

**Annual Financial Statements  
of Public Joint-Stock Company  
"MOTOR-BANK"**

as of the end of the day on December 31, 2017

Вих. № 17010  
Дата: 10.07.2018  
**ПЕРЕКЛАД ВІРНИЙ**  
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Директор ПП «Бюро перекладів «Аліф»



ANNUAL FINANCIAL STATEMENTS OF PJSC “MOTOR-BANK” CONSIST OF:

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## Statement of Financial Position (Balance Sheet) as of December 31, 2017

(thousand UAH)

Line	Name of the article	Notes	Year 2017	Year 2016
<b>ASSETS</b>				
1	Funds and their equivalents	6	63 908	88 488
2	Financial assets accounted for at a fair value via profit or loss	7	-	-
3	Funds in other banks	8	100 118	774 136
4	Loans and customers' debts	9	655 243	133 243
5	Securities in the bank's portfolio for sale	10	-	-
6	Securities in the bank's portfolio to maturity	11	440 508	130 197
7	Investment property	12	50	1 726
8	Receivables with respect to current income tax		817	2 660
9	Deferred tax asset	27	588	1 955
10	Fixed and intangible assets	13	39 438	37 882
11	Other financial assets	14	11 664	5 588
12	Other assets	15	14 202	7 750
13	Non-current assets held for sale and assets of disposal group	16	3 962	18 139
<b>14</b>	<b>Total Assets</b>		<b>1 330 498</b>	<b>1 201 764</b>
<b>LIABILITIES</b>				
15	Clients' funds	17	1 048 824	1 040 643
16	Current income tax liabilities		-	1 743
17	Other financial liabilities	18	1 327	166
18	Other liabilities	19	4 902	4 516
<b>19</b>	<b>Total Liabilities</b>		<b>1 055 053</b>	<b>1 047 068</b>
<b>OWNER'S EQUITY</b>				
20	Authorized capital	20	200 000	120 000
21	Owner's shares repurchased from shareholders	20	-	(39 241)
22	Issue differences	20	39 012	39 241
23	Reserve and other funds of the bank		4 247	3 168
24	Undivided profit (uncovered loss)		32 186	31 528
<b>25</b>	<b>TOTAL OWNER'S EQUITY</b>		<b>275 445</b>	<b>154 696</b>
<b>26</b>	<b>Total Liabilities and Owner's Equity</b>		<b>1 330 498</b>	<b>1 201 764</b>

Approved for release and signed

March 30, 2018

Chairman of the Board /signed and sealed/ V.V. Chikhun

Chief Accountant /signed/ L.O. Motronenko

Seal: Public Joint-Stock Company "Motor-Bank"  
Zaporizhzhia, Ukraine  
35345213

Trubnikova L.Yu.  
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## Statement of Income and Losses and Other Comprehensive Income (Statement of Financial Results) for Year 2017

		(thousand UAH)		
Line	Name of the article	Notes	Year 2017	Year 2016
1.1	Interest income	22	78 733	68 363
1.2	Interest losses	22	(29 712)	(26 978)
<b>1</b>	<b>Net Interest Income / (Net Interest Losses)</b>		<b>49 021</b>	<b>41 385</b>
2	Net (increase) decrease of reserves due to depreciation of loans and debts of the clients, funds in other banks	8,9	4 982	28 152
<b>3</b>	<b>Net Interest Income / (Net Interest Losses) after Making the Reserve for Depreciation of Loans and Debts of the Clients, Funds in Other Banks</b>		<b>54 003</b>	<b>69 537</b>
4	Commission fee income	23	28 207	26 275
5	Commission fee expenses	23	(10 849)	(22 354)
6	Result from transactions with financial assets accounted for at a fair value via profit or loss	26	-	37
7	Result from transactions with foreign currency		5 174	9 404
8	Result from foreign currency revaluation		1 586	(43)
9	Net (increase) decrease of reserves due to depreciation of receivables and other financial assets	14,15	25	102
10	Net (increase) decrease of reserves due to depreciation of securities in bank's portfolio for sale	10	-	258
11	Other operating income	24	1 064	645
12	Administrative and other operating expenses	25	(73 683)	(52 369)
<b>13</b>	<b>Profit / (Loss) before Taxation</b>		<b>5 527</b>	<b>31 492</b>
14	Income tax expenses	27	(3 790)	(9 924)
15	Profit / (loss) from ongoing activities		1 737	21 568
<b>16</b>	<b>Profit / (Loss) per Year</b>		<b>1 737</b>	<b>21 568</b>
<b>17</b>	<b>OTHER COMPREHENSIVE INCOME :</b>			
THE ARTICLES THAT WILL BE RE-CLASSIFIED TO INCOME OR LOSS				
18	Securities revaluation in the bank's portfolio for sale		-	-
<b>19</b>	<b>Other Comprehensive Income after Taxation for the Year</b>		<b>-</b>	<b>-</b>
<b>20</b>	<b>Total Comprehensive Income for the Year</b>		<b>1 737</b>	<b>21 568</b>
21	Profit / (loss) belonging to the bank owners		1 737	21 568
22	Total comprehensive income belonging to the bank owners		1 737	21 568
23	Net profit / (loss) per one simple share for the year from ongoing activities (uah / share)	28	1,24	23,09
24	Net profit / (loss) per one simple share for the year belonging to the bank owners	28	1,24	23,09

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## Statement of Changes in Owner's Equity (Statement of Owner's Equity) for Year 2017

Name of article	Notes	Belongs to the bank owners						Total	(thousand UAH)
		Authorized capital	Owner's shares, repurchased from shareholders	Issue differences and other additional capital	Reserve and other funds	Revaluation reserves	Undivided profit		Total owner's equity
<b>Balance at the End of the Day of December 31, 2015</b>		<b>120 000</b>	-	-	<b>2 888</b>	-	<b>10 240</b>	<b>133 128</b>	<b>133 128</b>
<b>Total Comprehensive Income for the Year:</b>		-	-	-	-	-	21 568	21 568	21 568
profit / (loss) for the year		-	-	-	-	-	21 568	21 568	21 568
other comprehensive income		-	-	-	-	-	-	-	-
profit distribution to the reserve and other funds		-	-	-	280	-	(280)	-	-
Owner's shares, repurchased from shareholders:		-	-	-	-	-	-	-	-
purchase	20	-	(39 241)	39 241	-	-	-	-	-
sale		-	-	-	-	-	-	-	-
<b>Balance at the End of the Day of December 31, 2016</b>		<b>120 000</b>	<b>(39 241)</b>	<b>39 241</b>	<b>3 168</b>	-	<b>31 528</b>	<b>154 696</b>	<b>154 696</b>
<b>Total Comprehensive Income for the Year:</b>		-	-	-	-	-	1 737	1 737	1 737
profit / (loss) for the year		-	-	-	-	-	1 737	1 737	1 737
other comprehensive income		-	-	-	-	-	-	-	-
profit distribution to the reserve and other funds		-	-	-	1 079	-	(1 079)	-	-
Issue of shares:									
par value	20	80 000	-	-	-	-	-	80 000	80 000

## PJSC "MOTOR-BANK"

## Annual Financial Statements for 2017

owner's shares, repurchased from the shareholders:									
purchase	20	-	-	-	-	-	-	-	-
sale	20	-	39 241	-	-	-	-	-	39 241
expenses for State Registration of the issue		-	-	(229)	-	-	-	(229)	(229)
<b>Balance at the End of the Day of December 31, 2017</b>		<b>200 000</b>	<b>-</b>	<b>39 012</b>	<b>4 247</b>	<b>-</b>	<b>32 186</b>	<b>275 445</b>	<b>275 445</b>

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Chief Accountant /signed/ L.O. Motronenko

## Statement of Cash Flows based on Direct Method for 2017

(thousand UAH)

Name of article	Notes	Year 2017	Year 2016
<b>FUNDS FROM THE OPERATING ACTIVITIES</b>			
Interest income, received		74 270	75 408
Interest expenses, paid		(25 420)	(28 244)
Commission fee income, received		28 255	26 746
Commission fee expenses, paid		(10 599)	(22 289)
Result of the transactions with financial instruments accounted for at a fair value via profit or loss		-	-
Result of transactions with financial derivatives		-	37
Result of transactions with foreign currency		5 174	9 402
Other received operating income		870	596
Payments for the personnel maintenance, paid		(28 798)	(22 848)
Administrative and other operating expenses, paid		(28 497)	(20 628)
Income tax, paid		(2 031)	(14 927)
<b>Funds Obtained / (Paid) from Operating Activities before the Changes in Operating Assets and Liabilities</b>		<b>13 224</b>	<b>3 253</b>
<b>Changes in Operating Assets and Liabilities</b>			
Net (increase) / decrease of the mandatory reserves in the National Bank of Ukraine		-	-
Net (increase) / decrease of other financial assets accounted for at a fair value with the acceptance of the revaluation result in financial results		-	-
Net (increase) / decrease of funds in other banks		679 057	(689 372)
Net (increase) / decrease of clients' loans and debts		(520 457)	34 773
Net (increase) / decrease of other financial assets		(6 088)	1 116
Net (increase) / decrease of other assets		3 589	(19 127)
Net (increase) / decrease of clients' funds		3 887	478 526
Net (increase) / decrease of reserves based on liabilities		-	-
Net (increase) / decrease of other financial liabilities		770	4
Net (increase) / decrease of other liabilities		-	3 153
<b>Net Funds Obtained / (Used) from Operating Activities</b>		<b>173 982</b>	<b>(187 674)</b>
<b>FUNDS FROM INVESTMENT ACTIVITIES</b>			
Purchase of securities in the bank's portfolio for sale		-	-
Revenue from sale of securities in the bank's portfolio for sale		-	7 000
Purchase of securities in the bank's portfolio to maturity		(21 209 000)	(27 388 000)
Revenue from the redemption of securities in the bank's portfolio to maturity		20 899 000	27 631 000
Revenue from investment property sale		-	1 590
Fixed assets acquisition		(5 507)	(11 045)
Revenue from fixed assets sale		629	-
Intangible assets acquisition		(4 282)	(331)
<b>Net Funds Received / (Used) from Investment Activities</b>		<b>(319 160)</b>	<b>240 214</b>
<b>FUNDS FROM FINANCIAL ACTIVITIES</b>			
Simple shares issue	20	80 000	-
Purchase of owner's shares		-	-

Owner's shares sale	20	39 241	
Issue differences	20	(229)	-
<b>Net Funds Obtained / (Used) from Financial Activities</b>		<b>119 012</b>	<b>-</b>
<b>Influence of Changes in the Official Exchange Rate of the National Bank of Ukraine on Funds and Their Equivalents</b>		<b>1 586</b>	<b>(41)</b>
Net increase / (decrease) in funds and their equivalents		(24 580)	52 499
<b>Funds and Their Equivalents at the beginning of the period</b>	6	<b>88 488</b>	<b>35 989</b>
<b>Funds and Their Equivalents at the end of the period</b>	6	<b>63 908</b>	<b>88 488</b>

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**Note 1. Information about the Bank*****Name and Location of the Bank.***

Full official name: Public Joint-Stock Company "MOTOR-BANK".

Short official name: PJSC "MOTOR-BANK".

Location of the Bank: 54 'B', Motorobudivnykiv Avenue, 69068, Zaporizhzhia, Ukraine.

Date of state registration of the Bank: 07.08.2007. Date of re-registration due to the change of location: 16.12.2009. (Certificate of State Registration of Legal Entity Series A01 No. 027625).

The sole shareholder of the Bank from 25.05.2017 is Viacheslav Oleksandrovych Boguslaiev.

The official Internet site where the information about the Bank is available: <http://motor-bank.ua/>

***Organizational and Legal Form of the Bank.***

Public Joint-Stock Company.

***Name of the Management Body within the jurisdiction of which the Bank is.***

The Bank is an independent entity.

***Characteristics of the banking activities.***

PJSC "MOTOR-BANK" operates in the banking market of Zaporizhzhia Region since 2008 (Authorized Capital of the Bank at the end of December 31, 2017 is UAH 200 million).

The clients of PJSC "MOTOR-BANK" are natural persons and legal entities, residents and non-residents, who operate in the territory of Zaporizhzhia and other regions of Ukraine. Among them leaders of the national economy and leading Ukrainian companies can be found.

In 2017 the priority directions of the activities of PJSC "MOTOR-BANK" were to expand the client base and to engage corporate clients for credit services, as well as to increase volume of lending by the population.

***Activities the Bank is carrying out and is intending to carry out.***

As of the end of 2017, PJSC "MOTOR-BANK" was entitled to carry out and carried out the following activities (transactions) based on the banking license and the general license for foreign exchange transactions:

- taking funds on deposit from an unlimited range of legal entities and natural persons;
- opening and maintaining clients' current (correspondent) accounts;
- placement of funds taken in contributions (deposits), including on the current accounts, in its own name, on its own terms and at its own risk;
- non-trading transactions with the currency values;
- transactions with cash foreign currency and checks (purchase, sale, exchange, acceptance for collection) carried out at cash desks and foreign currency exchange offices of banks;
- management of the clients' accounts (residents and non-residents) in foreign currency and of non-resident clients in the monetary unit of Ukraine;
- opening of correspondent accounts with authorized banks of Ukraine in foreign currency and conducting transactions thereon;
- opening of correspondent accounts with the banks (non-residents) in foreign currency and conducting transactions thereon;
- taking and placement of foreign currency in the foreign exchange market of Ukraine;
- foreign currency trading in the foreign exchange market of Ukraine [with the exception of transactions with cash foreign currency and checks (purchase, sale, exchange) carried out at cash desks and foreign exchange offices of banks and agents];
- issuance of payment documents, payment cards and / or their servicing, clearing, other forms of ensuring settlements;
- safekeeping of valuables or letting on property lease (rent) of individual bank safe;
- provision of guarantees and sureties;
- money transfer;
- transactions at the stock market on its own behalf;
- issuance of its own securities.

PJSC "MOTOR-BANK" is also entitled to carry out the following activities:

- transactions with cash foreign currency (purchase, sale, exchange) carried out at foreign currency exchange offices operating based on agency agreements concluded by the banks with resident legal entities;
- managing of correspondent accounts of banks (resident and non-resident) in foreign currency;
- managing of correspondent accounts of banks (non-residents) in the monetary unit of Ukraine;
- foreign currency transactions in the foreign exchange market of Ukraine belonging to financial services pursuant to Article 4 of the Law of Ukraine "On Financial Services and State Regulation of Financial Service Markets" and not specified in the paragraphs from the second to the seventeenth of Section Two of the Regulation on Procedure for Providing to Banks and Branches of Foreign Banks of General Licenses for Foreign Exchange Transactions approved by Resolution of the Board of the National Bank of Ukraine No. 281 dated August 15, 2011;
- other transactions within the limits of the current legislation of Ukraine.

***Specialization of the Bank.***

The bank functions as a universal one. Within the frame of licenses and permission provided by the NATIONAL BANK OF UKRAINE, the Bank provides a wide range of the banking services to customers - entities of all forms of management: financial banking and non-banking institutions, public and private enterprises, business entities, natural persons within the territory of Zaporizhzhia region.

For reference: as of 16.08.2016, the ratio of arithmetic average balances on deposits of natural persons to arithmetic average of the Bank's liabilities balance for the last 30 calendar days in a row was 51.68%. In accordance with the requirements of the Chapter 2 Section VIII of Regulation on Procedure to Regulate the Activities of Banks in Ukraine, approved by Resolution of the Board of the National Bank of Ukraine No. 368 dated 28.08.2001, from this date the Bank acquired the status of a specialized savings bank. However, this fact did not affect the Bank's specialization.

**Strategic Objective of the Bank.**

The objective of the Bank's activities is to provide the shareholders with a good profit and to support high stability of the Bank by promoting economic development and well-being of all the clients serviced by the Bank, providing the quality services which meet the high professional standards and the ethical principles to the target groups of clients:

- Corporate clients - legal entities that do not belong to the category of a small business, namely:
  - industrial enterprises;
  - large agricultural enterprises;
- Natural persons striving for the growth of their welfare and the quality of life, first of all the employees of enterprises serviced by the Bank.

To achieve this goal, the Bank has the following tasks set:

- to expand the client base;
- to increase in the volume of assets / liabilities, taking into account the quality of their structure;
- to support an adequate amount of regulatory capital of the Bank;
- to cover priority segments of the Ukrainian banking services market.

The fulfilment the Bank's tasks is carried out by means of the following measures:

- development of branch network;
- expansion of the range of credit products by introducing new and optimizing existing procedures;
- organization of complex customer service;
- use of the modern banking technologies in working with the clients.

**Share of Management in the Shares of the Bank**

As of the end of 2017, the Bank's Members of the Board do not own the Bank's shares. The members of the Supervisory Board, being the representatives of the legal entities of the Bank's shareholders, do not own the Bank's shares.

**Owners of Substantial Interest in PJSC "MOTOR-BANK" as of December 31, 2017**

Line	Name/full name	Country of registration / citizenship	EDRPOU Code for legal entities	Direct interest, %	Indirect interest, %
1	Boguslaiev Viacheslav Oleksandrovych	Ukraine	-	100%	0%

Financial statements were approved for release on March 30, 2018, and signed by authorized persons of the Bank: Chairman of the Board Chikhun Vadym Vasyliovych and Chief Accountant Motronenko Larysa Oleksiivna.

Decisions to carry out the significant deeds by the Bank's authorized bodies were not taken in 2017.

During 2017 the Bank did not receive any loans, credits, did not place any securities exceeding 25% of its assets, no decision on termination or bankruptcy of the Bank was taken by the General Meeting of Shareholders or the Court in 2017.

**Note 2. Economic Environment in Which the Bank Operates**

Despite the fact that Ukraine's economy is recognized as market economy it continues to show some peculiarities which are more intrinsic to transition economy. Such features include, but are not limited to, currency that is not freely convertible outside the country, restrictions and control in monetary area, a relatively high inflation rate and high interest rates, a significant part of shadow economy and high levels of corruption. Stability of the Ukrainian economy depends mainly on the government policies and the actions aimed at reforming administrative and legal systems, as well as economy as a whole. As the result, transactions in Ukraine are characterized by risks that are not typical for the countries with developed economy.

Ukrainian economy is affected by market fluctuations and lowering of the rates of economic development in the global economy. The global financial crisis has led to instability in the capital markets, to significant degradation in liquidity of the banking sector and more severe lending conditions (if any), as well as to material depreciation of the national currency with respect to the major world currencies. The borrowers of the Bank also felt the influence of the crisis, which in turn affected their ability to service the debts and acquire the necessary financing.

Tax, currency and customs legislation of Ukraine allows different interpretations and changes frequently. The difficulties encountered by the banks of Ukraine include the need for further development of bankruptcy legislation, standard procedures for registration and use of the collaterals, as well as other legislative and fiscal shortcomings.

The inflation rate at the end of the reporting year amounted to 13.7% (in 2016 - 12.4%, in 2015 - 43.3%), which indicated a significant deceleration of the consumer price growth compared to the crisis in 2014-2015.

The value of refinancing rate during the reporting year increased from 14.0% per annum to 14.5% per annum, which contributed to an increase in the volume of lending to a direct borrower.

The official exchange rate of hryvnia to US dollar, as defined by the National Bank of Ukraine, as of December 29, 2017 was UAH 28,067223 per USD 1 compared to UAH 27,190858 for USD 1 as of December 30, 2016.

The strengthening of crisis trends in Ukrainian economy observed in 2015 - 2016 can be explained only to a certain extent by the consequences of Russian aggression and Russian restrictive trade measures, which led to the loss of a significant part of domestic production. The main root factors of reinforcement of crisis trends in the economy of Ukraine are very important systemic economic deformations that have been accumulating for a long period of time – actually for the whole period since Ukraine acquired its state independence – and finally they could not but determine large-scale economy degradation processes and subsequently extreme aggravation of social contradictions. The latter have not just significantly weakened the potential of resistance to outside threats but have become the catalyst for their growth.

Future economic development of Ukraine depends on the external factors, primarily economic, financial support from the EU, the USA, other countries of the world, and the government actions aimed to support the growth and introduce the necessary changes in tax, legal and regulatory spheres.

The top management believes that it is taking all necessary measures to support the Bank's stable transactions and development.

The influence of these conditions on the financial position of the Bank at the end of December 31, 2017 was displayed in the form of positive dynamics of the clients' loan and investment portfolio as compared to the beginning of the year (both nominal and including the formed reserves), growth of the clients' deposits and balances of the clients' accounts on demand. The Bank's profit and loss structure also changed:

- the share of interest income increased from 65% in 2016 to 69% in 2017, however, for the transactions with deposit certificates of the NBU - it decreased from 27% to 17% of the Bank's gross income;
- the share of commission fee expenses decreased from 20% in 2016 to 9% in 2017 due to discontinuation of the practice of credit risk insurance.

The share of the commission fee income remained unchanged (25%), the share of proceeds from foreign currency transactions decreased from 9% in 2016 to 6% in 2017.

The Bank's policy to improve its financial results in 2017 was as follows:

- to keep the interest rates on loan transactions with legal entities at a level above that of the NBU discount rate;
- to keep the deposit rate at the minimum level required to hold the portfolio;
- to take full advantage of investments in the NBU deposit certificates for the 'disposal' of excess liquidity.

The main factors and influences that determined the financial performance of the Bank in 2017 were:

- moderate volatility of exchange rate of the national currency to the main foreign currencies;
- negative impact of export restrictions to the Russian Federation on the receipt of foreign currency income to the accounts of the main clients of the Bank;
- high level of risk of lending to a direct borrower as a key factor inhibiting the growth of the client lending and the investment portfolio.

The main sources of financing of the Bank's active transactions in 2017 were the balance of the clients' funds on demand and the capital (taking into account the current reserves for possible losses on the active transactions). The influence of the clients' deposits on the formation of the resource base decreased significantly as the result of general market trends regarding the outflow of the depositors' funds from the banking system, as well as through the prudential interest policies of the Bank regarding the capture of deposits.

The planned correlation between the liabilities and the owner equity is within the range of 3.4 - 3.6.

### **Note 3. Fundamentals of Financial Statements Provision**

The Bank prepared these financial statements for the year that ended on December 31, 2017 in accordance with the requirements of International Financial Reporting Standards ("IFRS") adopted by the International Accounting Standards Board ("IASB") and the interpretations issued by the International Financial Reporting Interpretation Committee ("IFRIC") that apply to the reporting periods as of December 31, 2017.

The financial statements of PJSC "MOTOR-BANK" are made according to the conceptual basis of the reliable representation and the general purpose reporting.

The Bank keeps the accounting records in compliance with the regulatory requirements for the organization of accounting and reporting in the banking institutions of Ukraine, set forth by the rules of the National Bank of Ukraine in compliance with the International Accounting Standards.

The functional reporting currency and the unit of measurement: UAH is the functional currency of the Bank, all forms of the annual financial reports and notes thereto are in thousands of Ukrainian hryvnias.

The transactions in foreign currency in accounting and the financial statements are also reflected in hryvnias as recalculated according to the official rate of the National Bank of Ukraine as of the date of transaction.

The Bank has no affiliated companies.

The Bank has no investments in the associates.

**Note 4. Accounting Policy Principles**

When applying the accounting policies under the international standards, the Bank follows the relevant International Financial Reporting Standards (IFRS) and the International Accounting Standards (IAS).

Changes in the accounting policies can occur in the following cases:

- if changes are required by IFRS;
- if the need for any other method of displaying business transactions, assets, liabilities, owner equity, performance for a more truthful representation of events and transactions in the Bank's financial statements, provided that these changes will lead to more relevant and reliable information about financial status, financial performance or money flows.

The amount of correction resulting from changes in accounting policies is reflected in the financial statements by adjusting the balance of each component of the owner equity at the beginning of the period on which the change influences for the very first submitted previous period as well as adjusting other comparative amounts the information on which is disclosed for each submitted previous period, as if the new accounting policy has always been applied.

In the absence of the appropriate standard for the issues of preparation financial statements that have emerged, the Bank uses its professional judgment to develop the provisions of accounting policies.

The Bank does not use new or revised standards before the effective date.

**Note 4.1. Consolidated Financial Statements.**

The Bank prepares annual consolidated reports of the banking group.

The National Bank of Ukraine, based on the results of the banking supervision over the Bank's activities, identified a banking group controlled by Boguslaiev Viacheslav Oleksandrovych.

Pursuant to Decision of the Committee of the National Bank of Ukraine for Supervision and Regulating of the Banks' Activities, Supervision (Oversight) of Payment Systems No. 166 dated 19.05.2017, the banking group with the participation of PUBLIC JOINT STOCK COMPANY "MOTOR-BANK" was recognized.

As of 19.05.2017 the banking group includes:

- PUBLIC JOINT STOCK COMPANY "MOTOR-BANK"
- Additional Liability Company "INSURANCE COMPANY "MOTOR-GARANT".

According to Clause 1.3 Chapter 1 Section IV of the Regulation on Banking Groups, the responsible entity in a banking group is the Bank – the participant with the highest value of assets for the last reporting period (quarter).

The Bank inserts in the consolidated financial statements the figures of financial statements of the participant of a banking group – Additional Liability Company "INSURANCE COMPANY "MOTOR-GARANT" using the method of complete consolidation.

**Note 4.2. Fundamentals of Financial Statements Preparation Assessment.**

Financial assets and liabilities are shown at a fair value, initial cost or amortized cost, depending on their qualifications.

A fair value is the amount of money sufficient to acquire an asset or to fulfill an obligation when performing an agreement between independent parties, well-informed and willing to perform this agreement. The fair value is the current offer price for the financial assets and the price of demand for the financial liabilities quoted in an active market. With respect to the assets and liabilities with market risks that are mutually compensated the Bank may use average market prices to determine the fair value of an item with the risks that are mutually compensated and apply to a net open position the relevant price of demand or the bid price. A financial instrument is considered to be quoted in the active market if the quotes of this financial instrument are freely and regularly available at the stock exchange or in another organization and if those quotes reflect the actual and regular market transactions performed under the general terms.

In order to define the fair value of certain financial instruments with respect to which there is no information available about market prices from external sources the valuation techniques are used such as model of discounting of money flows, valuation models based on the data of recent transactions concluded between the unrelated parties or the analysis of the financial information about the investment objects. The application of valuation techniques may require the assumptions that are not supported by the market data. In these financial statements the information is disclosed in the cases where the replacement of any such assumption with a possible alternative may result in a significant change in the amount of profit, income, total assets or liabilities.

The initial value is the amount of money or its equivalents paid or the fair value of other resources provided for the purchase of the asset as of the date of acquisition, which includes the transaction costs. The valuation based on the initial cost is only applicable to the investments in the capital instruments that do not have market quotes and the fair value of which can not be defined reliably, as well as the derivative financial instruments that are related to such capital instruments and the settlements for which shall be carried out by the delivery of such capital instruments that do not have the quotes.

The expenses for conducting a transaction are the inherent expenses that are directly related to acquisition, issue or disposal of a financial instrument. The expenses for conducting a transaction include payments and commission fees paid to the agents (including the employees acting as sales agents), the consultants, the brokers and the dealers; the fees payable to the regulating authorities and to the stock exchanges, as well as taxes and fees levied on re-registration of ownership. The expenses for conducting a transaction do not include premiums or discounts on debts, financing expenses, internal administrative or safekeeping expenses.

The amortized cost is the amount at which the financial asset or liability is assessed at the initial recognition, minus the payment of the main amount, plus the accrued interests, plus or minus the accumulated depreciation of any

difference between that initial amount and the amount of redemption calculated using the effective interest rate method, and minus any decrease in financial assets as a result of loss in value.

An effective interest rate method is the method to recognize interest income or expenses over a relevant period to obtain a constant interest rate (effective interest rate) from the balance sheet value of an instrument. The effective interest rate is the interest rate at which the estimated future money payments or receipts (excluding future credit losses) are accurately discounted for the expected term of the financial instrument or, if appropriate, for a shorter period to the net balance sheet value of the financial instrument. The effective interest rate is used to discount money flows of the floating rate instruments until the next interest rate change date except for the premium or discount that reflects the credit spread over the floating rate established for the instrument, or other variable factors that do not vary according to the market rates. Such premiums or discounts are amortized over the entire expected term of the instrument. Calculation of the current value includes all commission fees and payments paid or received by the parties to the contract being an integral part of the effective interest rate.

The Bank's accounting policies regarding the recognition and the further assessment criteria of specific assets and liabilities, income and expenses are disclosed in the relevant notes to this report.

**Note 4.3. Initial Recognition of Financial Instruments**

The Bank recognizes financial assets and liabilities in the Statement of Financial Position (Balance Sheet) when it becomes a party to the contractual obligations with respect to this instrument. Transactions of ordinary purchase and sale of financial assets and liabilities are recognized using the accounting based on the date of settlement. All other transactions of purchase or sale of financial instruments are recognized when the Bank becomes a party to the contract of purchase of a financial instrument.

In accordance with IAS 39, the financial assets are classified respectively as financial assets at fair value reflecting the revaluation as profit or loss, credits and receivables, held-to-maturity investments or available-for-sale financial assets.

The financial assets and liabilities are initially recognized at fair value plus, if the financial asset or the financial liability is not recognized at fair value reflecting the revaluation as profit or loss, the incurred transaction costs related directly to the acquisition or the issue of the financial asset or the financial liability. In the absence of the active market the basis to define the current fair value is the data on the most recent contracts concluded between the unrelated parties.

Subsequently, financial assets and liabilities are reflected at fair value, initial cost or amortized cost, depending on their classification. The accounting policies for the further revaluation of financial instruments are disclosed below in the relevant sections of fundamental principles of accounting policies.

**Note 4.4. Loss in Value of Financial Assets.**

The financial assets, other than financial assets accounted for at fair value reflecting the revaluation as profit or loss, were assessed for the presence of signs of loss in value at the end of each reporting period. The impairment losses are recognized in profit or loss as they occur. The financial assets are considered to be impaired when there is an objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset there was a negative impact on the expected future money flows from the investments. For the investments in capital instruments that are and are not quoted and that are classified as available-for-sale, a significant or a sustained decrease in fair value of such securities below their initial cost is considered to be objective evidence of loss in value. For all other financial assets the following factors may be the evidence of impairment:

- significant financial difficulties of the issuer or the counterparty;
- breach of the contract, failure to fulfil the obligations, failure to pay in time of the interests or the main amount of debt;
- the Bank became aware that the borrower would go bankrupt or would carry out financial reorganization; the disappearance of active market for the financial asset due to financial difficulties.

If there is no objective evidence of the impairment for an individually assessed financial asset, the Bank includes such an asset in a group of financial assets with a similar credit risk characteristics and values them for impairment in the aggregate, that is on a portfolio basis. Credit transactions that are assessed for the impairment separately (on an individual basis) and for which an impairment loss is recognized or continues to be recognized, are not included in the aggregate impairment assessment. An accrued income for the use of loans relates to the portfolio to which the principal debt (body) of the loan is classified accordingly. All the credit transactions of one borrower are assessed separately with the calculation of the credit risk for each individual contract. In case of obtaining in credit transactions of one borrower of different reserve ratios and defining different categories of the loan portfolio, all the contracts of this client are reserved for the largest reserve ratio calculated on its contracts, have the same credit risk and category of the loan portfolio for the calculation of the diminishing utility (individual or portfolio).

The analysis of objective evidence of the impairment of an individually assessed financial instrument (loan) is made based on the following features:

- presence of cases of the untimely repayment of interest or loan amount;
- availability of signs that the Bank expects the difficulties with the borrower to repay the full amount of loans and interest on them;
- availability of signs evidencing the financial difficulties of the borrower;
- changes in the borrower's performance indicators (current and previous periods): revenue, net profit (loss) for the period (comparative analysis with the same period of the previous year), assets side of balance sheet

- as of the reporting date, the loan liabilities as of the reporting date, other current and long-term liabilities, authorized capital as of the reporting date;
- analysis of the money credited to all current accounts of the borrower and their sufficiency for the client to fulfill his obligations towards the Bank;
  - violation of the conditions of loan agreements during the period of using lendable funds and, in the first place, in terms of timely repayment of the loan, performance of the schedule to reduce the loan debt and to pay interest regardless of the term of delay;
  - change of management, conflicts between the founders and / or the executives of the company belonging to the top management of the borrower-legal entity, reorganization and / or the radical change of concept of development of the borrower company;
  - significant reduction of the market share occupied by the borrower and / or strengthening of the competitive environment in the given segment of the market;
  - national or local economic and / or political conditions that correlate with the failure to fulfill the obligations of the borrower towards the Bank;
  - death of the borrower – natural person or bankruptcy of the borrower - legal entity;
  - presence of any other features that can affect the estimated value of the loans.

The calculation of impairment of a financial instrument (a lending transaction) is carried out based on the balance sheet data of the amortized cost of the loan on the reporting date which includes principal debt (loan body), accrued and unpaid interest on the loan, premium and discount.

The reserves for possible losses on financial instruments are equal to the amount of the impairment of a financial instrument. The diminishing of utility of a financial instrument (loss in value) is the loss of economic benefit in the amount of excess of the asset balance sheet price over the amount of expected reimbursement caused by one or more loss events that occurred after the initial recognition of such an asset and having an effect on the expected money flows for it.

The creation of reserves is the recognition by the Bank of expenses to reflect the real performance of the Bank, taking into account changes in the quality of its assets or changes in the level of riskiness of the lending transactions.

The assets the repayment of which is impossible are written off against the respective reserve for impairment losses after the completion of all necessary procedures to recover the asset and after determining the final amount of the loss. For certain categories of financial assets (such as loans granted to the clients), the assets that are estimated as not impaired individually are additionally assessed for the collective impairment. The objective evidence of impairment for the portfolio of loans and receivables can be the past experience of the Bank in collecting the payments, the increasing number of overdue payments in the portfolio, as well as the significant changes in the national or local economic conditions related to failure to fulfill the conditions for the repayment of receivables.

The balance sheet value of a financial asset is reduced by the amount of impairment using the reserve account. For the financial assets that are valued at the amortized cost, if in the future period the amount of impairment loss decreases and this reduction can be objectively attributed to an event occurring after the recognition of the impairment, the previously recognized impairment loss is written off through profit or loss to the extent in which the balance sheet value of the investment as of the date of reversal of the impairment does not exceed the amortized cost that would have existed if no impairment had been recognized. In case when an asset available for sale is deemed impaired, the amount including difference between its initial cost (minus any main amount and depreciation) and the current fair value minus any impairment loss previously recognized in the Statement of Profit and Loss and Other Comprehensive Income (Statement of Financial Results) it is transferred from the capital to the Statement of Profit and Loss and Other Comprehensive Income (Statement of Financial Results).

As for the available-for-sale debt securities, the impairment losses are subsequently written off through profit or loss if the increase in fair value of an investment can be objectively related to an event occurring after the impairment loss has been recognized.

**Note 4.5. Termination of Recognition of Financial Instruments.**

*Financial assets.* A financial asset (or, when a part of a financial asset or a part of a group of similar financial assets is applicable) terminates to be recognized when:

- the assets are repaid or the rights to receive money flows from the assets have otherwise дщые шьы мфдшвшен, or the Bank has transferred the right to receive the money flows from the financial assets or entered into a transfer agreement, and thereby has also transferred substantially all the risks and benefits associated with the ownership of the assets, or the Bank has not transferred or left substantially all the risks and benefits of the ownership, but has terminated to exercise control.

The control is considered to be preserved if the counterparty does not have the practical ability to fully sell the asset to an unrelated party without imposing the restrictions on resale.

*Financial liabilities.* The financial liability ceases to be recognized when it is executed, canceled or expires.

In case when an existing financial liability is replaced by another from the same creditor under the substantially different conditions or the substantial adjustments are made to the terms of an existing obligation, such replacement or adjustment are considered to be the termination of recognition of the original obligation and recognition of a new obligation, and the difference between the respective balance sheet price is recognized in the Statement of Profit and Loss and Other Comprehensive Income (Statement of Financial Results).

**Note 4.6. Monetary Funds and Their Equivalents.**

*Monetary funds and their equivalents.* The monetary funds and their equivalents are the assets that can be converted into cash upon the first demand and that have a small risk of change in value. Monetary funds and their equivalents include monetary funds at cash desks, balances of correspondent account at the National Bank of Ukraine, the use of which is not limited, balances of the correspondent accounts at other banks and the "overnight" deposits

at other banks, except for the guarantee deposits for the transactions with plastic cards. The balances of correspondent accounts at other banks for 2017 and 2016 are disclosed in the Note 8 "Monetary Funds at Other Banks". Monetary funds and their equivalents are recorded at their original and amortized cost.

*Mandatory reserve at the National Bank of Ukraine.* The balance of monetary funds of the mandatory reserve at the National Bank of Ukraine is accounted for at the initial cost and represents the interest mandatory reserve deposits that can not be used to finance the Bank's day-to-day transactions and, accordingly, are not considered to be the component of monetary funds and their equivalents for the purposes to prepare the Statement of Cash Flows.

**Note 4.7. Financial Assets Accounted for at Fair Value through Profit or Loss.**

The Bank classifies financial assets accounted for at a fair value through profit or loss to be the financial investments estimated at a fair value through profit/loss, which include debt securities, stocks and other financial investments held in the trading portfolio, and those that are defined by the Bank as valued at a fair value reflecting their revaluation through profit/loss during initial recognition.

In the trading portfolio the Bank accounts for securities and other financial investments purchased for the purpose of selling in the nearest future and obtaining of the profit from short-term fluctuations in prices.

At the initial recognition the Bank recognizes financial investments estimated at fair value with recognition of revaluation through profit/loss at fair value net of transaction costs. The costs of transactions of purchase of such financial investments are reflected on the expense accounts as of the date of their carrying out.

For each date following the recognition of balance sheet the Bank reassesses all financial investments that are valued at fair value with their reflection in profit/loss in the event of a change in their fair value. The fair value of the securities is determined based on the quotation market price, in compliance with the Bank's regulations.

**Note 4.8. Monetary Funds at Other Banks**

The arrears of other banks are accounted for when the Bank provides the counterparty banks with the moneys to be repayable on a fixed or a determined date; at the same time, the Bank does not intend to carry out trading transactions with the emerging accounts receivable. This receivables are not related to the derivative financial instruments and has no market quotations. The arrears of other banks are recorded at the amortized cost.

The balance on correspondent accounts at other banks for 2017 and 2016 is disclosed in the Note 8 "Monetary Funds at Other Banks".

The income from the monetary funds at other banks is recognized by the Bank on an accrual basis and is valued at fair value of the consideration received or is to be received. The Bank receives the income as the interest recognized using the effective interest rate method.

**Note 4.9. Credits and Clients' Debts.**

Credits and clients' debts are the financial assets that are not the derivative instruments with the fixed or determinable payments which are not quoted in an active market, except for the assets classified as other categories of financial assets.

The initial valuation of the financial assets provided (received) is carried out at fair value plus the transaction costs which are directly attributable to these financial assets. For the further asset valuation, the effective interest rate method is used. As an effective interest rate the internal rate of return is taken for the graph of the money flows for a credit.

For such financial instruments as the "overnight" loans, the "overdraft" loans and the revolving credit lines the effective interest rates do not apply. For these instruments the commission fee received (paid) being an integral part of the financial instrument is recognized as the income/expense of the future periods and is amortized using the straight-line method for the interest income (expense) during the term of the credit agreement.

At the end of each reporting period the Bank assesses whether there is an objective evidence that the utility of credits has diminished.

As of the balance sheet date the credits are valued at the amortized cost using the effective interest rate when amortizing the discount (premium) and the interest accrual. Profits and losses on such assets are recognized in the statement of financial results when writing off or diminishing the utility of the credits and the debts of the clients, the income is recognized in the course of depreciation.

The restructuring of credits and clients' debts is a change in the essential conditions under the initial agreement by concluding an additional agreement with the borrower in connection with the financial difficulties of the borrower and the need to create favorable conditions to fulfill his obligations under the asset.

In all possible cases the Bank tries to restructure its credits, for which purpose it extends maturity terms and agrees with new conditions of the credit. Once the conditions of the credit are reviewed, the credit is no longer considered to be overdue

The Bank reflects in accounting records the interest income and expense on the credits, and depreciates the discount (premium) using the effective interest rate. The amount of discount (premium) is to be fully amortized on the date of repayment / return of the credit or until the next date of revision of interest rate of the financial instrument, if it varies depending on fluctuations of the market rates. If the amount of the discount (premium) of the financial instrument with floating interest rate is related to the change in the counterparty's credit risk, it is amortized over the expected term of the financial instrument.

**Note 4.10. Financial Assets Held for Sale.**

The Bank relates to the Bank's portfolio for sale debt securities, shares and other financial investments intended for sale, and not classified as the financial investments valued at fair value with the recognition of revaluation through profits / losses or the financial investments to maturity in the Bank's portfolio, namely: the debt securities that the Bank does not intend and / or can hold until the maturity date or in the presence of certain restrictions on accounting of securities in the portfolio to maturity; the debt securities that the Bank is ready to sell due to changes in market interest rates or risks, liquidity needs, availability and returns of alternative investments, sources and conditions of financing or changes in the currency risk; the shares and other financial investments with uncertain profits, for which it is impossible to reliably determine fair value.

The Bank first of all recognizes securities for sale in the portfolio and presents them at fair value with the cost of purchasing transactions.

Financial investments in the Bank's portfolio for sale (other than the financial investments with uncertain profits, the fair value of which can not be determined reliably) are subsequently accounted for at fair value. The methods for estimating the fair value are determined by the Bank's internal regulatory documents.

Shares and other non-fixed income securities the fair value of which cannot be reliably determined are accounted for at the cost taking into account diminishing of utility.

The interest income on debt securities for sale is recognized by applying the effective interest rate method at least once a month, but necessarily on the date of revaluation, reclassification, sale as a part of profit or loss. Income on the securities with non-fixed profits in the form of the dividends is recognized by the Bank as of the date of establishment of rights to receive them.

The results from trading in securities for sale are reflected in the Statement of Profit and Loss and Other Comprehensive Income (Statement of Financial Results).

**Note 4.11. Financial Assets Held to Maturity.**

The Bank reflects in this category the debentures with fixed payments or the determinable payments and fixed maturity that the Bank intends and can hold to maturity.

The Bank does not recognize the securities in the portfolio to maturity if:

- The Bank does not have the financial resources to finance the securities to maturity;
- The Bank intends to hold the securities for an indefinite period of time;
- The Bank is ready to sell the securities in case of changes in the market interest rates, the risks, the liquidity needs;
- The conditions for the issue of perpetual debt securities provide for the payment of interest for an indefinite period of time (i.e. there is no fixed maturity);
- the issuer has the right to repay the securities in the amount much less than their amortized cost;
- there is legal or other restriction that may interfere with the Bank's intention to hold the securities to maturity;
- during the current financial year or during two previous financial years the Bank sold a significant amount of securities (50% or more) before the maturity date as compared with the total amount of securities held to maturity.

At the initial recognition the Bank reflects in the accounting the debt securities in the portfolio to maturity at fair value including transaction costs.

The debt securities in the portfolio to maturity are subsequently valued at the amortized cost using the effective interest rate calculated at the initial recognition of the security or during the last change in the nominal interest rate and taking into account diminishing of utility.

The interest income on the debt securities in the portfolio to maturity is recognized using the effective interest rate method at least once a month in profit or loss.

**Note 4.12. Investment Real Property**

The criteria for recognizing the investment real property lie in the possibility of receipts by the Bank of future economic benefits associated with the investment real property and the ability to reliably estimate the value of the investment real property.

During the initial recognition of the investment real property the Bank evaluates and displays it in the accounting at initial cost including the purchase price of this real property and all the costs directly related to its purchase.

After initial recognition of investment real property its further assessment is carried out by the Bank at the cost based on accumulated depreciation and impairment losses. Equipment being an integral part of the building is accounted separately.

The depreciation is accrued using the straight-line method over the term of operation.

The conversion of the real property unit into an investment real property category and from the category of investment real property to the other is carried out by the Bank only if the method of its functional use changes as confirmed by the following events:

- a) beginning of occupation of real property by its owner - in case of transfer from the investment real property to the real property occupied by the owner;
- b) completion of occupation of real property by its owner - in case of the transfer from the real property occupied by the owner to the investment real property

Due to the fact that the Bank applies the method of valuation at initial cost the transfer of investment real property unit to a category of real property occupied by the owner, and vice versa, does not affect its balance sheet value. The transfers are carried out at the balance sheet value of the transferred real property and the value of these units does not change.



Diminishing and restoration of utility of an investment real property unit valued at initial cost is recognized by the Bank in the same way as the procedure for recognition diminishing of utility of the fixed assets.

In 2017 and 2016 the Bank carried out:

- transfer of real property units to the category held for sale;

In 2017 the Bank's losses due to diminishing of utility of investment real property units were not recognized.

**Note 4.13. Fixed Assets**

The fixed assets, other non-current tangible assets are valued at initial cost defined as the actual cost in the amount of fair value of other assets paid (transferred), spent for acquisition (creation) of the fixed assets.

The recognition criteria: there is a possibility that the future economic benefits associated with the object will flow to the Bank and the cost of the object can be reliably estimated.

The initial assessment of the objects of all groups of fixed assets is carried out at the cost including:

purchase price (including import duties, taxes that are not reimbursed);

any expenses directly related to the delivery of the asset to the location and bringing it into the condition required for operation;

pre-estimated expenses for dismantling, moving of the object and restoration of the territory liabilities for which are taken by the Bank.

Further evaluation of fixed assets is carried out as follows:

for the fixed assets that belong to the group 'buildings, structures and transmission equipment' - by a revalued amount (which is a fair value) minus any further accumulated depreciation and subsequent accumulated impairment losses;

for all other fixed assets – by the cost minus any accumulated depreciation and any accumulated impairment losses.

The latest valuation of the real property held by the Bank took place as of 31.12.2017 with the involvement of professional valuation experts, using two methodical approaches: comparative and profitable.

The revaluation of the fixed assets is carried out based on the decision of the Board of the Bank. In 2017 and 2016 the revaluation of the fixed assets was not carried out.

For the purpose to identify the losses from diminishing of utility, the balance sheet value of the fixed assets is regularly reviewed in order to determine whether the balance sheet value exceeds the cost of reimbursement. If the the balance sheet value of the assets exceeds the expected value of the consideration, it is reduced to the cost of refunding.

In 2017 and 2016 the diminishing of utility of the fixed assets did not occur.

**Note 4.14. Intangible Assets**

*The Intangible assets* are the non-monetary assets which do not have physical substance and can be identified, that is, they can be separated or set apart from the Bank or arise from the contractual or other legal rights (regardless of whether they can be separated). The intangible assets are recognized only when there is a possibility that the future economic benefits associated with the asset will flow to the Bank and the cost of the asset can be evaluated reliably.

The recognition criteria: the intangible assets are recognized only when there is a possibility that the future economic benefits associated with the asset will flow to the Bank and the cost of the asset can be evaluated reliably.

At the initial recognition, the intangible assets of all classes are evaluated at the cost. The subsequent valuation is carried out at the cost minus the accumulated depreciation and the accumulated losses from diminishing of utility.

The revaluation of the intangible assets is based on the decision of the Management Board of the Bank. In 2017 and 2016 the revaluation of the intangible assets was not carried out.

For the purpose to identify the losses from diminishing of utility, the balance sheet value of intangible assets is reviewed on a regular basis in order to determine whether the balance sheet value exceeds the cost of reimbursement. If the balance sheet value of the assets exceeds the expected value of consideration, it is reduced to the cost of refunding.

In 2017 and 2016 the diminishing of utility of the intangible assets did not occur.

**Note 4.15. Operational Leasing (Renting) where the Bank Acts as a Lessor and / or a Lessee.**

*The operational leasing (renting)* – is a business operation of the Bank, which provides for the transfer of a fixed asset purchased or made by the lessor to a lessee under the conditions other than those provided for by the financial leasing (renting).

When the Bank acts as a lessee under an operational lease agreement, the lease payments are recognized as the straight-line expenses during the term of lease. When the Bank acts as a lessor, the operational lease income is recognized on a straight-line basis during the term of the relevant lease agreement.

The expenses of the Bank as a lessee for improvement of the object of the operational leasing (renting) (upgrading, modification, completion, refinancing, reconstruction, etc.), which led to an increase in the future economic benefits that were originally expected from its use, were recorded as the capital investments in the creation (construction) of other non-current tangible assets. The expenses for the maintenance of non-current assets received in the operational leasing (renting) are reflected in the article "Administrative and the Other Operating Expenses" of the Statement of Income and Losses and Other Comprehensive Income.

In 2017 and 2016 the Bank received the objects for the operational leasing (renting), in particular the non-residential premises for the placement of its branches. In 2017, the Bank concluded operational leasing agreements as the lessor.

**Note 4.16. Non-Current Assets Held for Sale and Disposal Groups**

The Bank classifies non-current assets held for sale if the balance sheet value of such assets is repaid by sale, rather than current use.

A non-current asset which was temporarily withdrawn from use, if its balance sheet value was mainly reimbursed for the current use, is not accounted for at Account 3408.

Non-current assets are classified as held for sale if, on the date of the decision taken on their recognition as those for sale, the following conditions are met:

- there is a sales plan approved by the Bank's Management Board;
- the state in which the assets are allows to immediately sale and there is a high degree of probability of their sale within one year from the date of classification:
- there is an active search for the buyers to complete a sales plan;
- an active marketing program is being implemented in selling the assets at a price comparable to the current market price.

The Bank continues to classify the non-current assets as held for sale if no sales have been made during the year due to the events or circumstances beyond which the Bank can not exercise control and if there is the sufficient evidence that the Bank continues to execute the sale of the non-current asset.

If, on the date of the decision taken to recognize the non-current assets as held for sale, the above conditions are not met but will be fulfilled within three months after the recognition of the asset, the Bank has the right to classify it as held for sale.

Before the initial classification of the assets held for sale, the Bank assesses the balance sheet value of the assets, that is, reviews them for the impairment.

The non-current assets held by the Bank for sale are valued and reported in the accounting for a minimum of two assessments: the balance sheet value or the fair value less the expenses for sale.

The depreciation on non-current assets held for sale is not charged.

The Bank recognizes the losses from diminishing of utility in case of decrease in the fair value of non-current assets, net of the sales expenses.

In case of increase in the fair value of non-current assets, net of the sales costs, the Bank recognizes the revenue but does not exceed the previously accumulated losses from diminishing of utility.

If, when assessing the assets held for sale, the Bank did not recognize the diminishing and regain of their utility, the Bank recognizes the income or expense on the date of termination of recognition.

The non-current assets that do not meet the recognition criteria specified by the Bank are transferred to another category, depending on the intentions on how they will be used in future.

The non-current assets that are no longer classified as held-for-sale assets, from the date of the decision taken to cancel the sale, are recorded at the lowest of the two valuations:

- by the balance sheet value which was determined before the date they were recognized as held for sale. The balance sheet value is corrected by depreciation, the losses from diminishing of utility that would have been recognized if the assets were not classified as held for sale;
- by the sum of expected reimbursement on the date of the decision taken to refuse from the sale.

The Bank corrects the balance sheet value, taking into account the amounts of accumulated depreciation, the losses from diminishing of utility, while simultaneously recognizing such corrections in the Statement of Financial Results.

In 2017 the Bank conducted:

- transfer of non-current assets held for sale into current assets (stocks);
- disposal of non-current assets held for sale (movable property), as a result of sale.

In 2017, the Bank recognized losses from the diminishing of utility of non-current assets held for sale in the amount of 285.1 thousand UAH.

#### **Note 4.17. Depreciation**

The depreciation of intangible assets is calculated using the straight-line method during the period of their operation. The operation term of the intangible assets is determined in accordance with the terms of licenses validity, specified by the license agreements.

The operation term and the depreciation method are reviewed once a year. The operation term is determined for each asset and depends on the type of the intangible assets.

The revaluation of intangible assets is based on the decision of the Management Board of the Bank. In 2017 and 2016, the revaluation of intangible assets was not carried out.

For the purpose to identify the losses from the loss of utility, the balance sheet value of intangible assets is reviewed on a regular basis in order to determine whether a balance sheet value exceeds the cost of reimbursement. If the balance sheet value of the assets exceeds the expected value of reimbursement, it is reduced to the cost of the refund.

In 2016 and 2017, the depreciation rates and the useful operation terms of intangible assets remained unchanged.

The depreciation for all the groups of fixed assets is accrued using the straight-line method over the period of their terms of operation according to the following standards:

	The tem of the useful operation, years
Houses, premises and other buildings	25
Mini-automatic telephone exchange	10
Phones, computer equipment, information reading or print-out equipment,	2

computer network equipment, uninterruptible power sources	
Household inventory and equipment, advertising structures	4
Furniture, pay office equipment and appliances, household appliances	5
Vehicles	5
Boxes (repositories) for cash	20
Improvement of the leased property	for the period of validity of lease agreement

The depreciation of the low-value non-negotiable tangible assets is carried out in the first month of the use of an object in the amount of 100 percent of its value. The land has an unlimited term of operation and therefore is not depreciated.

The method of depreciation is reviewed annually. The results of its review are taken into account as a review of accounting evaluation. In this case, the depreciation of current and future periods is subject to correction.

In 2017 and in 2016 the depreciation methods of fixed assets remained unchanged.

The term of useful operation is calculated based on the expected life of the asset, expected physical and moral depreciation, technical and commercial wear, as well as legal and other similar restrictions on the use of the asset. The useful term of operation is reviewed once a year.

The revaluation of fixed assets is carried out on based on the decision of the Board of the Bank. In 2017 and in 2016, the revaluation of fixed assets was not carried out.

For the purpose to identify the losses from diminishing of utility, the balance sheet value of the fixed assets is regularly reviewed in order to determine whether a balance sheet value exceeds the cost of reimbursement. If the balance sheet value of the assets exceeds the expected value of reimbursement, it is reduced to the cost of the refund.

The diminishing of utility of fixed assets did not occur in 2017 and 2016.

#### **Note 4.18. Derivative Financial Instruments**

Derivative financial instruments contracted by the Bank during 2017 and 2016 were not intended to hedge.

The Bank conducted the transactions of purchase/sale of foreign currency under the 'forward' conditions. These transactions were accounted for in accordance with the requirements of IAS 39 as the derivative financial instruments.

Profits and losses arising from these instruments have been included in the item 'Result from Transactions with Financial Instruments Accounted for at Fair Value through Profit or Loss' of the Statement of Income and Loss.

All derivative financial instruments are initially valued and reflected in accounting at a fair value.

#### **Note 4.19. Raised Funds**

The Bank uses monetary funds from banks, other financial institutions, client funds (current and maturity) and financial liabilities on the securities.

The Bank initially evaluates and presents in accounting the financial liabilities at a fair value, increased by the amount of transaction costs.

After the initial recognition, the Bank shows in the accounting the financial liabilities for each subsequent balance sheet date at the amortized cost.

The current funds of the clients are accounted for at the cost.

The Bank recognizes the interest expense on financial liabilities in accounting using the effective interest rate.

The Bank discontinues the recognition of financial liability in the balance sheet, or a part thereof, if such a liability is repaid or the term of its execution has expired.

During 2017 and 2016, the Bank did not issue its own debt securities.

#### **Note 4.20. Reserves under Liabilities**

The reserves under liabilities are recognized when the Bank has current, legal or constructive liability which arose as a result of the past events and it is probable that the repayment of this liability requires the use of resources that embody certain economic benefits, and the size of such liabilities can be reliably estimated.

The reserves under contingent liabilities are estimated in accordance with IAS 37, 'Reserves, Contingent Liabilities and Contingent Assets', which requires the application of a judgment and a judgment of management.

The contingent liabilities are not recognized in the Statement of Financial Position (the Balance Sheet), but are disclosed in the notes to the financial statements, unless the probability of disposal as a result of repayment is insignificant. A contingent asset is not recognized in the Statement of Financial Position (the Balance Sheet), but is disclosed in the notes to the financial statements when there is a possibility to receive economic benefits.

#### **Note 4. 21. Income Tax.**

The income tax expenses of the Bank are formed as the sum of current tax expenses (current income tax) calculated based on the taxable profit according to the rules of the tax legislation and deferred tax expenses / income (deferred income tax). The deferred income tax arises from the recognition in the profit or the loss of the deferred tax assets and / or deferred tax liabilities.

The deferred tax liabilities are recognized for all temporary differences which are subject to taxation, unless such differences arise from the initial recognition of an asset or a liability. The deferred tax asset is recognized for all the temporary differences which are subject to withholding, to the extent that it is probable that a taxable profit will be received to which a temporary difference can be applied subject to withholding,

except for the cases where the deferred tax asset arises from the initial recognition of the asset or the liability. The receipt of sufficient taxable profits is probable when a deferred tax asset can be credited against a deferred tax liability which relates to the same tax authority and will be restored in the same period as the asset or in the period in which the loss, arising from the asset, can be attributed to the previous or the subsequent period. In the cases where there are no sufficient deferred tax liabilities to account for a deferred tax asset, an asset is recognized to the extent that it is probable that the future taxable profits will be sufficiently taxed.

The deferred tax is calculated at the tax rates which are expected to be applied in the period of implementation of the related assets or repayment.

The implementation of temporary differences is expected in the subsequent reporting periods, depending on the period of maturity or reimbursement of the respective assets and liabilities.

Deferred tax assets and deferred tax liabilities are mutually recognized and accounted for on a net basis in the Statement of Financial Position (the Balance Sheet) because the Bank has a legally enforceable right to charge the current tax assets on the income tax at the expense of current tax liabilities.

As for the definition of the income tax, the norms of the Tax Code of Ukraine, as of December 2, 2010, No. 2755-VI and other statutory legal acts of the Ukrainian legislation that changed during the reporting period through the appropriate amendments, were in force.

The calculation of the current and the deferred income tax was based on a tax rate, namely: from January 1, 2012 until December 31, 2012 inclusive - at the rate of 21%, from January 1, 2013 to December 31, 2013 - at the rate of 19%, since January 1, 2014 - at the rate of 18%.

The data on the income tax are disclosed in the Note 27 'Expenses on Income Tax'.

#### **Note 4.22. Authorized Capital and Issue Income.**

The Authorized Capital of the Bank is paid by the cash contributions of the participants of the Bank, the value of shares, divvies of the Bank in the amount determined by the Articles of Association. The Bank's capital is a residual interest of the Bank's shareholders in assets, less all its obligations. The Bank follows the concept of saving the financial capital. The Bank retains the capital invested by the owner. The formation and the increase of the authorized capital can be made exclusively by means of the monetary payments. The authorized capital of the Bank is divided into ordinary registered shares. The capital of the Bank includes authorized capital, issue differences, general reserves and other funds, results of the past years, revaluation outcomes. The Issue Income is the exceeding over the amount of funds received from the initial issue or sale of the own shares (other corporate rights) over their par value or exceeding the denomination of shares (other corporate rights) over the cost of their repayment.

The increase (decrease) of the authorized capital of the Bank is carried out in accordance with the procedure established by the National Committee for Securities and Stock Market. In accordance with the Law of Ukraine 'On Banks and Banking Activities', 'On Joint-Stock Companies' and the Bank's Articles of Association, the resolution on the issue of shares is adopted by the General Meeting of Shareholders of the Bank.

#### **Note 4.23. Own Shares Repurchased from the Shareholders**

During 2017, the Bank did not conduct transactions to repurchase its shares from the shareholders.

#### **Note 4.24. Recognition of Income and Expenses.**

The income is recognized by the Bank on an accrual basis and is measured at the fair value of the reimbursement received or to be received. The Bank receives income in the form of:

- interests (credits given, deposits, securities, etc.) recognized using the effective interest rate method;
- payment for the opening and maintenance of accounts of natural persons and legal entities, including correspondent banks;
- commission fees for the issuance of the bank guarantees, surety for the third parties that provide for the fulfillment of obligations in cash; collection of monetary funds, bills of exchange, payment and settlement documents and cash servicing of natural persons and legal entities; providing natural persons and legal entities with the special premises or safes in them for the storage of documents and valuables. The revenues for the services rendered are recognized in the accounting periods in which the services are provided;
- operating lease income recognized by the Bank on a straight-line basis over the term of lease.

The interest income and the expenses on all the debt instruments are accounted for according to the accrual method using the effective interest rate method.

This method includes the interest income and the expenses and distributes throughout the period all the commission fees paid or received by the parties of the agreement being an integral part of the effective interest rate, the transaction costs, as well as all other premiums and discounts.

The fees being an integral part of an effective interest rate include the fees received or paid in connection with the formation or acquisition of a financial asset or issuance of a financial liability (for example, the fees for assessing the creditworthiness, valuation or accounting for the guarantees or the collaterals, settlement terms of the instrument and document processing under the agreement). The commission fee for the marketable credit interest received by the Bank is an integral part of the effective interest rate if it is probable that the Bank will conclude a specific credit agreement and does not plan to realize the credit within a short period of time after it is provided. The Bank does not include the credit liabilities to the financial liabilities that are valued at fair value through profit or loss.

If there is any doubt as to the possibility of repayment of credits or other debt instruments, their value is reduced to the current value of the expected money flows, after that the interest income is accounted for based on

the effective interest rate on this instrument that was used to estimate the impairment loss. All other payments, commission fee and other income and expenses are generally accounted for using the accrual method depending on the degree of completeness of the particular transaction, which is defined as the proportion of the actual service rendered in the total amount of services to be provided.

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

The income / expenses are subject to accrual and disclosure in the Bank's financial statements if the following conditions are met:

- there is a real debt for the assets and the liabilities;
- as for the services rendered (received) - the financial result can be accurately estimated and, at the same time, there is an agreement;
- on the provision (receipt) of services and / or documents confirming the complete (partial) provision of them.

If the above conditions are not met, the income / expense is recognized by the Bank at the actual receipt / payment of funds.

**Note 4.25. Revaluation of the Foreign Currency.**

The functional currency is UAH. All the transactions in foreign currencies are recorded by the Bank after the initial recognition in the functional currency, applying to the amount in a foreign currency the official exchange rate of the National Bank of Ukraine as of the date of the transaction. At the end of each reporting period, the monetary items are recalculated at the closing exchange rate, with the exchange differences recognized in profit or loss. The non-monetary items that are valued at a historical cost are recalculated at the exchange rate at the date of the transaction. The non-monetary items that are valued at a fair value are recalculated at the exchange rate at the fair value date.

The profit or the loss arising from revaluation of foreign currency were included in the item 'Result from Revaluation of Foreign Currency' of the Statement of Income and Losses (Statement of Financial Results).

The hryvnia exchange rate against the foreign currencies, which reflects the assets and the liabilities in the financial reports, which were effective as of December 31 of the respective years:

	<u>31.12.2017</u>	<u>31.12.2016</u>
USD 100	UAH 2806,7223	UAH 2719,0858
EUR 100	UAH 3349.5424	UAH 2842,2604
RUB 10	UAH 4.8703	UAH 4,5113
GBP 100	UAH 3773.3670	UAH 3332,0755
CHF 100	UAH 2861.8783	UAH 2652,8471

**Note 4.26. Offsetting of Assets and Liabilities Items**

The offsetting of financial assets and liabilities, followed by the inclusion in the Statement of Financial Position (the Balance Sheet) only of their net amount, can only be carried out if there is a legally determined right to offset the recognized amounts when there is an intention to make a calculation based on the net amount or simultaneously sell the asset and repay the liabilities.

During 2017 and 2016, the Bank did not offset financial assets and liabilities.

**Note 4.27. Payments to the Employees and Withholdings Related to Them**

During 2016 and 2017 the following employee payments were made at PJSC "MOTOR-BANK":

- basic salary – the remuneration for the work performed in accordance with the established official salaries / tariff rates of PJSC "MOTOR-BANK" employees;

- additional salary – the remuneration for the work exceeding the established norms, for the labor success and the ingenuity, and for the special conditions of work. It includes surcharges, allowances, guarantees and compensatory payments provided by the current legislation; awards related to the fulfillment of working tasks and functions;

- other incentive and compensatory payments - in the form of remuneration based on the results of work for the year, bonuses under special systems and provisions, compensatory and other monetary and material payments, which are not provided for by the acts of the current legislation, or which are carried out beyond the norms established by the said acts;

- other payments that do not belong to the salary fund.

The salary is paid to the employees on a regular basis on the working days within the following periods: for the first half of the month - on the 15th day of the current month, for the second half of the month - on the last working day of the current month, or, if necessary, on other days of the inter-settlement period (for example, holiday payment, final settlement at the dismissal, etc.).

When the date of the salary payment coincides with a weekend, holiday or day off, the salary can be paid before, or, if under the management decisions the Bank is allowed an early repayment of the salary for the 2nd half of the month, in time pursuant this decision .

The salary payment to the employees of the Bank is done by transferring monetary funds to the card account of the employee, to any account opened with another bank upon the written request of the employee or at the cash office of the Bank (if no card or other account available).

All taxes, fees and other compulsory payments are charged, withheld and transferred at each salary payment and other charges within the terms and limits in accordance with the requirements of the Ukrainian legislation.

The salary that is not received within ten working days is deposited.

**Note 4.28 Information on Operating Segments.**

To determine the reporting segments, the Bank applies the following procedure: identifies the operating segments based on the Bank's management reporting system;

determines whether the identified segments correspond to all the grouping criteria in IFRS 8 Operating Segments;  
 determines whether the operating segments meet the quantitative thresholds specified in IFRS 8 Operating Segments;  
 information about the operating segments that does not fit the quantitative thresholds is combined with the information about other operating segments that are not in line with the quantitative thresholds if the operating segments have similar economic characteristics and the common majority of the grouping criteria;  
 additional operational reporting segments (even if they do not meet the grouping criteria) are determined, if the total external income, reflected in the reporting by the operating segments, is less than 75% of the Bank's income;

The remaining segments are grouped into 'all other segments'.

The segments of the activity are reflected separately by the bank, if most of its income is generated from the banking activities outside the segment, and at the same time, its performance indicators correspond to one of the following criteria:

- the segment income is 10% or more of the total income (including the banking activities within the segment) of all the segments of the Bank;

- the financial result (profit or loss) of the segment is not less than 10% of the greater of two absolute values - the total amount of profit or the total amount of loss on all segments of the Bank;

- the assets of the segment make up 10% or more of the total assets of the Bank.

According to the internal organizational structure and the internal reporting system, the Bank identified the following operating segments: corporate clients services, services for natural persons, interbank transactions, other segments and transactions.

The corporate clients include legal entities and natural persons-entrepreneurs, including: industrial enterprises, agricultural enterprises, non-bank financial institutions (insurance companies), enterprises of trade and services sphere. This segment also includes securities transactions, including the securities of the National Bank of Ukraine.

The natural persons include: natural persons-employees of the bank and employees of the enterprises that are corporate clients of the Bank, other natural persons. This segment also includes the transactions of purchase / sale of the currency, transactions with payment cards.

The interbank transactions include: monetary funds on demand in other banks, monetary funds at the request of other banks, transactions in raising funds in the interbank market, transactions on placement of monetary funds in the interbank market, SWOP transactions.

Other transactions include the account transactions on demand at the National Bank of Ukraine.

Income and expenses of the operating segments comprise all income and expenses incurred during the reporting period and which can be directly attributed to the segment.

The attribution of income and expenses to the relevant departments, with the subsequent attribution to the relevant segments, is carried out using the data of management accounting. Similarly, the assignment of assets and liabilities to the operating segments is carried out.

The segment assets include the assets which are used by the segment in its transactions and which can be directly attributed to this segment or are reasonably allocated to this segment. The segment assets do not include the income tax assets.

The liabilities of the segment include those liabilities that arose as a result of the segment's activity and which can be directly attributed to this segment or are reasonably allocated to this segment.

As of the end of 2017, the Bank did not calculate the pricing between segment transactions.

The Bank carries out its activity in one geographical segment on the territory of Ukraine and therefore the report by geographic segments is not provided.

The principles of pricing for the inter-segment transactions: the pricing for the inter-segment transactions is not carried out.

The basis for the distribution of income and expenses by the segments: in accordance with the plan of accounts, respectively, the data on the balance sheets and the revisions of the analytical accounts.

Information on the reporting segments of the Bank is disclosed in the Note 29 'Operating Segments'.

#### **Note 4.29. Transactions with the Related Parties**

The Bank carries out transactions with related parties in accordance with the banking license and a written permission to carry out the transactions provided by the National Bank of Ukraine, taking into account the restrictions established by the current legislation of Ukraine, the statutory legal acts of the National Bank of Ukraine, the International Accounting Standard 24 (IAS 24) and the internal normative documents of the Bank. For this purpose the Bank has a number of internal normative documents, namely: Regulation on Determination of the Related Parties of PJSC "MOTOR-BANK", approved by the Board of the Bank, according to which the attribution of counterparts of the Bank to the list of the related parties is carried out, Regulations on Transactions with the Persons Related to PJSC "MOTOR-BANK", which regulates the procedure for carrying out, control and supervision of transactions with the related parties.

The regulations are developed in compliance with the Laws of Ukraine 'On the Banks and the Banking Activities in Ukraine' (hereinafter referred to as the Law on the Banks), 'On Financial Services and State Regulation of Financial Services Markets', Regulation on Identification of Persons Related with a Bank, approved by Resolution of the Board of the National Bank of Ukraine No. 315 dated May 12, 2015 (hereinafter – the Regulation No. 315), the Articles of Association of the Bank, taking into account the requirements of the International Accounting Standard 24 (IAS 24).

The persons related to the Bank are the legal entities or the natural persons who are determined by the Law and Regulation No. 315, taking into account the requirements of the International Accounting Standard 24 (IAS 24).

The database of the persons related to the Bank is a definite list of persons who are the clients of the Bank and in relation to the Bank are the persons related to the Bank.

The Bank determines the list of the persons connected with the Bank, which is approved by the Board of the Bank in accordance with the requirements of the Article 52 of the Law on the Banks, Regulation No. 315.

The Bank ensures that changes are made to the list of persons related to the Bank based on the changes in the information about a person identified in connection with the Bank, the identification of new persons related to the Bank, etc.

The Bank ensures the availability of the appropriate information systems to identify the active transactions with the related parties, keeping a list of the related persons of the Bank, determining the volume of transactions for each related party, and the total amount of such transactions for the purpose of their monitoring.

**Note 4.30. Changes in the Accounting Policies, Accounting Valuations, Correction of Material Errors and Presentation in Financial Statements.**

The accepted accounting policies correspond to the accounting policies applied in the previous accounting year.

**Note 4.31. Significant Accounting Judgments and Valuations, Their Impact on Recognition of Assets and Liabilities**

The management carries out its assessments and adopts the professional judgments on an ongoing basis. Such valuations and management judgments are based on the information that is at the disposal of the Bank as of the date of preparation of the financial statements. Accordingly, the actual results may differ from such valuations and assumptions. In addition to the judgments involving the accounting valuations, the management of the Bank also uses the professional judgments when applying the accounting policies. The professional judgments that have the most significant effect on the amounts disclosed in the financial statements and valuations which can result in significant adjustments to the balance sheet value of the assets and the liabilities during the next fiscal year include:

**Losses on the credits impairment.** The valuation of reserves for the impairment losses requires the use of significant professional judgments. The Bank regularly reviews its credits to assess their impairment. The Bank assesses the reserves for the impairment losses to maintain the reserves at a level that, according to the management, will be sufficient to cover the losses incurred in relation to the Bank's credit portfolio. The calculation of the reserves for losses from the impaired credits is based on the probability of writing-off of an asset and the expected loss from such writing-off. These assessments are carried out using the statistical techniques based on the historical experience. The obtained results are adjusted based on professional judgment of the management.

In the Bank's view, the accounting valuations associated with determining of the amount of the reserves for the impairment losses are the main source of uncertainty in the assessment due to the fact that: (i) they are particularly sensitive to the changes from one period to another, since the assumptions about the future level of non-execution of obligations and the estimation of potential losses associated with the impairment of credits and advances are based on the latest performance of the Bank, as well as (ii) any significant difference between the expected losses of the Bank (reflected in the reserves) and the actual losses will require from the Bank to create the reserves that, if there is great difference, they could materially affect its Statement of Income and Losses (the Statement of Financial Results) and the Statement of Financial Position (the Balance Sheet) in a future period.

The Bank uses the professional judgment of the management when assessing the amount of any impairment loss in cases where the borrower faces the financial difficulties and there are few available sources of the historical information related to the similar borrowers. Similarly, the Bank assesses the changes in future money flows based on the past performance, past clients' behavior, the observable information indicating a negative change in the solvency of the borrowers within a group, as well as a national or a local economic situation that is related with the non-execution of the obligations on the assets in the group. The management uses the valuations based on the historical experience for the impairment losses for the assets with the credit risk characteristics and the objective evidence of impairment which are similar to a group of similar credits. The Bank's management uses the professional judgments to adjust the observable information for a group of credits to reflect the current circumstances which are not reflected in the historical data.

The amount of reserves for impairment losses on the financial assets in the financial reports was determined based on the existing economic and political conditions. The Bank is not able to predict what changes in the economic and political situation will take place in Ukraine and what impact these changes may have on the adequacy of the reserves for the impairment losses on future financial assets.

**Deferred tax assets** are recognized for all the temporary differences which relate to the tax expense, to the extent that there is a probability to obtain taxable profit, at which expense it will be possible to realize these temporary differences that are attributable to the expenses for the taxation purposes. The probability rating is based on the management's forecasts for the future taxable profits and supplemented by the subjective judgments of the Bank's management. Based on the valuations made as a result of Year 2017, taking into account the plans for the subsequent development, the Bank recognized the deferred tax assets to the extent that the expected tax revenue in future periods is expected.

**Continuity of the activity** – these financial statements were prepared based on the assumption that the Bank is capable of continuing its activities on an ongoing basis in the nearest future.

**Reserves to cover the losses from financial guarantees and other conditional liabilities** are estimated in compliance with IAS 37 Reserves, Contingent Liabilities and Contingent Assets, which require the use of assessment and judgment of the management.

**Tax legislation.** Due to the existence of provisions in the Ukrainian economic and, in particular, tax legislation, which allow more than one version of interpretation, as well as due to the practice of generally unstable economic environment due to the arbitrary interpretation of various aspects of economic activities by the tax authorities, the Bank may be compelled to admit the additional tax liabilities, fines and penalties in

case if the tax authorities question a certain interpretation based on the judgment of the management of the Bank. The tax records remain open for review for the tax authorities for three years.

**Fair value of real property** – the property occupied by the Bank undergoes a regular assessment to determine the revaluation. Such a revaluation is based on valuation results by an independent valuation company that used the professional judgments and estimates for the purpose to define the analogues of the buildings, the operation term of the assets, and the rates of capitalization of the income.

**Fair value of mortgaged property.** In determining the value of mortgaged property the estimated value was used based on the professional opinion of the evaluation specialists. The valuation of the fair value of the mortgaged property requires the formation of judgments and the application of assumptions about the comparability of the property objects and other factors. Based on the foregoing, the reserve for the impairment of credits may be affected by the application of the appraised value of the mortgaged property. When creating the reserves for the impairment losses, the Bank calculated the present value of the pre-estimated future money flows from collateralised loans that could be the result of deprivation of the debtor's right to repurchase the property he pledged, taking into account the liquidity of the collateral, less the cost of maintaining and disposing of the collateral, regardless the probability of depriving the debtor of the right concerning the redemption of his property. The types of collateral taken into account for the calculation of the future money flows on a loan are determined by the Bank taking into account the requirements of the ‘International Convergence of Capital Measurement and Capital Standards (Basel II)’.

**Initial recognition of related party transactions.** In the normal course of business, the Bank carries out the transactions with the related parties. IAS 39 requires accounting for the financial instruments at the initial recognition at a fair value. In the absence of an active market for such transactions, the professional judgments are used to determine whether such transactions are carried out at the market or the non-market prices and rates. The reason for such judgments is the pricing of the similar financial instruments and transactions with them, including the analysis of effective rate and parameters of the concluded transactions.

#### **Note 5. Adoption of New and Reviewed Standards**

A number of new standards and interpretations which are mandatory for the annual periods beginning on or after January 1, 2018 are published and that the Bank has not yet adopted beforehand:

**IFRS 9 ‘Financial Instruments’ (as amended in July 2014, effective for the annual periods beginning on or after January 1, 2018).**

The main distinguishing features of the new standard are as follows:

- The Bank should classify the financial assets in three categories of valuation: measured at the amortized cost, measured at the fair value through other comprehensive income, and measured at the fair value through profit or loss.

- The classification of the debt instruments depends on the business model of management of the financial assets of the Bank and the characteristics of the contractual money flows. If a debt instrument is held to receive funds, it is accounted for at the amortized cost, if it also meets the requirement to pay only the principal amount and the interests. The debt instruments, which meet the requirement to pay the exclusively principal sum and the interests, if they are retained on the balance sheet both for money flows from the assets and for sale of those assets, can be classified as at fair value through other comprehensive income. The financial assets which do not include the money flows which meet the requirement to pay exclusively the principal sum and the interests should be valued at a fair value through profit or loss (for example, the derivatives). The built-in derivatives are not separated from the financial assets, but are included in their composition when assessing the compliance with the condition of payment of exclusively the principal sum and the interests.

- The investments in the capital instruments are always estimated at a fair value. At the same time, the management may take a decision that is not subject to change about changes to the report in a fair value as a part of other comprehensive income if the instrument is not intended for sale. If the capital instrument belongs to the category ‘for sale’, the changes in a fair value are presented in the income and losses statement.

- Most of the requirements of IAS 39 and related to the classification and valuation of financial liabilities were transferred to IFRS 9 unchanged. The main difference is the requirement to disclose the effect of changes of the own credit risk of the financial liabilities classified at fair value through profit or loss as part of other comprehensive income.

- IFRS 9 introduces a new model to recognize the impairment losses: the model for the expected credit losses. The model provides an approach based on the change in the credit quality of financial assets since their initial recognition. In practice, these new rules mean the accounting at the same time as recognizing the asset's expected credit exposure over the next 12 months. In case of a significant increase in the credit risk, the impairment loss is recognized using the expected credit losses over the term of activity of the financial instrument. The model provides the operational simplifications for lease and trade receivables.

The following table shows the reconciliation of the balance sheet value of financial assets under the previous valuation categories in accordance with IFRS (IAS) 39 with their new assessment categories adopted when transitioning to IFRS 9 as of January 1, 2018:



	Name of article	Balance sheet value in accordance with IAS 39 (balance at the end of the period, Dec. 31, 2017):	Reserve in accordance with IAS 39 (balance at the end of the period, Dec. 31, 2017):	Balance sheet value in accordance with IAS 39 (balance at the beginning of the period, Jan. 1, 2018):	Reserve in accordance with IAS 39 (balance at the beginning of the period, Jan. 1, 2018):	Effect of the transition
<b>Monetary funds at other banks</b>	<b>Funds at other banks</b>	100 228	(110)	100 228	(1 758)	(1 648)
<b>Credits and the clients' debts</b>	Credits given to natural persons	3 245	(276)	3 245	(54)	222
	Credits given to legal entities	676 321	(24 047)	676 321	(17 875)	6 172
	<b>Total</b>	<b>679 566</b>	<b>(24 323)</b>	<b>679 566</b>	<b>(17 929)</b>	<b>6 394</b>
<b>Other financial assets</b>	Other financial assets	249	(5)	249	(14)	(9)
	Monetary funds with the limited right of use	11 432	(12)	11 432	(421)	(409)
	<b>Total</b>	<b>11 681</b>	<b>(17)</b>	<b>11 681</b>	<b>(435)</b>	<b>(418)</b>
<b>Financial assets</b>	<b>Total</b>	<b>791 475</b>	<b>(24 450)</b>	<b>791 475</b>	<b>(20 122)</b>	<b>4 328</b>
<b>Reserves under the liabilities</b>	Crediting liabilities	109 180	-	109 180	(4 904)	(4 904)
	Issued guarantees	237	-	237	(57)	(57)
	<b>Total</b>	<b>109 417</b>	<b>-</b>	<b>109 417</b>	<b>(4 961)</b>	<b>(4 961)</b>
<b>Total:</b>			<b>(24 450)</b>		<b>(25 083)</b>	<b>(633)</b>

According to the analysis of the financial assets and financial liabilities of the Bank as of December 31, 2017 and based on the facts and the circumstances existing on the specified date, the Bank's management expects that adoption of the new standard from January 1, 2018 will not have a big effect on the Bank's financial reports.

**IFRS 15 'Revenue from Contracts with Buyers' (issued on May 28, 2014 and becomes valid for the periods beginning on or after January 1, 2018).**

The new standard implements a key principle according to which the revenue shall be recognized when the goods or the services are passed to the buyer at the price of the agreements. Any individual batches of goods or services shall be recognized separately, and all the discounts and the retrospective discounts from the contract price, as a rule, are allocated to the individual items. If the size of the reimbursement is changed for any reason, the minimum amounts shall be recognized if they are not prone to a significant reversal risk. The expenses related to the provision of the contracts with the buyers shall be capitalized and depreciated over the period during which the consumption of the benefits of the contract takes place. According to the Bank's assessment, the application of IFRS 15 will have no effect on its activities.

**IFRS 16 'Lease' (issued on January 13, 2016 and becomes valid for the periods beginning on or after January 1, 2019).**

The new standard establishes the principles to recognize, evaluate, present and disclose information about the lease. All the lease agreements result in the lessee receiving the right to use the asset from the moment of commencement of the agreement till it expires, as well as to obtain the financing if lease payments are made during a period of time. Accordingly, IFRS 16 abolishes the classification of lease as operating or financial one, as provided for by IAS 17, and instead of it implements a single lease accounting model for the leaseholders. The lessees will have to

recognize: (a) the assets and the liabilities with respect to all lease agreements with a validity period of more than 12 months, except in cases when the value of the object of lease is insignificant; and (b) the depreciation of the leased assets separately from the interests on the lease in the statement of income and losses. With respect to the leasing to a lessor, IFRS 16, in essence, retains the accounting requirements provided for in IAS 17. Thus, the lessor continues to classify the lease contracts as operating or financial leases and, accordingly, reflects them differently in reporting. The Bank is currently assessing how this new standard will affect the financial reports.

***The clarification of IFRIC 22 ‘Foreign Currency Transactions and Prepayment’ (issued on December 8, 2016 and becomes valid for the annual periods, beginning on or after January 1, 2018).***

The clarification will regulate the issue of determining the date of a transaction when applying the IAS 21 accounting standard for the foreign currency transactions. This clarification applies in cases where an entity pays or receives a reimbursement as a prepayment according to the foreign currency contracts. The clarification states that the date of the transaction is the date on which the entity first recognizes a non-monetary asset or a non-monetary obligation arising as a result of the payment or receipt of the prepayment. In case of several transactions making or receiving prepayments the clarification requires from the organization to determine the transaction date for each payment or prepayment. The Bank is currently assessing how the clarification will affect its financial statements.

***The clarification IFRIC 23 ‘Uncertainty when Recording the Income Tax’ (issued on June 7, 2017 and becomes valid for the annual periods, beginning on or after January 1, 2019).***

IAS 12 contains a guide for accounting for a current and a deferred tax, but does not provide the guidance on how to reflect the effects of uncertainty. The clarification explains how to apply the recognition and the measurement requirements in IAS 12 in case of uncertainty in the recording of the income tax. The organization shall decide whether to consider each case of uncertainty of the tax accounting separately or jointly with one or more other uncertainties, depending on which approach allows the best way to predict the tolerance of the uncertainty. The organization should proceed from the assumption that the tax authorities will check the amounts they are entitled to check, and they will have a full knowledge of the relevant information when carrying out the verification. If the organization comes to the conclusion that the tax authorities are unlikely to decide on a specific issue for which there is uncertainty in the tax reporting, the effects of uncertainty will be reflected in determining the appropriate taxable profit or loss, tax bases, unused tax losses, unused tax benefits or tax rates through the use of the most probable value or the expected value, depending on which method the organization considers the most appropriate tolerance to predict the uncertainty. The organization will reflect the effect of changing facts and circumstances or the emergence of new information that affects the judgments or estimates that need to be clarified as a change in the accounting estimates. The examples of changes in facts and circumstances or new information which can lead to a review of the judgment or the assessment are not limited to examination or action of the tax authorities, changes in the rules established by the tax authorities or expiration of the tax authorities' right to check or re-check the specific issue of recording of the income tax. The lack of agreement or disagreement between the tax authorities with a separate decision on a specific tax recording, in the absence of other facts, will most likely not constitute a change in facts and circumstances or new information that affects the judgments and the valuation meanings in accordance with the explanation. The Bank is currently assessing how the clarification will affect its financial statements.

It is expected that the adoption of the following other new accounting regulations will have no significant effect on the Bank:

- The amendments to IFRS 15 ‘Revenue from the Contracts with the Buyers’ (issued on April 12, 2016 and become valid for the annual periods, beginning on or after January 1, 2018).
- The amendments to IFRS 2 ‘Payment Based on the Shares’ (issued on June 20, 2016 and become valid for the annual periods, beginning on or after January 1, 2018).
- ‘Transfers of the Investment Real Property from One Category to Another’- The amendments to IAS 40 (issued on December 8, 2016 and become valid for the annual periods, beginning on or after January 1, 2018).
- Annual improvements to the International Financial Reporting Standards, 2014-2016 - The amendments to IFRS 1 and IAS 28 (issued on December 8, 2016 and become valid for the annual periods, beginning on or after January 1, 2018).

**Note 6. Monetary Funds and Their Equivalents**

**Table 6.1. Monetary Funds and Their Equivalents**

(thousand UAH)

Line	Name of article	Year 2017	Year 2016
1	Cash	44 357	29 891
2	Monetary funds at the National Bank of Ukraine (except for the mandatory reserves)	19 551	58 597
3	Correspondent accounts, deposits and overnight loans at the banks of:	-	-
3.1	Ukraine	-	-
3.2	Other countries	-	-
<b>4</b>	<b>Total monetary funds and their equivalents</b>	<b>63 908</b>	<b>88 488</b>

The data on monetary funds and their equivalents are specified in the Statement of Financial Position (the Balance Sheet) in Line 1.

For 2017 and 2016, the balance of the Bank's monetary funds on correspondent accounts at other banks is specified in the Note 8, Line 2.

**Note 7. Financial Assets Accounted for at Fair Value through Profit or Loss.**

**Table 7.1. Financial Assets Accounted for at Fair Value through Profit or Loss.**

(thousand UAH)			
Line	Name of article	Year 2017	Year 2016
1	Shares of the enterprises	14 899	14 899
1.1	Revaluation / (subtraction) of the shares	(14 899)	(14 899)
<b>2</b>	<b>Total financial assets accounted for at fair value through profit or loss.</b>	<b>-</b>	<b>-</b>

The data on financial assets accounted for at fair value through profit or loss are specified in the Statement of Financial Position (the Balance Sheet) in Line 3.

As of December 31, 2017 and as of December 31, 2016, all the existing shares of the enterprises do not have quotes. The NCSSMM Decisions stopped trading in securities on any stock exchange by three issuers whose shares are accounted for at fair value through profit or loss.

**Note 8. Monetary Funds at Other Banks**

**Table 8.1. Monetary Funds at Other Banks**

(thousand UAH)			
Line	Name of article	Year 2017	Year 2016
1	Credits granted to other banks:	-	-
1.1	short term	-	-
1.2	long term	-	-
2	Correspondent accounts at the banks of:	100 228	779 561
2.1	Ukraine	99 777	724 131
2.1	Other countries	451	55 430
3	Reserve for the impairment of monetary funds at other banks	(110)	(5 425)
<b>4</b>	<b>Total funds at the banks minus reserves</b>	<b>100 118</b>	<b>774 136</b>

The data about monetary funds at other banks are specified in the Statement of Financial Position (the Balance Sheet) in Line 4.

For 2017 and 2016, all the Bank balances held on the correspondent accounts at other Ukrainian banks were placed in the counterparty banks that were not bankrupt or liquidated, in which no provisional administration was introduced and which were not located in the offshore areas.

All the other Bank balances held on correspondent accounts at the banks of other countries are located in the counterparty banks, the risk of which was determined taking into account the risk of the counterparty's country.

Line 3, 'Reserve for the impairment of monetary funds' at other banks, reflects the reserves for the correspondent accounts, based on the country risk of the counterparty's rating determined by the authorized rating agency.

The debts of other banks are unsecured.

**Table 8.2. Analysis of Credit Quality of Funds at Other Banks in 2017**

(thousand UAH)				
Line	Name of article	Credits	Correspondent accounts at the banks	Total
1	Overdue and impaired:	-	100 228	100 228
1.1	at 20 largest banks	-	99 764	99 764
1.2	at other banks of Ukraine	-	13	13
1.3	other countries	-	451	451
2	Impaired funds valued on an individual basis	-	-	-
3	Monetary funds at other banks before deducting of reserves	-	100 228	100 228
4	Reserve for impairment of monetary funds at other banks	-	(110)	(110)
<b>5</b>	<b>Total funds at other banks minus reserves</b>	<b>-</b>	<b>100 118</b>	<b>100 118</b>

The analysis of debts of the other banks in terms of credit quality as of December 31, 2016 is shown below.

**Table 8.3. Analysis of Credit Quality of Funds at Other Banks for 2016**

(thousand UAH)

Line	Name of article	Credits	Correspondent accounts at the banks	Total
1	Overdue and impaired:	-	779 561	779 561
1.1	at 20 largest banks	-	724 115	724 115
1.2	at other banks of Ukraine	-	16	16
1.3	other countries	-	55 430	55 430
2	Impaired funds valued on an individual basis	-	-	-
3	Monetary funds at other banks before deducting of reserves	-	779 561	779 561
4	Reserve for impairment of monetary funds at other banks	-	(5 425)	(5 425)
<b>5</b>	<b>Total funds at other banks minus reserves</b>	<b>-</b>	<b>774 136</b>	<b>774 136</b>

Table 8.4. Analysis of Changes of Reserves for the Impairment of Funds at Other Banks

		(thousand UAH)	
Line	Flow of reserves	Year 2017	Year 2016
1	Reserve for impairment at the beginning of the period	5 425	958
2	Increase / (decrease) of reserve for impairment during the period	(5 028)	4 176
3	Impact of conversion into the reporting currency	(287)	291
<b>4</b>	<b>Reserve for impairment at the end of the period</b>	<b>110</b>	<b>5 425</b>

## Note 9. Credits and the Clients' Debts

Table 9.1. Credits and the Clients' Debts

		(thousand UAH)	
Line	Name of article	Year 2017	Year 2016
1	Credits granted to the state and the local self-government authorities	-	-
2	Credits granted to legal entities	676 321	154 012
3	Mortgage loans of the natural persons	10	34
4	Credits granted to natural persons for the current needs	3 235	4 197
5	Reserve for the credit impairment	(24 323)	(25 000)
<b>6</b>	<b>Total credits minus reserves</b>	<b>655 243</b>	<b>133 243</b>

The data about credits and the clients' debts are specified in the Statement of Financial Position (the Balance Sheet) in Line 5.

There are no debts of the clients for the credits under the repo transactions as of 31.12.2017 and 31.12.2016.

During 2016, the non-monetary settlements were made for the investment activities and for the credits and debts of the clients in the past periods, which were found to be uncollectible. The specified non-monetary payments are excluded from the Statement of Cash Flow and are as follows:

Name of article	Notes	For 2017	For 2016
Interest income that was repaid by collateral security		-	765
Credits and the debts of the clients that were repaid by collateral security		-	1 935
Cost of property acquired as a result of forfeiture of collateral security		-	(2 700)

Table 9.2. Analysis of Changes in Reserves for Credit Arrears for 2017

		(thousand UAH)			
Line	Flow of reserves	Credits granted to legal entities	Mortgage loans of natural persons	Credits granted to natural persons for the current needs	Total
1	Balance at the beginning of the period	24 504	3	493	25 000
2	Increase / (decrease) of the reserve for	158	(2)	(99)	57

	impairment during the period *				
3	Writing-off of the bad debts at the expense of the reserve	-	-	(119)	(119)
4	Impact of the conversion into the reporting currency	(615)	-	-	(615)
<b>5</b>	<b>Balance at the end of the period</b>	<b>24 047</b>	<b>1</b>	<b>275</b>	<b>24 323</b>

\* The amount of the credit impairment reserve, shown in the Table 9.2 of Note 9, differs from the reserve amount stated in the Statement of Income and Losses and Other Comprehensive Income in Line 2 by the amount of UAH 11 thousand at the expense of a client's partial repayment of the previously written-off bad debts due to a special reserve.

**Table 9.3. Analysis of Changes in Reserves for Credit Arrears for 2016**

(thousand UAH)

Line	Flow of reserves	Credits granted to legal entities	Mortgage loans of natural persons	Credits granted to natural persons for the current needs	Total
1	Balance at the beginning of the period	55 948	6	697	56 651
2	Increase / (decrease) of the reserve for impairment during the period **	(31 756)	(3)	(204)	(31 963)
3	Writing-off of the bad debts at the expense of the reserve	(525)	-	-	(525)
4	Impact of the conversion into the reporting currency	837	-	-	837
<b>4</b>	<b>Balance at the end of the period</b>	<b>24 504</b>	<b>3</b>	<b>493</b>	<b>25 000</b>

\*\* The amount of the credit impairment reserve, shown in the Table 9.3 of Note 9, differs from the reserve amount stated in the Statement of Income and Losses and Other Comprehensive Income in Line 2 for the amount of UAH 365 thousand at the expense of a client's partial repayment of the previously written-off bad debts due to a special reserve.

**Table 9.4. Structure of Credits by Types of Economic Activity**

(thousand UAH)

Line	Type of economic activity	Year 2017		Year 2016	
		Sum	%	Sum	%
1	Production	462 133	68%	47 768	30%
2	Trading; repair of cars, household products and personal items	108 091	16%	58 620	37%
3	Agriculture, hunting, forestry	98 029	14,5%	47 624	30%
4	Construction	-	-	-	-
5	Natural persons	3 245	0,5%	4 231	3%
6	Other	8 068	1%	-	-
<b>7</b>	<b>Total credits and arrears of the clients without reserves</b>	<b>679 566</b>	<b>100%</b>	<b>158 243</b>	<b>100%</b>

**Table 9.5. Information about Credits by Type of Collateral for 2017**

(thousand UAH)

Line	Name of article	Credits granted to legal entities	Mortgage loans of natural persons	Credits granted to natural persons for the current needs	Total
1	Unsecured credits	24 521	-	2 784	23 651
2	Credits secured by:	651 800	10	451	134 592
2.1	monetary funds	447 476	-	-	17 802
2.2	securities	-	-	-	-
2.3	real estate	50 278	10	136	24 611
2.3.1	incl. of residential destination	292	10	136	687
2.4	warranties and sureties	-	-	236	146

2.5	motor vehicles	8 276	-	79	6 337
2.6	equipment	58 109	-	-	50 719
2.7	goods in circulation or in processing	23 810	-	-	12 204
2.8	vehicles (except for cars)	62 401	-	-	22 588
2.9	Property rights to money proceeds from the contracts	1 450	-	-	185
2.10	Other assets	-	-	-	-
<b>3</b>	<b>Total credits and arrears of the clients without reserves</b>	<b>676 321</b>	<b>10</b>	<b>3 235</b>	<b>679 566</b>

The balance sheet amount of the credits is distributed in pro rata to the value of the assets taken to secure the credit.

**Table 9.6. Information about Credits by Type of Collateral for 2016**

(thousand UAH)

Line	Name of article	Credits granted to legal entities	Mortgage loans of natural persons	Credits granted to natural persons for the current needs	Total
1	Unsecured credits	19 988	-	3 663	23 651
2	Credits secured by:	134 024	34	534	134 592
2.1	monetary funds	17 802	-	-	17 802
2.2	securities	-	-	-	-
2.3	real estate	24 399	34	178	24 611
2.3.1	incl. of residential destination	475	34	178	687
2.4	warranties and sureties	-	-	146	146
2.5	motor vehicles	6 127	-	210	6 337
2.6	equipment	50 719	-	-	50 719
2.7	goods in circulation or in processing	12 204	-	-	12 204
2.8	vehicles (except for cars)	22 588	-	-	22 588
2.9	Property rights to money proceeds from the contracts	185	-	-	185
2.10	Other assets	-	-	-	-
<b>3</b>	<b>Total credits and arrears of the clients without reserves</b>	<b>154 012</b>	<b>34</b>	<b>4 197</b>	<b>158 243</b>

**Table 9.7. Analysis of Credit Quality of the Credits for 2017**

(thousand UAH)

Line	Name of article	Credits granted to legal entities	Mortgage loans of natural persons	Credits granted to natural persons for the current needs	Total
<b>1 Not overdue and not impaired:</b>					
1.1	credits for small companies	-	-	-	-
1.2	other credits to the natural persons	-	-	-	-
<b>2 Impaired credits which are valued on an individual basis:</b>					
2.1	with a payment delay of up to 31 days	14 446	-	-	14 446
2.2	with a payment delay from 32 to 92 days	-	-	12	12
2.3	with a payment delay from 93 to 183 days	-	-	11	11

2.4 with a payment delay from 184 to 365 (366) days	3	-	15	18
2.5 with a payment delay more than 366 (367) days	813	-	-	813
2.6 Other credits (without payment delay)	6 337	-	-	6 337
<b>3 Depreciated credits which are valued on a group basis, overdue</b>	<b>654 722</b>	<b>10</b>	<b>3 161</b>	<b>657 893</b>
<b>4 Depreciated credits which are valued on a group basis, not overdue:</b>	<b>-</b>	<b>-</b>	<b>36</b>	<b>36</b>
4.1 with a payment delay to 31 days	-	-	36	36
<b>5 Total amount of credits before deducting the reserves</b>	<b>676 321</b>	<b>10</b>	<b>3 235</b>	<b>679 566</b>
6 Reserve for the impairment of credits	(24 047)	(1)	(275)	(24 323)
<b>7 Total credits minus reserves</b>	<b>652 274</b>	<b>9</b>	<b>2 960</b>	<b>655 243</b>

Table 9.8. Analysis of Credit Quality of the Credits for 2016

(thousand UAH)					
Line	Name of article	Credits granted to legal entities	Mortgage loans of natural persons	Credits granted to natural persons for the current needs	Total
<b>1 Not overdue and not impaired:</b>		-	-	-	-
1.1 credits for small companies		-	-	-	-
1.2 other credits to the natural persons		-	-	-	-
<b>2 Impaired credits which are valued on an individual basis:</b>		<b>154 012</b>	<b>34</b>	<b>4 197</b>	<b>158 243</b>
2.1 with a payment delay of up to 31 days		-	-	-	-
2.2 with a payment delay from 32 to 92 days		-	-	62	62
2.3 with a payment delay from 93 to 183 days		19 988	-	19	20 007
2.4 with a payment delay from 184 to 365 (366) days		911	-	52	963
2.5 with a payment delay more than 366 (367) days		758	-	34	792
2.6 Other credits (without payment delay)		132 355	34	4 030	136 419
<b>3 Depreciated credits which are valued on a group basis, overdue</b>		<b>154 012</b>	<b>34</b>	<b>4 197</b>	<b>158 243</b>
<b>4 Depreciated credits which are valued on a group basis, not overdue:</b>		<b>(24 504)</b>	<b>(3)</b>	<b>(493)</b>	<b>(25 000)</b>
<b>5 with a payment delay to 31 days</b>		<b>129 508</b>	<b>31</b>	<b>3 704</b>	<b>133 243</b>
<b>Total amount of credits before deducting the reserves</b>					
Reserve for the impairment of credits					
<b>Total credits minus reserves</b>					

Table 9.9 Impact of Collateral Value on Credit Quality for 2017

(thousand UAH)				
Line	Name of article	Balance sheet value	Value of the collateral	Impact of the collateral
1	Credits granted to the legal entities	676 321	916 773	(240 452)
2	Mortgage loans of natural persons	10	362	(352)
3	Credits granted to natural persons for the current needs	3 235	1 332	1 903

<b>4 Total of the credits</b>	<b>679 566</b>	<b>918 467</b>	<b>(238 901)</b>
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The financial impact of the collateral is presented by separately disclosing its value for the assets, the collateral of which and other measures to improve the quality of the credit are equal to or exceed its balance sheet value. The amount of assets, the collateral of which and other measures to improve the quality of the credit are lower than its balance sheet value (the assets with the insecure collateral) as of December 31, 2017 is UAH 27,305 thousand.

The accounting of the security is carried out at a fair value. The Bank recognizes at a fair value the cost at which it assesses the collateral at the time of its' consent given.

The collateral is accounted for at a price that, in the estimation of the appraiser, can be exchanged between knowledgeable, interested and independent parties, minus the costs of conducting such a transaction.

The accounting of the collateral is carried out at a fair value, which is determined by the Bank as a collateral, taking into account the pricing trends in the relevant property markets, moral and physical depreciation of the proposed collateral object.

During the reporting period PJSC "MOTOR-BANK" received the mortgaged property for the amount of UAH 6,245 thousand. The movable property was redeemed on the balance sheet of the Bank in accordance with the agreement on satisfaction of requirements of the mortgagee for the repayment of the overdue credit debt. The balance sheet value of the acquired property was determined based an estimation determined by an independent entity of valuation activities.

**Table 9.10. Impact of Collateral Value on Credit Quality for 2016**

(thousand UAH)				
Line	Name of article	Balance sheet value	Value of the collateral	Impact of the collateral
1	Credits granted to the legal entities	154 012	425 524	(271 512)
2	Mortgage loans of natural persons	34	362	(328)
3	Credits granted to natural persons for the current needs	4 197	1 918	2 279
<b>4</b>	<b>Total of the credits</b>	<b>158 243</b>	<b>427 804</b>	<b>(269 561)</b>

The amount of assets, the collateral of which and other measures to improve the quality of the credit are lower than its balance sheet value (the assets with the insecure collateral) as of December 31, 2016 is 23 651 thousand UAH.

**Note 10. Securities in the Bank's Portfolio for Sale**

**Table 10.1. Analysis of Changes in Reserve for Impairment of Securities in Bank's Portfolio for Sale in 2016**

(thousand UAH)				
Line	Flow of reserves	Bonds of the banks	Bonds of the enterprises	Total
1	Balance as of the beginning of the period	-	258	258
2	Increase / (decrease) of the reserve for impairment during the period	-	(258)	(258)
<b>3</b>	<b>Balance at the end of the period</b>	<b>-</b>	<b>-</b>	<b>-</b>

The data on changes in the reserve for impairment of the securities in the Bank's portfolio for sale in 2016 are specified in the Statement of Income and Losses and Other Comprehensive Income in Line 10.

**Note 11. Securities in the Bank's Portfolio to Maturity**

**Table 11.1. Securities in the Bank's Portfolio to Maturity**

(thousand UAH)				
Line	Name of article	Year 2017	Year 2016	
1	Deposit certificates of the National Bank of Ukraine, placed in the Ukrainian banks, recorded at the amortized cost	440 508	130 197	
2	Reserve for impairment of securities in the portfolio of the Bank to maturity	-	-	
<b>3</b>	<b>Total securities in the portfolio of the Bank to maturity minus reserves</b>	<b>440 508</b>	<b>130 197</b>	

The data on the securities in the bank's portfolio to maturity are specified in the Statement of Financial Position (the Balance Sheet) in Line 6.

**Table 11.2. Analysis of the Credit Quality of Debt Securities in the Bank's Portfolio to Maturity in 2017**

(thousand UAH)				
Line	Name of article	Deposit certificates	Total	



1	Debt securities not overdue and not impaired:	440 508	440 508
1.1	Deposit certificates of the National Bank of Ukraine, placed in the Ukrainian banks, recorded at the amortized cost	440 508	440 508
2	Reserve for the impairment of securities in the bank's portfolio to maturity	-	-
<b>3</b>	<b>Total of the debt securities in the portfolio of the Bank to maturity minus reserves</b>	<b>440 508</b>	<b>440 508</b>

**Table 11.3. Analysis of the Credit Quality of Debt Securities in the Bank's Portfolio to Maturity in 2016**

(thousand UAH)

Line	Name of article	Deposit certificates	Total
1	Debt securities not overdue and not impaired:	130 197	130 197
1.1	Deposit certificates of the National Bank of Ukraine, placed in the Ukrainian banks, recorded at the amortized cost	130 197	130 197
2	Reserve for the impairment of securities in the bank's portfolio to maturity	-	-
<b>3</b>	<b>Total of the debt securities in the portfolio of the Bank to maturity minus reserves</b>	<b>130 197</b>	<b>130 197</b>

**Note 12. Investment Real Property****Table 12.1. Investment Real Property, Estimated by the Cost Method in 2017**

(thousand UAH)

Line	Name of article	Land	Buildings	Part of a building	Land and a building	Total
<b>1</b>	<b>Balance at the beginning of the period (the end of the day December 31, 2016)</b>	-	-	<b>1 726</b>	-	<b>1 726</b>
1.1	Initial cost	-	-	2 880	-	2 880
1.2	Wear and tear	-	-	(83)	-	(83)
1.3	Depreciation	-	-	(1 071)	-	(1 071)
2	Recognition in the balance sheet of the investment real property	-	-	-	-	-
3	Transfer from the category of the non-current assets to the sale	-	-	-	-	-
4	Depreciation	-	-	(31)	-	(31)
5	Impairment	-	-	-	-	-
6	Transfer from Capital Investment category to the Investment Real Property	-	-	-	-	-
7	Revenue as the result of business association	-	-	-	-	-
8	Transfer to non-current assets held for sale and disposal assets	-	-	(1 645)	-	(1 645)
8.1	Initial cost	-	-	(2 821)	-	(2 821)
8.2	Wear and tear	-	-	1 176	-	1 176
9	Disposal	-	-	-	-	-
9.1	Initial cost	-	-	-	-	-
9.2	Wear and tear	-	-	-	-	-
10	Transfer to the buildings category occupied by the owner	-	-	-	-	-
11	Transfer from the buildings category occupied by the owner	-	-	-	-	-
12	Other changes	-	-	-	-	-
13	Impact of the conversion into the reporting currency	-	-	-	-	-
<b>14</b>	<b>Balance at the end of the period (end of day December 31, 2017)</b>	-	-	<b>50</b>	-	<b>50</b>
14.1	Initial cost	-	-	59	-	59
14.2	Wear and tear	-	-	(9)	-	(9)

The data about the investment real property are specified in the Statement of Financial Position (the Balance Sheet) in Line 7.

At the end of the day on December 31, 2017, the investment real property included the premises held by the Bank for the purpose of obtaining rental income.

The information on the operating lease income is given in the table 12.3, Line 1.

Table 12.2. Investment Real Property, Estimated by the Cost Method in 2016

		(thousand UAH)		
Line	Name of article	Buildings	Part of a building	Total
<b>1</b>	<b>Balance at the beginning of the period (end of day December 31, 2015)</b>	-	55	55
1.1	Initial cost	-	59	59
1.2	Wear and tear	-	(4)	(4)
2	Recognition in the balance sheet of the investment property	112	2 704	2 816
3	Transfer from the category of the non-current assets to sale	-	2 395	2 395
4	Depreciation	(1)	(155)	(156)
5	Impairment	-	(1 071)	(1 071)
8	Transfer to non-current assets held for sale and disposal assets	(111)	-	(111)
8.1	Initial cost	(112)	-	(112)
8.2	Wear and tear	1	-	1
9	Disposal	-	(2 202)	(2 202)
9.1	Initial cost	-	(2 278)	(2 278)
9.2	Wear and tear	-	76	76
<b>14</b>	<b>Balance at the end of the period (end of the day December 31, 2016)</b>	-	1 726	1 726
14.1	Initial cost	-	2 880	2 880
14.2	Wear and tear	-	(83)	(83)
14.3	Impairment	-	(1 071)	(1 071)

At the end of the day on December 31, 2016, the investment property included the premises held by the Bank for the purpose of obtaining rental income and the real estate objects that the Bank acquired by virtue of exercising its the rights of the mortgagee, according to which the intention of further use was not clearly determined.

In November 2016, the Bank stopped recognizing one investment property in the balance sheet at the time of its retirement as a result of its sale, and in December 2016 it recognized the impairment loss based on a professional rating.

Table 12.3. Amounts recognized in the Statement of Income and Losses and Other Comprehensive Income

		(тис. грн.)	
Line	Amounts of income and expenses	Year 2017	Year 2016
1	Income from the lease of the investment real property	12	11
<b>2</b>	<b>Total income</b>	<b>12</b>	<b>11</b>

Table 12.4. Information on the Minimum Amounts of Future Lease Payments for Non-Repayable Operating Leases, if the Bank is a Lessor

		(thousand UAH)	
Line	Operating lease effective period	Year 2017	Year 2016
1	Up to 1 year	13	12
<b>2</b>	<b>Total payments subject to the operating lease</b>	<b>13</b>	<b>12</b>

## Note 13. Fixed and Intangible Assets

Table 13.1. Fixed and Intangible Assets

		(thousand UAH)							
Name of article	Buildings, structures and transmission equipment	Machinery and equipment	Vehicles	Instruments, equipment, inventory (furniture)	Other fixed assets	Other non-current tangible assets	Incomplete capital investments in fixed assets and intangible assets	Intangible assets	Total
<b>Balance sheet value at the beginning of 2016:</b>	<b>24 187</b>	<b>2 804</b>	<b>1 438</b>	<b>1 077</b>	<b>685</b>	<b>123</b>	<b>602</b>	<b>190</b>	<b>31 106</b>

Initial (overvalued) cost	26 480	6 721	3 152	2 035	1 343	1 398	602	480	42 211
Wear and tear at the beginning of 2016	(2 293)	(3 917)	(1 714)	(958)	(658)	(1 275)	0	(290)	(11 105)
Revenue	4 043	831	5 329	45	-	132	11 376	857	22 613
Capital investments for the completion of fixed assets and the improvement of intangible assets	25	310	-	-	-	-	-	8	343
Other transfers	-	-	-	-	-	-	(11 584)	-	(11 584)
Disposal	-	-	-	-	-	-	-	-	-
Initial cost	-	-	-	-	-	-	-	(261)	(261)
Wear and tear	-	-	-	-	-	-	-	261	261
Depreciation deductions	(785)	(1 317)	(1 316)	(310)	(301)	(239)	-	(328)	(4 596)
<b>Balance sheet value at the end of 2016:</b>	<b>27 470</b>	<b>2 628</b>	<b>5 451</b>	<b>812</b>	<b>384</b>	<b>16</b>	<b>394</b>	<b>727</b>	<b>37 882</b>
Initial (overvalued) cost	30 548	7 862	8 481	2 080	1 343	1 530	394	1 084	53 322
Wear and tear at the beginning of 2017	(3 078)	(5 234)	(3 030)	(1 268)	(959)	(1 514)	-	(357)	(15 440)
Revenue	-	2 616	2 384	370	59	900	12 148	970	19 447
Capital investments for the completion of fixed assets and the improvement of intangible assets	108	56	33	101	-	-	-	5	303
Transfer to non-current assets held for sale, and assets of disposal group:	(3 962)	-	-	-	-	-	-	-	(3 962)
Initial cost	(4 070)	-	-	-	-	-	-	-	(4 070)
Depreciation deductions	108	-	-	-	-	-	-	-	108
Other transfers	-	-	-	-	-	-	(7 602)	-	(7 602)
Disposal	-	-	(330)	-	-	-	-	-	(330)
Initial cost	-	-	(991)	-	-	(24)	-	(765)	(1 780)
Wear and tear	-	-	661	-	-	24	-	765	1 450
Depreciation deductions	(818)	(1 613)	(1 673)	(351)	(296)	(647)	0	(902)	(6 300)
<b>Balance sheet value at the end of 2017:</b>	<b>22 798</b>	<b>3 687</b>	<b>5 865</b>	<b>932</b>	<b>147</b>	<b>269</b>	<b>4 940</b>	<b>800</b>	<b>39 438</b>
Initial (overvalued) cost	26 586	10 534	9 907	2 551	1 402	2 406	4 940	1 294	59 620
Wear and tear at the end of 2017	(3 788)	(6 847)	(4 042)	(1 619)	(1 255)	(2 137)	0	(494)	(20 182)

The data about the fixed and the intangible assets are specified in the Statement of Financial Position (the Balance Sheet) in Line 10.

The fixed assets, concerning which there are the restrictions in the legislation on ownership, use and disposal are not provided by the Bank. There are no fixed assets and intangible assets in the collateral. The fixed assets which are temporarily unused (preservation, reconstruction) are not available in the Bank. The fixed assets withdrawn from the operation for sale are absent in the Bank. The original cost of the fully amortized fixed assets is 6,562 thousand UAH.

There are no intangible assets in the Bank for which there are the restrictions on the ownership.

The initial value of the created intangible assets, namely the mark for the goods and services is 2 thousand UAH. The increase or decrease arising from the revaluation, as well as from the impairment losses recognized or reversed directly in the own capital during the reporting period was not incurred in the Bank.

**Note 14. Other Financial Assets****Table 14.1. Other Financial Assets**

(thousand UAH)			
Line	Name of article	Year 2017	Year 2016
1	Accounts receivable for transactions with the payment cards	-	-
2	Monetary funds with the limited right of use	11 432	5 437
3	Other financial assets	249	233
4	Reserve for impairment of the other financial assets	(17)	(82)
<b>5</b>	<b>Total other financial assets minus reserves</b>	<b>11 664</b>	<b>5 588</b>

The data about the other financial assets are specified in the Statement of Financial Position (the balance sheet) in Line 11.

In Line 2, monetary funds with the limited use include the balances placed in PJSC PUMB, the Guarantee Fund for the reimbursement of expenses for conducting the settlements with the International payment system Visa International, as well as for the securing repayment of the Bank's debts in case of occurrence during the settlements.

**Table 14.2. Analysis of Changes in the Reserve for Impairment of Other Financial Assets for 2017**

(thousand UAH)				
Line	Flow of reserves	Monetary funds with the limited right of use	Other financial assets	Total
1	Balance at the beginning of the period	39	43	82
2	Increase / (decrease) of the reserve for the impairment during the period	(27)	2	(25)
3	Writing off the bad debts	-	(40)	(40)
<b>4</b>	<b>Balance at the end of the period</b>	<b>12</b>	<b>5</b>	<b>17</b>

**Table 14.3. Analysis of Changes in the Reserve for Impairment of Other Financial Assets for 2016**

(thousand UAH)				
Line	Flow of reserves	Monetary funds with the limited right of use	Other financial assets	Total
1	Balance at the beginning of the period	106	78	184
2	Increase / (decrease) of the reserve for the impairment during the period	(67)	(35)	(102)
<b>3</b>	<b>Balance at the end of the period</b>	<b>39</b>	<b>43</b>	<b>82</b>

**Table 14.4. Analysis of Credit Quality of Other Financial Assets for 2017**

(thousand UAH)					
Line	Name of article	Accounts receivable for the transactions with the payment cards	Monetary funds with the limited right of use	Other financial assets	Total
1	Not overdue and not impaired debts:	-	-	243	243
1.1	Large clients with a credit history of more than 2 years	-	-	80	80
1.2	New large clients	-	-	90	90
1.3	Medium companies	-	-	50	50
1.4	Small companies	-	-	23	23
2	Debt is impaired on an individual basis with the delayed payment:	-	-	6	6

2.1	up to 31 days	-	-	1	1
2.2	from 32 to 92 days	-	-	1	1
2.3	from 93 to 183 days	-	-	1	1
2.4	from 184 to 365 (366) days	-	-	-	-
2.5	More than 366 days	-	-	3	3
3	Depreciable and the impaired debt	-	11 432	-	11 432
4	Total other financial assets before deducting the reserve	-	11 432	249	11 681
5	Reserve for impairment of the other financial assets	-	(12)	(5)	(17)
<b>6</b>	<b>Total of other financial assets minus the reserves</b>	<b>-</b>	<b>11 420</b>	<b>244</b>	<b>11 664</b>

Table 14.5. Analysis of Credit Quality of Other Financial Assets for 2016

(thousand UAH)					
Line	Name of article	Accounts receivable for the transactions with the payment cards	Monetary funds with the limited right of use	Other financial assets	Total
1	Not overdue and not impaired debts:	-	-	187	187
1.1	Large clients with a credit history of more than 2 years	-	-	45	45
1.2	Medium companies	-	-	61	61
1.3	Small companies	-	-	81	81
2	Debt is impaired on an individual basis with the delayed payment:	-	-	46	46
2.1	up to 31 days	-	-	3	3
2.2	from 32 to 92 days	-	-	-	-
2.3	from 93 to 183 days	-	-	-	-
2.4	from 184 to 365 (366) days	-	-	1	1
2.5	More than 366 days	-	-	42	42
3	Depreciable and the impaired debt	-	5 437	-	5 437
4	Total other financial assets before deducting the reserve	-	5 437	233	5 670
5	Reserve for impairment of the other financial assets	-	(39)	(43)	(82)
<b>6</b>	<b>Total of other financial assets minus the reserves</b>	<b>-</b>	<b>5 398</b>	<b>190</b>	<b>5 588</b>

## Note 15. Other Assets

Table 15.1. Other Assets

(thousand UAH)				
Line	Name of article	Year 2017	Year 2016	
1	Prepayment for the services	148	150	
2	Accounts Receivable from the Assets Acquisition	1 711	58	
3	Prepaid expenses	815	6 867	
4	Prepayment of taxes, except for the income tax	1	10	
5	Inventories	728	665	

6	Property that has become the property of the bank as a mortgagee	10 799	-
<b>7</b>	<b>Total of other assets minus reserves</b>	<b>14 202</b>	<b>7 750</b>

The data about the other assets are specified in the Statement of Financial Position (the Balance Sheet) in Line 12.

As of the end of the day on December 31, 2017, the property transferred to the ownership of the bank as a mortgagee (Table 15.1, Line 6) consists of the real estate, the equipment and the land. During statement preparation (in February 2018) the Bank sold these assets.

#### Note 16. Non-Current Assets Held for Sale and Assets of Disposal Group

**Table 16.1. Non-Current Assets Held for Sale and Assets of Disposal Group**

(thousand UAH)			
Line	Name of article	Year 2017	Year 2016
<b>Non-current assets held for sale</b>			
1	Fixed assets	3 962	18 139
<b>2</b>	<b>Total of non-current assets held for sale</b>	<b>3 962</b>	<b>18 139</b>

The data about the non-current assets held for sale and the assets of the disposal group are specified in the Statement of Financial Position (the Balance Sheet) in Line 13.

In 2017 the Bank executed:

- transfer of the non-current assets held for sale into the working capital (the stocks);
- disposal of the non-current assets held for sale (the movable property), as a result of sale.

In 2017 the Bank recognized the losses from the impairment of the non-current assets held for sale in the amount of 285.1 thousand UAH.

#### Note 17. Clients' Funds

**Table 17.1. Clients' Funds**

(thousand UAH)			
Line	Name of article	Year 2017	Year 2016
1	State and public organizations	96	168
1.1	Current accounts	96	168
1	Other legal entities	507 906	267 959
1.1	Current accounts	506 468	232 722
1.2	Urgent funds	1 438	35 237
2	Natural persons:	540 822	772 516
2.1	Current accounts	238 409	728 027
2.2	Urgent funds	302 413	44 489
<b>3</b>	<b>Total clients' funds</b>	<b>1 048 824</b>	<b>1 040 643</b>

The data about the clients' funds are specified in the Statement of Financial Position (the Balance Sheet) in Line 15.

**Table 17.2. Distribution of the Clients' Funds by Type of Economic Activity**

(thousand UAH)					
Line	Type of economic activity	Year 2017		Year 2016	
		Sum	%	Sum	%
1	Real estate transactions, leasing, engineering and services	24 424	2%	26 887	3%
2	Trading, repair of cars, Household products and personal items	37 619	4%	15 570	1%
3	Production	383 962	37%	164 245	16%
4	Health care and social assistance	25 395	2%	21 073	2%
5	Provision of financial services	22 452	2%	14 612	1%
6	Natural persons	540 822	52%	772 516	74%
7	Other	14 150	1%	25 740	3%
<b>8</b>	<b>Total clients' funds</b>	<b>1 048 824</b>	<b>100 %</b>	<b>1 040 643</b>	<b>100 %</b>

As of December 31, 2017, the Bank had 24 clients (in 2016 - 31 clients) with the balances on the accounts of more than 1 percent of the authorized capital each.

As of December 31, 2017, the clients' funds consisted of deposits in the amount of UAH 447,476 thousand (in 2016: UAH 17,802 thousand), which are the collateral of the clients' credits (see Note 9).

#### Note 18. Other Financial Liabilities

**Table 18.1. Other Financial Liabilities**

		(thousand UAH)	
Line	Name of article	Year 2017	Year 2016
1	Payables for the transactions with the payment cards	330	1
2	Accrued expenses	399	149
3	Fees for the provided guarantees	-	2
4	Other financial liabilities	598	14
<b>5</b>	<b>Total of the other financial liabilities</b>	<b>1 327</b>	<b>166</b>

The data about other financial liabilities are specified in the Statement of Financial Position (the Balance Sheet) in Line 17.

- line Other financial liabilities as of December 31, 2017 consists of the following:
- amount (the blocking of monetary funds) is 189 thousand UAH. in accordance with the Decree of the President of Ukraine on the application of the personal, special, economic and other restrictive measures (sanctions) of 09.16.2015;
- amount of 383 thousand UAH. proceeds from an individual on other financial instruments;
- amount of 12 thousand UAH of the sent transfers of the natural persons;
- amount of 14 thousand UAH. on the account 3720 'Credits to clarify', which was on 01.03.2018 returned to the payer.

As of December 31, 2016, Line 4 'Other financial liabilities' was abolished, the amount (Blocking of Monetary Funds) UAH 14 thousand in accordance with the Decree of the President of Ukraine 'On Application of Personal, Special, Economic and Other Restrictive Measures (sanctions)' dated 09.16.2015.

#### Note 19. Other Liabilities

		(thousand UAH)	
Line	Name of article	Year 2017	Year 2016
1	Payables on the taxes and the fees, except for the income tax	2 242	3 157
2	Payables on the settlements with the bank employees	2 100	1 032
3	Income of the future periods	460	85
4	Accounts payable for the services	100	92
5	Payables of the acquiring assets	-	150
<b>6</b>	<b>Total</b>	<b>4 902</b>	<b>4 516</b>

The data about other liabilities are specified in the Statement of Financial Position (the Balance Sheet) in Line 18.

#### Note 20. Authorized Capital and Issue Differences (Issue Income)

(thousand UAH)						
Line	Name of article	The Number of shares in the circulation (thousand pieces)	Simple shares	Issue income	Own shares (parts) repurchased from the shareholders (participants)	Total
1	Balance as of January 1, 2016	1 200	120 000	-	-	120 000
2	Own shares (parts) redeemed from the shareholders (participants)	(392)	-	39 241	(39 241)	-
3	Balance at the end of the day on December 31, 2016 (the balance on 01 January 2017)	808	120 000	39 241	(39 241)	120 000
4	Issuance of the new shares (parts)	800	80 000	-	-	80 000
5	Own shares (parts) redeemed from shareholders (participants)	-	-	-	-	-

6	Sale of the previously repurchased own shares (parts)	392	-	-	39 241	39 241
7	Reduction of the emission differences for the amount of costs associated with the State registration of authorized capital	-	-	(229)	-	(229)
8	Balance at the end of the day on December 31, 2017	2 000	200 000	39 012	-	239 012

The authorized capital of the Bank at the end of the reporting year is 200,000 thousand UAH. divided into 2,000 thousand pieces of ordinary registered shares.

The nominal value of one share is 100 UAH., The total amount of issue is 200 million UAH, the form of existence is non-documentary.

The authorized capital of the Bank was formed at the expense of the founders at the time of the creation of the Bank and at the expense of the shareholders' contributions at the additional issues.

May 05, 2017 Viacheslav Oleksandrovych Boguslaiev got the ownership of 392 415 shares of the Bank on the basis of the sales contract of the securities.

May 12, 2017 Viacheslav Oleksandrovych Boguslaiev acquired 765,170 shares of the Bank on the basis of the sales contract of the securities.

May 25, 2017 Viacheslav Oleksandrovych Boguslaiev got the ownership of 42 415 shares of the Bank on the basis of the sales contract of the securities, and became the sole shareholder of the Bank.

During the reporting period, the authorized capital of the Bank was increased by 80,000 thousand UAH. up to 200 000 thousand UAH by the private placement of the additional, ordinary registered shares of the Bank in the amount of 800,000 pieces of the existing nominal value of 100, 00 hryvnias per one share, at the expense of the additional contributions of the sole shareholder Viacheslav Oleksandrovych Boguslaiev.

The Certificate of registration of the shares issuance, the registration number 70/1/2017, the registration date 07.04.2017, the date of issue 08.01.2017, issued by the National Commission for the Securities and the Stock Market.

All the shares of PJSC "MOTOR-BANK" are fully paid by the sole shareholder.

The data about the authorized capital are specified in the Statement of Financial Position (the balance sheet) in Line 19.

#### Note 21. Analysis of Assets and Liabilities by Maturity

Line	Name of article	Notes	(thousand UAH)					
			Year 2017			Year 2016		
			less than 12 months	more than 12 months	total	less than 12 months	more than 12 months	total
<b>ASSETS</b>								
1	Monetary funds and their equivalents	6	63 908	-	63 908	88 488	-	88 488
2	The financial assets, accounted for at fair value through profit or loss	7	-	-	-	-	-	-
3	Funds at other banks	8	100 118	-	100 118	774 136	-	774 136
4	The credits and the clients' debts	9	593 181	62 062	655 243	121 426	11 817	133 243
5	The Securities in the Bank's portfolio for sale	10	-	-	-	-	-	-
6	The Securities in the bank's portfolio to maturity	11	440 508	-	440 508	130 197	-	130 197
7	The Investment Property	12	-	50	50	-	1 726	1 726
8	The Accounts receivable for the current income tax		817	-	817	2 660	-	2 660
9	The Deferred tax asset		-	588	588	-	1 955	1 955
10	The Fixed and the intangible assets	13	-	39 438	39 438	-	37 882	37 882
11	other financial assets	14	11 664	-	11 664	5 588	-	5 588
12	other assets	15	14 202	-	14 202	7 750	-	7 750
13	The Non-current assets held for sale and the assets of the retirement group	16	3 962	-	3 962	18 139	-	18 139
<b>14</b>	<b>Total of assets</b>		<b>1 228 360</b>	<b>102 138</b>	<b>1 330 498</b>	<b>1 150 110</b>	<b>51 654</b>	<b>1 201 764</b>



<b>LIABILITIES</b>								
15	The clients' funds	17	1 048 824	-	1 048 824	1 040 643	-	1 040 643
16	The Current tax liability		-	-	-	1 743	-	1 743
17	other financial assets	19	1 327	-	1 327	164	2	166
18	other assets	20	4 902	-	4 902	4 516	-	4 516
<b>19</b>	<b>total of assets</b>		<b>1 055 053</b>	<b>-</b>	<b>1 055 053</b>	<b>1 047 066</b>	<b>2</b>	<b>1 047 068</b>

**Note 22. Interest Income and Expenses**

				(thousand UAH)	
Line	Name of article	Year 2017	Year 2016		
<b>INTEREST INCOME:</b>					
1	The credits and the clients' debts	52 910	36 041		
2	The Debt securities in the bank's portfolio for sale	-	210		
3	The Securities in the bank's portfolio to maturity	20 002	27 840		
4	Monetary funds at other banks	933	347		
5	The correspondent accounts at other banks	4 557	3 690		
6	Other	331	235		
<b>7</b>	<b>The total of the interest income</b>	<b>78 733</b>	<b>68 363</b>		
<b>INTEREST EXPENSES:</b>					
8	The Term funds of the legal entities	(231)	(3 189)		
9	The Term funds of the natural persons	(6 821)	(3 060)		
10	The Term funds of the other banks	-	-		
11	The current accounts	(22 660)	(20 729)		
<b>12</b>	<b>The total of the interest expenses</b>	<b>(29 712)</b>	<b>(26 978)</b>		
<b>13</b>	<b>The Net interest income / (expenses)</b>	<b>49 021</b>	<b>41 385</b>		

The data about interest income and expenses are specified in the 'Statement of Income and Losses and Other Comprehensive Income' (The Statement of Financial Results) in Lines 1.1, 1.2 and 1.

The Information on the interest income and the expenses for the related party transactions is disclosed in the Note 35.

**Note 23. Commission Fee Income and Expenses**

				(thousand UAH)	
Line	Name of article	Year 2017	Year 2016		
<b>THE COMMISSION INCOME:</b>					
1	The Settlement and the cash transactions	23 268	19 768		
2	The income from servicing the credit transactions	1 090	1 890		
3	The Income from transactions in the foreign exchange market	3 796	4 608		
4	The Guarantees issued	46	8		
5	Other	7	1		
<b>6</b>	<b>The total of the commission fee income</b>	<b>28 207</b>	<b>26 275</b>		
<b>THE COMMISSION FEE EXPENSES:</b>					
7	The Settlement and the cash transactions	(4 231)	(3 376)		
8	The Cash withdrawal costs	(1 335)	(1 153)		
9	The Securities Transactions	(32)	(35)		
10	The Commission fee expenses for the credit service	(5 015)	(17 670)		
11	Other	(236)	(120)		
<b>12</b>	<b>The total of the commission fee expenses</b>	<b>(10 849)</b>	<b>(22 354)</b>		
<b>13</b>	<b>The Net commission fee income / expenses</b>	<b>17 358</b>	<b>3 921</b>		

The data about commission fee income and expenses are specified in the 'Statement of Income and Losses and Other Comprehensive Income' (The Statement of Financial Results) in Lines 4,5.

The Information about the commission fee income and expenses with the related party transactions is disclosed in the Note 35.

**Note 24. Other Operating Income**

				(thousand UAH)	
Line	Name of article	Year 2017	Year 2016		
1	The Income from the investment property leasing	12	11		
2	The Operating leasing income (renting)	500	225		
3	The Income with the pre-term repayment of the deposits	141	209		
4	The Income from the disposal of the fixed and intangible assets.	194	-		
5	The Income from the disposal of the investment property	-	50		
6	The Income from the insurance agent's services	63	61		

7	The fines, rensom	79	43
8	Other	75	46
<b>9</b>	<b>The total of the operating income</b>	<b>1 064</b>	<b>645</b>

The data about the other operating income is specified in the 'Statement of Income and Losses and Other Comprehensive Income' (The Statement of Financial Results) in Line 11.

The Information about the other operating income with the related party transactions is disclosed in the Note 35.

**Note 25. Administrative and Other Operating Expenses**

		(thousand UAH)	
Line	Name of article	Year 2017	Year 2016
1	The expenses for the staff retention	(29 866)	(22 962)
2	The amortization of the fixed assets	(5 430)	(4 423)
3	The Impairment of the fixed and intangible assets (the investment property)	(285)	(1 733)
4	The Depreciation of the software and of the other intangible assets	(902)	(329)
5	The expenses for the maintenance of the fixed and intangible assets, the telecommunication and the other operation services	(5 646)	(5 283)
6	The Operating leasing expenses (renting)	(1 298)	(999)
7	Other expenses related to the fixed assets	(27)	(452)
8	The Professional services	(2 196)	(1 661)
9	The Security services	(1 920)	(1 486)
10	The Marketing and advertising expenses	(1 063)	(500)
11	The Insurance expenses	(3 895)	(3 037)
12	The Payment of the other taxes and fees other than the income tax, incl .:	(10 849)	(7 007)
12.1.	The Land tax	(122)	(102)
12.2.	The Deductions to the Fund of Guarantee of the Natural persons' Deposits	(9 428)	(5 623)
12.3	Other taxes and mandatory payments	(1 299)	(1 282)
13	The Impairment of the long-term assets held for sale (orthe retirement groups)	(285)	(2 294)
14	The Amount of a property valuation, which became the property of the bank as a mortgagee	(6 804)	-
15	The expenses of the initial recognition of the financial assets at a value higher / lower than a fair value	(2 487)	-
16	Other	(730)	(203)
<b>17</b>	<b>The Total of the administrative and other operating expenses</b>	<b>(73 683)</b>	<b>(52 369)</b>

The data about the administrative and other operating expenses specified in the 'Statement of Income and Losses and Other Comprehensive Income' (The Statement of Financial Results) in Line 12.

The information about administrative and other operating expenses with the related party transactions is disclosed in the Note 35.

**Note 26. The result from transactions with the financial assets which are accounted for at fair value through profit or loss**  
**Table 26.1. The result from transactions with the financial assets which are accounted for at fair value through profit or loss for 2016**

		(thousand UAH)	
Line	Name of article	Income less costs for transactions with the financial assets which are accounted for at fair value through profit or loss	Income less costs for transactions with the other financial assets which are accounted for at fair value through profit or loss
1	The result from the trading transacyions with the derivative financial instruments	-	37

<b>2</b>	<b>The total result from transactions with the financial assets which are accounted for at fair value through profit or loss</b>	-	<b>37</b>
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The result from transactions with the financial assets which are accounted for at fair value through profit or loss, is specified in the 'Statement of Income and Losses and Other Comprehensive Income' (The Statement of Financial Results) in Line 6.

#### Note 27. Income Tax Expenses

**Table 27.1. Expenses for Income Tax Payment**

(thousand UAH)			
Line	Name of article	Year 2017	Year 2016
1	The Current income tax	(2 423)	(11 628)
2	The Change in the deferred income tax due to:	(1 367)	1 704
2.1	The arising or the writing-off of the temporary differences	(1 367)	1 704
2.2	The increase or the decrease of the tax rate	-	-
<b>3</b>	<b>The total of the Income tax expenses</b>	<b>(3 790)</b>	<b>(9 924)</b>

The data about the income tax expenses is specified in the 'Statement of Income and Losses and Other Comprehensive Income' (The Statement of Financial Results) in Line 14.

**Table 27.2. Reconciliation of Amount of Accounting Profit (Loss) and Amount of Tax Profit (Loss)**

(thousand UAH)			
Line	Name of article	Year 2017	Year 2016
1	The Profit before the taxation	5 527	31 492
2	The Theoretical tax deductions at the appropriate tax rate	(995)	(5 669)
<b>THE CORRECTION OF THE ACCOUNTING PROFIT (LOSS):</b>			
3	The Income not included in the taxable income	-	-
	- the amount of the securities discount	-	-
4	The expenses which are not included in the amount of the expenses for the purpose of calculating the tax profit, but are recognized in the accounting:	(1 511)	(3 814)
4.1	- the differences arising when calculating the depreciation of the fixed and intangible assets	(502)	(467)
4.2	- the amount of the discount and the impairment of the fixed and intangible assets	(1 327)	(606)
4.3	- the reserves for the assets impairment	1 429	739
4.4	- other costs not included for the tax purposes	(1 111)	(3 480)
5	The Changes in the amount of the net, deferred tax asset shown in the report	(1 367)	1 704
6	Other corrections:	83	(2 145)
<b>7</b>	<b>The Amount of the income tax expenses (loss)</b>	<b>(3 790)</b>	<b>(9 924)</b>

**Table 27.3. The Tax consequences related to the recognition of the deferred tax assets and the deferred tax liabilities for 2017**

(thousand UAH)				
Line	Name of article	The Balance at the beginning of the period	Recognized in the profit / loss	The Balance at the end of the period
1	The Tax effect of the temporary differences that reduce (increase) the tax amount and carried tax losses for the future periods	1 955	(1 367)	588
1.1	The reserves for the impairment of assets	1 560	(1 560)	-
1.2	The Fixed assets, the investment property and the intangible assets	395	193	588
2	The Net deferred tax asset (liability)	1 955	(1 367)	588
<b>3</b>	<b>The Recognized deferred tax asset</b>	<b>1 955</b>	<b>(1 367)</b>	<b>588</b>

The data about the tax consequences related to the recognition of the deferred tax assets and the deferred tax liabilities are specified in the Statement of Financial Position (the balance sheet), Line 9.

**Table 27.4. The Tax consequences related to the recognition of the deferred tax assets and the deferred tax liabilities for 2016**  
(thousand UAH)

Line	Name of article	The Balance at the beginning of the period	Recognized in the profit / loss	The Balance at the end of the period
1	The Tax effect of the temporary differences that reduce (increase) the tax amount and carried tax losses for the future periods	251	1 704	1 955
1.1	The reserves for the impairment of assets	-	1 560	1 560
1.2	The Fixed assets, the investment property and the intangible assets	251	144	395
2	The Net deferred tax asset (liability)	251	1 704	1 955
<b>3</b>	<b>The Recognized deferred tax asset</b>	<b>251</b>	<b>1 704</b>	<b>1 955</b>

**Note 28. The profit (loss) for one simple and a privileged share****Table 28.1 The net and the corrected profit (loss) for one simple and a privileged share**

Line	Name of article	The notes	2017 year	2016 year
1	The Profit (loss) owned by the owners of the simple shares of the bank		1 737	21 568
2	The Profit (loss) per year		1 737	21 568
3	The Average annual number of the simple shares in the circulation (thousand pieces)		1 405	934
4	The Net and corrected profit (loss) per one simple share (UAH / share)		1 ,24	23,09

**Table 28.2. The Calculation of the profit (loss) owned by the owners of the simple and the preferred shares of the bank**

Line	Name of article	The notes	2017 year	2016 year
1	The Profit (loss) for the year owned by the owners of the bank		1 737	21 568
2	The undivided profit (loss) for the year		1 737	21 568
3	The undivided profit (loss) for the year owned by the owners of the simple shares, depending on the conditions of the shares		1 737	21 568
4	The Profit (loss) for the year owned by the shareholders – the owners of the simple shares		1 737	21 568

**Note 29. The Operating segments****Table 29.1. The income, the expenses and the results of the reporting segments for 2017**

Line	Name of article	The name of the reporting segments				Total
		The services for the corporate clients	The services for the natural persons	The interbank transactions	Other segments and transactions	
	<b>The income from the external clients:</b>	98 494	2 423	6 755	332	108 004
1	The Interest income	71 847	1 064	5 822	-	78 733
2	The Commission fee income	26 089	1 185	933	-	28 207
3	Other operating income	558	174		332	1 064
<b>4</b>	<b>The Total income of the segments</b>	<b>98 494</b>	<b>2 423</b>	<b>6 755</b>	<b>332</b>	<b>108 004</b>
5	The Interest expenses	(15 556)	(14 156)	-	-	(29 712)
6	The Deductions to the reserve for the impairment of credits and funds at other banks	(147)	101	5 028	-	4 982
7	The Deductions to the reserve for the impairment of receivables	2	(1)	24	-	25

8	The Result from the trading transactions with securities in the trading portfolio of the bank	-	-	-	-	-
9	The Result from the revaluation of the financial instruments accounted for at fair value through profit or loss	-	-	-	-	-
10	The result of the securities sale in the bank's portfolio for sale	-	-	-	-	-
	The Result from the transactions with the foreign currency	3 782	1 392	-	-	5 174
11	The Result from the revaluation of transactions with the foreign currency	-	-	-	1 586	1 586
12	The Commission fee expenses	(5 047)	(33)	(5 769)	-	(10 849)
13	The Impairment of securities in the Bank's portfolio for sale	-	-	-	-	-
14	The Deductions to reserves for the liabilities	-	-	-	-	-
15	The Administrative and other operating expenses	-	-	-	(73 683)	(73 683)
16	The expenses of the income tax	-	-	-	(3 790)	(3 790)
<b>17</b>	<b>THE SEGMENT'S RESULT The Profit / (loss)</b>	<b>81 528</b>	<b>(10 274)</b>	<b>6 038</b>	<b>(75 555)</b>	<b>1 737</b>

Table 29.2. The income, the expenses and the results of the reporting segments for 2016

(thousand UAH)

Line	Name of article	The name of the reporting segments				Total
		The services for the corporate clients	The services for the natural persons	The interbank transactions	Other segments and transactions	
	<b>The income from the external clients:</b>	<b>87 397</b>	<b>2 642</b>	<b>5 244</b>	<b>-</b>	<b>95 283</b>
1	The Interest income	62 737	1 353	4 273	-	68 363
2	The Commission fee income	24 015	1 289	971	-	26 275
3	Other operating income	645	-	-	-	645
<b>4</b>	<b>The Total income of the segments</b>	<b>87 397</b>	<b>2 642</b>	<b>5 244</b>	<b>-</b>	<b>95 283</b>
5	The Interest expenses	(20 505)	(6 473)	-	-	(26 978)
6	The Deductions to the reserve for the impairment of credits and funds at other banks	32 121	207	(4 176)	-	28 152
7	The Deductions to the reserve for the impairment of receivables	102	-	-	-	102
8	The Result from the trading transactions with securities in the trading portfolio of the bank	-	-	-	-	-
9	The Result from the revaluation of the financial instruments accounted for at fair value through profit or loss	-	-	37	-	37
10	The result of the securities sale in the bank's portfolio	-	-	-	-	-

	for sale					
	The Result from the transactions with the foreign currency	-	-	-	9 404	9 404
11	The Result from the revaluation of transactions with the foreign currency	-	-	-	(43)	(43)
12	The Commission fee expenses	(17 705)	(18)	(4 629)	(2)	(22 354)
13	The Impairment of securities in the Bank's portfolio for sale	258	-	-	-	258
14	The Deductions to reserves for the liabilities	-	-	-	-	-
15	The Administrative and other operating expenses	-	-	-	(52 369)	(52 369)
16	The expenses of the income tax	-	-	-	(9 924)	(9 924)
<b>17</b>	<b>THE SEGMENT'S RESULT</b>					
	<b>The Profit / (loss)</b>	<b>81 668</b>	<b>(3 642)</b>	<b>(3 524)</b>	<b>(52 934)</b>	<b>21 568</b>

Table 29.3. The Assets and the liabilities of the reporting segments for 2017

(thousand UAH)

Line	Name of article	The name of the reporting segments			Other segments and transactions	Total
		The services for the corporate clients	The services for the natural persons	The interbank transactions		
	THE ASSETS OF THE SEGMENTS					
1	The Assets of the segments	1 092 948	3 086	111 500	19 551	1 227 084
	The Non-current assets held for sale (or the retirement groups)	-	-	-	3 962	3 962
2	The Total assets of the segments	1 092 948	3 086	111 500	23 512	1 231 046
3	The undivided assets	-	-	-	99 452	99 452
<b>4</b>	<b>The total of the assets</b>	<b>1 092 948</b>	<b>3 086</b>	<b>111 500</b>	<b>122 964</b>	<b>1 330 498</b>
	THE LIABILITIES OF THE SEGMENTS					
5	The liabilities of the segments	508 450	541 032	470	-	1 049 952
6	The total of the liabilities of the segments	508 450	541 032	470	-	1 049 952
7	The undivided liabilities	-	-	-	5 101	5 101
<b>8</b>	<b>The total of the liabilities</b>	<b>508 450</b>	<b>541 032</b>	<b>470</b>	<b>5 101</b>	<b>1 055 053</b>
	OTHER SEGMENT ARTICLES					
9	The Capital Investments	-	-	-	59 678	59 678
10	The Amortization	-	-	-	-6 331	-6 331

Table 29.4 The Assets and the liabilities of the reporting segments for 2016

(thousand UAH)

Line	Name of article	The name of the reporting segments			Other segments and transactions	Total
		The services for the corporate clients	The services for the natural persons	The interbank transactions		
	THE ASSETS OF THE SEGMENTS					
1	The Assets of the segments	259 392	4 241	779 610	-	1 043 243
	The Non-current assets held for sale (or the	-	-	-	18 139	18 139

	retirement groups)					
2	The Total assets of the segments	259 392	4 241	779 610	18 139	1 061 382
3	The undivided assets	-	-	-	140 382	140 382
<b>4</b>	<b>The total of the assets</b>	<b>259 392</b>	<b>4 241</b>	<b>779 610</b>	<b>158 521</b>	<b>1 201 764</b>
	The LIABILITIES OF THE SEGMENTS					
5	The liabilities of the segments	268 285	772 523	-	-	1 040 808
6	The total of the liabilities of the segments	268 285	772 523	-	-	1 040 808
7	The undivided liabilities	-	-	-	6 260	6 260
<b>8</b>	<b>The total of the liabilities</b>	<b>268 285</b>	<b>772 523</b>	<b>-</b>	<b>6 260</b>	<b>1 047 068</b>
	OTHER SEGMENT ARTICLES					
9	The Capital Investments	-	-	-	56 201	56 201
10	The Amortization	-	-	-	4 752	4 752

### Note 30. Financial Risks Management

#### General principles

The Bank's risk management function is related to the financial, operating and legal risks. The financial risks include the credit risk, the liquidity risk and the market risks. The operating and the legal risks management of the Bank are aimed at the ensuring of the proper functioning of the internal procedures and policies tended to minimize these risks.

The Bank's policy and the risk management system were constantly revised and improved according to the changes of the market conditions and the banking products. The main task of the Bank in managing of the assets and the liabilities is to reduce the level of the liquidity risk and the market risks which the Bank faces and to maximize the profitability.

The central principles of the Bank's policy in the area of the risk management are the centralization (the risk analysis and the calculations are carried out centrally, and for the business units of the Bank the appropriate limits are set); a balanced structure of risks and fees for their adoption; the ensuring continuous monitoring of the level of risk and assessing the impact of risks on the Bank's capital.

#### The Credit risk

The Credit risk is defined as the present or potential risk to the Bank's income and capital arising from the failure of a party which undertook to fulfill the terms of any financial agreement with the Bank or otherwise to fulfill its obligations. The credit risk arises as a result of credit and other transactions of the Bank, resulting in the financial assets.

The Bank adheres to the principles of prudence and conscientiousness in the formation of the credit portfolio. The implementation of these principles is ensured by a qualitative assessment of the solvency of the borrower and the value of the collateral, the regular monitoring of the state and servicing of the debt, and the collateral status during the term of the credit agreement.

The Bank restricts the risks of the credit and investment transactions by establishing the internal limits and the limits on the credit risk, the observance of the norms of the credit risk set by the National Bank of Ukraine, and the formation of the reserves for the compensation of the possible losses on the active transactions (the credit transactions, the securities transactions, other active transactions)

In view of the above, the Bank's credit risk level is low and manageable.

During the reporting period, the Bank has consistently adhered to all the credit risk standards set by the National Bank of Ukraine:

#### The name of the norm and its meaning as of the monthly reporting dates of 2017

The Actual meaning as	N7 – the norm of the maximum credit risk per one counterparty (no more than 20%)	N8 – the norm of the large credit risks (not more than 800%)	N9 – the norm of the maximum amount of the credit risk for transactions with related parties (no more than 20%)
01.01.2017	19,17	60,22	0,20
02.01.2017	19,89	62,57	0,20
03.01.2017	19,72	62,08	0,14
04.01.2017	19,95	65,91	0,14
05.01.2017	19,45	84,72	0,15
06.01.2017	17,00	56,53	0,29
07.01.2017	17,16	58,70	0,56
08.01.2017	11,93	23,21	0,08
09.01.2017	11,92	23,16	0,07
10.01.2017	11,68	22,70	0,07

11.01.2017	11,69	22,70	0,06
12.01.2017	11,66	43,56	0,06
01.01.2018	10,79	33,83	2,80

**Market Risk**

The Market risk is determined by the probability of changes in the market prices for the financial and physical assets that are on the balance sheet of the Bank or accounted for at the off-balance sheet accounts. The financial assets include the cash, the foreign currency, the securities. The main components of the Bank's market risk are currency, interest and price risks.

The source of the currency risk is the discrepancy in the balance sheet and the off-balance sheet requirements and the liabilities for the separate currencies. The currency risk management is carried out both by monitoring the observance of the limits of the open currency position established by the National Bank of Ukraine and by establishing the internal limits for the currency position on the separate currencies and transactions.

The quantitative measurement of the currency risk is carried out by the Bank by analyzing the volatility of the major foreign currencies rates. According to the calculations at the end of 2017, the Bank's losses from the currency risk during the next calendar month with a probability of 99% will not exceed 0.2% of the regulatory capital.

During the reporting year, the Bank strictly adhered to the limits of the open currency position established by the National Bank of Ukraine:

The Actual meaning as	The name of the limit and its meaning as of the monthly reporting dates of 2017	
	L13-1 – the limit for a long open foreign currency position of the bank (no more than 1%)	L13-2 – the limit for a short open currency position of the bank (no more than 10%)
01.01.2017	0,3373	5,7177
02.01.2017	0,1690	5,7473
03.01.2017	0,1765	2,7667
04.01.2017	0,1941	1,2099
05.01.2017	0,2010	0,8982
06.01.2017	0,3122	0,1353
07.01.2017	0,6017	0,4413
08.01.2017	0,0894	0,8618
09.01.2017	0,3353	0,2779
10.01.2017	0,3029	0,3333
11.01.2017	0,4689	0,6321
12.01.2017	0,1211	0,4006
01.01.2018	0,7345	1,8380

**Table 30.1. Currency Risk Analysis**

(thousand UAH)

Line	The name of the foreign currency	At the reporting date 2017			At the reporting date 2016		
		The monetary assets	The monetary obligations	The net position	The monetary assets	The monetary obligations	The net position
1	U.S. dollar	486 046	480 867	5 179	748 785	735 429	13 356
2	Euro	43 135	43 377	(242)	23 222	22 552	670
3	Ruble RF	43 741	48 700	(4 959)	57 792	57 764	28
4	Pound	295	1	294	150	0	150
5	Swiss franc	142	0	142	119	0	119
<b>6</b>	<b>Total</b>	<b>573 359</b>	<b>572 945</b>	<b>414</b>	<b>830 068</b>	<b>815 745</b>	<b>14 323</b>

**Table 30.2. The Changes in the financial result and the own capital as a result of the possible exchange rate changes, which are set at the reporting date, provided all other variables remain fixed.**

A)

(thousand UAH)

Line	Name of article	At the reporting date 2017	
		The impact on the profit / (loss)	The impact on the own capital
1	The Strengthening of the U.S. dollar by 3%	155	155



2	The weakening of the U.S. Dollar by 3%	(155)	(155)
3	The Strengthening of the euro by 18%	(44)	(44)
4	The weakening of the euro by 18%	44	44
5	The Strengthening of the Russian ruble by 8%	(397)	(397)
6	The weakening of the Russian ruble by 8%	397	397
7	The Strengthening of the other currencies by 5%	22	22
8	The weakening of the other currencies by 5%	(22)	(22)

**B)**

(thousand UAH)

Line	Name of article	At the reporting date 2016	
		The impact on the profit / (loss)	The impact on the own capital
1	The Strengthening of the U.S. dollar by 7 %	935	935
2	The weakening of the U.S. Dollar by 7 %	(935)	(935)
3	The Strengthening of the euro by 9 %	60	60
4	The weakening of the euro by 9 %	(60)	(60)
5	The Strengthening of the Russian ruble by 13 %	4	4
6	The weakening of the Russian ruble by 13 %	(4)	(4)
7	The Strengthening of the other currencies by 10%	27	27
8	The weakening of the other currencies by 10%	(27)	(27)

**Table 30.3. The Change in the financial result and the own capital as a result of the possible changes in the exchange rate established as an average weighted rate, provided all other variables remain fixed.**

**A)**

(thousand UAH)

Line	Name of article	The average weighted exchange rate of 2017	
		The impact on the profit / (loss)	The impact on the own capital
1	The Strengthening of the U.S. dollar by 3 %	147	147
2	The weakening of the U.S. Dollar by 3 %	(147)	(147)
3	The Strengthening of the euro by 18 %	(39)	(39)
4	The weakening of the euro by 18 %	39	39
5	The Strengthening of the Russian ruble by 8 %	(371)	(371)
6	The weakening of the Russian ruble by 8 %	371	371
7	The Strengthening of the other currencies by 5%	20	20
8	The weakening of the other currencies by 5%	(20)	(20)

**B)**

(thousand UAH)

Line	Name of article	The average weighted exchange rate of 2016	
		The impact on the profit / (loss)	The impact on the own capital
1	The Strengthening of the U.S. dollar by 7 %	879	879

2	The weakening of the U.S. Dollar by 7 %	(879)	(879)
3	The Strengthening of the euro by 9 %	60	60
4	The weakening of the euro by 9 %	(60)	(60)
5	The Strengthening of the Russian ruble by 13 %	3	3
6	The weakening of the Russian ruble by 13 %	(3)	(3)
7	The Strengthening of the other currencies by 10%	27	27
8	The weakening of the other currencies by 10%	(27)	(27)

The source of the interest rate risk is an imbalance of assets and liabilities which are sensitive to changes in the interest rates. This risk affects both the profitability of the Bank and the economic value of its assets, the liabilities and the off-balance sheet instruments. The interests on the financial assets and liabilities were charged by the Bank at the fixed interest rates.

The Bank manages the interest rate risk by establishing by the Assets and Liabilities Management Committee of the imbalances between the assets and the liabilities sensitive to changes in the interest rates, as well as of the approval of the minimum placement rates (the maximum rates of attraction) of funds. The Bank has a low level of sensitivity to the interest rate risk due to the structure of liabilities (21% of liabilities is the Bank's own capital, 56% - monetary funds on demand).

The quantitative measurement of the interest rate risk is carried out by the Bank using the duration method, according to which the interest assets and the liabilities become sensitive to changes in the interest rates at the end of the term of the agreement or upon the scheduled date for the revision of the interest rates. According to the calculations at the end of 2017, the potential losses of the Bank from the interest rate risk during three months of 2018 will not exceed 0.6% of the regulatory capital volume, provided that the level of the interest rates will decrease by 21% in relation to the current rates.

**Table 30.4. The General Percentage Risk Analysis**

(thousand UAH)					
Line	Name of article	On demand and less than 1 month.	From 1 to 12 months.	More than a year	Total
<b>2017</b>					
1	The Total financial assets	451 550	581 047	65 683	1 098 280
2	The Total financial liabilities	251 204	286 743	-	537 947
3	The Net interest rate break at the end of December 31, 2017	200 346	294 304	65 683	560 333
<b>2016</b>					
4	The Total financial assets	135 820	116 204	33 554	285 578
5	The Total financial liabilities	52 240	25 858	-	78 098
6	The Net interest rate break at the end of December 31, 2016	83 580	90 346	33 554	207 480

**Table 30.5. The Monitoring of the interest rates on the financial instruments**

Line	Name of article	2017 year				2016 year			
		UAH	US dollars	euro	others	UAH	US dollars	euro	others
The Assets									
1	Monetary funds and their equivalents	4,01	1,02	-	-	4,01	1,02	-	-
2	Monetary funds at other banks	10,87	0,10	0,00	5,16	10,67	0,11	0,04	7,77

3	The credits and the clients' debts	19,41	7,77	9,21	-	21,26	10,47	9,17	-
5	The Debt securities in the bank's portfolio for sale	-	-	-	-	17,39	-	-	-
6	Debt securities in the bank's portfolio to maturity	12,22	-	-	-	16,73	-	-	-
<b>The Liabilities:</b>									
7	Monetary funds of the	-	-	-	-	-	-	-	-
8	Monetary funds of the	7,35	1,38	3,69	1,86	9,61	0,28	5,47	1,56
8.1	The Current accounts	7,07	0,75	0,46	1,86	8,70	0,12	1,82	1,56
8.2	The Term funds	15,07	3,17	6,92	-	17,10	5,70	6,93	-

### The Market risk

The Market risk is the present or potential risk for the revenues and the capital arising from the adverse fluctuations in the value of securities which have a constant quotation on an organized stock market.

The general purpose of the bank in managing market risk is to limit the reduction of the Bank's own capital due to the adverse changes in the prices of securities through the continuous monitoring of the trading positions of the Bank and control of the value under the risk of portfolio of the securities and thus to protect the interests of the depositors, other creditors and of the shareholders. The market risk management in the Bank is to determine the size of the unmatched position which affects the Bank for risk, and to determine the shock value of change in the external factor - the exchange rate. The result of the survey gives an idea of what amount of losses or revenues the Bank will receive if the events will be developed on the assumptions.

The risk assessment is carried out on a monthly basis, the results are submitted to the Assets and Liabilities Management Committee for approval of the decision to correct the market risk profile on the basis of the stress testing results.

At the end of the reporting year, the Bank's trading portfolio includes the securities which balance sheet value at the purchase price was 14 899 thousand UAH. In connection with the exclusion of the stock registry in May-August 2015 the writing-off shares was conducted. The losses of the Bank amounted to 14,899 thousand UAH. The fair value of the securities trading portfolio is zero.

### The Liquidity risk

The Liquidity risk is defined as the present or potential risk to the Bank's income and the capital arising from its inability to meet its obligations in due time without experiencing the unacceptable losses.

The source of the liquidity risk is the imbalance of assets and liabilities by maturity.

The Bank's liquidity risk management policy is aimed at achieving the optimal balance between the liquidity risk and the profitability of the Bank, ensuring of the timely fulfillment of all obligations before the clients and the counterparties in full and without the excessive losses by balancing the amounts of assets and liabilities of the Bank by maturity.

The operating management of the Bank's liquidity is conducted by the Department of Treasury and Financial Institutions. The planned liquidity management is carried out by the Assets and Liabilities Management Committee, which, on the basis of the analytical information, makes a monthly decision to optimize the Bank's balance sheet structure by establishing the limits on the credit and the investment transactions and adjusting the assets and the liabilities by volume and maturity.

In order to ensure the liquidity in case of the unforeseen crisis circumstances, the Bank adopted an Action Plan in the context of the liquidity crisis, which defined the main principles of the crisis management of the liquidity. During the reporting period, the Bank complied with the liquidity norms established by the National Bank of Ukraine:

The Actual meaning as	The Name of the norm and its meaning as of the monthly reporting dates of 2016		
	N4- the norm of the instant liquidity (not less than 30%)	N5 – the norm of the current liquidity (not less than 40%)	N6 - the norm of the short-term liquidity (not less than 60%)
01.01.2017	103,36	98,65	107,27
02.01.2017	103,08	99,39	107,67
03.01.2017	101,93	98,10	107,14
04.01.2017	101,77	96,96	106,80
05.01.2017	101,25	96,30	107,15
06.01.2017	103,30	97,59	108,03
07.01.2017	50,41	59,69	109,33
08.01.2017	86,52	82,18	117,61

09.01.2017	87,10	80,29	118,29
10.01.2017	90,05	85,36	117,35
11.01.2017	89,34	82,41	122,91
12.01.2017	83,27	78,50	116,47
01.01.2018	118,98	82,16	114,92

The following tables show the Bank's liabilities as of December 31, 2017 and December 31, 2016, as the residual maturity dates specified in the agreements. The amounts in the table are the undiscounted money flows under the agreements, including the total amount of commitments in provision of credits and financial guarantees. These undiscounted money flows differ from the amounts reported in the Report of the Financial State, since the balancing amounts are based on the discounted money flows.

**Table 30.6. The Analysis of the financial liabilities by maturity for 2017**

(thousand UAH)

Line	Name of article	On demand and less than 1 month.	From 1 to 12 months.	From 12 months. up to 5 years	Total
1	The clients' funds:	761 854	330 779	-	1 092 633
1.1	<i>Monetary funds of the natural persons</i>	250 432	305 479	-	555 911
1.2	<i>Others</i>	511 422	25 300	-	536 722
2	Other financial liabilities	749	572	6	1 327
3	The Financial Guarantees	117	120	-	237
4	Other liabilities of a credit nature	4 631	100 449	4 100	109 180
<b>5</b>	<b>The Total of the potential future payouts on the financial liabilities</b>	<b>767 351</b>	<b>431 920</b>	<b>4 106</b>	<b>1 203 377</b>

**Table 30.7. The Analysis of the financial liabilities by maturity for 2016**

(thousand UAH)

Line	Name of article	On demand and less than 1 month.	From 1 to 12 months.	From 12 months. up to 5 years	Total
1	The clients' funds:	1 014 198	26 445	-	1 040 643
1.1	<i>Monetary funds of the natural persons</i>	747 157	26 445	-	773 602
1.2	<i>Others</i>	267 041	-	-	267 041
2	Other financial liabilities	157	9	-	166
3	The Financial Guarantees	-	150	-	150
4	Other liabilities of a credit nature	10 070	-	-	10 070
<b>5</b>	<b>The Total of the potential future payouts on the financial liabilities</b>	<b>1 024 425</b>	<b>26 604</b>	<b>-</b>	<b>1 051 029</b>

The Bank does not use the analysis above on the maturity, without taking into account the discounting for the liquidity management. Instead, the Bank controls the expected maturity dates set out in the tables below as at December 31, 2017 and December 31, 2016.

**Table 30.8. The Analysis of the financial assets and liabilities by maturity based on the expected maturities in 2017**

(thousand UAH)

Line	Name of article	On demand and less than 1 month.	From 1 to 12 months.	From 12 months to 5 years	More than 5 years	Total
<b>The Assets</b>						
1	Monetary funds and their equivalents and monetary funds of the mandatory reserves of the Bank in the National Bank of Ukraine	63 908	-	-	-	63 908
2	Monetary funds at other banks	100 118	-	-	-	100 118
3	The credits and the clients' debts	17 424	575 757	62 025	37	655 243
4	The Securities in the Bank's portfolio for sale	-	-	-	-	-
5	The Securities in the bank's portfolio to maturity	440 508	-	-	-	440 508
6	Other financial assets	8 842	2 822	-	-	11 664
<b>7</b>	<b>The total of the financial assets</b>	<b>630 800</b>	<b>578 579</b>	<b>62 025</b>	<b>37</b>	<b>1 271 441</b>
<b>The liabilities</b>						
8	The clients' funds	757 834	290 990	-	-	1 048 824
9	Other financial liabilities	749	572	6	-	1 327
<b>10</b>	<b>The total of the financial liabilities</b>	<b>758 583</b>	<b>291 562</b>	<b>6</b>	<b>-</b>	<b>1 050 150</b>
<b>11</b>	<b>The Net liquidity gap at the end of December 31</b>	<b>(127 783)</b>	<b>287 017</b>	<b>62 019</b>	<b>37</b>	<b>221 290</b>
<b>12</b>	<b>The aggregate liquidity gap at the end of December 31</b>	<b>(127 783)</b>	<b>159 234</b>	<b>221 253</b>	<b>221 290</b>	<b>221 290</b>

Table 30.9 The Analysis of the financial assets and liabilities by maturity based on the expected maturities in 2016

(thousand UAH)

Line	Name of article	On demand and less than 1 month.	From 1 to 12 months.	From 12 months to 5 years	More than 5 years	Total
<b>The Assets</b>						
1	Monetary funds and their equivalents and monetary funds of the mandatory reserves of the Bank in the National Bank of Ukraine	88 488	-	-	-	88 488
2	Monetary funds at other banks	774 136	-	-	-	774 136
3	The credits and the clients' debts	7 569	113 857	11 817	-	133 243
4	The Securities in the Bank's portfolio for sale	-	-	-	-	-
5	The Securities in the bank's portfolio to maturity	130 197	-	-	-	130 197
6	Other financial assets	2 741	2 847	-	-	5 588

7	<b>The total of the financial assets</b>	<b>1 003 131</b>	<b>116 704</b>	<b>11 817</b>	<b>-</b>	<b>1 131 652</b>
<b>The liabilities</b>						
8	The clients' funds	1 014 198	26 445	-	-	1 040 643
9	Other financial liabilities	155	9	2	-	166
10	<b>The total of the financial liabilities</b>	<b>1 014 353</b>	<b>26 454</b>	<b>2</b>	<b>-</b>	<b>1 040 809</b>
11	<b>The Net liquidity gap at the end of December 31</b>	<b>(11 222)</b>	<b>90 250</b>	<b>11 815</b>	<b>-</b>	<b>90 843</b>
12	<b>The aggregate liquidity gap at the end of December 31</b>	<b>(11 222)</b>	<b>79 028</b>	<b>90 843</b>	<b>-</b>	<b>90 843</b>

**Note 31. The capital management**

The purpose of the Bank's management of capital is to comply with the regulatory capital requirements established by the National Bank of Ukraine and to ensure the Bank's ability to function as a continuously acting company.

The Bank's capital management policy requires the maintaining of its size at a level which is necessary and sufficient to ensure the trust of the creditors and other market participants, as well as business development in the future. It takes into account the effect of the level of the capital on the returns of the shareholders, in connection with which the Bank recognizes the need to maintain a balance between the increased profitability, which is possible due to a deterioration in the ratio of the borrowed and the equity capital, and the benefits and the stability provided by the steady of the position of the capital.

The regulatory capital of the Bank is calculated on the basis of the accounting data in accordance with the requirements of the 'Instructions on the procedure for regulating the activities of banks in Ukraine', approved by the decision of the Board of the NBU N 368 of 08.28.2001.

As of January 1, 2018, the Bank met all the regulatory requirements for the capital established by the National Bank of Ukraine, namely:

- the value of the norm of the regulatory capital (N1) was 298.6 million UAH. with the minimum necessary value of 200.0 million UAH;

- the value of the norm of the sufficiency (adequacy) of the regulatory capital (N2) was 79.07% with a minimum required value of 10%;

The table below shows regulatory capital based on the Bank's reports prepared in accordance with the accounting rules, which is calculated in accordance with the normative and legal acts of the National Bank of Ukraine:

**Table 31.1. The Regulatory capital structure**

		(thousand UAH)	
Line	Name of article	12.31.2017	12.31.2016
1	THE SUNK CAPITAL (SC) (1 st level capital)	240 603	122 436
1.1.	The Actually paid, registered authorized capital	200 000	120 000
1.2.	The Opened reserves created or increased at the expense of the undivided revenues and disclosed in the financial statements of the bank:	43 258	42 410
1.2.1	The Reserve funds created in accordance with the laws of Ukraine	4 247	3 168
1.2.2	The Emission differences	39 011	39 242
1.3.	The Reduction of the SC :	(2 655)	(39 974)
1.3.1	Own shares repurchased from the shareholders	-	(39 242)
1.3.2	The Intangible assets minus the amount of wear and tear	(801)	(727)
1.3.3	The Capital investment in the intangible assets	(1 854)	(5)
1.3.4	The Estimated loss of the current year	-	-
2	THE ADDITIONAL CAPITAL (AC) (2nd level capital)	57 962	42 755
2.1	The reserves for the standard debts	-	10 019
2.2	The Estimated profit for the current year	28 180	22 777
2.3	The Profit of the past years	30 450	9 959
2.4	The Uncovered credit risk	(668)	-
<b>THE REGULATORY CAPITAL (RC)</b>		<b>298 565</b>	<b>165 191</b>

**Note 32. The Potential liabilities of the Bank**

This note shows the amounts of the potential liabilities of the Bank as at the end of the day on December 31, 2017, in particular:

a) the consideration of the cases in the court.

During 2017, a large number of cases was considered in the courts of Ukraine, where PJSC MOTOR-BANK was a party to the case and which were resolved in favor of the bank, what resulted in a decrease in the total amount of the overdue debts.

b) The potential tax liabilities.

As of the end of the day on December 31, 2017, the Bank's management believes that its interpretation of the tax legislation is correct, the Bank has fully complied with the legislation and paid all the taxes, therefore, there are no unforeseen obligations arising from the occurrence of the tax liabilities in the Bank. .

c) the capital investment liabilities.

As of the end of the day on December 31, 2017, the contractual obligations under the capital investments for non-put into the operation of the intangible assets amounted to 1 420 thousand UAH, for the capital investments for non-put into the operation of the fixed assets - 61 thousand UAH. As of the end of the day on December 31, 2016 there are no contractual liabilities under the capital investments.

d) the operating leasing liabilities (renting).

As at the end of the day on December 31, 2017 the non-residential premises in which the Bank's institutions (branches number 1, number 2, number 3, Volochysche branch, Lviv branch) are located in the operating leasing (renting) under the non-repayable agreements on the operative leasing (renting).

**Table 32.1. The Future minimum leasing payments under a non-repayable operating leasing agreement (renting)**

(thousand UAH)			
Line	Name of article	2017 year	2016 year
1	Up to 1 year	1 805	660
2	From 1 to 5 years	1 378	791
<b>3</b>	<b>Total</b>	<b>3 183</b>	<b>1 451</b>

e) the adherence to the special requirements.

As at the end of the day on December 31, 2017 and December 31, 2016, the Bank had no contracts for the borrowed funds with other credit organizations.

f) the credit liabilities.

The liabilities related to the crediting are the unused amounts intended for the crediting in the form of credits, guarantees. The clients' crediting liabilities provided on the credit lines, at which monetary funds are provided at the first requirement of the counterparties, ie irrevocable and risky. The guarantees represent the irrevocable guarantees that the Bank will make payments to the third parties in the event of the non-fulfillment by clients of their obligations and have the same risk as the credits. Regarding the credit risk for credit liabilities, the Bank is not exposed to the potential losses in the total amount of the unused liabilities in case of the full disbursement of such credits to the clients, as the most credit liabilities are subject to the compliance by clients with the certain credit standards. The total amount of the unused credit lines and the agreement guarantees is not necessarily a future need for money, since the validity of such financial instruments can end without funding.

**Table 32.2. Structure of Credit Liabilities**

(thousand UAH)			
Line	Name of Article	Year 2017	Year 2016
1	Credit liabilities, granted	2 637	2 911
2	Unused credit lines	106 543	68 026
3	Guarantees, issued	237	150
3	liabilities reserve according to the crediting	-	-
<b>4</b>	<b>The Total liabilities related to crediting, minus reserves</b>	<b>109 417</b>	<b>71 087</b>

**Table. 32.3. The crediting liabilities in terms of the currencies**

(thousand UAH)			
Line	Name of Article	Year 2017	Year 2016
1	UAH	25 215	71 087
2	U.S. dollar	84 202	-
3	Others	-	-
<b>4</b>	<b>Total</b>	<b>109 417</b>	<b>71 087</b>

g) The Assets lent by the Bank as of the end of December 31, 2017 and December 31, 2016 are absent.

**Note 33. Fair value of Assets and Liabilities**

Fair value is the price at which normal trading of the asset or transfer of the obligation would occur between the *market participants* as of the date of estimation under current market conditions (i.e., *initial price* as of the valuation date from the market participant's holding the asset or having a liability point of view).

The results of the fair value valuation of financial instruments for the disclosure purposes are divided into three levels of the fair value hierarchy based on the possibility of its observation as follows:

Level 1 – The estimations are based on fixed prices in active markets for the similar assets or liabilities that the Bank has the ability to get access. The valuation adjustments and discounts are not applied to these financial instruments. Since the assessments are based on the predetermined prices that already exist and are regularly available in the active market, the assessment of these products does not involve the use of significant professional judgments.

Level 2 – The estimations are based on the information for which all the essential data can be obtained directly or indirectly through observation. And the estimations use one or more determined observable prices for the normal activities in the markets that are not considered to be active.

Level 3 – The estimations are based on non-observable information and are important for the overall assessment of fair value.

For the purposes of disclosing the fair value information, the Bank has determined the classes of assets and liabilities based on their nature, characteristics and risks of the asset or the liability, as well as the level of hierarchy of sources of the fair value. For the purpose of categorization of the financial instruments, the Bank uses professional judgments.

**Table 33.1. Fair Value and Level of Input Data Hierarchy Used for Estimation Methods for Assets and Liabilities as of December 31, 2017**

Line	Name of article	Fair value under different valuation models			Total fair value	Total balance sheet value
		Market quotes (level 1)	Evaluation model using observation data (level 2)	Evaluation model using indicators that not confirmed by market data (level 3)		
		3	4	5		
1	2	3	4	5	6	7
<b>I The assets</b>						
1	Monetary funds and their equivalents	-	-	63 908	63 908	63 908
1.1	Cash funds	-	-	44 357	44 357	44 357
1.2	Monetary funds in the National Bank of Ukraine (except for mandatory reserves)	-	-	19 551	19 551	19 551
2	Financial assets accounted for at fair value through profit or loss	-	-	-	-	-
2.1	Shares of the enterprises	-	-	-	-	-
3	Monetary funds in other banks	-	-	100 118	100 118	100 118
3.1	Correspondent accounts	-	-	100 118	100 118	100 118
4	Credits and clients' debts	-	-	644 756	644 756	655 243
4.1	Credits to legal entities	-	-	642 120	642 120	652 274
4.2	Mortgage credits of natural persons	-	-	9	9	9
4.3	Credits for the current needs of natural persons	-	-	2 627	2 627	2 960
5	Securities in the Bank's portfolio for sale	-	-	-	-	-
5.1	Bonds of the banks	-	-	-	-	-
5.2	Bonds of the enterprises	-	-	-	-	-
6	Securities in the bank's	-	-	440 508	440 508	440 508



6.1	portfolio to maturity Debt securities issued by the National Bank of Ukraine	-	-	440 508	440 508	440 508
7	Other financial assets	-	-	11 664	11 664	11 664
7.1	Monetary funds with the limited right of use	-	-	11 420	11 420	11 420
7.2	Monetary funds with the limited right of use	-	-	244	244	244
8	Investment real property	-	-	50	50	50
9	Fixed and intangible assets	-	-	39 438	39 438	39 438
9.1	Buildings, structures and transmitting devices	-	-	38 638	38 638	38 638
9.2	Intangible assets	-	-	800	800	800
<b>10</b>	<b>Total assets</b>			<b>1 300 442</b>	<b>1 300 442</b>	<b>1 310 929</b>
<b>II</b>	<b>Liabilities</b>					
11	The clients' monetary funds	-	-	1 048 824	1 048 824	1 048 824
11.1	Other legal entities	-	-	508 002	508 002	508 002
11.2	Natural persons	-	-	540 822	540 822	540 822
12	Other financial liabilities	-	-	1 327	1 327	1 327
12.1	Other financial liabilities	-	-	330	330	330
12.2	<b>Total liabilities</b>	-	-	997	997	997
<b>13</b>	<b>The total liabilities</b>	-	-	<b>1 050 151</b>	<b>1 050 151</b>	<b>1 050 151</b>

**Table 33.2 Fair Value and Level of Input Data Hierarchy Used for Estimation Methods for Assets and Liabilities as of December 31, 2016**

(thousand UAH)

Line	Name of article	Fair value under different valuation models			Total fair value	Total balance sheet value
		Market quotes (level 1)	Evaluation model using observation data (level 2)	Evaluation model using indicators that not confirmed by market data (level 3)		
1	2	3	4	5	6	7
<b>I Assets</b>						
1	Monetary funds and their equivalents	-	-	88 488	88 488	88 488
1.1	Cash funds	-	-	29 891	29 891	29 891
1.2	Monetary funds in the National Bank of Ukraine (except for mandatory reserves)	-	-	58 597	58 597	58 597
2	Financial assets accounted for at fair value through profit or loss	-	-	-	-	-
2.1	Shares of the enterprises	-	-	-	-	-
3	Monetary funds in other banks	-	-	774 136	774 136	774 136
3.1	Correspondent accounts	-	-	774 136	774 136	774 136

4	Credits and clients' debts	-	-	123 710	123 710	133 243
4.1	Credits to legal entities	-	-	120 345	120 345	129 508
4.2	Mortgage credits of natural persons	-	-	28	28	31
4.3	Credits for the current needs of natural persons	-	-	3 337	3 337	3 704
5	Securities in the Bank's portfolio for sale	-	-	-	-	-
5.1	Bonds of the banks	-	-	-	-	-
5.2	Bonds of the enterprises	-	-	-	-	-
6	Securities in the bank's portfolio to maturity	-	-	130 197	130 197	130 197
6.1	Debt securities issued by the National Bank of Ukraine	-	-	130 197	130 197	130 197
7	Other financial assets	-	-	5 588	5 588	5 588
7.1	Monetary funds with the limited right of use	-	-	5 398	5 398	5 398
7.2	Monetary funds with the limited right of use	-	-	190	190	190
8	Investment real property	-	-	1 726	1 726	1 726
9	Fixed and intangible assets	-	-	37 882	37 882	37 882
9.1	Buildings, structures and transmitting devices	-	-	37 155	37 155	37 155
9.2	Intangible assets	-	-	727	727	727
<b>10</b>	<b>Total assets</b>			<b>1 161 727</b>	<b>1 161 727</b>	<b>1 171 260</b>
<b>II</b>	<b>Liabilities</b>					
11	The clients' monetary funds	-	-	1 040 643	1 040 643	1 040 643
11.1	Other legal entities	-	-	268 127	268 127	268 127
11.2	Natural persons	-	-	772 516	772 516	772 516
12	Other financial liabilities	-	-	166	166	166
12.1	Other financial liabilities	-	-	166	166	166
<b>13</b>	<b>Total liabilities</b>			<b>1 040 809</b>	<b>1 040 809</b>	<b>1 040 809</b>

**Table 33.3. Impact of Possible Alternative Assumptions on Fair Value Estimation of Instruments Using Evaluation Models that Used Input Level 3 Data**

		(thousand UAH)			
Line	Name of Article	Year 2017		Year 2016	
		Balance sheet value	Impact of possible alternative assumptions	Balance sheet value	Impact of possible alternative assumptions
1	2	3	4	5	6
1	Financial assets accounted for at fair value through profit or loss	-	-	-	-
1.1	Shares of the enterprises	14 899	-	14 899	-
1.1.1	Updating / (discount) of shares	(14 899)	-	(14 899)	-
<b>3</b>	<b>Balance as of December 31</b>				

As of 31.12.2017 and 31.12.2016, all the available shares of the enterprises, are accounted for at fair value through profit or loss have no quotes (during Year 2015 they were transferred from the first to the third level of hierarchy). For the three issuers whose shares are accounted for at fair value through profit or loss, the National Securities and Stock Market Commission Decisions stopped trading with the securities on any stock exchange. As of the reporting date, the Bank does not expect any significant changes in the value of the securities.

If the market for a financial instrument is not active, the Bank establishes fair value by applying the following methods:

- method of valuation based on the use of the latest market transactions between the knowledgeable, interested and independent parties (if available);
- reference method to the current value of another identical (similar in currency, term, type of interest rate, structure of money flows, credit risk, collateral and other features) of the instrument;
- method of analysis of the discounted money flows, etc.

The mentioned methods are used by the Bank in determining the interest rate policy and the tariffs of the Bank and are the criteria for the fair value of the financial instruments.

The fair value is defined as the value at which a financial instrument can be acquired during a transaction between well-informed, independent parties intending to conduct such an operation, except for the cases of forced or liquidation sale. The estimations presented in these financial statements reflect the most probable amounts that the Bank would be able to obtain for the actual sale of certain financial instruments.

The Fair value: monetary funds and their equivalents due to the insignificant influence on the time factor is taken to be equal to the balance sheet value.

- *credits and the clients' debts.*

The fair value of the credit portfolio is based on the characteristics of credit servicing and interest rate of the individual credits under the credit program. The Bank recognizes the profit / loss from credit transactions if the market rate differs from the nominal value. Credits and the clients' debts (other than credit lines, overdraft facilities where it is not possible to reliably determine the number of tranches and short-term credits for up to 3 months) are accounted for at the amortized cost using the effective interest rate method after the initial recognition.

- *receivables.*

During the initial recognition, the fair value of receivables equals the amount of monetary funds actually paid. For each balance sheet date after the initial recognition, the Bank analyzes the receivables by maturity and generates the reserve in case of impairment of the asset. Consequently, the current receivable, weighted by the amount of the established reserve for the doubtful debts, is included to the balance sheet at a net, realizable value.

- *the clients' funds.*

The Bank recognizes the profit / loss on deposit transactions if the market rate differs from the nominal value. For deposits with a validity period of up to three months, the fair value is approximately equal to the balance sheet value due to the comparatively short-term nature of these financial instruments. For the longer-term deposits, applied interest rates reflect the market rates and, accordingly, the fair value approximates to the balance sheet.

As of December 31, 2017 and December 31, 2016, all the financial liabilities of the Bank are accounted for at the amortized cost.

The used discount rates are shown below depending on the type of currency and maturity of a financial instrument and the counterparty's credit risk:

	Year 2017	Year 2016
Credits granted to legal entities	0-23 %	9-28 %
Mortgage loans of natural persons	19 %	19 %
Credits granted to natural persons for current needs	18-36 %	18-36 %
Term deposits of legal entities	0,7%-15,5%	1,8-20 %
Term deposits of natural persons	0,5-19%	1-20%

#### Note 34. Provision of Financial Instruments by Rating Categories

##### Таблиця 34.1. Financial Assets by Rating Category for 2017

For the purpose of evaluation IAS 39 "Financial Instruments: Recognition and Evaluation" sets out the following categories of the financial assets : a) credits and receivables; b) assets available for sale; c) financial assets held to maturity and c) financial assets accounted for at fair value the changes of which are related to financial result.. The table below shows the reconciliation of the financial assets for these valuation categories as of December 31, 2017.

(thousand UAH)

Line	Name of article	Credits and receivables	Assets available for sale	Financial assets at fair value with showing the repricing as profit (loss)	Investments held to maturity	Total
				Trading assets		

<b>ASSETS</b>						
1	Monetary funds and their equivalents, and monetary funds of the mandatory reserves of the Bank in the National Bank of Ukraine	63 908	-	-	-	63 908
2	Other financial assets accounted for at fair value through profit or loss	-	-	-	-	-
3	Monetary funds in other banks:	100 118	-	-	-	100 118
3.1	Correspondent accounts	100 118	-	-	-	100 118
4	Credits and the clients' debts	655 243	-	-	-	655 243
4.1	Credits to the legal entities	652 274	-	-	-	652 274
4.2	Mortgage credits to natural persons	9	-	-	-	9
4.3	Credits for the current needs of natural persons	2 960	-	-	-	2 960
5	Securities in the Bank's portfolio for sale	-	-	-	-	-
6	Securities in the Bank's portfolio to maturity	-	-	-	440 508	440 508
7	Other financial assets:	11 664	-	-	-	11 664
7.1	Monetary funds with the limited right of use	11 420	-	-	-	11 420
7.2	Other financial assets:	244	-	-	-	244
<b>8</b>	<b>Total financial assets</b>	<b>830 933</b>	<b>-</b>	<b>-</b>	<b>440 508</b>	<b>1 271 441</b>

The table below shows the reconciliation of financial assets with these valuation categories as of December 31, 2016.

**Table 34.2. Financial Assets by Rating Category for 2016**

(thousand UAH)

Line	Name of article	Credits and receivables	Assets available for sale	Financial assets at fair value with showing the repricing as profit (loss)		Investments held to maturity	Total
				Trading assets			
<b>ASSETS</b>							
1	Monetary funds and their equivalents, and monetary funds of the mandatory reserves of the Bank in the National Bank of Ukraine	88 488	-	-	-	-	88 488
2	Other financial assets accounted for at fair value through profit or loss	-	-	-	-	-	-
3	Monetary funds in other banks:	774 136	-	-	-	-	774 136
3.1	Correspondent accounts	774 136	-	-	-	-	774 136
4	Credits and the clients' debts	133 243	-	-	-	-	133 243
4.1	Credits to the legal entities	129 508	-	-	-	-	129 508

4.2	Mortgage credits to natural persons	31	-	-	-	31
4.3	Credits for the current needs of natural persons	3 704	-	-	-	3 704
5	Securities in the Bank's portfolio for sale	-	-	-	-	-
6	Securities in the Bank's portfolio to maturity	-	-	-	130 197	130 197
7	Other financial assets:	5 588	-	-	-	5 588
7.1	Monetary funds with the limited right of use	5 398	-	-	-	5 398
7.2	Other financial assets:	190	-	-	-	190
<b>8</b>	<b>Total financial assets</b>	<b>1 001 455</b>	<b>-</b>	<b>-</b>	<b>130 197</b>	<b>1 131 652</b>

**Note 35. Procedures with Related Parties****Table 35.1. Balances of Transactions with Related Parties as of the End of December 31, 2017**

		(thousand UAH)		
Line	Name of article	The largest members (shareholders) of the bank	Leading management personnel	Other related parties
1	Credits and the clients' debts (contractual interest rate 0-36%)	-	9	435 615
2	Reserve for credit arrears as of December 31	-	(1)	(6 701)
3	Other assets	-	-	21
4	The clients' funds (contractual interest rate (0-19%))	442 340	2 533	470 884
5	Liability reserves	-	-	-
6	Other liabilities	-	2	55

**Table 35.2. Income and Expenses from the Transactions with Related Parties for 2017**

		(thousand UAH)		
Line	Name of article	The largest members (shareholders) of the bank	Leading management personnel	Other related parties
1	Interest income	-	16	17 024
2	Interest expenses	(7 765)	(32)	(15 020)
3	Result from foreign currency transactions	752	-	2 531
4	Commission fee income	82	16	17 566
5	Commission fee expenses	-	-	-
6	Withholdings to the reserves for impairment of credits and funds in other banks	-	8	(6 697)
7	Withholdings to the reserves under liabilities	-	-	-
8	Other operating income	-	6	13
9	Administrative and other operating expenses	-	(15 853)	(5 382)

**Table 35.3. Other Rights and Obligations under Transactions with the Related Parties as of the End of the Day December 31, 2017**

		(thousand UAH)		
Line	Name of article	The largest members (shareholders) of the bank	Leading management personnel	Other related parties
1.	Issued guarantees	-	-	-

2.	Other liabilities	-	158	84 208
2.1	Provided credit liabilities	-	158	84 208

**Table 35.4. Total Amount of Credits Granted to the Related Parties and Repayments by the Related Parties during 2017**  
(thousand UAH)

Line	Name of article	The largest members (shareholders) of the bank	Leading management personnel	Other related parties
1	Amount of credits granted to the related parties during the period	-	-	434 854
2	Amount of credits repaid by the related parties during the period	-	80	20 396

**Table 35.5. Balances under Transactions with the Related Parties as of the End of the Day December 31, 2016**

Line	Name of article	The largest members (shareholders) of the bank	Leading management personnel	Other related parties
1	Credits and the clients' debts (contractual interest rate 0-36%)	-	98	39
2	Reserve for credit arrears as of December 31	-	(9)	(4)
3	Other assets	-	-	61
4	The clients' funds (contractual interest rate (0-19%))	712 551	1 131	231 187
5	Liability reserves	-	-	-
6	Other liabilities	-	1	7

**Table 35.6. Income and Expenses from the Transactions with Related Parties for 2016**

Line	Name of article	The largest members (shareholders) of the bank	Leading management personnel	Other related parties
1	Interest income	-	20	37
2	Interest expenses	(1 304)	(46)	(19 731)
3	Result from foreign currency transactions	878	-	3 074
4	Commission fee income	338	8	13 903
5	Commission fee expenses	-	-	-
6	Withholdings to the reserves for impairment of credits and funds in other banks	-	16	4 086
7	Withholdings to the reserves under liabilities	-	-	-
8	Other operating income	1	4	69
9	Administrative and other operating expenses	(5 356)	(13 969)	(1 985)

**Table 35.7. Other Rights and Obligations under Transactions with the Related Parties as of the End of the Day December 31, 2016**

Line	Name of article	The largest members (shareholders) of the bank	Leading management personnel	Other related parties
1.	Issued guarantees	-	-	-
2.	Other liabilities	-	92	112
2.1	Provided credit liabilities	-	92	112

**Table 35.8. Total Amount of Credits Granted to the Related Parties and Repayments by the Related Parties during 2016**  
(thousand UAH)

Line	Name of article	The largest members (shareholders) of the bank	Leading management personnel	Other related parties
1	Amount of credits granted to the related parties during the period	-	2	14
2	Amount of credits repaid by the related parties during the period	-	97	3 693

**Table 35.9. Payments to the Leading Management Personnel**

Line	Name of article	Year 2017		Year 2016	
		Expenses	Accrued liability	Expenses	Accrued liability
1	Current payments to the employees	15 057	677	13 607	341

**Note 36. Events after the Balance Sheet Date**

The current state of the the financial sector of Ukraine, which is the main place of business of the Bank, has the signs of negative influence of the current social and political situation in the country. Despite the fact that Ukraine's economy is recognized as a market one, it continues to show some peculiarities which are more intrinsic to the transition economy. The Ukrainian economy is affected by market fluctuations and the decrease of rate of economic development in the global economy. Nowadays it is impossible to assess this impact on the Bank's activities.

The following did not occur during the period before the date of approval of these financial statements:

- business combination;
- termination or taking of decision to terminate the activities;
- essential acquisition of assets;
- significant restructuring;
- adoption of the court decisions in favor of the plaintiffs which could lead to the the emergence of the significant financial obligations of the Bank that are not reflected in the financial statements of the Bank.

Approved for release and signed

March 30, 2018

Chairman of the Board /signed and sealed/ V.V. Chikhun

Chief Accountant /signed/ L.O. Motronenko

Seal: Public Joint-Stock Company "Motor-Bank"  
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Вих. № 17017  
Дата: 10.07.2018  
**ПЕРЕКЛАД ВІРНИЙ**  
Климчук Ігор Володимирович  
Директор ПП «Бюро перекладів «Аліф»