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Address of the Chairman of the Supervisory Board

Dear Shareholders,

I am very pleased to present the results of UKRGASBANK operation in 2017, since they are really prominent not only for the Ukrainian banking system, but also for every citizen of Ukraine. UKRGASBANK has already changed its perspective on modern banking — it has become both financially effective and socially important for the future of Ukrainians.

UKRGASBANK has significantly strengthened its position in the Ukrainian banking system over the past three years. Its assets have more than trebled. The Bank has raised 11 points upward in terms of the amount of its assets and has become one of the five largest banks in Ukraine. The book value of its capital has increased by 3.5 times, rising the Bank 15 points higher right to the 6th position. The lending portfolio has increased 2.5 times, which allowed the Bank to rise from the 20th to 7th position. And the trust of UKRGASBANK's depositors provided it the third position in terms of clients' funds, the portfolio of which increased 5 times over the past three years.

As compared with losses in 2014, the Bank has gained profits over the past three years against the backdrop of record losses in the entire banking system.

It should be noted that the Bank started working with small and medium-sized businesses almost from scratch, which is extremely important for the effective development of the Ukrainian economy. And by the end of the year, UKRGASBANK became an absolute leader in funding energy-efficient measures for condominiums and housing associations. Besides, UKRGASBANK was the first among Ukrainian banks to start providing support to utility companies thereby improving the life of every Ukrainian.

Of course, UKRGASBANK has achieved impressive success in implementing its core business activity — ECO-banking. The Bank has expanded its cooperation with well-known international organizations and offered unique programmes and products that currently have no analogues on the Ukrainian market.

**Respectfully yours,
A. Shevaliov
Chairman of the Supervisory Board
JSB "UKRGASBANK"**

Address of the Chairman of the Board

Dear Shareholders, Clients, and Partners,

The past 2017 was marked by a real “green” breakthrough made by UKRGASBANK. The ECO-lending portfolio amounted to UAH 8.7 billion. The ECO-projects we implemented will provide gas savings of 385 million m³, and CO₂ emission reductions of 802,000 tonnes per year. It is like to take 350,000 cars contaminating air off the road at once.

Every third megawatt received at “green” tariff rates in Ukraine in 2017 was co-funded by UKRGASBANK. The two awards UKRGASBANK received as the leading ECO-bank of Ukraine last year were well-deserved. It is just the beginning of a great and extremely important path, but we already have something to be proud of!

Our ecological banking strategy has made energy-efficient projects available to any Ukrainian family or company. We managed to set up new trends in alternative energy sources and “green” SME financing, helped Ukrainians to understand and benefit from energy-efficient technologies. Moreover, the “green” trend allowed our country not only to improve the environment, but also to be less dependent on traditional energy markets and prices for it. There is no doubt that “clean” energy will further develop, and it is UKRGASBANK that boosted the development of modern “clean” technologies.

Although the Bank successfully selected the ECO-banking development strategy and occupied a unique market niche, it did not forget about the traditional areas of work. Year by year, we demonstrated a steady profit growth without need for capital replenishment. 2017 was not an exception — UKRGASBANK’s profits reached UAH 624 million, which is almost 20% more than the budget target approved by the Supervisory Board. On our way there we have learned a lot and worked hard to transform the Bank.

We have already succeeded in changing the vision of Ukrainian banking and involved like-minded people, international partners and followers. Now our desire to change the world to the better is to be fulfilled in the near future.

**Respectfully yours,
K. Shevchenko
Chairman of the Board
UKRGASBANK**



PUBLIC JOINT STOCK COMPANY JOINT STOCK BANK “UKRGASBANK”**ADDRESS: 16-22 B. Khmelnytskoho Str., Kyiv, 01030****UKRGASBANK today:**

- A universal banking institution providing services to a large client base;
- A bank with more than 24 years of experience in the financial market;
- Owned by the State (beneficiary owner) represented by the Ministry of Finance of Ukraine (94.9409% of the share capital);
- Included in the group of banks partially owned by the state according to the classification of the National Bank of Ukraine;
- Included in the list of state property of strategic importance to the economy and security of the country;
- Represented by 243 branches located in all regions of Ukraine;
- One of the five largest banks of Ukraine by assets;
- One of the top ten issuers by the number of active payment cards (according to the National Bank of Ukraine);
- The only bank authorised to provide financial guarantees for customs payments to the State Fiscal Service of Ukraine;
- Represented by the professional team of 4,050 employees;
- A payment institution of the Welsend money transfer system;
- An active Ukrainian stock market participant;
- A permanent member of the Deposit Guarantee Fund;
- Authorised by the Pension Fund of Ukraine and the Ministry of Social Policy of Ukraine to pay pensions and financial assistance;
- Authorised to maintain current accounts with a special regime for the use of clients — gas supply companies;
- A member of the international (MasterCard International Inc., Visa International Service Association) and national (UkrCard, National System of Mass Electronic Payments) payment systems; and
- A recognised and highly respected representative of the banking community.



01

Brand
Identity

1. Brand Identity

1.1. Composition of the Supervisory Board of UKRGASBANK

No.	Name and surname	Position
1	Artem Shevaliov	Chairman of the Supervisory Board, Independent Member of the Supervisory Board
2	Oksana Markarova	Deputy Chairman of the Supervisory Board, Member of the Supervisory Board
3	Teimur Bahirov	Independent Member of the Supervisory Board
4	Yurii Butsa	Member of the Supervisory Board
5	Shrenik Dhirajlal Davda	Independent Member of the Supervisory Board
6	Yuliia Pashko	Independent Member of the Supervisory Board
7	Valentyna Yashchuk	Member of the Supervisory Board

1.2. Composition of the Board (as of 01.01.2018)



Chairman of the Board

**KYRYLO
SHEVCHENKO**

Born in 1972

Education: Kharkiv National University of Economics

Work experience at banking and financial institutions: 24 years



First Deputy Chairman of the Board

**ANDRII
KRAVETS**

Born in 1963

Education: Kyiv Institute of Civil Aviation Engineers, Toulouse Business School (France), Kyiv National Economic University

Work experience at banking and financial institutions: 18 years



Deputy Chairman of the Board

**NATALIIA
VASYLETS**

Born in 1974

Education: Kyiv National Economic University

Work experience at banking and financial institutions: 26 years

**Deputy Chairman of the Board****OLEKSANDR
DUBROVIN**

Born in 1981

Education: Kremenchuk State Polytechnic University

Work experience at banking and financial institutions: 14 years

**Deputy Chairman of the Board****OLEKSANDR
IHNATENKO**

Born in 1977

Education: Taras Shevchenko National University of Kyiv

Work experience at banking and financial institutions: 7 years

**Deputy Chairman of the Board****YEVHEN
METSHER**

Born in 1977

Education: Kryvyi Rih Technical University, Kyiv National Economic University

Work experience at banking and financial institutions: 16 years

**Deputy Chairman of the Board****TAMARA
SAVOSHCHENKO**

Born in 1967

Education: D.S. Korotchenko Kyiv Institute of National Economy

Work experience at banking and financial institutions: 24 years

**Deputy Chairman of the Board****INNA
TIUTIUN****Born in 1977****Education: Kyiv National Economic University****Work experience at banking and financial institutions: 19 years****1.3. Bank Executives not Members of the Board (as of 01.01.2018)****Chief Accountant****NATALIIA
KHRUSTALOVA****Born in 1970****Education: Kyiv National Economic University****Work experience at banking and financial institutions: 24 years**

1.4. Mission. Strategic Goals. Strategy for 2018

MISSION

Our mission is to support the sustainable development concept and promote environmental responsibility of the population and business by providing affordable financing for environmental projects.

STRATEGIC GOALS



Understanding the relevance of energy efficiency improvement and achievement of energy independence of Ukraine, as well as taking into account the desire to do its best to reduce energy consumption and energy intensity of domestic enterprises and households, UKRGASBANK, as a state-owned bank, will continue to adhere to the strategy of comprehensive support for projects related to efficient use of energy resources and reduction of environmental impact.

Besides, being aware that SMEs are the driving force behind the Ukrainian economy, the Bank seeks to provide SMEs with affordable financing that will result in creation of new jobs and new business opportunities in Ukraine.

Continuing the implementation of the ECO-Bank Concept and taking into account the external challenges, UKRGASBANK has established the Key Bank-Wide Priorities for 2018:

- 1 Strengthen the ECO-brand of the Bank and expand the ECO-lending portfolio in the Bank's total loan portfolio;
- 2 Expand the SME segment and maintain the leading market position in providing them ECO-loans;
- 3 Increase the efficiency and productivity of business processes, introduce advanced technologies and improve business processes to optimise the Bank's operations, thus increasing its investment attractiveness.

DEVELOPMENT CONCEPT IMPLEMENTATION

The Bank will continue implementing the strategy in cooperation with the International Finance Corporation (hereinafter referred to as the IFC), the world leading “green” financing expert, within the framework of the three-year Cooperation Agreement and the IFC Sustainable Energy Financing Programme in Europe and Central Asia. This cooperation allows the Bank to receive ECO-banking techniques and technologies that are unique for the Ukrainian market, as well as consultations for attracting funds from international financial institutions for the implementation of investment projects with the maximum economic effect for the Bank’s clients.

IFC will also strengthen corporate governance, ensure operational independence of UKRGASBANK, and further improve the sustainable banking model meeting the modern banking standards.

1.5. ECO-Banking Implementation

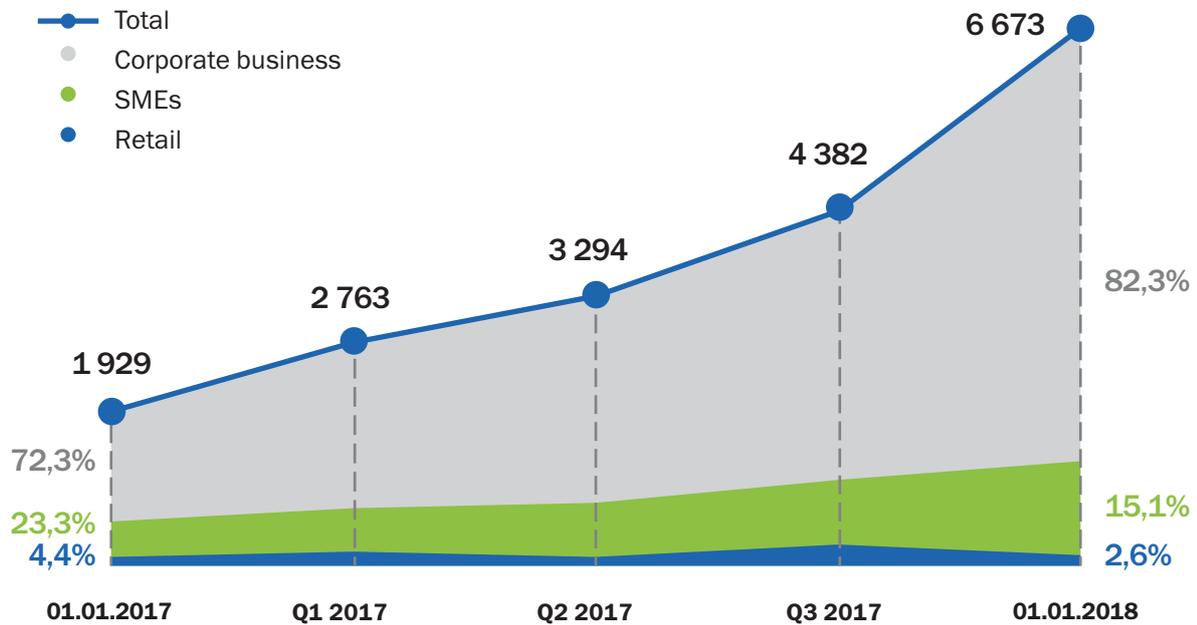
The Bank has selected the projects related to the efficient use of energy resources and reduction of negative environmental impacts as its priority (Green Banking Strategy). The Bank promotes the ecological culture and energy-saving ideas among the Ukrainian population and companies, as well as assists clients to implement these projects by financing them. The Bank implements the “green” strategy together with the IFC, which has deep knowledge and practical experience in energy efficiency and “green” energy.

Green Banking from UKRGASBANK in cooperation with the IFC involves:

- Provision of comprehensive support to “green” projects;
- Implementation of ecological and social management system;
- Use of IFC’s experience in project technological expertise;
- Maintenance and financing of “green” projects at the fundamentally new level;
- Provision of long-term loans;
- Consideration of all ECO-projects as a top priority;
- Quick decisions based on experience gained;
- Provision of loans of up to 70% of project cost.

As of 1 January 2018, the Bank had financed the projects related to the efficient use of resources and lower harmful impact on the environment for the amount of UAH 6,673 million. In 2017, the lending portfolio of ECO projects increased by UAH 4,744 million.

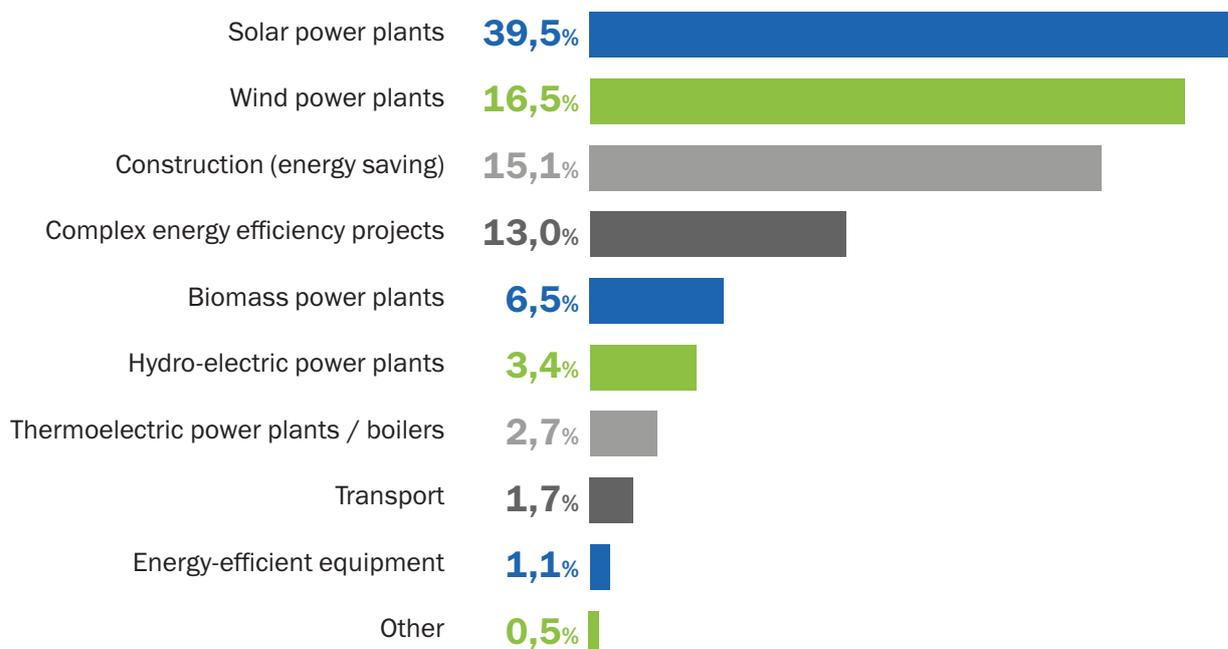
Dynamics of ECO-Lending Portfolio Growth in 2017



As a result of the implementation of ECO-projects financed by the Bank, as of 1 January 2018 the CO₂ emissions were reduced by 763,000 tonnes per year, and natural gas was saved for the amount of 366 million m³ per year.

The Bank offers a wide range of ECO-loans, which allow the clients to receive financing for “green” projects.

Structure of ECO-Projects Portfolio by Purpose for Corporate and SME Clients

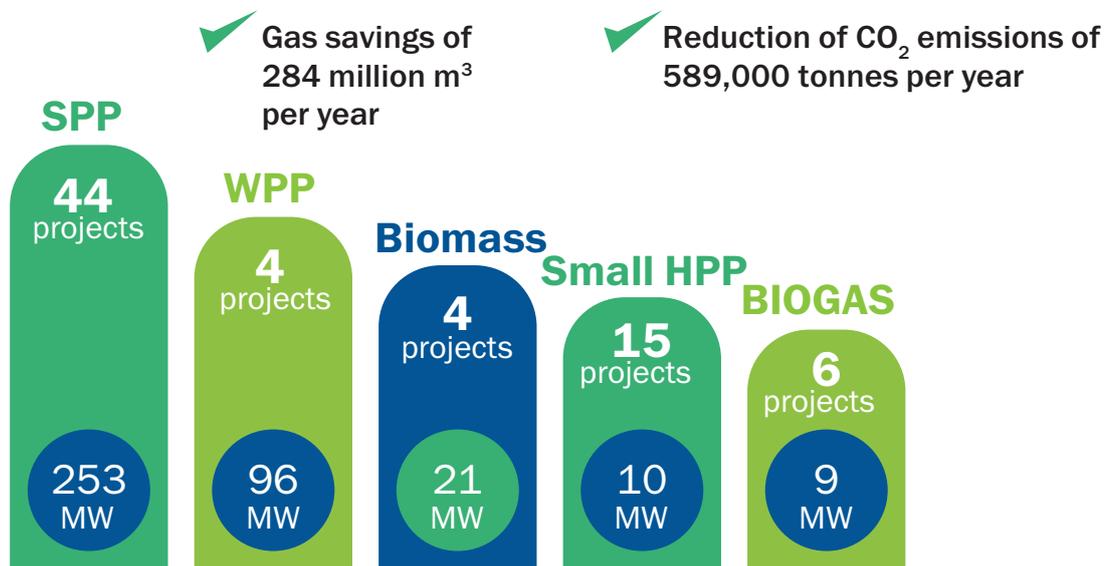


Gas savings of
366 million m³
per year

Reduction of CO₂ emissions of
763,000 tonnes per year (an
analogue of 185 MW Coal TPP
replacement)

Renewable energy projects make the largest part of environmental lending projects (66%), the main of which are solar PPs (39.5%) and wind PPs (16.5%) construction projects. As a result of the implementation of ECO-projects for renewable energy sources financed by the Bank, as of 1 January 2018 the CO₂ emissions were reduced by 589,000 tonnes per year, and 284 million m³ of natural gas was saved per year.

73 “Green” Energy Projects Worth EUR 218 Million with Total Capacity of 389 MW



As of 1 January 2018, the energy efficient modernization of buildings and structures (15.1%) and complex energy efficiency projects (13%), including several simultaneous solutions, for example, replacement of obsolete equipment, heating systems, window structures, lighting, thermal insulation of facades, etc. using modern energy-saving technologies, make the significant share in the Bank’s ECO-portfolio.

In cooperation with the IFC, the Bank held thematic business forums in Kyiv and Rivne with the participation of the Bank representatives, local entrepreneurs and authorities.

The Bank approved the standard accreditation terms for ECO-partners, including accreditation of general contractors that carry out turnkey construction of “green” power plants (EPC contractors).

The Bank introduced the “Green start” promotional offers (special terms for clients in the green energy sector) that take into account special aspects of working with foreign exchange transactions and investments.

The Bank developed the questionnaires on energy efficiency and renewable energy sources in cooperation with the IFC to assist the client in structuring ECO-projects.

1.6. Licences and Permits

Banking Licence No. 123 issued on 6 October 2011 by the National Bank of Ukraine, according to which the Bank is entitled to render the following types of banking services:

- Attract deposits in the form of funds or banking metals from an unlimited number of legal entities or individuals;
- Open and maintain current/correspondent accounts of clients, including those in banking metals, as well as escrow accounts;
- Place funds and banking metals attracted as deposits, including current accounts, on its own behalf, under its own terms and at its own risk.

General Licence No. 123 issued on 6 October 2011 by the National Bank of Ukraine and the Appendix thereto, according to which the Bank is entitled to carry out the following foreign exchange transactions:

- Non-trading transactions with currency assets;
- Transactions with foreign exchange cash and cheques (purchase, sale, exchange, acceptance, and cash logistics) carried out at banks' cash departments or foreign exchange offices;
- Transactions with foreign currency cash (purchase, sale, exchange) carried out at foreign exchange offices operating under agency agreements entered into between banks and resident entities;
- Maintain accounts of clients (residents or non-residents) in foreign currency and non-resident clients in the Ukrainian currency;
- Maintain correspondent accounts of banks (residents or non-residents) in foreign currency;
- Maintain correspondent accounts of banks (non-residents) in Ukrainian currency;
- Open correspondent accounts with authorised banks of Ukraine in foreign currency and carry out transactions thereon;
- Open correspondent accounts with banks (non-residents) in foreign currency and carry out transactions thereon;
- Attract and place foreign currency in the foreign exchange market of Ukraine;
- Attract and place foreign currency in the international markets;

- Trade in foreign currency in the foreign exchange market of Ukraine (except for transactions with foreign exchange cash and cheques (purchase, sale, exchange) carried out by banks' and agents' cash departments or foreign exchange offices;
- Trade in foreign currency in the international markets;
- Attract and place banking metals in the foreign exchange market of Ukraine;
- Attract and place banking metals in international markets;
- Trade in banking metals in the foreign exchange market of Ukraine;
- Trade in banking metals in the international markets;
- Carry out foreign exchange transactions in the foreign exchange market of Ukraine that are included into financial services in accordance with Article 4 of the Law of Ukraine "On Financial Services and State Regulation of Financial Services Markets" and are not specified in Paragraph 2-17 of Section 2 of the Regulations for the Procedure for Granting General Licences for Foreign Exchange Transactions to Banks and Affiliates of Foreign Banks approved by Decision of the Board of the National Bank of Ukraine No. 281 dated 15 August 2011;
- Carry out foreign exchange transactions in the international markets that are included into financial services in accordance with Article 4 of the Law of Ukraine "On Financial Services and State Regulation of Financial Services Markets" and are not specified in Paragraph 2-17 of Section 2 of the Regulations for the Procedure for Granting General Licences for Foreign Exchange Transactions to Banks and Affiliates of Foreign Banks approved by Decision of the Board of the National Bank of Ukraine No. 281 dated 15 August 2011.

The Bank also has the following licences for individual activities:

Licence Series AD No. 034432 issued by the National Securities and Stock Market Commission on 18 June 2012; indefinite validity period; for the professional activity in the stock market: mortgage collateral management;

Licence Series AE No. 263236 issued by the National Securities and Stock Market Commission on 28 August 2013; valid from 12 October 2013; indefinite validity period; for the professional activity in the stock market: depository activity — depository activity of a depository institution;

Licence Series AE No. 263237 issued by the National Securities and Stock Market Commission on 28 August 2013; valid from 12 October 2013; indefinite validity period; for the professional activity in the stock market: depository activity — custody of assets of collective investment schemes;

Licence Series AE No. 263238 issued by the National Securities and Stock Market Commission on 28 August 2013; valid from 12 October 2013; indefinite validity period; for the professional activity in the stock market: depository activity — custody of assets of pension funds;

Licence Series AE No. 294713 issued by the National Securities and Stock Market Commission on 14 February 2015; valid from 14 February 2015; indefinite validity period; for the professional activity in the stock market: trading in securities — broker activity;

Licence Series AE No. 294714 issued by the National Securities and Stock Market Commission on 14 February 2015; valid from 14 February 2015; indefinite validity period; for the professional activity in the stock market: trading in securities — dealer activity;

Licence Series AE No. 294715 issued by the National Securities and Stock Market Commission on 14 February 2015; valid from 14 February 2015; indefinite validity period; for the professional activity in the stock market: trading in securities — underwriting;

Licence Series AE No. 294716 issued by the National Securities and Stock Market Commission on 14 February 2015; valid from 14 February 2015; indefinite validity period; for the professional activity in the stock market: trading in securities — securities management.

1.7. Affiliated Persons

The institution that has a substantial share in UKRGASBANK as of 1 January 2018:

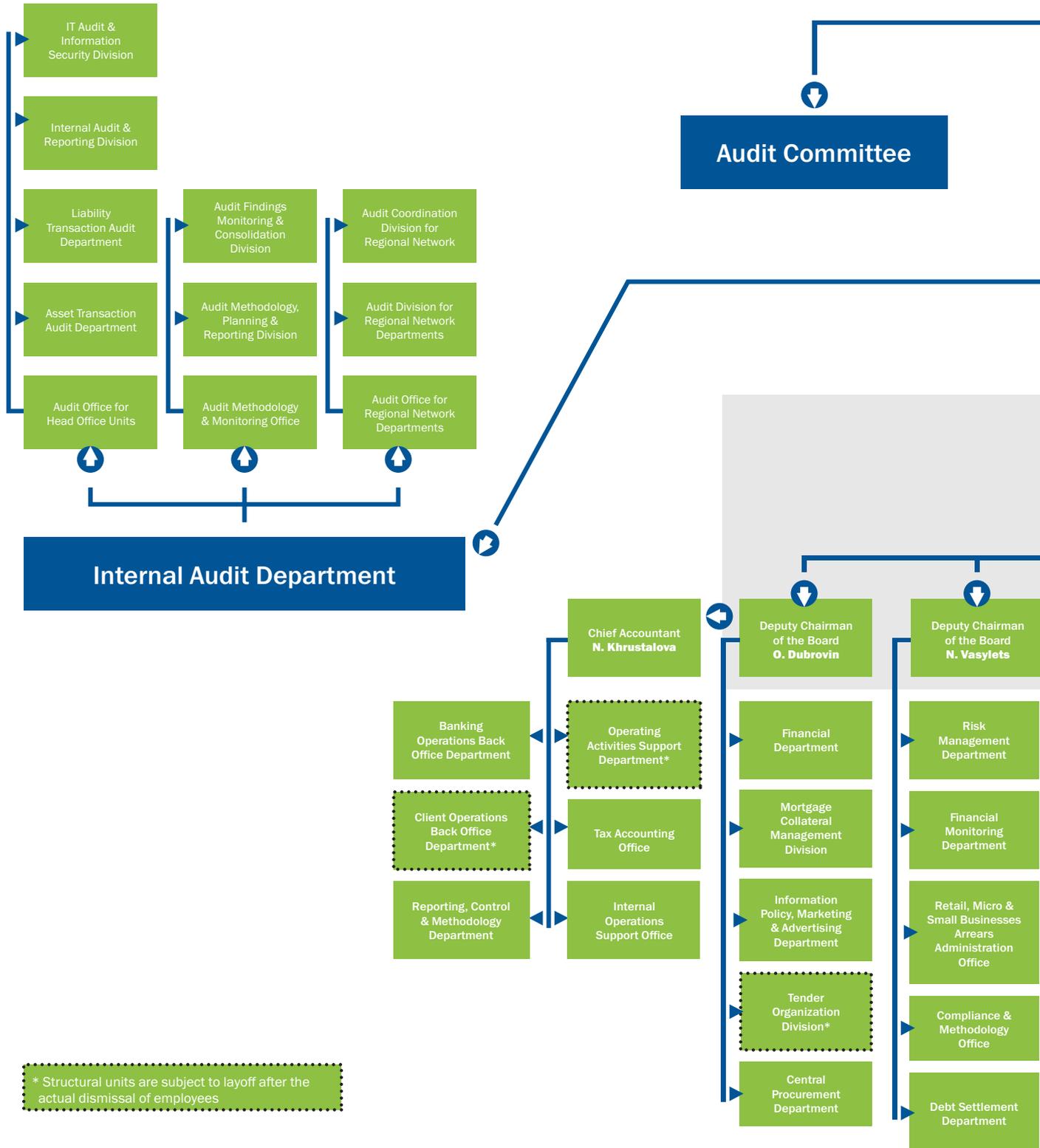
The State of Ukraine (the Ministry of Finance of Ukraine), substantial share of 94.9409%

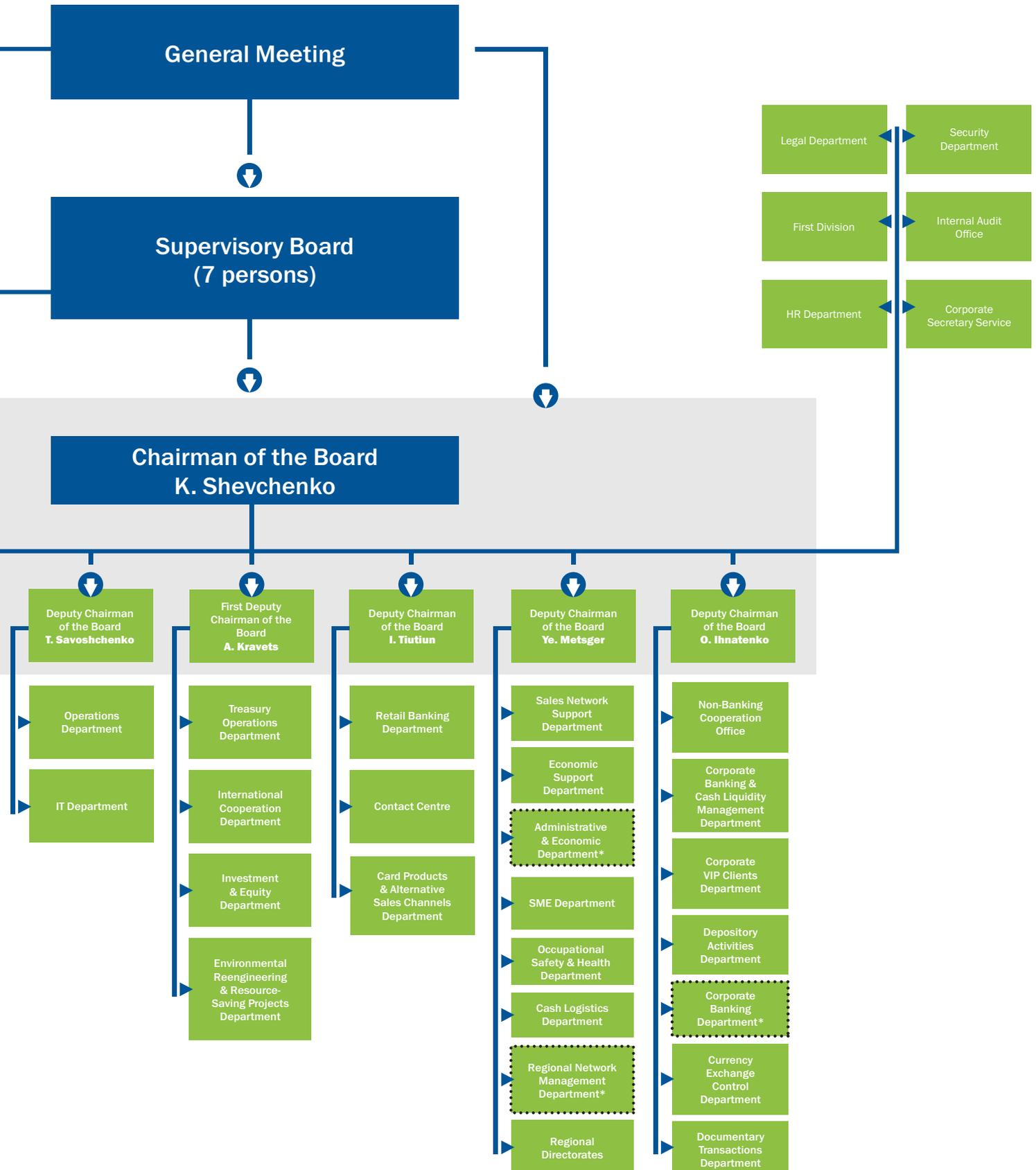
The institutions in which JSC “UKRGASBANK” has a substantial share as of 1 January 2018:

CJSC Clearing House of “Kyiv Universal Stock Exchange”, substantial share of 15%;

LLC “Media Services”, substantial share of 10%.

1.8. Organizational Chart (as of 1 January 2018)





1.9. Personnel

Today, UKRGASBANK is a cohesive team of like-minded people and professionals who achieve ambitious goals and demonstrate high performance.

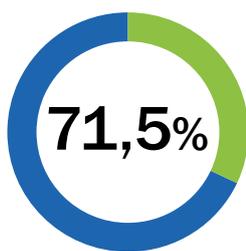
The Bank employees regularly undergo trainings and remote learning courses, as well as take part in conferences and open educational events. In 2017, the staff training was specially focused on developing the ECO direction; new training programmes were created to train employees to consult private clients on the establishment of home-based solar PPs, solar collectors and other energy-saving equipment. Currently, almost each employee of the department can provide the potential client with detailed information on ECO issues. In addition, the Bank employees actively participated in the green energy and environmental protection conferences.

During the year, the Bank actively engaged students of higher educational institutions for traineeship and hired the best of them. Students were engaged for traineeship in all regions.

In 2017, the Bank management made significant efforts to improve the social standards of its employees. Together with the UKRGASBANK trade union, they also implemented support and incentive programmes.

Thanks to the working groups and the innovation discussion club, each Bank employee had the opportunity to express their ideas about the ways to improve the Bank operation.

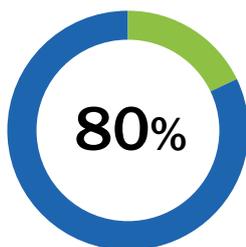
In 2017, the Bank conducted extensive surveys of the employees' opinion on and satisfaction with the Bank operation.



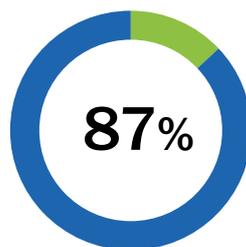
Female



Male



More than 76% of the
Bank employees
with higher education



Most workers
(87%) are
25 to 49 years old

4,050
employees

Average employment
period at the Bank
4 years

Average age of employees
39 years

The number of employees at the end of the reporting period is 4,050 people, including 71.5% female, 28.5% male.

Almost 80% of the Bank employees have complete higher education. Over 87% of employees are 25 to 49 years old, and the average age of employees is 39. The average employment period at the Bank is 4 years.

1.10. Our History

1993

Closed Joint Stock Company Joint Stock Commercial Bank “HajibeyBank” — the predecessor of UkrGasbank — was registered.

1995

The Bank was renamed as JSB “InterGasBank” and consisted of the Head Office in Kyiv and a branch in Odesa. It started active commercial and financial activities. The Client-Bank software was implemented for prompt provision of high-quality serves to clients.

1996

The Bank was renamed as “UkrGasBank”, obtained the NBU licence for transactions with foreign currency assets, joined the REUTERS international system, and started an active operation in the foreign exchange market of Ukraine.

1997

The Bank was reorganised into an open joint-stock company. The Bank actively integrated into the gas complex of Ukraine. Large gas suppliers, such as State-Owned Joint Stock Holding Company “UkrGaz”, Closed Joint Stock Company “Intergas”, etc. became its clients. The Bank was issued the general licence for banking operations. For the first time, Deloitte & Touche Audit Company audited the Bank under the international standards.

1998

The Bank increased its capitalization rate as a result of the second issue of shares. The Bank became a member of the Association of Ukrainian Banks.

1999

The Bank issued the third issue of its shares to increase its authorised capital from UAH 6.90 million to UAH 13.95 million. To implement the strategic development plan, the Bank obtained an extension to the licence for raising and investing foreign currency in the international markets.

2000

The Bank started issuing the domestic ЕНЕРГІЯ™ (ENERGY) payment cards and implementing payroll card programmes for its largest clients. The Bank became the principal member of Europay International Association.

2001

The Bank was renamed as Open Joint Stock Company Joint Stock Bank “UkrGasBank.” The Bank kept promoting banking services in regions and opened 40 regional branches by the year end.

2002

The Commission for Supervision and Regulation of Banks included UKRGASBANK into Group 2 of the Ukrainian banks on the basis of the development of its asset and liability transactions. The Bank expanded its market presence to become represented in 13 regions of Ukraine.

2003

The Bank issued its own Visa International IPS payment card. The Bank won the tender for provision of account management services to place funds of the World Bank’s Private Sector Development Project.

2004

The Bank increased the authorised capital to UAH 120 million and was among TOP-20 banks of Ukraine. The Bank issued almost 180 thousand payment cards. The Bank was actively implementing several payroll card programmes for its clients.

2005

The Bank’s terminals were certified by MasterCard Worldwide, and the Bank started acquiring chip cards of this payment system. A new biometric client identification system was introduced in the depository (MUST-IPRA Depository).

2006

The Bank was approved as a pilot bank for the implementation of the IFC’s Ukraine Banking Corporate Governance Project. Moody’s Investors Service, an international credit agency, assigned the Bank a B2 long-term foreign currency deposit rating and E+ financial stability rating. The rating was projected to be “stable.” All this contributed to raising a first-time syndicated loan of USD 16 million from foreign banks. By the year end, the Bank had more than 314,000 private and corporate clients.

2007

The Bank substantially improved its performance and increased its authorised capital to UAH 500 million. The Bank obtained the second syndicated loan of USD 46 million and the club loan of USD 20 million. The reorganization of the sales management system by means of the migration to a “single balance sheet” was started. By the year end, the staffing level of the Bank exceeded 3,400 persons.

2008

The Bank was categorised as one of the largest domestic credit and finance institutions and increased its authorised capital to UAH 700 million. The syndicated loan of USD 23 million was raised to finance foreign trade transactions of the Bank’s clients.

The Bank also repaid the USD 20 million club loan and the USD 46 million syndicated loan obtained in 2007 on time and in full. The Bank started offering its individual clients transactions on the Forex market as a new service. The Bank was ranked first in terms of information transparency with the highest transparency rating of 71.2% in the history of such studies in Ukraine, according to the results of the review of the TOP-30 Ukrainian banks carried out by the Financial Initiatives Agency together with Standard & Poor's Corporate Governance Rating Service.

2009

The Bank faced substantial changes. Shareholders applied to the Government for the State to inject capital into the Bank because of the difficult financial situation that came into existence in Ukraine in 2009. The Cabinet of Ministers of Ukraine decided to contribute UAH 3.1 billion to the Bank's share capital. Thus, the share capital of the Bank grew to UAH 3.8 billion, and the State represented by the Ministry of Finance of Ukraine became the shareholder of 81.58% of its shares. The Bank was reorganised into a public joint stock company. Because of the financial crisis, the Bank had to optimise its network to reduce administrative costs.

2010

The Bank drafted a new development strategy, demonstrated better financial performance and resumed lending. In the beginning of the year, the share capital of the Bank was additionally increased by UAH 1.9 billion as a result of an additional issue of shares, and the participatory interest held by the Ministry of Finance of Ukraine in the share capital grew to 87.72%. The Ministry of Finance of Ukraine included the Bank into the list of commercial banks charged with functions of agents for the purposes of the VAT refund in domestic government bonds. The Cabinet of Ministers of Ukraine appointed the Bank as an agent for managing special current accounts of guaranteed gas suppliers and their structural units, as well as companies that sold natural gas to gas suppliers. Kredyt-Rating rating agency assigned the Bank a uaBBB long-term credit rating with a "stable" outlook and the Bank deposit reliability level of "4" (highly reliable).

2011

The Bank's capital was increased by further UAH 4.3 billion to UAH 10 billion, and the participatory interest held by the State grew to 92.9998%. Due to this, the Bank managed to make the appropriate reserves in accordance with requirements of the NBU and international auditors. The Bank maintained a strong competitive position in the group of the largest Ukrainian banks. Kredyt-Rating rating agency reconfirmed the uaBBB long-term credit rating and debt rating of the Bank with the "stable" outlook and the high reliability ("4") of bank deposits twice during the year. Ekspert-Rating rating agency assigned the uaBBB+ credit rating to the Bank and its debt liabilities (bonds of series C, D, E).

2012

The Bank continued implementing its strategy successfully and strengthened its leading position among the largest Ukrainian banks. The Bank became an active participant of the “Affordable Housing” state programme for individual home loans. Having obtained the licence from the National Securities and Stock Market Commission for the professional activity in the stock market in the form of mortgage collateral management, the Bank was granted the exclusive right to provide the relevant services to securities issuers. The Bank fulfilled its obligations to foreign creditors and repaid the USD 23 million syndicated loan issued by the group of international lending banks in 2008.

2013

The Bank celebrated 20 years of its operation. The net annual profit exceeded UAH 1 billion, and the Bank ranked second on the market in this terms. In March, UKRGASBANK introduced its own Welsend multi-currency money transfer system. The system became international in autumn after it was launched in Georgia. The Bank introduced a special Friendly Payment Card offer for schoolchildren at the beginning of the academic year. The Bank was the first Ukrainian bank to offer a special lending programme to apartment house co-owner associations (condominiums). The Bank marked its fifth anniversary in the Forex market. UKRGASBANK joined the Polish Government’s “Financial Support to Export” programme implemented by Bank Gospodarstwa Krajowego, a Polish state-owned bank, and was assigned the EUR 14 million quota.

2014

In 2014, UKRGASBANK maintained a relatively high business activity and was recognised to be one of the most dynamic, efficient, stable and reliable banks in Ukraine by leading economic publications. It was also ranked as one of the TOP-100 companies of Ukraine. In July, UKRGASBANK offered Domovychok universal credit and deposit card recognised by MasterCard to be the mass product of the year 2014 in November. The Information Security Management System of UKRGASBANK underwent international certification in 2014 and was the first system of that kind in Ukraine to get an ISO/IEC 27001:2005 certificate of conformity. On 26 December 2014, Ukrainian Credit Rating Agency reconfirmed its long-term credit rating of uaAA+ assigned to UKRGASBANK with a “stable” outlook and ranked deposits with UKRGASBANK as “A” (top reliability). The Bank optimised its network, introduced new products and services, increased the reliability of transactions and improved the service under the existing offers.

2015

The Bank was included into the list of state property of strategic importance for the national economy and security. It repaid the short-term stabilization loans of UAH 922.6 million provided by the NBU early and in full. The Bank also repaid in full the USD 200 million deposit lodged by the State Treasury Service of Ukraine together with the accrued interest. In December, a tendering committee set up by UKRGASBANK’s Supervisory Board made a decision to hold the first public tender in Ukraine for the sale of UKRGASBANK’s claims under loan and security agreements. In December, UKRGASBANK was the first Ukrainian bank to issue a financial guarantee for customs payments to the State Fiscal

Service of Ukraine for the amount of UAH 195 million for one of the leading multinational companies. The Bank successfully completed its merger with PJSC JSCB “KYIV” within the scope of a unique procedure aimed at keeping the financial stability in the Ukrainian banking sector. UKRGASBANK received an additional capital injection of UAH 3.8 billion as an additional guarantee of its stability. The participatory interest owned by the State grew from 92.9998% to 94.9409%. The Bank underwent successfully its first information security management system monitoring audit and was issued a new ISO/IEC 27001:2013 certificate of conformity (International Standard on Information Security Management Systems).

According to the UCRA ratings and the Standart Rating, the Bank deposit reliability was ranked highest among Ukrainian banks. The Rating Committee of Expert Rating confirmed the uaAA- credit rating of UKRGASBANK on the national scale.

2016

In 2016, UKRGASBANK early repaid the stabilization loans of UAH 3,616.6 million provided by the NBU in 2008-09 in full to maintain liquidity and improve its financial position within the scope of the Financial Recovery Programme. UKRGASBANK was authorised to settle customs payments and fully organised the work of its 38 branches to provide services to the customs offices of the State Fiscal Service of Ukraine. It ranked within TOP-5 largest Ukrainian banks by assets.

The IFC and UKRGASBANK signed the agreement for simplified financing for companies that intended to introduce renewable and energy-saving technologies and contribute to unlocking Ukraine’s “green” economic potential. Within this cooperation, the Bank introduced new ECO products and services and actively supported energy efficiency initiatives. During the year, UKRGASBANK opened 9 free filling stations for electric cars based on its departments in Kyiv, Zhytomyr, Kherson, Rivne, Cherkasy, and Mykolaiv. It financed a large number of large-scale ECO-projects throughout Ukraine, actively supported SMEs, and expanded the range of ECO-projects for individuals.

UKRGASBANK and the Ministry of Ecology and Natural Resources of Ukraine signed the agreement on interaction and cooperation in the implementation of the Bank’s ecological and energy-efficient projects. In November, the “European-Ukrainian Energy Agency” Bank and Association signed the Memorandum of Partnership and Cooperation aimed at enhancing Ukraine’s energy efficiency and developing “green” energy.

The German-Ukrainian Fund increased the financing of UKRGASBANK for SME lending more than twice — up to EUR 6.9 million (from UAH 1 million to UAH 24 million).

The Bank launched MYUKRGASBANK mobile app for payroll clients, opened 13 new PREMIER zones for exclusive service of premium clients.

In order to expand the client base and strengthen the settlement bank status for interbank transactions, UKRGASBANK consented to perform a settlement function in the programme of the “ATMoSphere” united ATM network.

In 2016, UKRGASBANK was the first Ukrainian bank to start trading via FXAll System, a part of Thomson Reuters FX Trading Dealing, which is the world largest currency trading platform.

The Welsend international money transfer system launched by UKRGASBANK became available in Georgia, Tajikistan, Moldova and 32 other countries due to its cooperation with the Intel Express worldwide system. Ukrposhta, a national postal operator, also became a partner with Welsend.

In 2016, UKRGASBANK continued paying out guaranteed amounts to depositors of insolvent banks.

During the year, the Bank kept leadership among leading government bond market participants and depository institutions by its depository assets. It was one of the TOP-100 largest taxpayers in Ukraine and became the leading Ukrainian bank that raised funds from local budgets and educational institutions.

The Bank underwent successfully its second information security management system monitoring audit and was issued a new ISO/IEC 27001:2013 certificate of conformity (International Standard on Information Security Management Systems)

In 2016, UKRGASBANK spent UAH 560,000 for treatment of Ukrainian soldiers due to the “Matter of Honour” charity deposit. It launched “Berehynia” Charity Deposit, the new all-Ukrainian social project.

IBI-Rating Agency reconfirmed the uaA+ credit rating of UKRGASBANK with the “stable” outlook. The reliability rating of bank deposits was also confirmed at the level of “5+” (excellent reliability). Ekspert-Rating increased UKRGASBANK’s credit rating to uaAA+ on the national scale, which meant very high creditworthiness as compared with other Ukrainian borrowers.

2017

In 2017, the Bank ranked fourth by its assets among the largest Ukrainian banks. The composition of the Supervisory Board was renewed; the number of independent members was increased (4 of 7 persons).

UKRGASBANK signed the Memorandum with the German-Ukrainian Fund for the development of existing and implementation of new efficient SME lending programmes in Ukraine. The Bank signed the Memorandum of Cooperation with USAID regarding the “Municipal Energy Reform in Ukraine” project to implement the energy saving programme and increase energy efficiency of Ukrainian cities.

UKRGASBANK joined the IFC Global Trade Financing Programme. It was the first state-owned bank to receive LEI (international legal entity identifier), which allows regulators and risk managers to accurately and instantly identify parties to financial transactions, and increases accuracy and reliability of reporting data.

UKRGASBANK, the Ministry of Finance of Ukraine and the IFC signed the Memorandum of Understanding on the support of attracting a strategic financial investor in the Bank’s capital owned by the State.

UKRGASBANK was the first Ukrainian bank to sign the guarantee agreement with the European Investment Bank and the European Investment Fund under the EU4Business initiative to support Ukrainian SME lending for the amount of EUR 50 million.

It started cooperating with JLL Ukraine and state-owned enterprise “SETAM” within the framework of the bank’s assets sale project. It was the first Ukrainian bank to issue a financial guarantee for customs payments to the State Fiscal Service of Ukraine for the amount of UAH 195 million by order of LLC “Ukrainian Union Sugar Company”.

It was the first in Ukraine to start providing loans for installation of home-based solar PPs at 0.001% per annum, presented the first ecologically clean payment card in Ukraine and Fan’s Card on the open training of the Ukrainian football team. During the year, the Bank significantly lowered interest rates on mortgages and car loans.

It started issuing e-licences for Premier-Banking private clients and migrated to its own processing centre.

In 2017, UKRGASBANK maintained a relatively high business activity and was recognised to be one of the most reliable and professional banks in Ukraine by leading economic publications.

UKRGASBANK ranked first in the best Ukrainian banks rating for SME services kept by Lichnyi Schet, an electronic edition. It was in the top of Savings Deposit category and one of the three leading Ukrainian banks according to the annual TOP-50 Ukrainian banks rating kept by Financial Club, an electronic edition. UKRGASBANK became one of the three most reliable banks of Ukraine according to Lichnyi Schet.

UKRGASBANK was among TOP-10 most reliable Ukrainian banks according to Standard Rating. It was the only state-owned bank among TOP-10 banks with the highest deposit rating. It occupied the top position of the deposit reliability rating of state-owned banks kept by Standard Rating.

UKRGASBANK was confirmed to be the best in the ECO Bank category in the special publication “Financial Oscar” by Business, an electronic edition. The annual competition “Bank of the Year” by Bankir, an international magazine, named it the leading ECO-bank of the year. The Chairman of the Board of UKRGASBANK was named the best top manager in the financial sector by Focus magazine.

1.11. Ratings



IBIRATING
RATING AGENCY**СЕРТИФІКАТ****АБ «УКРГАЗБАНК»**підтвержено рейтинг надійності банківських вкладів
на рівні:**5+****ВІДМІННА НАДІЙНІСТЬ**

Фінансова установа надійна, вчасно розраховується за своїми зобов'язаннями відповідно до чинного законодавства (у т. ч. вимог НБУ), має добру репутацію. Імовірність виникнення проблем зі своєчасним поверненням вкладу низька, оскільки фінансова установа малочутлива до впливу зовнішніх та внутрішніх факторів.

Оцінка впливу зовнішніх факторів не поширюється на ситуації, пов'язані з форс-мажорними обставинами.

Реєстраційний номер сертифікату 11 100 10338

Дата видачі сертифікату 08.12.2017 р.
Термін дії сертифікату до 31.03.2018 р.Директор
ТОВ «Рейтингове агентство «ІВІ-Рейтинг»

О. Д. Амфітеатров

ТОВ Рейтингове агентство «ІВІ-Рейтинг»
вул. Антоновича, 172, оф. 1014, м. Київ 03680, Україна, тел. +38 044 362 9084; e-mail: office@ibi.com.ua
Свідоцтво про включення до Державного реєстру уповноважених рейтингових агентств №3 від 12.04.2010 р.



РЮРІК
НАЦІОНАЛЬНЕ РЕЙТИНГОВЕ АГЕНТСТВО

СВІДОЦТВО

№ СВ 171123-01

З присвоєння та оновлення
довгострокового кредитного рейтингу позичальника
за Національною рейтинговою шкалою

Національне рейтингове Агентство «Рюрік»
підтверджує присвоєння та оновлення
довгострокового кредитного рейтингу позичальника
на рівні

uaAA+

ПУБЛІЧНОМУ АКЦІОНЕРНОМУ ТОВАРИСТВУ
АБ «УКРГАЗБАНК»

Дата присвоєння: 30 вересня 2016 року
Дата оновлення: 23 листопада 2017 року

Сітало А. В.
Генеральний директор
НРА «Рюрік»



Rating Agencies Details

Name of the rating agency	Characteristic of rating agency (authorised, international)	Date of assignment/ reassignment of ranking score of the issuer or its securities	Credit rating of the issuer or its securities
Limited Liability Company Rating Agency "IBI-Rating"	Authorised Rating Agency	8 December 2017	uaAA-
Limited Liability Company Rating Agency "Ekspert-Rating"	Authorised Rating Agency	18 December 2017	uaAA+
Limited Liability Company "RURIK"	Authorised Rating Agency	23 November 2017	uaAA+

1.12. Financial Indicators Overview for 2017

UKRGASBANK's main performance indicators at year-end based on its financial statements as at the close of business on 31 December 2017

Indicators	2017	2016	Change
	UAH thousand		%
Balance Sheet			
Assets, including:	69,213,227	53,905,933	28.40
Cash and cash equivalents	7,264,287	2,482,132	192.66
Loans to customers	33,646,433	20,351,584	65.33
Investment securities available for sale	20,576,663	19,996,757	2.90
Liabilities, including:	63,587,914	48,608,027	30.82

Funds the National Bank of Ukraine	414,104	574,997	-27.98
Customer deposits	60,646,118	46,180,966	31.32
Authorised capital	13,837,000	13,837,000	0.00
Statement of Comprehensive Income			
Net interest (expenses)/income after the change in the loan impairment provision	1,665,388	1,291,211	28.98
Result on initial recognition of financial assets/liabilities	(6,706)	(775,604)	-99.14
Net fee and commission income	551,700	342,720	60.98
Net (losses)/gains from investments available for sale	51,602	82,686	-60.24
Result from transactions with foreign currencies and derivative financial instruments	225,118	534,335	-57.87
Other income	191,642	145,734	31.50
Non-interest expenses	(2,154,347)	(1,355,202)	58.97
Net profits/loss	627,812	288,995	53.97

UKRGASBANK Position in the Banking Market As of 1 January 2018¹

Indicators	Market share
Equity	3.52%
Assets	5.13%
Securities portfolio	6.66%
Loans and advances to customers, including	4.01%
<i>Legal entities</i>	4.08%
<i>Individuals</i>	3.63%
Customer deposits, including	6.42%
<i>Legal entities</i>	10.25%
<i>Individuals</i>	3.49%

¹ Calculated based on the main performance indicators of Ukrainian banks published on the website of the National Bank of Ukraine as of 1 January 2018 and the financial statements of JSB "UKRGASBANK" as at the close of business on 31 December 2017

1.13. Membership in International Payment Systems (IPS)

UKRGASBANK is a long-term member of the international (MasterCard International Inc. and Visa International Service Association) and national (UkrCard, Prostir) payment systems.

The year 2017 was a landmark for UKRGASBANK, since the Bank completed the card migration to its own processing centre and is currently processing transactions for Mastercard and Visa payment cards on its own. In addition, UKRGASBANK confirmed its compliance with the Payment Card Industry Data Security Standard (PCI DSS). PCI DSS compliance means that the Bank provides payment card holders with the highest level of service and security. Every year, independent auditors conduct a full-scope audit of the Bank's compliance with PCI DSS.

UKRGASBANK performs functions of a settlement bank of the UKRCARD payment system (card transactions of 12 Ukrainian banks). In 2017, UKRGASBANK successfully continued performing the function of settlement bank under the programme of the "ATMoSphere" united ATM network, which currently has 8 member banks.

UKRGASBANK, as a principal member of MasterCard International Inc. and Visa International Service Association, has a long experience of cooperation with banks when joining the IPS and providing further expert support. The capacity of its own processing centre allows UKRGASBANK to expand the sponsorship services to banks that have jointed or will join IPSs.

In 2017, UKRGASBANK provided the IPS sponsorship to 15 Ukrainian banks, of which 6 associate members of Visa International Service Association and 9 affiliated members of MasterCard International Inc.

Besides, UKRGASBANK holds merchant acquiring licences in three payment systems, which allows it to carry out these activities under the agent scheme developed by UKRGASBANK, taking into account the IPS Regulations of MasterCard International Inc./Visa International Service Association and applicable Ukrainian legislation.

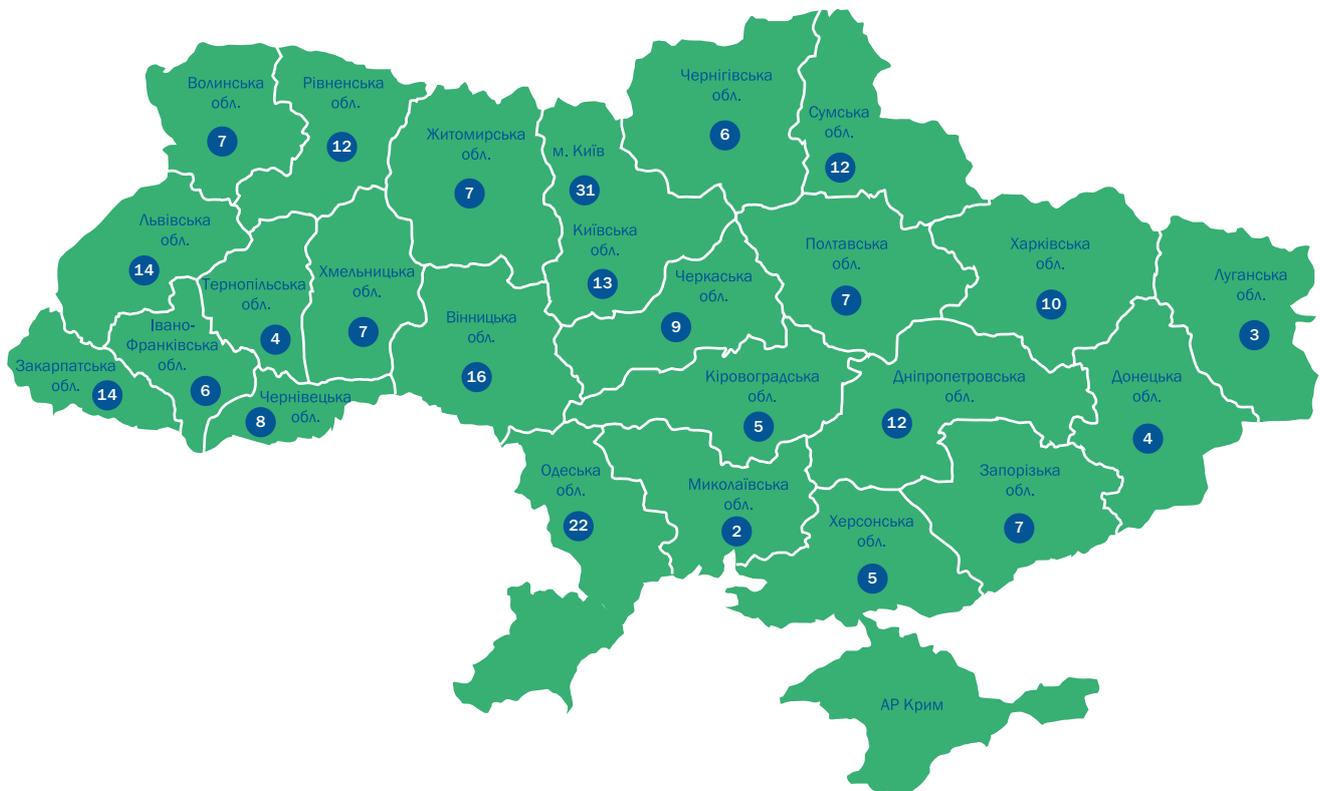
1.14. Membership in Interbank Associations, Exchanges, Alliances

- Association “Ukrainian Stock Traders”
 - PrJSC “Ukrainian Interbank Currency Exchange”
 - PJSC “PFTS Stock Exchange”
 - PJSC “Ukrainian Exchange”
 - “Stock Exchange “Perspektiva” PJSC
 - Professional Association of Capital Markets and Derivatives Participants
 - Universal Commodity Exchange “Contract House UICE”
 - Independent Association of Ukrainian Banks (IAUB).
-

1.15. Structural Divisions (as of 1 January 2018)

UKRGASBANK network consists of 243 branches in all regions of Ukraine and Kyiv.

UKRGASBANK Network of Branches in the Territory of Ukraine



Total

243

02

Corporate
Governance



2. CORPORATE GOVERNANCE

2.1. Corporate Governance System

The corporate governance of UKRGASBANK is organised in accordance with requirements of the legislation of Ukraine, in particular, the Corporate Governance Principles approved by Decision of the National Securities and Stock Market Commission No. 955 dated 22 July 2014 and the Methodological Recommendations for Corporate Governance Improvement of Ukrainian Banks approved by Decision of the Board of the National Bank of Ukraine No. 98 dated 28 March 2007.

UKRGASBANK Corporate Governance is based on the following principles:

- Provision shareholders with a real opportunity to exercise their rights when participating in management of the Bank and assurance of the exercise of the rights of the State as the main shareholder of the Bank to the extent established by the applicable Ukrainian legislation;
- Treatment of shareholders on equal terms, irrespective of the number of shares they own;
- Manage daily operations in a cautious, honest and effective way (by the Board);
- Provision of strategic management of the Bank's activities and ensurance of effective control over the Board (by the Supervisory Board);
- Specification of goals and main directions of the Bank's activities (by the General Meeting);
- Timely disclose of full and accurate information on the Bank, including its financial condition, economic indicators, significant events, ownership and management structure in order to ensure the possibility of making well-considered decisions by the Bank's shareholders or clients;
- Effectively control over the Bank financial and economic activities in order to protect the rights and legitimate interests of the Bank's shareholders or clients.

These principles underlie the corporate governance policy, which is binding upon all the Bank structural units.

At the current stage of its development, the Bank is characterised by a number of specific features that determine its approaches to building the Bank corporate governance system and impose additional requirements and restrictions on the Bank's activities.

The State represented by the Ministry of Finance of Ukraine has significant (94.9409%) interest in the Bank's share capital.

According to UKRGASBANK's Articles of Association, the Bank management bodies comprise the General Meeting and the Board, with the Audit Committee and Supervisory Board being its controlling bodies. The Bank management and controlling bodies form a unified system of management and controlling bodies of the Bank, through which its shareholders regulate and control the Bank's activities.

The Bank management system is created and operates on the principle of subordination of the lower management body to a higher one.

The General Meeting is the Bank's supreme management body, which controls all Bank's activities, as well as defines its goals and main areas of activity.

The Supervisory Board is a body that protects the rights of depositors, other creditors and shareholders and, within its competence, controls and regulates the Board operation, but is not involved in the daily management of the Bank.

In order to improve the corporate governance, the Supervisory Board Remuneration and Appointment Committee and the Investment Attraction & Development Strategy Implementation Committee of UKRGASBANK were successfully established in addition to the previously established Supervisory Board Audit Committee and the UKRGASBANK Supervisory Board Risk Management Committee and operated in 2017.

The Board is an executive body of the Bank that controls the Bank's daily operations.

During 2017, the Bank implemented several recommendations on the improvement of its corporate governance provided by the IFC within the framework of cooperation with the IFC, which had positive results and brought the Bank as close as possible to the international corporate governance practices.

The Bank will continue to take measures to create an effective legal, regulatory and institutional framework for good corporate governance.

2.2. Major Shareholders (as of 01.01.2018)

As of 1 January 2018, the Bank's authorised capital amounted to UAH 13.837 billion and was divided into 13,836,522,922 registered ordinary shares and 477,078 registered preferred shares.

The largest beneficiary owner is the State of Ukraine represented by the Ministry of Finance of Ukraine, which holds 94.940948% in the Bank's authorised capital. No other shareholder holds more than 1.0% of the Bank's authorised capital.

The members of the Bank Supervisory Board do not own any shares in the Bank.

The members of the Board own 0.00026% in the Bank's authorised capital.

2.3. Share Capital Dynamics

No.	Registration date of the amendment to the Articles of Association	Authorised capital amount, UAH
1	December 2002	64,567,571
2	December 2003	90,000,000
3	August 2004	120,000,000
4	June 2005	170,000,000
5	May 2006	200,000,000
6	December 2006	300,000,000
7	May 2007	400,000,000
8	November 2007	500,000,000
9	May 2008	600,000,000
10	December 2008	700,000,000
11	July 2009	3,800,000,000
12	January 2010	5,700,000,000
13	July 2011	10,000,000,000
14	May 2015	13,204,000,000
15	August 2015	13,837,000,000

2.4. Dividend Policy

Every year, the General Meeting of Shareholders of the Bank takes a decision on the distribution of the Bank profits for the reporting year based on the Bank performance in the previous (reporting) year.

By the decision of the General Meeting, the profits of the reporting year or a part thereof may be paid as dividends to shareholders that own ordinary shares in the Bank. Dividends are distributed among shareholders in proportion to the number of shares they own. Dividends are paid in accordance with the decision of the General Meeting of Shareholders on the terms set forth in the relevant minutes of the General Meeting of Shareholders once a year based on the respective calendar year performance from the net profit of the reporting year and/or undistributed profits. Dividends on ordinary shares are paid within six months after the date of the relevant decision of the General Meeting of Shareholders.

The preferred shareholders have the right to receive annual fixed dividends, except for cases provided for in Part 3 of Article 31 of the Law of Ukraine “On Joint Stock Companies” or in case of other restrictions established by the banking legislation. Dividends on preferred shares are set at UAH 0.01 per a preferred share. Dividends on preferred shares are paid within six months from the end of the reporting year, subject to the absence of restrictions established by the banking legislation and taking into account individual decisions of the Supervisory Board.

Dividends on all types of shares are paid to the Bank shareholders once a year in full amount in cash only. Dividends are paid on shares, the placement result report on which has been registered in accordance with the procedure established by law. Dividends are paid to the shareholders of the same type and class in proportion to the number of securities they own, and the dividend payment terms (in particular, timeframe, method and amount) is the same for all shareholders of the same type and class.

Within 10 days from the date of decision to pay dividends on ordinary shares, the Bank must notify the stock exchange(s) where the Bank’s shares are listed of the date, amount, procedure and time period of payment of dividends on ordinary shares.

The Bank pays dividends through the depository system of Ukraine.

Dividends are paid in accordance with the procedure established by law, UKRGASBANK’s Articles of Association and Regulations for Shares and Dividend Policy.

The Supervisory Board sets the date of making the list of persons entitled to receive dividends, procedure and timeframe for each dividend payment. The list of persons entitled to receive dividends shall be made separately for ordinary and preferred shares in accordance with the procedure established by the Ukrainian legislation on the depository system at the date determined by the Bank Supervisory Board as the list date. According to the procedure established by the Supervisory Board, the Bank shall notify the persons entitled to receive dividends of the date, amount, procedure and time period of payment.

In case of alienation of shares owned by a shareholder after the date of making the list of persons entitled to receive dividends, but before paying dividends, the person specified in the list is still entitled to receive dividends.

When deciding on payment and paying dividends, the Bank is governed by the laws, in particular, the Laws of Ukraine “On Banks and Banking” and “On Joint Stock Companies.”

Based on the Bank’s performance in 2016 and 2017, the General Meeting of Shareholders of UKRGASBANK did not take any decision to pay dividends.

2.5. Remuneration System for the Members of the Board and Supervisory Board

According to UKRGASBANK’s Articles of Association, the procedure for payment of remuneration to members of the Supervisory Board is defined by the civil law contracts entered into with each member. Such civil law contract may be either fee-based or pro-bono.

The Chairman and members of the Supervisory Board of UKRGASBANK, who are civil officers, discharge their duties under UKRGASBANK’s Articles of Association, Regulations for the Supervisory Board and related civil law contracts without remuneration (with the possibility of compensation of documented expenses related to the activities of members of the UKRGASBANK Supervisory Board in accordance with the procedure established by the relevant civil law contracts).

Independent members of the UKRGASBANK Supervisory Board discharge their duties under UKRGASBANK’s Articles of Association, Regulations for the Supervisory Board and related civil law contracts for remuneration (with the possibility of compensation of documented expenses related to the activities of members of the UKRGASBANK Supervisory Board in accordance with the procedure established by the relevant civil law contracts). The remuneration amount is established by the decision of the General Meeting. Remuneration of independent members of the Supervisory Board is established as a percentage of the cash cover or official salary of the Chairman of the Board.

The procedure for remuneration and financial incentives for the Chairman and members of the Board is determined by the Law of Ukraine “On Joint Stock Companies”, other legislative acts, UKRGASBANK’s Articles of Association, Regulations on the Board, the Labour Remuneration and Financial Incentives for the Chairman and members of the Board, as well as by civil law and employment contracts (agreements) entered into with the Chairman and each member of the Board.

The remuneration amount of the Chairman and members of the Board, including bonuses and compensation, is established by a decision of the Supervisory Board.

2.6. Detection and Management of Conflicts of Interest

Conflicts of interest must be detected and managed in accordance with UKRGASBANK’s Regulations on the Conflict of Interests developed in accordance with the Ukrainian legislation, in particular, the Corporate Governance Principles approved by the National Securities and Stock Market Commission, the Methodological Recommendations for Improvement of Corporate Governance in Banks of Ukraine approved by Decision of the Board of the National Bank of Ukraine No. 98 dated 28 March .2007, as well UKRGASBANK’s Articles of Association and other by-laws.

In order to detect potential or existing conflicts of interest among the Bank executives, as well as to identify the Bank related persons, the Supervisory Board organises, through the Risk Management Department, regular questionnaire survey for Bank executives at least once a year.

The information provided by the executives in the questionnaires is analysed, accumulated and provided to members of the Supervisory Board, the Board, the Audit Committee, the Internal Audit Service, and the Risk Management Department.

The Supervisory Board oversees the compliance with the procedure for identification, detection, and management of potential and/or existing conflicts of interest.



03

Risk
Management

3. Risk Management

The Bank Supervisory Board approved the Risk Management Strategy. The purpose of the risk management strategy is as follows:

- Establish an effective risk management system for achieving the Bank's current and strategic goals, applying appropriate policies, methods and tools to manage and control the risks generated by the external environment, assets and equity and liabilities structure and the Bank business processes;
- Divide risk management functions and responsibilities of the Supervisory Board, the Risk Management Committee at the Supervisory Board, the Board, the Board Committees, structural units of the Bank;
- Ensure the independence of risk management functions;
- Establish an effective decision-making support system taking into account the level of risks the Bank is exposed to;
- Ensure the Bank operation under crisis conditions.

The parties to the Risk Management System are as follows:

1. Supervisory Board
2. Risk Management Committee at the Supervisory Board
3. Board
4. Board committees
5. Risk Management Department
6. Internal Audit Department
7. Business units and support units

The Risk Management System ensures that:

- Risks are timely identified and adequately evaluated;
- The Bank adheres to the established level of risk appetite, thresholds and internal risk limits;
- Decisions on taking risks are in line with the Bank's strategic and current goals;
- Decisions on taking risks are transparent and understandable;
- Decisions on taking risks are made subject to the resources (capital, liquidity, etc.) available;
- Expected return on transactions covers the risks taken.

The Bank applies the following risk map

Sr. No.	Risk type	Definition
1.	Credit risk	Probability of occurrence of losses or additional expenses, or failure to receive planned revenues as a result of debtor's/counterparty's failure to fulfil the obligations assumed under the contract
2.	Liquidity risk	Probability of occurrence of losses or additional expenses or failure to receive revenues as a result of the Bank's failure to finance its assets or fulfil its obligations in due time
3.	Interest rate risk	Existing or potential risk to the Bank's revenues and capital arising from unfavourable changes in interest rates in the market. This risk affects both the Bank profitability and the economic value of its assets, liabilities and off-balance-sheets instruments

4.	Market risk	Probability of occurrence of losses or additional expenses, or failure to receive revenues as a result of the unfavourable changes in foreign exchange rates, financial instrument cost, etc.
5.	Operational risk	Probability of occurrence of losses or additional expenses, or failure to receive planned revenues as a result of defects or errors in the organization of internal processes, intentional or unintentional actions of employees or other persons, failures in the work of information systems, or external factors
6.	Social risk	Probability of occurrence of losses, additional expenses, or failure to receive revenues as a result of danger to health or safety of people, negative impact on the local communities, cultural and archaeological heritage
7.	Environmental risk	Probability of occurrence of losses, additional expenses, or failure to receive revenues as a result of environment pollution, as well as danger to biodiversity
8.	Legal risk	Probability of occurrence of losses or additional expenses, or failure to receive revenues as a result of non-fulfilment of the contract terms by a counterparty because of their non-conformity with the legislation
9.	Reputation risk	Probability of occurrence of losses or additional expenses, or failure to receive revenues as a result of unfavourable perception of the Bank's image by clients, counterparties, shareholders/ participants or regulators. This affects the Bank's ability to establish new relationships with counterparties, provide new services or maintain the existing relationships

The Supervisory Board shall approve the risk appetite of the Bank in the form of a set of marginal indicators for each type of risk, along with the approval of the Bank annual financial plan/budget, at least once a year or more often, if necessary. The Board and/ or its authorised committees establish the internal risk limits within the risk appetite and marginal risk indicators approved.

04

Internal
Control
System



4. Internal Control System

UKRGASBANK has implemented an effective Internal Control System, which comprises effective protection procedures against potential errors, violations, losses or damages, and ensures reliability, legality, efficiency and security of banking operations. The standards and requirements for the functioning of the Bank Internal Control System are determined by UKRGASBANK's Internal Control System Organization Policy approved by the Supervisory Board.

The Bank ensures the functioning of the internal control system by means of:

- Supervising the Bank executives for compliance with the Ukrainian laws and the Bank by-laws;
- Dividing responsibilities in the Bank activities;
- Monitoring the risk management system;
- Monitoring information security and information exchange;
- Implementing the internal control procedures;
- Monitoring the internal control system;
- Implementing the internal audit procedures.

The Bank Internal Control System is aimed at ensuring the following:

- Effective operations of the Bank, protection against potential errors, violations, losses, or damages in its activities;
- Effective risk management;
- Adequacy, comprehensiveness, completeness, reliability, availability, timeliness of providing information to users for making appropriate decisions, including the submission of financial, statistical, governance, tax and other reporting;
- Completeness, timeliness and authenticity of recording of Bank's operations in accounting records;
- Compliance;
- Effective personnel management;
- Prevention of the use of the Bank's services for illegal purposes, detection and prevention of financial transactions related to legalization (laundering) of proceeds from crime, terrorism financing, and financing of proliferation of weapons of mass destruction.

The parties to Internal Control System are the Supervisory Board, the Board, the Internal Audit Service, the Chief Accountant and its deputies, heads of Directorates and Divisions of the Bank, the Risk Management Department, Compliance and Methodology Office, and heads of separated structural units and employees exercising internal control within the powers determined by the Bank's by-laws.

The Bank's internal control procedures provide for the following:

- Reporting to the Bank committees on the risk level, budget execution, performance evaluation of the Internal Control Service, compliance with the approved performance indicators;
 - Multilevel control over the Bank's activities;
 - List of measures/actions of the Bank to control the availability of the Bank's assets;
 - List of measures/actions of the Bank to control access to sensitive information;
 - Registration of all Bank's transactions in accounting records;
 - Verification of the completeness, reliability and timeliness of drawing up of financial, statistical, governance, tax and other reporting;
 - Constant assessment of the adequacy and effectiveness of the Internal Control System.
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05

Information
Technologies
Development

5. Information Technologies Development

During 2017, UKRGASBANK implemented the following:

Software development, configuration of templates:

- “Classic” deposit product
- “Social” settlement & cash product
- Configuration of templates for partners on the “Auto for Loan”, “Auto for Loan All Inclusive” products
- Configuration of templates for partners on the “Housing for Loan”, “New Housing for Loan” products.

Implementation:

- IBM Integration Bus
- DynaTrace applications of the Business Monitoring Systems
- Credit Facility System for automated decision-making on lending for individuals
- On-line IPS interaction systems Scrooge Core Banking System (processing centre)
- Paper-free report storage technologies, EDS attached
- NBU electronic payment systems of new generation of SEP-3

Organised the receipt of payments to Cache & Billing system for ChernihivgazZbut, KharkivgazZbut, Khmelnytskoblenergo, Shepetivkagaz, Lysychanskvodokanal;

Switched to the new account chart for Classes 6 and 7;

Updated the main data processing centre (DPC);

Passed PCI DSS certification;

Updated the Veritas Backup Exec-based software and hardware complex of the backup system;

Procured, configured and commissioned the server equipment and data storage systems to increase the IT infrastructure fault-tolerance;

Purchased, configured and commissioned the VMware virtualization platform;

Modernised the Bank corporate network, increased the fault-tolerance and bandwidth of data channels;

Modernised the active network equipment; implemented the multi-vendor network-level firewall system.

06

Business
Development



6. Business Development

6.1. Corporate Banking

In 2017, UKRGASBANK improved its position in the Ukrainian financial market in terms of the volume of banking transactions and size of its portfolios due to centralised communications and increased quality of corporate client services.

Corporate client services are provided by personal managers assigned to each client. This way they can better identify the needs of the client and its business, offer individual solutions or products, address any issue related to the Bank service, and achieve mutually beneficial cooperation.

6.1.1. Asset Transactions

In 2017, the amount of loans to corporate clients increased by UAH 12.1 billion (excluding exchange differences), or by 57%, and amounted to UAH 33.3 billion as of 31 December 2017.

When lending to corporate clients, the Bank structures the loan agreement and establishes such additional lending terms that limit the future increase of the debtor's credit risk and entitle the Bank to revise the lending terms, including early repayment of the loan.

In 2017, the Bank offered its clients attractive terms for ECO-loans developed in cooperation with the IFC within the scope of the ECO-Banking Concept for the projects related to environmental protection, reduction of polluting emissions, renewable energy sources, and energy efficiency measures.

Financing was provided in the form of loans, revolving or non-revolving credit lines, including those under master loan agreements (for up to 7 years) providing that the client may receive any Bank's loan products without additional surety by executing an additional agreement if it submits the performance bond to the bank, provided that the loan repayment schedules and the credit line limit reductions are fixed. Loans are usually repaid on a monthly basis. Gradual repayment schedules are usually applied; non-gradual repayment schedules are applied for seasonal/cyclical clients; no repayment schedules are applied for loans secured by cash collateral. Several banking products have a grace period for repayment of the principal (3 to 15 months), during which only interest is paid. Interest is paid on a monthly basis.

In 2017, the Bank developed the following loan products for corporate clients:

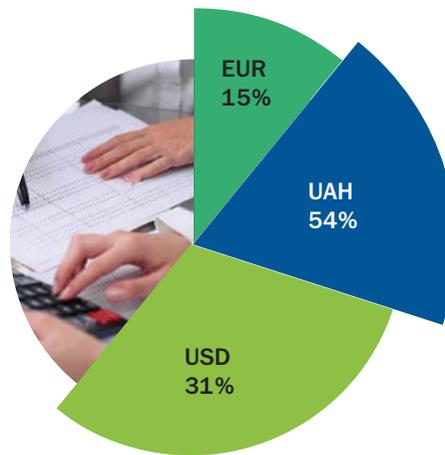
- Lending within the framework of cooperation with the IFC in the areas of energy efficiency technologies, renewable energy sources, better use of natural resources (resource efficiency), reduction of polluting emissions into the environment;
- Lending for working capital financing;
- Provision of loans (main banking products) for purchase of agricultural machinery, vehicles, equipment, and tools;
- Provision of loans secured by property rights under a bank deposit contract (deposit);
- Provision of guarantees, letters of credit, bill avalizing.

In 2017, UKRGASBANK started cooperating with the European Investment Bank by entering into the following agreements:

- Sub-Financing Agreement with the Ministry of Finance of Ukraine, JSC “Ukreximbank” within the framework of the European Investment Bank’s “Principal Loan for SMEs and Mid-Caps” Project for the amount of EUR 50 million;
- Agreement with the European Investment Bank and the European Investment Fund on the introduction of a guarantee-based mechanism to cover part of the credit risk in lending to Ukrainian SMEs for the amount of EUR 50 million.

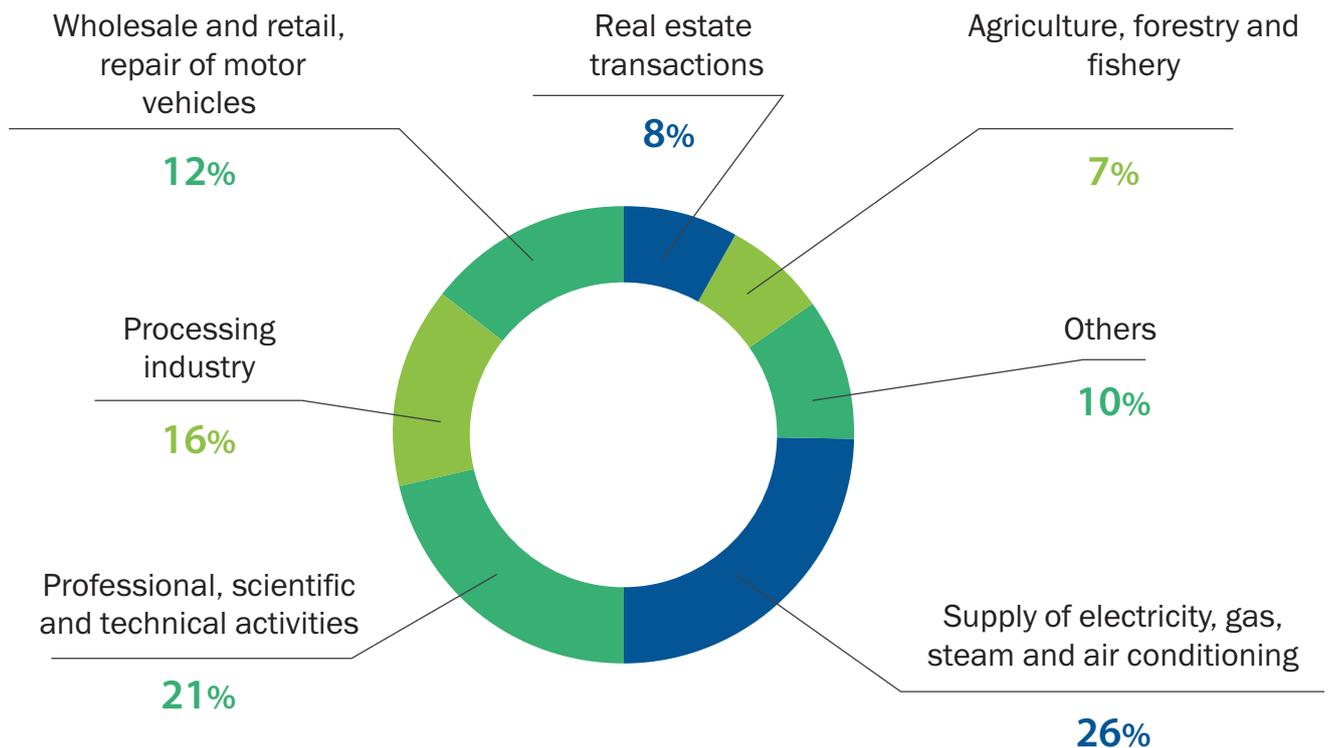
According to the results of 2017, the largest part of the corporate loan portfolio accounts for loans in the national currency — 54%, and 31% and 15%, respectively, in US dollars and Euros.

Structure of Corporate Loan Portfolio by Currency, %



The corporate loan portfolio broken down by economic sectors is as follows: electricity, gas, steam and air conditioning supply — 26%, professional, scientific and technical activities — 20%, processing industry — 16%, wholesale and retail — 12%.

Structure of Corporate Loan Portfolio by Economic Sector and Currency, %



6.1.2. Liability Transactions

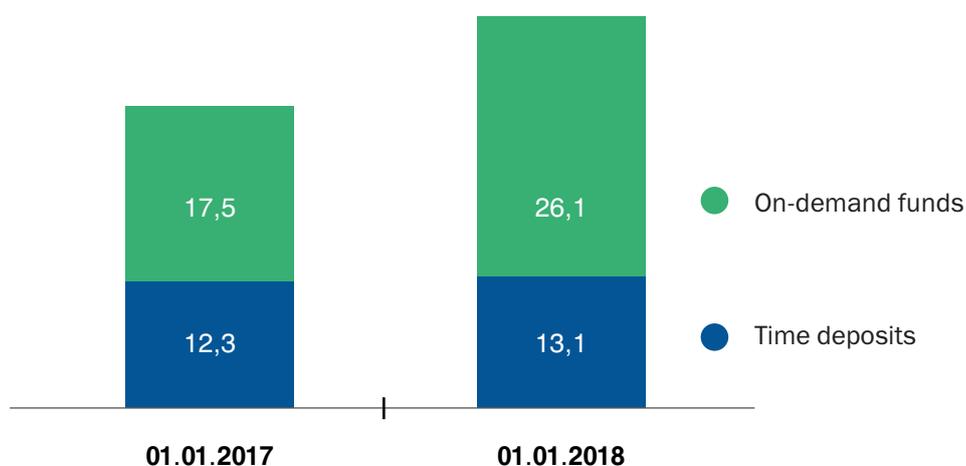
Due to the State's major share in the Bank's authorised capital, UKRGASBANK enjoyed a high level of companies' and organizations' trust throughout the year enabling it to form a loyal client base and significantly increase the growth of the liability client base.

During the year, UKRGASBANK was actively cooperating with budget institutions, state-owned, utility and agro-industrial companies, forestry enterprises, non-banking financial institutions and insurance companies.

During 2017, UKRGASBANK was trying to increase the share of commercial enterprises in the equity and liabilities portfolio in order to form a stable liability base of time deposits and on-demand funds, which would be a reliable basis for the Bank lending operations, liquidity and financial stability.

The aggregate volume of corporate clients' funds in UAH increased by UAH 8.6 billion (excluding exchange differences), or 28%. Thus, time deposits increased by UAH 0.6 million, or 4%. Balances of on-demand funds increased by UAH 8.0 billion, or 44%, in the year.

Portfolio of Corporate Clients' Funds, UAH billion



In 2017, the Bank raised funds from local authorities and educational establishments to its deposits and current accounts for the amount of over UAH 6.4 billion within the framework of cooperation with budget institutions and educational establishments.

6.1.3. Documentary Transactions

In 2017, the Bank continued developing its documentary transactions. The total amount of documentary transactions provided (opened) and received for maintenance by the Bank during the reporting year amounted to more than UAH 7,087 million.

The Bank provides its clients with a full range of services for all kinds of documentary transactions used as forms of payment (documentary letters of credit and documentary encashment) and performance security (guarantees and standby letters of credit) under both agreements with Ukrainian residents and foreign economic agreements without any restrictions on the forms of ownership and sector profile, provided that the Bank may involve leading international financial institutions as confirming or guaranteeing banks if necessary. After the Bank joined the IFC Global Trade Finance Programme in 2017, banks from more than 110 countries were able to support its documentary transactions (documentary letters of credit and guarantee transactions).

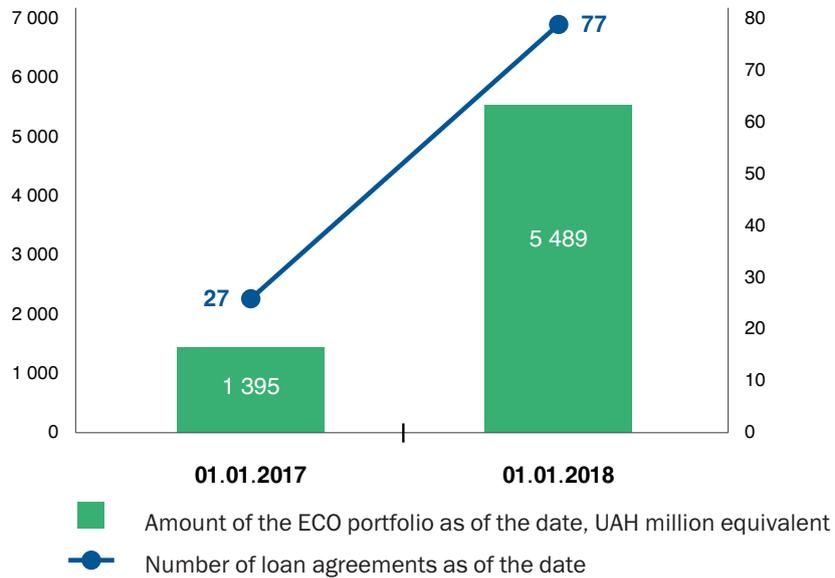
In the guarantee services segment, the Bank issues traditional types of guarantees (tender guarantees, contract performance bonds, payment guarantees, deposit repayment guarantees, etc.), and remains the only banking institution in Ukraine authorised to issue financial guarantees for customs payments to the State fiscal Service of Ukraine in accordance with the Customs Code of Ukraine (customs guarantees).

6.1.4. ECO-Projects Implementation

Taking into account the economic situation and accumulated experience, UKRGASBANK continued implementing the development strategy for the ECO-Bank Concept promotion in 2017 with the advisory support from the IFC.

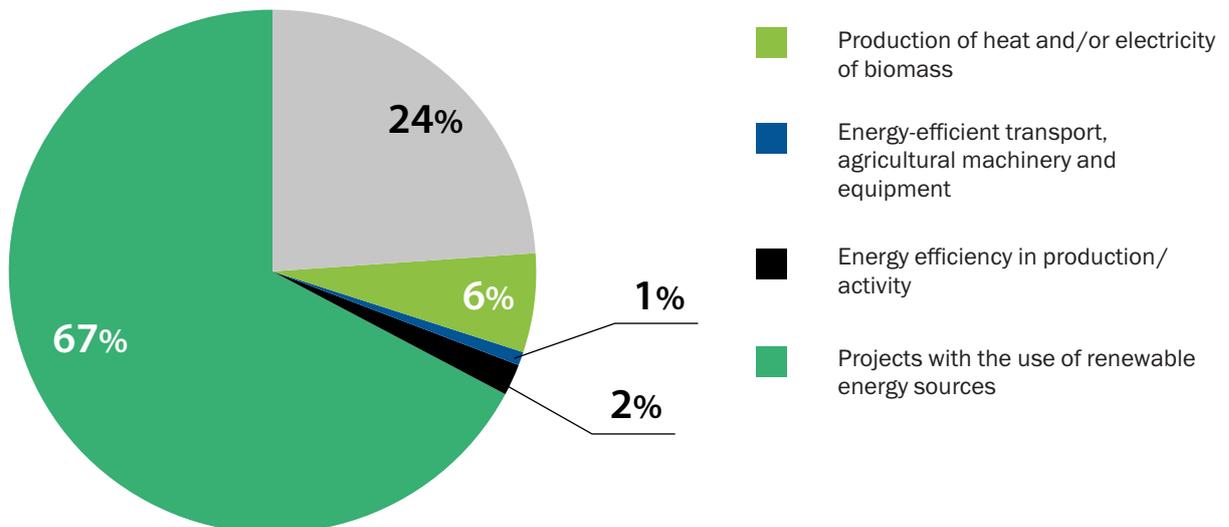
In 2017, the volume of ECO corporate loan portfolio was UAH 5.5 billion, or 16% of the total corporate loan portfolio (as of 31 December 2017).

In 2017, the ECO corporate loan portfolio grew by UAH 4.1 billion.



In Q2 2017, UKRGASBANK conducted a series of trainings for corporate banking staff of the Head Office and regional directorates, as well as public events for corporate clients of ECO direction in cooperation with the IFC.

Structure of Corporate Loan Portfolio of ECO Projects by Financing Direction as of 1 January 2018



6.1.5. Individual Banking

In 2017, UKRGASBANK, continued actively developing VIP-banking, which is one of promising and priority directions of its activity.

UKRGASBANK's positive image and its working concept of a separate unit established specially for large corporate clients have a positive impact on the development of VIP-banking, which is a promising and priority direction.

UKRGASBANK provides high-quality prompt service based on the individual package of banking services. The Bank personal financial manager helps the client to organise business more effectively through personal consultations, individual service mode and a number of key banking products.

VIP-banking involves individual approach and constant improvement of financial products. Emphasizing the individual approach and exclusive services, UKRGASBANK offers the market a convenient and mutually beneficial model of cooperation with VIP clients and creates the best convenient conditions for the Bank's financial partners.

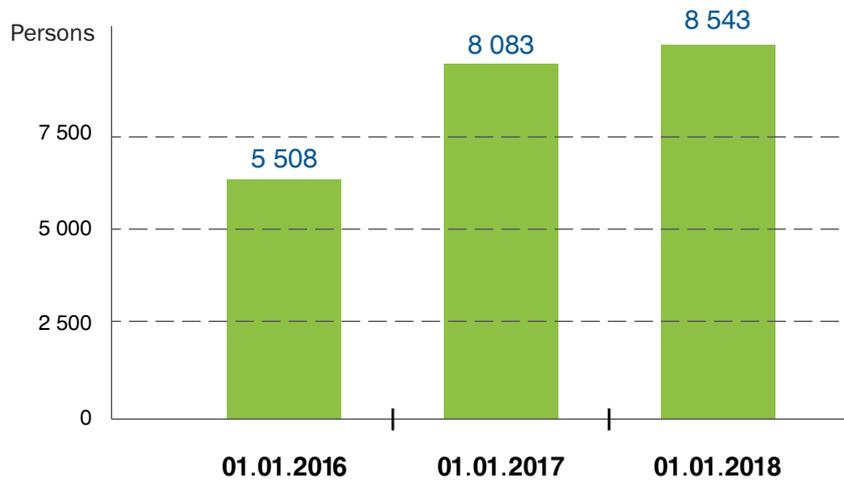
6.2. SMEs

In 2017, the Bank continued developing the SME business direction as one of its priorities. The Bank's activity in the SME segment was focused on expanding the client base and the range of services, improving the quality of client service, and increasing the share of ECO-loans in the loan portfolio.

In order to implement the strategic plans for SME development, the Bank improved internal banking processes of SME service, expanded the SME segment criteria (income cap was increased up to UAH 200 million, utility companies were included), and introduced new loan products in 2017.

In 2017, the number of SME clients increased to 44,400 as of 01 January 2018; 8,500 of new SME clients were attracted for servicing at UKRGASBANK, which is 400 more than in 2016 (8,100 new SME clients).

Number of New SME Clients



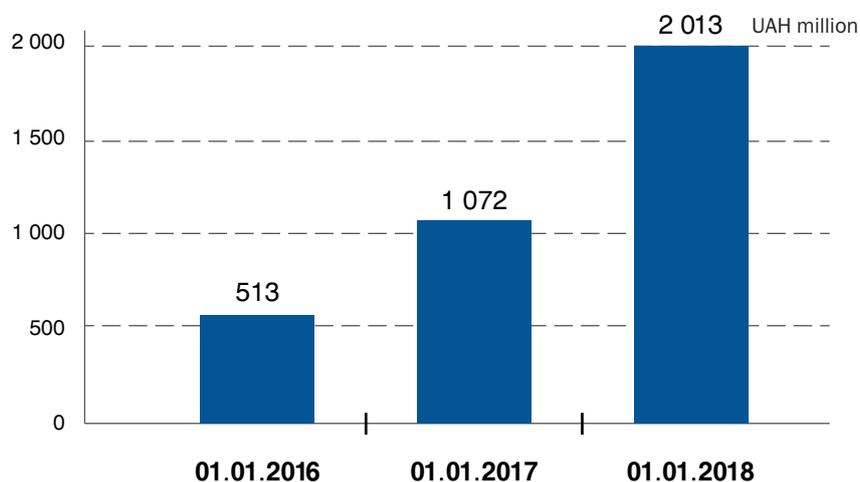
6.2.1. SME Asset Transactions. Top-Priority SME Support Programmes

In 2017, the Bank continued actively attracting SME clients for lending. The loan portfolio grew by 87.7% during the year and amounted to UAH 2,012.8 million as of 1 January .2018. At the same time, the portfolio quality significantly improved: the share of overdue debts was reduced to 3.6% as of 1 January 2018 (11.9% as of 1 January 2017).

The Bank improved its lending by reducing the time for consideration of loan applications and simplifying the package of documents to ensure better client service.

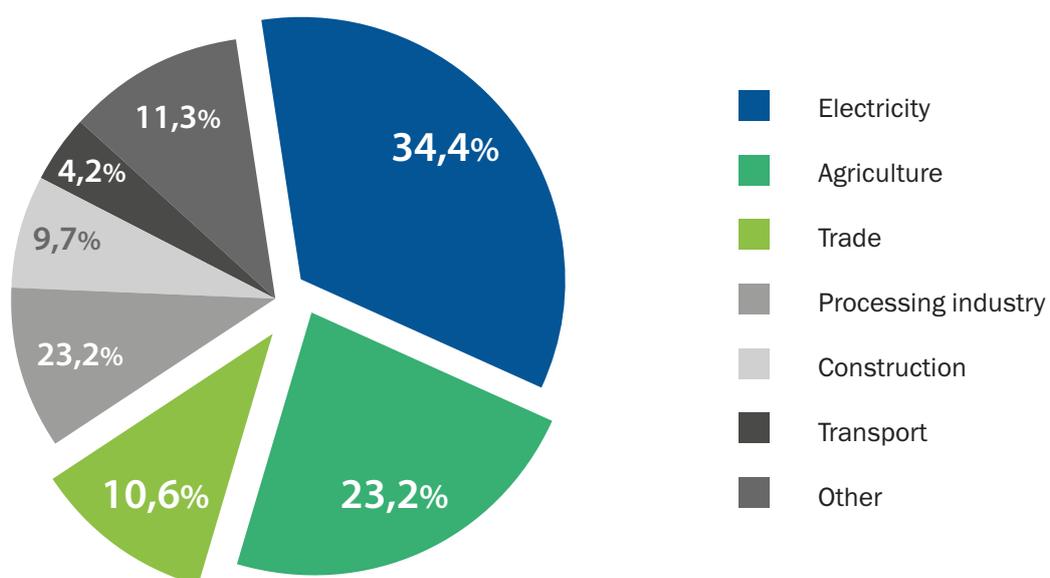
In order to ensure proper control over the quality of loan transactions, the Bank introduced a centralised loan support model and improved the loan terms compliance monitoring system in 2017.

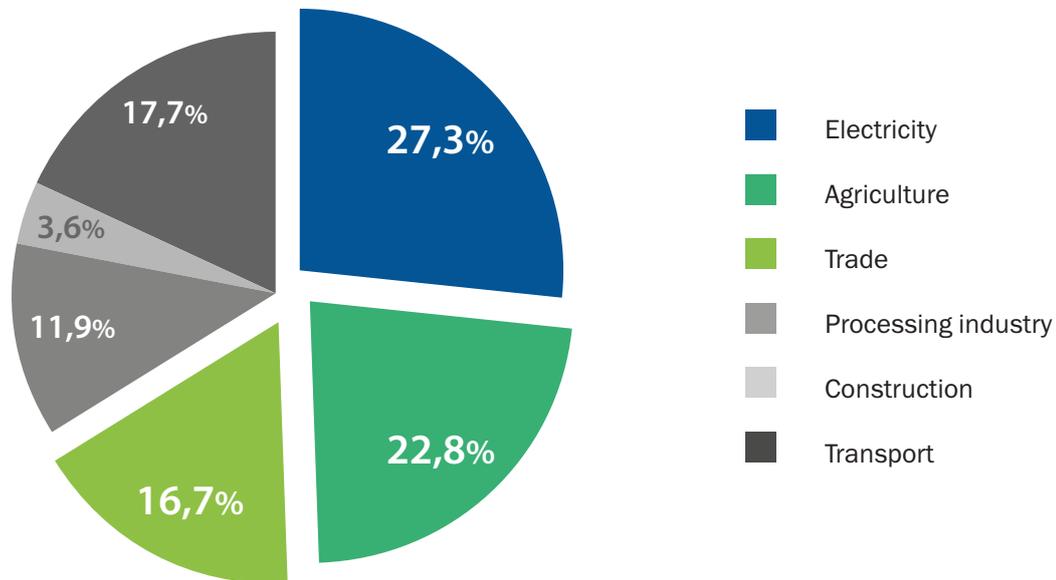
SME Loan Portfolio



Within implementation of the ECO Bank Concept, the share of ECO-loans in the Bank's loan portfolio is constantly increasing. Accordingly, the largest share (34.4%) in the structure of SME loan portfolio was made up of clients employed in the electrical grid industry followed by agriculture (23.2%) and trade (10.6%) as of 1 January 2018.

Loan Portfolio as of 1 January 2018 — Breakdown by Sectors, %



Loan Portfolio as of 01.01.2017 — Breakdown by Sector, %

In 2017, the Bank expanded the range of credit products for SME clients, taking into account their needs, type of business, and market conditions, as well as providing an acceptable level of credit risk. The Bank introduced the following new credit products:

- Financial leasing;
- Loan products for utility companies (to finance current needs in the form of overdraft, working capital and investment costs);
- Loans in the framework of the joint project of Ukraine and the European Investment Bank “Principal Loan for SMEs and Mid-Caps”.

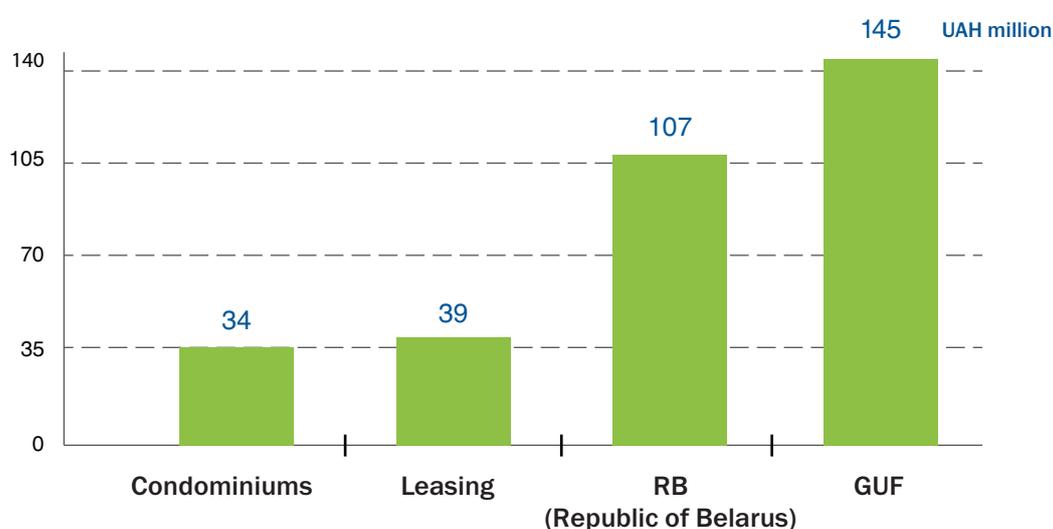
The Bank still holds the leading position in providing specialised products for SME clients in the framework of the programmes of the German-Ukrainian Fund (to finance working capital and investment costs), the Republic of Belarus (to finance investment costs for purchase of vehicles, agricultural machinery, equipment and tools), and the State Agency on Energy Efficiency and Energy Saving of Ukraine (to finance investment costs of condominiums and housing associations for energy efficiency measures).

During 2017, 124 loans for the total amount of UAH 179 million (UAH 51 million more than in 2016) were provided under the lending programmes within the framework of cooperation of the Bank with the German-Ukrainian Fund (GUF). In 2017, the Bank received a new tranche of UAH 81 million from the GUF under the new financial assistance programme for the SME investments in priority areas.

In 2017, 110 loans for the total amount of UAH 87 million (UAH 27 million more than in 2016) were provided under the client lending programme for purchase of new equipment, agricultural machinery and vehicles produced in the Republic of Belarus, for which the Government of the Republic of Belarus provides partial compensation of the interest.

During 2017, 270 loans (44% of market share) for the total amount of UAH 83 million (62% of market share), which is UAH 33 million more than in 2016, were provided under the lending programme of condominiums and housing associations for energy efficiency measures, for which the State Agency on Energy Efficiency and Energy Saving of Ukraine ensures a compensation of 40-70% of the loan amount. In total, the Bank provided 637 loans to condominiums for the amount of UAH 140 million within the programme of the State Agency on Energy Efficiency and Energy Saving of Ukraine.

Top-Priority Programmes as of 1 January 2018



6.2.2. Resource Transactions. Clearing and Settlement

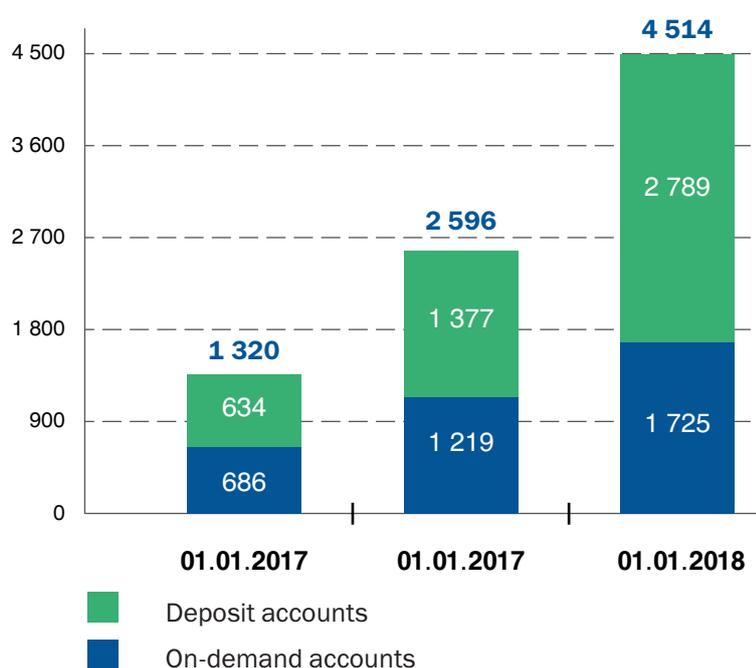
During 2017, the Bank still had positive dynamics in attracting clients for clearing and settlement services and placing their temporarily surplus funds due to the unification of the product line and tariff plans, as well as the implementation of operational automation projects for more efficient client service as part of timely response to the growing business volumes.

Besides, the Bank continued improving its services, developing and automating processes and banking products in order to meet clients' needs in the reporting period, in particular, through the following measures:

- Accelerating the client payments;
- Introducing the pass-through client service (service of legal persons at any Bank branch throughout the territory of Ukraine);
- Launching promotional actions for individual client groups;
- Improving conditions for resource transactions;
- Enhancing the remote service system.

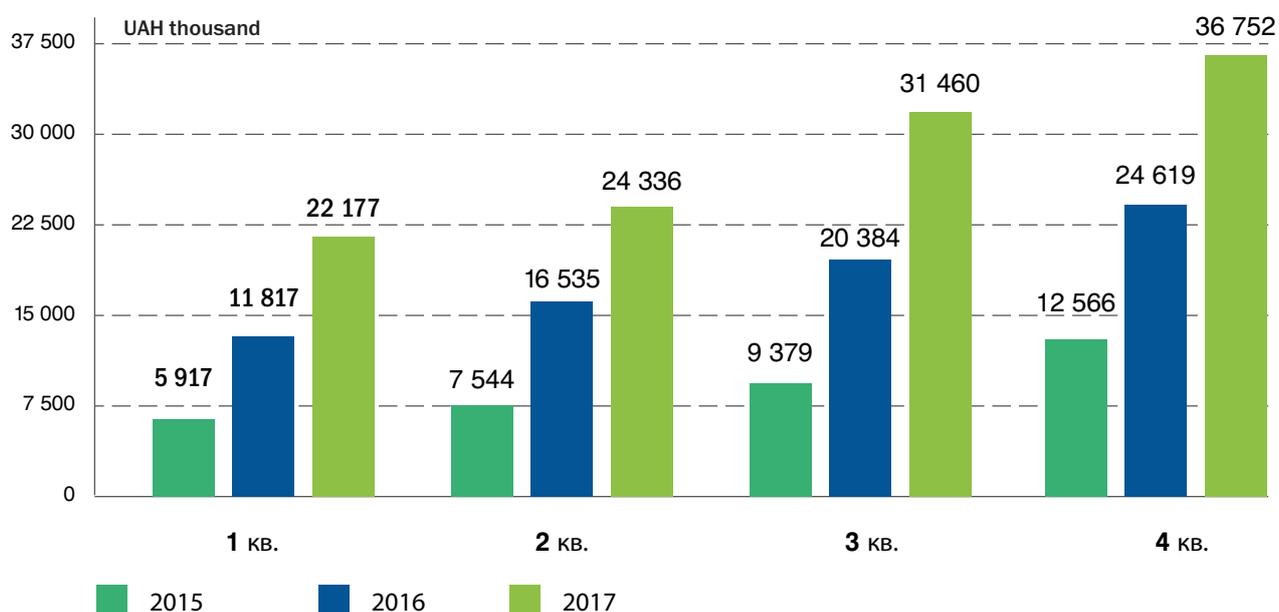
As a result, the Bank increased the balances of SMEs' current and deposit accounts by 73.9% and achieved the resource base of UAH 4,514 million in 2017.

SME Resources, UAH million



The volume of Bank's fee and commission income received from clearing and settlement and other services to SME clients increased from UAH 22.2 million in Q1 to UAH 36.8 million in Q4, and reached UAH 114.7 million (56.4% more than in 2016 (UAH 73.4 million)) in 2017.

Dynamics of Fee and Commission Income, UAH thousand



For 2018, the Bank plans to further increase its growth rates and scope of cooperation with SME clients in the following directions:

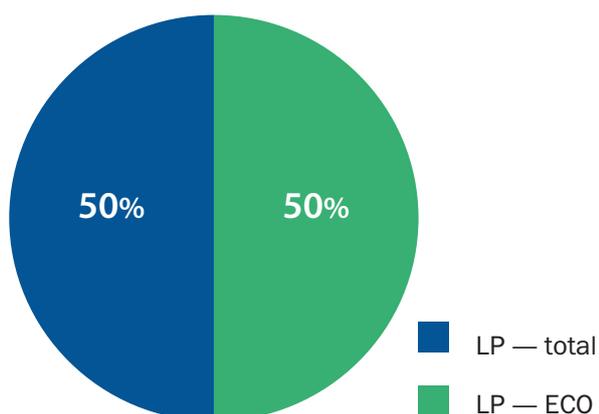
- Hold the leading position in the financial market in the direction of ECO-lending and introduce new ECO-products;
- Expand the list of loan products within the framework of joint projects with international financial organizations;
- Participate in state and local SME support programmes, including condominiums, agrarians and other clients;
- Improve the clearing and settlement terms and remote services by providing high-quality (including for remote access) for SME clients, including micro business;
- Develop the financial leasing service;
- Finance utility companies.

6.2.3. ECO Projects Implementation

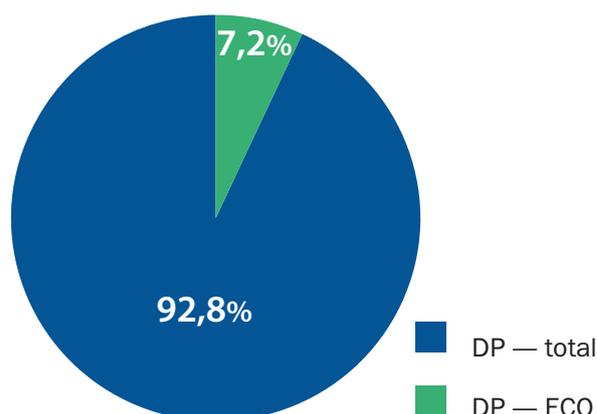
In 2017, the Bank continued implementing the ECO-banking development strategy with the advisory support of the IFC. Within the framework of this strategy for SME clients, the Bank employees passed trainings on the analysis of standard ECO-projects aimed at ensuring environment and energy efficiency.

As of 1 January 2018, the SME ECO-loan portfolio was UAH 1,005.2 million (50% of the total loan portfolio), and the ECO-deposit portfolio was UAH 200.1 million (7.2% of the total deposit portfolio).

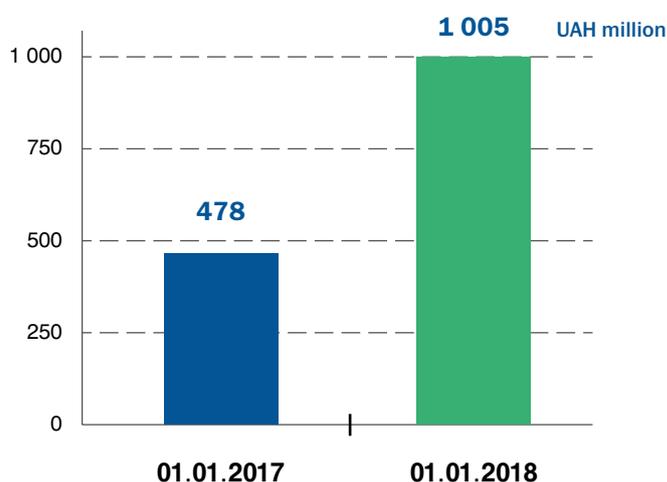
**Structure of SME Loan Portfolio
as of 1 January 2018, %**



**Structure of SME Deposit Portfolio
as of 1 January 2018, %**



SME ECO Loans



6.3. Retail Banking

6.3.1. Lending Transactions

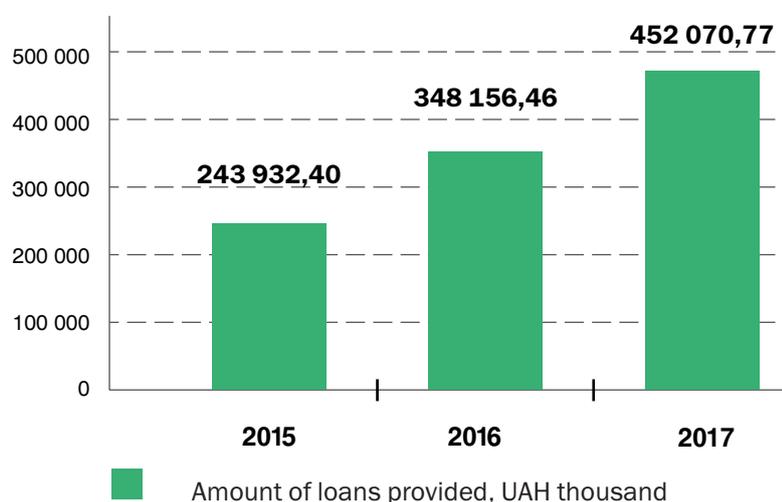
In 2017, the priority for retail business was strengthening the position of UKRGASBANK in the retail lending segment. To this end, the Bank was working to increase the competitiveness of the existing product line and introducing ECO-products during the year.

Taking into account the current market conditions, the Bank's strategy and economic environment of the country as a whole, special attention was paid to such lending products as secured loans for housing or cars, overdrafts for individuals, loans for purchasing energy-efficient equipment, and ECO-loans. Special attention was also paid to the development of mortgage loans, which allowed the Bank to take the leading position by the number of loans provided.

UKRGASBANK joined the State Targeted Economic Programme on Energy Efficiency and Development of the Energy Production from Renewable Energy Sources and Alternative Fuels together with other state-owned banks in 2015, and became its active participant and developed the Tepla Oselia Targeted Retail Lending Programme in 2016-2017, which provides for loans to individuals to purchase energy-efficient equipment and/or materials with further partial compensation of the loan to borrowers by the State Agency on Energy Efficiency and Energy Saving of Ukraine (from the state budget).

During 2015-2017, 49,931 loans were provided under Tepla Oselia programme for the total amount of about UAH 1,044 million, of which 16,694 loans for the amount of more than UAH 452 million were provided in 2017.

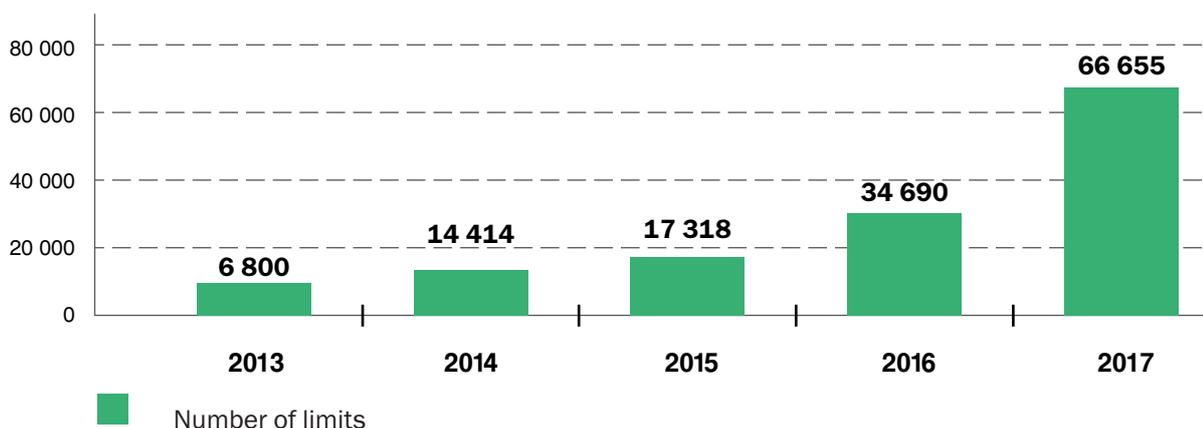
Dynamics of Loans Provided under Tepla Oselia in 2015-17



Like in the previous years, special attention was paid to high-margin products — overdraft for individuals.

The Bank implements the overdraft lending programmes both in its Domovychok product, which includes a deposit and a loan, and by setting overdraft limits within the payroll card programmes. The result was the establishment of 66,655 overdraft limits for the total amount of more than UAH 808 million in 2017.

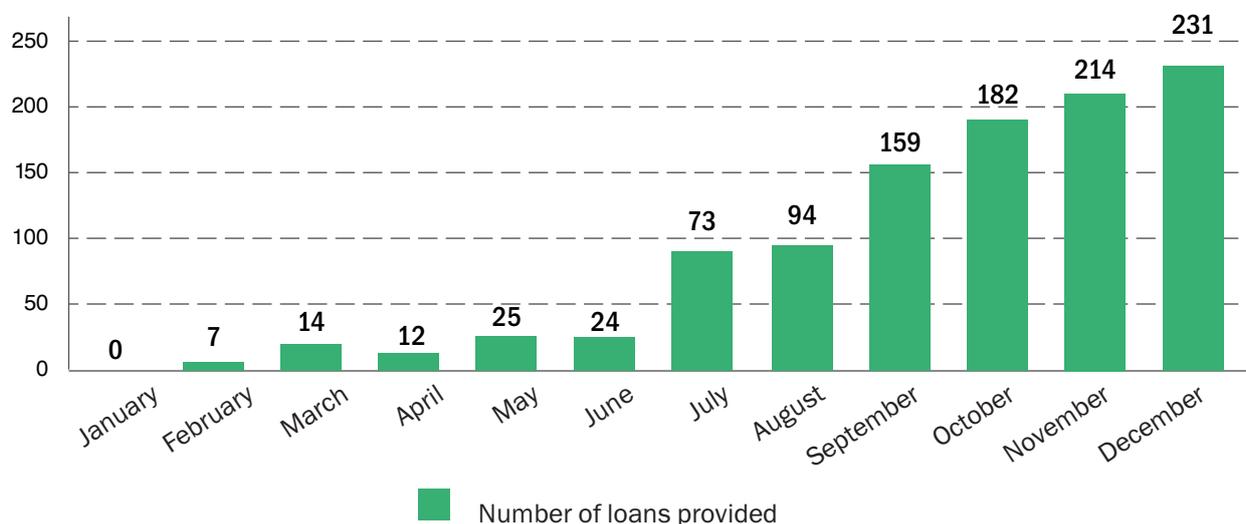
Dynamics of Establishing Overdraft Limits for 2013-2017



Taking into account the changes in the applicable legislation, market conditions and lending practice in the context of constantly changing economic environment, the Bank tried to maintain the competitiveness of existing lending programmes for purchase of motor transport and housing in both primary and secondary markets, as well as modification and improvement them.

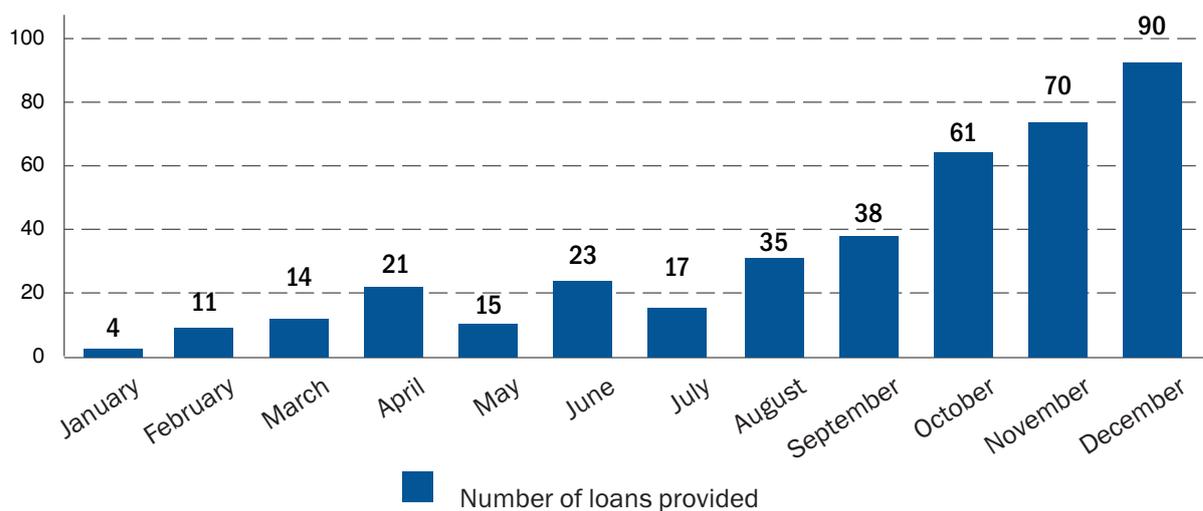
At year-end 2017, the Bank was third in the automobile lending, having increased its market share from 0% to 7%. In 2017, 1,035 loans were provided for the total amount of UAH 416 million.

Dynamics of Automobile Lending in 2017



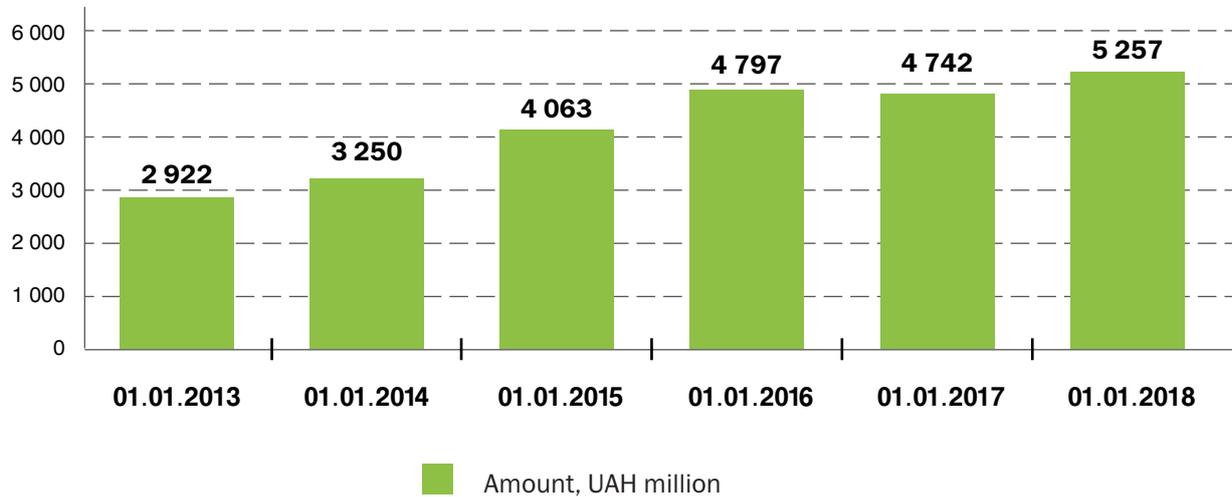
In December 2017, the Bank provided 90 mortgages and became the number one bank in mortgage lending. In 2017, it provided about 400 mortgage loans for the amount of UAH 162 million.

Dynamics of Mortgage Lending in 2017



It should be noted that the Bank provided 67 loans under the ECO Energy innovative product for the amount of UAH 20 million in 2017.

In total, the loan portfolio of UKRGASBANK's private clients has increased by almost 80%, from UAH 2,922.40 million in 2012 to UAH 5,256.55 million, in 2017 over the past 6 years.

Dynamics of Individual Loan Portfolio, UAH million**6.3.2. Clearing and Settlement**

UKRGASBANK offers a full range of clearing and settlement services for private clients and constantly improves the product line.

At the end of 2017, UKRGASBANK opened 1,071,934 current accounts, of which 958,260 were card accounts of individuals. The total current account balances were UAH 2,703.8 million, while card accounts amounted to UAH 2,560.4 million. The current account balances in the structure of equity and liabilities of individuals amounted to 23.4%; the on-demand account balances increased by UAH 202.3 million in 2017.

UKRGASBANK is an authorised bank of the Pension Fund and the Ministry of Social Policy of Ukraine to pay pensions and financial aids.

6.3.3. Fixed-Term Deposits²

Raising deposits from individuals is one of the most important sources of the Bank's resource base. UKRGASBANK offers its clients various deposit products, such as classic deposits with monthly or end-of-term interest payment, replenishable products, or automatically extended deposit programmes.

At the end of 2017, the portfolio of fixed-term deposits of individuals reached UAH 12.2 billion, which was UAH 2.8 billion more than that at the beginning of the previous year. The deposit portfolio of individuals grew by almost 30% in 2017. As compared with 2013, the deposit portfolio increased by UAH 9.1 billion, that is almost 4 times over the past 6 years.

The structure of deposit portfolio of individuals is dominated by deposits in US dollars — 48.7%, national currency — 41.6%, euros — 7.4%, other — 2.3%.

In 2017, UKRGASBANK approved a new deposit product with the issuance of a savings (deposit) certificate.

Draivovyi Rik was a popular deposit programme of the year. It provides special replenishment conditions — increase of interest accrued on the balance when replenishing the deposit and establishing the interest rate at the level of the effective rate on the date of deposit opening in case of no replenishment in the next month. This programme is preferable for clients who increase their savings every month. In view of the popularity of deposit replenishment, the Bank also introduced the option for the classic deposits to replenish accounts within 3 months from the date of deposit opening.

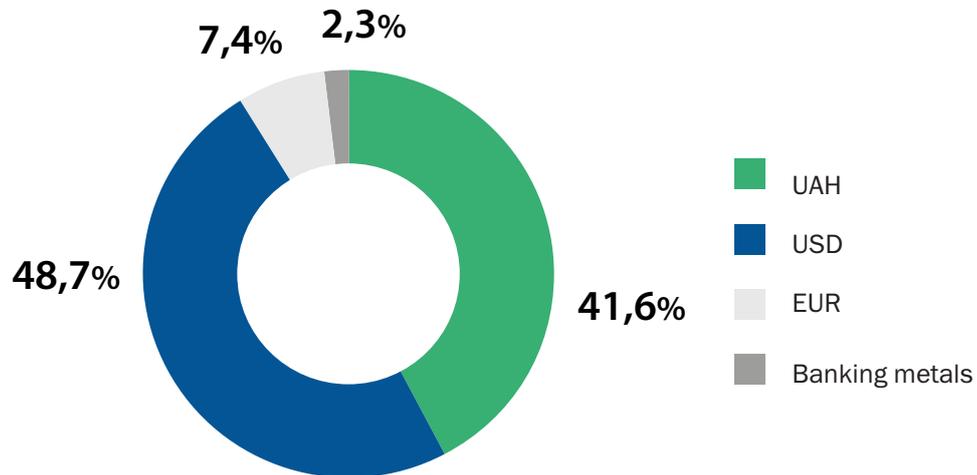
Berehynia deposit programme was functioning during 2017, which provides for transfer of charitable aid for the amount of 1% per annum from the deposit to accounts of orphanages residing in the region of deposit opening. More than UAH 340,000 was transferred to orphanages.

At the end of 2017, the Bank approved Novorichni Sviata short-term deposit promotion action, which provided a higher interest rate for depositors. Thus, almost 2,000 clients benefited from the action during 2 weeks.

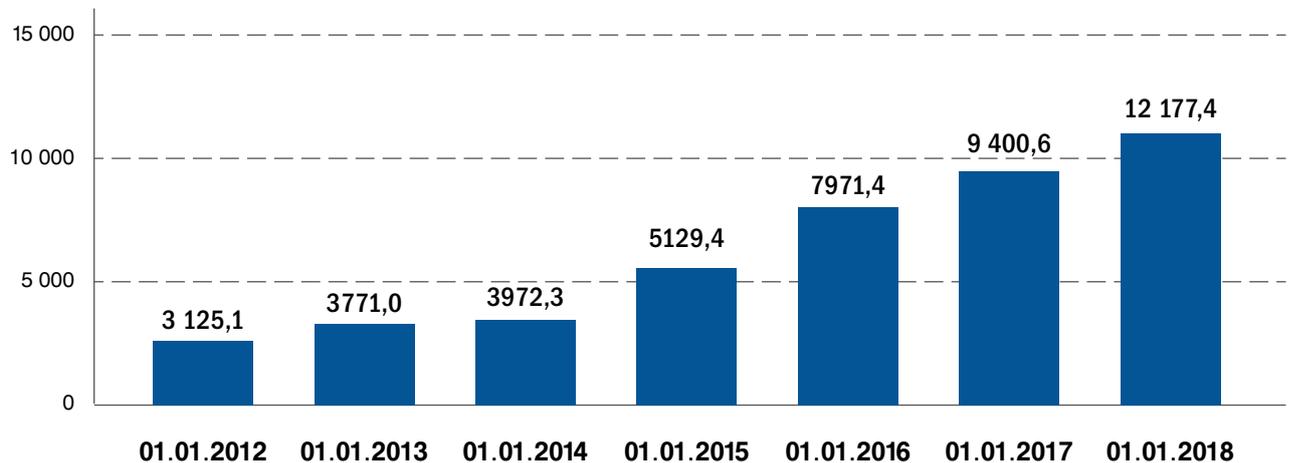
As in the previous years, the Bank continued maintaining various loyalty programmes for depositors, under which such clients as the Bank pension card holders, depositors of insolvent banks who received compensation from the Deposit Guarantee Fund, and those placing a significant amount of funds received bonuses to the existing deposit rates. Moreover, in order to expand the range of products to clients, the Bank approved bonuses for depositors who were the Bank payroll card clients.

² Portfolio of individuals' funds is excluded from the fees charged by the Bank.

Structure of Deposit Portfolio of Individuals by Currency, %



Dynamics of Deposit Portfolio of Individuals, UAH million



6.3.4. Alternative Channels and Card Products

Migration to Own Processing Centre

In 2017, UKRGASBANK completed the transition to its own centre for payment card processing and ATM equipment servicing.

The functionality of its own processing centre allowed the Bank to introduce new card products and technologies, in particular, ensure the emission of contactless payment cards and introduce the unique technology in the Ukrainian “Single Account” market. It is unique because clients can combine all their card accounts, regardless of the currency, and have access to their expenses via a multi-currency SMART card.

Network of ATMs, Trading POS Terminals, and Self-Service Terminals

To improve the service of payment cards, the Bank is constantly expanding the infrastructure of ATMs and the range of services to be provided through the network.

During 2017 UKRGASBANK, continued the large-scale modernization of ATMs started in 2016. 100 additional ATMs were installed. As of 31 December 2017, the Bank had 670 ATMs. In 2017, the Bank clients conducted more than 12.7 million transactions for the total amount of more than UAH 14.2 billion via the ATM network.

In 2017, the Bank had the network of more than 900 trading POS terminals; the trading money turnover increased by UAH 275 million as compared with the previous year and exceeded UAH 568 million.

Electronic Money

In 2017, UKRGASBANK received a permit from the National Bank of Ukraine for the issue of electronic money, due to which e-money users obtained an additional modern tool for quick and convenient payment for goods or services. An e-wallet may be opened and replenished remotely without the need to open an account and visit the bank.

During 2017, UKRGASBANK issued e-money for the amount of UAH 1 million. The users made almost 9 million transactions to pay for goods for the amount of more than UAH 372.5 million.

Card Products

As of 1 October 2017, UKRGASBANK ranked eighth among the member banks of payment systems (according to the NBU) by the number of payment cards in circulation.

As of 1 October 2017, UKRGASBANK ranked sixth among the member banks of payment systems (according to the NBU) by the number of active payment cards in circulation.

Thus, as of 1 October 2017, the bank issued 904,819 payment cards, of which more than 74% were active.

In 2017, the volume of wire payments by means of payment cards increased by more than UAH 1,229 million as compared with that in 2016.

At the end of 2017, the card account balances of the Bank private clients amounted to UAH 3,750.5 million.

In 2017, UKRGASBANK developed and offered a unique product Fan's Card to its clients. This is a payment card for all football fans, which provides its owner with a number of advantages and privileges during and after visiting matches of the Ukrainian football team. Fan's Card is based on MasterCard World Debit with a contactless chip, has a premium thematic design and individual football thematic packaging.

In 2017, UKRGASBANK's clients could apply for ECO-Card product having no analogues in Ukraine. ECO-Card is a product based on the MasterCard Platinum premium payment card made of biological raw materials (corn and sugar cane grains), which is completely decomposed after utilization and is safe for the environment. Each ECO-card holder contributed to planting of greenery in the capital of Ukraine and demonstrated their concern about the environmental problems.

6.3.5. Money Transfers and Payments

UKRGASBANK continued actively developing money transfer services via IPSs.

In 2017, UKRGASBANK offered its clients to use any of four international money transfer systems, namely Welsend, Western Union, MoneyGram and RIA. These international money transfer systems are indisputable leaders in the Ukrainian market by the number of points, speed and amounts of transfers.

Welsend

Welsend, an international money transfer system operated by UKRGASBANK, was registered with the National Bank of Ukraine and has provided services since 2013.

One of the most important strategic directions of Welsend development is the involvement of legal entities as participants/agents of the system, as well as expansion of the service network within and outside Ukraine.

During 2017, Welsend was joined by 14 new banks and non-banking financial institutions, of which 6 were non-residents and 8 were residents.

As of 1 January 2018, Welsend was a leader of remittance transactions in Ukraine. The total number of Welsend members is 53, including residents and non-residents, banks and non-banking financial institutions.

The main advantages of Welsend are as follows:

- Advanced technologies. Welsend is based on Single Window, which takes into account the process requirements of different banks — an integration option from the Automated Banking System (in whole or in part) through web services or easy access to the system via the web interface; general administration module for all remittance systems, generation of various reports, etc.;
- A large number of service points — 250,000 points in 150 countries;
- Domestic or international remittance;
- Remittance in four currencies: UAH, USD, EUR, RUB;
- Loyalty system for clients and all Welsend members;
- Favourable rates for clients;
- Simple registration and instant money transfer;
- Automatic control of the limits of the National Bank of Ukraine and automatic control of financial monitoring;
- Promotional activities.

In 2017, the total money transfers via Welsend were as follows:

- More than USD 28.4 million and more than EUR 3.5 million — to Ukraine;
- More than USD 1.9 million and more than EUR 422,000 — from Ukraine;
- More than UAH 1.4 billion — within Ukraine.

In 2017, UKRGASBANK decided to develop Welsend as its priority strategic direction. Welsend moved to the new level of development, which brought the following results as of 1 January 2018:

- System turnovers increased more than 1.6 times in 2017 as compared with 2016;
- Welsend software was used to automate payments to individual depositors of banks with a temporary administration and those being liquidated (over UAH 1.2 billion paid in 2017);
- income increased by 147% in 2017 as compared with 2016;
- During 2017, Welsend continued introducing innovative banking products such as:
 - Remittance from a card of any Ukrainian bank with further payment at any Welsend service point;
 - Remittance through the Welsend service point to a card of any Ukrainian bank;
 - Remittance through self-service terminals;
- As of 1 January 2018, Welsend private clients can send/receive remittance to/from Armenia, Moldova, Tajikistan, Greece, Georgia, Israel;
- Due to the cooperation with international partners such as IntelExpress (Georgian resident) and CEL INT LTD (British resident), Welsend expanded its presence in almost 150 countries throughout the world in 2017. As a result, the remittance by individuals' orders may be transferred/received to/from the following countries: Australia, Austria, Azerbaijan, Albania, Angola, Argentina, Armenia, Afghanistan, Bangladesh, Bahrain, Belarus, Belgium, Benin, Bulgaria, Bolivia, Brazil, Burkina Faso, Burundi, Vanuatu, Great Britain, Venezuela, Vietnam, Gabon, Guyana, Gambia, Ghana, Guatemala, Guinea, Guinea-

Bissau, Gibraltar, Honduras, Hong Kong, Greece, Georgia, Denmark, Djibouti, Dominican Republic, Congo, Egypt, Zimbabwe, Israel, India, Indonesia, Jordan, Ireland, Spain, Italy, Yemen, Cape Verde, Kazakhstan, Cameroon, Canada, Kenya, Cyprus, Kyrgyzstan, Kiribati, China, Colombia, Comoro Islands, Congo (Brazzaville), Ivory Coast, Kuwait, Cook Islands, Latvia, Lebanon, Lithuania, Madagascar, Mauritania, Malawi, Malaysia, Mali, Morocco, Mexico, Moldova, Mongolia, Nepal, Nicaragua, Niger, Nigeria, New Zealand, United Arab Emirates, Pakistan, Palestinian Authority, Papua New Guinea, Paraguay, Peru, Poland, Portugal, Romania, El Salvador, Samoa, Saudi Arabia, Senegal, Singapore, Somalia, Sudan, Sierra Leone, United States of America, Thailand, Taiwan, Tanzania, Togo, Tonga, Trinidad and Tobago, Uganda, Uzbekistan, Uruguay, Fiji, Philippines, France, Chad, Czech Republic, Chile, Switzerland, Sweden, Sri Lanka, Ecuador, Equatorial Guinea, Ethiopia, Jamaica;

- The main participant/agent of the Welsend system in Ukraine is PrivatBank. Due to cooperation with PrivatBank, the service network in Ukraine currently exceeds 3,000 points;
- The contact centre IVR line was allocated to support Welsend clients that will allow prompt and professional response to the clients.

6.3.6. Premier-Banking

In 2017, the Bank opened 10 Premier zones in the UKRGASBANK directorates, namely in Dnipro, Vinnytsia, Ternopil, Cherkasy, Kyiv, Khmelnytskyi, Mykolaiv, Volyn, Chernivtsi and Kirovohrad regions for the better convenience and quality of Premier-Banking client service.

As of 31 December 2017, 23 Premier zones were available in all UKRGASBANK regional directorates and the premium closed office in Kyiv at 40/10a Shota Rustaveli Str. to serve Premier-Banking clients.

Each Premier-Banking client is assigned a manager that provides the most effective client service, takes care of all formalities, and satisfies a wide range of requests for financial or non-financial services, while maintaining confidentiality of all data and ensuring maximum comfort for a client.

The Premier-Banking personal manager provides clients with individual banking services, promptly opens accounts for all necessary transactions, rents out individual bank safes intended for storage of documents or valuables, helps to open an account in metals or conduct transactions in the stock market, etc.

The range of non-financial services is also expanded. In addition to classic banking services, there were also consulting and financial planning services, legal advice, encashment and transportation of values, insurance products, etc.

The Bank has the separate telephone line of the 24/7 Contact Centre to provide high-quality and prompt service to Premier-Banking clients.

In 2017, the Bank introduced a new service, provision of individual licences (e-licences), for Premier-Banking clients, which enabled individuals to carry out foreign exchange transactions abroad.

In 2017, Premier-Banking clients were also offered a savings (deposit) bearer certificate.

ECO-Card, an exclusive unique card product, which has no analogues in the Ukrainian market, was developed for Premier-Banking clients.

Visa Infinite and MasterCard World Elite, the Platinum level payment cards, were the most popular banking products among Premier-Banking clients in 2017.

In 2017, more than 4,500 Premier-Banking clients were attracted, while the liability client portfolio increased by UAH 1.3 billion — more than 1,000 premium packages sold.

UKRGASBANK actively develops the Premier-Banking premium direction and provides its clients with exclusive service terms and reliable financial partnership.

6.3.7. Implementation of ECO-Projects

In 2017, UKRGASBANK continued developing the ECO-project line, in particular, through further implementing car lending and ECO-Energy partner programmes:

- ECO-Energy — a loan for purchase and installation of solar PPs, thermal acceptors or solar collectors (and related additional equipment);
- Tepla Oselia — a loan for purchase of energy-efficient equipment and/or materials providing for partial compensation of the loan by the State Agency on Energy Efficiency and Energy Saving of Ukraine;
- ECO-Home — a loan for purchase of energy-efficient equipment and/or materials that does not provide for compensation of the loan by the State Agency on Energy Efficiency and Energy Saving of Ukraine;
- ECO-Car Auto for Loan — a loan for the purchase of hybrid or electric cars for personal use.

6.4. Encashment and Transportation of Values

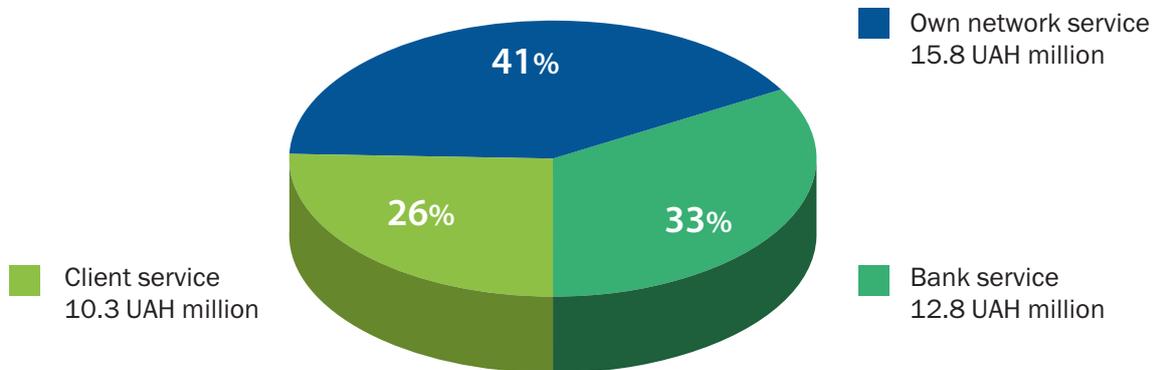
In 2017, UKRGASBANK continued developing and actively introducing the services of encashment and transportation of currency values. The Bank Encashment Service is represented in 11 territorial regions of Ukraine: Vinnytsia, Volyn, Dnipro, Kyiv, Lviv, Odesa, Poltava, Rivne, Sumy, Kharkiv, and Cherkasy. The UKRGASBANK encashment units have 38 own operational highly protected vehicles that meet the NBU regulations. The vehicle movement is monitored by GPS, which allows responding promptly to all events on the encashment routes.

The UKRGASBANK Encashment Service provides a wide range of services related to transportation, encashment and delivery of currency values of banking institutions, legal entities or individuals. In 2017, the encashment rout cover was expanded to 22 regions of our country.

During 2017, 48 banks and more than 200 clients of corporate, medium-sized and small businesses used the encashment service of UKRGASBANK. As of 1 January 2018, the bank encashes 582 trade outlets.

Besides, the encashment units promptly provide 165 Bank branches with cash, load and unload 413 ATMs and self-service terminals.

Structure of Encashment Units' Income in 2017

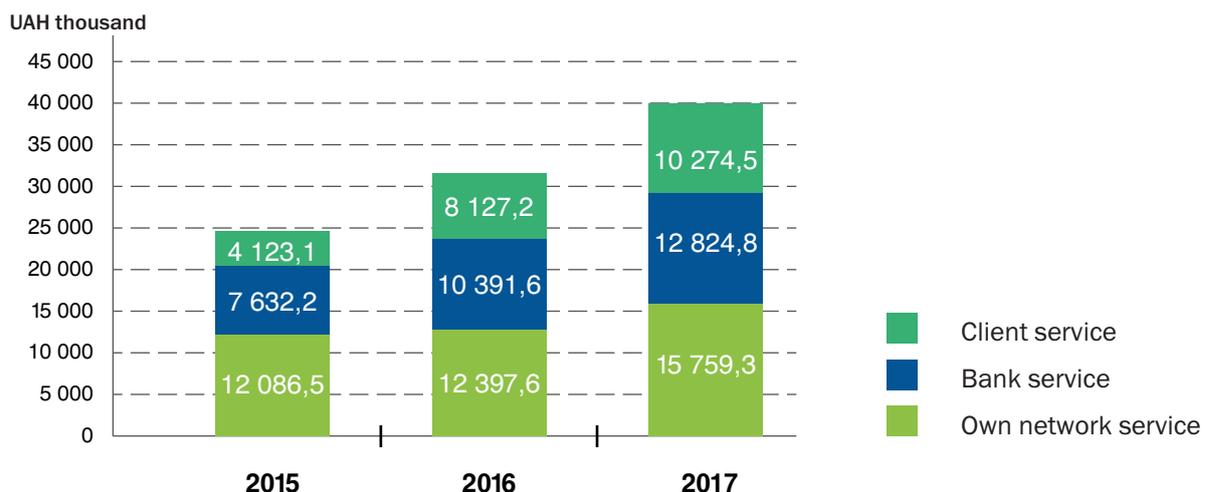


The encashment direction is on the rise: fee and commission income from client service increased by 2.5 times, and income from bank service grew by 68% in the period from 2015 to 2017.

In 2017, the Bank received UAH 23.1 million, which was 25% higher than income of 2016 and 1.8 times higher than income of 2015.

For the period of 2015-17, total operating income increased by UAH 14.1 million.

Dynamics of Encashment Units' Income for 2015-2017



The successful encashment development strategy resulted in the Bank's strengthening its position in the encashment services market for legal entities and individuals; the fee and commission income increased. Eight of eleven encashment units consistently demonstrate profitability, which allowed them to finish 2017 with profits, like it was in the previous year.

6.5. Investment Business. Securities

UKRGASBANK is one of the most powerful and reliable institutions of the Ukrainian stock market.

The Bank received the first permit for the professional activity in the stock market from the Ministry of Finance of Ukraine in 1996.

In 2016, UKRGASBANK carried out transactions in the stock market based on licences of the National Securities and Stock Market Commission, namely: broker activity — AE No. 294713 dated 14 February 2015, indefinite validity period; dealer activity — AE No. 294714 dated 14 February 2015, indefinite validity period; underwriting — AE No. 294715 dated 14 February 2015, unlimited; securities management — AE No. 294716 dated 14 February 2015, indefinite validity period.

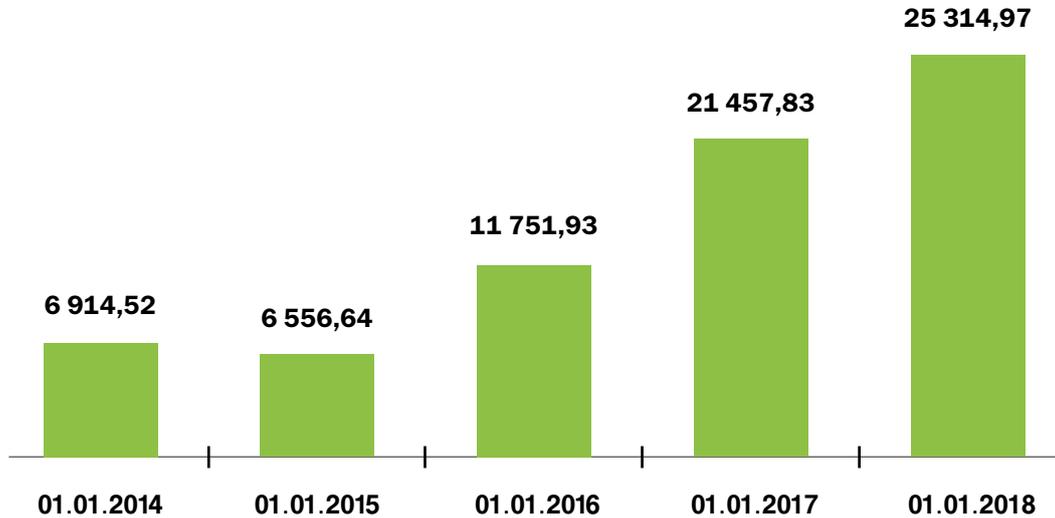
UKRGASBANK also has licence of the National Securities and Stock Market Commission for the professional activity in the stock market — mortgage collateral management; AD No. 034432 dated 18 June 2012. This is the first and sole licence for the professional mortgage collateral management in the stock market in Ukraine issued.

In and following 2017, UKRGASBANK repeatedly ranked among the leaders of securities traders in various ratings.

In 2017, UKRGASBANK entered into more than 1,200 contracts (broker activity, dealer activity, underwriting, securities management) for the total amount of almost UAH 38 billion.

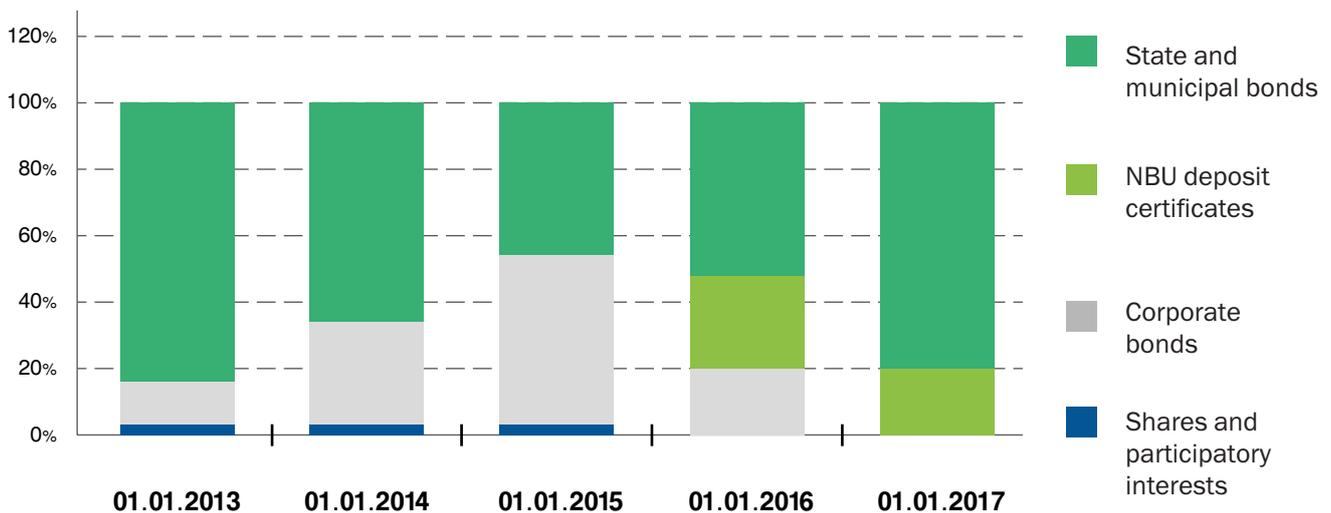
As of 1 January 2018, the Bank's securities portfolio increased to UAH 25,314.97 million as compared with that as of 1 January 2017.

Securities Portfolio as of 1 January 2018, UAH million



In 2017, the structure of the Bank's investments in securities changed mainly due to the reduction of the share of corporate securities.

Structure of Investments in Securities, %



In 2017, the Bank significantly increased the number of transactions on broker service of clients in the stock market. First of all, the volume of investment in domestic government bonds by individuals increased, since investments in government securities are currently profitable, risk-free and highly liquid. These factors are constantly increasing demand for UKRGASBANK broker services.

6.6. Treasury Transactions

6.6.1. Transactions in the Interbank Market

UKRGASBANK actively cooperates with both Ukrainian banks and Middle and Far Eastern banks in the interbank market.

In its cooperation with counterparty banks, UKRGASBANK is guided by the principles of long-term mutually beneficial partnership relations and enters into master agreements on the procedure for interbank operations. Thus, as of 31 December 2017, the Bank entered into 85 master agreements with solvent banks, of which 5 with non-resident banks.

When conducting transactions in the interbank markets, the Bank implements a well-considered loan policy aimed at minimizing risks using both the mechanism for setting limits for interbank transactions of counterparty banks and an individual approach to each bank.

The Bank carried out interbank SWAP transactions, under which banks provide each other loans (raise deposits) in different currencies for an equivalent amount with the same maturity. The insignificant level of risk characteristic of these transactions allows maintaining the necessary level of short-term liquidity.

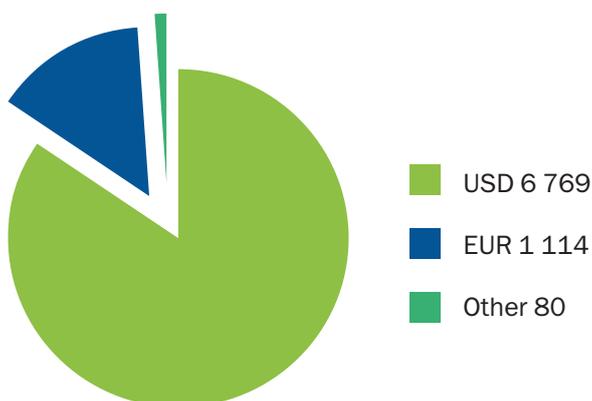
In 2017, the Bank carried out a big amount of REPO transactions given its sufficient level of liquidity and high-liquidity surety in the form of domestic government bonds of Ukraine.

**Resources Placed in the Interbank Market
as of 31 December 2017, UAH million**

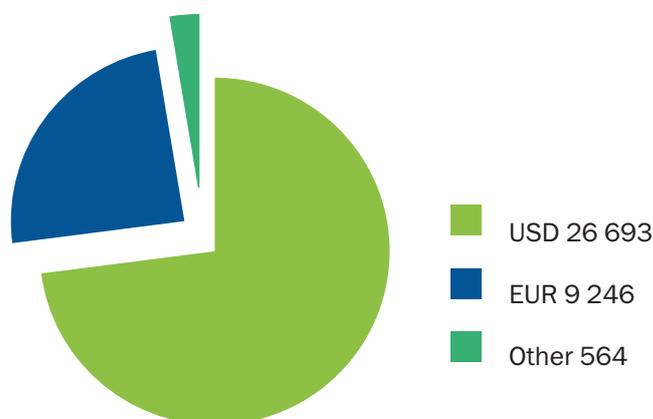


In 2017, the Bank also actively carried out transactions in the interbank foreign exchange market, selling or buying foreign currency for both its own needs and at the expense and by order of its clients in order to support export-import operations. The main volume of operations was traditionally in US dollars or Euros. In 2017, the volume of currency bought and sold in the interbank foreign exchange market of Ukraine exceeded the equivalent of UAH 44.5 billion.

**Purchase of Currency by Clients' Order
in 2017, UAH million**



**Sale of Currency by Clients' Order
in 2017, UAH million**



6.6.2. Transactions with Government Debt Instruments

In 2017, the Bank acted as a primary dealer in the government stock market and remained one of the largest market operators. The Bank's strategy in this direction was to maintain the achieved volumes and yields on the domestic government bonds (DGB). Thus, as of 31 December 2017, the Bank's DGB portfolio amounted to UAH 8,666.9 million, USD 344.43 million, and EUR 43.0 million at face value.

In 2017, the total volume of DGB buying and selling transactions in the secondary market amounted to about UAH 28.8 billion. As a primary dealer in the government stock market, the Bank bought for the amount of UAH 4.3 billion, USD 121.6 million, and EUR 20.5 million.

6.6.3. Transactions with Banking Metals and Cash

UKRGASBANK carries out transactions with banking metals and currency exchange transactions in more than 240 branches throughout Ukraine. Information on gold purchase and sale rates and currency exchange rates are published on the Bank's official website.

The Bank carried out currency exchange transactions in US dollars, Euros, Swiss francs, British pounds sterling, Russian roubles, Polish zlotys, Czech crowns, Romanian leis, and Hungarian forints. The exchange rate at exchange points is competitive and therefore favourable for the Bank's clients.

Having a wide branch network, UKRGASBANK traditionally is an active participant in the banking metals market and carries out a full range of transactions with banking gold, including sale and purchase of banking metals and raising deposit resources in banking metals. As of 31 December 2017, more than 1,500 troy ounces of gold were deposited on UKRGASBANK current and deposit accounts of individuals.

6.6.4. Development of Correspondent Relations

UKRGASBANK pays special attention to the development and optimization of its correspondent network, establishing correspondent relations with first-class foreign and Ukrainian banks.

As of 31 December 2017, UKRGASBANK had 55 opened correspondent NOSTRO accounts with 22 financial institutions, in particular, such leading world clearing banks as Deutsche Bank Trust Company Americas, Deutsche Bank AG, JP Morgan Chase Bank, N.A., JP Morgan Chase Bank London Branch, Commerzbank AG, Commerzbank AG Luxembourg Branch, VTB Bank (Europe) SE, UniCredit Bank AG, mBank SA, Industrial and Commercial Bank of China. UKRGASBANK makes payments in 16 accounting currencies in the shortest possible time. The success of such transactions is guaranteed by promptness, established contacts with leading foreign banks and well-balanced work of the personnel.

As of 31 December 2017, UKRGASBANK had opened and maintained 268 LORO correspondent accounts of 62 Ukrainian banks.

6.6.5. Arbitrage under the Margin Trading Terms and Conditions (Forex for private clients)

In 2017, UKRGASBANK signed 540 contracts on arbitrage under the margin trading terms and conditions with private clients, which was 4% more than in 2016.

For the convenience of working with clients' funds, in 2017 the Bank introduced Forex tariff plan that provides for the free credit/debit of clients' funds.

In 2017, the clients invested more than USD 1.6 million in transactions in the Forex market, which was 45% more than in 2016, and carried out more than 383,000 transactions.

6.6.6. Commemorative Coins of Ukraine and Foreign-Manufactured Coins

In 2017, UKRGASBANK continued selling coins manufactured by recognised world producers in the numismatic market: Mennica Polska (Poland), Perth Mint (Australia), New Zealand Mint, JVP Companies Investment Coins (Germany), Treasures of Oz (Australia).

UKRGASBANK and the National Bank of Ukraine signed the agreement on sale of commemorative coins of Ukraine, souvenir and related products of the National Bank of Ukraine, under which the National Bank of Ukraine appointed UKRGASBANK as a distributor of commemorative coins of Ukraine, souvenir and related products of the National Bank of Ukraine.

During 2017, the Bank, as a distributor of commemorative coins of Ukraine, souvenir and related products of the National Bank of Ukraine, provided numismatic products to 8 numismatic organizations of Ukraine under the agreements.

6.7. Depository Activity

UKRGASBANK carries out the depository activity on the basis of licences issued by the National Securities and Stock Market Commission, namely:

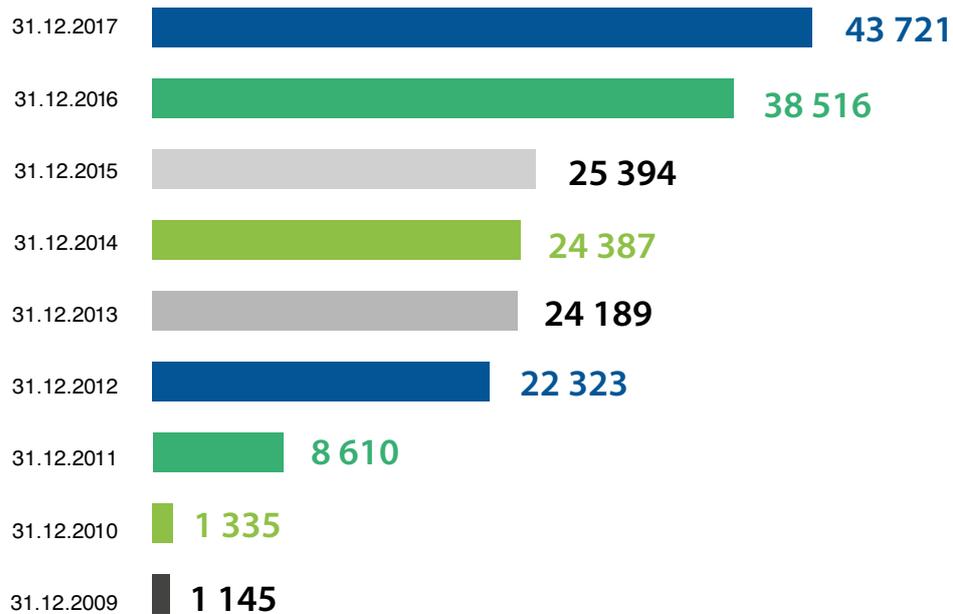
- Licence for the depository activity of a depository institution, AE No. 263236 issued on 28 August 2013, valid from 12 October 2013, indefinite validity period;
- Licence for the custody of assets of collective investment schemes, AE No. 263237 issued on 28 August 2013, valid from 12 October 2013, indefinite validity period;
- Licence for the custody of assets of pension funds, AE No. 263238 issued on 28 August 2013, valid from 12 October 2013, indefinite validity period.

The depository institution of UKRGASBANK offers a full range of high-quality depository services, since it is a client of the National Bank of Ukraine (inter-depository accounting code 300996) and the Central Depository Public Joint Stock Company “National Depository of Ukraine” (depository code of securities account 100024-UA30300996). This allows the Bank to carry out transactions with any securities circulating in these depository systems and maintain the circulation of state, corporate and municipal securities.

The depository institution of UKRGASBANK maintains titles to state-owned securities, as well as securities owned by legal or natural persons, residents or non-residents, collective investment schemes, pension funds, banks and other financial non-banking institutions.

At the end of 2017, UKRGASBANK maintained more than 43,000 securities accounts. The list of securities registered on these accounts includes 786 issues of securities. The amount of depository assets maintained by the depository institution of UKRGASBANK reached UAH 234.5 billion of securities and titles to securities at face value as of 31 December 2017.

Dynamics of Securities Accounts Opened in 2009-17



**Distribution of Securities Accounts by Type
and Group of Clients as of 31 December 2017**

Clients	Number of securities accounts, units
Depositors	
State of Ukraine	1
Legal persons	
Residents	740
Non-residents	50
Collective investment schemes	60
Insurance companies	22
Banks	13
Non-state pension funds	14
Securities traders	19
Natural persons	
Residents	2,843
Non-residents	56
Total (depositors)	3,818
Securities accounts owned by dematerialised securities owners serviced under agreements with issuers	
Legal and natural persons	39,903
Total (owners of dematerialised securities serviced under the agreements with issuers)	39,903

By the end of 2017, UKRGASBANK maintained 27 government property management entities, which performed securities management of the state-owned property on the securities account opened with the depository institution on behalf of the State of Ukraine and 14 non-state pension funds in accordance with the Laws of Ukraine “On Management of State Property”, “On the Cabinet of Ministers of Ukraine”, and other legislative acts.

During 2017 the number of securities issues maintained by the depository institution increased from 753 to 786, resulting in an increase in the amount of depository assets at face value (UAH) of securities maintained by the Depository Activity Department from UAH 229 billion to UAH 234.5 billion. According to the depository institutions ranking of the Professional Association of Capital and Derivatives Markets Participants, UKRGASBANK ranked second by the depository assets at face value (total face value of securities in UAH) maintained by the depository institution of UKRGASBANK (Depository Activity Department) in 2017.

6.8. Remote Service

In 2017, UKRGASBANK continued developing and implementing the advanced systems and additional remote services for clients.

The system allows clients to operate their own bank accounts on-line remotely, promptly and safely:

- Make payments from the current account in national or foreign currencies;
- View balances and generate current account statements;
- View balances and endorse payments of affiliated companies/branches;
- Generate and send payroll records;
- Apply for currency exchange transactions in accordance with the NBU regulations;
- Synchronise systems with the Bank by exporting/importing data;
- Exchange confidential communications with the Bank with the possibility of attaching documents.

07

Partnership &
Cooperation



7. Partnership and Cooperation

7.1. International Money Transfer Systems

During 2017, UKRGASBANK sent/paid remittance via IPSs established by non-residents: Western Union, MoneyGram, RIA.

Western Union

From June 2002 to June 2009, UKRGASBANK operated as a Western Union system subagent (hereinafter referred to as the System) through JSCB “Transbank”; from February 2010 to August 2014, UKRGASBANK resumed working with the System and operated as a subagent of the direct member JSC “Bank “Finance and Credit”. Since February 2014, UKRGASBANK has been a subagent of the direct member PrJSC “Ukrainian Financial Group”.

During 2017, the amount of money equivalent to UAH 478 million was sent/paid via the System, which was almost 22% more than the corresponding indicator in 2016.

MoneyGram

UKRGASBANK has worked with the system as a direct agent since May 2007. Since May 2015, it has engaged other organizations as MoneyGram system subagents.

As of 1 January 2018, MoneyGram had 11 subagents (resident banks). The success and popularity of remittance via this system is not only due to high-quality service and a large number of points, but also due to huge advertising expenses.

During 2017, the amount of money equivalent to more than UAH 343 million was sent/paid via this system, which was almost 18% more than the corresponding indicator in 2016.

RIA

UKRGASBANK has worked with the system as a direct member/agent since September 2010.

Since 9 March 2017, UKRGASBANK has expanded its activities in this field, which enabled it to involve subagents for service.

As of 1 January 2018, MoneyGram had 6 subagents (resident banks).

During 2017, the amount of money equivalent to more than UAH 82 million was sent/paid via this system, which is almost 22% more than the corresponding indicator in 2016.

In 2017, Ukraine was still a recipient of cross-border remittance. The amount of funds received in Ukraine via the international money transfer systems was seven times the amount of funds sent from Ukraine in 2017.

7.2. Auto Dealers and Auto Importers

During 2017, UKRGASBANK fruitfully cooperated with more than 400 auto dealers and auto importers within the framework of the “Auto for Loan All Inclusive” targeted lending programme. The Bank’s partners include the following leading companies of the Ukrainian automobile market:

Corporation “UkrAVTO”

It is the leader of the Ukrainian automobile market, general importer and official dealer of more than 20 world-famous automobile brands. The Bank cooperates with the corporation via the Express Credit system of the assistance company LLC “UKRAVTOLEASING”, a structural division of Corporation “UkrAVTO”.

Corporation “Bogdan”

It is one of the leading automobile operators with its own extensive trading and service network. It represents such brands as Hyundai, Great Wall, Jac, Saipa, Bogdan, Subaru, Lifan, Lada, Uz-Daewoo in the auto loan market. The Bank cooperates with the corporation through the assistance lending and insurance company LLC “Auto Retail Assistance” represented at showrooms of LLC “Bogdan Auto Holding”, LLC “Hyundai Motor Ukraine” and LLC “Bogdan Industriia”.

ViDi Group

It is one of the largest operators in the Ukrainian passenger automobile market. The company’s strategy is to develop a new format for sales and service — ViDi AutoCity automobile villages. Currently, ViDi AutoCity is an association of modern dealer centres in Kyiv and Odesa with a total area of 50,000 square meters. It is more than 190 models of well-known makes. It is more than 175 service points with a capacity of 450 cars per day. ViDi Group comprises leading companies in the field. These are modern automobile dealerships in Kyiv: ViDi Autostrada (Toyota Centre), Lexus Kyiv Zakhid (Lexus), ViDi Power Motors (Land Rover / Range Rover / Jaguar), ViDi Sunrise Motors (Nissan), ViDi Sky Motors (Mazda), ViDi Cry Motors (Ford), ViDi Elegance (Citro n), ViDi Star Motors (Subaru), ViDi Avenue (Peugeot), ViDi AutoMarket (Used Car Sales Centre); in Odesa: ViDi Palmira (Toyota Centre), ViDi Dream Motors (Honda), ViDi Concord (Peugeot); and Boryspil: ViDi Armada (Nissan), ViDi Liberty (Infiniti), ViDi Insight (Honda). These are the leading logistics companies: BLG ViDi Logistics, E.H.Harms Automobile Logistics Ukraine and ViDi Terminal. ViDi Group has its own insurance and leasing companies — ViDi-Insurance and ViDi-Leasing, as well as developers — ViDi-Construction, ViDi-Engineering, etc.

Autotrading Atoll Group

It is the management company of the automobile sub-holding that is focused on distribution, auto retail and after-sales of the cars VW Group (Skoda, Seat, VW), Ford, Hyundai, Suzuki, Renault, Peugeot, as well as Harley-Davidson® motorcycles. Autotrading Atoll Group is a member of Atoll Holding Group, which is among top five Ukrainian automobile market players.

Pride Motor

It is the official distributor of Honda cars and motorcycles, as well as premium cars Acura in Ukraine. Currently Pride Motor's dealership network includes 24 Honda car dealers, 3 Acura dealers and 17 motorcycle dealers.

EFI TOYOTA-Ukraine

Enterprise with Foreign Investments "TOYOTA-UKRAINE" was founded in 2004. It is the official Toyota importer and distributor in Ukraine. Since the establishment, Toyota official dealership network in Ukraine has sold more than 110,000 cars. Currently, the dealership network comprises 30 Toyota dealerships throughout Ukraine.

Within the ECO-banking development in 2017, the Bank introduced a unique partnership lending programme for the purchase of electric cars at 0.001%. It was implemented with such electric car dealers as Autoenterprise (official dealer in Ukraine since 2014), Oxygen Group and ELECTROCARS AUTO.

7.3. Real Estate Developer

In 2017, the Bank accredited 25 new developers and more than 150 housing projects in different regions of Ukraine. It adopted the partnership programmes with developers, which allowed offering attractive and competitive lending terms to the borrowers in the context of higher cost of the resource base.

In 2017, UKRGASBANK provided about 400 mortgage loans in various regions of Ukraine under the mortgage lending programmes. The main partners in the primary market real estate lending programmes are as follows:

Ukrainian State Building Corporation "Ukrbud"

The corporation comprises design institutes, and construction and installation enterprises, the history of which dates back to the 1930s, of which PJSC "Ukrenergomontazh", LLC "Ukrbud-Development", LLC "Budivelni Merezhi", etc. The company portfolio includes more than 20 projects, of which housing complexes "Park Valley", "Vyshyvanka", "Kharkivskiy", "Oberih", "Herzen-Park", "Oberih", "Kozatskiy", "Sadoviy", "Kazka", "Novopecherskiy Dvir", "Lisoviy", "Artemivskiy", and "Park Hall Gorkij".

Public Joint Stock Company “Kyivmiskbud Holding Company”

It is a leader of the Ukrainian construction industry, the largest and most known real estate market operator oriented to the needs of medium-income citizens.

The company is aimed at making its products affordable to the widest range of consumers. Kyivmiskbud has operated in the primary real estate market since 1955, which is 44.2 million square meters of housing built.

Currently Kyivmiskbud is:

- 100 organizations united into one construction and investment complex, which can provide turnkey construction services;
- Over 30,000 of highly skilled builders of any expertise, managers of various levels;
- ISO 9001-2000 certified activity of most enterprises;
- ISO 9001-2000 certified management activity of the holding company administrative staff;
- Modern building technologies, equipment, tools and newest construction machinery operated by certified specialists.

Development Company “OMOX”

Over the past years, OMOX has managed to build the whole “town” named Housing Complex “Chaika”, which includes the projects “Chaika” (18 houses, 1,650 flats), “Chaika 2” (8 houses, 1,667 flats), “Chaika 3, 4” (8 houses, 1,832 flats), “Social Town” (13 houses, 1,832 flats). Currently Housing Complex “Chaika” is considered the largest condominium in Europe.

LLC BVK COMPANY “Fedorchenko”

It is the largest developer in Sumy, the leader in housing construction in the region, which has operated for 28 years. The company has a special structure of 25 productions facilities. Its construction priority is to provide Sumy citizens with economy class housing. To this end, it introduced the flat lending and investing system.

Capital Construction Department of Vinnytsia City Council

Since December 2016, the Bank is a partner of the Vinnytsia City Council for the implementation of the “Municipal Housing in Vinnytsya” programme in the framework of which borrowers had favourable lending terms at an interest rate of 10% per annum. It is the leader in the regional construction market that has operated since 1959. It has its own production base: State-Owned Enterprise Design Institute “Vinnytsiabudproect”, Podilsky Project Institute, State-Owned Enterprise “Vinnytsia Research and Development Design Institute for Land Management”. Over the past few years, more than 5 residential buildings have been commissioned.

JSC “TREST ZHYTLOBUD-1”

It is the largest developer in Kharkiv, which has been operated for 70 years, during which it sold 65% of residential buildings, built 20 churches and 35 cultural facilities, and received many awards and certificates, including from the Cabinet of Ministers of Ukraine. In 2017, it commissioned 200,000 square meters of housing, and it plans to commission 240,000 square meters of housing in different districts of Kharkiv in 2018.

“ZIM CAPITAL GROUP”

It has operated in the construction market since 2011. It comprises the following companies: LLC “ZIM CAPITAL GROUP”, LLC “SKYPARK GROUP”, LLC “MARVEL HOMES”, LLC “STATUS BUD”, PJSC ZNVKIF “DINERO AKTYV.” Over the past 3 years, it has successfully commissioned 7 residential buildings.

7.4. Cooperation with State Administrations

Within the scope of the Tepla Oselia programme of lending for the energy efficient equipment and materials that provides for the compensation of interest or partial compensation of loans obtained for the purchase of energy-efficient equipment or materials and in order to reduce the cost loading on the Bank’s borrowers, UKRGASBANK actively entered into contracts on cooperation with regional, district and city administrations in 2017.

In total, borrowers under Tepla Oselia programme received 16,694 loans for the total amount of more than UAH 452 million in 2017. The programmes in cooperation with Vinnytsia Regional State Administration (1,618 contracts), Rivne Regional State Administration (1,448 contracts), Lviv Regional State Administration (1,232 contracts), and Zhytomyr Regional State Administration (917 contracts) were implemented most successfully.

7.5. Interaction with the Deposit Guarantee Fund

UKRGASBANK, as an authorised agent of the Deposit Guarantee Fund, successfully organised and served the insolvent banks’ depositors in a high-quality and prompt manner. During 2017 the Bank paid out to depositors of more than 40 insolvent banks. The Bank paid out guaranteed reimbursements to more than 35,000 clients for the total amount of UAH 1.25 billion.

7.6. Concierge Service Companies

UKRGASBANK bonus card holders have the right to connect to the concierge service — a round-the-clock service that **processes information and organizational requests and addresses clients' daily tasks**. The service content depends on the card class and mainly includes information and reference services for the Gold class card holders, informational and organizational services for the Platinum class card holders, and a package of exclusive services for MasterCard World Elite / Visa Infinite card holders. The concierge service is included in the card package price for the **MasterCard Platinum, Visa Platinum, MasterCard World Elite, Visa Infinite** card holders.

In 2017, the Bank's partner companies that provide the concierge service to the Bank's clients improved the packages of their service by both **adding new services**, for example, **Fastline** service, and improving their convenience (**extension of communication channels, etc.**).

During 2017, **483** Bank's clients were connected to the concierge service.

The following Bank departments were the most active to connect their clients to the service: Premier-Banking — **116** clients (24% of total), Kyiv Regional Directorate — **72** clients (15%), Dnipropetrovsk Regional Directorate — **46** clients (10%), Odesa Regional Directorate — **40** clients (8%).

The reports provided by the Bank's partner companies say that 794 requests of the Bank's clients were processed during 2017; most of them were inquires for information (50%), data selection, ticket booking or flight check-in, etc.

7.7. Insurance Companies

Private Joint Stock Company Insurance Company "Ukrainian Insurance Group" is a modern and dynamic insurance company of national scale with 100% foreign capital. According to the main financial indicators, it is one of the TOP-10 Ukrainian insurance companies. Since February 2008 Ukrainian Insurance Group has been a full member of the world-famous Vienna Insurance Group — a leader in the insurance market of Central and Eastern Europe.

Private Joint Stock Company "Ukrainian Fire and Insurance Company" was founded in 1992 and has been one of the leading insurance companies in Ukraine for more than 25 years of excellent work. The company is represented throughout the entire territory of Ukraine and has about 50 separate structural units, about 1,000 insurance sales points and client service centres, which operate under agency agreements.

Private Joint Stock Company Ukrainian Insurance Company “Kniazha Vienna Insurance Group” focuses on individuals and SMEs. That is why the company develops its own branch network throughout the country. This allows it to offer modern insurance services at the best prices products in every corner of Ukraine.

Public Joint Stock Company Insurance Company “Kraina” has operated in the insurance market of Ukraine since 1994. It has licences for 27 types of insurance. It is one of the TOP-30 insurance companies of Ukraine by the size of insurance payments.

Company with Additional Liability “Express Insurance” was founded in 2008 with the participation of Ukrainian Automobile Corporation “UkrAVTO”, the leader of the Ukrainian motor transport market. It is a modern insurance company with modern approaches to the insurance adjustment, which is dynamically developing and constantly improving the client service.

Private Joint Stock Company Insurance Company “Unives” has operated in the insurance market of Ukraine since 2003. It is a member of the group that unites the potential of five companies aimed at implementing the general integrated services strategy for both private and corporate clients.

Private Joint Stock Company Insurance Company “VUSO” was founded on 24 September 2001. Currently it is a team of 400 professionals who work for clients at over 30 representative offices throughout Ukraine.

Private Joint Stock Company Insurance Company “Arsenal Insurance” is a group of like-minded people with a single goal, a team of insurance business professionals. The company has been successfully developing and operating in the Ukrainian insurance market for 10 years.

Company with Additional Liability Insurance Company “ViDi Insurance” was registered in 2007, has indefinite licences for 11 types of voluntary insurance, and is a member of ViDi Group of Companies, which has been an active participant in the Ukrainian automobile market for many years.

Private Joint Stock Company Insurance Company “AXA Insurance” is one of the leaders in the Ukrainian risk insurance market, a part of French AXA Group. AXA has been the world number one insurance brand for the seventh year in a row. Currently more than half a million clients trust the company.

Company with Additional Liability Insurance Company “AXA Life Insurance” is a member of French AXA Group. The company provides life insurance services to private clients.

Private Joint Stock Company Insurance Group “TAC” has been operated in Ukraine since October 1998 and consistently shows high financial results. It is one of the dozens of domestic insurance leaders and a part of the large investment and financial group.

Private Joint Stock Company “PROSTO-Insurance” has 22 licences of the National Commission for Regulation of Financial Services Markets for the insurance activities (9 obligatory and 13 voluntary insurance types). The company insurance products and programmes are intended mainly for individuals, and this direction is of the insurer’s priority.

Private Joint Stock Company “Ukrainian Insurance Capital” was founded on 21 September 1995. The company has 29 licences for the voluntary and obligatory insurance services, which allows it to meet the needs of any client.

Private Joint Stock Company Insurance Company “Uniqa” entered the Ukrainian market in 2006. It is a part of UNIQA Insurance Group. Currently the company is one of the leaders of the Ukrainian insurance market and offers all kinds of non-life insurance through a nationwide network.

Public Joint Stock Company Insurance Company “Universalna” is one of the TOP-10 insurance companies in Ukraine. The company was founded in 1991, and now it operates in all regions of Ukraine. Universalna provides services to private and corporate clients and markets itself as a retail insurer.

Private Joint Stock Company Insurance Group “U.B.I.-Coop” was founded in 2000 and has the licences for 20 types of insurance. It is a universal Ukrainian insurance company specializing in risk insurance of oil and gas and energy producers and a strategic partner of a number of large Ukrainian enterprises. Its regional and representative network covers the entire territory of Ukraine.

Private Joint Stock Company Insurance Company “Euroins Ukraine” started operating in the Ukrainian insurance market in 1992. Euroins Ukraine’s strategy envisages activities in all sectors of the Ukrainian insurance market. The company has the licences to provide insurance coverage for virtually the entire range of voluntary and obligatory insurance.

Private Joint Stock Company “Ukrainian Transport Insurance Company” (UTICO) was founded in 1994 and has been operating in the Ukrainian insurance industry for more than 21 years. The company is one of the TOP-30 insurers by the most KPIs.

Private Joint Stock Company Insurance Company “Misto” is the first and only insurance company in Ukraine, whose 100% of the shares belongs to the Vinnytsia city community (Vinnytsia City Council, the owner).

Private Joint Stock Company Insurance Company “Unison Insurance” has operated for 13 years in the Ukrainian market using only the best and most effective insurance technologies. The company provides corporate insurance of both enterprises and labour collectives, as well as individual risk insurance of individuals.

Private Joint Stock Company Insurance Company “Persha” is registered on 24 September 2001. The company has 46 separate structural units in central cities of the regions, 25 district sales centres, and 220 full-time employees.

Private Joint Stock Company Joint Stock Insurance Company “INGO Ukraine” has 23 years of experience in the market. Constantly holding leading positions by payment of insurance indemnity, the company is one of the largest insurance organizations in Ukraine by insurance premiums and assets.

Private Joint Stock Company Insurance Company “PZU Ukraine.” Since February 2005, 100% of the company’s shares have been owned by PZU SA (Poland) that is one of the largest financial institutions in Central and Eastern Europe.

Private Joint Stock Company Insurance Company “Ukrainian Insurance Standard” cooperates with the Bank regarding the insurance of automobiles, movable and immovable property pledged by borrowers, as well as personal accident insurance of individual borrowers.

Private Joint Stock Company Insurance Company “Brokbusiness” has operated in the insurance market since 15 December 1993. During its work it has gained considerable experience and took up the firm position among the most dynamic companies in the insurance market.

Company with Additional Liability Insurance Company with Additional Liability “Globus” became a member of one of the largest international insurance groups in Central and Eastern Europe, Vienna Insurance Group, in 2006. As one of the oldest and most experienced Ukrainian insurance companies, Globus actively participates in the Ukrainian insurance market.

7.8. Appraisal Companies

Private Enterprise “Appraisals & Law Academy” (PE “Appraisals & Law Academy”) has operated in the Ukrainian market since 2002. It provides services on the appraisal of property, namely, objects in tangible or intangible forms, land plots. It is a member of the self-regulatory organizations in the field of appraisal. It has the extensive network of 24 representative offices in all regions of Ukraine. Company employees have international certificates of the European Group of Valuers’ Associations (TEGoVA).

Limited Liability Company “GLOBAL APPRAISAL” (LLC “GLOBAL APPRAISAL”) has an extensive network of representative offices in all regions of Ukraine. It provides services on the appraisal of property, namely objects in tangible or intangible forms, as well as information and consulting services on the real estate market analysis, market reviews or forecasts. The company has the team of highly skilled experts in the field of appraisal and other issues related to the provision of information and consulting services, including monitoring of property pledged with the banks and preparation of corresponding statements.

Limited Liability Company “Credit Brokerage Agency” (LLC “CBA”) has operated in the Ukrainian market since 2007. It provides services on the appraisal of property, both in tangible or intangible forms, as well as monetary valuation of land plots. It has an extensive network of representative offices in 24 regions of Ukraine.

Group of Companies “Uvekon”

It has operated in the Ukrainian market since 1996. The company has a team of highly skilled appraisers with international certificates of RICS, FIABCI, TEGoVA. It has the extensive network of 14 branches and 13 representative offices in all regions of Ukraine. It is also included in the list of leading Ukrainian companies that provide services on appraisal of property, both tangible or intangible forms, as well as monetary valuation of land plots.

Private Enterprise “TA-Expert-Service” (PE “TA-Expert-Service”) carries out the appraisal of property in tangible or intangible forms, including land plots. It has operated in the Ukrainian market since 2009. It has the extensive network of representative offices in 10 regions of Ukraine and cooperates with many Ukrainian banks in many issues, including collateralised property monitoring.

Limited Liability Company “Ukrainska Profesiina Otsinka” (LLC “UPO”) has operated in the field of independent property appraisal in Ukraine since 2009 and provides services on appraisal of property, both in tangible or intangible forms, as well as monetary valuation of land plots. It successfully cooperates with the banking sector on “outsourcing” terms under the Monitoring and Mass Reappraisal of Collateral Portfolio programmes. It has the extensive network of representative offices in 24 regions of Ukraine.

Limited Liability Company “Kansas” (LLC “Kansas”) has operated in the Ukrainian market since 2002. It has the extensive network of representative offices in 20 regions of Ukraine and provides services on appraisal of objects in tangible or intangible forms, as well as monetary valuation of land plots.

Limited Liability Company “BK-Expert” (LLC “BK-Expert”) provides services on the appraisal of property, namely objects in tangible or intangible forms. It has operated in the Ukrainian market since 2009. It has the extensive network of representative offices in 10 regions of Ukraine.

Limited Liability Company “Parus” (LLC “Parus”) has operated in the Ukrainian market since 2006, namely in Odesa and Kyiv regions. The company provides services on appraisal of property, both in tangible or intangible forms.

Limited Liability Company “B.G.S.-Aktyv” (LLC “B.G.S.-Aktyv”) was founded in 2003. It is a member of BGS-Group, a consulting group, which specialises in providing audit, accounting and consulting services. It has representative offices in several regions of Ukraine and provides services on the appraisal of property, namely objects in tangible form.

Limited Liability Company “RG Satellite” (LLC “RG Satellite”) provides services on the appraisal of objects in tangible form, intangible assets, monetary valuation of land plots, and business consulting. RG Satellite has the extensive network of representative offices in 18 regions of Ukraine.

Limited Liability Company “Businesspartners” (LLC “Businesspartners”) has provided services on the appraisal of objects in tangible form, intangible assets, and monetary valuation of land plots since 2013.

SE “Baker Tilly Ukraine”

It has operated in the Ukrainian market since 1999. The company is an independent member of Baker Tilly International and offers high-quality services in the field of audit, consulting, independent appraisal, book-keeping and management accounting.

7.9. Asset Management Companies

During 2017, UKRGASBANK cooperated with stock market participants (asset management companies, securities traders, depository institutions) regarding the purchase and sale of securities on stock exchanges.

7.10 Securities Depository

Public Joint Stock Company “National Depository of Ukraine” (hereinafter referred to as the NDU) operates the unified depository record-keeping system and provides depository services. The NDU’s exclusive competence is to number/codify securities and standardise the depository accounting and document circulation by securities transactions, etc.

The Bank has been a client of the NDU since 2007 after it had entered into the depository agreement for the opening and maintenance of a securities account, storage and record-keeping of securities, the rights to/for which belong to the depository institution’s depositors.

In 2009, the Bank entered into the agreement with the NDU on opening and maintenance of a securities account of the issuer and deposited global certificates of both ordinary and preferred shares of the Bank.

Depository of the National Bank of Ukraine carries out activities on depository accounting and maintenance of circulation of domestic or foreign government bonds of Ukraine, targeted domestic government bonds of Ukraine, treasury bonds of Ukraine and local government bonds, as well as debt securities that certify lending relationships of local government bodies placed outside Ukraine, as well as maintenance of corporate transactions of the issuer on the clients' securities accounts.

7.11. Stock Exchanges

Public Joint Stock Company Stock Exchange “Perspektiva.” Since its creation in 2006, the stock exchange has taken up the leading position in the Ukrainian market due to active implementation of trading, settlement and information technologies.

The Bank is a member of Perspektiva Stock Exchange since 2007 and carries out securities transactions on this exchange.

Public Joint-Stock Company “PFTS Stock Exchange” is one of the largest trade organisers in the Ukrainian stock market that maintains an interregional system of on-line trading in securities.

The Bank has been a member of PFTS Stock Exchange since 1997 and carries out securities transactions on this exchange both from its own portfolio and by its clients' orders.

UKRGASBANK is a shareholder of PFTS Stock Exchange with a share of 0.19% at the end of 2017.

Public Joint Stock Company “Ukrainian Exchange” is one of the trade organisers on the Ukrainian stock market. The Bank has been a member of Ukrainian Exchange since its foundation in 2008 and carries out securities transactions on this exchange both from its own portfolio and by its clients' orders.

7.12 Financial Institutions Refinancing Residential Mortgage Loans

Public Joint Stock Company “Agency for Refinancing of Residential Loans” (hereinafter referred to as ARRL) was established in February 2012. The main areas of activity of ARRL are acquisition of claims under long-term residential mortgage loans issued by mortgage lending banks, as well as attraction of long-term resources for mortgage lending through issuance of ordinary mortgage bonds.

08

Review of
Financing
activities



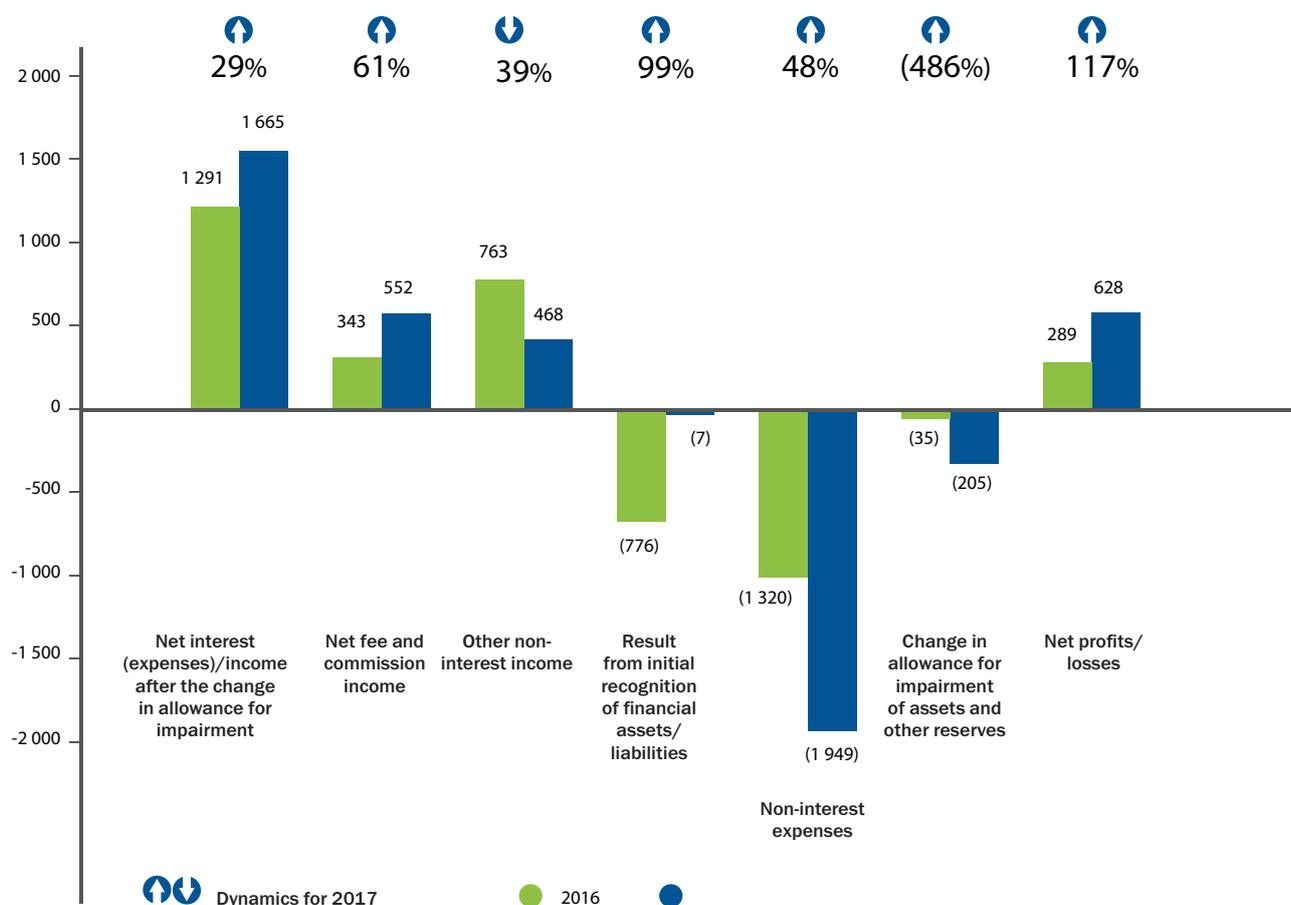
8. Review of Financing Activities

8.1. Financial Result

According to the results of 2017 in the financial statements of UKRGASBANK as at the close of business on 31 December 2017, UKRGASBANK received profits in the amount of UAH 628 million. The result was due to the following factors: operating profit of UAH 2,679 million (of which interest income amounted to UAH 1,665 million and net non-interest income of UAH 1,013 million), non-interest expenses, including expenses for the formation of reserves for other assets, for the amount of UAH 2,154 million.

The financial result for 2017 is positive and exceeds the result for 2016 more than twice. The growth of this indicator in 2017 was due to the increase in operating profit by UAH 1,058 million.

Financial Indicators, UAH million



8.2. Operating Profit

The operating profit of the Bank in 2017 amounted to UAH 2,679 million, including net interest income after the change in allowance for impairment of loans of UAH 1,665 million, net fee and commission income of UAH 552 million, result from transactions with derivative financial instruments of UAH 154 million, result from transactions with foreign currencies and banking metals of UAH 72 million, net profits from investment securities available for sale of UAH 52 million, and other income of UAH 184 million.

Net interest income after the change in allowance for impairment of loans amount to UAH 1,665 million, including interest income of UAH 6,875 million, interest expenses of UAH 4,517 million, and change in allowance for impairment of loans of UAH 693 million.

8.3. Interest Income

The largest share in the structure of the Bank's operating profit traditionally accounts for interest income, the volume of which increased by UAH 1,397 million (26%) in 2017, and amounted UAH 6,875 million as of 1 January 2018. Interest income grew due to the increase of both interest-bearing assets and their returns. In 2017, the Bank actively provided loans to the real economy, implemented the ECO-Lending Policy, and increased its loan portfolio by UAH 13.3 billion; the ECO-loan portfolio increased by almost UAH 5 billion.

The largest share in interest income accounts for corporate business income (54%) and income from asset management (38%).

The net interest spread for 2017 was 4.12%, increasing by 2.35 percentage points as compared with 2016; the margin was 3.96%, increasing by 2.38 percentage points as compared with 2016.

Areas of activities	2016		2017		Change, %
	Amount of income, UAH million	Share in interest income, %	Amount of income, UAH million	Share in interest income, %	
Corporate business	2,295.01	41.90	3,700.69	53.83	61.25
SMEs	101.91	1.86	191.82	2.79	88.22
Retail	244.74	4.47	253.97	3.69	3.77
Financial institutions	106.80	1.95	84.31	1.23	-21.06
Asset management and other	2,728.96	49.82	2,644.13	38.46	-3.11
Total	5,477.42	100	6,874.91	100	25.51

8.4. Net Non-Interest Income

The total net non-interest income of the Bank for 2017 amounted to UAH 1,013 million, the largest share of which is broken down as follows: net fee and commission income of UAH 552 million, result from transactions with derivative financial instruments of UAH 154 million, net income from transactions with foreign currencies of UAH 72 million, net profits/(losses) from investment securities available for sale of UAH 52 million, positive result on sale of fixed assets, intangible assets and assets held for sale of UAH 68 million, fines received of UAH 35 million, agency services to insurance companies and banks of UAH 35 million, other income of UAH 45 million.

According to the results of 2017, the Bank received UAH 720 million of fee and commission income, which is UAH 269 million, or 60%, more than last year.

Fee and Commission Income by Transaction Type

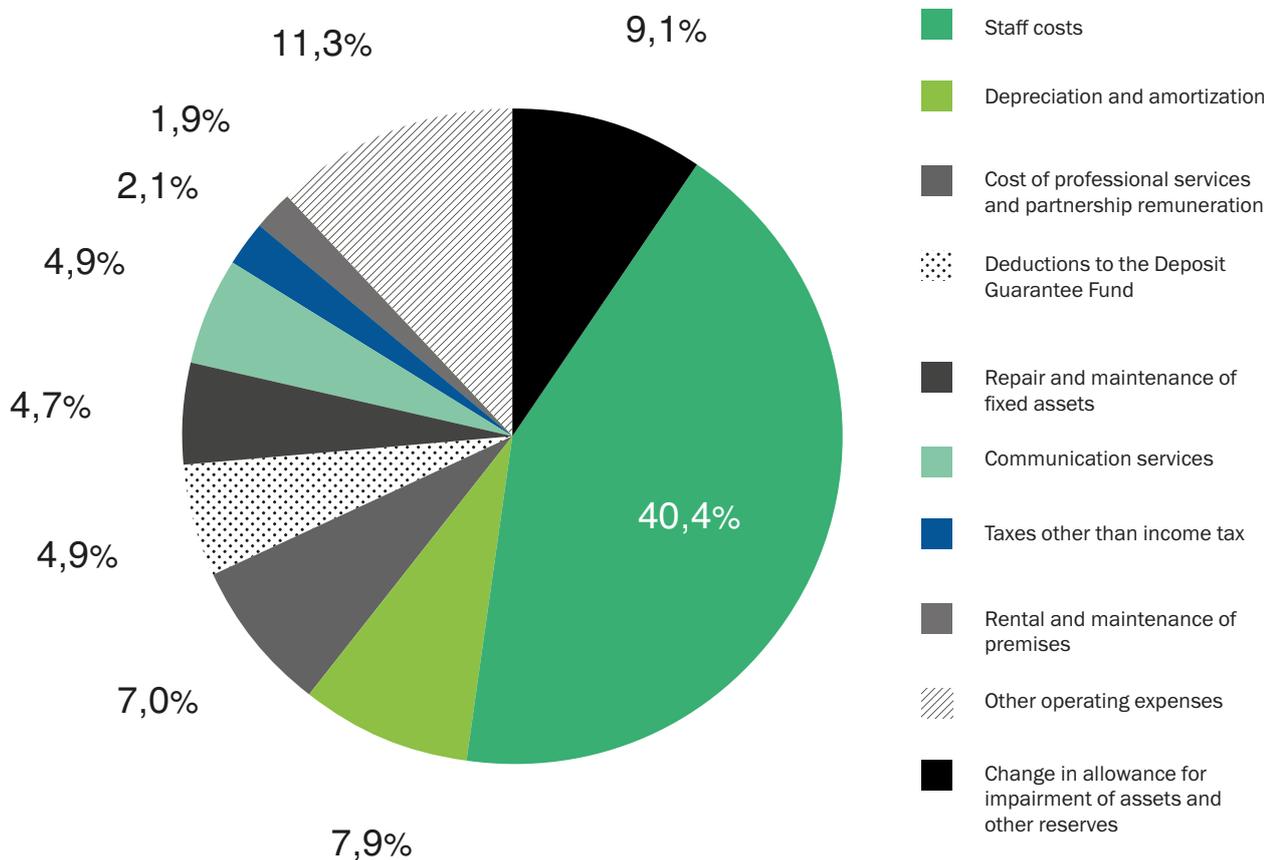
Transaction type	2016		2017		Change, %
	Amount of income, UAH million	Share in fee and commission income, %	Amount of income, UAH million	Share in fee and commission income, %	
Settlement	343.2	76.2	501.8	69.6	46.2
Agency transactions in the foreign exchange market	45.0	10.0	83.4	11.6	85.3
Security transactions	2.0	0.4	2.5	0.4	25.0
Guarantees and letters of credit	24.7	5.5	60.8	8.5	146.2
Other transactions	35.6	7.9	71.4	9.9	100
Total	450.4	100	719.9	100	59.8

In 2017, the Bank continued developing documentary transactions, which increased the share of income from guarantees and letters of credit in the Bank's fee and commission income to 8.5%. At the same time, the largest share in the Bank's fee and commission income accounts for the income from settlements and loans (70%).

8.5. Non-Interest Expenses

In 2017, the volume of non-interest expenses, given the allowance for impairment of other assets and income taxes, amounted to UAH 2,154 million. The ratio of administrative and other operating expenses to operating profit before change in allowance was 58%, having improved by 14 percentage points in 2017.

Structure of Non-Interest Expenses in 2017



09

Financial
Statements



9. Financial Statements of UKRGASBANK as of 31 December 2017 (reduced)

PUBLIC JOINT STOCK COMPANY
JOINT STOCK BANK "UKRGASBANK"

Financial Statements for 2017

STATEMENT OF FINANCIAL POSITION

As of 31 December 2017

(in UAH thousand)

	Notes	31 December 2017	31 December 2016 (reclassified)
Assets			
Cash and its equivalents	7	7,264,287	2,482,132
Banking metals		7,958	14,112
Due from lending institutions	8	3,739,554	6,521,927
Derivative financial assets	9	910	9,420
Loans to customers	10	33,646,433	20,351,584
Trading securities	11	315,094	386,454
Investments available for sale	12	20,576,663	19,996,757
Investments held to maturity	13	-	1,000,657
Investment properties	14	348,834	50,814
Fixed and intangible assets	15	1,736,061	1,509,994
Assets held for sale	16	60,508	1,129,309
Other properties	17	740,764	328
Current income tax assets		4,921	4,921
Deferred income tax assets	18	187,584	82,561
Other assets	20	583,656	365,014
Total assets		69,213,227	53,905,933
Liabilities			
Due to the National Bank of Ukraine	21	414,104	574,997
Due to lending institutions	22	1,946,930	1,105,700
Derivative financial liabilities	9	3,775	16,300
Due to customers	23	60,646,118	46,180,966
Reserves for guarantees and liabilities	19	209,392	60,504
Other liabilities	20	367,595	669,560
Total liabilities		63,587,914	48,608,027
Equity			
Share capital	24	13,837,000	13,837,000
Acquired title of ownership to shares		(518,439)	(518,439)
Results from transactions with shareholders		(1,102,304)	(1,102,304)
Additional paid-in capital		135,942	135,942
Other reserves	24	278,424	593,415
Accumulated deficit		(7,005,310)	(7,647,708)
Total equity		5,625,313	5,297,906
Total equity and liabilities		69,213,227	53,905,933

Authorised and signed on behalf of the Bank's
management by:

Chairman of the Board	/signed/	Kyrylo Shevchenko
Chief Accountant	/signed/	Nataliia Khrustalova

Seal: Ukraine, Kyiv, Public Joint Stock Company Join Stock Bank "UkrGasbank", EDRPOU code 23697280.

PUBLIC JOINT STOCK COMPANY
JOINT STOCK BANK "UKRGASBANK"

Financial Statements for 2017

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

(in UAH thousand)

	Notes	31 December 2017	31 December 2016
Interest income			
Loans to customers		4,146,481	2,644,388
Investments available for sale		2,089,753	1,840,611
Deposit certificates of the National Bank of Ukraine		531,359	878,266
Due from lending institutions		84,311	106,804
		<u>6,851,904</u>	<u>5,470,069</u>
Trading securities		23,016	7,354
		<u>6,874,920</u>	<u>5,477,423</u>
Interest expenses			
Due to the National Bank of Ukraine		(73,803)	(183,215)
Due to customers		(4,419,920)	(4,435,057)
Due to lending institutions		(22,916)	(135,303)
		<u>(4,516,639)</u>	<u>(4,753,575)</u>
Net interest income before change in allowance for impairment of loans		2,358,281	723,848
Change in allowance for impairment of loans	8, 10	(692,893)	(567,363)
Net interest income after change in allowance for impairment of loans		1,665,388	1,291,211
Loss on initial recognition of financial assets		(6,706)	(775,604)
Net fee and commission income	26	551,700	342,720
Profits/(losses) on trading securities	27	5,116	(406)
Net profits on investments available for sale	28	51,602	82,696
Profits on foreign exchange transactions and banking metals	29	71,558	326,465
Result from transactions with derivative financial instruments		153,560	207,870
Net profits on investment property		14,705	9,255
Other income	30	171,821	136,885
		<u>1,013,356</u>	<u>329,871</u>
Non-interest income			
Staff costs	31	(912,733)	(581,076)
Other operating expenses	31	(858,037)	(631,815)
Depreciation and amortization	15	(178,460)	(106,915)
Change in allowance for impairment of other loans and other reserves	19	(205,117)	(35,396)
		<u>(2,154,347)</u>	<u>(1,355,202)</u>
Non-interest expenses		(2,154,347)	(1,355,202)
Profits before taxation		524,397	265,880
Income tax reimbursement	18	103,415	23,115
Net profits		627,812	288,995

PUBLIC JOINT STOCK COMPANY
JOINT STOCK BANK "UKRGASBANK"

Financial Statements for 2017

STATEMENT OF COMPREHENSIVE INCOME (continued)

	<i>Notes</i>	31 December 2017	31 December 2016
Net profits		627,812	288,995
Other comprehensive income			
Items that will not be reclassified subsequently to profits/losses			
Revaluation of fixed assets		(8,935)	(110,629)
Income tax related to revaluation of fixed assets		1,608	(19,913)
		(7,327)	90,716
Items that will be reclassified subsequently to profits/losses			
Unrealised (losses)/profits on investments available for sale		(344,680)	597,695
Realised profits on investments available for sale		51,602	27,854
		(293,078)	625,549
Other comprehensive (losses)/profits after taxation		(300,405)	716,265
Total comprehensive income		327,407	1,005,260
Weighted average number of shares (thousand)		13,837,000	13,837,000
Net and adjusted net profits per share (UAH)		0.05	0.02

Authorised and signed on behalf of the Bank's management by:

Chairman of the Board	/signed/	Kyrylo Shevchenko
Chief Accountant	/signed/	Nataliia Khrustalova

Seal: Ukraine, Kyiv, Public Joint Stock Company Joint Stock Bank "UkrGasbank",
EDRPOU code 23697280.

PUBLIC JOINT STOCK COMPANY
JOINT STOCK BANK "UKRGASBANK"

Financial Statements for 2017

STATEMENT OF CHANGES IN EQUITY**For the year ended 31 December 2017***(in UAH thousand)*

	Notes	Share capital	Acquired title of ownership to shares	Result from transactions with shareholders	Additional paid-in capital	Other reserves	Accumulated deficit	Total equity
As of 31 December 2015		13,837,000	(518,439)	(1,102,304)	135,942	(122,850)	(7,936,703)	4,292,646
Total comprehensive income for the year		-	-	-	-	716,265	288,995	1,005,260
As of 31 December 2016		13,837,000	(518,439)	(1,102,304)	135,942	593,415	(7,647,708)	5,297,906
Total comprehensive income for the year	24	-	-	-	-	(300,405)	627,812	327,407
Transfer due to disposal of assets		-	-	-	-	(14,586)	14,586	-
As of 31 December 2017		13,837,000	(518,439)	(1,102,304)	135,942	278,424	(7,005,310)	5,625,313

Authorised and signed on behalf of the Bank's management by:

Chairman of the Board	/signed/	Kyrylo Shevchenko
Chief Accountant	/signed/	Nataliia Khrustalova

Seal: Ukraine, Kyiv, Public Joint Stock Company Joint Stock Bank "Ukrgasbank",
EDRPOU code 23697280.

PUBLIC JOINT STOCK COMPANY
JOINT STOCK BANK "UKRGASBANK"

Financial Statements for 2017

CASH FLOW STATEMENT

For the year ended 31 December 2017

(in UAH thousand)

	Notes	2017	2016 (reclassified)
Cash flow from operating activities			
Interest received		6,602,820	4,913,303
Interest paid		(4,455,596)	(4,685,853)
Fees and commissions received		689,032	443,974
Fees and commissions paid		(168,168)	(107,714)
Net result from foreign exchange transactions and banking metals (realised)	29	12,036	8,996
Result from transactions with derivative financial instruments		149,545	191,559
Other income received		72,183	116,663
Staff costs		(876,299)	(564,591)
Other operating expenses		(788,345)	(592,244)
Trading result on investments in securities	27	630	546
Cash flow from operating activities before changes in operating assets and liabilities		1,237,838	(275,361)
<i>Net decrease/(increase) in operating assets</i>			
Banking metals		9,167	16,617
Due from lending institutions		3,553,571	3,728,649
Loans to customers		(13,300,375)	(5,677,536)
Other assets		(222,817)	99,652
<i>Net decrease/(increase) in operating liabilities</i>			
Due to lending institutions		657,136	(4,443,189)
Due to customers		12,422,509	16,929,152
Other liabilities		-	171,359
Net cash generated from operating activities		4,357,029	10,549,343
Cash flow from investment activities			
Acquisition of investment securities and investments held to maturity		(115,214,430)	(185,595,469)
Proceeds on sale and repayment of investment securities and investments held to maturity		115,807,145	177,374,794
Acquisition of fixed and intangible assets	15	(354,394)	(360,697)
Proceeds on sale of fixed assets		122,552	1,637
Proceeds on sale of investment property	14	13,980	8,648
Proceeds on sale of assets held for sale	16, 30	123,078	100,251
Net cash generated from / used in investment activities		497,931	(8,470,836)
Cash flow from financing activities			
Proceeds on borrowed funds from lending institutions		80,939	120,894
Repayment on borrowed funds from the National Bank of Ukraine		(180,00)	(3,736,600)
Net cash used in financing activities	37	(99,061)	(3,615,706)
Effect of exchange rate changes on cash and cash equivalents		26,256	49,334
Net increase/(decrease) in cash and cash equivalents		4,782,155	(1,487,865)
Cash and cash equivalents at the beginning of the period		2,482,132	3,969,997
Cash and cash equivalents at the end of the period	7	7,264,287	2,482,132

Chairman of the Board /signed/ Kyrylo Shevchenko

Chief Accountant /signed/ Nataliia Khrustalova

2017

