). In the table below, the high rating loans belong to risk class 1 to 7, standard rating loans to risk class 8 to 9, sub-standard loans to risk class 10-14 and the impaired loans belong to class 15 to 17.

Loan quality

As at 31 March 2018(unaudited)	Stage 1	Stage 2	Stage 3	Total
Loans to corporate customers:				
High rating	33,652,905	27,370	-	33,680,275
Standard rating	6,949,771	512,524	-	7,462,295
Sub-standard rating	4,851,061	272,556	-	5,123,617
Impaired loans	-	-	77,525,434	77,525,434
Loans to individuals:	173,050	47,958	1,642,800	1,863,808
	45,626,787	860,408	79,168,234	125,655,429

(thousands of Ukrainian hryvnia, unless otherwise stated)

Expected credit losses

As at 31 March 2018(unaudited)	Stage 1	Stage 2	Stage 3	Total
Loans to corporate customers:				
High rating	421,910	171	-	422,081
Standard rating	207,532	15,562	-	223,094
Sub-standard rating	403,930	39,076	-	443,006
Impaired loans	-	-	61,980,789	61,980,789
Loans to individuals:	4,576	12,394	1,642,417	1,659,387
	1,037,948	67,203	63,623,206	64,728,357

The Bank applies a system of calculation of probability of default (PD) for corporate borrowers, which involves the calculation of probability of default (PD) and rating class (PD-Rate) ranging from 1 to 17 (17 grades). In the table below, for loans that are neither past due nor individually impaired, high rating means the minimum level of credit risk. Other borrowers with good financial position and high debt service quality are included in the standard credit rating. Rating which is lower than standard have lower credit quality compared to previous ratings, but loans included into this category are not necessarily individually impaired. For loans that are past due or individually impaired, standard and substandard rating indicates that there is a possibility of delays in loan repayment as a result of adverse changes in commercial, financial and economic conditions. Low rating means that there is a high probability of default of loan, the borrower’s activity is poor, loss making or ceased.

As at 30 September 2017 (unaudited)	Neither past due nor individually impaired			Past due or individually impaired		Total
	High Rating	Standard Rating	Substandard Rating	Standard and Substandard Rating	Low Rating	
Loans to corporate customers:						
Commercial loans	30,626,937	11,234,768	4,333,012	28,142,357	40,707,591	115,044,665
Overdrafts	228,290	405,531	39,410	36,374	-	709,605
Finance lease receivables	-	-	-	-	67,299	67,299
Promissory notes	51,115	1,499	-	-	-	52,614
Total	30,906,342	11,641,798	4,372,422	28,178,731	40,774,890	115,874,183
Provision for impairment	(446,750)	(333,965)	(381,145)	(10,279,722)	(36,825,057)	(48,266,639)
Total after provision for impairment	30,459,592	11,307,833	3,991,277	17,899,009	3,949,833	67,607,544

The Bank's policy is to maintain accurate and consistent risk ratings across the credit portfolio. The rating system is supported by a variety of financial analytics, combined with processed market information to provide the main inputs for the measurement of counterparty risk at the moment of entering into agreement. All internal risk ratings are derived in accordance with the Bank's rating policy. The respective risk ratings are assessed and updated regularly.

The ageing analysis of past due loans is provided below:

As at 31 March 2018(unaudited)	Stage 1	Stage 2	Stage 3	Total
Not past due loans	45,526,155	764,187	18,131,861	64,422,203
Past due 1 to 30 days	100,631	25,274	5,239,853	5,365,758
Past due 31 to 60 days	-	53,716	7,775	61,491
Past due 61 to 90 days	-	17,232	2,033,098	2,050,330
Past due 91 and more days	-	-	53,755,647	53,755,647
	45,626,786	860,409	79,168,234	125,655,429

(thousands of Ukrainian hryvnia, unless otherwise stated)

The ageing analysis of past due but not impaired loans is provided below:

<i>As at 31 December 2017</i>	<i>Less than 30 days</i>	<i>From 31 to 60 days</i>	<i>From 61 to to 90 days</i>	<i>Total</i>
Loans to customers:				
Loans to corporate customers	701,667	15,348	364	717,379
Loans to individuals	25,260	9,776	15,330	50,366
Total	726,927	25,124	15,694	767,745

9. Investment securities

Investment securities designated at fair value through profit and loss

As at 31 March 2018 and 31 December 2017, investment securities designated at fair value through profit and loss with book value of UAH 26,248,273 thousand and UAH 28,072,289 thousand represented Ukrainian state bonds, principal of which will be indexed according to increases in the average interbank exchange rate of Hryvnia to United States dollar per month, prior to the month of issue, and the average exchange rate of Hryvnia to United States dollar per month, prior to maturity month. Should the Bank purchase securities with an embedded derivative instrument, such securities based on the results of analysis of contractual cash flows are assigned to the assets designated at fair value through profit and loss without separating an embedded derivative instrument.

Investment securities designated at fair value through recognizing revaluation in other comprehensive income

Investment securities designated at fair value through recognizing revaluation in other comprehensive income comprise:

	As at 31 March 2018(unaudited)
Ukrainian state bonds	42,454,769
Corporate bonds	5,729,807
Corporate shares	15,892
	48,200,468
Less – allowance for expected credit losses	(4,225,057)
	43,975,411

Modifications in allowance for expected credit losses:

	Investment securities designated at fair value through recognizing revaluation in other comprehensive income comprise
As at 1 January 2018 (Note 3)	4,225,395
Reversal	(338)
As at 31 March 2018(unaudited)	4,225,057

Available-for-sale investment securities

As at 31 December 2017 the available-for-sale investment securities comprised:

	<i>31 December 2017</i>
Ukrainian state bonds	46,698,684
Corporate bonds	1,540,930
Corporate shares	15,097
Available-for-sale investments	48, 254,711

*(thousands of Ukrainian hryvnia, unless otherwise stated)***Investment securities designated at amortised cost**

Investment securities designated at amortised cost comprise:

	As at 31 March 2018(unaudited)	
	Nominal value	Carrying value
Ukrainian state bonds	73,623	70,146
Investment securities designated at amortised cost		70,146

Held-to-maturity investment securities

As at 31 December 2017 the held-to-maturity investment securities comprised the following:

	31 December 2017	
	Nominal value	Carrying value
Ukrainian state bonds	98,164	96,022
Held-to-maturity investments		96,022

10. Other assets and liabilities

Other assets comprise:

	As at 31 March 2018(unaudited)	31 December 2017
Other financial assets		
Other accrued income	372,801	328,468
Accounts receivables for transactions with customers	212,014	215,757
Transit accounts regarding transactions with payment cards	120,915	156,452
Fee for servicing financial guarantees	11,655	9,431
Other	117	124
	717,502	710,232
Less – allowance for expected credit losses/ impairment provision	(457,804)	(309,474)
Other financial assets	259,698	400,758
Other assets	3,212,074	57,179
Advance payments	886,876	259,635
Other tax assets except for those related to income tax	54,026	61,197
Precious metals	33,995	35,471
Cash funds, availability of which is not confirmed	21,047	25,313
Provisions	3,488	1,368
Other	4,211,506	440,163
Less – allowance for expected credit losses/ impairment provision	(76,848)	(73,005)
Other assets	4,134,658	367,158
Total other assets	4,394,356	767,916

(thousands of Ukrainian hryvnia, unless otherwise stated)

Other liabilities comprise:

	<i>31 March 2018</i> <i>(unaudited)</i>	<i>31 December 2017</i>
Other financial liabilities		
Transit accounts in respect of card operations	21,801	31,921
Transit accounts on transactions with customers	15,754	6,126
Liabilities in respect of financial guarantees issued	12,349	7,123
Accrued expenses	8,481	4,173
Other financial liabilities	58,385	49,343
Other liabilities		
Provision for unused vacation	95,835	74,213
Payables to Guarantee Fund of Individuals' Deposits	60,161	53,775
Taxes payable other than income tax	33,687	27,705
Deferred income	25,073	29,196
Accounts payable	10,517	8,996
Accrued pension contribution	1,189	1,030
Accrued salary payable	206	74,453
Other	79,753	6,237
Other liabilities	306,421	275,605
Total other liabilities	364,806	324,948

Movements in loan loss provisions:

	<i>Other assets</i>
At 1 January 2018 (Note 3)	539,348
Reversed for the period	(1,492)
Translation differences	(3,204)
At 31 March 2018 (unaudited)	534,652

Movements in impairment allowance:

	<i>Other assets</i>
At 1 January 2017	400,408
Reversed for the period	(7,292)
Translation differences	45
Writing-off	(2,155)
At 31 March 2017 (unaudited)	391,006

11. Amounts due to credit institutions

Amounts due to credit institutions comprise:

	<i>31 March 2018</i> <i>(unaudited)</i>	<i>31 December 2017</i>
Current accounts		
Ukrainian banks	1,613,206	1,825,511
Banks in the CIS and other countries	1,311	727
	1,614,517	1,826,238
Loans and deposits		
International financial organisations	20,046,493	20,896,851
OECD banks	356,572	474,601
Ukrainian banks	84,679	86,088
	20,487,744	21,457,540
Other amounts due to credit institutions	-	9
Amounts due to credit institutions	22,102,261	23,283,787

(thousands of Ukrainian hryvnia, unless otherwise stated)

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.

12. Amounts due to customers

Amounts due to customers comprise:

	<i>31 March 2018</i> <i>(unaudited)</i>	<i>31 December 2017</i>
Current accounts		
- Legal entities	16,328,772	17,517,732
- Budget financed organizations	6,258,165	6,825,732
- Individuals	3,823,209	4,017,437
- Funds under the Bank's management	1	1
	<u>26,410,147</u>	<u>28,360,902</u>
Time deposits		
- Legal entities	36,302,701	41,077,335
- Individuals	20,471,852	21,063,263
- Budget financed organizations	989,127	-
	<u>57,763,680</u>	<u>62,140,598</u>
Amounts due to customers	<u>84,173,827</u>	<u>90,501,500</u>
Held as security against guarantees and avals (Note 15)	497,603	470,238
Held as security against loans to customers	442,407	470,144
Held as security against letters of credit (Note 15)	596,615	350,089
Held as security against undrawn loan commitments (Note 15)	21,081	3,239

13. Eurobonds issued

	<i>31 March 2018</i> <i>(unaudited)</i>			<i>31 December 2017</i>		
	<i>Nominal value</i> <i>(thousand)</i>	<i>Currency</i>	<i>Carrying value</i>	<i>Nominal value</i> <i>(thousand)</i>	<i>Currency</i>	<i>Carrying value</i>
April 2010 issue	500,000	USD	13,790,637	500,000	USD	14,243,831
October 2010 issue	250,000	USD	6,895,318	250,000	USD	7,121,916
January 2013 issue	500,000	USD	13,433,759	500,000	USD	14,546,737
April 2013 issue	100,000	USD	2,686,752	100,000	USD	2,909,347
March 2018 issue	4,051,000	UAH	4,088,961	-	-	-
Eurobonds issued			<u>40,895,427</u>			<u>38,821,831</u>

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

14. Equity

As of March 31, 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 March 31, 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 April 2017 these shares were registered.

(thousands of Ukrainian hryvnia, unless otherwise stated)

The State of Ukraine acquired the additional issue of shares, that increased the share capital of the Bank, by exchanging them to Ukrainian state bonds with the indexed value of UAH 3,022,001 thousand with 10-year maturity and interest rate of 6% p.a.

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.

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 of UAH 4,700,001 thousand with 15-year maturity and interest rate of 9% p.a.

Movements in revaluation reserves

Movements in revaluation reserves were as follows:

	<i>Property revaluation reserve</i>	<i>Unrealised gains/(losses) on investment securities available for sale</i>	<i>Revaluation reserves</i>
At 31 December 2016	1,021,863	(296,528)	725,335
Depreciation of revaluation reserve, net of tax	(4,531)	-	(4,531)
Net unrealised gains on available-for-sale investment securities	-	234,676	234,676
At 31 March 2017 (unaudited)	1,017,332	(61,852)	955,480
At 31 December 2017	724,063	(441,112)	282,951
Effect of application of IFRS 9	-	(71,167)	(71,167)
Opening balance calculated according to IFRS 9	724,063	(512,279)	211,784
Depreciation of revaluation reserve, net of tax	(3,323)	-	(3,323)
Net losses on investment securities at a fair value in other comprehensive income reclassified to the consolidated statement of profit and loss (consolidated income statement)	-	41,630	41,630
Net unrealised losses on investment securities at a fair value in other comprehensive income	-	(822,967)	(822,967)
At 31 March 2018 (unaudited)	720,740	(1,293,616)	(572,876)

15. Financial commitments and contingencies

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

	<i>31 March 2018 (unaudited)</i>	<i>31 December 2017</i>
Undrawn loan commitments	4,962,227	363,462
Guarantees	2,783,135	3,045,807
Letters of credit	690,359	350,089
Avals on promissory notes	381,394	333,227
	8,817,115	4,092,585
Less – loan loss provision/ impairment allowance	(68,540)	(6,168)
Financial commitments and contingencies (before deducting collateral)	8,748,575	4,086,417
Less – cash held as security against letters of credit, avals and guarantees, and undrawn loan commitments (Note 12)	(1,115,299)	(823,566)
Financial commitments and contingencies	7,633,276	3,262,851

(thousands of Ukrainian hryvnia, unless otherwise stated)

Movements in impairment allowance and other reserves were as follows:

	<i>Guarantees and liabilities</i>
At 1 January 2018 (Note 3)	61,253
Accrued for the period	8,018
Translation differences	(731)
At 31 March 2018 (unaudited)	68,540

Movements in impairment allowance and other reserves were as follows:

	<i>Guarantees and liabilities</i>
At 1 January 2017	5,137
Accrued for the period	961
Translation differences	15
At 31 March 2017 (unaudited)	6,113

16. Commission income and expense

	<i>2018</i>		<i>2017</i>	
	<i>For three months ended 31 March 2018</i>	<i>Accruals from the beginning of the reporting year</i>	<i>For three months of the previous year ended 31 March 2017</i>	<i>Accruals from the beginning of the comparative year</i>
	<i>(unaudited)</i>			
Commission income				
Cash and settlement service	153,315	153,315	147,710	147,710
Operations with banks	36,742	36,742	30,101	30,101
Guarantees and letters of credit	28,785	28,785	33,350	33,350
Credit servicing commission	2,414	2,414	1,495	1,495
Other	9,729	9,729	6,757	6,757
	230,985	230,985	219,413	219,413
Commission expense				
Cash and settlement service	(79,639)	(79,639)	(66,856)	(66,856)
Guarantees and letters of credit	(2,367)	(2,367)	(5,354)	(5,354)
Currency conversion	(832)	(832)	(895)	(895)
Other	(811)	(811)	(1,310)	(1,310)
	(83,649)	(83,649)	(74,415)	(74,415)

*(thousands of Ukrainian hryvnia, unless otherwise stated)***17. Personnel expenses and other operating expenses**

Personnel expenses and other operating expenses comprise:

	2018		2017	
	<i>For three months ended 31 March 2018</i>	<i>Accruals from the beginning of the reporting year</i>	<i>For three months of the previous year ended 31 March 2017</i>	<i>Accruals from the beginning of the comparative year</i>
			<i>(unaudited)</i>	
Salaries and bonuses	215,283	215,283	139,111	139,111
Mandatory payments to state funds	52,162	52,162	31,588	31,588
Personnel expenses	267,445	267,445	170,699	170,699
Payables to the Individual Deposit Guarantee Fund	60,162	60,162	53,618	53,618
Repair and maintenance of fixed assets	27,289	27,289	19,438	19,438
Maintenance of premises	13,057	13,057	12,870	12,870
Operating taxes	12,536	12,536	13,907	13,907
Security	12,008	12,008	10,357	10,357
Electronic data processing expenses	6,830	6,830	4,294	4,294
Household expenses	6,316	6,316	5,319	5,319
Rent of premises	5,361	5,361	6,014	6,014
Expenses for cash collection	5,212	5,212	5,411	5,411
Legal and advisory services	5,005	5,005	741	741
Communication services	3,384	3,384	3,203	3,203
Net losses on impairment of non-financial assets	3,165	3,165	-	-
Losses on initial recognition of financial instruments	1,776	1,776	-	-
Business travel and related expenses	1,123	1,123	759	759
Representative offices expenses	841	841	738	738
Other	7,744	7,744	7,689	7,689
Other operating expenses	171,809	171,809	144,358	144,358

Expenses for payments to the non-state pension fund for the period ended 31 March 2018 amounted to UAH 4,621 thousand (31 March 2017: UAH 2,546 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.

(thousands of Ukrainian hryvnia, unless otherwise stated)

	31 March 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	17,867,551	17,867,551	-	19,866,217	19,866,217	-
Amounts due from other banks	577,801	577,801	-	626,848	626,848	-
Loans to customers	60,927,072	60,942,253	15,181	67,607,544	68,155,687	548,143
Securities held to maturity	-	-	-	96,022	93,598	(2,424)
Securities at amortized cost	70,146	69,576	(570)	-	-	-
Other assets	259,698	259,698	-	400,758	400,758	-
Financial liabilities						
Amounts due to other banks	22,102,261	22,102,261	-	23,283,787	23,283,787	-
Amounts due to customers	84,079,086	84,054,393	24,693	90,383,189	90,386,165	(2,976)
Eurobonds issued	40,895,427	43,690,810	(2,795,383)	38,821,831	42,375,611	(3,553,780)
Subordinated debt	3,352,156	3,378,378	(26,222)	3,615,792	3,677,193	(61,401)
Other liabilities	58,385	58,385	-	49,343	49,343	-
Total unrecognized change in unrealized fair value			(2,782,301)			(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.

(thousands of Ukrainian hryvnia, unless otherwise stated)

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

As at 31 March 2018 (unaudited)	Fair value recurring measurements		
	Level 2	Level 3	Total
Current accounts with other credit institutions in precious metals	183,571	-	183,571
Investment securities at fair value through profit or loss	26,248,273	-	26,248,273
Investment securities at a fair value in other comprehensive income	43,959,519	15,892	43,975,411
Total assets	70,391,363	15,892	70,407,255
Amounts due to customers in precious metals	94,741	-	94,741
Total liabilities	94,741	-	94,741

As at 31 December 2017	Fair value recurring measurements		
	Level 2	Level 3	Total
Current accounts with other credit institutions in precious metals	72,891	-	72,891
Investment securities at fair value 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 three months ended 31 March 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, which is recorded at fair value:

	As at 1 January 2018	Profit recorded in the interim condensed consolidated statement of profit and loss	As at 31 March 2018 (unaudited)
Investment securities at a fair value in other comprehensive income	15,097	795 ^(a)	15,892
Total assets	15,097	795	15,892

	As at 1 January 2017	Profit recorded in the interim condensed consolidated statement of profit and loss	As at 31 March 2017 (unaudited)
Available-for-sale investment securities	11,690	4,711 ^(a)	16,401
Total assets	11,690	4,711	16,401

^(a) for three months of 2018: UAH 795 thousand of gain (reversal of impairment losses) included in “Net losses on impairment of financial assets” (three months of 2017: UAH 4,711 thousand of gain included in “Losses on impairment of available-for-sale investment securities”).

The table below shows the quantitative information as at 31 March 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:

(thousands of Ukrainian hryvnia, unless otherwise stated)

<i>As at 31 March 2018 (unaudited)</i>	<i>Carrying value</i>	<i>Valuation technique</i>	<i>Unobservable parameter</i>	<i>Range of parameter values</i>
Investment securities at a fair value in other comprehensive income	15,892	Discounted cash flows	Expected profitability Risk factor	- Corporate: 0 – 1.0

<i>As at 31 March 2017</i>	<i>Carrying value</i>	<i>Valuation technique</i>	<i>Unobservable parameter</i>	<i>Range of parameter values</i>
Available-for-sale investment securities	16,401	Discounted cash flows	Expected profitability Risk factor	Corporate: 9.32% - 15.90 % Corporate: 0 – 1.0

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

	<i>For the period ended 31 March 2018 (unaudited)</i>	
	<i>Unrealized gains</i>	<i>Total</i>
Total gains included in profit and loss for the period	795	795

	<i>For the period ended 31 March 2017 (unaudited)</i>	
	<i>Unrealized gains</i>	<i>Total</i>
Total gains included in profit and loss for the period	4,711	4,711

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.

(thousands of Ukrainian hryvnia, unless otherwise stated)

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

	31 March 2018		31 December 2017	
	(unaudited)		(unaudited)	
	Key management personnel	Key management personnel	Key management personnel	Key management personnel
Loans to customers, total	133	18		
Less - provisions for impairment	(2)	(2)		
Loans to customers, net	131	16		
Current accounts	3,307	5,560		
Time deposits	12,995	9,134		
Amounts due to customers	16,302	14,694		
Other liabilities	15	12		
	For the period ended 31 March			
	2018		2017	
	(unaudited)		(unaudited)	
	Key management personnel	Key management personnel	Key management personnel	Key management personnel
Interest income on loans	2	6		
Interest expense on customers' deposits	(157)	(55)		
Commission income	5	4		
Translation differences	25	50		

For three months ended 31 March 2018, the total remuneration and other benefits paid to key management personnel amounted to UAH 8,494 thousand (including UAH 151 thousand of payment to the non-state pension fund) (31 March 2017: UAH 3,745 thousand (including UAH 59 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 31 March 2018 (unaudited) were as follows:

<i>Client</i>	<i>Sector</i>	<i>Cash and cash equivalents</i>	<i>Amounts due from credit institutions</i>	<i>Loans to customers</i>	<i>Amounts due to customers</i>	<i>Amounts due to credit institutions</i>	<i>Guarantees issued</i>
Client 1	State entities	-	-	-	3,216,454	-	-
Client 2	State entities	-	-	-	1,132,946	-	-
Client 3	Agriculture and food industry	-	-	-	22,826,878	-	-
Client 4	Extractive industry	-	-	15,738,396	-	-	-
Client 5	Extractive industry	-	-	1,115,536	-	-	-
Client 6	Power engineering	-	-	5,276,543	-	-	-
Client 7	Finance	4,253,225	-	-	-	-	-
Client 8	Finance	-	8,069	-	-	356,683	-
Client 9	Trade	-	-	-	1,646,229	-	608,265
Client 10	Trade	-	-	-	-	-	353,927
Client 11	Trade	-	-	-	-	-	31,923
	Mechanical engineering	-	-	2,235,105	-	-	201,256
Client 12	engineering	-	-	2,235,105	-	-	201,256
Other	-	-	-	898,039	8,593,598	-	-

(thousands of Ukrainian hryvnia, unless otherwise stated)

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

<i>Client</i>	<i>Sector</i>	<i>Cash and cash equivalents</i>	<i>Loans to customers</i>	<i>Amounts due to customers</i>	<i>Amounts due to credit institutions</i>	<i>Guarantees issued</i>
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 7	Finance	7,936,394	-	-	-	-
Client 8	Finance	-	-	-	442,939	-
Client 6	Power engineering and Mechanical engineering	-	5,520,516	-	-	-
Client 12	engineering	-	2,531,403	-	-	210,247
Client 9	Trade	-	-	1,328,284	-	650,402
Client 10	Trade	-	-	-	-	724,156
Other	-	-	-	8,765,303	-	-

For three months ended 31 March 2018, the Bank recorded UAH 633,929 thousand (31 March 2017: UAH 579,938 thousand) of interest income from material transactions with government-related entities, including interest income of UAH 37,246 thousand (31 March 2017: UAH 67,313 thousand) from transactions with the NBU deposit certificates with maturity up to 90 days as well as UAH 337,156 thousand (31 March 2017: UAH 360,110 thousand) of interest expenses.

As at 31 March 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:

	<i>31 March 2018 (unaudited)</i>	<i>31 December 2017</i>
Investment securities at fair value through profit or loss	26,248,273	28,072,289
Available-for-sale investment securities	-	48,253,645
Investment securities held to maturity	-	96,022
Investment securities at a fair value in other comprehensive income	43,970,532	-
Securities at amortized cost	70,146	-

For three months ended 31 March 2018, the Bank recorded UAH 1,026,785 thousand (31 March 2017: UAH 1,055,975 thousand) of interest income from transactions with government bonds, and UAH 66,678 thousand (31 March 2017: UAH 91,333 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.

(thousands of Ukrainian hryvnia, unless otherwise stated)

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

	31 March 2018 (unaudited)	31 December 2017
Main capital	7,068,307	6,217,716
Additional capital, calculated	4,001,461	4,141,885
Additional capital, included in calculation of total capital (limited to main capital)	4,001,461	4,141,885
Total capital	11,069,768	10,359,601
Risk weighted assets	77,566,139	74,469,796
Capital adequacy ratio	14.27%	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:

	31 March 2018 (unaudited)	31 December 2017
Tier 1 capital	8,458,416	13,145,892,
Tier 2 capital, calculated	2,716,577	4,426,458,
Tier 2 capital, included in calculation of total capital	2,716,577	4,426,458,
Total capital	11,174,993	17,572,350,
Risk weighted assets	78,820,717	80,802,113,
Tier 1 capital adequacy ratio	10.7%	16.3%
Total capital adequacy ratio	14.2%	21.7%