



PJSC “BANK CREDIT DNEPR”
Financial statements

As at and for the year ended 31 December 2015
Together with Independent Auditor's Report
Translation from Ukrainian original

Translation from Ukrainian original

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INDEPENDENT AUDITOR'S REPORT

To the shareholders and the Management of PJSC "BANK CREDIT DNEPR"

We have audited the annual financial statements of PUBLIC JOINT-STOCK COMPANY "BANK CREDIT DNEPR" (the "Bank") for the year ended 31 December 2015, comprising the statement of financial position as at 31 December 2015, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management of the Bank is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards ("IFRS") and for such internal control as the management deems necessary to ensure the preparation of the financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the requirements of the Law of Ukraine "On auditing", International Standards on Auditing, Assurance and Ethics of the International Federation of Accountants. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material aspects, the financial position of the Bank as at 31 December 2015, its financial results and cash flows for the year then ended in accordance with International Financial Reporting Standards.



Emphasis of matters

We draw attention to Note 2 "Operating environment", which refers to the political and economic instability in Ukraine. Instability may also exist in the near future and affect the operations of the Bank, its ability to continue as a going concern and the value of its assets. Expressing our opinion, we did not take this issue into account.

Also, without changing our opinion, we draw attention to Note 5 "Significant accounting judgments and estimates", where the Bank's management discloses the factors that caused the failure to comply with certain economic regulations, including the regulatory capital adequacy requirement and the minimum size of the regulatory capital, the establishment by the National Bank of Ukraine of the schedule of introduction into the standards and submission to the National Bank of the Action Plan under which the Bank plans to eliminate the violation of economic regulations up to 1 January 2019.

Without changing our opinion, we draw your attention to the information disclosed in Note 5 "Significant accounting judgments and estimates" as to the Bank's management assessment of the assumptions regarding the Bank's going concern.

Kyiv, 28 April 2016



**STATEMENT OF MANAGEMENT'S RESPONSIBILITIES
FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

The following statement, which should be considered together with the description of independent auditor's responsibilities contained in the attached Independent auditor's report, is made with a view to distinguishing the respective responsibilities of management and the independent auditor's one with respect to financial statements of Public Joint-Stock Company "Bank Credit Dnepr" (the "Bank").

Management is responsible for the preparation of the financial statements that present fairly the financial position of the Bank as at 31 December 2015, the results of its operations, cash flows, and changes in equity for the year then ended, in accordance with International Financial Reporting Standards (“IFRS”).

In preparing the financial statements, management is responsible for:

- Properly selecting and applying accounting policies;
- Using reasonable assumptions and estimates;
- Complying with requirements of IFRS and explaining all significant departures from IFRS in the financial statements;
- Preparing the financial statements on a going concern basis except is inappropriate.

Management is also responsible for:

- Designing, implementing, and maintaining an effective and sound system of internal controls, throughout the Bank;
- Maintaining adequate accounting records that are sufficient to show and explain the Bank's transactions and disclose with reasonable accuracy at any time the financial position of the Bank, and which enable them to ensure that the financial statements of the Bank comply with IFRS;
- Maintaining statutory accounting records in compliance with legislation and accounting standards of Ukraine;
- Taking such steps as are reasonably available to them to safeguard the assets of the Bank; and
- Preventing and detecting fraud and other irregularities.

The Financial statements for the year ended 31 December 2015 was authorized for issue and signed by and on behalf of the Board:

 Olena

Olena Malynska

1. K. 14352406
№2

Sergiy Volkov

Lyudmila Krikun

28 April 2016

Translation from Ukrainian original

STATEMENT OF FINANCIAL POSITION

As at 31 December

(Thousands of Ukrainian hryvnias)

	Notes	2015	2014
Assets			
Cash and cash equivalents	6	923,483	619,292
Amounts due from banks	7	142,252	70,709
Loans and advances to customers	8	4,654,314	4,378,990
Securities available-for-sale	9	441	118,459
Investment property	10	319,597	165,413
Current income tax assets		5,456	5,554
Other financial assets	11	706,021	685,711
Other assets	11	9,115	18,300
Property, equipment and intangible assets	12	158,258	160,696
Deferred income tax assets	13	145,159	65,159
Non-current assets held-for-sale	14	471,316	6,446
Total assets		7,535,412	6,294,729
Liabilities			
Amounts due to banks	15	357,040	118,858
Amounts due to customers	16	6,283,673	6,081,504
Debt securities issued	17	150,560	584
Subordinated debt	18	672,418	566,091
Other financial liabilities	19	10,626	6,299
Other liabilities	19	29,300	23,180
Total liabilities		7,503,617	6,796,516
Equity	20		
Share capital		858,666	608,666
Additional paid-in capital		17,678	17,678
Accumulated loss		(940,996)	(1,223,623)
Revaluation reserve		96,447	95,492
Total equity		31,795	(501,787)
Total equity and liabilities		7,535,412	6,294,729

Signed and authorized for release on behalf of the Management Board of the Bank

Chairman of the Management Board

Olena Malynska

Financial Director

Sergiy Volkov

Chief Accountant

Lyudmila Krikun

28 April 2016

The accompanying notes on pages 6 to 56 form an integral part of these financial statements

*Translation from Ukrainian original***STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME****For the year ended 31 December***(Thousands of Ukrainian hryvnias)*

	<i>Notes</i>	<i>2015</i>	<i>2014</i>
Interest income	22	1,033,610	770,888
Interest expenses	22	(839,266)	(651,423)
Net interest income		194,344	119,465
Recovery of / (Charge to) provision for impairment of loans and advances to customers and amounts due from banks	7,8	25,504	(1,233,398)
Net interest income / (expenses) after impairment of interest earning assets		219,848	(1,113,933)
Net fee and commission income	23	154,369	125,283
Net gains from dealing in foreign currencies		184,207	147,806
Foreign exchange translation result		(83,365)	(199,882)
Gains less losses from securities available-for sale		13,429	25,429
Gains less losses on revaluation of investment property	10	63,509	55,931
Other income		12,001	10,465
Non-interest income		344,150	165,032
Charge to provision for impairment of other financial and non-financial assets	11	(17,674)	(10,825)
Charge to provision for impairment of credit related commitments	19,21	(825)	-
Administrative and other operating expenses	24	(342,773)	(311,545)
Non-interest expenses		(361,272)	(322,370)
Profit / (Loss) before income tax expense		202,726	(1,271,271)
Income tax benefit	13	79,901	40,468
Net profit / (loss) for the year		282,627	(1,230,803)

The accompanying notes on pages 6 to 56 form an integral part of these financial statements

Translation from Ukrainian original

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (continued)

For the year ended 31 December

(Thousands of Ukrainian hryvnias)

	Notes	2015	2014
Other comprehensive income that will be transferred to profit and loss			
Unrealized income from securities available-for-sale		955	958
Other comprehensive income after tax for the year		955	958
Total comprehensive income/ (loss) for the year		283,582	(1,229,845)
Profit/ (Loss) per share			
Basic profit/ (loss) per share		0.00041	(0.00282)
Diluted profit/ (loss) per share		0.00041	(0.00282)

Chairman of the Management Board

Olena Malynska

Financial Director

Sergiy Volkov

Chief Accountant

Lyudmila Krikun

28 April 2016



Translation from Ukrainian original

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December

(Thousands of Ukrainian hryvnias)

	<i>Share capital</i>	<i>Additional paid-in capital</i>	<i>Revaluation reserve</i>	<i>Retained earnings/ (Accumulated loss)</i>	<i>Total equity</i>
31 December 2013	338,666	17,678	94,534	7,180	458,058
Loss for the year	-	-	-	(1,230,803)	(1,230,803)
Other comprehensive income	-	-	958	-	958
Comprehensive income / (loss) for the year	-	-	958	(1,230,803)	(1,229,845)
Additional issue of shares	270,000	-	-	-	270,000
31 December 2014	608,666	17,678	95,492	(1,223,623)	(501,787)
Profit for the year	-	-	-	282,627	282,627
Other comprehensive income	-	-	955	-	955
Comprehensive income for the year	-	-	955	282,627	283,582
Additional issue of shares	250,000	-	-	-	250,000
31 December 2015	858,666	17,678	96,447	(940,996)	31,795

Chairman of the Management Board

Olena Malynska

Financial Director

Sergiy Volkov

Chief Accountant

Lyudmila Krikun

28 April 2016

The accompanying notes on pages 6 to 56 form an integral part of these financial statements

Translation from Ukrainian original

STATEMENT OF CASH FLOWS (direct method)**For the year ended 31 December***(Thousands of Ukrainian hryvnias)*

	<i>Notes</i>	<i>2015</i>	<i>2014</i>
Cash flows from operating activities			
Interest received		433,397	605,993
Interest paid		(816,335)	(650,132)
Fee and commission income received		190,212	150,109
Fee and commission expenses paid		(33,913)	(26,657)
Income received from trading in foreign currencies		184,207	147,806
Other operating expenses received		12,001	4,622
Personnel expenses, paid		(175,957)	(144,313)
Administrative and other operating expenses, paid		(143,861)	(135,700)
Cash flows used in operating activities before changes in operating assets and liabilities		(350,249)	(48,272)
<i>Net (increase)/decrease in operating assets and liabilities</i>			
Obligatory reserve with the National Bank of Ukraine		-	123,499
Amounts due from banks		(57,488)	25,644
Loans and advances to customers		1,048,376	(306,227)
Other financial assets		(942)	(729)
Other assets		(528)	33,022
Amounts due to banks		238,182	47,428
Amounts due to customers		(997,447)	(703,788)
Debt securities issued		133,171	520
Other financial liabilities		2,320	(4,756)
Other liabilities		(359)	729
Net cash flows from / (used in) operating activities before income tax		15,036	(832,930)
Income tax paid		-	(3,049)
Net cash from/ (used in) operating activities		15,036	(835,979)
Cash flows from investing activities			
Purchase of securities available-for-sale		(232,910)	-
Proceeds from sale and redemption of securities available-for-sale		425,022	285,924
Purchase of property, equipment and intangible assets		(14,539)	(4,993)
Proceeds from disposals of property, equipment and intangible assets		-	178
Dividends received		-	15
Net cash from investing activities		177,573	281,124
Cash flows from financing activities			
Additional issue of shares		250,000	270,000
Repayment of subordinated debt		(177,995)	-
Net cash from financing activities		72,005	270,000
Effect of exchange rates changes on cash and cash equivalents		39,121	5,798
Net increase/ (decrease) in cash and cash equivalents		303,735	(279,057)
Cash and cash equivalents at the beginning of the year	6	619,292	898,349
Cash and cash equivalents at the end of the year	6	923,027	619,292

Chairman of the Management Board

Financial Director

Chief Accountant

28 April 2016

Olena Malynska

Sergiy Volkov

Lyudmila Krikun

The accompanying notes on pages 6 to 56 form an integral part of these financial statements

1. General information

Public Joint Stock Company "BANK CREDIT DNEPR" (the "Bank") was established on 7 July 1993 according to the decision of the General Meeting of Shareholders of the Bank and in accordance with the laws of Ukraine. The change in the legal name and organizational form of the Bank from a closed joint-stock company to a public joint-stock company was officially registered on 16 July 2009. The Bank operates under the general banking license №70 renewed by the National bank of Ukraine ("NBU") on 13 October 2011, which allows the Bank to conduct banking operations, including foreign currency transactions. The Bank also has licenses for securities operations and custody services from the National Commission for Securities and Stock Market of Ukraine, which were renewed on 17 October 2012 for an unlimited period.

The Bank accepts deposits from individuals and grants loans, transfers payments across Ukraine and abroad, exchanges foreign currencies and provides banking services to its corporate customers and individuals. Historically, the Bank's activities were focused on lending to corporate customers operating in various industries and attracting deposits from individuals.

Legal address of the Bank and its head office location is 3 Mechnikova st., Pecherskiy dstr., Kyiv, Ukraine 01601. Country of residence is Ukraine.

As at 31 December 2015 the Bank has 52 outlets all over Ukraine (2014: 58 outlets).

As at 31 December 2015 and 2014 100% of the Bank's shares were owned by Brancroft Enterprises Limited (the "Shareholder"), a company incorporated in a non-OECD country. In 2015, the Bank has adapted the ownership structure in accordance with the new requirements of the National Bank of Ukraine "On providing information on the ownership structure", which became effective 21 May 2015. Upon receiving the approval from the NBU, 100% indirect participation in the bank transferred to the company Paramigiani Management Limited, 99% of which directly and 1% indirectly are owned by Mr. Viktor Pinchuk. As at 31 December 2015, an owner of 100% indirect significant holding in the Bank is Mr. Viktor Pinchuk.

These financial statements were authorized for issue and signed by and on behalf of the Board on 28 April 2016.

2. Operating environment

The Bank performs its activities in Ukraine. Despite the fact that the Ukrainian economy while deemed to be of market status continues to display certain characteristics consistent with that of an economy in transition. These characteristics include, but are not limited to, low levels of liquidity in the capital markets, relatively high inflation and significant balance deficit of state finance and external trade.

In 2015, the Ukrainian economy was in recession, its GDP fell by 10% (2014: 7%), and the annual inflation rate reached 43% (2014: 25%). Political and social unrest, coupled with a temporary occupation of the Autonomous Republic of Crimea and its unrecognized accession to the Russian Federation, a full-scale armed clashes in some parts of Donetsk and Lugansk regions and anti-terrorist operations in these areas and continued political uncertainty led to a deterioration in public finances, volatility of financial markets and a sharp devaluation of the national currency against the major foreign currencies. This led to the decline of key economic indicators, increasing the state budget deficit, reducing currency reserves of NBU and, consequently, a further downgrade of the sovereign debt of Ukraine. Ability of Ukrainian banks and companies to attract funding in international credit and equity markets is significantly limited.

As of 31 December 2015 the Bank had loans and advances to customers associated with the Autonomous Republic of Crimea, in the amount of UAH 180,460 thousand. The above amount includes loans secured by assets located in the territory of the Crimea and loans issued to the borrowers in these areas. The Bank considered known and measurable risk factors as of the date of these financial statements in assessing the impairment of such loans. In case of further negative developments and deterioration of relations between Ukraine and the Crimea, the Bank may incur losses due to difficulties in recovering the assets located in the Crimea or non-payment of indebtedness on loans by the companies registered in Crimea. The negative effect of such events on the financial position and performance of the Bank cannot be currently determined.

As of 31 December 2015 the Bank had loans and advances to customers associated with the territories not controlled by the government of Ukraine in Donetsk and Lugansk regions, amounting to UAH 812,117 thousand. The Bank considered known and measurable risk factors as of the date of these financial statements in assessing the impairment of such loans. In case of further negative developments, the Bank may incur losses due to difficulties in recovering the assets located in that territory or nonpayment of indebtedness on loans by the companies registered in such territories. The negative effects of such events on the financial position and performance of the Bank cannot be currently determined.

In 2015, political and economic relations of Ukraine and Russian Federation remain strained. As at 31 December 2015 certain loans were provided to the Bank borrowers – producers with exports sales including to the Russian Federation. The Bank considered known and measurable risk factors as of the date of these financial statements in assessing the impairment of such loans. Further deterioration of the political and economic relations between Ukraine and the Russian Federation, establishing restrictions on exports of Ukrainian companies to Russian Federation, can significantly affect the ability of such borrowers to service their loans. The negative effects of such events on the financial position and performance of the Bank cannot be currently determined.

From 1 January 2015 to the date of issuance of these financial statements the hryvnia depreciated against major foreign currencies by more than 60% and more than 97% in 2014, which was determined based on the official exchange rate of the hryvnia to the dollar. The National Bank has introduced certain restrictions on the acquisition of foreign currency, international payments, and introduced mandatory conversion of foreign exchange earnings in local currency. Since some of the loans were issued in foreign currencies, UAH depreciation against these currencies can significantly affect the borrowers' ability to service the loans. The Bank considered known and measurable risk factors as of the date of these financial statements in assessing the impairment of such loans. The negative effect of further devaluation on borrowers' ability to service the loans and, as a consequence, the financial position and performance of the Bank cannot currently be determined.

Since 1 January 2016 the Association Agreement of Ukraine with the EU in terms of free trade shall come into force. The government has committed to focus its policy further on association with the European Union to implement a set of reforms aimed at addressing existing imbalances in the economy, public finances and public administration, and improving the investment climate.

Stabilization of the Ukrainian economy in the near future will depend on the success of actions taken by the government, and continuous financial support to Ukraine by international donors and international financial institutions, as well as the ability of the Ukrainian economy as a whole to adequately respond to the market changes.

In preparation of these financial statements the Bank considered known and measurable results of the above mentioned events on the financial position and performance of the Bank during the reporting period. The management monitors the status of the current situation and takes the measures necessary to minimize any negative effects to the extent possible. Further negative development of the above events may continue to adversely affect the financial condition and results of operations of the Bank in a way that cannot be currently determined.

Taking this into account to minimize the risk of losses, the Bank developed a development strategy for two years. The strategy includes the following objectives: diversification of the Bank's liabilities due to the growth of current accounts of medium and large businesses; increase the volume of lending to households and businesses with a particular focus on the agribusiness sector; increase in the number of active retail and corporate customers; increase of trade and commission revenue by improving process of operations on the Forex market and documentary business; development of transactional business through partnerships with retail chains; improving the quality of Internet banking; development of the Bank's regional network.

3. Basis of preparation

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("the IFRS").

Basis of preparation

The financial statements are prepared under the historical cost convention except for buildings and investment property stated at revalued amount, available-for-sale securities and derivative financial instruments stated at fair value, as well as assets held-for-sale stated at the lower of cost and fair value less cost to sell.

Statement of financial position, Statement of profit and loss and other comprehensive income and Statement of changes in equity are prepared in accordance with IAS 1, Presentation of Financial Statements, Statement of cash flows - according to IAS 7, Statement of Cash Flows. The entire financial statements are prepared under the accrual basis, except for cash flows information.

In the statement of financial position the Bank presents items in order of decreasing liquidity, and maturity analysis of assets and liabilities (current/non-current) is disclosed in Note 26.

(Thousands of Ukrainian hryvnias, unless otherwise is indicated)

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In the statement of profit and loss and other comprehensive income nature of items is classified, certain income and expenses items for a group of similar transactions are presented on a net basis, except for those that are material.

The statement of cash flows was prepared under the direct method.

Information in notes to the financial statements was disclosed in accordance with the requirements of IAS 1, Presentation of Financial Statements, IFRS 7, Financial Instruments: Disclosures and other standards when such disclosure is required by relevant standards.

The Bank's accounting policies are consistent with those used by the Bank in the previous financial year, and based on the following standards: during the recognition and measurement of financial assets and liabilities the Bank applied IAS 39, Financial Instruments: Recognition and Measurement; fixed assets and intangible assets - according to IAS 16, Property, Plant and Equipment and IAS 38, Intangible Assets; IAS 40, Investment Property, IFRS 5, Non-current Assets Held for Sale and Discontinued Operations, and other IAS and IFRS. Other significant accounting policies and judgments made during their use are disclosed in Note 4.

Going concern

These financial statements have been prepared on the assumption that the Bank operates as a going concern and will remain active for the foreseeable future. Note 5 discloses the main factors considered by the management when assessing the Bank's ability to continue its activities.

Functional and presentation currency

The national currency of Ukraine is Ukrainian hryvnia ("UAH"). The presentation currency for these financial statements is Ukrainian hryvnia, which is also the Bank's functional currency. These financial statements are presented in thousands of Ukrainian hryvnias ("the thousands of UAH") unless otherwise is indicated.

Inflation accounting

The Ukrainian economy was considered hyperinflationary until 31 December 2000. As such, the Bank has applied IAS 29 "Financial accounting in hyperinflationary economies". The effect of applying IAS 29 is that non-monetary items of the financial statements were restated to the measuring units current at 31 December 2000 by applying the consumer price indices to the historical cost, and that these restated values were used as a basis for accounting in the subsequent accounting periods.

Changes in the format of financial statements and comparative information

Comparative data were adjusted to bring them in line with changes in a format of the financial statements for the current year.

The following changes in the classification of comparative data were made:

As of 31 December 2014 the Bank recorded costs in the amount of UAH 636,235 thousand, placed in one bank outside the OECD in category "Amounts due from banks". During 2015, the Bank reviewed the assessments of the recording funds on account in this Bank to existence of signs of temporary restricted funds. In 2015, in order to better present the information the management has reviewed the format of financial reporting and has decided to include these funds in category "Other financial assets". Comparative figures for 2014 have been reclassified properly.

As of 31 December 2014, the Bank recorded balances of UAH 532 thousand in the category "Other assets". In 2015, in order to better present the information, the Bank management revised the format of financial reporting and decided to include these funds to the category "Other financial assets". Comparative figures for 2014 have been reclassified properly. The reclassification associates only with the change of the essence of classification according to the recognition criteria of financial assets and is not associated with changes in accounting or recognition procedure of assets.

As of 31 December 2014, the Bank recorded items of the statements of financial position and changes in equity in accordance with the transitional adjustments to the financial statements for 2014. These reclassifications do not change the Bank's data about the financial condition, results of operations and equity.

(Thousands of Ukrainian hryvnias, unless otherwise is indicated)

Translation from Ukrainian original

See below the effect of the comparative data reclassification on the financial reporting format:

	As previously reported as of 31 December 2014	Reclassification	After reclassification as of 31 December 2014
Statement of financial position			
Amounts due from banks	706,944	(636,235)	70,709
Other financial assets	48,944	636,767	685,711
Other assets	18,832	(532)	18,300

4. Summary of accounting policies

Changes in accounting policies

The following new standards and interpretations became effective and mandatory for the use by the Bank beginning from 1 January 2015:

Amendments to IAS 19 - Defined Benefit Plans: Employee Contributions (issued in November 2013; applicable to annual periods, beginning on 1 July 2014). These changes allow companies to recognize the employee contributions as reducing the cost of services in the period in which the worker has provided such services, rather than the distribution of contributions for periods of service, if the amount of employee contributions does not depend on the length of employment. According to the Bank's management, this change will not have a material impact on its financial statements.

The amendment was not applied by the Bank as the Bank does not have any defined benefit plans.

Annual Improvements of 2012 (issued in December 2013 and effective for annual periods, beginning on or after 1 July 2014). Amendments are changes in seven standards.

Revised IFRS 2 clarifies the definition of vesting conditions and introduces separate definitions for performance condition and service condition. The amendment becomes effective for share-based payments, for which the date of provision is on or after 1 July 2014.

The revised IFRS 3 clarifies that (1) the obligation to pay contingent consideration that meets the definition of a financial instrument is classified as a financial liability or as an equity instrument under IAS 32 definitions, and (2) any contingent consideration that is not the capital, both financial and non-financial is measured at fair value at each reporting date and changes in fair value are recognized in profit or loss. Amendments to IFRS 3 become effective for business combinations for which the acquisition date is on or after 1 July 2014.

Changes to the Basis for Conclusions of IFRS 13 clarify that the exclusion of certain paragraphs of IAS 39 after the issue of IFRS 13 did not intend to abolish the ability to assess short-term accounts receivable and payable at the amount of accounts in cases where the impact of the lack of discounting is immaterial.

IAS 16 and IAS 38 were amended to clarify how the gross carrying amount and accumulated depreciation must be accounted for using the revaluation model.

According to the revised IAS 24, a related party is also a company that provides services of senior management personnel to the reporting entity or its reporting parent company (Managing Company), and introduces a requirement to disclose the amount charged to the reporting entity by the managing company for services rendered.

According to the revised IFRS 8 it is necessary (1) to represent a disclosure of professional management judgments made in the aggregation of operating segments, including a description of the aggregated segments and economic indicators evaluated in establishing the fact that the aggregated segments have similar economic characteristics, and (2) to perform reconciliation of segment assets and the Bank's assets in the recording of segment assets. The Bank disclosed the information in Note 28.

Application of other amendments did not have any effect on the items or disclosures in the financial statements.

Annual Improvements to IFRS of the year 2013 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014). The improvements consist of changes to four standards. Changes in the basis for conclusions on IFRS 1 explain that the new version of the standard is not mandatory to use, but can be applied early; a first-time adopter can use the old or the new version of the standard, provided that the same standard is applied to all periods presented. Changes in IFRS 3 clarify that this standard does not apply to the accounting of joint arrangements

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accounted in accordance with IAS 11. The amendments also clarify that the exemption from the application of this standard applies only to financial statements of the joint activities. Amendments to IFRS 13 clarify that an exception to the method of assessment on a portfolio basis in IFRS 13, which allows the organization to assess the fair value of financial assets and financial liabilities on a net basis, applies to all contracts (including contracts for the purchase or sale of non-financial assets) that are within the scope of IAS 39 or IFRS 9. Amendments to IAS 40 clarify that IAS 40 and IFRS 3 are not mutually exclusive. The provisions of IAS 40 help IFRS prepares to distinguish investment property and owner-occupied property. In addition, IFRS prepares should follow the provisions of IFRS 3 to determine whether the purchase of investment property is the business combination.

The above said amendments to the standards did not have any impact on the Bank's financial statements.

Foreign currency translation

Transactions in foreign currencies are translated to hryvnias at the foreign exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to hryvnias at the foreign exchange rate prevailing at that date. Foreign exchange differences arising on translation are recognized in Net gains/(losses) from foreign currencies in the profit or loss. Non-monetary assets and liabilities denominated in foreign currencies are translated to hryvnias at the foreign exchange rate prevailing at the date of the transaction.

The principal UAH exchange rates used in the preparation of these financial statements as at 31 December are as follows:

Currency	2015	2014
US Dollar	24.000667	15.768556
Russian Ruble	0.32931	0.30304
Euro	26.223129	19.232908

Financial instruments

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the management intends to sell immediately or in the near term, those that the management upon initial recognition designates as at fair value through profit or loss.

Securities available-for-sale are non-derivative securities designated as available for sale or are not classified as loans and receivables, held-to-maturity assets or financial instruments at fair value through profit or loss.

Financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity or to exchange financial instruments with another entity under conditions that are potentially unfavorable.

Recognition

Financial assets and liabilities are recognized in the statement of financial position when the Bank becomes a party to the contractual provisions of instrument. All regular way purchases and sales of financial assets/liabilities are accounted for at the settlement date.

Measurement

A financial asset or liability is initially measured at its fair value plus, in the case of a financial asset or liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of such financial asset or liability.

Subsequent to initial recognition, financial assets, including derivatives that are assets, are measured at their fair values, without deduction for any transaction costs that may be on their sale or other disposal, except for:

- loans and receivables that are measured at amortized cost using the effective interest method;
- investments into the equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, which are measured at cost less impairment losses.

All financial liabilities other than those designated at fair value through profit or loss and financial liabilities that arise when a transfer of a financial asset carried at fair value does not qualify for derecognition, are measured at amortized cost. The

(Thousands of Ukrainian hryvnias, unless otherwise is indicated)

Translation from Ukrainian original

amortized cost is calculated using the effective interest method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortized based on the effective interest rate of the instrument.

Financial assets or liabilities originated at interest rates different from market rates are re-measured at origination to their fair value, being future interest payments and principal repayment(s) discounted at market interest rates for similar instruments. The difference between the fair value and the nominal value at origination is credited or charged to the statement of profit or loss and other comprehensive income as administrative and other operating expenses. Subsequently, the carrying amount of such assets or liabilities is adjusted for amortization of the gains/losses on origination and the related income/expense is recorded in interest income/expense within the statement of profit or loss and other comprehensive income using the effective interest method.

Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to set off and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

During 2015, the Bank did not offset assets and liabilities.

Reclassification of financial assets

If a non-derivative financial asset classified as held for trading is no longer held for the purpose of selling in the near term, it may be reclassified out of the fair value through profit or loss category in one of the following cases:

- a financial asset that would have met the definition of loans and receivables above may be reclassified to loans and receivables category if the Bank has the intention and ability to hold it for the foreseeable future or until maturity;
- other financial assets may be reclassified to available for sale or held to maturity categories only in rare circumstances.

A financial asset classified as available-for-sale that would have met the definition of loans and receivables may be reclassified to loans and receivables category if the Bank has the intention and ability to hold it for the foreseeable future or until maturity.

Financial assets are reclassified at their fair value on the date of reclassification. Any gain or loss already recognized in profit or loss is not reversed. The fair value of the financial asset on the date of reclassification becomes its new cost or amortized cost, as applicable.

Cash and cash equivalents

Cash and cash equivalents are assets which can be convertible to known amounts of cash at short notice and which are subject to an insignificant risk of changes in value. Cash and cash equivalents include not restricted balances on correspondent accounts with the National Bank of Ukraine and all interbank deposits with original maturities of three months. Restricted funds for more than three months after their placement and funds with evidence of impairment are excluded from cash and cash equivalents. Cash and cash equivalents are carried at amortized cost.

Fees and cash flows presented in the statement of cash flows, are the transfer of cash and cash equivalents by the Bank, including accrued or placed with Bank current accounts of the Bank counterparties amounts as interest income on the loan or principal amount of debt recovered by debiting the funds from the client's current account, payments of interest or loans extended, credited to the current account of the client, representing cash and cash equivalents in terms of the client.

Due from banks

Amounts due from other banks are recorded when the Bank provides cash to banks-counterparties that are repayable on fixed or determinable dates; the bank then has no intention of trading the receivable that arises. This receivable is not related to derivative financial instruments and does not have market quotations. Amounts due from other banks are carried at amortized cost.

Loans and advances to customers

Loans and advances to customers are recorded when the Bank advances money to purchase or create the customer receivables, which are not related to derivative financial instruments not quoted on the open market and is due on fixed or determinable dates. The Bank has no intention of trading the receivable. Loans to customers are carried at amortized cost.

Borrowings

Issued financial instruments or their components are classified as liabilities, where the substance of the contractual arrangement results in the Bank having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity instruments. Such instruments include amounts due to banks, amounts due to customers, debt securities issued and subordinated debt. Borrowings are initially recognized at fair value. Any gains or losses on initial recognition of loans received from the Shareholder are recognized as additional paid-in capital in equity (upon repayment of these loans the said additional paid-in capital is transferred to the accumulated deficit). After initial recognition, borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in the statement of profit or loss and other comprehensive income when the borrowings are derecognized as well as through the amortization process.

Fair value measurement principles

The fair value of financial instruments is based on their market quotations at the reporting date without deduction for transaction costs. If market quotations are not available as at the reporting date, the fair value of an instrument is estimated using appropriate valuation models. The models may contain modeling based on net present value, comparison with similar instruments for which prices exist on the observable market, options pricing models and other valuation techniques.

Where discounted cash flow techniques are used, estimated future cash flows are based on the management's best estimates using a discount rate representing a market rate at the reporting date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the reporting date. If there are no appropriate methods to determine the fair value of the equity instruments for which a quoted market price is not available, these instruments are carried at historical cost less the impairment allowance.

In addition, during the preparation of the financial statements fair value measurements are classified by levels based on observable data and their materiality for the assessment:

- I Level inputs: quotations (unadjusted) on active markets on identical assets or liabilities;
- II Level inputs: observable data for an asset or liability, directly or indirectly;
- III Level inputs: non-observable inputs for an asset or liability.

Gains and losses on subsequent measurement

A gain or loss arising from a change in the fair value of a financial asset or liability is recognized as follows:

- a gain or loss from securities available-for-sale is recognized directly in other comprehensive income (except for interest income, impairment losses and gains and losses from translation differences) until the asset is derecognized or impaired, at which time the cumulative gain or loss previously recognized as other comprehensive income is recognized in profit or loss. Interest in relation to financial asset available-for-sale is recognized as earned in the profit or loss as "Interest income" and is calculated using the effective interest method;
- for financial assets and liabilities carried at amortized cost, a gain or loss is recognized in profit or loss in the course of amortization, impairment of the asset or when the financial asset or liability is derecognized. Interest income on financial assets, for which impairment was recognized, is recognized on the interest rate used to discount future cash flows to assess the impairment loss.

Derecognition*Financial assets*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized from the statement of financial position where:

- the rights to receive cash flows from the asset have expired;
- the Bank has transferred its rights to receive cash flows from the asset, or retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; and
- the Bank either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Bank has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Bank continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, original liability is derecognized and a new liability is recognized, and the difference in the respective carrying amounts is recognized in profit or loss.

Derivative financial instruments

Derivative financial instruments include foreign exchange swaps, forward transactions and any combinations of these instruments.

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Changes in the fair value of derivatives are recognized immediately in the statement of profit or loss.

Impairment of financial assets

The Bank assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Loans to customers

The management reviews the loan portfolio to assess impairment on a regular basis. A loan (or a group of loans) is impaired and individual or collective impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the loan and that event (or events) has an impact on the estimated future cash flows of the loan (or the group of loans) that can be reliably estimated.

The Bank assesses individually loans based on the total amount of the Borrower's debt to the Bank, the number of calendar days of outstanding principal and interest, the fact of the restructuring, and if the decision was made of the authorized body of the Bank to classify loans as high risk ones and their appropriate transfer to Non-performing loans processing Department.

Amount of allowance for impairment of loans to customers is estimated by deduction of discounted value of expected future cash flows excluding future losses not yet incurred and amounts of expected reimbursement from collateral adjusted using weighting discounts that take into account the type of collateral and terms of its disposal from gross exposure of the borrower. The gross exposure of the borrower includes outstanding principal loan amount, accrued interest income as at the date of the statement of financial position, unamortized discount/premium as at the date of the statement of financial position, etc. Discounted value of expected future cash flows from the loan is calculated through discounting the expected future cash flows at the original effective interest rate. Or, where it is impossible to calculate, it is determined by the level of debt under the current conditions of the loan agreement, adjusted by the probability of default and discounted using the original nominal rate. When estimation of the allowance for impairment of loans is based on assessment of expected cash flows from disposal of collateral and/or for calculation of expected reimbursement from collateral adjusted using weighting discounts, the Bank uses the collateral related to any of the following categories only:

- term deposits placed with the Bank;
- residential mortgage;
- non-residential mortgage;
- land plots;
- property complexes;
- cars and other motor vehicles;
- equipment, goods in circulation or processing;
- biological assets.

The Bank applies weighting discounts to fair value of collateral depending on credit rank of the borrower and type of the collateral. Those discounts reflect time and efforts required to dispose of the respective type of collateral.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the statement of profit or loss and other comprehensive income. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. If in a subsequent year amount of estimated impairment losses increases or decreases due to event occurred after impairment losses have been recognized, amount of previously recognized impairment losses increases or decreases by means of allowance account adjustment. If amount written-off is subsequently recovered, then recovered amount is recognized in the profit or loss as "Reversal/ (Charges to) the provision for impairment of loans and due from other banks". Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Bank.

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, high probability that they will enter bankruptcy or other financial reorganization as well as evidence based on observable data which indicate that there is a measurable decrease in the estimated reimbursement, such as changes in arrears or economic conditions that correlate with defaults.

Factors taken into consideration when assessing whether objective evidence of impairment exists for loans assessed individually may include the following:

- any overdue principal and/or interest amounts;
- indications that the borrower or group of borrowers is in financial difficulties supported by their financial information;
- the borrower's ability to sustain the performance results even if there are financial difficulties;
- evidence that the borrower's or group's industry, geographic region or other relevant economic area is, or may be exposed in the foreseeable future to adverse changes that may result in significant changes in future cash flows;
- evidence of that the borrower may enter bankruptcy or financial reorganization;
- evidence of adverse changes in international, national or local business environment that affects the borrower's cash flows;
- other observable data providing evidence of decrease in the cash flows.

Factors taken into consideration when assessing probability of collection of collectively assessed loans include historical data on default probability and indirect losses taking into account the data on overdue loans in similar portfolios. Credit risk ratios for groups of financial assets with similar characteristics of credit risk are determined in accordance with the internal methodology of probability of default rates calculation that is based on the history of changes in quality of debt

servicing by borrowers based on the number of days past due of the debt principal and/or accrued interest income. The amount of allowance for impairment is assessed using other historical data and taking into account the current economic conditions.

In some cases the observable data required to estimate the amount of an impairment loss on a loan may be limited or no longer fully relevant to current circumstances. This may be the case when a borrower is in financial difficulties and there are few available historical data relating to similar borrowers. In such cases, management uses its experience and judgment to estimate the amount of any impairment loss. The assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience taking into consideration gained experience in determination of losses from lending activities.

Renegotiated loans

Where possible, the Bank seeks to restructure loans rather than to enforce the collateral as well as for the purpose of time and material costs optimization on the collateral agreement roll-over when prolongation of the loan agreement is executed. This may involve extending the payment arrangements and the agreement of new loan conditions. The accounting treatment of such restructuring is as follows:

- If the currency of the loan has been changed the old loan is derecognized and the new loan is recognized in the statement of financial position;
- If the loan restructuring is not caused by the financial difficulties of the borrower, the Bank uses the approach similar to derecognition of financial liabilities.
- If the loan restructuring is caused by the financial difficulties of the borrower and the loan is impaired after restructuring, the Bank recognizes the difference between the present value of future cash flows with regard to new terms discounted using the original effective interest rate and the carrying amount before restructuring in the profit or loss as "Reversal/ (Charges to) the provision for impairment of loans and due from other banks". If the loan is not impaired after restructuring, the Bank recalculates the effective interest rate.

Once the terms have been renegotiated, the loan is no longer considered to be past due. The Bank's management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, and their recoverable amount is calculated using the loan's original effective interest rate.

Securities available-for-sale

For securities available-for-sale, the Bank assesses at each reporting date whether there is objective evidence that an asset or a group of assets is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the statement of profit or loss and other comprehensive income – is reclassified from other comprehensive income to the profit or loss. Impairment losses on equity instruments are not reversed through profit and loss in the statement of profit or loss and other comprehensive income; increases in their fair value after impairment are recognized in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Interest income accrual is based on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recognized in the profit or loss as "Interest income on securities available-for-sale". If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the statement of profit or loss and other comprehensive income, the impairment loss is reversed through the profit or loss line.

Repurchase and reverse repurchase agreements

Sale and repurchase agreements ("repos") are treated as secured financing transactions. Securities sold under sale and repurchase agreements (direct "repo") are retained in the statement of financial position and, in case the transferee has the right by contract or custom to sell or repledge them, reclassified as securities pledged under sale and repurchase

agreements. The corresponding liability is presented within amounts due to banks or customers. Securities purchased under agreements to resell ("reverse repo") are recorded as amounts due from banks or loans to customers as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of repo agreements using the effective interest rate method.

Securities lent to counterparties on direct "repo" deal terms are retained in the statement of financial position. Securities borrowed on reverse "repo" deal terms are not recorded in the financial statements, unless these are sold to third parties. The obligation to return them is recorded at fair value as a trading liability.

Property, equipment, intangible assets and investment property

Following initial recognition at cost, buildings are carried at a revalued amount, representing fair value at the revaluation date less subsequent accumulated depreciation and subsequent accumulated impairment losses.

The Bank believes that the revaluation model is more relevant to account for the buildings as revalued cost of buildings owned by the Bank reflects more precisely their current value as opposed to historical value.

To determine the fair value of buildings the management obtains appraisals from independent professionally qualified appraisers. Revaluations of buildings are made with sufficient regularity such that carrying amount does not differ materially from that which would be determined using fair value at the revaluation date.

The accumulated depreciation as at the revaluation date is eliminated with simultaneous decrease in gross carrying value of the asset and the net amount is restated based on revalued amount. A revaluation surplus on buildings is recognized in other comprehensive income, except to the extent that it reverses a previous revaluation decrease recognized in the profit or loss. A revaluation deficit on buildings is recognized in the profit or loss, except that a deficit directly offsetting a previous surplus on the same asset is directly offset against the surplus in the buildings revaluation reserve. On the retirement or disposal of the asset, the remaining buildings revaluation reserve is immediately transferred to the retained earnings.

The equipment and intangible assets are carried at cost less accumulated depreciation and amortization and impairment losses. The carrying amount of equipment is assessed for impairment in case of events occurrence or changes in circumstances evidencing on probable inability to recover carrying value of the asset. At the end of each reporting date, the Bank assesses whether there is any indication of impairment of equipment and intangible assets. If any such indication exists, the Banks estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognized in the profit or loss. An impairment loss recognized for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Costs of minor repairs and maintenance are expensed when incurred. Expenditures for capital repairs and cost of replacing major parts or components of property and equipment are capitalized and further depreciated over the useful lives.

Property and equipment used by the Bank either to earn rental income or for capital appreciation or for both are carried as investment property at fair value. Changes in the fair value of investment properties are included in the profit or loss as "Gains less losses on revaluation of investment property".

Intangible assets acquired separately (i.e., in the way other than business combination) are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

Depreciation and amortization

Depreciation and amortization is calculated on a straight-line basis over the estimated useful lives of the assets. Depreciation and amortization commences from the date when the acquired assets becomes ready for use or, in respect of internally constructed assets, from the time an asset is completed and ready for use.

(Thousands of Ukrainian hryvnias, unless otherwise is indicated)

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The estimated useful lives are as follows:

Buildings	50 years
Furniture and equipment	5-7 years
Computers and software	2-5 years
Motor vehicles	5 years

Costs on capital leasehold improvements are recognized as assets and charged to the profit or loss as "Administrative and other operating expenses" within depreciation of property and equipment and amortization of intangible assets on a straight-line basis over the shorter of the applicable lease or the economic life of the leasehold improvement.

Intangible assets are amortized over the useful lives of 2-5 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Non-current assets held-for-sale

The Bank classifies a non-current asset (or a disposal group) as held-for-sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this case, the non-current asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and its sale must be highly probable.

The sale qualifies as highly probable if the Bank's management is committed to a plan to sell the non-current asset (or disposal group) and an active program to locate a buyer and complete the plan must have been initiated. Further, the non-current asset (or disposal group) must have been actively marketed for a sale at price that is reasonable in relation to its current fair value and in addition the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification of the non-current asset (or disposal group) as held-for-sale.

The Bank measures an asset (or disposal group) classified as held-for-sale at the lower of its carrying amount and fair value less costs to sell. The Bank recognizes an impairment loss as in other charges to allowances for impairment and provisions for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell if events or changes in circumstance indicate that their carrying amount may be impaired.

Leases

Finance – Bank as a lessor

The Bank recognizes lease receivables at value equal to the net investment in the lease, starting from the date of commencement of the lease term. Financial income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding. Initial direct costs are included in the initial measurement of the lease receivables.

Operating – Bank as a lessee

Leases of assets under which the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under an operating lease are recognized as expenses on a straight-line basis over the lease term and included into the profit or loss as "Administrative and other operating expenses" within expenses for operating leases (leasing).

Operating – Bank as a lessor

The Bank presents assets subject to operating leases in the statement of financial position according to the nature of the asset. Lease income from operating leases is recognized on a straight-line basis over the lease term in the profit or loss as "Other income". The aggregate cost of incentives provided to lessees is recognized as a reduction of rental income over the lease term on a straight-line basis. Initial direct costs incurred specifically to earn revenues from an operating lease are added to the carrying amount of the leased asset.

Provisions

Provisions are recognized when the Bank has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of obligation can be made.

Financial guarantees

In the ordinary course of business, the Bank gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognized in the financial statements at fair value, in the statement of financial position as "Other liabilities", being the premium received. Commission received is recognized in the profit or loss on a straight-line basis during the financial guarantee agreement term. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amortized premium and the best estimate of expenditure required settling any financial obligation arising as a result of the guarantee.

Increase in liability relating to financial guarantee agreements is recognized in the profit or loss.

Income and expense recognition*Interest and similar income and expenses*

For all financial instruments measured at amortized cost and interest bearing securities classified as available-for-sale, interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.

Once the recorded carrying value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized using the original effective interest rate applied to the new carrying amount.

Fee and commission income

The Bank earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

- *Fee income earned from services that are provided over a certain period of time*

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management and advisory fees. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognized as an adjustment to the effective interest rate on the loan.

- *Fee income from providing transaction services*

Fees arising from negotiating or participating in the negotiation of a transaction for a third party – such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses – are recognized on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognized after fulfilling the corresponding criteria.

Dividend income

Revenue is recognized when the Bank's right to receive the payment is established.

Share capital

Ordinary shares are recorded as share capital. External costs directly attributable to the issue of new shares are shown as a deduction from the proceeds in equity. Any excess of the fair value of consideration received over the par value of shares issued is recognized as additional paid-in capital.

Taxation

The income tax for the year comprises current and deferred tax. The income tax is recognized in the profit or loss as "Income tax (benefit)/expenses" except to the extent that it relates to items of other comprehensive income, or to items of the statement of changes in equity, in which case it is recognized respectively in other comprehensive income or in the statement of changes in equity.

Current income tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current income tax expenses are calculated in accordance with the legislation of Ukraine.

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates which will be effective in the periods of possible realization of temporary differences between tax and financial accounting.

Deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilized. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Ukraine also has various operating taxes that are assessed on the Bank activities. These taxes are included in other operating expenses.

Employee benefits

There is the State pension system in Ukraine. Under the system rules the Bank and its employees execute obligatory payments calculated based on income received by the employees. The Bank recognizes amounts paid to that system in the statement of profit or loss and other comprehensive income as "Administrative and other operating expenses" as personnel costs, in the period the related salaries are earned. The Bank does not have any additional pension schemes and does not provide significant post-retirement benefits to its employees.

Precious metals

Gold and other precious metals are recorded at the NBU exchange rates, which approximate fair values. Changes in the NBU bid prices are recorded as translation differences on transactions with precious metals in the profit or loss as net gains/(losses) arising from foreign currencies.

Contingent assets and liabilities

Contingent liabilities are not recognized in the statement of financial position but are disclosed unless the possibility of any outflow in settlement is remote. A contingent asset is not recognized in the statement of financial position but is disclosed in the financial statements when an inflow of economic benefits is probable.

Standards and interpretations issued but not year effective

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2016 and which the Bank has not early adopted.

IFRS 9 Financial Instruments: Classification and Measurement (released in July 2014 and is effective for annual periods beginning on or after 1 January 2018). Below are the main features of the new standard:

- Financial assets are required to refer to three measurement categories: financial assets subsequently measured at amortized cost, financial assets subsequently measured at fair value through other comprehensive income and financial assets subsequently measured at fair value through profit or loss.
- Classification of debt instruments depends on the business model of the organization that is used to manage financial assets, and results of analysis whether contractual cash flows are solely payments of principal and interest. If a debt instrument is held for cash flows, it can be accounted for at amortized cost if it meets the criteria exceptionally to pay principal and interest. Debt instruments that meet the criteria of solely payments of principal and interest and are held in the portfolio, when the company receives cash flows from the assets and selling assets, may be included in the category at fair value through other comprehensive income. Financial assets with cash flows that are not solely payments of principal and interest are to be measured at fair value through profit or loss (such as derivatives). Embedded derivatives are not separated from financial assets and taken into account in assessing compliance with the category solely of payments of principal and interest.
- Investments in equity instruments are always measured at fair value. However, management can make the final choice to present fair value in other comprehensive income, provided that the instrument is held for trading. If the equity instrument is held for trading, changes in fair value are recognized in profit or loss.
- Most of the requirements of IAS 39 regarding the classification and measurement of financial liabilities were transferred to IFRS 9 unchanged. The main difference is that the organization will be required to show in other comprehensive income the effects of changes in own credit risk of financial liabilities classified at fair value through profit or loss.
- IFRS 9 introduces a new model for the recognition of impairment losses - a model of expected credit losses. This model is based on the three steps approach, within which changes are analyzed in the credit quality of financial assets after their initial recognition. In practice, the new rules mean that organizations will be required to immediately account for losses in the amount of expected credit losses over 12 months at initial recognition of financial assets that are not subject to credit impairment (or receivable for the principal activities - the amount of expected credit losses for all the period of validity of the debt). In the event of a significant increase in credit risk, impairment is measured using the expected credit loss for the entire duration of the financial asset, rather than the expected credit loss for 12 months. This model provides for simplification of operating receivables related to leases and the principal activity.
- The revised conditions for hedge accounting provide a closer link of accounting to risk management. This standard gives companies a choice of accounting policy: they can apply hedge accounting under IFRS 9 or continue to apply to all hedging relationship IAS 39, since the standard does not consider the macro-hedging accounting.

The Bank is currently assessing the impact of this new standard on its financial statements.

Amendments to IAS 16 and IAS 38 Acceptable Methods of Depreciation and Amortization (issued on May 12, 2014 and effective for annual periods beginning on or after 1 January 2016). With these changes IASB explained that the use of revenues based methods of calculating depreciation is inappropriate because the income received as a result of operations, which involve the use of the asset primarily reflect other factors and not receiving of economic benefits from that asset. These amendments will have no impact on the Bank's financial statements since the Bank applies other methods for assets depreciation (Note 12).

IAS 15 Revenue from Contracts with Customers (released on 28 May 2014 and is effective for periods beginning on or after 1 January 2017). This new standard introduces the basic principle of the recognition of revenue at the transaction price in the event of transfer of goods or services to the customer. Some parties of products or services packages which are clearly identified should be recognized separately and any discounts and retrospective discounts to contract prices tend to relate to individual items. If the amount of remuneration for any reasons varies, the minimum amount to be recognized in the absence of significant risk review. Costs incurred in connection with guarantees under contracts with customers, should be capitalized and amortized over the period of receipt of benefits from the contract. The Bank is currently assessing the impact of this new standard on its financial statements.

Annual Improvements to IFRSs of 2014 (issued in September 2014 and are effective for annual periods beginning on or after 1 January 2016). Changes related to four standards. Changes to IFRS 5 clarify that the change in the method of disposal (reclassification of assets held for sale to assets held for distribution, or vice versa) is not changing the plan of sale or distribution and does not require the accounting as change of the plan. Amendments to IFRS 7 provide additional guidance to help management determine whether the terms of service of the transferred financial asset are continuing participation for purposes of disclosure under IFRS 7. Change of this standard also clarifies that offsetting disclosure requirements under IFRS 7 regarding interim financial statements are not available, unless required by IAS 34. Amendment to IAS 19 clarifies that in the accounting of pension obligations, the decision on the discount rate, the availability of developed market ("market depth") of high-quality corporate bonds or that government bonds are used as a highlight, should be based on the currency in which liabilities are denominated, not the currency of the country in which they arose. IAS 34 introduces the requirement according to which interim financial statements should contain cross-reference to the location of "information in other forms of interim financial statements." These amendments will have no significant impact on the Bank's financial statements.

Amendments to IAS 1: Disclosures (issued in December 2014 and effective for annual periods beginning on or after 1 January 2016). Amendments to IAS clarify the concept of materiality and explain that the organization is not obliged to disclose information the disclosure of which is required under IFRS if such information is not essential, even if IFRS contains a list of specific requirements or defines them as minimum requirements. IAS 1 also included the new guidance on intermediate totals in the financial statements, in particular, it is noted that such interim totals (a) shall include items, recognition and measurement of which are carried out in accordance with IFRS; (b) must be presented and identified in such a way as to ensure an understanding of the components of the final intermediate amounts; (c) should be applied consistently in different periods; and (d) cannot be represented as allocated to more than intermediate totals and totals required by IFRS. The Bank expects that these amendments will have no significant impact on its financial statements.

IFRS 16 Leases (issued in January 2016 and are effective for annual periods beginning on 1 January 2019). This new standard changes leases accounting by leaseholders. IFRS 16 cancels current accounting leases model by leaseholders for which finance leases disclosed in the statement of financial position and operating leases are accounted "off-balance". The new accounting model provides accounting all leases in the statement of financial position. The leaser should recognize in the statement of financial position both a liability on the lease agreement and an appropriate asset at the same time. Besides, on initial terms of leasing costs should be recognized in larger amounts. The Bank is currently assessing the impact of new requirements on the financial results and costs on implementation of new operating leases accounting requirements.

Amendments to IAS 12, Income Taxes (published in January 2016) clarify when a deferred tax asset should be recognized for unrealized losses arising from transactions with debt instruments that are measured at fair value. The amendments are effective for annual periods beginning on or after 1 January 2017 with earlier application permitted. The Bank is currently assessing the impact of these amendments on the financial statements.

Amendments to IAS 7, Statement of Cash Flows (released in January 2016 and effective for annual periods beginning on or after 1 January 2017 with earlier application permitted). The amendments are intended to clarify IAS 7, to improve the information provided to users of financial statements on the financial activities of the entity. The purpose of the amendments is to provide such disclosures that would allow users of financial statements to evaluate changes in liabilities arising from financial activities. Such changes must be disclosed to the extent necessary: (I) changes of cash flow from financing; (II) changes related to the acquisition or loss of control of subsidiaries and business; (III) the effect of changes in exchange rates; (IV) changes in the fair value; and (V) other changes. Such disclosure may be made through the reconciliation of opening and closing balances presented in the statement of financial position arising from financing activities. The Bank is currently assessing the impact of this new standard on its financial statements

Also other new standards and interpretations were published, which according to the Bank will have no impact on its financial statements:

- IAS 14 Deferral Regulatory Accounts (released in January 2014 and is effective for annual periods beginning on or after 1 January 2016).
- Accounting for Acquisitions of Shares in Joint Operations – changes to IFRS 11 (issued 6 May 2014 and are effective for periods beginning on or after 1 January 2016).
- Agriculture: Bearers - Amendments to IAS 16 and IAS 41 (issued 30 June 2014 and are effective for annual periods beginning on 1 January 2016).
- Sale or Contribution of Assets in the Associate or Joint Venture by Investor - Amendments to IFRS 10 and IAS 28 (issued 11 September 2014 and are effective for annual periods beginning on or after 1 January 2016).

- Application of exclusion from consolidation requirements for investment companies - Amendments to IFRS 10, IFRS 12 and IAS 28 (issued in December 2014 and become effective for annual periods beginning on or after 1 January 2016).
- Equity Method in the Separate Financial Statements - Amendments to IAS 27 (issued 12 August 2014 and are effective for annual periods beginning on or after 1 January 2016).

5. Significant accounting judgments and estimates

The Bank makes estimates and assumptions that affect the amounts recognized in the financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgments are continually reviewed and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In addition to statements that involve accounting estimates, management also uses judgment in applying accounting policies. Judgments that have the most significant effect on the amounts recognized in the financial statements and estimates that can cause a significant adjustment to the carrying amounts of assets and liabilities within the next financial year include:

Going concern assumptions of the Bank. Management prepared these financial statements in accordance with the going concern principle. In making this judgment, management considered the further stabilization of the political and economic situation in Ukraine, the cessation of hostilities on the territory of Ukraine, the intention of the Bank's Shareholder on the financial support of the Bank and capitalization program for 2015-2016 approved by the Supervisory Board of the Bank, the financial position of the Bank, scheduled access to financial resources and analyzed the impact of the current financial and economic situation on the future operations of the Bank. Assuming such assumptions, management takes into account the factors stated below.

Capital. As a result of the events described in Note 2 to the financial statements as of 31 December 2014 the Bank additionally charged the provision for loan impairment in the amount of UAH 1,233,398 thousand, which led to negative equity value at 31 December 2014 in the amount of UAH 501,787 thousand. On 24 February 2015 the Supervisory Board of the Bank approved the Bank's financial recovery program for the years 2015-2017 with the Bank's capitalization program. The program provides for increase of the share capital of the Bank by its Shareholder during the years 2015-2016 in the amount of USD 35,900 thousand by converting of the subordinated debt into the share capital of the Bank. Following the capitalization program and in accordance with the approved schedule the Shareholder of the Bank approved the resolution to increase the share capital through private placement of additional shares of the existing par value - 9 April 2015 by UAH 250,000 thousand and 18 December 2015 by UAH 686,000 thousand. As at the date of the issue of these financial statements shares were fully paid. According to the Bank's management, consistent financial support by the Shareholder and fulfillment of the approved capitalization program will provide reasonable assurance regarding the Bank's ability to continue as a going concern.

Liquidity. Economic conditions in Ukraine described in Note 2, may have a negative impact on the Bank's activities by increasing the outflow of deposits from customers and further deterioration of loan portfolio quality. Management does not expect significant outflow of funds in the future; the Bank formed a sufficient, according to management, liquidity reserves, but the escalation of hostilities in the east of Ukraine and the deteriorating of economic situation could lead to further outflows of funds of individuals from the banking system and may adversely affect the ability of Bank to continue as a going concern. The extent of the impact can not be currently determined.

In 2015 the National Bank of Ukraine decided to provide to the Bank the stabilization loan amounting to UAH 357,000 thousand for two years (resolution of the National Bank of Ukraine dated 19 March 2015 No 185/BT) to support the Bank's liquidity. The stabilization loan in the amount of UAH 357,000 thousand was received by the Bank on 26 March 2015. The main purpose of funds received is to provide timely fulfillment by the Bank of its obligations to depositors - individuals and customer payments in a volatile economy of Ukraine. During the verification of the fulfillment of the Bank's obligations under the loan agreement, conducted in December 2015, the NBU confirmed proper use of funds. As collateral for the refinancing loan from the National Bank of Ukraine the property owned by the Bank and by the guarantor was pledged. In case of further deterioration of the political and economic situation in Ukraine consistent liquidity support of Ukrainian banks by the NBU will significantly affect the banking system.

During the period from 31 December 2014 to 31 December 2015 the portfolio of funds on term and current accounts of legal entities belonging to the three business groups increased by approximately 95.6% or UAH 468,707 thousand, excluding growth due to the devaluation of the hryvnia. As of 31 December 2015 the amount of funds on current and term accounts of the three groups was UAH 1,396,629 thousand or 54.1% of total customer accounts of legal entities (2014: UAH 714,148 thousand or 29.3% of total customer accounts of legal entities). Management considers the fund's portfolio of mentioned three business groups as stable source of liquidity and believes that such stable balances are an

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additional factor that reinforces reasonable assurance regarding the Bank's ability to continue as a going concern. Also, in Note 16 information of clients' funds concentration is disclosed.

As of 31 December 2015 balances on accounts with of one European bank (non OECD country), amounting to USD 18,088 thousand and EUR 10,107 thousand, together - the equivalent of UAH 699,165 thousand (2014.: USD 28,082 thousand and EUR 10,057 thousand, together - the equivalent of UAH 636,235 thousand) were classified as "Other financial assets" (Note 11). The financial recovery program approved by the Supervisory Board provides for the return of such funds till 1 April 2016 according to the schedule. According to management's assessment, consistent and timely refund by the correspondent bank in accordance with the approved schedule is a reliable source of liquidity. Maturities of the said balances in accordance with the approved schedule are disclosed in Note 26.

The quality of the loan portfolio. As of 31 December 2015 the Bank had loans and advances to customers associated with the territories not controlled by the government of Ukraine in Donetsk and Lugansk regions and in Crimea, in the amount of UAH 992,577 thousand (2014: UAH 842,981 thousand). The Bank considered known and measurable risk factors as of the date of these financial statements in assessing the impairment of such loans. Management does not expect further deterioration in Eastern Ukraine. In case of further negative developments, the Bank may incur losses due to difficulties in recovering assets located in that territory or nonpayment of debts on loans by companies registered in such territories. Such losses could affect the Bank's ability to continue as a going concern.

The complicated operating environment of the Bank, as described in Note 2, together with a significant additional charge of the provision for loan impairment led to the violation of economic ratios set by the National Bank of Ukraine, namely the minimum regulatory capital (H1), regulatory capital adequacy (H2), the maximum credit risk per counterparty (H7), large credit risks (H8), the maximum credit risk on transactions with related parties (H9) and the limit of total short open foreign currency position (L13-2). Taking into account the need to create conditions for ensuring the sustainability of Ukrainian banks and the impact of the difficult economic situation and military operations in some regions of Ukraine on the banking sector, the NBU according to the Board Resolution dated 24 February 2015 No129 and the Board Resolution dated 12 May 2015 No 314 does not apply sanctions to banks for the violation of the aforementioned mandatory ratios. According to these regulations, as well as the results of diagnostic study as required by the National Bank's Board dated 15 April 2015 No 260 "On diagnostic testing of banks", the bank submitted to the NBU the Action Plan to address violations of economic regulations, including the Assets Restructuring Plan and the Action Plan to bring the maximum credit risk on transactions with related parties of the Bank in line with the regulations under which the Bank plans to eliminate the violation of economic regulations up to 1 January 2019. The Action Plan to address violations of economic regulations, including the Assets Restructuring Plan and the Action Plan to bring the maximum credit risk on related party transactions were approved by the Bank's Shareholder.

According to management, considering the above factors, there is sufficient confidence about the Bank's ability to continue as a going concern.

Impairment losses on loans and advances to customers. The Bank regularly reviews its loan portfolio to assess impairment. In determining whether to reflect impairment loss in profit or loss for the year, the Bank makes judgments as to whether there is any observable data indicating a decrease in the estimated future cash flows from the loan portfolio that can be measured before this decrease can be identified with an individual loan in that portfolio. Such evidence may include observable data indicating an adverse change in the solvency of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows.

The methodology and assumptions used for estimating both the timing and amounts of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. In preparing these financial statements the management has used estimates of future cash flows on loans, taking into account restructuring of assets, as well as restructurings in the process of approval by the customers. Future cash flows on loans also include those that might occur in the event of restructuring of assets, not being served, in the case that the Bank has objective reasons that can testify about it and supporting documents. In the case of non-occurrence of the planned restructuring or change of estimates of future cash flows on made restructurings the estimated amount of the required reserve can be increased.

Recognition of deferred income tax asset. The recognized deferred tax asset represents the amount of income tax that can be credited against future income taxes and recognized in the statement of financial position. Deferred income tax assets are only recognized to the extent that it is probable to use the related tax credit. The assessment of future taxable profits and the amount of tax credits the use of which is probable in the future is based on medium term business plan prepared by management and extrapolated results for future periods. The business plan is based on management expectations that are believed to be reasonable under the circumstances. As expected, the Bank will receive a stable income in the future. Key assumptions used in the business plan include expected stabilization of the economy of Ukraine, the

gradual decline in interest rates (on loans and funding), moderate growth in the loan portfolio, reducing provisioning for loan impairment due to the expected improvement in the economy and further strengthening of the costs control. Given the planned future returns and that the current Ukrainian tax legislation does not impose term limits on the use of tax losses carried forward, management believes appropriate the recognition of the deferred tax asset. As at 31 December 2015 the Bank recognized deferred income tax in the amount of UAH 145,159 thousand (Note 13).

Tax legislation. The tax, currency and customs legislation in Ukraine is subject to varying interpretations (Note 21).

Recognition of related party transactions. In the normal course of business, the Bank enters into transactions with related parties. IAS 39 requires to account financial instruments at initial recognition at fair value. In the absence of an active market for such transactions in order to determine if transactions are priced at market or non-market rates, the professional judgment was used. The basis for such judgments is pricing for similar types of transactions with unrelated parties and effective interest rate analysis. Terms of transactions with related parties are disclosed in Note 27.

On 12 May 2015, the NBU Resolution No315 approved the "Regulation on the definition of parties related to a bank", which established criteria for the recognition of related parties that significantly differ from related parties recognition criteria under IAS 24. In particular, the related parties under this Regulation are: (1) two legal entities due to the fact that they have a common director or other member of the key management staff or due to the fact that a member of the key management staff has significant influence on the other entity; (2) two persons who are participants in joint ventures just because they exercise joint control over the joint activity; (3) the parties providing financing; (4) a single buyer, supplier and others, with which the company enters into a substantial volume transactions only due to the appearance of economic dependence as a result of these transactions, while under IAS 24 such parties are not related.

Fair value of financial instruments. Where the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is otherwise required in establishing fair values.

Determination of revalued amount of buildings and investment property items. Buildings are carried at revalued amount that equals to fair value as at valuation date less any subsequent accumulated depreciation and impairment losses. Investment property is carried at fair value. Fair value of mentioned assets is determined using market approach. The market approach is based upon an analysis of the results of comparable sales of similar buildings, as well as possible lease income. Estimating the fair value of buildings requires the exercise of judgment and the use of assumptions regarding the comparability of buildings and other factors. The Bank's management engages external independent appraisers to estimate the fair value of buildings and investment property.

6. Cash and cash equivalents

Cash and cash equivalents include:

	<i>2015</i>	<i>2014</i>
Cash on hand	165,033	139,649
Current accounts with banks	193,112	65,085
Current accounts with NBU	44,882	414,558
Deposit certificates of NBU	520,456	-
Total cash and cash equivalents	923,483	619,292

As at 31 December 2015 the amount equivalent to UAH 185,192 thousand (2014: UAH 39,290 thousand) was placed on current accounts with two banks from OECD countries (2014: two banks from OECD countries), who are the main counterparties of the Bank in performing international settlements.

Deposit certificates issued by the National Bank of Ukraine, with a maturity of 30 days are included in "Cash and cash equivalents" as they have an insignificant risk of changes in value and are readily convertible to a known amount of cash. As at 31 December 2015 the total amount of cash and cash equivalents for the purposes of the Statement of cash flows excluding accrued interest on deposit certificates of the NBU is UAH 923,027 thousand (2014: UAH 619,292 thousand).

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7. Amounts due from banks

Amounts due from banks include:

	2015	2014
Guarantee deposits with other banks	127,546	70,709
Correspondent accounts with other banks	15,651	-
Amounts due from banks	143,197	70,709
Less: provision for impairment of amounts due from banks	(945)	-
Total amounts due from banks	142,252	70,709

As at 31 December 2015 amounts due from banks include guarantee deposits in the amount of UAH 10,284 thousand (2014: UAH 15,850 thousand), placed with one Ukrainian bank (2014: one) as a collateral under transactions with payment cards of the Bank's customers. Also during the reporting year the Bank placed a deposit in the amount of UAH 240 thousand, which is collateral for transactions using international money transfer systems.

As at 31 December 2015 amounts due from banks include balances in current accounts with one bank from OECD countries (2014: one bank from OECD countries) in the amount of UAH 83,498 thousand (2014: UAH 54,859 thousand) stand for cover the Bank's commitments as a principal member of international payment systems. As at the reporting date, the deposit is not overdue, has no evidence of impairment and has maturity up to 3 months from the reporting date. In addition, the Bank placed security deposits in the amount of UAH 33,523 thousand for payments in the form of letters of credit. The maturities of deposits, the concentration of currency risks and other risks are disclosed in Note 26.

Expenses for the provisions charge in the amount of UAH 988 thousand are disclosed in the statement of profit and loss and other comprehensive income in "Recovery of/ (Charge to) provision for impairment of loans and advances to customers and amounts due from banks". The provision for impairment of due from banks during the reporting period was influenced by changes in exchange rates amounting to UAH 43 thousand.

8. Loans and advances to customers

Loans and advances to customers comprised:

	2015	2014
Loans to legal entities	6,012,793	5,758,009
Loans to individuals	448,928	354,962
- mortgage	60,107	43,888
- car	63,037	33,372
- credit cards	77,951	89,148
- other	247,833	188,554
Loans to customers	6,461,721	6,112,971
Less: provision for impairment of loans and advances to customers	(1,807,407)	(1,733,981)
Total loans to customers	4,654,314	4,378,990

Loans granted to five largest groups of borrowers, among which no entities being related parties of the Bank, amounted to UAH 1,929,016 thousand or 29.9% of the total loans to customers as at 31 December 2015 (2014: UAH 1,210,511 thousand or 19.8%).

During 2015 outstanding debts of legal entities and individuals in foreign currencies, were reduced by UAH 867.7 million and USD 38.3 million. Instead, the debt in Euros was increased by UAH 1.05 million.

On 12 May 2015, the NBU Resolution No315 approved the "Regulation on the definition of parties related to a bank", which defined its own set of criteria for the recognition of related parties, which differs significantly from related parties recognition criteria under IAS 24. As of 31 December 2015 the total amount of loans to the two companies, which do not meet the related party criteria under IAS 24, but are considered to be related to the Bank by the NBU regulations, was UAH 128,814 thousand.

Loans to individuals classified as "Other" include general purpose loans, which cannot be included into any other category. Mortgage loans represent loans granted for purchase of residential property, which are secured by this property only.

(Thousands of Ukrainian hryvnias, unless otherwise is indicated)

Translation from Ukrainian original

Analysis by credit quality of loans to customers as at 31 December 2015 is as follows:

	<i>Gross exposure</i>	<i>Impairment</i>	<i>Net exposure</i>	<i>Impairment to gross exposure</i>
Loans and advances neither past due nor impaired	1,638,797	-	1,638,797	0.0%
Loans to legal entities	1,622,535	-	1,622,535	0.0%
Loans to individuals	16,262	-	16,262	0.0%
- mortgage	2,016	-	2,016	0.0%
- car	927	-	927	0.0%
- credit cards	209	-	209	0.0%
- other	13,110	-	13,110	0.0%
Loans and advances past due but not impaired	826,213	-	826,213	0.0%
Loans to legal entities	819,270	-	819,270	0.0%
Loans to individuals	6,943	-	6,943	0.0%
- mortgage	1,941	-	1,941	0.0%
- car	3,750	-	3,750	0.0%
- credit cards	-	-	-	-
- other	1,252	-	1,252	0.0%
Loans and advances individually impaired	3,978,231	(1,806,587)	2,171,644	45.4%
Loans to legal entities	3,558,617	(1,518,050)	2,040,567	42.7%
Loans to individuals	419,614	(288,537)	131,077	68.8%
- mortgage	55,417	(37,806)	17,611	68.2%
- car	55,614	(43,997)	11,617	79.1%
- credit cards	76,427	(54,659)	21,768	71.5%
- other	232,156	(152,075)	80,081	65.5%
Loans and advances collectively impaired	18,480	(820)	17,660	4.4%
Loans to legal entities	12,371	(105)	12,265	0.8%
Loans to individuals	6,109	(714)	5,395	11.7%
- mortgage	733	(204)	529	27.8%
- car	2,746	(97)	2,649	3.5%
- credit cards	1,315	(240)	1,075	18.3%
- other	1,315	(173)	1,142	13.2%
Total loans to customers	6,461,721	(1,807,407)	4,654,314	28.0%

As at 31 December 2015 accrued interest income from individually impaired loans was UAH 833,202 thousand (2014: UAH 279,391 thousand).

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Translation from Ukrainian original

Analysis by credit quality of loans to customers as at 31 December 2014 is as follows:

	<i>Gross exposure</i>	<i>Impairment</i>	<i>Net exposure</i>	<i>Impairment to gross exposure</i>
Loans and advances neither past due nor impaired	2,054,858	-	2,054,858	0.0%
Loans to legal entities	1,998,215	-	1,998,215	0.0%
Loans to individuals	56,643	-	56,643	0.0%
- mortgage	4,689	-	4,689	0.0%
- car	11,379	-	11,379	0.0%
- credit cards	4,698	-	4,698	0.0%
- other	35,877	-	35,877	0.0%
Loans and advances past due but not impaired	343,415	-	343,415	0.0%
Loans to legal entities	340,109	-	340,109	0.0%
Loans to individuals	3,306	-	3,306	0.0%
- mortgage	1,872	-	1,872	0.0%
- car	-	-	-	-
- credit cards	-	-	-	-
- other	1,434	-	1,434	0.0%
Loans and advances individually impaired	2,998,848	(1,693,922)	1,304,926	56.5%
Loans to legal entities	2,789,485	(1,567,341)	1,222,144	56.2%
Loans to individuals	209,363	(126,581)	82,782	60.5%
- mortgage	37,327	(17,630)	19,697	47.2%
- car	21,568	(14,784)	6,784	68.6%
- credit cards	-	-	-	-
- other	150,468	(94,167)	56,301	62.6%
Loans and advances collectively impaired	715,850	(40,059)	675,791	5.6%
Loans to legal entities	630,200	(28,189)	602,011	4.5%
Loans to individuals	85,650	(11,870)	73,780	13.9%
- mortgage	-	-	-	-
- car	426	(5)	421	1.3%
- credit cards	84,449	(11,855)	72,594	14.0%
- other	775	(10)	765	1.3%
Total loans to customers	6,112,971	(1,733,981)	4,378,990	28.4%

Changes in allowance for impairment of loans to customers for the year ended 31 December 2015 are:

	<i>Loans to legal entities</i>	<i>Loans to individuals</i>	<i>Total</i>
1 January 2015	1,595,530	138,451	1,733,981
Charge to/ (Recovery of) provision for impairment	(128,781)	122,691	(6,090)
Bad debt write-off	(172,343)	(2,361)	(174,704)
Translation differences	223,750	30,470	254,220
31 December 2015	1,518,156	289,251	1,807,407
Individually assessed impairment	1,518,050	288,537	1,806,587
Collectively assessed impairment	106	714	820
	1,518,156	289,251	1,807,407

The amount of provision for impairment during 2015 differs from the amount reported in the profit or loss for the period as a result of the reimbursement previously written off as uncollectible loans in the amount of UAH 20,402 thousand, including the reimbursement of UAH 18,441 thousand of corporate loans and UAH 1,961 thousand of loans to individuals, as well as the provision for due from other banks. The recoverable amount was credited directly to the line "provisions" in profit or loss for the period.

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Translation from Ukrainian original

Changes in allowance for impairment of loans to customers for the year ended 31 December 2014 are:

	<i>Loans to legal entities</i>	<i>Loans to individuals</i>	<i>Total</i>
1 January 2014	439,142	82,106	521,248
Charge to provision for impairment	1,144,849	88,549	1,233,398
Bad debt write-off	(218,835)	(51,525)	(270,360)
Translation differences	230,374	19,321	249,695
31 December 2014	1,595,530	138,451	1,733,981
Individually assessed impairment	1,567,341	126,580	1,693,921
Collectively assessed impairment	28,189	11,871	40,060
	1,595,530	138,451	1,733,981

The breakdown below presents overdue loans to customers as at 31 December 2015, which were assessed for impairment collectively disregarding existence of overdue amounts:

	<i>Up to 30 days</i>	<i>From 30 to 60 days</i>	<i>From 60 to 90 days</i>	<i>From 90 to 180 days</i>	<i>Over 180 days</i>	<i>Total</i>
Loans to legal entities	-	-	-	-	-	-
Loans to individuals	242	26	62	125	34	489
Loans to customers	242	26	62	125	34	489

The breakdown below presents overdue loans to customers as at 31 December 2014, which were assessed for impairment collectively disregarding existence of overdue amounts:

	<i>Up to 30 days</i>	<i>From 30 to 60 days</i>	<i>From 60 to 90 days</i>	<i>From 90 to 180 days</i>	<i>Over 180 days</i>	<i>Total</i>
Loans to legal entities	35,626	65,320	-	4,568	296,814	402,328
Loans to individuals	801	245	-	301	1,959	3,306
Loans to customers	36,427	65,565	-	4,869	298,773	405,634

Amount and type of collateral required by the Bank depends on assessment of the counterparty's credit risk. The Bank has policies and procedures established for accepting collateral types and their valuation.

The main types of the collateral received under for loans to legal entities and individuals are cash, real estate and other pledged assets, guarantees issued by individuals and legal entities, however guarantees, goods in turnover and property rights on contracts are generally not considered in determining allowance for impairment.

See below the effect of collateral as at 31 December 2015:

	<i>Carrying value of loans to customers</i>	<i>Expected cash flows from collateral realization</i>	<i>Collateral effect</i>
Loans to legal entities	6,012,793	3,556,790	2,456,003
Loans to individuals	448,928	43,859	405,069
- mortgage	60,107	4,938	55,169
- car	63,037	17,589	45,448
- credit cards	77,951	357	77,594
- other	247,833	20,975	226,858
Loans to customers	6,461,721	3,600,649	2,861,072

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Translation from Ukrainian original

See below the effect of collateral as at 31 December 2014:

	<i>Carrying value of loans to customers</i>	<i>Expected cash flows from collateral realization</i>	<i>Collateral effect</i>
Loans to legal entities	5,758,009	2,700,302	3,057,706
Loans to individuals	354,962	182,453	172,509
- mortgage	43,888	28,098	15,790
- car	33,372	20,367	13,005
- credit cards	89,148	4,897	84,251
- other	188,554	129,091	59,463
Loans to customers	6,112,971	2,882,755	3,230,215

Breakdown of loans to customers by industries as at 31 December is:

	<i>2015</i>	<i>2014</i>
Trade	2,452,813	2,124,226
Agriculture and foods processing	1,071,195	948,164
Services	771,762	919,847
Production of goods and equipment	727,717	686,005
Individuals	448,928	354,962
Chemical industry	396,055	232,324
Metallurgy	295,792	326,459
Mining industry	163,523	142,183
Construction	46,943	209,704
Transportation	69,092	129,937
Other	17,901	39,160
Loans to customers	6,461,721	6,112,971

As at 31 December 2015 and 2014 there were no loans used as collateral for any received borrowings.

9. Securities available-for-sale

Investments in available-for-sale securities comprise:

	<i>2015</i>	<i>2014</i>
Domestic state bonds (OVDP)	-	117,951
PJSC "Settlement center"	330	330
Other	142	178
Securities available-for-sale	472	118,459
Less: provision for impairment of securities available-for-sale	(31)	-
Total securities available-for-sale	441	118,459

As of 31 December 2015 securities available-for-sale includes investments in equity securities in the amount of UAH 472 thousand, for which impairment is recognized in the amount of UAH 31 thousand. During 2015 the Bank made charges to provision for impairment in the amount of UAH 69 thousand, including UAH 37 thousand used during the transfer of securities from accounting at fair value through other comprehensive income to accounting at cost.

As at 31 December 2014 securities available-for-sale includes state bonds denominated in US Dollars with carrying amount of USD 7,445 thousand (UAH 117,403 thousand in equivalent) and UAH 508 thousand stakes. In 2014 state bonds were pledged as collateral for the loans received from the NBU under direct "repo". During 2015 the loans received from the NBU were fully repaid and state bonds were realized through purchase agreements and repayment by the issuer.

As at 31 December 2015 Bank does not have any "repo" agreements.

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10. Investment property

Investment property initially received through enforcement of collateral is recognized in the statement of financial position at fair value.

Change of the investment property fair value:

	2015	2014
As at 1 January	165,413	85,195
Transfer from non-current assets available-for-sale (Note 14)	99,967	24,284
Capital investments for reconstruction	106	3
Transfer to non-current assets available-for-sale (Note 14)	(9,398)	-
Surplus from revaluation to fair value	63,509	55,931
As at 31 December	319,597	165,413

The Bank leases out this investment property to third parties under operating lease agreements and does not use it for personal needs. In 2015, the Bank received UAH 4,143 thousand as rental income recorded within "Other income" in the statement of profit or loss and other comprehensive income (2014: UAH 2,488 thousand).

In 2015 and 2014 the Bank's management decided to transfer a part of assets held-for-sale to investment property and adjust the carrying amount of investment properties based on the results of their fair value assessment provided in the report prepared by independent appraisers. Based on the carrying amount adjustment it was recognized a gain in the amount of UAH 63,509 thousand (2014: UAH 55,931 thousand), which is reported in statement of profit and loss and other comprehensive income.

11. Other financial and non-financial assets

As at 31 December other financial and non-financial assets comprised:

	2015	2014
Other financial assets		
Restricted amounts due from other banks	699,451	636,235
Accrued income receivable	24,206	5,253
Accounts receivable on settlements with customers	4,211	3,443
Cash with non-approved availability	124	-
Positive fair value of derivative financial instruments	-	45,592
Other financial assets	727,992	690,523
Less: Provision for impairment of other financial assets	(21,971)	(4,812)
Other financial assets	706,021	685,711
Other non-financial assets		
Settlements with bank's employees	7,347	4,726
Prepaid expenses	5,950	6,644
Inventories	2,526	1,373
Precious metals	547	2,485
Prepaid taxes and mandatory payments other than income tax	42	3,519
Reposessed collateral (Note 14)	-	4,799
Other non-financial assets	16,412	23,546
Less: Provision for impairment of other non-financial assets	(7,297)	(5,246)
Other assets	9,115	18,300

As of 31 December 2015, other financial assets include balances in a bank in the European country, not included in OECD, amounting to UAH 699,165 thousand (equivalent to USD 18,088 thousand and EUR 10,107 thousand) (2014: UAH 636,235 thousand, which is equivalent to USD 28,082 thousand and EUR 10,057 thousand). Program of financial recovery of the Bank approved by the Supervisory Board provides for the return of such funds till 1 April 2016 according to the schedule. According to the schedule as of the date of these financial statements the said Bank made a refund in full. As of the reporting date, these funds have no evidence of impairment and have maturities of three months from the reporting date (Note 26).

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In addition, "Precious metals" in other non-financial assets includes balances on current accounts in one bank of OECD (2014: two banks of OECD), denominated in precious metals in the amount of UAH 21 thousand (2014: UAH 184 thousand). These funds are non-financial in origin and are not taken into account in the management of financial risks.

During the year the changes of the items of the provision for losses on impairment of other assets were as follows:

	2015	2014
1 January	10,058	5,180
Charge to provision for impairment	17,605	2,928
Translation differences	2,594	1,966
Write-offs	(989)	(16)
31 December	29,268	10,058

Charge to provision for impairment in 2015 is different from the data disclosed in the statement of profit and loss "Charge to provision for impairment of other financial and non-financial assets" by UAH 69 thousand, which are expenses for the provision for impairment of securities available-for-sale (Note 9).

In 2015, the Bank did not recognize the impairment of carrying value of assets held-for-sale (2014: recognized the impairment in the amount of UAH 7,897 thousand).

12. Property, equipment and intangible assets

Movements in property, equipment and intangible assets during the year ended 31 December 2015 are:

	<i>Buildings, structures and transmitting equipment</i>	<i>Furniture, implements and office equipment</i>	<i>Machinery and equipment</i>	<i>Vehicles</i>	<i>Other PE and non- current tangible assets</i>	<i>Intangible assets</i>	<i>Capital investments in progress in PE and intangible assets</i>	<i>Total</i>
Cost or revalued amount								
31 December 2014	153,565	36,234	26,930	7,241	28,541	15,684	6,143	274,302
Additions	398	3,141	1,016	-	4,702	7,406	-	16,663
Transfers to non- current assets held-for-sale (Note 14)	-	-	-	(347)	-	-	-	(347)
Disposals	-	(524)	(120)	(499)	(1,564)	-	(2,627)	(5,334)
31 December 2015	153,963	38,851	27,826	6,395	31,679	23,054	3,516	285,284
Accumulated depreciation and amortization								
31 December 2014	17,395	30,063	20,884	4,859	26,519	13,886	-	113,606
Charge for the year	2,734	4,292	3,098	1,279	3,010	1,698	-	16,111
Disposals	-	(518)	(120)	(499)	(1,554)	-	-	(2,691)
31 December 2015	20,129	33,837	23,862	5,639	27,975	15,584	-	127,026
Net book value								
31 December 2014	136,170	6,171	6,046	2,382	2,022	1,762	6,143	160,696
31 December 2015	133,834	5,014	3,964	756	3,704	7,470	3,516	158,258

Buildings are carried at a revalued amount representing fair value less subsequent accumulated depreciation and subsequent accumulated impairment losses.

In December 2015, the Bank's management decided not to adjust the carrying amount of assets classified as buildings based on the results of their fair value assessment provided in the report prepared by independent appraisers as at 1 November 2015. The report confirmed absence of significant differences between the fair value and carrying amount of buildings.

As at 31 December 2015, the cost of fully depreciated or amortized property, plant and equipment included in "Furniture, implements and office equipment" - UAH 25,661 thousand (2014: UAH 14,358 thousand), included in "Machinery and equipment" - UAH 13,151 thousand (2014: UAH 9,017 thousand), included in "Vehicles" - UAH 442 thousand (2014:

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UAH 144 thousand), included in "Other property and equipment and non-current tangible assets" - UAH 24,840 thousand (2014: UAH 20,305 thousand).

As at 31 December 2015, the Bank pledged on funds from the NBU (Note 15) the building located at: Dnipropetrovsk, 17, Lenin Street. The depreciated cost of that building as of the reporting date is UAH 115,403 thousand. As at 31 December 2014 there were no fixed assets pledged as collateral of funds attracted.

Movements in property, equipment and intangible assets during the year ended 31 December 2014 are:

	<i>Buildings, structures and transmitting equipment</i>	<i>Furniture, implement s and office equipment</i>	<i>Machinery and equipment</i>	<i>Vehicles</i>	<i>Other PE and non- current tangible assets</i>	<i>Intangible assets</i>	<i>Capital investments in progress in PE and intangible assets</i>	<i>Total</i>
Cost or revalued amount								
31 December 2013	153,496	34,937	26,247	11,140	30,702	14,321	3,934	274,777
Additions	69	1,726	778	-	481	1,327	2,209	6,590
Transfers from non- current assets held- for-sale (Note 14)	-	-	-	92	-	-	-	92
Transfers to non- current assets held- for-sale (Note 14)	-	-	-	(1,143)	-	-	-	(1,143)
Disposals	-	(429)	(95)	(2,848)	(2,642)	-	-	(6,014)
31 December 2014	153,565	36,234	26,930	7,241	28,541	15,648	6,143	274,302
Accumulated depreciation and amortization								
31 December 2013	14,608	24,500	17,424	6,025	26,434	11,425	-	100,416
Charge for the year	2,787	5,988	3,554	1,682	2,560	2,461	-	19,032
Disposals	-	(425)	(94)	(2,848)	(2,475)	-	-	(5,842)
31 December 2014	17,395	30,063	20,884	4,859	26,519	13,886	-	113,606
Net book value								
31 December 2013	138,888	10,437	8,823	5,115	4,268	2,896	3,934	174,361
31 December 2014	136,170	6,171	6,046	2,382	2,022	1,762	6,143	160,696

13. Deferred income tax assets

According to the Tax Code of Ukraine, rate of corporate income tax as at 1 January 2016 and 2015 was 18%. Deferred tax assets and liabilities are determined by the Bank using the tax rate that will apply starting from 1 January 2016.

The components of income tax (benefit)/expense recognized in the profit or loss for the year ended 31 December are:

	2015	2014
Deferred income tax benefit – origination and reversal of temporary differences	(79,901)	(38,087)
Current income tax benefit	-	(2,381)
Income tax benefit	(79,901)	(40,468)

The reconciliation between expected income tax (benefit)/expense computed by applying the effective statutory income tax rate to profit before tax and the reported income tax (benefit)/expense is as follows:

	2015	%	2014	%
Profit/ (Loss) before income tax	202,726		(1,271,271)	
Expected expense / (benefit) computed at effective statutory rate	36,491	18.0%	(228,829)	18.0%
Recognition of impairment of deferred tax asset	(156,863)	(77.4%)	156,863	(12.3%)
Reassessment of temporary differences	38,169	18.8%	30,354	(2.4%)
Net non-deductible expenses	2,302	1.1%	1,144	(0.1%)
Income tax benefit	(79,901)	(39.4%)	(40,468)	3.2%

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Deferred tax assets and liabilities as at 31 December 2015 are attributable to the items detailed as follows:

	<i>At 31 December 2014</i>	<i>Recognized in profit or loss</i>	<i>Recognized in other comprehensive income</i>	<i>At 31 December 2015</i>
	<i>Asset/ (Liability)</i>	<i>Benefit/ (expense)</i>	<i>Expense</i>	<i>Asset/ (Liability)</i>
Recognition of impairment of deferred tax asset	(156,863)	156,863	-	-
Amortized cost and provision for impairment of loans and advances to customers	232,252	(91,114)	-	141,138
Amortized cost of amounts due from banks	(19)	181	-	162
Fair value of securities available-for-sale	(603)	603	-	-
Revalued amount of property and equipment and intangible assets	137	2,736	-	2,873
Revalued amount of investment property	(10,068)	571	-	(9,497)
Impairment of other assets	(94)	5,296	-	5,202
Other assets	-	966	-	966
Other liabilities	-	(124)	-	(124)
Amortized cost of due to customers	37	(37)	-	-
Negative value of the taxable item of past periods	-	4,111	-	4,111
Other temporary differences	380	(52)	-	328
	65,159	80,000	-	145,159

Deferred tax assets and liabilities as at 31 December 2014 are attributable to the items detailed as follows:

	<i>At 31 December 2013</i>	<i>Recognized in profit or loss</i>	<i>Recognized in other comprehensive income</i>	<i>At 31 December 2014</i>
	<i>Asset/ (Liability)</i>	<i>Benefit/ (expense)</i>	<i>Benefit</i>	<i>Asset/ (Liability)</i>
Recognition of impairment of deferred tax asset	-	(156,863)	-	(156,863)
Amortized cost and provision for impairment of loans and advances to customers	26,749	205,503	-	232,252
Fair value of securities available-for-sale	(1,378)	882	(107)	(603)
Revalued amount of property and equipment and intangible assets	1,232	(1,095)	-	137
Revalued amount of investment property	-	(10,068)	-	(10,068)
Impairment of other assets	560	(654)	-	(94)
Amortized cost of amounts due to banks	(98)	79	-	(19)
Amortized cost of due to customers	-	37	-	37
Other temporary differences	114	266	-	380
	27,179	38,087	(107)	65,159

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14. Non-current assets held-for-sale

Assets held-for-sale were received through enforcement of collateral and are recognized in the statement of financial position as at 31 December 2015 in the sum of UAH 570,282 thousand (2014: UAH 6,840 thousand).

Changes in the structure of non-current assets held-for-sale are:

	2015	2014
At 1 January	6,446	33,569
Foreclosure of collateral accepted to secure loans	570,282	6,840
Disposal of non-current assets held-for-sale	(12,032)	(10,138)
Loan recovery	(3,323)	-
Reclassification to property and equipment (Note 12)	-	(92)
Reclassification to investment property (Note 10)	(99,967)	(16,795)
Reclassification from property and equipment (Note 12)	347	1,143
Reclassification from investment property (Note 10)	9,398	-
Reclassification to other assets (Note 11)	-	(184)
Increase/ (Decrease) in carrying value of non-current assets held-for-sale up to fair value	165	(7,897)
At 31 December	471,316	6,446

The Bank management decided to transfer part of non-current assets held-for-sale to the investment property totaling UAH 99,967 thousand (2014: UAH 16,795 thousand), caused by changes in plans for the use of these assets (Note 10). Result from sale of non-current assets held-for-sale is disclosed in the item "Other income" of the statement of profit and loss and other comprehensive income.

15. Amounts due to banks

As at 31 December amounts due to banks include:

	2015	2014
Loans from the NBU	357,000	116,209
Current accounts with banks	40	2,649
Amounts due to banks	357,040	118,858

On 26 March 2015 an agreement was signed for granting the stabilization loan to the Bank by the National Bank of Ukraine in the amount of UAH 357,000 thousand for two years. The decision was taken to support the Bank's liquidity and to ensure its obligations to individual depositors. The provided collateral comprised of the real property belonging to the Bank at the collateral value of UAH 177,647 thousand and to the property guarantor at the collateral value of UAH 610,249 thousand. The market value of the collateral has been evaluated by one of the leading international audit companies that meet the criteria established by regulations of the National Bank of Ukraine.

The aforementioned agreement with the NBU also provided for the fulfillment by the Bank of certain covenants, including the repayment schedule for the funds in a bank of the European country that is not part of the OECD, amounting to USD 18,088 thousand and EUR 10,107 thousand, together - the equivalent of UAH 699,165 thousand. (2014: USD 28,082 thousand and EUR 10,057 thousand, together - the equivalent of UAH 636,235 thousand) that were classified as "Other financial assets" (Note 11). As of 31 December 2015, the Bank met these covenants. According to the schedule as of the date of these financial statements the said bank made a refund in full.

In December 2014, the Bank attracted from the NBU a short-term loan under direct repo deal terms of UAH 116,209 thousand. On 13 January 2015, the short-term loan was fully repaid.

16. Amounts due to customers

As at 31 December amounts due to customers comprised:

	2015	2014
Current accounts:		
- legal entities	1,841,597	960,549
- individuals	694,122	586,764
	2,535,719	1,547,313
Term deposits:		
- legal entities	736,943	1,472,949
- individuals	3,011,011	3,061,242
	3,747,954	4,534,191
Amounts due to customers	6,283,673	6,081,504

As at 31 December 2015, the balances on current accounts of legal entities amounting to UAH 1,152,686 thousand or 45.5% of total amount on current accounts of customers are placed by ten largest corporate customers (2014: UAH 608,722 thousand or 39.3%). The balances on the current account in the amount of UAH 33,075 thousand, which makes 1.8% of total balances on current accounts of customers, are placed by one individual customer (2014: UAH 23,688 thousand or 1.5%).

As at 31 December 2015, deposits of legal entities in the amount of UAH 504,429 thousand or 13.5% of the total amount of deposits from customers (2014: UAH 1,111,990 thousand or 24.5%) were placed by ten largest corporate customers. As at 31 December 2015, deposits of individuals amounting to UAH 300,541 thousand or 8.0% of the total amount of deposits from customers were placed by three largest customers (2014: UAH 211,169 thousand or 4.7%).

As at 31 December 2015, balances on current accounts and term deposits of legal entities in the amount of UAH 1,250,773 thousand or 19.9% of total customer funds attracted from clients that do not meet the related party criteria under IAS 24, but considered to be related to the Bank in accordance with the regulations of the NBU.

As at 31 December 2015, balances on current accounts and term deposits of legal entities in the amount of UAH 209,022 thousand were obtained from the group of companies for which the Bank is considering the criteria for compliance with the Resolution No315 of the NBU.

As at 31 December 2015, current accounts of legal entities in the amount of UAH 715,193 thousand (2014: UAH 88,683 thousand) were pledged as collateral under the documentary transactions of the Bank.

As at 31 December 2015, term deposits of legal entities in the amount of UAH 72,641 thousand (2014: UAH 230,221 thousand) were placed by two (2014: two) foreign non-banking financial organizations outside OECD.

In accordance with Ukrainian legislation, the Bank is obliged to repay term deposits of individuals upon demand of a depositor.

17. Debt securities issued

At 31 December 2015, debt securities are savings (deposit) certificates to individuals for UAH 150,560 thousand (equivalent to USD 5,303 thousand, EUR 886 thousand and UAH 53 thousand), of which the certificates in the amount of UAH 149,841 thousand are short-term. The maturity analysis of debt securities issued by the Bank is disclosed in Note 26.

At 31 December 2014, debt securities are bonds of F series of UAH 500 thousand and the book value of UAH 584 thousand. In January 2015 the bonds were redeemed by the Bank on offer.

18. Subordinated debt

Subordinated debt represents the amounts received under the long-term loan agreements, which, in case of the Bank's failure to meet its obligations, would have to be repaid only after the repayment of amounts due to all the other creditors. The subordinated debt was drawn in 2011 from a non-resident entity registered outside OECD. On 19 January 2015, the assignment contracts were concluded under agreements to raise funds for subordinated debt between creditor of the Bank and its Shareholder. Under these agreements, the Bank's Shareholder acquired the right of demand to the Bank on the subordinated loans in the amount of USD 35,900 thousand. On 23 April 2015, the NBU gave the Bank permission for

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the early repayment of the subordinated debt in the amount of USD 7,900 thousand to direct these funds to increase the Bank's share capital, which actually took place in April 2015.

As at 31 December 2015, the subordinated loan is USD 28,000 thousand (2014: USD 35,900 thousand). In December 2015 the Bank's Shareholder decided to increase the share capital of the Bank for the amount of USD 28,000 thousand. On 21 January 2016, the NBU gave the Bank a permission for the early repayment of the subordinated debt in the amount of USD 28,000 thousand to direct these funds to increase the share capital of the Bank. As at the date of these financial statements, cash on early repayment of subordinated debt were transferred in full to the appropriate accounts in the Bank as payment for shares.

19. Other financial and non-financial liabilities

Other financial and non-financial liabilities as at 31 December include the following items:

		<i>2015</i>	<i>2014</i>
Other financial liabilities			
Balances on transit accounts on transactions with payment cards		4,484	3,174
Accrued expenses payable		2,249	643
Balances on transit accounts on transactions with customers		1,125	1,467
Provision for losses on credit related commitments	21	1,094	-
Other		1,674	1,015
		10,626	6,299
Other non-financial liabilities			
Amounts payable to Individuals' Deposit Guarantee Fund		10,864	9,971
Obligations on payments of taxes and mandatory payments, other than income tax		8,880	5,876
Accrued payments on unused vacations		7,570	4,984
Amounts payable on purchased intangible assets		1,073	944
Salary accruals to employees		88	245
Other		825	1,160
		29,300	23,180

20. Equity

Movements in the Bank's shares issued, fully paid and outstanding are:

	<i>Number of shares</i>	<i>Nominal value</i>	<i>Inflation</i>	
	<i>Ordinary</i>	<i>Ordinary</i>	<i>adjustment</i>	<i>Total</i>
31 December 2013	315,000,000	315,000	23,666	338,666
Share issue	270,000,000	270,000	-	270,000
31 December 2014	585,000,000	585,000	23,666	608,666
Share issue	250,000,000	250,000	-	250,000
31 December 2015	835,000,000	835,000	23,666	858,666

The nominal value of the ordinary shares is UAH 1.00 per share as at 31 December 2015 and 2014. The inflation adjustment to share capital was made to account for the hyperinflation effect in accordance with IAS 29 "Financial Reporting in Hyperinflationary Economies" and the Bank's accounting policy.

All ordinary shares are fully paid and have equal voting, dividend and capital repayment rights. No dividends were declared by the Bank during 2015 and 2014, as well as 2016 and before the date of approval of these financial statements by the management.

In April 2015 the Bank's Shareholder have decided to increase the authorized capital of UAH 250,000 thousand to UAH 835,000 thousand. During 2015 cash contributions to share capital increase have been fully paid. In April 2015 the Bank's Shareholder made a decision to amend the charter of the Bank, under which the share capital comprises UAH 835,000 thousand.

In March 2014 the Bank's Shareholder have decided to increase the authorized capital of UAH 270,000 thousand to UAH 585,000 thousand. During 2014 cash contributions to share capital increase have been fully paid. In March 2014 the Bank's

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Shareholder made a decision to amend the charter of the Bank, under which the share capital comprises UAH 585,000 thousand.

Approved by the Bank's Supervisory Board, Program of additional capitalization provided for further increase of the share capital by the Shareholder in the amount of USD 28,000 thousand by converting the subordinated debt in the share capital of the Bank. In pursuance of this, on 18 December 2015 the Bank's Shareholder decided to increase the authorized capital by the amount of UAH 686,000 thousand through additional contributions by placing additional shares of the existing par value. Following this decision, the Bank and the Shareholder concluded the Purchase Agreement for shares dated 3 February 2016 and the payment of the full cost of the additional shares of the Bank was made.

As at 31 December 2015, the amount of reserve and other funds of the Bank stated in equity in accordance with the statutory requirements is UAH 59,769 thousand (2014: UAH 166,955 thousand).

Revaluation reserves and changes in the reserve comprise:

	<i>Revaluation reserve of buildings</i>	<i>Revaluation reserve of securities available-for-sale</i>	<i>Total Revaluation reserve</i>
31 December 2013	96,447	(1,913)	94,534
Unrealized gains from securities available-for-sale	-	958	958
31 December 2014	96,447	(955)	95,492
Unrealized gains from securities available-for-sale	-	955	955
31 December 2015	96,447	-	96,447

21. Commitments and contingencies

Litigation

In the ordinary course of business, the Bank is subject to legal actions and complaints. The management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations of the Bank. The Bank is also working to recover the debt through the courts from debtors and guarantors. As of 31 December 2015 the number of such claims was 126 claims totaling UAH 3,368,009 thousand.

Taxation and compliance with laws

The Ukrainian legislation applicable to taxation and other operational matters continue to evolve as a result of the economy being in transition to market economy. The legislation and regulatory acts are not always clearly written and their interpretation is subject to varying interpretations by local, regional and national authorities and other governmental bodies. Instances of inconsistent interpretations by different bodies are not unusual. Management believes that the Bank has complied with all regulations and paid or accrued all taxes that are applicable. Where the risk of outflow of resources is probable, the Bank has accrued tax liabilities based on the management's best estimate.

The tax legislation of Ukraine, which have been enacted or substantially enacted at the end of the reporting period, allows interpretations when applied to the transactions and operations of the Bank. In this regard, the tax position defined by the Management and official documentation that justifies the tax positions may be successfully challenged by the relevant authorities. Ukrainian tax administration gradually increases, including increased risk of audits of transactions that have no clear financial and economic purpose or committed involving contractors that do not comply with tax laws. The tax authorities can inspect tax issues in the financial period of three calendar years after their completion. Reviews may cover longer periods under certain circumstances

Below are the most significant changes that are expected to affect the Bank:

- Changes to the declaration and payment of corporate income tax, according to which the declaration and payment of income tax in 2016 will be made by the Bank quarterly. From 1 January 2016 the amount of the provision for impairment of loans to customers for tax purposes shall be calculated on the basis of a provision under IFRS with the restriction to 25% of the total book value of assets, impairment of which is recognized by charging

provision increased by the amount of the allowance for those assets according to the financial statements for the reporting period;

- According to Law No909-VII dated 24.12.2015, the Article 189 Section V of the Code § 189.15 was added, under which special rules are established for determining the tax base for supply operations (sale, alienation otherwise) by banks of property acquired as ownership as a result of the appeal foreclose on a property. For such operations a tax base is the positive difference between the supply price and the purchase price of such property. The purchase price is defined as the value of the property at which such property acquired as ownership. In the case of acquisition of such property from the taxpayer the purchase price is determined by taking into account the value added tax. If for such property tax amounts were included in the tax credit by the bank, other financial institution, the provisions of paragraph 198.5 of Article 198 of the Code are to be applied. Also paragraph 197.12 of Article 197 Section V of the Code was amended, according to which operations of banks and other financial institutions relating to the supply of property acquired as ownership as a result of foreclosure on a property are exempt from tax. The tax exemption applies to the part of the value of the property for which it was acquired as ownership in repayment of obligations under a loan agreement. A special order of the tax credit formation for banks set by paragraph eight item 198.6 of Article 198 Section V of the Code, has been canceled. From 1 January 2016 tax credit by banking institutions in obtaining ownership of the mortgaged property is formed according to the generally established procedure. These changes may adversely affect the operations of sale of pledged property acquired as ownership, as a result of foreclosure on a property as significant part of potential buyers are payers of value added tax and wish to purchase such a property at a price that includes VAT in order to obtain the tax credit and the Bank in 2016 is factually denied the right to sell the said property, including VAT at 20%;
- By Law No909-VII marginal tax rate on real property other than land plot in 2016 increased from 2 to 3 percent of the minimum wage established by law as at 1 January of the reporting (tax) year, for 1 square meter of the tax base. In addition, if the taxpayer owns facility (facilities) of residential properties with a total area exceeding 300 square meters (for apartments) and/or 500 square meters (for the house), the tax amount is increased by UAH 25,000 for a year for each such object of the residential real estate;
- The State Land Agency of Ukraine for indexing of the normative monetary value of land of settlements and other non-agricultural land in 2016 established the 1.433 ratio that will increase the land tax almost 1.5 times compared to the year 2015;
- Changes in transfer pricing rules under which the threshold transactions that fall under the rules of transfer pricing has been reduced from UAH 50 million to UAH 5 million and criteria of related parties and rules for justification of transaction prices were revised.

The management believes that the changes to the Tax code may have an impact on the financial position of the Bank, which is being currently evaluated.

The Bank's operations and financial position will continue to be affected by Ukrainian political developments including the application of existing and future legislation and tax regulations. Management of the Bank believes that obligations that could arise as a result of these contingencies, as relating to its operations, would not be more significant than those of similar businesses in Ukraine.

Commitments and contingencies

Revocable credit commitments and contingencies as at 31 December are:

	<i>2015</i>	<i>2014</i>
Letters of credit	693,546	88,683
Guarantees	116,074	13,872
Avals	126	156
	809,746	102,711
Cash collateral pledged for letters of credit and guarantees	(715,193)	(88,683)
Provision for losses on credit related commitments (Note 19)	(1,094)	-
Commitments and contingencies	93,459	14,028

As at 31 December 2015, loan facilities given by the Bank and yet undrawn by customers amounted to UAH 1,684,612 thousand (2014: UAH 1,634,304 thousand). Applications by the customers for drawing such facilities are subject to the mandatory consent procedure established by the Bank, and the Bank may decline issuing a loan if the applying

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borrower's financial standing has deteriorated, if the customer has not complied with the required loan-related procedures or due to other reasons.

All the operating lease commitments of the Bank are revocable.

During 2015 the Bank made charges to the provision for losses in the amount of UAH 825 thousand, which is different from the sum of provision for losses on credit related commitments for amount of exchange differences.

Assets pledged and restricted assets

As of 31 December 2015, real estate owned by the Bank at the cost of UAH 115,403 thousand has been pledged for the funds attracted from the NBU (Note 15).

As at 31 December 2015, amounts due from banks included a guarantee deposit in the amount of UAH 10,284 thousand (2014: UAH 15,850 thousand), allocated in one (2014: one) Ukrainian Bank as a collateral for transactions with payment cards of the Bank's customers (Note 7).

As at 31 December 2015, amounts due from banks included balances in one OECD bank in the amount of UAH 83,498 thousand (2014: UAH 54,859 thousand), intended to cover the Bank's obligations as a principal member of the international payment systems (Note 7).

22. Interest income and expenses

Interest income and expenses for the year are:

	2015	2014
Interest income		
Loans to customers	1,022,792	729,785
Securities	6,508	29,483
Amounts due from banks	4,310	11,620
	1,033,610	770,888
Interest expenses		
Amounts due to customers	(709,912)	(588,965)
Amounts due to banks	(98,682)	(23,084)
Subordinated debt	(27,610)	(39,283)
Debt securities issued	(3,062)	(91)
	(839,266)	(651,423)
Net interest income	194,344	119,465

23. Net fee and commission income

Net fee and commission income for the year are:

	2015	2014
Fee and commission income		
Payments settlements	101,158	102,203
Foreign currency exchange transactions	84,323	45,055
Guarantees and letters of credit	2,323	1,705
Safe rent services	1,360	493
Depository activities	587	376
Services to insurance companies	526	970
Other	245	47
	190,522	150,849
Fee and commission expenses		
Payments settlements	(32,203)	(24,675)
Loyalty program fees	(2,954)	-
Guarantees and letters of credit	(996)	(882)
Other	-	(9)
	(36,153)	(25,566)
Net fee and commission income	154,369	125,283

24. Administrative and other operating expenses

Salaries and employee benefits and other operating expenses for the year are:

	<i>2015</i>	<i>2014</i>
Personnel expenses	178,387	146,346
Contributions to the Individuals' Deposits Guarantee Fund	47,397	39,356
Rent	28,858	29,065
Utilities and household expenses	18,769	15,617
Amortization of property, equipment and intangible assets	16,111	19,033
Professional services	14,382	2,157
Communication services	12,670	8,533
Maintenance of property and equipment	11,059	12,927
Marketing and advertising	3,813	4,880
Business trip expenses	2,649	1,883
Cash collection services	1,680	751
Taxes and others mandatory payments other than income tax	1,436	18,361
Loss from initial recognition of financial instruments	143	3,345
Insurance	80	6,844
Other	5,339	2,447
Administrative and other operating expenses	342,773	311,545

Included in "Other" are administrative expenses, which cannot be allocated to any of the group of expenses above.

25. The basic and diluted profit/ (loss) per share

The basic and diluted profit/ (loss) per share is:

	<i>2015</i>	<i>2014</i>
Profit/ (Loss) for the year	282,627	(1,230,803)
Average annual number of outstanding ordinary shares (thousand)	696,644	435,726
Net basic and diluted profit/ (loss) per share	0.00041	(0.00282)

During 2015 and 2014, the Bank had no financial instruments, which would result in a dilution of loss per share in the event of their conversion to shares.

During 2015 additional issue of ordinary shares was implemented pursuant to the adopted in April 2015 decision of the Shareholder in the amount of UAH 250,000 thousand. On 31 December 2015 the shares were fully paid

During 2014 additional issue of ordinary shares was implemented pursuant to the adopted in March 2014 decision of the Shareholder in the amount of UAH 270,000 thousand. On 31 December 2014 the shares were fully paid.

26. Financial risk management policies

Risks are inherent in the Bank's activities but they are managed through a process of ongoing identification, measurement and monitoring, establishing of the risk limits and other controls. This process of risk management is critical to the Bank's continuing profitability and each individual within the Bank is accountable for managing the risk exposures within his or her responsibilities. The Bank is exposed to credit risk, liquidity risk and market risk, the latter being subdivided into trading and non-trading risks. It is also subject to operating risks.

The independent risk control process is not applied to business risks such as changes in the environment, technology and industry. They are controlled through the Bank's strategic planning process.

Risk management framework

The risk management policies aim to identify, analyze and manage the risks faced by the Bank, to set appropriate risk limits and provisions for residual risk, to implement controls and to continuously monitor risk levels and adherence to risk limits.

The risk management functions are divided among the Supervisory Board, the Management Board, Assets and Liabilities Management Committee (the "ALCO"), departments that are by their functions designed to manage the Bank risks, and the Credit Committees of different levels and other collegial bodies.

The risk management functions within the Bank are divided as follows:

Supervisory Board

The Supervisory Board is responsible for establishing overall approach to risk management, and the approval of risk management strategy and principles.

Management Board

The Management Board implements and controls risk management process in the Bank. The Management Board's risk management function comprises development of risk management strategy, as well as the implementation of principles, concept, policies, and risk limits.

Risk management, Corporate and retail businesses risks management

The aforesaid departments exercise an analytical and methodological function in risk management and are responsible for establishment of risk management procedures for the independent control purposes.

Committees

The Large and Small Credit Committees, the ALCO and the Tariff Committee are responsible for implementation of the risk management strategy.

Business Units

Each business unit has a separate independent risk control function, including control over adherence to the limits of the risk exposures and assessment of risks attributable to new products and structured transactions. In addition, business units are responsible for collecting the risk-related complete, reliable and operating information and risk reporting.

Internal Audit

The Internal Audit and Control Department performs regular audits of the risk management processes in order to review the adequacy of the risk management procedures and their execution. The Internal Audit and Control Department discusses findings from its audits and presents its conclusions and recommendations to the Supervisory and Management Boards.

Excessive risk concentration

Risk concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. The concentrations reflect the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risks, the Bank's policies and procedures include specific guidelines focused on portfolio diversification. Identified risk concentrations are controlled and managed accordingly.

Credit risk

Credit risk is the risk of a financial loss to the Bank if a borrower or counterparty fails to meet its contractual obligations. The Bank manages its credit risk by establishing risk (limits) in relation to a single counterparty or groups of counterparties with similar business risks, and by monitoring established risk indicators adherence.

Risks inherent in credit related commitments (undrawn loan commitments, letters of credit and guarantees) are similar to risks inherent in loans; they are mitigated using the same procedures and risk control policies.

The carrying amount of the items presented in the statement of financial position (including derivative instruments and excluding the risk mitigation effect of master netting and collateral agreements) corresponds the most closely to the maximum credit risk arising from these items.

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The carrying amount of financial instruments carried at fair value reflects the current exposure to credit risk but not the maximum risk exposure, which may arise in future as a result of the changes in their values.

Risk concentrations reflect the relative sensitivity of the Bank's operational results to changes affecting specific industry or geographic location. In order to avoid unacceptable risk concentration, the Bank's applies specific policies and procedures aimed at diversification of the credit portfolio. Risk concentrations identified are managed accordingly.

Credit quality by classes of financial asset

The Bank manages the credit quality of financial assets using its internal credit rating system. The system ensures focused risk management as well as it allows for credit risk exposure comparison by business lines, geographic location and product. The rating system is based on application of certain financial and analytical methods as well as use of observable market data, which represents main source of information for counterparty's risk assessment. All internal risk categories are determined in accordance with the credit rating policy. Assigned ratings are assessed and revised by the Bank regularly.

The Bank's management assesses the impairment of loans to customers by evaluating the likelihood of repayment and reimbursement of the amounts advanced based on the analysis of the specific borrowers by the specific significant loans as well as by the groups of loans with the similar terms and risk characteristics. The factors taken into account in evaluating the specific loans include the debt service history, the borrower's current financial position, timeliness of repayments and quality of collateral, future interest payment schedule, the borrower's industry conditions, etc. In assessing the amount of impairment, management takes into account the expected future principal and interest repayments as well as the proceeds from the sale of collateral, if any. Further, these cash flows are discounted using the original effective interest rate of the loan. The actual repayment of the loan principal and interest depends on the borrowers' ability to generate cash flows from their operations or to obtain alternative financing and may differ from the management's estimates.

The factors taken into account when assessing collective impairment include the historical impairment loss experience, portfolio delinquencies and general economic conditions.

The credit quality analysis of financial asset categories presented in the statement of financial position made using the Bank's credit rating system as at 31 December 2015 is:

	<i>Notes</i>	<i>High rating</i>	<i>Standard rating</i>	<i>Low rating</i>	<i>Loans with evidence of impairment</i>	<i>Total</i>
Cash and cash equivalents excluding cash, current accounts with NBU and deposit certificates of the NBU	6	193,112	-	-	-	193,112
Amounts due from banks	7	143,197	-	-	-	143,197
Loans and advances to customers	8	424,473	1,639,795	296	4,397,157	6,461,721
- loans to legal entities		378,991	1,638,264	-	3,995,538	6,012,793
- loans to individuals		45,482	1,531	296	401,619	448,928
Securities available-for-sale	9	441	-	-	31	472
Other financial assets	11	702,974	19,744	3,705	1,569	727,992
Total		1,984,653	1,659,539	4,001	4,398,757	7,526,494

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The credit quality analysis of financial asset categories presented in the statement of financial position made using the Bank's credit rating system as at 31 December 2014 is:

	<i>Notes</i>	<i>High rating</i>	<i>Standard rating</i>	<i>Low rating</i>	<i>Loans with evidence of impairment</i>	<i>Total</i>
Cash and cash equivalents excluding cash and current accounts with NBU	6	65,085	-	-	-	65,085
Amounts due from banks	7	70,709	-	-	-	70,709
Loans and advances to customers	8	631,053	1,997,869	189,354	3,294,695	6,112,971
- loans to legal entities		519,517	1,996,316	155,275	3,086,901	5,758,009
- loans to individuals		111,536	1,553	34,079	207,794	354,962
Securities available-for-sale	9	118,459	-	-	-	118,459
Other financial assets	11	685,222	1,290	270	3,741	690,523
Total		1,570,528	1,999,159	189,624	3,298,436	7,057,747

In the tables above amounts due from banks, loans to customers and derivative financial instruments rated high are the assets whose credit rank is minimal. Counterparties with good financial standing and good debt servicing are rated standard. Low rating comprises assets whose rating is lower than standard, but that were not individually impaired.

The Bank has developed credit quality review procedures aimed on early identification of the potential changes in borrowers' credit standing, including periodical review of the collateral value. The credit quality review allows the Bank to estimate potential loss from the risks faced and take appropriate actions.

The geographic concentration of financial assets and liabilities is as follows:

	<i>2015</i>				<i>2014</i>			
	<i>CIS and other</i>				<i>CIS and other</i>			
	<i>Ukraine</i>	<i>OECD</i>	<i>countries</i>	<i>Total</i>	<i>Ukraine</i>	<i>OECD</i>	<i>countries</i>	<i>Total</i>
Assets								
Cash and cash equivalents	734,608	188,872	3	923,483	574,943	40,850	3,499	619,292
Amounts due from banks	13,924	111,596	16,732	142,251	15,850	54,859	-	70,709
Loans and advances to customers	4,653,437	-	877	4,654,314	4,378,896	-	94	4,378,990
Securities available-for-sale	441	-	-	441	118,459	-	-	118,459
Other financial assets	6,809	-	699,212	706,021	49,373	-	636,338	685,711
	5,409,219	300,468	716,824	6,426,510	5,137,521	95,709	639,931	5,873,161
Liabilities								
Amounts due to banks	357,000	-	40	357,040	118,831	-	27	118,858
Amounts due to customers	6,191,591	5,860	86,222	6,283,673	5,837,373	191,079	53,052	6,081,504
Debt securities issued	150,560	-	-	150,560	584	-	-	584
Subordinated debt	-	-	672,418	672,418	-	-	566,091	566,091
Other financial liabilities	10,626	-	-	10,627	6,299	-	-	6,299
	6,709,777	5,860	758,680	7,474,317	5,979,968	191,079	619,170	6,773,336
Net geographic concentration	(1,300,558)	294,608	(41,856)	(1,047,806)	(825,566)	(95,370)	20,761	(900,175)

Market risk

Market risk is the risk that changes in the market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) will affect income or value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the value at risk.

The Bank separates its exposure to market risk between trading and non-trading portfolios.

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Trading portfolios are mainly held by the securities department and include positions arising from market making and own open position taking, together with financial assets and liabilities that are managed on a fair value basis.

The overall responsibility for market risk management is vested with the ALCO. The Risk Management Department is responsible for the development of detailed risk management policies (subject to review and approval by the Management Board) and for the day-to-day monitoring of the compliance with the policies.

Foreign currency risk

Currency risk is the risk that fluctuations in foreign exchange rates will affect the Bank's income or the value of its portfolios of financial instruments.

The Bank holds assets and liabilities denominated in several foreign currencies. Foreign currency risk arises when the existing or forecasted assets in a foreign currency are either greater or less than the liabilities in that currency. Management establishes limits and constantly monitors foreign currency positions in accordance with the regulations of the NBU and the internally developed methodology.

The policy with regard to open foreign currency positions is restricted by certain maximal exposure thresholds established under the Ukrainian statutory regulations; the NBU strictly monitors the compliance with the regulations on a daily basis.

Foreign currency position of the Bank on monetary assets and liabilities as at 31 December 2015 is:

	<i>Ukrainian hryvnia</i>	<i>US Dollar</i>	<i>Euro</i>	<i>Other</i>	<i>Total</i>
Assets					
Cash and cash equivalents	681,595	219,217	19,427	3,244	923,483
Amounts due from banks	1,787	123,958	45	16,462	142,252
Loans and advances to customers	1,349,491	3,022,922	281,901	-	4,654,314
Securities available-for-sale	441	-	-	-	441
Other monetary assets	3,746	436,537	265,634	104	706,021
Total assets	2,037,060	3,802,634	567,007	19,810	6,426,511
Liabilities					
Amounts due to banks	357,000	33	7	-	357,040
Amounts due to customers	2,884,586	3,026,740	352,537	19,810	6,283,673
Debt securities issued	53	127,272	23,235	-	150,560
Subordinated debt	-	672,418	-	-	672,418
Other monetary liabilities	7,297	2,379	891	59	10,626
Total liabilities	3,248,936	3,828,842	376,670	19,869	7,474,317
Net long / (short) balance sheet position	(1,211,876)	(26,208)	190,337	(59)	(1,047,806)
Off-balance sheet position	932,433	(639,156)	(256,987)	(420)	35,870
Net long / (short) currency position	(279,443)	(665,364)	(66,650)	(479)	(1,011,936)

(Thousands of Ukrainian hryvnias, unless otherwise is indicated)

Translation from Ukrainian original

Foreign currency position of the Bank on monetary assets and liabilities as at 31 December 2014 is:

	<i>Ukrainian hryvnia</i>	<i>US Dollar</i>	<i>Euro</i>	<i>Other</i>	<i>Total</i>
Assets					
Cash and cash equivalents	522,307	54,414	31,359	11,212	619,292
Amounts due from banks	-	70,709	-	-	70,709
Loans and advances to customers	2,025,129	2,206,401	147,460	-	4,378,990
Securities available-for-sale	508	117,951	-	-	118,459
Other monetary assets	43,242	444,942	195,034	2,493	685,711
Total assets	2,591,186	2,894,417	373,853	13,705	5,873,161
Liabilities					
Amounts due to banks	118,815	38	5	-	118,858
Amounts due to customers	2,233,486	3,439,346	392,678	15,994	6,081,504
Debt securities issued	584	-	-	-	584
Subordinated debt	-	566,091	-	-	566,091
Other monetary liabilities	2,788	2,873	482	156	6,299
Total liabilities	2,355,673	4,008,348	393,165	16,150	6,773,336
Net long / (short) balance sheet position	235,513	(1,113,931)	(19,312)	(2,445)	(900,175)
Off-balance sheet position	205,845	(130,845)	(75,000)	-	-
Net long / (short) currency position	441,358	(1,244,776)	(94,312)	(2,445)	(900,175)

As at 31 December, a 10 percent depreciation of the Ukrainian hryvnia against the following currencies would have had increased (decreased) pre-tax profit by the amounts shown below. This analysis assumes that all other variables, in particular, interest rates, remain constant:

	<i>2015</i>	<i>2014</i>
US Dollar	(66,536)	(124,478)
Euro	(6,664)	(9,431)

As at 31 December, a 10 percent appreciation of the Ukrainian hryvnia against the above currencies would have had an equal but opposite effect on the pre-tax profit in the amounts shown above, on the basis that all other variables remain constant.

Interest rate risk

Interest rate risk is the risk that movements in interest rates will affect future cash flows or fair value of financial instruments.

Interest rate risk is measured by the extent to which changes in market interest rates would impact interest margin and net interest income. To the extent the maturity structure of interest bearing assets differs from that of liabilities, net interest income will increase or decrease as a result of movements in interest rates. To manage interest rate risk, the Bank continually assesses market interest rates for different types of interest bearing assets and liabilities.

Interest margins on assets and liabilities having different maturities may increase as a result of changes in market interest rates. In practice, the Bank resets interest rates on both assets and liabilities based on current market conditions and mutual consent with its counterparties by formal amending the original agreements and setting forth the new interest rate.

The ALCO and the Credit Committee are responsible for interest rate risk management. The ALCO establishes the principal policies and approaches to interest rate risk management, including maximum loan and minimum borrowing rates by products, classes of customers and maturities. The Credit Committee is responsible for ensuring compliance with the guidelines set by the ALCO. At the same time, the Customers Management Department and the Retail Business Division, with the approval of the Risk Management Department, recommend to the ALCO altering certain interest rates subject to changes in the market conditions or for internal reasons. The interest rate risk is managed using the gap analysis method, whereby the difference or gap between the interest rate sensitive assets and the interest rate sensitive liabilities is determined and analysed.

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The average effective interest rates of the major interest bearing assets and liabilities are:

	31 December 2015			31 December 2014		
	Ukrainian hryvnia	US Dollar	Euro	Ukrainian hryvnia	US Dollar	Euro
Deposit certificates of the National Bank of Ukraine	19.0%	-	-	-	-	-
Loans and advances to customers	22.4%	10.8%	13.9%	23.1%	12.5%	12.4%
Domestic state bonds (OVDP)	-	-	-	-	7.9%	-
Other financial assets	-	0.3%	0.5%	-	0.5%	0.5%
Amounts due to banks	23.5%	-	-	19.5%	-	-
Current accounts of customers	8.4%	2.4%	2.3%	5.0%	2.0%	2.1%
Term deposits of customers	22.3%	10.5%	10.1%	20.6%	9.5%	9.1%
Debt securities issued	22.4%	9.7%	9.9%	16.8%	-	-
Subordinated debt	-	0.1%	-	-	8.9%	-

In case of the market changes, the Bank's management, under the terms of the loan agreements, has the right to change the interest rates on the loans to customers. Moreover, the Bank regularly revises interest rates on amounts due to customers depending on market structure. The Bank calculates the absolute interest risk or changes in net interest income under the scenario of parallel shift in the yield curve. As at 31 December 2015 increase in interest rates by 1%, with all other variables remained constant, would decrease the net interest income for the year by UAH 7,978 thousand (2014: decrease by UAH 10,835 thousand). A 1% decrease in interest rates would have had an equal but opposite effect on the net interest income by the amount shown above, on the basis that all other variables remain constant.

Liquidity risk

Liquidity risk arises in the course of general funding activities as well as from management of open positions. It includes both the risk of being unable to raise the funding with appropriate maturities and rates and the risk of being unable to liquidate an asset at a reasonable price and in a due time as well as the risk of the Bank's failure to meet its obligations when due in normal course of business or under unforeseen circumstances.

Management's approach to managing liquidity is to ensure that the Bank has reasonably sufficient liquidity to meet its liabilities when due, under both normal conditions and extraordinary circumstances, without incurring unjustifiable losses or damaging the Bank's reputation.

The Bank actively keeps a diversified and stable funding sources comprising of debt securities issued, long-term and short-term loans from other banks, core corporate and retail customer deposits, as well as diversified portfolios of highly liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

To maintain its short-term liquidity, the Bank takes short-term deposits, enters into repurchase transactions and buys and sells foreign currency, securities and precious metals. To maintain its long-term liquidity, the Bank takes medium and long-term deposits, purchases and sales securities, regulates its interest rate policy and controls expenses. In managing its liquidity, the Bank considers the obligatory reserve placement requirements set by the NBU, which size, in particular, depends on the level of funds deposited by the customers.

The Bank has to comply with the mandatory liquidity ratios set by the NBU on a daily basis. These ratios include:

- Quick (“acid”) liquidity ratio (H4), which is calculated as the ratio of highly-liquid assets to liabilities payable on demand. As of 31 December 2015, the ratio was 67% with the minimum required limit of 30% (2014: 78% with the minimum required limit of 20%);
- Current liquidity ratio (H5), which is calculated as the ratio of liquid assets to liabilities maturing within 31 calendar days. As of 31 December 2015, the ratio was 58% with the minimum required limit of 40% (2014: 58% with the minimum required limit of 40%);
- Short-term liquidity ratio (H6), which is calculated as the ratio of liquid assets to short-term liabilities maturing within one year. As of 31 December 2015, the ratio was 67% with the minimum required limit of 60% (2014: 65% with the minimum required limit of 60%).

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Translation from Ukrainian original

Liabilities repayable on demand are treated as if redemption claim would have been made at the earliest date possible. However, the Bank expects that majority of the customers will not claim for redemption at such earliest possible date and, consequently, the table does not reflect expected cash flows calculated by the Bank based on the information on deposits redemption in past periods.

The Bank's undiscounted financial liabilities grouped by their residual contractual maturities and other undiscounted cash outflows as at 31 December 2015 are:

	<i>Up to 3 months</i>	<i>From 3 months to 1 year</i>	<i>From 1 to 5 years</i>	<i>Over 5 years</i>	<i>Total</i>
Financial liabilities					
Amounts due to banks	20,956	330,959	108,327	-	460,242
Amounts due to customers	4,891,833	1,555,960	28,015	-	6,475,808
Debt securities issued	153,993	1,487	-	-	155,480
Subordinated debt	416	51	269	672,082	672,818
Other financial liabilities	9,532	-	-	-	9,532
Undiscounted cash outflow	5,076,730	1,888,457	136,611	672,082	7,773,880

The category "Up to 3 months" above also includes amounts on demand.

The table below presents a consolidated analysis of the contractual maturities of financial liabilities as at 31 December 2015. The table shows undiscounted liabilities repayable according to the contract. Payments made to notice are deemed to be paid immediately. However, the Bank expects that many customers will not request repayment on the earliest date the Bank could be required to pay under the agreement, and the table does not reflect the expected cash flows indicated by the Bank's deposit retention history. In addition, a significant portion of current accounts estimated by management, as conventionally remains stable. The maturity analysis does not reflect the historical stability of current liabilities in the past. Previously, their implementation took place during the period that is higher than indicated in the table above. These balances are included in the table above as amounts due for payment during the period up to 3 months.

The Bank's undiscounted financial liabilities grouped by their residual contractual maturities and other undiscounted cash outflows as at 31 December 2014 are:

	<i>Up to 3 months</i>	<i>From 3 months to 1 year</i>	<i>From 1 to 5 years</i>	<i>Over 5 years</i>	<i>Total</i>
Financial liabilities					
Amounts due to banks	119,545	-	-	-	119,545
Amounts due to customers	4,686,103	1,411,758	121,315	-	6,219,176
Debt securities issued	591	-	-	-	591
Subordinated debt	12,539	156,052	449,111	-	617,702
Other financial liabilities	6,299	-	-	-	6,299
Undiscounted cash outflow	4,825,077	1,567,810	570,426	-	6,963,313

The category "Up to 3 months" above also includes amounts on demand.

Timing of cash flows on assets and liabilities and the ability to replace, at acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity position of the Bank and its exposure to changes in interest and foreign exchange rates.

(Thousands of Ukrainian hryvnias, unless otherwise is indicated)

Translation from Ukrainian original

Residual contractual maturities of financial assets, net of allowance for impairment, and financial liabilities as at 31 December 2015 are:

	<i>Up to 3 months</i>	<i>From 3 months to 1 year</i>	<i>From 1 to 5 years</i>	<i>Over 5 years</i>	<i>Total</i>
Assets					
Cash and cash equivalents	923,483	-	-	-	923,483
Amounts due from banks	51,227	90,785	240	-	142,252
Loans and advances to customers	136,743	2,036,791	2,477,243	3,537	4,654,314
Securities available-for-sale	-	-	-	441	441
Other financial assets	706,021	-	-	-	706,021
Total assets	1,817,474	2,127,576	2,477,483	3,978	6,426,511
Liabilities					
Amounts due to banks	40	267,750	89,250	-	357,040
Amounts due to customers	4,420,423	1,489,776	373,474	-	6,283,673
Debt securities issued	149,120	1,440	-	-	150,560
Subordinated debt	-	-	-	672,418	672,418
Other financial liabilities	10,626	-	-	-	10,626
Total liabilities	4,580,209	1,758,966	462,724	672,418	7,474,317
Liquidity gap for the period	(2,762,735)	368,610	2,014,759	(668,440)	(1,047,806)
Cumulative liquidity gap	(2,762,735)	(2,394,125)	(379,366)	(1,047,806)	

The category "Up to 3 months" above also includes amounts on demand.

The table shows the financial liabilities repayable under the agreement. Payments made on demand are deemed to be paid immediately. However, the Bank expects that many customers will not request repayment on the date the Bank could have made the payment under the agreement and the table does not reflect the expected cash flows indicated by the Bank's deposits held in past periods. In addition, a significant portion of balances on current accounts is estimated by management, as relatively stable balances. The maturity analysis does not reflect the historical stability of current liabilities in the past. Previously, they were sold during the period, which is longer than indicated in the table above. These balances are included in the table above as amounts due to be paid in the period up to 3 months.

The Bank's liquidity risk management includes assessment of balances on current accounts, which are considered as stable funds. As of 31 December 2015, stable customer funds are UAH 2,867,872 thousand. As of 31 December 2015, the excess of short-term assets over short-term liabilities of the Bank, calculated taking into account the stable clients' funds with uncertain maturity, is UAH 105,135 thousand.

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Translation from Ukrainian original

Residual contractual maturities of financial assets, net of allowance for impairment, and financial liabilities as at 31 December 2014 are:

	<i>Up to 3 months</i>	<i>From 3 months to 1 year</i>	<i>From 1 to 5 years</i>	<i>Over 5 years</i>	<i>Total</i>
Assets					
Cash and cash equivalents	619,292	-	-	-	619,292
Amounts due from banks	18,236	50,754	1,719	-	70,709
Loans and advances to customers	1,016,535	1,393,662	1,959,385	9,408	4,378,990
Securities available-for-sale	508	117,951	-	-	118,459
Other financial assets	49,476	636,235	-	-	685,711
Total assets	1,704,047	2,198,602	1,961,104	9,408	5,873,161
Liabilities					
Amounts due to banks	118,858	-	-	-	118,858
Amounts due to customers	3,633,449	1,364,394	1,083,661	-	6,081,504
Debt securities issued	584	-	-	-	584
Subordinated debt	-	124,571	441,520	-	566,091
Other financial liabilities	6,299	-	-	-	6,299
Total liabilities	3,759,190	1,488,965	1,525,181	-	6,773,336
Liquidity gap for the period	(2,055,143)	709,637	435,923	9,408	(900,175)
Cumulative liquidity gap	(2,055,143)	(1,345,506)	(909,583)	(900,175)	

The category “Up to 3 months” above also includes amounts on demand.

In accordance with the Ukrainian legislation and contractual terms of the loans, the Bank has the right to demand the repayment of loans from customers prior to their contractual maturity if the borrowers’ financial position deteriorates, or if the borrowers do not fulfill their contractual obligations as well as in some other cases. In accordance with the Ukrainian legislation and contractual terms of the deposits, the Bank’s customers have the right to withdraw funds from term accounts prior to their contractual maturity with the accrued interest due being fully or partially lost.

Operating risk

Operating risk is the risk arisen as a result of the system error, human errors, fraud or external events. Where the control system malfunctions, the operating risks can damage the reputation and have legal implications or lead to financial losses. The Bank cannot assume that all operating risks are eliminated, however, by applying internal controls and by keeping track and responding to the potential risks the Bank can manage such risks. The internal controls provide for the effective segregation of duties, access rights, approval and reconciliation procedures, personnel training as well as assessment procedures, including internal audit.

27. Related party disclosures

The Bank grants loans to customers, attracts deposits and performs other transactions with related parties in the ordinary course of business. Parties are considered to be related if one party has the ability to control the other party or exercises significant influence over the other party when making financial and operational decisions. Terms of transactions with related parties are established at the time of transaction. Related parties comprise the Shareholder of the Bank, members of the Supervisory Board, key management personnel and their close family members, companies that are controlled or significantly influenced by the Shareholder, by key management personnel or by their close family members. The key management personnel are those individuals who have the authority and responsibility for planning, directing and controlling the activities of the Bank directly or indirectly, and include the members of the Management Board and the Supervisory Board. Entities simply are not considered to be related because they have director common with the Bank or other member of key management personnel or because a member of key management personnel has a significant impact on the other entity.

Management of the Bank believes that the terms of transactions with related parties were similar to those offered to non-related parties.

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Translation from Ukrainian original

The Bank's transactions with the related parties and balances with related parties as at 31 December are:

	2015				2014			
	Share- holder	Key manage- ment personnel	Other related parties	Total related parties	Share- holder	Key manage- ment personnel	Other related parties	Total related parties
Loans to customers (contractual interest rates: 2015: UAH – 38%; 2014: 25%)	-	15	88	103	-	108	-	108
Securities available-for- sale	-	-	13	13	-	-	-	-
Other financial assets	-	-	3	3	-	-	-	-
Amounts due to customers (contractual interest rates: 2015: UAH – 4%, foreign currency – 2%; 2014: UAH – 10%, foreign currency – 5%)	16,476	2,850	55,965	75,291	1,948	3,856	2,479	8,283
Subordinated debt	672,418	-	-	672,418	-	-	-	-
Interest income	-	6	9	15	-	6	-	6
Interest expenses	(10,713)	(132)	(1,308)	(12,153)	-	(552)	(111)	(663)
Fee and commission income	2	59	61	122	16,104	-	-	16,104

The remuneration of the key management personnel for the year ended 31 December 2015 is represented by short-term employee benefits amounting to UAH 36,280 thousand (2014: UAH 18,285 thousand).

28. Segment reporting

For management purposes, the Bank is organized into three operating segments:

Corporate banking. Issuing loans, opening time deposit and serving current accounts of legal entities and institutional customers.

Retail banking. Serving deposits of individuals', and providing consumer loans, overdrafts, credit card and fund transfer facilities.

Investment banking. Providing investment banking services, which include trade financing, merger and acquisitions advice, specialized financial advice and trading.

(Thousands of Ukrainian hryvnias, unless otherwise is indicated)

Translation from Ukrainian original

The information on income and expenses as well as assets and liabilities of the Bank's operating segments for the year ended 31 December 2015 is:

	<i>Corporate banking</i>	<i>Retail banking</i>	<i>Investment banking</i>	<i>Unallocated</i>	<i>Total</i>
External customers					
Interest income	916,217	106,652	10,741	-	1,033,610
Fee and commission income	109,555	80,811	156	-	190,522
Gains less losses from securities available-for sale	-	-	13,429	-	13,429
Net gains/(losses) arising from foreign currencies	-	-	184,207	(83,365)	100,842
Result from the revaluation of investment property	-	-	-	63,509	63,509
Other income	483	66	-	11,452	12,001
	1,026,255	187,529	208,533	(8,404)	1,413,913
Interest expenses	(236,197)	(476,772)	(98,687)	(27,610)	(839,266)
Fee and commission expenses	-	-	(36,153)	-	(36,153)
Recovery of / (Charge to) provision for impairment of loans and advances to customers and amounts due from banks	147,221	(120,731)	(986)	-	25,504
Other charges to provision for impairment	(825)	-	(69)	(17,605)	(18,499)
Administrative and other operating expenses	(35,190)	(163,174)	(9,713)	(134,696)	(342,773)
Segment results	901,014	(599,763)	89,790	(188,315)	202,726
Income tax benefit	-	-	-	79,901	79,901
Profit/(loss) for the year	901,014	(599,763)	89,790	(108,414)	282,627
Segment assets	4,497,848	162,875	1,765,887	1,108,802	7,535,412
Segment liabilities	2,581,087	3,867,864	357,744	696,922	7,503,617
Additions to property and equipment					16,663

Unallocated net gains from transactions in foreign currencies represent the revaluation of foreign currency positions in the statement of financial position, as well as other income not related to principal operating activities of the Bank. Unallocated interest expenses are interest expenses paid under subordinated debt. Other unallocated expenses represent general administrative expenses of the Bank and other expenses related to impairment of assets.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. The segment results are determined differently to those presented in financial statements. Income taxes are managed centrally and are not allocated to the operating segments.

In 2015 and 2014, the Bank did not receive any revenue from a single external customer or counterparty which would account for 10% per cent or more of the total revenue.

The Bank operates in Ukraine and nearly all of its 2015 and 2014 revenues were earned from Ukrainian counterparties. As at 31 December 2015 all of tangible assets of the Bank were located in Ukraine (2014: 100%). The geographical concentration of financial assets and liabilities is presented in Note 26.

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Translation from Ukrainian original

The information on revenue and profit as well as assets and liabilities of the Bank's operating segments for the year ended 31 December 2014 is:

	<i>Corporate banking</i>	<i>Retail banking</i>	<i>Investment banking</i>	<i>Unallocated</i>	<i>Total</i>
External customers					
Interest income	667,630	62,155	41,103	-	770,888
Fee and commission income	79,456	68,805	2,588	-	150,849
Gains less losses from securities available-for sale	-	-	25,429	-	25,429
Net gains/(losses) arising from foreign currencies	-	-	147,806	(199,882)	(52,076)
Result from the revaluation of investment property	-	-	-	55,931	55,931
Other income	5,943	384	15	4,123	10,465
	753,029	131,344	216,941	(139,828)	961,486
Interest expenses	(194,336)	(394,629)	(23,175)	(39,283)	(651,423)
Fee and commission expenses	-	-	(25,566)	-	(25,566)
Charge to provision for impairment of loans and advances to customers and amounts due from banks	(1,144,849)	(88,549)	-	-	(1,233,398)
Other charges to provision for impairment	-	-	-	(10,825)	(10,825)
Other operating expenses	(80,473)	(131,612)	(14,625)	(84,835)	(311,545)
Segment results	(666,629)	(483,446)	153,575	(274,771)	(1,271,271)
Income tax benefit	-	-	-	40,468	40,468
Profit/(loss) for the year	(666,629)	(483,446)	153,575	(234,303)	(1,230,803)
Segment assets	4,162,478	216,511	1,490,287	425,453	6,294,729
Segment liabilities	2,433,498	3,648,006	119,442	595,570	6,796,516
Additions to property and equipment					6,590

29. Fair value measurement

The Bank applies the following hierarchic methods of measurement to determine and disclose the fair values of the financial instruments:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: measurement methods the inputs for which, having a material impact on fair values recognized in the financial statements, are based on observable market data, either directly or indirectly.
- Level 3: measurement methods the inputs for which, having a material impact on fair values recognized in the financial statements, are not based on observable market data.

The Bank did not change classification of the financial assets between the hierarchy levels either in 2015 or 2014.

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Translation from Ukrainian original

For the purpose of fair value disclosures, the Bank has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy:

		Fair value measurement using			
31 December 2015	Date of valuation	Level 1	Level 2	Level 3	Total
Assets measured at fair value					
Securities available-for-sale	31.12.2015	-	441	-	441
Property, equipment and intangible assets	01.12.2015	-	220,137	-	220,137
Investment property	01.12.2015	-	319,597	-	319,597
Assets for which fair values are disclosed					
Cash and cash equivalents	31.12.2015	-	-	923,483	923,483
Amounts due from banks	31.12.2015	-	-	142,252	142,252
Loans and advances to customers	31.12.2015	-	-	4,654,314	4,654,314
Other financial assets	31.12.2015	-	-	706,021	706,021
Liabilities for which fair values are disclosed					
Amounts due to banks	31.12.2015	-	-	357,040	357,040
Amounts due to customers	31.12.2015	-	-	6,283,673	6,283,673
Debt securities issued	31.12.2015	-	-	150,560	150,560
Subordinated debt	31.12.2015	-	-	672,418	672,418
Other financial liabilities	31.12.2015	-	-	10,626	10,626

		Fair value measurement using			
31 December 2014	Date of valuation	Level 1	Level 2	Level 3	Total
Assets measured at fair value					
Securities available-for-sale	31.12.2014	117,951	508	-	118,459
Derivative financial instruments	31.12.2014	45,592	-	-	45,592
Property, equipment and intangible assets	01.12.2014	-	135,967	-	135,967
Investment property	01.12.2014	-	165,413	-	165,413
Assets for which fair values are disclosed					
Cash and cash equivalents	31.12.2014	-	-	619,292	619,292
Amounts due from banks	31.12.2014	-	-	70,709	70,709
Loans and advances to customers	31.12.2014	-	-	4,378,990	4,378,990
Other financial assets	31.12.2014	-	-	685,711	685,711
Liabilities for which fair values are disclosed					
Amounts due to banks	31.12.2014	-	-	118,858	118,858
Amounts due to customers	31.12.2014	-	-	6,081,504	6,081,504
Debt securities issued	31.12.2014	-	-	584	584
Subordinated debt	31.12.2014	-	-	566,091	566,091
Other financial liabilities	31.12.2014	-	-	6,299	6,299

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Securities available-for-sale

Securities available-for-sale, which are valued using a valuation technique, primarily consist of debt securities and unquoted equity shares. These assets are valued using models, which sometimes incorporate only data observable in the market and at other times use both observable and non-observable data. The non-observable inputs to the models include assumptions regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and the geographical jurisdiction in which the investee operates.

Derivatives

Derivatives, which are valued using a valuation technique with market observable inputs, mainly represent interest rate swaps, currency swaps and forward foreign exchange contracts. Valuation techniques most frequently applied include forward pricing and swap models, which use present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves.

Fair value of financial assets and liabilities not carried at fair value in the statement of financial position

The fair value of all short-term financial assets and liabilities is considered to be approximate to their carrying amount due to short-term nature and market interest rates as at the period end. The fair value of loans and amounts due to customers maturing in more than one year is determined through discounting the future cash flows at the rates prevailing for similar instruments at the reporting date.

30. Presentation of financial instruments by assessment categories

Financial assets under assessment categories as at 31 December 2015:

	<i>Loans and receivables</i>	<i>Financial assets at fair value through profit or loss</i>	<i>Financial assets available-for- sale</i>	<i>Total</i>
Cash and cash equivalents	923,483	-	-	923,483
Amounts due from banks	142,252	-	-	142,252
Loans and advances to customers	4,654,314	-	-	4,654,314
Securities available-for-sale	-	-	441	441
Other financial assets	706,021	-	-	706,021
Total financial assets	6,426,070	-	441	6,426,511

Financial assets under assessment categories as at 31 December 2014:

	<i>Loans and receivables</i>	<i>Financial assets at fair value through profit or loss</i>	<i>Financial assets available-for- sale</i>	<i>Total</i>
Cash and cash equivalents	619,292	-	-	619,292
Amounts due from banks	70,709	-	-	70,709
Loans and advances to customers	4,378,990	-	-	4,378,990
Securities available-for-sale	-	-	118,459	118,459
Other financial assets	640,119	45,592	-	685,711
Total financial assets	5,709,110	45,592	118,459	5,873,161

After initial recognition the Bank evaluates the financial assets of the category "Loans and receivables" and "Financial assets held-to-maturity" at amortized cost, and the category "Financial assets available-for-sale" - at fair value through other comprehensive income.

As at 31 December 2015 and 2014 all financial liabilities of the Bank are such that upon the initial recognition are measured at amortized cost.

31. Capital management

Regulatory capital

The Bank maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Bank's capital is monitored using, among other measures, the ratios established by the Basel Capital Accord 1988 (including as amended in November 2005, considering among other the inclusion of market risk) and the ratios established by the NBU in supervising the Bank.

The primary objectives of the Bank's capital management are to ensure that the Bank complies with externally imposed capital requirements and that the Bank maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize the shareholders' value.

The Bank manages its capital structure and makes adjustments to it in the light of changes in the economic conditions and the risks attributable to its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payment to shareholders, issue additional shares or return capital to shareholders. No changes were made in the objectives, policies and processes from the previous years.

NBU capital adequacy ratio (unaudited)

The NBU sets capital level requirements for banks and monitors their compliance. Under the current capital requirements set by the NBU, banks have to maintain a ratio of capital to risk weighted assets (the statutory capital adequacy ratio) above the established minimum level. If the Bank does not maintain or sufficiently increase its capital base in line with the increase in its risk-weighted assets, it may violate the set capital adequacy benchmarks, which could lead to the sanctions from the NBU side and could affect the results of operations and the financial position.

For the period until 1 January 2019, the National Bank of Ukraine set the schedule for increasing the minimum level of regulatory capital adequacy, namely as at 1 October 2016 at least 5%, as at 1 January 2018 not less than 7% and as at 1 January 2019 not less than 10%. According to the schedule, the Bank had to develop a program of capitalization/restructuring and provide it to the National Bank by 1 April 2016. As at the date of these financial statements the said Assets Restructuring Plan was submitted to the NBU. The Bank meets the capital adequacy requirements (10.0%) as of 31 December 2014.

Capital adequacy ratio under the Basel Capital Accord requirements

As at 31 December the Bank's capital adequacy ratio, calculated in accordance with the Basel Capital Accord, with subsequent amendments incorporating market risks, and on the basis of the amounts presented in these financial statements, comprised:

	2015	2014
Tier 1 capital		
Share capital	858,666	608,666
Accumulated loss	(940,996)	(1,223,623)
Additional paid-in capital	17,678	17,678
Total tier 1 capital	(64,652)	(597,279)
Tier 2 capital		
Revaluation reserve	-	-
Allowable subordinated debt	-	-
Total tier 2 capital	-	-
Total regulatory capital	(64,652)	(597,279)
Total risk-weighted assets	7,544,635	5,253,977
Capital adequacy ratios		
Tier 1 capital adequacy ratio	-	-
Total capital adequacy ratio	-	-

On 24 February 2015 the Supervisory Board of the Bank approved the Bank's financial recovery program for the years 2015-2017 with the Bank's capitalization program. The program provides for increase of the share capital of the Bank by its Shareholder during the years 2015-2016 in the amount of USD 35,900 thousand by converting of the subordinated debt into the share capital of the Bank. Following the capitalization program and in accordance with the approved schedule the Shareholder of the Bank approved the resolution to increase the share capital through private placement of additional

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shares of the existing par value - on 9 April 2015 by UAH 250,000 thousand and on 18 December 2015 by UAH 686,000 thousand. According to abovementioned, when calculating capital adequacy in accordance with the Basel Capital Accord the Management considers subordinated debt by its substance as a capital and takes into account in the calculations in full amount. The Bank's capital adequacy ratio would be as follows:

	2015	2015 (management, unaudited)
Tier 1 capital		
Share capital	858,666	858,666
Increase of share capital due to conversion of subordinated debt	-	686,000
Accumulated loss	(940,996)	(940,996)
Additional paid-in capital	17,678	17,678
Total tier 1 capital	(64,652)	621,348
Tier 2 capital		
Revaluation reserve	-	96,447
Total tier 2 capital	-	96,447
Total regulatory capital	(64,652)	717,795
Total risk-weighted assets	7,544,635	7,544,635
Capital adequacy ratios		
Tier 1 capital adequacy ratio	-	8.2%
Total capital adequacy ratio	-	9.5%

32. Events after the reporting date

In December 2015, the Bank's Shareholder approved the resolution to increase the share capital by UAH 686,000 thousand to UAH 1,521,000 thousand. Following this decision, the Bank and the Shareholder entered into the Agreement for purchase of shares dated 3 February 2016 and the full value of additional shares of the Bank was paid. Currently the process of registration of the share capital increase is in place with the NBU and the National Securities and Stock Market Commission.

On 1 February 2016, the Bank's Shareholder decided to appoint the new Supervisory Board, composed of the world's leading economists and financiers. Four of the six members of the Board are independent members of the Supervisory Board, two - the direct representatives of the Shareholder.

In March 2016, balances in a bank of one European countries that is not a part of the OECD, amounting to USD 18,088 thousand and EUR 10,107 thousand (together - the equivalent of UAH 699,165 thousand), that as of 31 December 2015 were classified as "Other financial assets", were repaid in full in accordance with the schedule of the Bank's financial recovery program, approved by the Supervisory Board.

On 31 March 2016, the Bank submitted to the NBU the Action Plan to address violations of economic regulations, including the Assets Restructuring Plan and the Action Plan to bring the maximum credit risk on transactions with related parties of the Bank in line with regulatory requirements, under which the Bank plans to eliminate the violation of economic regulations up to 1 January 2019. As at the date of these financial statements the aforementioned documents are pending in the NBU.