PJSC "Universal Bank"

Annual Financial Report and Auditor's Report

31 December 2015

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Statement of financial position (Balance) of PJSC "Universal Bank" as of December 31, 2015

(*In thousands of Ukrainian hryvnias*)

	Note	December 31, 2015	December 31, 2014
ASSETS			
Cash and cash equivalents	6	623 097	381 430
Mandatory reserves in the National Bank of Ukraine		82 493	98 573
Financial assets at fair value through profit or loss	7	47 510	349 906
Due from banks	8	-	852
Loans and advances to customers	9	3 752 276	4 581 668
Securities available for sale	10	1 006 664	670 870
Securities held to maturity	11	-	5 366
Investment property	12	48 560	67 161
Receivables in respect of current income tax		4 305	571
Deferred tax asset		16 446	59 426
Property, equipment and intangible assets	13	155 909	157 716
Other financial assets	14	3 023	2 136
Other assets	15	60 314	84 865
Non-current assets held for sale and assets of disposal group	16	1 052	-
Total assets		**5 801 649**	**6 460 540**
LIABILITIES			
Due to banks	17	1 338 920	2 142 266
Due to clients	18	3 231 475	2 973 354
Other borrowed funds	19	1 008	1 397
Current income tax liability		2	498
Provisions for liabilities	20	32	704
Other financial liabilities	21	532 797	200 168
Other liabilities	22	36 581	36 658
Subordinated debt	23	-	314 683
Total liabilities		**5 140 815**	**5 669 728**
EQUITY			
Share capital	24	1 175 672	1 162 672
Share premium	24	1 375 440	887 485
Unregistered contribution to share capital	24	1 883 232	500 781
Retained earnings (uncovered loss)		(1 763 791)	(1 326 213)
Result for the year		(2 009 719)	(437 578)
Revaluation reserve	25	-	3 665
Total equity		**660 834**	**790 812**
Total liabilities		**5 801 649**	**6 460 540**

Approved for issue and signed
«14» April 2016

Chairman of the Board Igor Volokh

Chief Accountant Serhiy Zarozhevskyi

Prepared by: Zarozhevskyi S.V.
Tel. 391-57-08

Profit or loss and other comprehensive income (Income Statement)
PJSC "Universal Bank" for the year 2015

(*In thousands of Ukrainian hryvnias*)

	Note	2015	2014
Interest income	27	441 219	620 283
Interest expense	27	(332 415)	(377 777)
Net interest income		**108 804**	**242 506**
Fee and commission income	28	73 021	53 089
Fee and commission expense	28	(17 198)	(13 629)
Result from operations with financial assets at fair value through profit or loss		51 636	82 668
Net gains from securities available-for-sale		(8 869)	420
Trading result from foreign currency sale to customers for loans repayment		(33 124)	-
Net gains from trading in foreign currencies		30 718	35 158
Net gains / (losses) from translation differences		15 515	55 386
Allowance for loan impairment	9	(1 802 673)	(409 547)
Charge of allowances for impairment of other assets	14, 15	(3 565)	(599)
Provisions for off-balance sheet commitments	20	672	(3 166)
Other operating income	29	30 964	15 801
Administrative and other operating expenses	30	(411 740)	(445 435)
Loss before tax		**(1 965 839)**	**(387 348)**
Income tax expenses	31	(43 880)	(50 230)
Loss for the year	**32**	**(2 009 719)**	**(437 578)**
OTHER COMPREHENSIVE (LOSS) / INCOME THAT MAY BE RECLASSIFIED INTO PROFIT / (LOSS):			
Unrealized gains / (losses) on investment securities available for sale	25	(4 564)	8 900
Income tax relating to other comprehensive (loss) / income	25	899	(1 332)
Other comprehensive income / (loss) for the year, net of tax	25	(3 665)	7 568
Total comprehensive loss for the year		**(2 013 384)**	**(430 010)**
Profit / (loss) attributable to:			-
owners of the Bank		(2 009 719)	(437 578)
Total comprehensive income / (loss) attributable to:			-
owners of the Bank		(2 013 384)	(430 010)
Income / (loss) per share from continuing activity, UAH	32	(17.14)	(3.76)
Earnings per share, UAH		**(17.14)**	**(3.76)**

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Statement of changes in equity
PJSC "Universal Bank" for the year 2015

(*In thousands of Ukrainian hryvnias*)

	Note	Attributable to owners of the Bank					Total equity
		Share capital	**Unregistered contribution to share capital**	**Share premium**	**Reserves, other funds and revaluation reserve**	**Retained earnings**	
Balance as of 1 January 2014		**1 162 672**	**-**	**887 485**	**24 083**	**(1 354 199)**	**720 041**
Unregistered contribution to share capital		-	500 781	-	-	-	500 781
Comprehensive loss for the year	25	-	-	-	7 568	(437 578)	(430 010)
Use of reserves to cover losses		-	-	-	(27 986)	27 986	-
Balance as of December 31, 2014		**1 162 672**	**500 781**	**887 485**	**3 665**	**(1 763 791)**	**790 812**
Unregistered contribution to share capital		13 000	1 382 452	487 955	-	-	1 883 407
Comprehensive loss for the year	25	-	-	-	(3 665)	(2 009 719)	(2 013 384)
Balance as of December 31, 2015		**1 175 672**	**1 883 232**	**1 375 440**	**-**	**(3 773 510)**	**660 834**

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Statement of cash flow (indirect method)
PJSC "Universal Bank" for the year 2015

(*In thousands of Ukrainian hryvnias*)

	Note	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss for the year		(2 009 719)	(437 578)
Adjustment of net loss to the amount of net cash flows from operations			
Depreciation	12,13	21 584	20 663
Net increase / (decrease) in impairment allowances for assets	9,14,15	1 256 620	846 958
Accrued incomes		(274 794)	(174 093)
Accrued expenses		44 618	5 867
Current and deferred tax	31	43 880	47 581
Amortization of discounts and premiums of financial instruments		(14 454)	(20 104)
Other non-cash flows		(18 546)	(510 874
Net cash from / (used in) before changes in operational assets and liabilities		**(950 811)**	**(221 580)**
Changes in operational assets and liabilities			
Net (increase) / decrease from financial assets at fair value through profit or loss		293 409	(39 736)
Net (increase) / decrease in due from other banks		16 932	49 645
Net (increase) / decrease in loans and advances to customers		(39 221)	1 003 105
Net (increase) / decrease in other financial assets		306	(921)
Net (increase) / decrease in other assets		(3 800)	8 767
Net increase / (decrease) in due to other banks		73 101	(606 009)
Net increase / (decrease) in clients accounts		(560 441)	(913 491)
Net increase / (decrease) in other financial liabilities		225 059	45 639
Net increase / (decrease) in other liabilities		9 453	16 689
Net cash from / (used in) operating activities		(**936 013)**	**(657 892)**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of securities held for sale		(825 000)	-
Net (acquisition) / proceeds from securities available-for-sale		473 072	316 457
Net (acquisition) / proceeds from securities held to maturity		5 275	5 238
Acquisition of premises, equipment and intangible assets	13	(2 810)	(16 240)
Proceeds from disposals of premises and equipment		5 960	18 590
Acquisition of investment property		-	(7 263)
Proceeds from disposals of investment property		8 500	270
Acquisition of intangible assets	13	(4 265)	(7 865)
Net cash from investing activities		**(339 268)**	**309 187**

Statement of cash flow (indirect method)
PJSC "Universal Bank" for the year 2015

CASH FLOWS FROM FINANCING ACTIVITIES			
Other borrowed funds		(379)	671
Subordinated debt		(455 014)	(289 746)
Ordinary shares placement	24	1 883 407	500 781
Net cash from / (used) in financing activities		**1 428 014**	**211 705**
Effect of exchange rate changes on cash and cash equivalents		88 932	36 267
Net influx (decrease) in cash and cash equivalents		**241 665**	**(100 733)**
Cash and cash equivalents at the beginning of the year	6	**381 430**	**482 163**
Cash and cash equivalents at the end of the year	6	**623 095**	**381 430**

Approved for issue and signed

«14» April 2016

Chairman of the Board Igor Volokh

Prepared by: Zarozhevskyi S.V.
Tel. 391-57-08

Chief Accountant Serhiy Zarozhevskyi

1. Bank details

Name and address of the Bank: PJSC "Universal Bank" (hereinafter - the "Bank") is registered and located in Ukraine at 54/19 Avtozavodska St., 04114 Kyiv, Ukraine.

Name and address of the parent company: the direct owner of a substantial shareholding in the authorized capital of PJSC "Universal Bank" is ERB New Europe Holding B.V., holding 117,526,757 of the ordinary registered shares of PJSC "Universal Bank", representing 99.9656% of the authorized capital of PJSC "Universal Bank". It is located at Herengracht 500, 1017 CB, Amsterdam, the Netherlands.
An indirect substantial shareholding in PJSC "Universal Bank" is exercised by Eurobank Ergasias S.A. The said joint stock company directly owns 100% of the authorized capital of ERB New Europe Holding B.V.. It is located at Othon 8 St., 10557 Athens, Greece.

Name of largest parent company of the group: PJSC "Universal Bank" is not a member of the banking group.

Organizational and legal form of the Bank: public joint stock company.

Registration date: January 20, 1994.

Principal activity: PJSC "Universal Bank" is a universal bank performing all types of banking operations providing its clients - legal entities and individuals - with a broad range of services under License No 92 issued by the National Bank of Ukraine, dated October 10, 2011. According to the Charter, Bank is established for providing the full scope of domestic and international banking services to the legal entities and individuals, including banking operations related to the commercial, investment, deposit and other kinds of activities allowed according to the Ukrainian Law.

The Bank's specialization: a universal bank.

Strategic goal of the Bank: the Strategy of the Bank is strengthening its position on the market, maintaining long-term relationships with clients, successful competition with other financial and credit institutions.

According to the Bank's Development Strategy for 2012-2015, the central goal of the Bank is improvement of its share in the banking sector of Ukraine. To manage effectively its risks and protect the interests of its clients, the Bank observes its prudential regulations and provision creation policy.

Characteristic of the Bank's business: PJSC "Universal Bank" provides a full scope of banking operations and services, ensuring fast and high quality service in every organizational unit and outlet. The Bank is a business standing on the principles of liquidity and solvency. The Bank is trying to run business effectively, operating on generally accepted management standards and best banking practices, independent lending policy, and providing banking services of the highest level. The Bank forms its lending policy, trying to make it as effective as possible from the viewpoint of the risks it assumes, promoting the national economy, and satisfying the demand of its clients for lending resources. Overcoming the global financial crisis, the Bank tried to maintain liquidity, solvency and asset quality ratios.

PJSC "Universal Bank" conducts its business working with contractors in various sectors of economy: banks, non-banking financial institutions, business entities of various ownership forms, and individuals. To ensure excellent service for its clients, and quick performance of any operations on client instructions, PJSC "Universal Bank" has established correspondent relations with other Ukrainian and foreign banks, through which the bank customers, both residents and non-residents, are served.

PJSC "Universal Bank" is a **participant of the Individuals' Deposit Guarantee Fund** (certificate of Fund participant No. 24 dated 08 September 2009).

As at 31 December 2015, the Bank has 44 outlets in Ukraine (2014: 47 outlets).

During 2015, the average number of full-time employees of the Bank amounted to 712 persons (in 2014 - 824 employees).

A part of management in the Bank's share capital: The management of the Bank is not the owner of the Bank's shares.

Qualifying shareholding in the Bank: As of December 31, 2015 the direct owner of the qualifying shareholding in the PJSC "Universal Bank" was ERB New Europe Holding B.V. with ownership of 117 526 757 registered ordinary shares of PJSC "Universal Bank" which constitutes 99,9656% of the share capital of the PJSC "Universal Bank". The registered address of actual location is Naritaweg 165, 1043 BW Amsterdam, the Netherlands.

Indirect owner of qualifying shareholding in the PJSC "Universal Bank" is Eurobank Ergasias S.A. This company has direct ownership of 100% of the share capital of ERB New Europe Holding B.V. The registered address of actual location is Ohton 8, Str. 10557, Athens, Greece.

Foreign investors (companies and countries) and their parts in the share capital: As of December 31, 2015 the direct owner of the qualifying shareholding in the PJSC "Universal Bank" was ERB New Europe Holding B.V. with ownership of 117 526 757 registered ordinary shares of PJSC "Universal Bank", with a nominal value of UAH 1,175,267

570.00, which constitutes 99,9656% of the share capital of the Bank. The registered address of actual location is Naritaweg 165, 1043 BW Amsterdam, the Netherlands.

ERB New Europe Holding B.V. is a private limited liability company registered and operating under the law of the Netherlands. This company is a part of a group of companies which is controlled by Eurobank Ergasias S.A. since March 2007, when the Eurobank Ergasias S.A. has acquired 100% its share capital.

ERB New Europe Holding B.V. is the owner of 99% of the share capital of ERB Property Services Ukraine LLC.

In May 2014, following the completion of the Eurobank's share capital increase fully covered by investors, institutional and others, the percentage of the ordinary shares with voting rights held by the Hellenic Financial Stability Fund (HFSF), the controlling shareholder of the Bank until that date, decreased from 95.23% to 35.41%. Accordingly, as of that date HFSF was considered to have significant influence over the Bank. In November 2015, following the completion of the Eurobank's share capital increase, fully covered by investors, institutional and others, the percentage of the ordinary shares with voting rights held by HFSF decreased to 2.38%.

In the context of the Greek Law 3864/2010, as in force, HFSF exercises its voting rights in the Bank's General Assembly only for decisions concerning the amendment of the Bank's Articles of Association, including the increase or decrease of the Bank's capital or the granting of a corresponding authorization to the Bank's Board, decisions concerning the mergers, divisions, conversions, revivals, extension of duration or dissolution of the Bank, the transfer of assets, or any other issue requiring approval by an increased majority as provided for in Company Law 2190/1920. In addition, the Bank has entered into a new Relationship Framework Agreement (RFA) with the HFSF on 4 December 2015 replacing the previous one, signed on 26 August 2014. Taking into account the terms of the revised RFA, the HFSF is still considered to have significant influence over the Bank.

Adoption of financial statements for release: Financial statements for the year ended on December 31, 2015 was adopted for release on April 14, 2016.

2. Economic environment in which the Bank operates

The country has signs of a developing market. These signs include, but not limited to, circulation of currency not freely convertible outside of Ukraine, hard currency control and high inflation. The tax and customs legislation in Ukraine features ambiguous interpretations and may be amended frequently. The management is unable to predict all directions of the situation development, as they can affect the banking sector and, consequently, the financial position of the Bank.

Adverse fluctuations in economic conditions and the decline of trust adversely affect the development of the banking system of Ukraine. The number of the banking market players has changed. At the beginning of 2016, 117 banks have an NBU license for banking operations, which is 46 fewer than in 2014.

The future development of Ukraine's economy is largely dependent on the efficiency of economic, financial and fiscal activities of the Government, together with improvement in tax, legal, regulatory and political spheres.

Standard&Poor's confirmed the long-term and short-term credit rating of Ukraine at B-/B. On a national scale, uaBBB-rating was confirmed with a stable outlook. At the same time, S&P affirmed the long-term and short-term sovereign ratings of Ukraine in the national currency at B-/B.

Overall, the real GDP decrease by 12% yoy is observed. During 2015, there was a significant decline in investment activity, especially in the mining and construction industries, a significant reduction in external situation; a positive trend was seen only in agriculture. This reduction has a significant impact on the Bank because of reduced customer activity and decline in their operations.

As of December 31, 2015, the National Bank official exchange rate of hryvnia versus the US dollar was UAH 24.000668 per USD 1 compared to UAH 15.769 per USD 1 as of December 31, 2014. According to the State Statistics Service of Ukraine, the industrial output in 2015, in comparison with 2014, decreased by 13.4%, and the consumer inflation rose to 43.3%.

The economic conditions continue to limit the activity in financial markets. The exchange rates at generally illiquid markets may not reflect the real value of financial instruments, which should be determined by an effective market, willing buyers and willing sellers.

The credit activity during 2015 was still low, due to a relatively low level of the borrower's solvency. During 2009-2015, the domestic banking system has accumulated a significant amount of bad debts, the volumes of which constitute about 22.1% of the loan portfolio. Given the slow pace of issuing new loans, it is expected that the future quality of the loan portfolio of the banking sector will improve mainly due to formation of reserves for adversely classified assets and their write-off by banks. The main methods of bad debts managing are sale of collateral and credit transfer to the collection companies. The market of Ukraine has low liquidity on many types of collateral, especially mortgage. Consequently, the actual realizable value of the asset in the future may differ from the value taken into account when assessing the impairment provisions at the end of the reporting period.

The Bank borrowers are adversely affected by unstable financial and economic environment, including the devaluation of the national currency during the reporting year. Since a part of loans was issued to customers in foreign currencies, UAH depreciation against these currencies has a significant impact on the borrowers' ability to service the credits. To date, the Bank management assesses the credit impairment with due regard to these risk factors.

During 2015, the Bank increased the authorized capital via a private placement of 1,300,000 ordinary registered shares funded by shareholders. In addition, during 2015 the Bank shareholders have decided to increase the bank capital by UAH 1,927,000 th. and made contributions to the unregistered authorized capital in the amount of UAH 1,883,232 th..

The Bank resources not recognized in the Statement of Financial Position as of 31 December 2015 under IFRS are unavailable.

In terms of the current economic environment, the Bank expects the improvement of financial results from focusing on transactional business with new corporate customers (in the segment of small and medium enterprises) and deeper penetration into the retail business, combined with strict control and optimization of operational costs.

These financial statements reflect the management assessment of the impact of business conditions in Ukraine on the Bank operations and financial position and is prepared on the basis of assumptions about the Bank's ability to remain a going concern. However, the future business environment may differ from the management estimates and may require further support by a shareholder. It is difficult to assess the impact of further instability of the currency and stock markets on financial position of the Bank with an acceptable level of reliability. The management believes that it takes all required measures to support the sustainable development of the Bank and to improve its liquidity positions in the circumstances.

Position of the Eurobank Group

In 2015, the macroeconomic environment in Greece has been very challenging for the Greek banking system. In the first half of the year, the prolonged uncertainty relating to an agreement with the Eurozone partners over the implementation of the required reforms for the conclusion of the Second Economic Adjustment Program, the unsuccessful expiration of the former, the tightened liquidity conditions due to the financing problems of the Greek State and the significant deposit outflows – already observed from late 2014 – led to the imposition of restrictions in banking transactions (capital controls) together with a temporary bank holiday on 28 June 2015. In mid - August the Greek Government reached a final agreement with its European partners on a new 3-year European Stability Mechanism (ESM) program – the Third Economic Adjustment Program (TEAP) - with a ca € 86 bn financing envelope and a series of reforms aiming to restore fiscal sustainability, safeguard financial stability, enhance growth, competitiveness and investment and develop a modern state and public administration. The Greek Government managed to complete two sets of prior actions from the program at the end of November and December 2015. By mid - December 2015, the systemic banks' recapitalization was completed with only ca € 5.4 bn used from the initial buffer of up to €25 billion. The unused funds were subtracted from the ESM loan, reducing it to ca € 64.5 bn as of the end of January 2016. The review of Greece's reform programme by international creditors is currently pending. A swift completion of the program review may alleviate significantly the macroeconomic and sovereign uncertainties.

After the gradual normalization of the economic and political situation in Greece and following the Eurobank Ergasias S.A. successful recapitalization, the Group enhanced its liquidity position and reduced its dependence on Eurosystem funding.

In accordance with the agreement with the European partners, the authorities are committed to preserving sufficient liquidity in the banking system, as long as Greece meets its obligations under the ESM program. The decisive implementation of the measures agreed in the context of the new ESM program will permit European Central Bank (ECB) to reinstate the waiver for the instruments issued by the Hellenic Republic and will signal the gradual repatriation of deposits in the banking system, which is a major priority for the Group, and the further re-access to the markets for liquidity.

On 31 October 2015, the ECB announced the results of the comprehensive assessment (CA) based on which the lowest shortfall across Greek banks was identified for the Bank. Following the CA results and in line with the new recapitalization framework introduced by Law 4340/2015, the Bank proceeded to a capital increase of € 2,039 million, which was covered exclusively from the markets. As a result, the Group strengthened further its capital base and its CET1 ratio stood at 17% at the end of December 2015.

3. Basis of financial statements presentation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention, with the exception for some financial instruments valued at their fair value as required by International Accounting Standard (further referred to as IAS) 39 "Financial Instruments: Recognition and Measurement."

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented in the financial statements, unless otherwise noted.

To view the reporting data under IFRS for 2014, the method of transformation was used.

During 2015, the transition to IFRS in accounting registers was performed. As a result of the transfer, the bank restored the assets previously written off under the rules of the NBU, meeting the recognition criteria under IFRS, on the balance. Since the reporting for 2015, the transformation method is no longer applied.

Accounting Bank is subject to regulatory requirements for accounting and financial reporting in banks Ukraine set the rules of the National Bank of Ukraine in accordance with IFRS.

The functional currency for these financial statements is Ukrainian hryvnia (hereinafter - UAH).

These financial statements are presented in thousands of Ukrainian hryvnias unless otherwise stated.

4. Accounting policies

4.1 Basis of financial reporting

Depending on their classification, financial instruments are measured at initial value, fair value or amortised cost.

Cost is the amount of cash or cash equivalents paid or the fair value of the other resources given to acquire an asset at the time of its acquisition and includes transaction costs. Measurement at cost is only applicable to investments in equity instruments that do not have a quoted market price and whose fair value can not be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs, internal administrative or holding costs.

Fair value is the is the amount for which an asset could be exchanged, or which can be used to regulate the liability in the course of transaction on general terms between knowledgeable non-related parties, acting on a voluntary basis. Fair value is the current bid price for financial assets and the current ask price for financial liabilities which are quoted in an active market. For assets and liabilities with offsetting market risks, the Bank may use mid-market prices as a basis for establishing fair values for the offsetting risk positions, and apply the bid or ask price to the net open position as appropriate. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange or other institution, and those prices represent actual and regularly occurring market transactions carried out on general terms.

To determine the fair value of financial instruments investments for which no information on market prices is available from external sources, the Bank uses such valuation techniques as discounted cash flow analysis, assessment models, based on data of past transactions between non-related parties and analysis of financial information of the investment instruments. Valuation techniques may require assumptions not supported by observable market data. Disclosures are made in these financial statements in cases when changing any such assumptions to a reasonably possible alternative would result in significantly different profit, income, total assets or total liabilities.

Amortised cost of a financial asset or a financial liability is the amount at which the financial asset or the financial liability was recognized at initial recognition less the received or paid funds (principal repayments, interest income (expense) and other fee deferred at origination of a financial asset or a financial liability), Increased or decreased by the amount of cumulative amortization of the difference between the initially recognized amount and the financial instrument maturity amount, as well as reduced by the amount of a recognized asset impairment.

The effective interest method is a method of calculation of amortized cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and allocating interest income or interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount (amortized cost) of this instrument.

4.2 Initial recognition of financial instruments

The Bank recognizes financial assets and liabilities in its balance sheet when it becomes a party to an agreement related to the given instrument.

During the initial recognition of a financial instrument (financial asset or financial liability), the Bank shall measure the provided financial instruments at fair value.

Transaction costs directly attributable to the recognition of financial instruments, namely the commission fees paid to agents, advisors, brokers, duties of regulatory bodies, stock exchanges etc. shall be included by the Bank into the amount of discount (premium) for this financial instrument. The amount of discount (premium) is amortizes by the Bank during the term of the financial instrument using the effective interest rate at least once a month (except for financial instruments at fair value through profit or loss); the amount of discount/premium must be fully amortized at maturity/return of the financial instrument.

The Bank classifies financial instruments by the following categories: cash and cash equivalents, financial assets recognized at fair value through profit or loss, loans and receivables, financial assets for sale and financial liabilities.

4.3 Impairment of financial assets

At the end of each reporting period, the Bank determines whether there is objective evidence of impairment of financial assets or group of financial assets. A financial asset or group of financial assets is impaired in case there is any objective evidence of impairment as a result of one or more events that occurred after the initial recognition of a financial asset ("loss events") and such loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that are estimated reliably.

The objective evidence of impairment is available information which draws attention to the holder of the asset and the following loss events: significant financial difficulties experienced by the issuer or debtor; defaults under the agreement or overdue arrears in the payment of interest or principal; the probability of bankruptcy or other financial reorganization of the borrower; the disappearance of an active market for that financial asset because of financial difficulties and the availability of information about a significant reduction in the estimated future cash flows from the assets, including changes in arrears (increase in the number of late payments) or economic conditions that correlate with the failure to fulfill obligations.

The financial assets on which the impairment is recognizes include the loans and advances to other banks, as well as receivables.

The Bank recognizes bad debts and write them off due to its existing reserves when they meet the following criteria:

- Debt in relation to which the period of limitation has expired and settlement failed for at least three years;
- Overdue debts of the deceased, in the absence of its ancestral property which may be seized;
- Overdue debts of individuals forgiven by the creditor;
- Debt of an individual and legal entity not repaid due to insufficient amount of assets, provided that the enforcement actions on the debtor's property did not result in full debt repayment;
- Cancellation proceedings when their costs exceed the amount of penalties;
- Debt collection, which became impossible due to the force majeure and so on.

The other non-financial assets, other than deferred taxes, are assessed at each reporting date in terms of the existence of evidence of impairment. The recoverable amount of nonfinancial assets is the greater of their fair value less the cost to sell or value in use. When assessing the value in use, the estimated future cash flows shall be discounted to their present value using a pre-tax discount rate reflecting the current market assessments of the value of money over time and risks specific to the asset.

The impairment losses of financial assets are not recognized in profit or loss.

4.4 Derecognition of financial assets

The Bank derecognises financial assets when (i) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (ii) the Bank has transferred substantially all the risks and rewards of ownership of the assets or (iii) the Bank has neither transferred nor retained substantially all risks and rewards of ownership but has not retained control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated party without needing to impose additional restrictions on the resale.

As for derecognition of liabilities, the bank shall exclude a liability from the balance sheet when it is repaid, that is when the liability is liquidated or canceled or expired. A financial liability shall be liquidated when the debtor fulfills the obligation by paying to the creditor, usually by cash or other financial assets, or is legally released from the primary responsibility for the obligation by the creditor or as a result of a court process.

The transfer of financial instruments requires that the Bank either: (i) transferred the contractual rights to receive the cash flows from the instrument; or (ii) retained the right to receive the cash flows of the asset, but has not assumed an obligation to pay the same to a third party. After such transfer, the Bank shall assesses the extent to which it retained the risks and rewards of ownership of the transferred instrument. If the risks and rewards have been retained, the instrument shall remain in the statement of financial position. Otherwise, the instrument shall no longer be recognized.

4.5 Cash and cash equivalents

Cash and cash equivalents include cash on hand, unrestricted balances on correspondent and term deposit accounts with the National Bank of Ukraine with an original maturity up to 90 days, except for margin deposits for operations with plastic cards and government securities denominated in hryvnia, carried at fair value through profit or loss, and which can be freely converted to cash within a short time. In preparing the statement of cash flows, the minimum reserve deposits in the National Bank of Ukraine is not included in a cash equivalent due to restrictions on its use.

4.6 Mandatory reserves in the National Bank of Ukraine

Mandatory reserves in the National Bank of Ukraine are interest or non-interest bearing reserve deposits that are not available to fund daily operations and initially recognised at historical cost and subsequently carried at amortised cost. Accordingly, they are not included in cash and cash equivalents for the purposes of these financial statements. Cash and cash equivalents are carried at amortised cost.

4.7 Financial assets recognized at fair value through profit or loss

The financial assets measured at fair value through profit/loss include:

debt securities, shares and other financial investments held in the trading portfolio and those defined by the bank as measured at fair value subject to revaluation reflection through profit/loss at initial recognition. Any other securities and other financial investments purchased to be sold in the near future and generate a profit from short-term fluctuations in price or dealer's margin, as well as financial investments forming a part of portfolio of financial instruments upon initial recognition, managed together and for which there is evidence of actual short-term profit.

Trading securities are securities acquired in order to make profit from short-term fluctuations in price or dealer's margin, or securities included in a portfolio where there is a tendency of short-term profits. The bank classifies securities as trading in cases where it intends to sell them within a short period after purchase. The trading securities are not transferred from this category even when the Bank's intentions subsequently change.

The financial assets recognized at fair value through profit or loss are initially recognized at fair value. The interest earned on financial assets at fair value, calculated using the effective interest method, is presented in the income statement as interest income in the period which they arise. The dividends are included in dividend income within the other operating income when the Bank establishes its right to receive dividends. All other elements of changes in fair value and gains or losses from derecognition are included in the income statement as gains less losses from trading securities for the period in which they arise.

4.8 Due from banks

In the normal course of its business, the Bank provides loans to and places deposits with other banks for various periods. The initial recognition of funds due from banks is carried out at amortized cost using the effective interest method. The amounts due from credit institutions are recognized net of provision for impairment losses.

4.9 Loans and advances to customers

The loans granted to customers are financial assets, which are not derivatives, with fixed or determined payments, not quoted in an active market, excluding the assets classified as the other categories of financial assets.

Loans granted by the Bank are initially recognized at fair value, plus related transaction costs. In cases where the fair value of consideration given is not equal to the fair value of the loan, for example where the loan is issued at rates below the market ones, the difference between the fair value of consideration given and the fair value of the loan is recognized as a loss on initial recognition of the loan and is included in the income statement according to the nature of these losses. Subsequently, the loans are recognized at amortized cost using the effective interest rate method.

Accordingly, the transaction costs are included in the calculation of interest income or interest expenses using the effective interest rate.

Any differences arising between the amount of interest income (expenses) recognized at the effective interest rate and income (expenses) on financial instruments accrued at a nominal interest rate are recorded at accounts of unamortised discount (premium) in correspondence with accounts of interest income (expenses). The difference between the fair value of a financial asset and contract value under transactions with bank shareholders is recognized in capital on the accounts of class 5 and is included in installments in retained profit (loss) during the period of its retention or during the financial instrument disposal.

Write-off of loans and advances

In case of lack of possibility to return loans and advances, they are written off against the provisions for impairment losses based on the decision of the Management Board. Such decisions are taken after management had exercised all available possibilities to collect amounts due and after all available collateral was sold.

Impairment of financial assets carried at amortised cost

Impairment losses are recognised in the profit and loss statement when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If the Bank determines that no objective evidence exists that impairment incurred for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows for a group of financial assets collectively assessed for impairment are estimated on the basis of the contractual cash flows of the assets and the past experience of management in respect of the extent to which amounts will become overdue as a result of past loss events and the success of recovery of overdue amounts. Past experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect that period, on which the historical loss experience is based, and to remove the effects of past conditions that do not exist currently.

Impairment losses are recognised through an allowance account to write down the asset's carrying amount to the present value of expected cash flows (excluding future credit losses that have not been incurred) discounted at the original effective interest rate of the asset. When the loan or receivables have a variable interest rate, the discount rate for the evaluation of any impairment loss is a current effective interest rate. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of reduction is reflected in the income statement.

Uncollectible assets are written off against the related impairment loss allowance after all the necessary procedures to recover the asset were completed and the amount of loss was determined.

It is necessary to understand that the amount of allowance for loan loss impairment is calculated based on professional judgments. Although there is a probability that for certain time periods the Bank may suffer from losses amount of which is substantial in relation to the provision for impairment losses, To management's opinion the allowance for impairment is adequate to cover losses from risky assets.

Restructuring of loans and customers' debts

The bank tries, whenever possible, rather than taking possession of collateral, revise the terms of loans to customers, e.g. to extend the repayment deadlines, and approves the new loan conditions.

Such restructuring is accounted as follows:

- when the loan currency is changed, the old loan is derecognized, and a new loan is considered instead;
- when the restructuring is not caused by financial difficulties of the borrower, the Bank uses an approach similar to the approach to financial obligations;
- if the restructuring is due to financial difficulties of the borrower and the loan is declared depreciated after restructuring, the Bank recognizes the difference between the present value of future payments of cash flows under the new terms of the contract, discounted using the original effective interest rate, and the carrying amount prior to restructuring as a part of allocations to provisions for impairment during the reporting period.

If the credit is not impaired as a result of restructuring, the Bank recalculates the current effective interest rate.

Once the credit terms have been renegotiated, the credit is no longer considered past due. The management continuously reviews the renegotiated credits in order to ensure compliance with all criteria and the possibility of future payments. These credits continue to be assessed for impairment on an individual or group basis; their replacement value is calculated using the original or current effective interest rate on the loan.

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 can be made of the amount of the obligation.

Credit related commitments

The Bank enters into credit related commitments, including letters of credit and financial guarantees. Financial guarantees represent irrevocable obligations to make payments in the event that a client fails to meet its obligations to third parties. Financial guarantees carry the same credit risk as loans. Financial guarantees and commitments to provide a loan are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the commitment, except for commitments to originate loans if it is probable that the Bank will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination. Such loan commitment fees are deferred and included in the carrying value of the loan on initial recognition. At each balance sheet date, the credit related commitments are measured at the higher of (i) the unamortised balance of the amount at initial recognition and (ii) the best estimate of expenditure required to settle the commitment at the balance sheet date.

4.10 Financial assets held for sale

The financial assets held for sale represent investments in debt securities and shares intended to be held for an indefinite period. Such securities are initially recognize at fair value. Subsequently, the securities are measured at fair value, subject to referral of revaluation result directly to the capital until they are sold, while the profit/loss previously recorded in the capital will be recognized in the income statement, except for impairment losses, profits or losses from foreign exchange transactions and interest income accrued using the effective interest method, recognized directly in the income statement.

To determine the fair value of investments available for sale, the Bank uses the quoted market prices.

If the active market for investments is unavailable, the Bank establishes the fair value using the valuation techniques. The valuation techniques include the discounted cash flow analysis. For investments with no active market, the valuation techniques include using the recent market transactions between knowledgeable, willing parties, reference to the current fair value of another virtually identical instrument and pricing option models. If there is a valuation technique commonly used by the market participants to determine the instrument price and there is evidence that this technique provides reliable estimates of prices obtained during the actual market transactions, the Bank uses such technique. The interest received from securities is included in the interest income from securities in the income statement.

The non-market debts and equity securities are carried at amortized cost and cost, respectively, less the impairment losses, if any, unless their fair value can be measured reliably.

When there is objective evidence of securities impairment, the cumulative loss previously recognized in equity is removed from equity and recognized in the income statement for the period. The reversals of impairment losses on debt instruments objectively related to events occurring after the impairment are recognized in the income statement for the period. Reversals of such impairment losses on equity instruments are not recognized in the income statement.

4.11 Securities repurchase and reverse repurchase agreements

In the course of its business, the Bank enters into sale and purchase back agreements (hereinafter - "repos"), as well as an agreement on purchase and sale back of financial assets (hereinafter - the "reverse repos"). Repos and reverse repos are utilized by the Bank as part of its liquidity management and trading operations with securities.

Repurchase agreement is an agreement to transfer a financial asset to another party in exchange for cash or other consideration and a concurrent obligation to reacquire the financial assets at a future date for an amount equal to the cash or other consideration exchanged plus interest. These agreements are accounted for as financing transactions. Financial assets sold under repos are retained in the financial statements, and consideration received under these agreements is recorded as due to banks.

Assets purchased under reverse repos are recorded in the financial statements as loans to clients.

In the event that assets purchased under reverse repo are sold to third parties, the results of such operations are recorded within gains or losses included in net gains / (losses) on respective assets. Any related income or expense arising from the difference between the purchase and sale price of the assets is recognized as interest income or expense.

4.12 Financial assets held to maturity

The Bank accounts as held to maturity purchased debt securities with fixed payments or payments that can be identified, and with fixed maturity. Debt securities are classified as held to maturity if the Bank intends to hold them to maturity in order to receive interest income.

Purchased debt securities are recognized in the accounting in such components: nominal value, discount or premium, the amount of interest accrued at the date of acquisition. Transaction costs incurred on purchase of debt securities are included in the acquisition cost and carried on accounts of discount (premium).

The Bank continually assesses its intention and ability to hold the securities to maturity.

After initial recognition, debt securities held to maturity are stated at their amortised cost.

The Bank recognizes income and provides amortisation of discount (premium) on debt securities at least once a month using the effective interest method.

Debt securities held to maturity are subject to testing for impairment.

For securities held to maturity the Bank recognizes interest income, including amortization of discount (premium) using the accrual basis and the effective interest method.

Impairment of securities held to maturity is recognized by creating allowance in the amount of the excess of the carrying amount of securities over the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition).

4.13 Investment property

Investment property which includes office buildings, as well as office premises and residential real estate held for long-term rental income or income from the increase in property values, which is not used by the Bank.

Investment property is initially measured at its cost together with the cost of acquisition.

The cost of routine service, repair and maintenance of investment property is expensed as incurred.

After initial recognition the Bank subsequently measures investment property at its historical value (cost) less any accumulated depreciation and any impairment losses.

The initial cost is amortised over the useful life of investment property that is fixed in the act of commissioning.

Depreciation rates are shown in the table below:

Asset category	Annual rate%	Useful life, years	Useful life, months
Buildings (office premises, residential real estate)	1.25	80	960

The Bank derecognizes the investment property on disposal due to sale or transfer as a finance lease (lease), or when no future economic benefits are expected from its use or disposal.

Earned rental income is shown in the income statement within other operating income.

4.14 Property and equipment

Property and equipment are recognized at their cost, historical (actual price) as the amount of cash paid or fair value of other assets paid (transferred), spent for the acquisition (creation) of fixed assets. The cost of property and equipment include any costs, related to the delivery, installation, and commissioning of assets.

The carrying value of the acquired property and equipment is determined as the purchase price and other costs directly attributable to the acquisition and preparation of these assets to use.

The cost of acquisition of assets (acquisition cost) includes all costs associated with the acquisition (purchase price, including import duties, indirect taxes, if they are not reimbursed to the Bank), delivery, installation, construction, and putting into operation. Administrative and other expenses that are not directly associated with the cost of acquisition of the facility or bringing it to operation are not included in the original cost of the item.

The cost of improving the fixed assets, leading to an increase in the originally expected benefits from their use, increase the original cost of these assets. The cost of repairs and maintenance of the fixed asset is recognized as incurred. The cost of replacing the major parts or components of fixed assets is capitalized, and the residual value of the replaced part is expensed in the statement of comprehensive income for the reporting period.

Carrying (residual) value of property and equipment are determined at their original (historical) cost less the amount of accumulated amortization deductions.

During the operation property and equipment may be adjusted to their value in use (revaluated). Revaluation is carried out when the carrying value of property and equipment significantly differs from their value in use. Value in use is determined based on the evaluation by independent experts, producers' information, or organizations involved in the sale of fixed assets, as well as according to the price lists in newspapers that publish price information, provided by specific trade organizations, and in the absence of appropriate information (eg, assets that were already in operation) or in case of specific use of an asset, it is based on the assessments of independent experts.

The Bank uses the original value (cost) method, according to which the revaluation of non-current assets is not carried out.

Depreciation of non-current low-value tangible assets worth up to UAH 6 th. and maturity over a year is recognized in the first month of their use in the amount of 100 percent of their value.

Depreciation is charged on the carrying amount of property and equipment to write off the assets over their useful lives. It is calculated using the straight-line method.

Capital leasehold improvements are amortised over the useful life of the related leased asset. Expenses related to repairs and renewals are included in operating expenses at the time they are incurred if they do not meet the criteria for capitalization.

Depreciation rates are shown in the table below:

Asset category	Annual rate%	Useful lives, years	Useful lives, months
Buildings	1,25	80	960
ATMs	5	20	240
Computers and related equipment (computer workstations, servers, monitors)	11,12	9	108
Cash equipment (banknote counters, banknote detectors, other cash equipment	8,34	12	144
POS-terminals; notebooks; printers; scanners	14,29	7	84
Communication equipment (communication systems)	12,5	8	96
Telephones	25	4	48

Asset category	Annual rate%	Useful lives, years	Useful lives, months
Other computer appliances, telecommunications equipment, office appliances, communication appliances	20	5	60
Generators-stabilizers	5	20	240
Computer appliances, telecommunications equipment, office appliances, communication appliances, equipment for plastic cards	10	10	120
Owned cars	11,12	9	108
Cars in financial lease	0	according to the leasing agreement	0
Furniture, information facilities (indicator boards, stands, lights-boxes)	8,34	12	144
Safes, equipment	6,67	15	180
Other equipment (counters, exhibition stands, platforms)	25	4	48
Other property and equipment (security and fire alarm systems, others)	20	5	60
Low-value non-current tangible assets (LNTA)	100	in the first month of use	1
Completed capital investments in leased premises (other non-current tangible assets)	4	25	300

When determining the useful life of assets, the following was taken into account: experience with similar assets, current status of assets, repair and maintenance of assets.

At each balance sheet date, the impairment of fixed assets is recognized, if there is evidence of a possible loss of economic benefits, namely:

- during the period of operation, the market value of the asset has decreased much more than expected due to the passage of time or use;
- there have been (or will soon be) significant changes in the use of objects related to the negative impact of both external (technological, market, economic, legal) and internal factors (shutdown, restructuring, liquidation of asset prior to the previously expected date, etc.);
- market interest rates or other market rates of return on investment have increased, and such an increase might affect the discount rate applied when calculating the value of the asset in use;
- obsolescence or physical damage to facilities;
- economic efficiency is (or will be) lower than expected.

Loss from impairment of fixed assets is included in the costs of the reporting period, with the increase of the amount of depreciation in the balance.

When the signs indicating the recovery of fixed assets' usefulness are available, the amount of such recovery, but not greater than the amount of its previous reduction, is reflected as income recognition while decreasing the amount of fixed asset depreciation

The increase in the value of buildings as a result of revaluation is recognized directly in the other comprehensive income, except to the extent that it reverses a decrease in value as a result of the previous revaluation recognized in profit or loss. Reduction of the cost of building as a result of revaluation is recognized in profit or loss, except to the extent that it reverses the increased cost resulting from the previous revaluation, recognized directly in the other comprehensive income.

The residual value of an asset is the estimated amount that the Bank would have received at the moment of sale of the asset less the estimated costs of disposal, if the state and the life of the asset meet lifetime and condition expected at the end of its useful life. The residual value of the asset is zero if the Bank expects to use the asset until the end of its physical life. Assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

Gains and losses on disposals are determined by comparing the amount of revenue with carrying amount and are recognized in the income statement.

4.15 Intangible assets

Carrying amount of acquired intangible asset is determined as the purchase price and other costs directly attributable to the acquisition and preparation of intangible asset for operation.

The acquired (created) intangible assets are recognized at initial cost.

The initial cost of acquired intangible assets consists of the purchase price (less the trade discounts), customs duties, non-refundable indirect taxes, and other costs directly related to its acquisition and bringing to the condition suitable for the intended use.

Bank uses the straight-line method for amortization of intangible assets.

Amortization rates are shown in the table below:

Asset category	Annual rate%	Useful lives, years	Useful lives, months
The rights to use the property, trademarks and service marks, licenses without a specified validity	20	5	60
ABS Scrooge, Software Qualco, Ssron EMBARGO, BNA, CORTEX, Kondor + and licenses, Software for telephones	10	10	120
License for application Software "FLEXCUBE", "EPICOR Enterprise", "PRIME", Bussiness Object, I-Apply	9.09	11	132
Property rights on advertisement spools, pictures	8.34	12	144
Licenses for trade mark rights	5	20	240
Telephone numbers	14.93	6.7	80

Amortization is charged until the residual value of intangible asset is zero.

Amortization rates are set as a percentage of the carrying amount of each intangible asset available at the beginning of the month based on their useful lives and value of each item.

When conducting the mandatory annual stocktaking of intangible assets, the impairment test was performed. Bank did not identify a change in the expected economic benefits from the use of intangible assets, so the deadlines of the useful use of commissioned intangible assets were not reviewed. The impairment of intangible assets and fixed assets was not recognized by the Bank.

4.16 Operating and finance leases

In cases when the Bank is the lessee in a lease contract under which all risks and rewards related to the ownership of the asset are not transferred by the lessor to the Bank, the total lease payments are charged to the income statement in equal installments over the lease term.

Finance lease is a lease if it transfers substantially all the risks and rewards incidental to ownership. Property rights may or may not be further transferred.

A lease is classified as a finance lease when:

- title or other property rights to the asset are transferred to the lessee by the end of the lease term;
- the lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised;
- the lease term is for the major part of the economic life of the asset even if title is not transferred;
- at the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset;
- the leased assets are of such a specialised nature that only the lessee can use them without major modifications.

Objects of financial lease are acquired at their fair value stipulated by the financial leasing agreements.

The Bank has received motor vehicle and software application under the financial leasing agreements.

Finance charge under finance lease transactions are recognised in profit or loss statement under interest expenses.

The objects of leasing (rental) are subject to review for impairment.

The lease payments from the operating lease are recognized as costs on a straight line basis over the lease term and are included in operating expenses.

4.17 Non-current assets held for sale and assets of disposal group

The criteria for inclusion in non-current assets held for sale are as follows:

status of assets allows their immediate sale

a high degree of probability of their sale within one year upon classification

Expenses due to impairment on initial recognition of an object as held for sale are included in the calculation of costs during the reporting period, with the increase of the amount of depreciation of fixed assets and accumulated amortization of intangible assets in the balance sheet.

Transfer of fixed assets to the category of those held for sale, as well as recognition of impairment costs of such assets is carried out not later than on the day following the day of transfer.

The non-current assets held for sale are not depreciated.

During the subsequent accounting of fixed assets as held for sale, the Bank does not recognize the impairment expenses in the event of decrease in the fair value of non-current assets held for sale and does not recognize the recovery of usefulness in the event of an increase in the fair value of such objects since their recognition in the Bank balance sheet until termination of their recognition, and recognizes the income or expenses at the date of derecognition of such non-current assets in the Bank balance sheet.

At the date of derecognition of non-current assets held for sale, the Bank recognizes income/expenses from disposal of assets.

4.18 Derivatives financial instruments

Derivative financial instrument (derivative) is a financial instrument having all three characteristics set forth below:

- Its value changes in response to the replacement of a specified interest rate, financial instrument price, prices of consumer goods, exchange rate, index of prices or rates, credit rating or credit index;
- Requires no initial net investment or requires initial net investment smaller than those which would be required for other types of contracts having a similar response to changes in market conditions;
- It is repaid at a future date

Derivative financial instruments, including forward contracts on securities and currency swaps are carried at fair value.

All derivatives are initially carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in fair value of derivative financial instruments are recognised through profit or loss.

The transaction costs are determined by the accounts of expenses on their initial recognition. Transaction costs do not include a discount or premium on forward and option contracts.

At each subsequent balance sheet date after initial recognition, the derivative financial instruments are measured at fair value without any transaction costs.

Revaluation of derivative financial instruments, which are exchange instruments, is carried out based on results of each exchange day at a quoted price.

If the market price quotation for derivatives is not available, the following methods are applied to determine the fair value:

- A reference to the market price of a similar instrument;
- Analysis of discounted cash flows;
- Other methods, which will provide reliable estimates of the fair value of derivative financial instruments.

4.19 Depreciation

Depreciation of fixed assets is accrued after the assets become available for use using the straight-line method to reduce the initial cost to their residual cost evenly over their estimated useful lives as follows:

Buildings and structures	80 years
Vehicles	9 years - according to the financial leasing contract
Machinery and equipment	4-20 years
Instruments, devices and equipment	4-15 years
other	2-25 years

Land and construction in progress is not depreciated.
The bank must regularly review the methods of fixed asset depreciation at the end of each financial year.

4.20 Borrowings

The funds due to banks, due to customers, issued debt securities, other borrowed funds, and subordinated debt are initially recognized at fair value. Subsequently, the amounts due are stated at amortized cost and any difference between the carrying value and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest rate.

Due to the banks

Amounts due to other banks are recorded when money or other assets are advanced to the Bank by counterparty banks. The non-derivative liability is carried at amortised cost using the effective interest method. If the Bank purchases its own debt, the liability is removed from the statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in gains or losses arising from redemption of debt ahead of time.

Customer funds

Customer funds are non-derivative liabilities to individuals, state or corporate customers and are carried at amortised cost using the effective interest method.

Other borrowed funds

Other borrowed funds include financing received from non-bank financial institutions. Other borrowings are stated at amortised cost using the effective interest method.

The cost of the borrowed funds is recognized on an accrual basis and matching of revenues and expenses, and is reflected in the income statement and statement of the other comprehensive income when the liabilities are derecognized, as well as throughout the amortization process.

Trade payables and other payables

Trade payables are accrued when the counterparty has performed its obligations under the contract and are carried at amortized cost.

4.21 Debt securities issued by the bank

Certificates of deposit issued by the Bank are initially recognized at fair value taking into account the costs directly related to the operation, and subsequently at amortized cost using the effective interest method.

Upon redemption of certificates of deposit, the difference between the maturity amount and the amortized cost is included in profit or loss.

4.22 Provisions for liabilities

Provisions for liabilities are non-financial liabilities of uncertain timing or amount. Provisions are recognized in the financial statements when the Bank has a present legal or constructive obligation as a result of past events and it is probable that for the repayment of such obligations it will need resources embodying economic benefits, and the amount of the obligation can be calculated with sufficient accuracy.

Provisions for contingent liabilities are measured in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" (hereinafter – IAS 37), which requires the use of the management estimates and assumptions.

Contingent liabilities are not recognized in the statement of financial position, but are disclosed in the notes to financial statements, except when the likelihood of an outflow in settlement is insignificant. A contingent asset is not recognized in the statement of financial position, but is disclosed in the notes to financial statements, when the inflow of economic benefits is probable.

The provisions for credit-related commitments (provided financial guarantees, letters of credit, lending commitments) are recognized based on an analysis similar to loans and advances to customers.

The financial guarantees are irrevocable commitments to make payments in the event of the customer's default to the third parties and carry the same risk as loans. Financial guarantees are initially recognized at fair value and subsequently measured at the greatest of the two values,- the amount determined in accordance with IAS 37 or initially recognized in accounting for amounts, less the accumulated depreciation in accordance with IAS 18, Revenue, when required.

To recognize the provisions for liabilities, the method of best estimate of the costs on the reporting date is used, which in a large number of transactions is recognized as a combination of a certain cost and likelihood of incurring these costs. The measurement of results and costs requires the use of management estimates and assumptions, supplemented with an experience of such transactions.

4.23 Subordinated debt

Subordinated debt is a long-term agreement on providing funds, which will be performed in case the Bank is unable to pay its obligations after repayment of its main debt.

During the initial recognition, the subordinated debt is measured at fair value, including the transaction costs and other charges related to initiation of a subordinated debt attraction.

Subordinated debt is subsequently carried at amortised cost.

Expenses on subordinated debt are recognized on an accrual basis and matching of revenues and expenses, and are recognized in the income statement.

4.24 Income tax

These financial statements present taxes in accordance with the legislation of Ukraine using the tax rates and legislative rules in effect or actually enacted at the balance sheet date.

Income tax expense comprises current tax payments and deferred tax and is recognized in the income statement, unless they are recognized directly in comprehensive profit (loss) due to the fact that they relate to transactions that are also presented directly in comprehensive profit (loss) in the same or different period.

Deferred income tax is calculated using the balance method by the temporary differences arising between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The income tax rate in 2015 was 18%.

Current income tax expense is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax liabilities are generally recognized for all temporary differences that increase taxable income and deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which deductible temporary differences can be used. Such assets and liabilities are not recognized in the financial statements if the temporary difference related to goodwill or arising from the initial recognition (other than in a business combination) of other assets and liabilities arise in a transaction that affects neither the taxable nor the accounting profit .

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable to obtain taxable profits, sufficient enough for full or partial refund of that asset.

Deferred tax is calculated at the tax rates that are expected to apply in the period of disposal of the related assets or repayment obligations. Deferred tax is recognized through profit or loss, except when it relates to items that are directly attributable to the comprehensive income (loss), in this case the deferred tax is also dealt with in the comprehensive income (loss).

The Bank offsets deferred tax assets and deferred tax liabilities and presents the resulting difference in the financial statements.

Ukraine also has various other taxes, which are applied to the Bank. These taxes are included in operating expenses in the income statement.

4.25 Share capital and share premium

Contributions to share capital are recognized at historical cost. Share premium represents the excess of contributions over the nominal value of shares issued. Gains and losses on sales of treasury shares relate to the share premium.

The dividends on ordinary shares are recognized as a reduction in equity in the period in which they were declared. The dividends declared after the balance sheet date are treated as events after the balance sheet date under IAS 10, Events after the Balance Sheet Date, and are disclosed accordingly.

4.26 Income and expense recognition

The incomes and expenses are recognized in the accounting records and financial statements when they occur, regardless of the date of receipt or payment of cash.

The incomes and expenses are recognized under the following conditions:

- recognition of real debt under the bank assets and liabilities;
- the financial result of a transaction related to the provision (obtaining) of services can be determined accurately.

The income and expenses are recognized for each activity of the bank (operating, investing, financial).

The criteria for recognition of income and expenses are applied separately to each bank transaction.

Each type of income and expenses is reflected in accounting separately.

The use of bank assets by the other parties is recognized in income as interest, royalties and dividends.

The interest is recognized in the period to which it is related, and is calculated based on its calculation basis and the term of using the relevant assets.

The interest on loans, deposits and deposits is accrued at least once a month, irrespective of the period of payment under the contract. The interest on card account is accrued subject to the monthly billing cycle. It is mandatory to accrue the interest at the end of the current month. The interest on the last business day and the last calendar day(s) of the month, falling on non-business days, are included in the calculation and accrued in the reporting month to which they are related.

The royalties are recognized on an accrual basis in accordance with the economic content of a relevant agreement.

The dividends are recognized when the right to get a payment is established.

The condition for recognition of interest and royalties is the probability of a future economic benefit to the bank, and the dividends are accrued subject to a reliably estimated revenue.

For transactions with trading financial instruments, the income and losses are recognized when the following conditions are met:

- the risks and rewards of ownership of the assets are transferred to the buyer;
- the bank does not conduct further management and control of sold assets;
- the amount of revenue can be measured reliably;
- there is an assurance that a transaction will increase the economic benefits of the bank;
- costs related to the transaction can be measured reliably.

If the revenue from the provision of services can be estimated reliably, it is recognized and reflected in accounting in the amount of recoverable costs incurred.

When it is impossible to determine the income (expense) for the past 2 to 3 days of the reporting month (fee for collection services, settlement and cash services etc.) at the date of accrual, then such income (expense) is recognized next month.

Besides, the bank, taking into account the principle of materiality, performs adjusting entries according to the Regulation on formation of the adjusting entries made by banks of Ukraine, approved by resolution of the National Bank of Ukraine (Annex)

The income is recognized in accounting in the amount of fair value of assets received or receivable.

In the event of a deferred payment, so that there is a difference between the fair value and the nominal amount of cash or cash equivalents to be received for provided services and other assets, the difference is recognized in income as interest.

The income is not recognized when the assets similar by purpose and having the same fair value are recognized.

Total income (expenses) under transactions for exchange of dissimilar assets is measured at the fair value of assets, services received (provided) or to be received (provided) by the bank, reduced or increased according to the amount of cash and cash equivalents sent or received.

If the fair value of assets and services received (provided) or to be received (provided) under exchange transactions cannot be determined reliably, the income (loss) is determined at the fair value of assets and services (excluding cash and cash equivalents) transferred (received) under these contracts.

If the asset provides for obtaining of economic benefits over several reporting periods, the costs are recognized through the repeated distribution of its value (e.g. depreciation) between the respective reporting periods.

The costs, which cannot be directly linked to income of the period, are recognized in cost of the reporting period in which they were incurred.

The income (expenses) for one-time services (fees for exchanged currencies, provision (receipt) of advice etc.) are recognized without presentation on accounts of accrued income (expenses), if the funds are received (paid) during the reporting period in which the services were actually provided (received) .

Income (expenses) for continuous services are recognized monthly over the term of the agreement on provision (receipt) of services and is reflected in the accounting on an accrual basis.

Income (expenses) for services provided in stages are recognized upon completion of each stage of the transaction over the term of agreement on provision (receipt) of services and are accounted for on an accrual basis. The income (expenses) are accrued on the date of execution of a document confirming the provision (obtaining) of services.

Income (expenses) for services with mandatory deliverables are recognized upon provision (receipt) or services or upon receipt of the contractual deliverables.

The cost of acquisition and creation of an asset, which cannot be recognized as an asset, are expensed.

The Bank recognizes the provision (reserve) generated in accordance with requirements of International Accounting Standard 37, Provisions, Contingent Liabilities and Contingent Assets, if the following conditions are met simultaneously:

- the bank has an obligation (legal or constructive) as a result of a past event;
-
- probably, the outflow of resources containing the economic benefits will be required to perform an obligation;
-
- the amount of the obligation can be estimated reliably.

The banks should not recognize the future operating losses
As a result of operating activities, the bank receives income and incurs expenses set forth below:

- interest income and expenses;
- commission income and expenses;

- trading profit (losses);
- income from dividends;
- cost of generating special reserves of the bank;
- income from repayment of the previously written off assets;
- other operating income and expenses;
- general administrative costs;
- income tax.

Interest income and expenses are the operating income and expenses received (paid) by the bank for the use of cash, cash equivalents or amounts owed to the bank (attracted by the bank), the amount of which is calculated in proportion to the time using the effective interest rate. They include:

- income (expenses) from operations with funds placed in other banks (attracted from other banks);
- income (expenses) on loans and deposits granted to (received by) legal entities and individuals, as well as other financial instruments, including securities;
- income from amortization of discount (premium).

Commission income and expenses (hereinafter - the commission fees) are the operating income and expenses for provided (received) services, the amount of which is calculated in proportion to the amount of asset or liability or is fixed.

The commission fees for provided (received) services, depending on the purpose of their evaluation and accounting basis for the associated financial instrument are subdivided into:

1. commission fees, which are an integral part of the income (expenses) from a financial instrument. These commission fees are recognized as a part of the original value of a financial instrument and affect the determination of amounts of discount and premium on this financial instrument. These include the following commission fees:

   - commission fees for initiating the loan received (paid) by the bank and related to creation or acquisition of a financial instrument not recorded in the trading portfolio with recognition of revaluation through profit/loss (commission fees for evaluation of the borrower's financial condition; commission fees for assessment of guarantees and pledges; commission fees for negotiation of the instrument; commission fees for preparation and processing of documents and transaction completion etc.);
   - commission fees received (paid) by the bank for credit commitments (booking of the credit line) during the credit initiation or acquisition;
   - commission fee received (paid) by the bank from issue of debt obligations carried at amortized cost.

The commission fees received (paid) by the bank for credit commitments (booking of the credit line) during the credit initiation or acquisition are recognized as an integral part of income (expenses) from a financial instrument, if there is a possibility that the credit agreement will be signed. If the term of the provided loan commitment expires without the loan, at the end of commitment term the commission fees are recognized as a commission income (expenses).

If the financial instrument is carried at fair value with recognition of changes in fair value through profit/loss, the commission fees received (paid) by the bank are recognized as the commission income (expenses) upon initial recognition of the financial instrument;

2. the commission fees received (paid) at time of service provision are recognized as income (expenses). They include:
   - commission fees for cash management services for customers;
   - commission fee for credit debt servicing;
   - commission fees for booking of a credit line calculated on a time proportion basis over the term of the commitment;
   - investment management commission fees and so on.

3. commission fees received (paid) after performance of certain actions are recognized as income (loss) after certain transactions. These include fees for distribution of customers' shares, placement of securities under underwriting transactions, under transactions in the foreign currency market and precious metals market for the customers, loan syndication, customer trust servicing etc.

The bank recognizes the commission fees, which is an integral part of the income (expenses) from a financial instrument, consisting of interest income on financial instrument.

Trading profit (losses) are the result (profit or loss) from transactions of purchase and sale of various financial instruments, including under securities transactions, transactions with foreign currency and precious metals. The bank recognizes profit and losses from:

- sale of financial investments;
- changes in the assessment (revaluation) of investments to fair value;
- result of asset and liability revaluation in foreign currency and precious metals in the event of change of hryvnia rate versus foreign currencies (precious metals).

Dividend income is the income arising from the use of securities with variable income by the bank.

The cost of generating special provisions by the bank is costs to cover the eventual from impairment of assets and write-off of bad bank assets.

Revenues from repayment of previously written off assets are the funds received to repay the debt, recognized bad by the bank.

Other operating income and expenses are income and expenses from transactions not related to investing and financing activities, as well as those that not included in the above group of operating income and expenses, including:

- income (loss) from operating lease (rental);
- cost of audit services;
- cost of collection;
- penalties (fines) received (paid) under banking transactions etc.

General administrative expenses are the operating costs related to ensuring the bank operation. These include the cost of staff maintenance (salaries, social security costs, mandatory charges, insurance, additional payments, bonuses, training, etc.); amortization of intangible assets; cost of maintenance and operation of fixed and intangible assets, other operating and economic costs (utilities, health, etc.); fees for professional services (legal, medical, etc.); communication costs (postage, telephone, fax, etc.); payment of taxes and other mandatory fees, other than income taxes, and other costs aimed at maintenance and management of the bank.

Income tax is the bank operating expenses related to payment of taxes in accordance with applicable laws of Ukraine and with requirements of international accounting standards for recognition of deferred tax liabilities and tax assets.

Application of the effective interest rate method

The interest income and expenses are recognized in the accounts of interest income and expenses for classes 6, 7 using the effective interest rate method. For financial instruments to which the effective interest rate is not applied (overdraft loans, revolving credit lines, investments/deposits on demand) the Bank uses the nominal interest rate to recognize the interest income.
The Bank uses analytical accounts to accrue income (expenses) of classes 1, 2, 3 with the "active-passive" characteristics to reflect the recognition of interest income (expenses) at the effective interest rate in accounting.

Amortization of discount (premium) on financial instruments is carried out simultaneously with interest accrual.

Any differences arising between the amount of interest income (expenses) recognized at the effective interest rate and income (expenses) on financial instruments accrued at the nominal interest rate, purchased (provided, received) at par (without discount or premium) are displayed on accounts of unamortised discount (premium) in correspondence with accounts of interest income (expenses).

To calculate the effective interest rate, the cash flows considering all contractual terms under the financial instrument are determined, including all commission fees and other amounts paid or received by the parties, which are an integral part of the income (expenses) from a financial instrument. When the cash flows or the expected life of the financial instrument cannot be estimated reliably, then the cash flows provided for by a relevant agreement are used during the agreement term.

If the bank further revises the estimates of payments and revenues from financial instruments, it should adjust the carrying amount of a financial asset or a financial liability to reflect the actual and revised estimated cash flows. The bank determines the amount of adjustment as the difference between the carrying value of the financial instrument and the present value of the revised estimated future cash flows discounted at the original effective interest rate of this financial instrument. For financial instruments with a floating interest rate, the effective interest rate calculated during the most recent nominal interest rate change under the new conditions is applied. The amount of adjustment is recognized as interest income or expenses, if the change of previous estimates of cash flows is not associated with impairment of the financial asset (group of assets).

If the change in cash flows is associated with impairment of the financial asset (group of assets), the bank recognizes expenses from impairment of a financial asset (a group of financial assets) by provisioning.
The bank recognizes interest income on financial asset under which the reduced usefulness is recognized as a product of amortised cost and effective rate used to discount the previously measured future cash flows during determination of reduced usefulness of this financial asset.

To calculate the interest income on financial assets for which impairment was recognized, the carrying amount includes the amount of the reserve at the beginning of the reporting period

4.27 Foreign currency translation

The Bank's functional currency is the currency of the primary economic environment, in which the Bank operates. The functional currency and presentation currency of the Bank is the national currency of Ukraine - Ukrainian hryvnia.

Monetary assets and liabilities are translated into the functional currency of the Bank at the official exchange rate of the National Bank of Ukraine on the respective balance sheet date. Gains and losses on exchange differences arising from the settlement of transactions and translation of monetary assets and liabilities into the functional currency at the official exchange rate of the Bank at the end of the year are recognized in profit or loss. Translation at year-end rates does not apply to non-monetary items.

Exchange rates used by the Bank for preparation of the financial statements are as of the end of the respective years:

	31 December 2015, UAH.	31 December 2014, UAH.
1 US Dollar	24.000667	15.768556
1 Euro	26.223129	19.232908
1 Swiss Franc	24.249241	15.990113
1 Russian Ruble	0.32931	0.30304

Assets and liabilities in foreign currency are recorded in a dual assessment at a face value in the currency and in UAH equivalent at the official rate of the National Bank of Ukraine, and are recorded at the NBU exchange rate at the balance sheet date in the statement of financial position.

Realized financial result in the exchange currency transactions is determined as the difference between the rate of currency sale and purchase value of the currency.

4.28 Assets held in trust

The assets and liabilities held by the Bank in its own name but for the account of the third parties are not recognized in the balance sheet. For the purposes of disclosure, the trust management transactions shall not include the deposit box services. The commission fees received from the trust management transactions are carried as income from payments and commission fees.

4.29 Staff costs and related contributions

Employee benefits are recognized as:

- commitment when an employee has provided a service in exchange for employee benefits to be paid in the future;
- costs if the bank consumes the economic benefit arising from service provided by an employee in exchange for employee benefits.

The employee benefits include:

a. short-term employee benefits, such as wages, salaries to employees and officers, social security contributions, paid annual leaves and sick leaves, profit-sharing and bonuses (if payable within twelve months of the end of the period) and non-monetary benefits (such as medical care, provision of housing, cars and free or subsidized goods or services) for current employees;
b. post-employment benefits, such as pensions, other retirement benefits, life insurance and health care insurance upon employment termination;
c. other long-term employee benefits, including an additional leave for retirement or paid academic leave, payments for jubilees or other long-service benefits, payments for a long-term disability and profit-sharing, payment of bonuses and deferred compensation, unless they are payable in full within twelve months after the end of the period;
d. termination benefits.

The employee benefits include benefits provided to either employees or their dependents and may be settled by cash payments (or provision of goods or services) directly to employees, their spouses, children or other dependents or to others, such as insurance companies.

An employee may provide services to an entity on a full-time, part-time, permanent employment, periodic, casual or temporary basis.

In accordance with the laws of Ukraine, the Bank withholds the amounts of pension contributions from employees' salaries and pays them to the Pension Fund of Ukraine. Such pension system provides for calculation of current payments by the employer as a share of the current total payments to employees. Such payments are recognized in the period in which the relevant salary was earned. After retirement of employees, all pension payments are made from the Pension Fund of Ukraine.

Bank forms provisions for liabilities under unused leaves.

4.30 Segment reporting

Segment is a distinguishable component of the Bank that provides products or services (business segment), or is engaged in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. Information on segments that receive most of their income from third parties, and income, results or assets, of which constitute not less than ten percent of all the segments, are reported separately from other segments

The Bank's assets, liabilities, income and expense are grouped into the following operating segments:

- services to corporate customers - servicing of legal entities and individual entrepreneurs;
- retail banking services - retail banking;
- investment banking activities (treasury transactions);
- other segments and transactions.

The basis for allocation of income and expenses by segment is active and passive transactions directly provided to the certain groups of customers.

The criterion for allocation of income and expenses in a separate segment is its revenue being 10% or more of total revenue.

Redistribution of resources is the weighted average domestic bank transfer price which is calculated as a percentage, and sets the price of financial resources in the event of reallocation between segments and responsibility centers in the structure of the bank.

Income of reportable segment is revenue, which is directly related to the segment and the relevant part of the income of the Bank, which can be attributed to the segment of external activity or from transactions between other segments within the Bank.

Costs of reportable segment are costs associated with the main business segment, which directly relate to it and the corresponding part of the costs that can be reasonably attributed to the segment, including expenses of foreign operations, and costs associated with other segments within the Bank.

4.31 Transactions with related parties

The **parties related to the bank** are:

bank controllers;

persons with a substantial shareholding in the bank, and persons through which these persons exercise a substantial shareholding in the bank;

bank managers, head of internal audit service, heads and members of the bank committees;

persons related and affiliated to the bank, including the members of the banking group;

persons with a substantial shareholding in persons related and affiliated to the bank;

heads of legal entities and bank managers, who are related and affiliated persons of the bank, the head of internal audit service, heads and members of committees of these persons;

persons associated with individuals;

legal entities in which the individuals listed in this paragraph are managers or owners of substantial participation;

any person through which a transaction is performed in the interests of the persons referred to herein and which is subject to influence by persons referred to in this paragraph at the time of such transaction by virtue of labor, civil and other relations.

The list of related parties is determined by the bank, given the nature of the relationship, not merely the legal form (substance over form). The relations between the related parties include, but not limited to, the relations between a parent bank and its subsidiary banks or enterprises; between investor bank and its associates; between bank and individuals who exercise control or have a significant impact on the bank, and the relations between the bank and close family members of each such individual; between the bank and its managers and other persons belonging to the key management staff and close family members of such persons.

Signs determining the individuals or legal entities as related to the bank:

1. By the nature of relations:
1) exclusivity;
2) economic dependence;
3) joint infrastructure;
4) lack of transparency.

2. By the nature of transactions:
1) transaction purpose and use of funds;
2) documentation;
3) operational standards;
4) debt and creditworthiness;
5) internal controls;
6) interest rates, fees and prices;
7) collateral and guarantees.

The **related party transactions** include, but not limited:

- purchase or sale of finished products (goods and services);

- purchase or sale of the other assets;
- operations under agency agreements;
- leasing transactions;
- operation under license agreements;
- financial transactions;
- provision and receipt of guarantees and collateral;
- transactions with key management staff and its close family members.

The assets or liabilities in transactions with related parties shall be measured, in particular, using the following methods:

- comparable uncontrolled price;
- resale price;
- "cost plus";
- book value.

According to the method of comparable uncontrolled price, the price determined by the price of similar goods, finished goods, work and services sold to a buyer not associated with the seller under normal operating conditions is used.

According to resale price method, the price of finished products, goods, works and services is used, net of the corresponding margin.

According to "cost plus" method, the price consisting of the cost of finished products (goods, works, and services) determined by the seller and the corresponding margin is used.

According to the book value method, the assets or liabilities are measured at book value determined in accordance with the relevant accounting provisions (standards).

In the financial statements, in particular in the note "Related party transactions", the bank notes:

- the nature of relations between related parties;
- types and volumes of transactions (amount or share of the total) of related parties;
- methods of measuring the assets and liabilities used in transactions of related parties;
- information about transactions between associated companies accounted by the investor using the equity method.

If a related party controls or is controlled by another related party, the information about the relationship of related parties is provided regardless of whether the transactions between them were conducted or not.

4.32 Changes in accounting policies

In 2015, the Bank amended its accounting policies in connection with transition of accounting in Ukrainian banks to IFRS. The National Bank of Ukraine conducted a consistent work for development and improvement of the legal framework for accounting of banks transactions in accordance with international accounting and reporting standards.

In December 2015, the Bank completed the transition to accounting under IFRS and may claim that the Bank transactions at the end of the year are reflected according to IFRS.

Drawing up the financial statements for 2014, the Bank applied transformational adjustments, which allowed reflecting the transactions in accordance with IFRS.

The foregoing explains why the Bank is not required to provide an explanation on the impact of changes in accounting policies.

4.33 Significant accounting judgments and estimates, their impact on recognition of assets and liabilities

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgments, apart from those involving estimations, in the process of applying the accounting policies. Judgments that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Going Concern. The bank management carried out a further assessment of the possibility of Bank's continuation as a going concern and checked the available resources and capacity to continue activities in the near future. The management is not aware of any uncertainty, which may cast significant doubt on the bank's ability to carry out a continuous activity. These financial statements have been prepared on the assumption that the Bank is able to continue its activities as a going concern in the near future.

Impairment losses on loans and advances. The Bank regularly reviews its loan portfolios to assess impairment. In determining whether an impairment loss should be recorded in the income statement, the Bank makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual asset in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status 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 amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Fair value of derivatives. The fair values of financial derivatives that are not quoted in active markets are determined by using valuation techniques. To the extent practical, valuation techniques use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair values. Changing the assumptions not supported by observable market data to a reasonably possible alternative would not result in a significantly different profit, income, total assets or total liabilities.

Tax legislation. Ukrainian tax, currency and customs legislation is subject to varying interpretations.

Initial recognition of related party transactions. In the normal course of business, the Bank enters into transactions with its related parties. IAS 39 requires initial recognition of financial instruments based on their fair values. Judgment is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgment is pricing for similar types of transactions with unrelated parties and effective interest rate analysis.

5. New and revised accounting standards

To prepare these financial statements, the following list of new or revised standards for the first time became mandatory for the fiscal year beginning on January 1, 2015:

Amendments to IFRS 16 and IFRS 38 (Annual Improvements to IFRSs 2010-2012 Cycle, issued in December 2013) - the amendment, applicable prospectively to business combinations for which the acquisition date is on or after 1 July 2014, explain how the book value and accumulated depreciation/amortization have effect when the company is using the revaluation model. These changes had no impact on financial statements, since the Bank does not use the revaluation model.

Amendment to IFRS 19 named *Pension plan with defined benefits: employee benefits* (published in November 2013). The changes applicable to the annual periods beginning on July 1, 2014 or thereafter specify the requirements for how the contributions of employees or third parties related to the provision of services must be related to the periods of service. In particular, the contributions do not depend on the number of years of service, may be recognized as a reduction in service cost during the period when this service was provided (instead of referring them to the periods of service). Since the Bank does not have post-employment pension plans requiring the employees or third parties to cover the costs for such plans, the changes did not affect the financial statements.

Amendment to IAS 24 (Annual Improvements to IFRSs 2010-2012 Cycle, issued in December 2013). The amendment, applicable to annual periods beginning on or after 1 July 2014, clarifies how payments to entities providing key management personnel services are to be disclosed. This is not expected to have any effect on the Banks's financial statements.

Amendment to IFRS 40 (Annual Improvements to IFRSs 2011-2013 Cycle, issued in December 2013) - the amendment, applicable prospectively to business combinations for which the acquisition date is on or after 1 July 2014, clarify the application of IFRS 3 and IAS 40 on the acquisition of investment property. When preparing financial statements IAS 40 helps to distinguish between the investment property and property used by the owner for its own needs, while IFRS 3 determines whether to consider the purchase of investment property to be a business combination. It has no effect on the Bank's annual financial statements.

Amendment to IFRS 3 (Annual Improvements to IFRSs 2011-2013 Cycle, issued in December 2013) - the amendment, applicable prospectively to business combinations for which the acquisition date is on or after 1 July 2014, clarify that IFRS 3 excludes from the standard an accounting to form any joint activity in the financial statements of such joint activity. It has no effect on the Bank's annual financial statements.

Amendment to IFRS 8 (Annual Improvements to IFRSs 2010-2012 Cycle, issued in December 2013) - the amendment, applicable prospectively to business combinations for which the acquisition date is on or after 1 July 2014 require the disclosure of professional judgments of the management staff on criteria for aggregation of operating segments and clarify that matching of the total assets under reportable segments to the company assets is mandatory only when reporting on segment assets is provided on a regular basis. It has no effect on the Bank's annual financial statements.

Amendment to IFRS 13 (Annual Improvements to IFRSs 2011-2013 Cycle, issued in December 2013) - the amendment, applicable prospectively to business combinations for which the acquisition date is on or after 1 July 2014, explaine that the exclusion of IAS 13, which allows the company to assess the fair value of financial assets and financial liabilities on a net basis position, applies to all contracts (including non-financial ones) within the scope of IAS 39/IFRS 9. It has no effect on the Bank's annual financial statements.

New standards, amendments and interpretations that have been issued by IASB but not yet effective:

The Bank has not applied the following new, revised or amended standards that have been issued by the IASB, but are not yet effective for the year beginning 1 January 2015.

The Management Board of the Bank expects that new standards, amendments, changes, and interpretations will be adopted for preparing of financial statements at the date, when they will become effective. The Bank assesses the potential impact of all these new standards, amendments, and interpretations that will become effective in future periods.

- The amendments to IAS 1 named *Disclosure Initiative* (published in December 2014), i.e. the changes to be applies to the annual reporting periods beginning on January 1, 2016 or thereafter, explain the standard provision on materiality and aggregation (generalization), interim result presentation, structure of financial statements and disclosure of accounting policies. It is expected that these changes will not have a significant impact on financial statements.

- Amendments to IAS 16 and IAS 38 titled Clarification of Acceptable Methods of Depreciation and Amortisation (issued in May 2014) - the amendments add guidance and clarify that (i) the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset, and (ii) revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset; however, this presumption can be rebutted in certain limited circumstances. They are prospectively effective for annual periods beginning on or after 1 January 2016. The Management do not anticipate any effect on the Banks's financial statements.

- Amendment to IAS 19 (Annual Improvements to IFRSs 2012-2014 Cycle, issued in September 2014) - the amendment, applicable to annual periods beginning on or after 1 January 2016, clarifies that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid. This is not expected to have an effect on the Bank's financial statements.

- Amendments to IAS 27 titled Equity Method in Separate Financial Statements (issued in August 2014) - the amendments, applicable to annual periods beginning on or after 1 July 2016, reinstate the equity method option allowing entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. It is not applicable to the Bank because it only applies to the individual financial statements of the parent company.

- Amendment to IFRS 5 (Annual Improvements to IFRSs 2012-2014 Cycle, issued in September 2014) - the amendment, applicable prospectively to annual periods beginning on or after 1 January 2016, adds specific guidance when an entity reclassifies an asset (or a disposal group) from held for sale to held for distribution to owners, or vice versa, and for cases where held-for-distribution accounting is discontinued. This is not expected to have an effect on the Bank's financial statements.

- Amendment to IFRS 7 (Annual Improvements to IFRSs 2012-2014 Cycle, issued in September 2014) - the amendment, applicable to annual periods beginning on or after 1 January 2016, adds guidance to clarify whether a servicing contract is continuing involvement in a transferred asset. This is not expected to have an effect on the Bank's financial statements.

IFRS 9 Financial Instruments (issued in July 2014) - this standard will replace IAS 39 (and all the previous versions of IFRS 9) effective for annual periods beginning on or after 1 January 2018. It contains requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting and derecognition.

- IFRS 9 requires all recognised financial assets to be subsequently measured at amortised cost or fair value (through profit or loss or through other comprehensive income), depending on their classification by reference to the business model within which they are held and their contractual cash flow characteristics.

- For financial liabilities, the most significant effect of IFRS 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch.

- For the impairment of financial assets, IFRS 9 introduces an "expected credit loss" model based on the concept of providing for expected losses at inception of a contract; it will no longer be necessary for there to be objective evidence of impairment before a credit loss is recognised.

- For hedge accounting, IFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risk exposures.

- The derecognition provisions are carried over almost unchanged from IAS 39.

The Management anticipate that IFRS 9 will be adopted in the Bank's financial statements when it becomes mandatory and that the application of the new standard might have a significant effect on amounts reported in respect of the Bank's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

- Amendments to IFRS 10 and IAS 28 titled Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (issued in September 2014) - the amendments, applicable prospectively to annual periods beginning on or after 1 January 2016, address a current conflict between the two standards and clarify that gain or loss should be recognised fully when the transaction involves a business, and partially if it involves assets that do not constitute a business. This is not expected to have an effect on the Bank's financial statements.

- Amendments to IFRS 10, IFRS 12 and IAS 28 entitled *Investment companies: the use consolidation exception* (published in December 2014). The changes, which will apply to the annual reporting periods beginning on January 01, 2016 or thereafter, clarify the application of the exception to consolidation requirements for investment organizations and their branches. It is expected that these changes will have no impact on the Bank financial statements.

- Amendments to IFRS 11 titled Accounting for Acquisitions of Interests in Joint Operations (issued in May 2014) - The amendments, applicable prospectively to annual periods beginning on or after 1 July 2016, require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3) to apply all of the business combinations accounting principles and disclosure in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11. the amendments apply both to the initial acquisition of an interest in a joint operation, and the acquisition of an additional interest in a joint operation (in the latter case , previously held interests are not remeasured). This is not expected to have an effect on the Bank's financial statements.

- IFRS 15 Revenue from Contracts with Customers (issued in May 2014) - the new standard, effective for annual periods beginning on or after 1 January 2018, replaces IAS 11, IAS 18 and their interpretations (SIC-31 and IFRIC 13, 15 and 18). It establishes a single and comprehensive framework for revenue recognition to apply consistently across transactions, industries and capital markets, with a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures, and new or improved guidance (eg the point at which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract, etc.). The Management anticipate that IFRS 15 will be adopted in the Bank's financial statements when it becomes mandatory and that the application of the new standard might have a significant effect on amounts reported in respect of the Bank's revenue. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

6. Cash and cash equivalents

(In thousands Ukrainian hryvnias)

	As of December 31, 2015	**As of December 31, 2014**
Cash on hand	91 842	78 939
Cash balances with the National Bank of Ukraine (other than mandatory reserve deposits)	26 347	193 335
Correspondent accounts, deposits and overnight placements with the banks of:	504 908	109 156
Ukraine	4 004	6 828
other countries	500 904	102 328
Total cash and cash equivalents	**623 097**	**381 430**

Due from the National Bank of Ukraine is the amount placed with the National Bank of Ukraine for daily payments and other transactions. The Bank must maintain mandatory reserve in the form of interest-free funds minimum balance, which is calculated as a percentage of certain liabilities. There are no restrictions on the use of such funds. However, if the Bank fails to meet the minimum mandatory reserve requirement, it may become subject to penalties. The Bank is required to maintain a minimum required reserve, calculated as the average balance on a daily basis for a month.

In this note for the year 2015 Cash balances with the National Bank of Ukraine were reduced by the amount of mandatory reserve in the amount of UAH 82,493 th..

Non-monetary transactions listed in the relevant row of statement of cash flow included the revaluation of assets and liabilities denominated in foreign currencies, revaluation of assets to their fair value and the purchase of assets by meeting the requirements of the Bank as mortgagee.

It should be noted that cash and cash equivalents are highly liquid assets and are not depreciated.

Currency and Interest rate risk of cash and cash equivalents is disclosed in Note 34. Information on related party balances is disclosed in Note 39.

7. Financial assets at fair value through profit or loss

Table 7.1. Financial assets at fair value through profit or loss

(In thousands Ukrainian hryvnias)

	As of December 31, 2015	**As of December 31, 2014**
Debt securities:	47 510	349 906
Ukrainian State bonds	47 510	349 906
Corporate bonds	-	-
Total financial assets at fair value through profit or loss	**47 510**	**349 906**

As of 31 December 2015, securities carried at fair value through profit or loss are the packages of bonds worth UAH 15,000 th., UAH 5,350 th., and UAH 370 th.. The maturities of securities carried at fair value through profit or loss fall in September 2016. The nominal interest rates under the specified security packages are 9.19%, 14.25%, and 16.95%, respectively.

As of 31 December 2014, the securities carried at fair value through profit or loss are as follows:

- domestic state bonds in the amount of UAH 98,042 th. with maturities from January 2015 to January 2019 and nominal interest rates 14.25% -16.95%;

- state bonds to refund value added tax (VAT-bonds) in the amount of UAH 154,361 th. with maturities from July to August 2015 and nominal rate of 5.5% per annum;

- other securities which are carried at fair value through profit or loss, namely State bonds with embedded options, in the amount of UAH 97,503 th..

Under the terms of the option the repayment of the nominal value of securities is connected with changes in the exchange rate of UAH / USD in the period from the date of issue of bonds to the maturity date. The nominal value which is paid at maturity of bonds will be adjusted for the amount of reduction in value of hryvnia against the US dollar. The nominal value of bonds will not decline, even if the value of the national currency will rise against the US dollar. Redemption of securities is made in UAH. Maturities of these securities - from October 2015 to January 2016. Nominal interest rate - 9.19% - 9.30%.

Table 7.2. Analysis of financial assets at fair value through profit or loss as of December 31, 2015 is as follows.

(In thousands Ukrainian hryvnias)

	Ukrainian State bonds	**Corporate bonds**	**Total**
Debt securities (at fair value) which are not past due:			
government institutions and government-financed entities	-	47 510	47 510
Total financial assets at fair value through profit or loss:	**-**	**47 510**	**47 510**

Accrued income on trading securities as of 31 December 2015 was UAH 1,003 th..

Table 7.3. Analysis of financial assets at fair value through profit or loss as of December 31, 2014 is as follows

(In thousands Ukrainian hryvnias)

	Ukrainian State bonds	Corporate bonds	Total
Debt securities (at fair value) which are not past due:	349 906	-	349 906
government institutions and government-financed entities	349 906	-	349906
Total of financial assets at fair value through profit or loss:	**349 906**	**-**	**349 906**

Accrued income on trading securities as of 31 December 2014 was UAH 4,741 th..

As of 31 December 2014 trading securities with fair value of UAH 49,380 th. were pledged as collateral (Note 36**Error! Reference source not found.**).

Currency and Interest rate analysis of trading securities is disclosed in Note 34. Information on related party balances is disclosed in Note 39.

8. Due from banks

Table 8.1. Due from banks

(In thousands Ukrainian hryvnias)

	As of December 31, 2015	As of December 31, 2014
Placements on correspondent accounts	-	852
Loans to banks:	-	-
Short-term	-	-
Total due from banks	**-**	**852**

Accrued but not received income on loans given to other banks as of 31 December 2014 was UAH 497 th.

Table 8.2. Analysis of due from other banks by credit quality as of 31 December 2014

(In thousands Ukrainian hryvnias)

	Placements on correspondent accounts	Total
Current and not impaired:	852	852
Total due from banks	**852**	**852**

Currency and interest rate analysis of due from banks is disclosed in Note 0. Information on related party balances is disclosed in Note 39.

9. Loans and advances to customers

Table 9.1. Loans and advances to customers

(In thousands Ukrainian hryvnias)

	As of December 31, 2015	As of December 31, 2014
Mortgage loans to individuals	2 367 638	2 035 150
Loans to corporate customers	1 787 576	2 583 249
Loans to small and medium enterprises	1 033 648	1 072 100
Other loans to individuals	219 456	311 804
Allowance for loan impairment	(1 656 042)	(1 420 635)
Total loans and advances to customers, net of allowance for impairment	**3 752 276**	**4 581 668**

Including accrued income as of 31 December 2015 is UAH 271 033 th. (as of 31 December 2014: UAH 280 659 th.).

As of 31 December 2015 the concentration of loans to the ten largest borrowers - third parties was UAH 1 578 747,7 th. Or 29,2% of total loan portfolio. Allowance for impairment for these loans was UAH 115 068.7 th..

As of 31 December 2014 the concentration of loans to the ten largest borrowers - third parties was UAH 1 689 949.6 th. or 28.2% of total loan portfolio. Allowance for impairment for these loans was UAH 130 784.3 th.

Table 9.2. Analysis of changes in allowance for loan impairment for 2015

(In thousands Ukrainian hryvnias)

	Loans to corporate	Loans to small and medium enterprises	Mortgage loans to individuals	Other loans to individuals	Total
Balance as of 1 January	**511 470**	**299 370**	**546 435**	**63 360**	**1 420 635**
Increase / (decrease) in allowance for impairment for the year	743 671	357 994	702 074	44 740	1 848 479
Loans write-off against provisions	(1 281 162)	(357 167)	(523 147)	(33 784)	(2 195 260)
FX revaluation effect	179 815	138 109	258 227	6 037	582 188
Balance as of the end of day on 31 December	**153 794**	**438 306**	**983 589**	**80 353**	**1 656 042**

Total decrease / increase of allowance for loan impairment for 2015 does not comply with charges for allowance for loan impairment in Statement of comprehensive income due to the adjustment to the amount of repayment of previously written off loans in the amount of UAH 45,806 th..

Table 9.3. Analysis of changes in allowance for loan impairment for 2014

(In thousands Ukrainian hryvnias)

	Loans to corporate	Loans to small and medium enterprises	Mortgage loans to individuals	Other loans to individuals	Total
Balance as of 1 January	**244 428**	**131 427**	**181 169**	**17 031**	**574 055**
(Increase) / decrease in allowance for impairment for the year	111 103	83 037	198 666	38 097	430 903
Loans write-off against provisions	(468)	(6 370)	-	(11 792)	(18 630)
FX revaluation effect	156 407	91 276	166 600	20 024	434 307
Balance as of the end of day on 31 December	**511 470**	**299 370**	**546 435**	**63 360**	**1 420 635**

Total decrease / increase of allowance for loan impairment for 2014 does not comply with charges for allowance for loan impairment in Statement of comprehensive income due to the adjustment to the amount of repayment of previously written off loans in the amount of UAH 21,356 th..

Table 9.4. Structure of loans and advances to customers as per economic sectors

(In thousands Ukrainian hryvnias)

Type of economic activity	As of December 31, 2015		As of December 31, 2014	
Production and distribution of electricity, gas and water	34 434	0,64%	25 140	0,42%
Real estate, leasing, engineering and services	141 812	2,62%	171 503	2,86%
Trade, repairs of cars, household goods and personal consumption	1 283 463	23,73%	1 974 295	32,89%
Agriculture, hunting, forestry	88 264	1,63%	23 759	0,40%
Individuals	2 525 650	46,70%	2 346 953	39,10%
Other	1 334 693	24,68%	1 460 652	24,33%
Total	**5 408 317**	**100,00%**	**6 002 302**	**100,00%**

"Other" includes other economic sectors than those specified in the table, each of which is less than 1% of total loans.

Table 9.5. Information about loans as per collateral as of 31 December 2015

(In thousands Ukrainian hryvnias)

	Loans to corporate	Loans to small and medium enterprises	Mortgage loans to individuals	Other loans to individuals	Total
unsecured loans	80 627	93 930	202 238	141 758	518 553
Loans collateralized by:	1 706 948	939 718	2 165 400	77 698	4 889 764
cash deposits	1 032 808	116 783	278 736	3 978	1 432 305
real estate	602 081	790 628	1 878 859	287	3 271 855
other assets	72 059	32 307	7 805	73 433	185 604
Total loans and advances to customers	**1 787 575**	**1 033 648**	**2 367 638**	**219 456**	**5 408 317**

Table 9.6. Information about loans as per collateral as of 31 December 2014

(In thousands Ukrainian hryvnias)

	Loans to corporate	Loans to small and medium enterprises	Mortgage loans to individuals	Other loans to individuals	Total
Unsecured loans	232 686	103 166	61 656	111 182	508 690
Loans collateralized by:	2 350 563	968 934	1 973 494	200 621	5 493 612
cash deposits	1 440 176	283 132	507 114	10 203	2 240 625
real estate	841 737	678 254	1 461 079	318	2 981 388
other assets	68 650	7 548	5 301	190 100	271 599
Total loans and advances to customers	**2 583 249**	**1 072 100**	**2 035 150**	**311 803**	**6 002 302**

Table 9.7. Analysis of loans to customers by credit quality as of 31 December 2015

(In thousands Ukrainian hryvnias)

	Mortgage loans to individuals	Loans to corporate	Loans to small and medium enterprises	Other loans to individuals	Total
Neither past due nor impaired:	1 989	-	22 158	535	24 682
loans to small-size business entities	-	-	22 158	-	22 158
loans to individuals	1 989	-	-	535	2 524
Past due but not impaired:	3 560	-	-	58	3 618
past due up to 31 days	-	-	-	54	54
past due from 32 to 92 days	3 560	-	-	4	3 564
Impaired loans, individually assessed:					
Neither past due	795 980	1 634 001	323 463	118 237	2 871 681
past due up to 31 days	93 987	2 924	55 915	8 340	161 166
past due from 32 to 92 days	76 287	-	78 273	3 709	158 269
past due from 93 to 183 days	61 504	-	36 881	2 278	100 663
past due from 184 to 365 (366) days	191 687	7 327	77 452	7 488	283 954
past due more than 366 (367) days	1 142 644	143 324	439 505	78 812	1 804 285
Allowance for loan impairment	(983 589)	(153 794)	(438 306)	(80 353)	(1 656 042)
Total loans and advances to customers, net of allowance for impairment	**1 384 049**	**1 633 782**	**595 341**	**139 104**	**3 752 276**

Table 9.8. Analysis of loans to customers by credit quality as of 31 December 2014

(In thousands Ukrainian hryvnias)

	Mortgage loans to individuals	Loans to corporate	Loans to small and medium enterprises	Other loans to individuals	Total
Neither past due nor impaired:	689 620	1 445 643	380 324	219 629	2 735 216
loans to large borrowers with credit history more than 2 years	-	557 535	-	-	557 535
loans to the a large corporate	-	886 310	-	-	886 310
loans to medium size companies	-	1 798	-	-	1 798
loans to small-size business entities	-	-	380 324	-	380 324
loans to individuals	689 620	-	-	219 629	909 249
Past due but not impaired:	316 109	531 270	164 737	5 704	1 017 820
past due up to 31 days	36 546	-	25 831	575	62 952
past due from 32 to 92 days	63 535	-	21 183	1 097	85 815
past due from 93 to 183 days	66 695	487 447	32 272	824	587 238
past due from 184 to 365 (366) days	103 910	43 823	46 395	1 225	195 352
past due more than 366 (367) days	45 423	-	39 056	1 983	86 462
Impaired loans, individually assessed:	1 029 420	606 336	527 039	86 472	2 249 267
Neither past due	41 212	82 734	18 511	825	143 282
past due up to 31 days	56 485	2 399	42 325	9 658	110 867
past due from 32 to 92 days	84 519	15 003	54 865	10 832	165 219
past due from 93 to 183 days	75 889	9 060	13 903	21 962	120 814
past due from 184 to 365 (366) days	128 924	-	33 502	16 900	179 327
past due more than 366 (367) days	642 391	497 140	363 934	26 295	1 529 760
Allowance for loan impairment	(546 434)	(511 471)	(299 370)	(63 360)	(1 420 635)
Total loans and advances to customers, net of allowance for impairment	**1 488 715**	**2 071 778**	**772 730**	**248 445**	**4 581 668**

Table 9.9. The effect of collateral value on credit quality as of 31 December 2015

(In thousands Ukrainian hryvnias)

	Carrying amount	Collateral value	Effect of collateral
Mortgage loans to individuals	2 367 638	1 282 648	1 084 990
Loans to corporate	1 787 575	1 255 006	532 569
Loans to small and medium enterprises	1 033 648	635 166	398 482
Other loans to individuals	219 456	116 246	103 210
Total loans	**5 408 317**	**3 289 066**	**2 119 251**

Table 9.10. The effect of collateral value on credit quality as of 31 December 2014

(In thousands Ukrainian hryvnias)

	Carrying amount	Collateral value	Effect of collateral
Mortgage loans to individuals	2 035 150	226 502	1 808 648
Loans to corporate	2 583 249	769 151	1 818 098
Loans to small and medium enterprises	1 072 100	184 381	887 718
Other loans to individuals	311 804	191 681	120 123
Total loans	**6 002 302**	**1 371 715**	**4 630 587**

Fair value is the amount for which the financial instrument can be exchanged in a current transaction between two willing parties, other than in a forced sale or liquidation. The best evidence of fair value is the price of the instrument quoted in the market. Fair value is determined by the Bank at market value (based on the findings of independent professional experts), and in the absence of data on market value at replacement cost (modern cost of acquisition, less depreciation on the valuation date).

As of 31 December 2015, the carrying value of loans and advances to customers located in the Crimea is UAH 1,004 th., or 0.027% of the book value of loans and advances to customers and 0.017% of the book value of Bank assets. The carrying amount of loans and advances to customers located in certain regions of Donetsk and Lugansk regions, as of 31 December 2015, is UAH 402,195 th. or 10.719% of the book value of loans and advances to customers and 3.6% of the book value of assets accordingly (including the book value of corporate loans UAH 391,502 th, or 10.434% of the book value of loans and advances to customers and 6.748% of the book value of Bank assets, which are fully covered by the deposits of mother bank).

As of 31 December 2014, the carrying value of loans and advances to customers located in the Crimea is UAH 4,662 th., or 0.1% of the book value of loans and advances to customers and 0.07% of the book value of Bank assets. The carrying amount of loans and advances to customers located in certain regions of Donetsk and Lugansk regions, as of 31 December 2014, is UAH 232,638 th. or 5.08% of the book value of loans and advances to customers and 3.6% of the book value of assets accordingly.

The carrying value of these loans and advances to customers is based on fair value of collateral in the form of financial and non-financial assets. Under IFRS 13 "Fair Value Measurement" fair value of non-financial assets should take into account the Bank's ability to generate economic benefits of the asset by most profitable and best use or by selling it. The most profitable and best use of a non-financial asset provides the asset that is physically possible, legally permissible and financially sound, and the selling price should reflect the effects of normal transaction between market participants at the measurement date. Taking into account the situation in Crimea and some areas of Donetsk and Lugansk regions, determine the fair value of collateral in the form of non-financial assets are more based on a judgment of experts to assess than the actual conditions that existed in these regions.

This restriction does not apply to collateral in the form of property rights to the parent bank deposit in the amount of UAH 130,846 th. Therefore the value of loans and advances to customers at risk in these regions is reduced by the specified amount to UAH 106,457 th.

The cost of acquisition of financial assets through foreclosure of the mortgaged property for 2015 was UAH 1,055.9 th.

The cost of acquisition of financial assets through foreclosure of the mortgaged property for 2014 was UAH 6,204.2 th.

The size of the allowance for loan impairment, which is reflected in the Statement of financial position in line "Loans and advances to customers" and in this note, Equity of the Bank and its financial results may be affected by abovementioned limitations related to some areas of Donetsk and Lugansk regions and constraints that are beyond the control of the Bank.

Currency and Interest rate analysis of loans and advances to customers is disclosed in Note 34. Information on related party balances is disclosed in Note 39.

10. Investment securities available for sale

Table 10.1 Investment securities available for sale

(In thousands Ukrainian hryvnias)

	As of December 31, 2015	As of December 31, 2014
Debt securities:	1 006 664	670 870
Ukrainian State bonds	-	490 833
Deposit certificates of NBU	1 006 664	180 037
Total investment securities available for sale, net of allowance for impairment *	**1 006 664**	**670 870**

* including accrued interest income on debt securities which are refinanced by the National Bank of Ukraine, as of 31 December 2015 amounting to 1 858 UAH th. (31 December 2014 - UAH 6 372 th.).

As of 31 December 2015 securities available for sale consist of:
- Deposit certificates of NBU

As of 31 December 2014 securities available for sale consist of:
- State bonds denominated in US dollars with carrying value of UAH equivalent 490 817.03 th. with maturity from March 2015 to May 2017 and nominal interest rate from 7.45% to 7.75%;
- State bonds to refund value added tax (VAT-bonds) in the amount of UAH 15.68 th. with maturity in July 2015 and nominal interest rate of 5.5% per annum.
- Deposit certificates of NBU in the amount of UAH 180 036.97 th. with maturity in January 2015 and nominal interest rate of 7.5% per annum.

As of 31 December 2015, the securities for sale were not used as collateral (see Note 36).

Table 10.2. Analysis of debt securities outstanding by credit quality as of 31 December 2015

(In thousands Ukrainian hryvnias)

	Deposit certificates of NBU	Total
Neither past due nor impaired:	1 006 664	1 006 664
issued by government institutions and enterprises	1 006 664	1 006 664
Total debt investment securities available for sale	**1 006 664**	**1 006 664**

Table 10.3. Analysis of debt securities outstanding by credit quality as of 31 December 2014

(In thousands Ukrainian hryvnias)

	State Bonds and Deposit certificates of NBU	Total
Neither past due nor impaired:	670 870	670 870
issued by government institutions and enterprises	670 870	670 870
Total debt investment securities available for sale	**670 870**	**670 870**

Table 10.4. The movements in allowance for impairment of investment securities available for sale for 2014

(In thousands Ukrainian hryvnias)

	Shares and other securities with variable income:	Total
Balance as of 1 January	**11**	**11**
(Increase) / decrease in allowance for impairment for the year	(11)	(11)
Balance as of the end of day on 31 December	**-**	**-**

Currency and Interest rate analysis of investment securities available for sale is disclosed in Note 34. Information on related party balances is disclosed in Note 39.

11. Investment securities held to maturity

Table 11.1 Investment securities held to maturity

(UAH th.)

	as of December 31, 2015	as of December 31, 2014
Ukrainian State bonds	-	5 366
Total securities held to maturity, net of allowance for impairment	**-**	**5 366**

Accrued income for investment securities held to maturity, refinanced by the National Bank of Ukraine as of 2014 is UAH 102 th.

As of 31 December 2014 securities held to maturity consist of:
- State bonds to refund value added tax (VAT-bonds) in the amount of UAH 5 366.05 th. with maturity in August 2015 and a nominal interest rate of 5.5% per annum.

Table 11.2. The movement of investment securities held to maturity

(UAH th.)

	Note	2015	2014
Carrying amount as of 1 January		**5 366**	**10 705**
Redemption		(5 492)	(5 783)
Accrued interest income	27	126	444
Carrying amount as of 31 December		-	**5 366**

Table 11.3. Fair value of Investment securities held to maturity

(In thousands Ukrainian hryvnias)

	as of December 31, 2015		as of December 31, 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
Ukrainian State bonds	-	-	5 366	5 196
Total debt securities held to maturity	**-**	**-**	**5 366**	**5 196**

Table 11.4. Analysis of Investment securities held to maturity by credit quality for 2014

(In thousands Ukrainian hryvnias)

	State bonds	Total
Debt securities neither past due nor impaired:	5 366	5 366
government institutions and government-financed entities	5 366	5 366
Total debt securities held to maturity, net of allowance for impairment	**5 366**	**5 366**

Currency and Interest rate analysis of investment securities held to maturity is disclosed in Note 34. Information on related party balances is disclosed in Note 39.

12. Investment property

Table 12.1. Investment property measured at cost for 2015

(In thousands Ukrainian hryvnias)

	Land plots	Buildings	Part of buildings	Total
At the beginning of the year	**-**	**30 811**	**36 349**	**67 160**
Initial (revalued) cost	-	31 836	42 941	74 777
Accumulated depreciation	-	(720)	(1 324)	(2 044)
Impairment recognition	-	(305)	(5 268)	(5 573)
Capital investment for reconstruction	-	-	1	1
Depreciation	-	(328)	(415)	(743)
Disposals	-	-	(7 188)	(7 188)
Transfer to category of Investment Property from category of Inventory (Other assets)	-	-	1 988	1 988
Transfer from category of Investment Property to the category of Fixed Assets (historical cost)	-	(15 424)	(1 504)	(16 928)
Impairment recognition (recovery)	-	143	4 127	4 270
Balance as of December 31,	**-**	**15 202**	**33 358**	**48 560**
Initial (revalued) cost	-	15 897	36 287	52 185
Accumulated depreciation	-	(533)	(1 635)	(2 168)
Recognized impairment	-	(162)	(1 295)	(1 457)

Table 12.2. Investment property measured at cost for 2014

(In thousands Ukrainian hryvnias)

	Land plots	Buildings	Part of buildings	Total
At the beginning of the year	**-**	**30 838**	**25 622**	**56 460**
Initial (revalued) cost	-	31 248	25 978	57 226
Accumulated depreciation	-	(410)	(356)	(766)
Impairment recognition	-	(305)	(5 268)	(5 573)
Additions	-	-	7 233	7 233
Capital investments for reconstruction	-	-	30	30
Depreciation	-	(397)	(393)	(790)
Disposals	-	-	(270)	(270)
Transfer to category of Investment Property from category of Inventory (Other assets)	-	2 796	8 574	11 370
Transfer to investment property from the category of own fixed assets at cost	-	-	10 283	10 283
Transfer to category of Investment Property from category of Fixed Assets (depreciation)	-	-	(829)	(829)
Transfer to the category of premises occupied by the owner at cost	-	(2 207)	(8 878)	(11 085)
Transfer to a category of buildings occupied by the owner (depreciation)	-	87	245	332
Balance as of December 31, 2015	**-**	**30 812**	**36 349**	**67 161**
Initial (revalued) cost	-	31 836	42 941	74 777
Accumulated depreciation	-	(719)	(1 324)	(2 043)
Recognized impairment	-	(305)	(52 68)	(5 573)

The Bank applies the straight-line method of depreciation for investment property. Useful life is 80 years. Depreciation rate is 1.25% per year.

The fair value of investment property is determined based on the reports of independent appraisers as of December 31, 2015 is 68 704 th (31 December 2014 - 65 218 th).

The fair value of investment property as of December 31, 2015 and 2014, respectively must be specified (if there are reports of independent appraisers). The determined fair value of investment property is referred to the second level of fair value.

Table 12.3. Income/Expenses recognized in the statement of profit or loss and other comprehensive income

(In thousands Ukrainian hryvnias)

Amounts of revenues and expenses	2015	2014
Income from investment property lease	4 531	5 112
Total payments receivable under operating leases	**4 531**	**5 112**

Table 12.4. The future minimum lease payments receivable under non-cancellable operating leases

(In thousands Ukrainian hryvnias)

Period for rent	as of December 31, 2015	as of December 31, 2014
Up to 1 year	632	304
From 1 to 5 years	277	1 090
Total income received from rent	**909**	**1 394**

13. Property, equipment and intangible assets

(In thousands Ukrainian hryvnias)

	Land plots	Build-ings	Machines and equipment	Motor vehicles	Equip-ment, tools, furniture	Other property, and equip-ment	Other non-current tangible assets	Capital expendi-tures in property, equip-ment and intangible assets	Intan-gible assets	Total
Carrying value at the beginning of 2014:	**61**	**51 472**	**26 340**	**2 768**	**6 156**	**374**	**43 835**	**404**	**54 454**	**185 862**
Initial (revalued) cost	61	56 831	84 964	7 030	46 362	12 017	85 325	404	91 810	384 804
Accumulated depreciation	-	(5 359)	(58 625)	(4 262)	(40 206)	(11 643)	(41 490)	-	(37 356)	(198 942)
Additions	-	-	1020	-	134	28	334	2831	1 648	5 995
Transfer from the category of investment property	-	10 753	-	-	-	-	-	30	-	10 783
Capital investments in property, equipment and intangible assets	-	932	170	3	-	-	1 733	9 055	6 216	18 110
Impairment	-	(12 620)	-	-	-	-	(2 468)	-	-	(15 088)
Disposals	-	(2 552)	(1 298)	(232)	(485)	(13)	(1 792)	(12 219)	-	(18 590)
Transfer to the category of Investment Property	-	(9 454)	-	-	-	-	-	(30)	-	(9 483)
Depreciation	-	(718)	(3 539)	(294)	(876)	(70)	(2 567)	-	(11 809)	(19 873)
Carrying value at the end of 2014 (at the beginning of 2015):	**61**	**37 814**	**22 692**	**2 245**	**4 929**	**319**	**39 076**	**71**	**50 509**	**157 716**
Initial (revalued) cost	61	55 907	77 716	6 124	42 345	7 036	82 106	71	99 625	370 991
Accumulated depreciation	-	(18 093)	(55 024)	(3 879)	(37 415)	(6 717)	(43 030)	-	(49 116)	(213 275)
Additions	-	-	407	-	214	500	394	3 439	1 924	6 878
Transfer from the category of investment property	-	16 928	-	-	-	-	-	-	-	16 928
Capital investments in property, equipment and intangible assets	-	151	454	164	-	3	550	3 635	2 341	7 299
Impairment	-	(1 074)	-	-	-	-	-	-	-	(1 074)
Disposals	-	5 433	-	-	-	-	-	-	-	5 433
Impairment recognition (recovery)	-	(1 003)	(957)	(1 249)	(330)	(13)	(4 384)	(7 103)	-	(15 039)
Transfer to the category of Investment Property	-	(775)	-	-	-	-	(617)	-	-	(1 391)
Depreciation	-	(610)	(3 558)	(180)	(803)	(99)	(2 063)	-	(13 529)	(20 841)
Carrying value at the end of 2015:	**61**	**56 866**	**19 038**	**979**	4 011	**711**	**32 956**	**43**	**41 246**	**155 909**
Initial (revalued) cost	61	71 579	73 933	1 692	37 810	5 848	69 034	43	103 888	363 887
Accumulated depreciation at the end of 2015	-	(14 714)	(54 895)	(712)	(33 799)	(5 138)	(36 078)	-	(62 643)	(207 977)

The cost of fixed assets in respect of which the Ukrainian laws provide restrictions on the possession, use and disposal as at 31 December 2015 is 400 UAH th.

During 2015, the Bank did not pledge fixed assets and intangible assets;

The Bank has no fixed assets which are temporarily not in use or which are conserved or under reconstruction;

The cost of fully depreciated fixed assets as of 31 December 2015 is 18 945 UAH th (as of 31 December 2014: UAH 16 129 th);

Intangible assets, for which there is a restriction of property rights, are unavailable;

During 2015, the intangible assets were not created by the Bank;

In 2015, an impairment (impairment) property classified as property and equipment, investment property and property acquired by the bank through exercising the rights of the mortgagee was recognized to the amount of 2 254 UAH, th. and the utility within the previous markdown was restored in the amount of 11 095 UAH, th. The Bank has no fixed asset temporarily not used and being in conservation or reconstruction.
The fixed assets removed from operation for sale during 2015 are unavailable as of December 31, 2015.

The fair value of fixed assets, investment property and property acquired by bank owners through exercising of the mortgagee's rights as at 31 December 2015 (without the Crimea and ATO area) amounts to 247 597 UAH, th. and belongs to the second level of fair value hierarchy .

14. Other financial assets

Table 14.1. Other financial assets

(In thousands Ukrainian hryvnias)

	as of December 31, 2015	as of December 31, 2014
Receivables on card operations	251	232
Receivables on operations with other financial instruments	65	300
Other financial assets	11 958	2 296
Allowance for impairment of other financial assets	(9 251)	(692)
Total other financial assets, net of allowance for impairment	**3 023**	**2 136**

The “Other financial assets" item includes 9422 UAH, th. of receivables from transactions with Bank customers, and 2,489 UAH, th. of receivables under settlements.

Table 14.2. Analysis of changes in allowance for impairment losses of other financial assets for 2015

(In thousands Ukrainian hryvnias)

	Other financial assets	Total
Balance as of 1 January	**692**	**692**
Increase / (Decrease) in impairment allowance for the year	3 823	3 823
Receivables write-off	4 573	4 573
FX revaluation effect	163	163
Balance as of the end of day on 31 December	**9 251**	**9 251**

Table 14.3. Analysis of changes in allowance for impairment losses of other financial assets for 2014

(In thousands Ukrainian hryvnias)

	Other financial assets	Total
Balance as of 1 January	**405**	**405**
Increase / (Decrease) in impairment allowance for the year	219	**219**
Receivables write-off	(104)	**(104)**
FX revaluation effect	172	**172**
Balance as of the end of day on 31 December	**692**	**692**

Table 14.4. Analysis of other financial assets by credit quality as of 31 December 2015

(In thousands Ukrainian hryvnias)

	Receivables on card operations	Receivables on operations with other financial instruments	Other financial assets	Total
Neither past due nor impaired:	251	-	10	261
medium-sized companies	-	-	-	-
small-sized companies	251	-	10	261
Impaired, individually assessed:	-	65	11 948	12 013
up to 31 days of past due	-	9	3 377	3 385
32 to 92 days of past due	-	-	44	44
93 to 183 days of past due	-	-	330	330
184 to 365 (366) days of past due	-	38	476	515
more than 366 (367) days of past due	-	18	7 721	7 739
Total other financial assets before allowance	251	65	11 958	12 274
Allowance for impairment losses of other financial assets	-	-	(9 251)	(9 251)
Total other financial assets, net of allowance for impairment	**251**	**65**	**2 707**	**3 023**

Table 14.5. Analysis of other financial assets by credit quality as of 31 December 2014

(In thousands Ukrainian hryvnias)

	Receivables on card operations	Receivables on operations with other financial instruments	Other financial assets	Total
Neither past due nor impaired:	232	300	1 604	2 136
medium-sized companies	-	300	48	348
small-sized companies	232	-	1 556	1 788
Impaired, individually assessed:	-	-	692	692
up to 31 days of past due	-	-	123	123
32 to 92 days of past due	-	-	50	50
93 to 183 days of past due	-	-	100	100
184 to 365 (366) days of past due	-	-	124	124
more than 366 (367) days of past due	-	-	295	295
Total other financial assets before allowance	232	300	2 296	2 828
Allowance for impairment of other financial assets	**-**	**-**	(692)	(692)
Total other financial assets, net of allowance for impairment	**232**	**300**	**1 604**	**2 136**

Currency and Interest rate analysis of other financial assets is disclosed in Note 34. Information on related party balances is disclosed in Note 39.

15. Other assets

Table 15.1. Other assets

(In thousands Ukrainian hryvnias)

	as of December 31, 2015	as of December 31, 2014
Receivables on purchase of assets	348	1 084
Pre-paid services	5 968	11 269
The property received by the bank as mortgagee	52 053	61 223
Other assets *	2 779	12 383
Impairment allowance for other assets	(834)	(1 094)
Total other assets, net of impairment allowance	**60 314**	**84 865**

The structure of the article Other assets includes:

UAH 1 174 th. - inventories and UAH 1 605 th. - receivables for taxes and mandatory payments other than income tax (respectively in 2014 UAH 567 th. - inventories and UAH 10 816 th. - receivables for taxes and mandatory payments other than income tax)

The value of assets in respect of which there are restrictions on the possession, use and disposal under Ukrainian legislation as of 31 December 2015 is UAH 400 th. (2014 - UAH 400 th.)

The cost of property transferred to the ownership of the Bank as a mortgagee as of December 31, 2015 is 52 053 UAH, th. (as of 31 December 2014, it was 61 223 UAH, th.).

The Bank recognizes real estate acquired in ownership through exercising of the mortgagee's right as inventory until it is recognized as its fixed assets held for sale, in the event of a decision to use the same in the current activity or leasing.

In 2015 the Bank recognized impairment of property transferred in ownership of the bank as mortgagee in the amount of UAH 941 th. and restoration of utility by 1 392 UAH, th. (in 2014 recognized impairment of other assets in the amount of UAH 11 352 th.)

Table 15.2. The movements in allowance for impairment of other assets for 2015

(In thousands Ukrainian hryvnias)

	Receivables on purchase of assets	Pre-paid services	Other assets	Total
Impairment allowance at the beginning of the year	**181**	**553**	**360**	**1 094**
Increase / (Decrease) in impairment allowance for the year	(139)	238	(359)	**(260)**
Impairment allowance at the end of the year	**42**	**791**	**1**	**834**

Table 15.3. The movements in allowance for impairment of other assets for 2014

(In thousands Ukrainian hryvnias)

	Receivables on purchase of assets	Pre-paid services	Other assets	Total
Impairment allowance at the beginning of the year	**428**	**286**	**-**	**714**
Increase / (Decrease) in impairment allowance for the year	(247)	267	360	380
Impairment allowance at the end of the year	**181**	**553**	**360**	**1 094**

Currency and Interest rate analysis of other assets is disclosed in Note 34. Information on related party balances is disclosed in Note 39.

16. Non-current assets held for sale and assets of disposal group

(In thousands Ukrainian hryvnias)

	ss of 31 December 2015	as of December 31, 2014
Non-current assets held for sale:		
Fixed assets	1 052	-
Total of non-current assets held for sale:	**1 052**	**-**

17. Due to banks

(In thousands Ukrainian hryvnias)

	ss of 31 December 2015	as of December 31, 2014
Correspondent accounts and overnight placements of other banks	37	23 085
Deposits from banks:	1 338 883	1 878 381
short-term	-	-
long-term	1 338 883	1 878 381
Sales and repurchase contracts with other banks	-	48 880
Loans received:	-	191 920
short-term	-	33 333
long-term	-	158 587
Total due to banks	**1 338 920**	**2 142 266**

including:

-accrued expenses on long term deposits: UAH 3 120 th as of 31 December 2015 (as of 31December 2014 - UAH 5 519 th);
-accrued expenses on loans received from other banks: UAH 1 101 th. as of 31 December 2014.

The Bank had no assets provided to the third parties as security for their obligations under the funds received from other banks as of 31 December 2015.

The carrying value of assets provided to third parties as security of their obligations under the funds received from other banks as of 31 December 2014 is UAH 88 887 th..

The carrying value of deposits from other banks, received as collateral for loans,as of 31 December 2015 is UAH 1 202 186 th..

The carrying value of deposits from other banks, received as collateral for loans, as of 31 December 2014 is UAH 1 724 079 th..

Currency and Interest rate analysis of due to banks is disclosed in Note 34. Information on related party balances is disclosed in Note 39.

18. Due to clients

Table 18.1. Due to clients

(In thousands Ukrainian hryvnias)

	as of December 31, 2015	as of December 31, 2014
Corporate:	1 132 212	965 653
current accounts	455 844	442 327
term deposits	676 368	523 326
Individuals:	2 099 263	2 007 701
current accounts	439 562	402 181
term deposits	1 659 701	1 605 520
Total due to clients	**3 231 475**	**2 973 354**

including:
- As of 31 December 2015 term deposits of individuals include accrued expenses in the amount of UAH 27 088 th (as of 31 December 2014 - UAH 13 366 th);
- As of 31 December 2015 term deposits of corporate include accrued expenses in the amount of UAH 3 317 th (as of 31 December 2014 - UAH 4 542 th).

As of 31 December 2015 the concentration of funds received from the ten largest depositors - third parties, is 328 654 th.. UAH., or 10.17% of total customer accounts.

As of 31 December 2014 the concentration of funds received from the ten largest depositors - third parties, is 601 940 th.. UAH., or 20.2% of total customer accounts.

As as of 31 December 2015 to the string of individuals included in certificates of deposit issued by the Bank carrying amount of 78 735 th.., Including accrued cost is 936 th..

Table 18.2. Economic sector concentrations within customer accounts

(In thousands Ukrainian hryvnias)

Economic activity	as of December 31, 2015		as of December 31, 2014	
	Amount	**%**	**Amount**	**%**
Electricity, Gas and Water production and distribution	6 013	0.19%	218	0.01%
Operations with immovable property, rent	216 524	6.70%	116 655	3,92%
Trade, repair of motor vehicles, household and consumer goods	336 498	10.41%	471 813	15.87%
Agriculture, forestry and fishing	9 619	0,30%	7 432	0,25%
Individuals	2 099 263	64.96%	2 007 701	67.52%
Others	563 558	17.44%	369 535	12.43%
Total due to customers	**3 231 475**	**100.00%**	**2 973 354**	**100.00%**

Under current legislation the Bank shall contribute to the Individuals' Deposit Guarantee Fund. The amount of deduction is calculated quarterly. Calculation and accrual of regular deduction is performed at the end of the last business day of the quarter at annual base rate, which is 0.5 percent of the accrual base for deposits in local currency and 0.8 percent of the accrual base for deposits in foreign currency. Accrual base for calculation of regular charge is defined as the average for the billing period amount of daily balances on the balance sheet accounts of deposits and interest on them. The billing period to determine the charge is the quarter of the year.

"Others" include economic activities other than those specified in the table, each of which covers less than 1% of total due to customers.

Currency and Interest rate analysis of due to customers is disclosed in Note 34. Information on related party balances is disclosed in Note 39.

19. Other borrowed funds

Table 19.1. Other borrowed funds

(In thousands Ukrainian hryvnias)

	as of December 31, 2015	as of December 31, 2014
Loans from international and other financial institutions	1 008	1 397
Total	**1 008**	**1 397**

including accrued expenses in the amount of UAH 9 th as of 31 December 2015 (as of 31 December 2014 - UAH 19 th.)

Currency and Interest rate analysis for other borrowed funds is disclosed in Note 34. Information on related party balances is disclosed in Note 39.

20. Provisions for liabilities

Table 20.1. The movements in provisions for liabilities for 2015

(In thousands Ukrainian hryvnias)

	Notes	Credit related commitments	Total
Carrying amount as of 1 January		**704**	**704**
Increase / (Decrease) of impairment allowance for the year		(672)	(673)
Carrying amount as of 31 December	36	**32**	**32**

Table 20.2. The movements in provisions for liabilities for 2014

(In thousands Ukrainian hryvnias)

	Notes	Credit related commitments	Total
Carrying amount as of 1 January		**414**	**414**
Increase / (Decrease) of impairment allowance for the year		3 166	3 166
Fees received from issuance of guarantees	28	618	618
Amortization of fees from guarantees to profit or loss		(618)	(618)
Provisions utilization		(2 872)	(2 872)
FX revaluation effect		(4)	(4)
Carrying amount as of 31 December	36	**704**	**704**

Provisions for liabilities include a reserve for guarantees granted in total 8 435 th the validity of which is June-August 2016.

Currency and Interest rate analysis for provisions for liabilities is disclosed in Note 34. Information on related party balances is disclosed in Note 39.

21. Other financial liabilities

Table 21.1. Other financial liabilities

(In thousands Ukrainian hryvnias)

	as of December 31, 2015	as of December 31, 2014
Payables on card operations	5 935	9 308
Derivative payables in trading portfolio	147	-
Other financial liabilities	526 715	190 860
Total other financial liabilities	**532 797**	**200 168**

Other financial liabilities include accrued expenses in amount UAH 11 085 th as of 31.12.2015 (UAH 10 667 th as of 31.12.2014).

Currency and Interest rate analysis of other financial liabilities is disclosed in Note 34. Information on related party balances is disclosed in Note 39.

22. Other liabilities

(In thousands Ukrainian hryvnias)

	as of December 31, 2015	as of December 31, 2014
Taxes payable other than on income	1 074	13 653
Accrued employee costs	4 539	5 984
Deferred consideration for acquisitions	24 393	8 008
Deferred income	261	1 147
Financial lease liabilities	1 963	3 941
Other	4 351	3 925
Total	**36 581**	**36 658**

Other is including payables to the Individuals' Deposit Guarantee Fund as of 31 December 2015 amount to UAH 4 351 th (2014: UAH 3 925 th).

As of 31 December 2015 accrued employee costs include reserve for unused vacation in the amount of UAH 4 538 th (2014: UAH 5 982 th).

Table 22.2. Minimum lease payments under finance leases and their present values

(In thousands Ukrainian hryvnias)

	Less than 1 year	From 1 to 5 years	Total
Minimum lease payments under finance leases and their present value	1 895	135	2 031
Future financial payments	66	2	68
Present value of minimum lease payments as of December 31, 2015	**1 884**	**135**	**2 019**

Financial lease - a lease, under which the supposed transfer of all risks and benefits associated with ownership of the asset. The ownership may eventually be transferred or not.

The lease is classified as a financial lease when:

- at the end of the term of lease, the ownership or other property rights of the asset are transferred to the lessee;
- the lessee has the right to purchase the asset at a price, which is much lower than the fair value at the date of exercising of the said right, and at the commencement of the lease (rental) term there is a reasonable certainty that this right is implemented;
- the term of lease (rental) represents the most of the useful life of the asset even if that title is not transferred;
- at the beginning of the term of lease (rent), the present value of the minimum lease (rental) payments is almost equal to the fair value of the asset leased (granted on hire);
- assets leased (granted on hire) have a specialized nature, i.e. only the lessee can use them without major modifications.

The financial assets are purchased at fair value under the financial lease agreement.

The Bank received software under the agreement financial leasing.

Expenses under financial leasing transactions are recognized in the **Statement of Income** as a part of interest expenses.

Currency and Interest rate analysis of other borrowed funds is disclosed in Note 34. Information on related party balances is disclosed in Note 39.

23. Subordinated debt

(In thousands Ukrainian hryvnias)

Name	Currency	Maturity	Interest rate	as of December 31, 2015	as of December 31, 2014
ERB New Europe Holding B.V.	USD	04/27/2019	2.9832%	-	314 683
Total				**-**	**314 683**

Currency and Interest rate analysis of subordinated debt is disclosed in Note 34. Information on related party balances is disclosed in Note 39.

In 2015, the Bank received permission of the National Bank of Ukraine to repay the subordinated debt raised from the investor earlier, provided that these funds are used to increase the Bank authorized capital in accordance with the decision of the Bank shareholders.

24. Share capital and exchange differences (share premium)

(In thousands Ukrainian hryvnias)

	Number of outstanding shares	Ordinary shares	Shares premium	Total
Balance as of 1 January 2014	**116 267**	**1 162 672**	**887 485**	**2 050 157**
Balance as of December 31, 2014 (balance as of 1 January 2015)	116 267	1 162 672	887 485	2 050 157
New shares issued	1 300	13 000	487 955	500 955
Balance as of December 31, 2015	**117 567**	**1 175 672**	**1 375 440**	**2 551 112**

In 2015, the Bank conducted a private placement of its shares, as a result of which 1 300 000 (one million three hundred thousand) ordinary registered shares were placed and paid (certificate of registration of the share issue No. 141/1/2014, issued on June 17, 2015).

As of December 31, 2015, all of the Bank's outstanding shares were authorised, issued and fully paid in.
All ordinary shares have a nominal value of UAH 10 per share.
The Bank did not place the preferred shares. Under the terms of private placement of the Bank shares, the provision of special rights (privileges) and restrictions, other than those stipulated by the Bank Articles of Association and laws of Ukraine, was not envisaged.

Weighted average number of shares in circulation in 2015 was 117 287 thousand (based on the date of issue of the certificate of registration of the Bank shares) (2014: 116 267 thousand).

As of December 31, 2015 statement of financial position of the Bank accounted shareholder's contribution to unregistered capital of the Bank in the amount of UAH 1 883 232 th, made in accordance with the shareholders decision to increase the Bank's capital. The decision to increase the share capital by an additional thirteenth issue of ordinary shares in the amount of 1 927 000 th. was taken at the extraordinary general meeting of shareholders of 20 October 2015.

As of December 31, 2014 statement of financial position of the Bank accounted shareholder's contribution to unregistered capital of the Bank in the amount of UAH 500 781 th, made in accordance with the shareholders decision to increase the Bank's capital. The decision to increase the share capital by an additional thirteenth issue of ordinary shares in the amount of 13 000 th. was taken at the extraordinary general meeting of shareholders of 03 October 2014.

25. Revaluation reserve (components of other comprehensive income)

(In thousands Ukrainian hryvnias)

	2015	2014
Balance at the beginning of period	**3 665**	**(3 903)**
Revaluation of investments available-for-sale:	(4 564)	8 900
Changes fair value	(13 433)	9 320
Recognition in Profit and Loss at securities disposal	8 869	(420)
Income tax recorded directly in other comprehensive income related to:	899	(1 332)
revaluation of investments available-for-sale	899	(1 332)
Total revaluation reserve	**(3 665)**	**7 568**
Balance at the end of period	**-**	**3 665**

26. The maturity analysis of assets and liability

(In thousands Ukrainian hryvnias)

	Notes	as of December 31, 2015			as of December 31, 2014		
		on demand and less than 12 months	**over 12 months**	**Total**	**on demand and less than 12 months**	**over 12 months**	**Total**
ASSETS							
Cash and cash equivalents	6	623 097	-	623 097	381 430	-	381 430
Mandatory reserves in the National Bank of Ukraine		82 493	-	82 493	98 573	-	98 573
Trading securities	7	47 154	356	47 510	348 910	996	349 906
Due from banks	8	-	-	-	852	-	852
Loans and advances to customers	9	1 394 413	2 357 863	3 752 276	3 737 856	843 812	4 581 668
Investment securities available for sale	10	1 006 664	-	1 006 664	665 256	5 614	670 870
Investment securities held to maturity	11	-	-	-	5 366	-	5 366
Investment property	12	-	48 560	48 560	-	67 161	67 161
Current income tax prepayment	31	4 305	-	4 305	571	-	571
Deferred income tax asset		16 446	-	16 446	59 426	-	59 426
Property, equipment and intangible assets	13	-	155 909	155 909	-	157 716	157 716
Other financial assets	14	3 023	-	3 023	2 136	-	2 136
Other assets	15	60 314	-	60 314	84 865	-	84 865
Non-current assets held for sale	16	1 052	-	1 052	**-**	**-**	**-**
Total assets		**3 238 960**	**2 562 689**	**5 801 649**	**5 385 241**	**1 075 299**	**6 460 540**

LIABILITIES							
Due to banks	17	3 158	1 335 762	1 338 920	198 966	1 943 300	2 142 266
Due to clients	18	2 973 327	258 148	3 231 475	2 945 638	27 716	2 973 354
Other borrowed funds	19	-	1 008	1 008	-	1 397	1 397
Liabilities under deferred income tax	32	2	-	2	498	-	498
Provisions for liabilities	20	32	-	32	704	-	704
Other financial liabilities	21	532 797	-	532 797	200 142	25	200 167
Other liabilities	22	36 581	-	36 581	36 658	-	36 658
Subordinated debt	23	-	-	-	1 298	313 385	314 683
Total liabilities		**3 545 897**	**1 594 918**	**5 140 815**	**3 383 905**	**2 285 823**	**5 669 728**

27. Interest income and expense

(In thousands Ukrainian hryvnias)

	2015	2014
Interest income:		
Loans and advances to customers	379 969	525 587
Investment securities available for sale	47 195	53 262
Investment securities held to maturity	126	1 143
Due from other banks	2 232	13 360
Debt trading securities	9 297	22 725
Correspondent accounts with the banks	2 400	4 206
Total interest income	**441 219**	**620 283**
Interest expense:		
Term deposits of legal entities	(43 105)	(16 259)
Other borrowed funds	(12 487)	(16 975)
Term deposits of individuals	(173 233)	(208 452)
Term placements of other banks	(65 278)	(77 386)
Overnight placements of other banks	-	(146)
Current accounts	(37 957)	(56 561)
Correspondent accounts of other banks	(37)	(921)
Financial lease liabilities	(318)	(1 077)
Total interest expense	**(332 415)**	**(377 777)**
Net interest income / (expense)	**(108 804)**	**242 506**

Interest income from impaired loans in 2015 accounted for 251 060 UAH, th.

Interest income from impaired loans in 2014 accounted for 195 759 UAH, th.

Information on related party balances is disclosed in Note 39.

28. Fee and commission income and expense

(In thousands Ukrainian hryvnias)

	2015	2014
Fee and commission income		
Settlement and cash transactions	62 106	41 589
Transactions with securities	443	963
Guarantees issued	143	618
Transactions in foreign exchange market	8 269	7 305
Others *	2 060	2 614
Total fee and commission income	**73 021**	**53 089**
Fee and commission expense		
Settlement and cash transactions	(17 176)	(13 043)
Others	(22)	(586)
Total fee and commission expense	**(17 198)**	**(13 629)**
Net fee and commission income	**55 823**	**39 460**

including the commission income from loan servicing of the customers not related to creation of financial instruments in the amount of 1 890 UAH, th. for 2015; 2014 – 2 540 UAH, th.

Information on related party balances is disclosed in Note 39.

29. Other operating income

(In thousands Ukrainian hryvnias)

	2015	2014
Sublease rental income	4 543	5 119
Income from other service	23 326	6 856
Gain on disposal of premises and equipment	59	532
Fines and penalties received by the Bank	3 036	3 294
Total other operating income	**30 964**	**15 801**

Information on related party balances is disclosed in Note 39.

30. Administrative and other operating expenses

(In thousands Ukrainian hryvnias)

	Note	2015	2014
Staff costs		147 861	157 056
Depreciation of premises, equipment and investment property	12,13	8 055	8 854
Costs for encashment		1 793	2 122
Recognition of Fixed assets, Investment Property and Inventory impairment		2 254	32 012
Forgiveness of debt borrowers		14 578	14 819
Amortisation of software and other intangible assets	13	13 529	11 809
Maintenance of premises and equipment, mail and telecommunication		71 518	58 164
Operating lease expense for premises		36 537	36 218
Professional services		22 957	31 163
Advertising and marketing services		6 198	10 215
Security services		2 256	2 420
Individuals' Deposit Guarantee Fund		17 894	21 115
Business trip expenses		1 648	1 960
Taxes other than on income		12 081	17 367
Losses from asset derecognition		-	-
Cost of insurance		1 736	2 370
Others		50 845	37 771
Total administrative and other operating expenses		**411 740**	**445 435**

As of 31 December 2015 Stuff costs include the amount of contributions, fees for compulsory state pension and social insurance in the amount of UAH 31 154 th. (2014: UAH 33 948 th.).

The information on administrative and other operating expenses from transactions with related parties is disclosed in Note 39.

31. Income tax expenses

Table 31.1. Income tax expenses

(In thousands Ukrainian hryvnias)

	2015	2014
Current tax	-	(4 480)
Changes in deferred tax related to:	(43 880)	(45 750)
emergence or writing off temporary differences	(43 880)	(45 750)
changes in tax rate	-	-
Total income tax expenses	**(43 880)**	**(50 230)**

As of 31 December 2015 the amount of current income tax and deferred tax is calculated based on the current tax rate in 2015 - 18% (in 2014 - 18%).

Table 31.2. Reconciliation of income tax expenses and profit or loss multiplied by applicable tax rate.
(In thousands Ukrainian hryvnias)

	2015	2014
Profit / (loss) before tax	(1 965 839)	(387 348)
Theoretical tax charge at statutory rate Line 2 = line 1 x tax rate	(353 851)	(69 723)
The adjustments of profit / (loss):		
The costs not included in the cost to calculate the taxable income, but recognized in accounting (losses from cancellation of the customer's debt, additional staff costs, compensation for damages from customers and counterparties under court decisions, hospitality costs of non-promotional nature, losses from financial sanctions, fines, penalties, costs of maintaining the non-productive fixed assets, cost of charity, cost of search and protection of collateral, cost of paying the membership fees, etc.).	(142 284)	(11 842)
Income subject to income tax but not recognized (not included) in the accounting profit (loss) (income from assignment of a chose in action under the loan, included in the agreement on participation in risks)	-	-
Income not subject to income tax, but recognized in accounting (repayment of the arbitral fee, advances for enforcement actions and other amounts not included in expenses to calculate the income tax)	-	566
Tax effect of tax rate changes	-	-
Allowance for evaluation of deferred tax	452 255	30 065
Other adjustments	-	704
Income tax (expenses) / credit for the year	**(43 880)**	**(50 230)**

Data in the table are calculated basing on actual rate at the end of each reporting period (18% for 2015 and 18% for 2014).

Table 31.3 Deferred taxes analysis by type of temporary difference for 2015
(In thousands Ukrainian hryvnias)

	Balance at 1 January 2015	Credited / (charged) to profit or loss	Credited / (charged) to other comprehen sive income	Balance at 31 December 2015
Tax effect of deductible / (taxable) temporary differences	59 426	-	-	16 446
Tax loss carry forwards	210 128	(202 888)	-	7 240
investment securities	(60 448)	59 549	899	-
Accrued expense and other liabilities	2 884	(2 884)	-	-
Premises, equipment, construction in progress and intangible assets	14 395	(5 189)	-	9 206
Loan portfolio	(107 533)	107 533	-	-
Net deferred tax asset / (liability)	**59 426**	**(43 880)**	**899**	**16 446**
Recognised deferred tax asset	**234 950**	**(210 961)**	**-**	**23 989**
Recognised deferred tax liability	**(175 524)**	**167 082**	**899**	**(7 543)**

Table 31.4 Deferred taxes analysis by type of temporary differences for 2014

(In thousands Ukrainian hryvnias)

	Balance at 1 January 2014	Credited / (charged) to profit or loss	Credited / (charged) to other comprehen sive income	Balance at 31 December 2014
Tax effect of deductible / (taxable) temporary differences	106 508	-	-	59 426
Tax loss carry forwards	294 885	(84 757)	-	210 128
Investment securities	5 938	(65 054)	(1 332)	(60 448)
Accrued expense and other liabilities	2 327	557	-	2 884
Premises, equipment, construction in progress and intangible assets	(1 605)	16 000	-	14 395
Loan portfolio	(195 037)	87 504	-	(107 533)
Net deferred tax asset / (liability)	**106 508**	**(45 750)**	**(1 332)**	**59 426**
Recognised deferred tax asset	**303 150**	**(68 200)**	**-**	**234 950**
Recognised deferred tax liability	**(196 642)**	**22 450**	**(1 332)**	**(175 524)**

32. Earnings per share

Table 32.1. Earnings per share.

(In thousands Ukrainian hryvnias)

Name of article	Remarks	as of December 31, 2015	as of December 31, 2014
Profit / (loss) for the year attributable to ordinary shareholders		(2 009 719)	(437 578)
Profit / (loss) for the year		(2 009 719)	(437 578)
Weighted average number of ordinary shares in issue (thousands)	25	117 287	116 267
Net Profit / (loss) for the year per ordinary share (expressed in UAH per share)		**(17.14)**	**(3.76)**
Adjusted Net Profit / (loss) for the year per ordinary share (expressed in UAH per share)		**(17.14)**	**(3.76)**

33. Segment analysis

Table 33.1 Reportable segment income, expense and results for 2015

(In thousands Ukrainian hryvnias)

	Segments			Other segments and transactions	Total
	Corporate banking	Retail banking	Capital markets		
External segments revenues:	**195 998**	**251 498**	**66 325**	**31 382**	**545 204**
Interest income	169 955	210 014	61 249	-	441 219
Fee and commission income	26 043	41 484	5 076	418	73 021
Other operating income	-	-	-	30 964	30 964
Total revenues	**195 998**	**251 498**	**66 325**	**31 382**	**545 204**
Interest expense	(62 874)	(191 739)	(65 315)	(12 487)	(332 415)
Loans loss provisions expenses	(943 363)	(859 242)	(68)	-	(1 802 673)
Provisioning for other assets	-	-	-	(3 565)	(3 565)
Result from operations with financial assets at fair value through profit or loss	-	-	51 636	-	51 636
Gains less losses from securities AFS	-	-	(8 869)	-	(8 869)
Trading result from foreign currency sale to customers for loans repayment	-	(33 124)	-	-	(33 124)
FX trading result	-	-	30 718	-	30 718
Foreign exchange translation gains less losses	-	-	15 514	-	15 514
Fee and commission expense	(5 717)	(11 459)	(22)	-	(17 198)
Provisioning - off balance sheet commitments	-	-	-	672	672
Administrative and other operational expenses	(148 018)	(213 633)	(50 089)	-	(411 740)
Segment result	**(963 974)**	**(1 057 699)**	**39 830**	**16 003**	**(1 965 839)**

Table 33.2 Reportable segment income, expense and results for 2014

(In thousands Ukrainian hryvnias)

	Segments			Other segments and transactions	Total
	Corporate banking	Retail banking	Capital markets		
External segments revenues:	**242 975**	**330 400**	**99 033**	**16 765**	**689 173**
Interest income	237 499	287 728	95 056	-	620 283
Fee and commission income	5 477	42 672	3 977	963	53 089
Other operating income	-	-	-	15 801	15 801
Total revenues	**242 975**	**330 400**	**99 033**	**16 765**	**689 173**
Interest expense	(43 908)	(239 110)	(80 908)	(13 851)	(377 777)
Loans loss provisions expenses	(113 807)	(295 740)	-	-	(409 547)

Provisioning for other assets	-	-	-	(599)	(599)
Result from operations with financial assets at fair value through profit or loss	-	-	82 668	-	82 668
Gains less losses from securities AFS	-	-	420	-	420
FX trading result	-	-	55 386	-	55 386
Foreign exchange translation gains less losses	-	-	35 158	-	35 158
Fee and commission expense	(34)	(13 013)	(582)	-	(13 629)
Provisioning - off balance sheet commitments	-	-	-	(3 166)	(3 166)
Administrative and other operational expenses	(123 779)	(176 856)	(50 451)	(94 350)	(445 435)
segment result	**(38 553)**	**(394 319)**	**(140 724)**	**(95 200)**	**(387 348)**

Table 33.3. Reportable segment assets and liabilities for 2015

(In thousands Ukrainian hryvnias)

	Segments			Other segments and transactions	Total
	Corporate banking	**Retail banking**	**Capital markets**		
SEGMENT ASSETS					
segment assets	1 430 692	2 320 829	1 759 768	-	5 511 289
Total segment assets	1 430 692	2 320 829	1 759 768	-	5 511 289
Undistributed assets	-	-	-	290 360	290 360
Total assets	**1 430 692**	**2 320 829**	**1 759 768**	**290 360**	**5 801 649**
SEGMENT LIABILITIES					
segment liabilities	870 430	2 099 263	1 601 708	-	4 571 401
Total segment liabilities	870 430	2 099 263	1 601 708	-	4 571 401
Undistributed liabilities	-	-	-	569 414	569 414
Total liabilities	**870 430**	**2 099 263**	**1 601 708**	**569 414**	**5 140 815**
Capital investment	5 104	7 372	1 701	-	**14 177**
Depreciation	(7 770)	(11 224)	(2 590)	-	**(21 584)**
Other non-cash items	(812)	(1 172)	(270)	-	**(2 254)**
Impairment	3 995	5 769	1 331	-	**11 095**

Table 33.4. Reportable segment assets and liabilities for 2014

(In thousands Ukrainian hryvnias)

	Segments			Other segments and transactions	Total
	Corporate banking	**Retail banking**	**Capital markets**		
SEGMENT ASSETS					
segment assets	2 061 134	2 520 752	1 506 997	-	6 088 883
Total segment assets	2 061 134	2 520 752	1 506 997	-	6 088 883
Undistributed assets	-	-	-	371 657	371 657
Total assets	**2 061 134**	**2 520 752**	**1 506 997**	**371 657**	**6 460 540**
SEGMENT LIABILITIES					
segment liabilities	753 218	2 257 254	2 456 952	-	5 467 424
Total segment liabilities	753 218	2 257 254	2 456 952	-	5 467 424
Undistributed liabilities	-	-	-	202 304	202 304
Total liabilities	**753 218**	**2 257 254**	**2 456 952**	**202 304**	**5 669 728**
Capital investment	6 749	9 642	2 651	5 062	**24 104**
Depreciation	(5 786)	(8 265)	(2 273)	(4 339)	**(20 663)**
Other non-cash items	(8 963)	(12 805)	(3 521)	(6 723)	**(32 012)**

Table 33.5. Information about geographical areas

(In thousands Ukrainian hryvnias)

	2015			2014		
	Ukraine	**Other countries**	**Total**	**Ukraine**	**Other countries**	**Total**
Income from external customers	545 204	-	545 204	689 173	-	689 173
Property, Equipment and intangible assets	155 909	-	155 909	157 716	-	157 716

34. Financial risk management

The risk management function within the Bank is carried out in respect of financial risks (credit, market, geographical, currency, liquidity and interest rate), operational risks and legal risks. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. Operational and legal risks management is intended to ensure proper functioning of internal policies and procedures aimed at minimizing these risks.

Credit risk

Credit risk is a present or potential risk for cash flows and equity, which arises from inability of a party to a contract to discharge the assumed obligations to carry out the conditions of a financial agreement with a bank or in another way to fulfill the assumed obligations. Credit risk arises mainly as a result of the implementation of lending operations and as a result of other agreements with contractors that lead to the emergence financial assets.

General principles and approaches to credit risk management are determined by the Bank's system of internal documents, policies, regulations and instructions.

Credit risk is divided to individual and portfolio credit risk.

The source of individual credit risk is separate, specific counterparty - the borrower, debtor, issuer of securities. Assessment of individual credit risk includes assessment of the creditworthiness of the single counterparty, is the individual's ability to timely and fully pay for the accepted obligations.

The source of portfolio credit risk is aggregate indebtedness for transactions which are subject to credit risk - the product portfolio, securities portfolio, portfolio of receivables and others. Portfolio credit risk assessment involves assessment of concentration and diversification of the Bank's assets.

Management and control of credit risk is carried out by setting limits of funding for each borrower / counterparty, group of related borrowers / counterparties and subsequent monitoring, which is carried out on a regular basis. The limits of credit risk by product are approved by the appropriate authorities of the Bank.

For the purposes of assessing the credit risk of counterparties, Bank uses NBU regulations under which classifies monthly loan portfolio by category of quality and forms reserves, and determines quarterly financial position of borrowers -legal entities and at least once a year determines the financial position of borrowers - individuals.

For large corporate customers and SME Bank additionally uses the internal assessment procedures (rating models) to determine the conditions for further cooperation with the borrowers and in accordance with the assessed rating determines the frequency of revision of customer relationships. The rating is determined depending on the financial performance of the borrower and qualitative indicators (market position, quality of management, etc.)

Assessment and decisions on the credit risk is completely centralized in the Bank. Loan applications are considered firstly by experts of the Department of Risk, Legal Department and Security Department and then are transferred to the relevant collective bodies in the Head Office for approval of limit.

Decision making about credit risk is delegated by Management Board to the appropriate specialized collective bodies - credit committees at several levels.

To optimize credit risk management the Bank takes measures, including:

-Increasing requirements for collateral and coverage;

-Active cooperation with collection companies;

-Concentration on existing customers based on "approach based on relations";

-Continuous monitoring of credit operations.

Credit risk for interbank transactions

The development strategy of the Bank provides that the bulk of the Bank's assets will be placed in the real economy, while the amount for interbank transactions constitute a relatively small share of total assets of the Bank. The Bank sets limits separately for each counterparty banks based on analysis of their financial statements (annual, confirmed by an external auditor and monthly reports, prepared at the request of the regulator) and based on any non-financial information, including information about shareholders, customers, market position and others. Higher level Credit Committee approves and reviews the limits on counterparty banks.

Monitoring of credit risk

The relevant departments of the Bank are responsible for compliance with the credit committee approved credit limits and for customer fulfillment of credit agreements.
The monitoring process is performed on the following areas:
-Monitoring of the financial position and determine the class of financial position of the client (borrower, guarantor);
-Control of the borrower's obligations to the Bank;
-Control over using of loan;
-Control over insurance of assets received as collateral;
-Monitoring of collateral (mortgage)
-Analysis of the primary signs of possible financial and other complications, monitoring and work with problem loans;
-Control over covenants and conditions of loan agreement;
A separate unit of the Department of Risk controls the performance of the loans, including the verification of documents to detect discrepancies and contradictions with the decision of the credit committee, the Bank's existing procedures and current legislation of Ukraine.

Management analyzes the Bank's outstanding loan balances and track delinquent loans. The follow-up procedures include contacts with debtors, development of restructuring plans, the implementation of legal action and foreclosure on collateral. Special unit - the Office for working with problem debts if formed in the Department of Risk.

Credit risk on off-balance sheet liabilities

The credit risk on off-balance sheet financial instruments is defined as the possibility of incurring losses due to the impossibility of performance of requirements of the financial instrument by other party under the terms of the agreement. The Bank uses the same credit policies in evaluating contingent liabilities as for balance sheet financial instruments, namely compliance with procedures on approval of loan applications, monitoring of compliance with credit limits and monitoring procedures.

Compliance with norms of credit risk

The Bank assesses credit risks and managing them also based on standards set by the National Bank of Ukraine.

During the reporting year, the maximum credit risk per counterparty (H7) and the ratio of large credit risks (H8) was infringed due to revaluation of foreign currency accounts in connection with the growth of exchange rates. At the same time, these standards were met on the date of contract conclusion/implementation of lending operations.

During the reporting year, the Bank complied with the maximum credit risk standard for transactions with parties related to the Bank (N9).

As of 31 December 2015, the credit risk standards had the following actual values:

• maximum credit risk per counterparty (H7) - 40.73% (the normative value shall not exceed 25%);

• ratio of large credit risks (H8) - 145.68% (the maximum value is 800%);

• maximum credit risk under transactions with parties related to the bank (H9) - 2.1% (maximum 25%).

As of December 31, 2014, the credit risk standards had the following actual values:

• maximum credit risk per counterparty (H7) - 23.26% (the normative value shall not exceed 25%);

• ratio of large credit risks (H8) - 195.92% (the maximum value is 800%);

• the maximum credit risk under transactions with parties related to the Bank (H9) - 0.3% (maximum 25%).

Market risk and its components

The Bank is exposed to the market (price) risk due to unexpected changes in market prices of assets on its balance sheet or recognized on off-balance sheet accounts. However, besides the presence of risk factors not under the direct control of the Bank, and the degree of their volatility, a prerequisite for the market risk is the existence of an open currency position determining the degree of the financial institution sensitivity to fluctuations in the market indicators.

The objective of market risk management is to achieve the planned level of profitability for the Bank subject to the risk level acceptable to the shareholder, i.e. minimization of losses from unexpected fluctuations in interest rates and exchange rates.

Currency risk

Management sets limits on the level of acceptable risk by currency and generally at the end of each day and monitor them on a daily basis.

Considering that a substantial proportion of the Bank's balance sheet are denominated in foreign currencies, the Bank focuses on the evaluation and control of the level of vulnerability to currency risk.

According to the management of currency risk for the Bank is manifested in two key characteristics, the nature of which is opposite and to some extent undermine one another:

The first and most dangerous characteristic for the Bank is that in case of a significant depreciation of the national currency against foreign currencies the vulnerability of the Bank's customers increases due to increased debt burden on them. In this case, the level of customers' income may be inadequate to perform their obligations to the Bank, which will have a negative impact on the Bank's activities. In the opposite scenario (depreciation of foreign currencies relatively to the national currency) Bank has no reason to expect deterioration in quality of debt service from borrowers and negative affect for the Bank from this component.

The second characteristic of currency risk, which will affect the Bank's activities is the effect of the revaluation of items through income and equity. The impact of this characteristic lies in increase of hryvnia equivalent from the positive interest margin, which the Bank seeks to generate in case of a significant depreciation of the national currency against foreign currencies. At the same time adequacy of equity denominated in national currency will decrease, which will entail the need for additional capitalization of the Bank. Otherwise (depreciation of foreign currencies relative to the national currency) the amount of the Bank's interest margin will decline, while capital adequacy will remain at a certain constant level without the need for adjustment by additional funds.

Management believes that the Bank's vulnerability to currency risk depends on a combination of factors such as the proportion of assets / liabilities denominated in foreign currencies in the balance sheet structure of the Bank, the duration of period in which adjustments occur, the level and intensity of currency exchange rate fluctuations, the adequacy of implemented by the Bank protective mechanisms to prevent vulnerabilities of their own clients to currency risk, moderation policy of central government to exchange rate formation, rigidity of protectionist policy on liberalization of currency and commodity markets, macroeconomic conditions of existence of the country, the degree of integration of Ukraine into the international free economic space and external situation, and so on.

We consider it appropriate to note that the Bank conducted testing and modeling of specific characteristics of the Bank's activity may differ from criteria, assessments and the results of third parties. In this report management disclose those facts that will have the greatest probability of realization in a real environment.

Table 34.1. Analysis of currency risk

(In thousands Ukrainian hryvnias)

Currency	as of December 31, 2015			as of December 31, 2014		
	Monetary financial assets	**Monetary financial liabilities**	**net position**	**Monetary financial assets**	**Monetary financial liabilities**	**net position**
US dollars	2 651 630	2 379 150	272 480	3 456 659	3 080 447	376 212
Euros	176 549	296 655	(120 106)	100 661	366 860	(266 199)
swiss Franc	774 880	767 934	6 946	500 142	624 934	(124 792)
Pound Sterling	3 909	3 809	100	2 276	4 402	(2 126)
Others	2 580	2 882	(302)	2 239	2 551	(312)
Total	**3 609 548**	**3 450 430**	**159 118**	**4 061 977**	**4 079 194**	**(17 217)**

Table 34.2. Sensitivity of profit or loss and equity to reasonably possible changes in exchange rates applied at the end of the reporting period relative to the functional currency of the Bank, with all other variables held constant

(In thousands Ukrainian hryvnias)

	December 31, 2015		December 31, 2014	
	Impact on profit or loss	**Impact on equity**	**Impact on profit or loss**	**Impact on equity**
US Dollar strengthening by 25%	68 120	68 120	94 053	94 053
US Dollar weakening by 25%	(68 120)	(68 120)	(94 053)	(94 053)
Euro strengthening by 25%	(30 027)	(30 027)	(66 550)	(66 550)
Euro weakening by 25%	30 027	30 027	66 550	66 550
Swiss Franc strengthening by 25%	1 736	1 736	(31 198)	(31 198)
Swiss Franc weakening by 25%	(1 736)	(1 736)	31 198	31 198
Pound Sterling strengthening by 25%	25	25	(531)	(531)
Pound Sterling weakening by 25%	(25)	(25)	531	531
Other strengthening by 25%	(76)	(76)	(78)	(78)
Other weakening by 25%	76	76	78	78

Table 34.3. Sensitivity of profit or loss and equity to reasonably possible changes in weighted average exchange rates applied at the end of the reporting period relative to the functional currency of the Bank, with all other variables held constant

(In thousands Ukrainian hryvnias)

	2015		2014	
	Impact on profit or loss	**Impact on equity**	**Impact on profit or loss**	**Impact on equity**
US Dollar strengthening by 25%	62 184	62 184	47 675	47 675
US Dollar weakening by 25%	(62 184)	(62 184)	(47 675)	(47 675)
Euro strengthening by 25%	(27 790)	(27 790)	(38 206)	(38 206)
Euro weakening by 25%	27 790	27 790	38 206	38 206
Swiss Franc strengthening by 25%	1 630	1 630	(17 609)	(17 609)
Swiss Franc weakening by 25%	(1 630)	(1 630)	17 609	17 609
Pound Sterling strengthening by 25%	23	23	(286)	(286)
Pound Sterling weakening by 25%	(23)	(23)	286	286
Other strengthening by 25%	(84)	(84)	(35)	(35)
Other weakening by 25%	84	84	7	7

Interest rate risk.

The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes, but may reduce or create losses in the event that unexpected movements arise. In the table below is the general analysis of interest rate risk

Table 34.4. General analysis of interest rate risk

(In thousands Ukrainian hryvnias)

	On demand and less than 1 month	**From 1 to 6 months**	**From 6 to 12 months**	**From 12 months**	**Total**
31 December 2015					
Total financial assets	1 398 600	499 787	1 132 529	1 775 534	4 806 450
Total financial liabilities	1 778 527	666 274	531 682	1 593 911	4 570 394
Net interest sensitivity gap as of 31 December 2015	**(379 927)**	**(166 487)**	**600 847**	**181 623**	**236 056**
31 December 2014					
Total financial assets	3 670 593	592 106	713 188	632 775	5 608 662
Total financial liabilities	1 456 804	1 286 916	402 182	2 285 798	5 431 700
Net interest sensitivity gap as of 31 December 2014	**2 213 789**	**(694 810)**	**311 006**	**(1 653 023)**	**176 962**

The Bank is exposed to cash flow interest rate risk, principally through assets and liabilities for which interest rates are reset as market rates change. Such assets and liabilities are primarily presented in the above table as being repriced in the short-term. The Bank is exposed to fair value interest rate risk as a result of assets and liabilities at fixed interest rates; these are primarily presented in the above table as being repriced in the long-term. In practice, interest rates that are contractually fixed on both assets and liabilities are usually renegotiated to reflect current market conditions.

Management monitors on a regular basis and sets limits on the level of mismatch of interest rate repricing that may be undertaken. In the absence of any available hedging instruments, the Bank normally seeks to match its interest rate positions.

Table 34.5. Monitoring interest rates for its financial instruments

The Bank had the following weighted average interest rates by major currencies for major debt instruments. Interest rates on each financial instrument calculated as average weighted interest rate stipulated by the contract at balance sheet date.

(% Annual)

	as of December 31, 2015				as of December 31, 2014			
	UAH	**US dollars**	**Euros**	**Others**	**UAH**	**US dollars**	**Euros**	**Others**
ASSETS								
Cash and cash equivalents	-	-	-	-	-	-	-	-
Financial assets at fair value through profit or loss	10.64%	-	-	-	5,57%	-	-	-
Due from banks	-	-	-	-	0,00%	-	-	-
Loans and advances to customers	19.76%	9.82%	12.07%	9,08%	20.60%	10.06%	11.84%	8,79%
Investment securities available for sale	19.04%	-	-	-	5.52%	7.68%	-	-
Investment securities held to maturity	-	-	-	-	5,52%	-	-	-
LIABILITIES								
Due to banks	-	2.64%	-	1.43%	20.62%	2.50%	1.5%	2.25%
Due to clients:	-	-	-	-				
current accounts	5.43%	2.62%	1.59%	0,00%	9,06%	3.75%	2.17%	0,00%
term deposits	18.01%	7.24%	6.27%	0.12%	16.08%	8.13%	7,12%	4.56%
Other borrowed funds	-	-	-	-	15.30%	-	-	-
Subordinated debt	-	-	-	-	-	2.98%	-	-

Floating interest rate is used for the following assets and liabilities: loans to corporate customers with interest rate of LIBOR + individual risk premium (the rate is reviewed every three months); Nostro and Loro balances; loans from the parent company as interbank loans, where the interest rate is LIBOR (EONIA) + spread of country. In addition, among the products offered by the Bank are retail loans, interest rate for which is connected to basic interest rate, which can change depending on the contractual conditions. There is also a floating rate for a particular deposit product "Mehahnuchkyy deposit", which operates in the mode of the current account.

Other price risk

Price risk - the risk associated with changes in market prices of financial asset. Price risk is limited in its manifestation, unlike currency and interest rate risks relating to almost all the financial markets, it exposed only market participants that work primarily with securities, shares and other forms of direct and indirect investments in the trading portfolio of the Bank (held for trading activity).

Instruments in the trading portfolio, the position in which the Bank does not intend to keep to the date of final maturity, and therefore intends to sell in the short or medium term period, is susceptible to price risk.

Price risk has the potential impact on the profit / loss and equity.

To avoid price risk, the Bank monitors fluctuations of market interest rates and their compliance with the quotations of securities and changes in quotations of debt securities (bonds) held for trading and conducts reassessment of these instruments to their market value.

Geographical risk concentration

Table 34.6. Analysis of geographical concentration of the Bank's financial assets and liabilities as of December 31, 2015
(In thousands Ukrainian hryvnias)

	Ukraine	OECD countries	Non-OECD countries	Total
ASSETS				
Cash and cash equivalents	122 193	500 904	-	623 097
Mandatory reserves in the National Bank of Ukraine	82 493	-	-	82 493
Financial assets at fair value through profit or loss	47 510	-	-	47 510
Loans and advances to customers	3 739 329	5 549	7 398	3 752 276
Investment securities available for sale	1 006 664	-	-	1 006 664
Other financial assets	2 598	3	422	3 023
Total financial assets	**5 000 787**	**506 456**	**7 820**	**5 515 063**
LIABILITIES				
Due to banks	36	1 338 884	-	1 338 920
Due to clients	2 945 826	277 058	8 590	3 231 475
Other borrowed funds	1 008	-	-	1 008
Other financial liabilities	529 203	171	3 423	532 797
Total financial liabilities	**3 476 073**	**1 616 113**	**12 014**	**5 104 200**
Net position in on-balance sheet financial instruments	1 524 714	(1 109 657)	(4 194)	410 863
Credit related commitments	8 435	-	-	8 435

Assets, liabilities and credit-related commitments have been based on the country in which the counterparty is located. Cash at hand, as well as premises and equipment were classified based on the country of their physical location.

Table 34.7. Analysis of geographical concentration of the Bank's financial assets and liabilities as of December 31, 2014
(In thousands Ukrainian hryvnias)

	Ukraine	OECD countries	Non-OECD countries	Total
ASSETS				
Cash and cash equivalents	279 102	102 328	-	381 430
Mandatory reserves in the National Bank of Ukraine	98 573	-	-	98 573
Trading securities	349 906	-	-	349 906
Due from banks	-	852	-	852
Loans and advances to customers	4 537 336	3 757	40 575	4 581 668
Investment securities available for sale	670 870	-	-	670 870
Investment securities held to maturity	5 366	-	-	5 366
Other financial assets	1 845	-	290	2 136
Total financial assets	**5 942 997**	**106 937**	**40 865**	**6 090 800**
LIABILITIES				
Due to banks	82 413	2 059 853	-	2 142 266
Due to clients	2 921 595	14 057	37 702	2 973 354
Other borrowed funds	1 397	-	-	1 397
Other financial liabilities	200 164	1	2	200 167
Subordinated debt	-	314 683	-	314 683
Total financial liabilities	**3 205 569**	**2 388 594**	**37 704**	**5 631 868**
Net position in on-balance sheet financial instruments	2 737 428	(2 281 657)	3 161	458 932
Credit related commitments	4 137	-	-	4 137

Assets, liabilities and credit related commitments have been classified based on the country in which the counterparty is located. Cash on hand and premises and equipment have been classified according to country in which they are physically held.

Liquidity risk. Liquidity risk is defined as the risk when the maturity of assets and liabilities does not match. The Bank is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw downs, guarantees and from margin and other calls on cash settled derivative instruments. The Bank does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. Liquidity risk is managed by the Asset / Liability Committee of the Bank.

The objective of liquidity risk management is to ensure sufficient funds for the full and timely execution of all Banks liabilities to customers, creditors and other counterparties as well as achieving the planned growth of its assets and the profitability of the Bank, which provides:

- Planning of sufficient funds amount to meet current liabilities with no significant loss;

- Provide funding for business growth;

- Create a stock of liquid assets in the event of a liquidity crisis;

- Compliance with regulatory requirements of NBU;

- Daily management of cash balances and nostro accounts to ensure timely payments and settlements, compliance with mandatory reserve requirements and compliance with NBU liquidity ratios at each reporting date.

The mechanism of liquidity risk management consists of:

- Identification of risk and measure its size;

- Risk management;

- Monitoring compliance with limits on the amount of risk;

- Evaluating the effectiveness of the strategy and tactics of liquidity management.

Liquidity management is performed separately for national and foreign currencies by Assets / Liability Committee. Committee constantly analyzes the liquidity position and applyes mixed approach to liquidity management – both Assets and Liabilities

Liquidity risk is controlled by setting limits on the amount of operating liquidity or short maturity gaps between assets and liabilities. Monitoring compliance with limits is performed by comparing of the actual size of the respective open positions and settled limits to it.

The table below shows assets and liabilities at 31 December 2015 by their remaining contractual maturity, (unless there is evidence that any of the assets are impaired and will be settled after their contractual maturity dates, in which case the expected date of settlement of the assets is used.) However, some of the assets and liabilities, however, may be of a longer term nature; for example, loans are frequently renewed and accordingly short term loans can have longer term duration, than specified in agreements.

Overdue liabilities, such as term deposits not withdrawn by the Bank's customers, are classified within the "demand and less than 1 month" column. Overdue assets are allocated based on their expected maturity. The entire portfolio of trading securities is classified within demand and less than one month based on management's assessment of portfolio's realization and their view that it is a fairer portrayal of the Bank's liquidity position.

Table 34.8. Maturity analysis of Financial liabilities for 2015

(In thousands Ukrainian hryvnias)

	Demand and less than 1 month	**From 1 to 3 months**	**From 3 to 12 months**	**From 12 months to 5 years**	**Above 5 years**	**Total**
Due to banks	37	3 120	-	61 500	1 581 700	1 646 357
Due to clients:	**1 783 986**	**677 452**	**556 921**	**1 889**	**364 956**	**3 385 204**
Individuals clients	1 012 416	590 274	535 652	1 834	38	2 140 213
Others clients	771 570	87 178	21 269	55	364 918	1 244 990
Other borrowed funds	-	-	-	-	2 538	2 538
Other financial liabilities	532 794	3	-	-	-	532 797
Total financial liabilities	**2 316 817**	**680 575**	**556 921**	**63 389**	**1 949 194**	**5 566 896**

Table 34.9. Maturity analysis of Financial liabilities for 2014

(In thousands Ukrainian hryvnias)

	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years	Above 5 years	Total
Due to banks	106 401	5 519	89 775	439 931	1 919 940	2 61 566
Due to clients:	**1 352 949**	**1 008 208**	**631 991**	**30 894**	**30**	**3 024 072**
Individuals clients	647 284	957 661	417 114	30 893	30	2 052 984
Others clients	705 665	50 547	214 877	-	-	971 089
Other borrowed funds	-	-	-	-	3 507	3 507
Other financial liabilities	200 143	1	-	25	-	200 169
Subordinated debt	-	1 298	-	360 129	-	361 427
Total financial liabilities	**1 659 493**	**1 015 026**	**721 766**	**830 979**	**1 923 477**	**6 150 741**

Table 34.10. Maturity analysis of financial instruments as of 31 December 2015

(In thousands Ukrainian hryvnias)

	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years	Above 5 years	Total
ASSETS						
Cash and cash equivalents	623 097	-	-	-	-	623 097
Mandatory reserves in the National Bank of Ukraine	82 493	-	-	-	-	82 493
Financial assets at fair value through profit or loss	47 151	-	3	356	-	47 510
Loans and advances to customers	344 785	499 786	1 132 526	571 092	1 204 086	3 752 276
Investment securities available for sale	1 006 664	-	-	-	-	1 006 664
Other financial assets	2 959	65	**-**	**-**	**-**	3 023
Total financial assets	**2 107 149**	**499 851**	**1 132 529**	**571 448**	**1 204 086**	**5 515 063**
LIABILITIES						
Due to banks	37	3 120	-	55 034	1 280 729	1 338 920
Due to clients	1 778 490	663 155	531 682	1 587	256 561	3 231 475
Other borrowed funds	-	-	-	-	1 008	1 008
Other financial liabilities	532 794	3	-	-	-	532 797
Total financial liabilities	**2 311 321**	**666 278**	**531 682**	**56 621**	**1 538 298**	**5 104 200**
Net liquidity gap at 31 December	**(204 172)**	**(166 427)**	**600 847**	**514 827**	**(334 212)**	**410 863**
Cumulative liquidity gap at 31 December	(204 172)	(370 599)	230 248	745 075	410 863	-

Table 34.11 Maturity analysis of financial instruments as of 31 December 2014

(In thousands Ukrainian hryvnias)

	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years	Above 5 years	Total
ASSETS						
Cash and cash equivalents	381 430	-	-	-	-	381 430
Mandatory reserves in the National Bank of Ukraine	98 573	-	-	-	-	98 573
Financial assets at fair value through profit or loss	345 165	-	3 745	997	-	349 906
Due from banks	852	-	-	-	-	852
Loans and advances to customers	2 666 203	202 789	1 086 511	215 821	410 344	4 581 668
Investment securities available for sale	653 109	12 147	-	5 614	-	670 870
Investment securities held to maturity	5 264	-	102	-	-	5 366
Other financial assets	**1 836**	**300**	**-**	**-**	**-**	**2 136**
Total financial assets	**4 152 431**	**215 236**	**1 090 358**	**222 431**	**410 344**	**6 090 800**
LIABILITIES						
Due to banks	105 298	5 519	88 149	403 552	1 539 749	2 142 266
Due to clients	1 351 506	985 881	608 251	27 699	18	2 973 354
Other borrowed funds	-	-	-	-	1397	1397
Other financial liabilities	200 142	1	-	25	-	200 167
Subordinated debt	-	1 298	-	313 384	-	314 683
Total financial liabilities	**1 656 946**	**992 699**	**696 399**	**744 659**	**1 541 164**	**5 631 868**
Net liquidity gap at 31 December	2 495 485	(777 464)	393 959	(522 228)	(1 130 820)	458 932
Cumulative liquidity gap at 31 December	2 495 485	1 718 022	2 111 980	1 589 752	458 932	

Matching and / or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Bank. It is unusual for banks ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Bank and its exposure to changes in interest and exchange rates.

Management believes that in spite of a substantial portion of customer accounts being on demand, diversification of these deposits by number and type of depositors, and the past experience of the Bank would indicate that these customer accounts provide a long-term and stable source of funding for the Bank.

Liquidity requirements to support calls under guarantees are considerably less than the amount of the commitment because the Bank does not generally expect the third party to draw funds under the agreement.

Other risk concentrations

Concentration risk - a generalized risk, which arises because of the concentration of risk in a particular instrument, in separate operations in a particular sector and so on. For example, a high concentration of the loan portfolio has negative impact on the creditworthiness of the bank, and a high concentration of customer deposits and investments in securities - on its liquidity and financial flexibility.

Bank pays special attention to significant concentrations of risk, namely credit risk concentration.
Management regularly monitors credit risk concentration on the basis of submitted reports containing data on counterparties / group of related counterparties with total granted loans and other off-balance sheet commitments exceeding 10% of regulatory capital.

35. Management of capital

The shareholders of PJSC "Universal Bank" consider capital management as an integral part of the process to ensure the stabile functioning of the Bank and compliance with requirements set by the National Bank of Ukraine.

During the reporting year, the Capital adequacy ratio (N2) in 2015 had been reducing below the limit. At the end of 2015 the value of this ratio was 9.7% (regulatory requirement is not less 10%). The value of this ratio was affected by revaluation of accounts in foreign currencies related to growth after 06.02.2014 (the date defined by NBU Resolution №129) foreign currency exchange rate of the national currency of Ukraine, and loans loss provisions creating after 06.02.2014. In this respect according to the NBU Resolution №129 dated 24 February 2015, the sanctions are not applied to the Bank. Supervisory Board and Management Board in August 2015 approved and provided the NBU the 3-years Plan about gradual compliance with the regulatory requirements by 2019. Bank adheres to approved plan and gradually brings the ratio according to the requirements of the NBU.

Risk weighted assets as of 31 December 2015 amount was UAH 4,177,358 th (as of 31 December 2014 – UAH 4,537,763 th).

During the reporting year the amount of the Bank's regulatory capital was significantly higher than the minimum required level (UAH 120 mln) and as of 31 December 2015 was UAH 406,457 th (31 December 2014 UAH 829,503 th)

Table 35.1. Regulatory capital comprises:

(In thousands Ukrainian hryvnias)

Name of article	2015	2014
Regulatory capital (RC)		
Fixed Capital (FC, Tier 1 capital)	**378 387**	**509 459**
Registered and paid share capital	1 175 672	1 162 672
Unregistered contribution to share capital	1 883 232	500 780
Disclosed reserves:	1 375 440	887 485
share premium	1 375 440	887 485
Decrease in FC:	(4 055 957)	(2 041 479)
less intangible assets	(41 244)	(50 509)
losses for the previous years	(1 371 104)	(1 499 680)
calculated loss for the current year	(2 643 609)	(491 290)
Additional capital (Tier 2 capital)	**28 070**	**320 044**
Allowance for impairment for standard debt of other banks, standard loans to customers, standard off balance sheet commitments (including revaluating of fixed assets)	28 070	6 660
Subordinated debt	-	313 384
Total regulatory capital	**406 457**	**829 503**

36. Contingencies and commitments

Legal proceedings

As of 31December 2015 the number of court cases in which the JSC "Universal Bank" has participated are as follows:

- 2 cases related to arguing of interest rate increasing;
- 4 real estate leasing cases: the Bank charges 1 404 979 UAH under 2 disputes; 372 610 UAH is charged to the Bank under 2 disputes;
- 46 non-property disputes related to appeals against loan agreements, collateral agreements;
- 38 customers - debtors under litigation, bankruptcy and enforcement proceedings related to debt recovery from the Bank customers by the Corporate Account Department, SME Account Department and Small Business Department in the amount of 1 058 487.79 UAH, th.;

As of 31December 2014 the number of court cases in which the JSC "Universal Bank" has participated are as follows:

- 1 case related to arguing of interest rate increasing;
- 2 real estate leasing cases with total arguing amount UAH 2 784,24 th.;
- 1 case related to deposit with the amount UAH 9 173 th.;
- 59 non-property disputes related to appeals against loan agreements, collateral agreements;
- 3 property disputes with total amount UAH 4 354,96 th.:
- 38 customers - debtors under litigation, bankruptcy and enforcement proceedings related to debt recovery from the Bank customers by the Corporate Account Department, SME Account Department and Small Business Department in the amount of 1 058 487.79 UAH, th.;

Provision for possible losses on such proceedings were not formed because according to management opinion, the probability of incurring significant losses on these proceedings is low.

Tax contingencies

Due to the presence in Ukrainian commercial legislation, and tax legislation in particular, of provisions allowing more than one interpretation, and also due to the practice developed in a generally unstable environment by the tax authorities of making arbitrary judgment of business activities, if the tax authorities challenged a particular treatment based on management's assessment about activity of the Bank, the Bank may be forced to pay additional taxes, penalties and interest. Such uncertainty may impact on value of financial instruments, loss and impairment provisions and market level for the price of the transaction. Management believes that the Bank paid all taxes, so the financial statements do not include provisions for tax losses. Tax reports can be reviewed by the tax authorities for three years.

Capital expenditure commitments

As of 31 December 2015, the Bank has contractual capital commitments to improve the intangible assets to the amount of 75 UAH, th..

As at 31 December 2015 the Bank did not have contractual capital commitments on the reconstruction of premises and purchase of equipment, as well as software and other intangible assets.

Operating lease commitments

Table 36.1. Future minimum lease payments under non-cancellable operating leases

(In thousands Ukrainian hryvnias)

	As of December 31, 2015	As of December 31, 2014
Not later than 1 year	6 820	7 012
From 1 to 5 years	-	-
Total	**6 820**	**7 012**

As of December 31, 2015 total future sublease payments receivable under the Bank's non-cancellable operating subleases are 6 820 UAH th. (in 2014 - UAH 7 012 th).

Credit related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees, which represent irrevocable assurances that the Bank will make payments in the event that a customer can not meet its obligations to third parties, carry the same credit risk as loans.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank monitors the term to maturity of credit related commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments. Outstanding credit related commitments are as follows:

Table 36.2. Structure of credit related commitments

(In thousands Ukrainian hryvnias)

	Note	As of December 31, 2015	As of December 31, 2014
Guarantees issued		8 435	4 137
Provision for credit related commitments	20	(32)	(704)
Total credit related commitments, net of provision		**8 403**	**3 433**

Table 36.3. Credit related commitments denominated in currencies

(In thousands Ukrainian hryvnias)

	As of December 31, 2015	As of December 31, 2014
UAH	5 629	3 433
USD	2 774	-
Euros	-	-
Total	**8 403**	**3 433**

Table 36.4. Assets pledged as collateral with the following carrying amount

(In thousands Ukrainian hryvnias)

	Notes	As of December 31, 2015		As of December 31, 2014	
		Asset pledged	Related liability	Asset pledged	Related liability
Financial assets at fair value through profit or loss	7**Error! Reference source not found.**	-	-	49 380	48 680
Securities available for sale	10	-	-	39 507	33 333
Total		**-**	**-**	**88 887**	**82 013**

37. Fair value of financial instruments

Estimated fair value disclosures of financial instruments are made in accordance with IFRS 13 "Fair Value Measurement", IAS 32 "Financial Instruments: Presentation" and IAS 39 "Financial Instruments: Recognition and Measurement". The Bank determines estimated fair value of financial assets and liabilities using market information (if available) and appropriate valuation methodologies. However, to interpret market data to determine the estimated fair value should certainly subjective judgments. As defined in the general part, Ukraine's economy displays characteristics of an emerging market and activity in financial markets is still low. The estimates presented herein are not necessarily indicative of the amounts the Bank could get at the actual implementation available in its full holdings of particular financial instruments.

Financial instruments recorded at fair value

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; an;
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data is not.

Methods and assumptions used when determining the fair value.

Fair value at Levels 2 and 3 of the fair value hierarchy was calculated using the method of discounted cash flows. The fair value of instruments with floating and fixed interest rates, which do not have quoted market prices, was estimated based on the estimated future expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

For assets, the Bank used assumptions about rates on loans and contractors' early repayments. The obligations were discounted using the Bank's rates on borrowings. The estimated fair value of instruments with a floating interest rate quoted on an active market is equal to their carrying amount.

For non-financial assets and liabilities, the Bank used Level 2 assessment, taking information from open markets as the background data.

Table 37.1. Analysis of financial instruments by level of the fair value hierarchy as of 31 December 2015.

(In thousands Ukrainian hryvnias)

	Fair value by level of the fair value hierarchy				
	quoted market prices (Level I)	**evaluation model using the observational data (Level II)**	**evaluation model using the indicators not supported by observable market data (Level III)**	**Total fair value**	**Total carrying amount**
ASSETS					
Cash and cash equivalents:	**-**	**623 097**	**-**	**623 097**	**623 097**
Cash on hand	-	91 842	-	91 842	91 842
Cash balances with the National Bank of Ukraine (other than mandatory reserve deposits)	-	26 347	-	26 347	26 347
Correspondent accounts, deposits and overnight placements with the banks of:	-	504 908	-	504 908	504 908
Mandatory reserves in the National Bank of Ukraine	**-**	**82 493**	**-**	**82 493**	**82 493**
Financial assets at fair value through profit or loss	**367**	**47 143**	**-**	**47 510**	**47 510**
Ukrainian State bonds	367	47 143	-	47 510	47 510
Loans and advances to customers:	**-**	**-**	**3 545 224**	**3 545 224**	**3 752 276**
corporate loans	-	-	1 613 214	1 613 214	1 633 782
loans to small and medium business	-	-	579 720	579 720	595 341
mortgage loans	-	-	1 228 791	1 228 791	1 384 049
loans to individuals - consumer loans	-	-	123 499	123 499	139 103
Investment securities held to maturity	**-**	**1 006 664**	**-**	**1 006 664**	**1 006 664**
Ukrainian State bonds	-	1 006 664	-	1 006 664	1 006 664
Other financial assets:	**-**	**3 023**	**-**	**3 023**	**3 023**
Receivables on card operations	-	251	-	251	251
Receivables on operations with other financial instruments	-	65	-	65	65
Other financial assets	-	2 708	-	2 708	2 708
Investment property	**-**	**48 560**	**-**	**48 560**	**48 560**
Property, equipment and intangible assets	**-**	**155 909**	**-**	**155 909**	**155 909**
Total l assets	**367**	**2 010 017**	**3 545 224**	**5 555 608**	**5 719 532**
LIABILITIES					
Due to banks:	**-**	**1 338 920**	**-**	**1 338 920**	**1 338 920**
correspondent accounts and overnight placements of other banks	-	37	-	37	37
Deposits from other banks	-	1 338 882	-	1 338 882	1 338 882
Due to clients:	**-**	**895 406**	**2 058 810**	**2 954 216**	**3 231 475**
other legal entities	-	455 844	581 676	1 037 520	1 132 212
individuals	-	439 562	1 477 134	1 916 696	2 099 263
Other borrowed funds	**-**	**1 008**	**-**	**1 008**	**1 008**

Other financial liabilities	**-**	**532 797**	**-**	**532 797**	**532 797**
Total liabilities	**-**	**2 768 131**	**2 058 810**	**4 826 941**	**5 104 200**

Table 37.2. Analysis of financial instruments by level of the fair value hierarchy as of 31 December 2014

(In thousands Ukrainian hryvnias)

	Fair value by level of the fair value hierarchy				
	quoted market prices (Level I)	evaluation model using the observational data (Level II)	evaluation model using the indicators not supported by observable market data (Level III)	Total fair value	Total carrying amount
ASSETS					
Cash and cash equivalents:	**-**	**381 430**	**-**	**381 430**	**381 430**
Cash on hand	-	78 939	-	78 939	78 939
Cash balances with the National Bank of Ukraine (other than mandatory reserve)	-	193 335	-	193 335	193 335
Correspondent accounts, deposits and overnight placements with the banks of:	-	109 156	-	109 156	109 156
Mandatory reserves in the National Bank of Ukraine	**-**	**98 573**	**-**	**98 573**	**98 573**
Financial assets at fair value through profit or loss	**349 906**	**-**	**-**	**349 906**	**349 906**
Ukrainian State bonds	349 906	-	-	349 906	349 906
Due from banks:	**-**	**852**	**-**	**852**	**852**
placements on correspondent accounts	-	852	-	852	852
Loans and advances to customers:	**-**	**-**	**4 767 469**	**4 76 7469**	**4 581 668**
corporate loans	-	-	2 068 664	2 068 664	2 071 778
loans to small and medium business	-	-	708 640	708 640	772 730
mortgage loans	-	-	1 705 538	1 7055 38	1 488 716
loans to individuals - consumer loans	-	-	284 628	284 628	248 444
Investment securities available for sale	**490 833**	**180 037**	**-**	**670 870**	**670 870**
Ukrainian State bonds	490 833	-	-	490 833	490 833
Deposit certificates of NBU	-	180 037	-	180 037	180 037
Investment securities held to maturity	**5 196**	**-**	**-**	**5 196**	**5 196**
Other financial assets:	**-**	**2 136**	**-**	**2 136**	**2 136**
Receivables on card operations	-	232	-	232	232
Receivables on operations with other financial instruments	-	300	-	300	300
Other financial assets	-	1 604	-	1 604	1 604
Investment property	**-**	**67 161**	**-**	**67 161**	**67 161**
Property, equipment and intangible assets	**-**	**157 716**	**-**	**157 716**	**157 716**
Total l assets	**845 935**	**887 905**	**4 767 469**	**6 501 309**	**6 315 508**
LIABILITIES					
Due to banks:	**-**	**2 142 266**	**-**	**2 142 266**	**2 142 266**
correspondent accounts and overnight placements of other banks	-	23 086	-	23 086	23 086
Deposits from other banks	-	1 878 381	-	1 878 381	1 878 381
Sale and re purchase agreements with other banks	-	48 880	-	48 880	48 880
Loans received	-	191 920	-	191 920	191 920
Due to clients:	**-**	**844 508**	**1 830 808**	**2 675 316**	**2 973 354**
other legal entities	-	442 327	450 060	892 387	965 653
individuals	-	402 181	1 380 748	1 782 929	2 007 701
Other borrowed funds	**-**	**1 397**	**-**	**1 397**	**1 397**
Other financial liabilities	**-**	**200 167**	**-**	**200 167**	**200 167**
Subordinated debt	**-**	**314 683**	**-**	**314 683**	**314 683**
Total liabilities	**-**	**3 503 022**	**1 830 808**	**5 333 829**	**5 631 868**

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements.

Assets for which fair value approximates carrying amount.

For financial assets and financial liabilities that are liquid or having a short-term maturity (less than three months) it is assumed that the carrying amounts approximate their fair value. This assumption is also applied to cash and cash equivalents, obligatory reserves in the National Bank of Ukraine, as well as demand deposits, savings accounts without a specific maturity and variable rate financial instruments.

Fixed rate financial instruments

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

The fair value of Assets and Liabilities disclosed in this financial statements, except ones that fair value of each is similar to carrying amount, are distributed by the level of the fair value hierarchy following next criteria:

Loans and advances to customers, Due to clients - Level 3 of hierarchy (the model of fair value measurement uses significant unobservable inputs);

Investment securities held to maturity - Level 1 of hierarchy (the model uses input of quoted prices for fair value measurement).

Table 37.3. Change of the fair value hierarchy levels for assets and liabilities measured at fair value on a regular basis.

(In thousands Ukrainian hryvnias)

	As of December 31, 2015		As of December 31, 2014	
	Quoted market prices (Level 1)	**Input data, which can be observed directly or indirectly (Level 2)**	**Quoted market prices (Level 1)**	**Input data, which can be observed directly or indirectly (Level 2)**
Financial assets				
Financial assets at fair value through profit or loss				
Ukrainian State bonds	(47 143)	47 143	490 833	-
Total Financial assets	**(47 143)**	**47 143**	**490 833**	-

In 2015, the Bank transferred the financial assets from level I to level II in respect of securities which did not have an active market

In 2014, the Bank did not transfer financial assets and liabilities from level I to level II or from level II to level I.

38. Presentation of financial instruments by measurement category

For the purposes of measurement IAS 39 "Financial Instruments: Recognition and Measurement", classifies financial assets into the following categories: (a) loans and receivables; (B) available-for-sale financial assets; (C) financial assets held to maturity and (d) financial assets at fair value through profit or loss ("FVTPL"). Financial assets at fair value through profit or loss have two sub-categories: (i) assets designated as such upon initial recognition, and (ii) those classified as held for trading. In addition, finance lease receivables form a separate category. The following table provides a reconciliation of financial assets with these measurement categories as of 31 December 2015.

Table 38.1. Financial assets by measurement category for 2015

(In thousands Ukrainian hryvnias)

	Loans and receivables	**Available-for-sale assets**	**Assets designated at FVTPL**		**Invest-ments held to maturity**	**Total**
			Tradin g assets	**Financial assets at fair value through profit or loss**		
ASSETS						
Cash and cash equivalents	623 097	-	-	-	-	**623 097**
Mandatory reserves in the National Bank of Ukraine	82 493	-	-	-	-	**82 493**
Financial assets at fair value through profit or loss	-	-	-	47 510	-	**47 510**
Loans and advances to customers:	**375 2276**	-	-	-	-	**3 752 276**
Loans to corporate	1 633 782	-	-	-	-	1 633 782
Loans to small and medium enterprises	595 341	-	-	-	-	595 341
Mortgage loans to individuals	1 384 049	-	-	-	-	1 384 049
Other loans to individuals	139 103	-	-	-	-	139 103
Investment securities available for sale	-	**1 006 664**	-	-	-	**1 006 664**
Other financial assets:	**3 023**	-	-	-	-	**3 023**
Receivables on card operations	251	-	-	-	-	251
Receivables on operations with other financial	65	-	-	-	-	65
Other financial assets	2 708	-	-	-	-	2 708
Total financial assets	**4 460 889**	**1 006 664**	**-**	**47 510**		**5 515 063**

The following table shows the reconciliation of financial asset classes with these measurement categories as of 31 December 2014.

Table 38.2. Financial assets by measurement category for 2014

(In thousands Ukrainian hryvnias)

	Loans and receivables	Available- for-sale assets	Assets designated at FVTPL		Invest-ments held to maturity	Total
			Trading assets	Financial assets at fair value through profit or loss		
ASSETS						
Cash and cash equivalents	381 430	-	-	-	-	**381 430**
Mandatory reserves in the National Bank of Ukraine	98 573	-	-	-	-	**98 573**
Financial assets at fair value through profit or loss	-	-	252 403	97 503	-	**349 906**
Due from other banks:	**852**	-	-	-	-	**852**
Loans to other banks	852	-	-	-	-	852
Loans and advances to customers:	4 581 668	-	-	-	-	**4 581 668**
Loans to corporate	2 071 778	-	-	-	-	2 071 778
Loans to small and medium enterprises	772 730	-	-	-	-	772 730
Mortgage loans to individuals	1 488 716	-	-	-	-	1 488 716
Other loans to individuals	248 444	-	-	-	-	248 444
Investment securities available for sale	-	**670 870**	-	-	-	**670 870**
Investment securities held to maturity	-	-	-	-	**5 366**	**5 366**
Other financial assets:	**2 136**	-	-	-	-	**2 136**
Receivables on card operations	232	-	-	-	-	232
Receivables on operations with other financial	300	-	-	-	-	300
Other financial assets	1 604	-	-	-	-	1 604
Total financial assets	**5 064 658**	**670 870**	**252 403**	**97 503**	**5 366**	**6 090 800**

39. Related party transactions

For the purposes of these financial statements, parties are considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence over another party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Table 39.1. Outstanding balances with related parties as of 31 December 2015

(In thousands Ukrainian hryvnias)

	Parent company	Key management personnel	Other related parties
Due from other banks (contractual interest rate%)	-	-	295 (0%)
Gross amount of loans and advances to customers (contractual interest rate%)	-	8 953 (6.10%)	177 (21.23%)
Impairment provisions for loans and advances to customers at 31 December	-	1008	2
Other financial assets	-	5	-
Due to other banks (contractual interest rate%)	-	-	1 338 884 (2.20%)
Customer accounts (contractual interest rate%)	262 790 (1.48%)	6 496 (6.21%)	7 394 (6.10%)
Other liabilities	-	-	24764

Table 39.2. Outstanding balances with related parties as of 31 December 2014

(In thousands Ukrainian hryvnias)

	Parent company	Key management personnel	Other related parties
Due from other banks (contractual interest rate%)	-	-	89 515 (0%)
Gross amount of loans and advances to customers (contractual interest rate%)	-	9 530 (6.16%)	367 (16.39%)
Impairment provisions for loans and advances to customers at 31 December	-	20	1
Due to other banks (contractual interest rate%)	-	-	2 059 853 (2.43%)
Customer accounts (contractual interest rate%)	-	4 950 (9.06%)	3 785 (9.84%)
Other liabilities	-	-	86
Subordinated debt (contractual interest rate%)	314 683 (2.9832%)	-	-

Table 39.3. Income and expense items with related parties for 2015

(In thousands Ukrainian hryvnias)

	Parent company	Key management personnel	Other related parties
Interest income	-	259	2 445
Interest expense	(12 887)	(160)	(63 816)
Result of foreign exchange transactions	-	-	(46 640)
FX trading result	-	-	(829)
Commission income	-	140	30
Commission expense	-	-	(715)
Allocations to the provision for impairment of loans and due from banks	-	(5)	(780)
Other operating income	-	-	9
Administrative and other operational expenses	-	(171)	(39 312)

Table 39.4. Income and expense items with related parties for 2014k

(In thousands Ukrainian hryvnias)

	Parent company	Key management personnel	Other related parties
Interest income	-	416	2 632
Interest expense	(14 583)	(485)	(53 821)
Result from AFS portfolio securities trading	-	-	11
Result of foreign exchange transactions	-	-	(49 189)
FX trading result	-	-	963
Commission income	-	125	23
Commission expense	-	(2)	(1 205)
Allocations to the provision for impairment of loans and due from banks	-	5	-
Other operating income		3	5
Administrative and other operational expenses		(251)	(25 718)

Table 39.5. Other rights and obligations with related parties as of 31 December 2015

(In thousands Ukrainian hryvnias)

	Key management personnel	Other related parties
Guarantees received by the Bank	1 065	6 253
Other contingent liabilities	1 158	119

Table 39.6. Other rights and obligations with related parties as of 31 December 2014

(In thousands Ukrainian hryvnias)

	Key management personnel	Other related parties
Guarantees received by the Bank	1 230	4 861
Other contingent liabilities	717	42

Table 39.7. Aggregate amounts lent to and repaid by related parties during 2015

(In thousands Ukrainian hryvnias)

	Key management personnel	Other related parties
Amounts lent to related parties during the year	4 090	333
Amounts repaid by related parties during the year	(6 392)	(544)

Table 39.8. Aggregate amounts lent to and repaid by related parties during 2014

(In thousands Ukrainian hryvnias)

	Parent company	Key management personnel	Other related parties
Amounts lent to related parties during the year	-	3 214	140
Amounts repaid by related parties during the year	(1)	(6 049)	(213)

Table 39.9 Key management compensation

(In thousands Ukrainian hryvnias)

	2015		2014	
	Expense	**Accrued liability**	**Expense**	**Accrued liability**
Current payments to employees	26 478	-	17 225	-
Payments at resignation	-	-	435	-

As the related parties Bank classifies parent company, Chairman of the Board, the Chairman and members of the Supervisory Board, First Deputy Chairman, members of the Board, Chief Accountant and his deputies, members of the internal audit, audit committee members, heads of branches and family members of the above mentioned parties.

40 Events after the reporting period

After reporting date, according to the Decision of General Shareholder meeting (Minutes #4-2015 dated 20.10.2015) about increasing of share capital, by private placement of additional 192 700 thousand shares, the Bank's shareholder ERB New Europe Holding B.V. executed payment of additional emission in amount UAH 43 798 th. As a result, amount of contribution to unregistered share capital reached UAH 1 927 000 th. Shares placement was approved by Decision of General Shareholders meeting on 31 March 2016.

The tax, currency and customs legislation within Ukraine is subject to varying interpretations and frequent changes. The need for further developments in the bankruptcy laws, formalised procedures for the registration and enforcement of collateral, and other legal and fiscal impediments continue to contribute to the challenges faced by banks operating in Ukraine.

Unstable financial and economic environment, including the devaluation of the hryvnia in January - March 2016, negatively affects on the bank borrowers. As part of loans issued to customers in foreign currency, the devaluation of the hryvnia against these currencies can have a significant impact on borrowers' ability to service the loans. To date, the Bank's management assesses impairment duly with consideration of these risk factors.

After the reporting date Bank's investments in NBU CDs decreased by 27% up to the level UAH 735 000 th (at nominal value).

During the period from reporting date till the date of this report issuing, there were no:

- Merging and acquisition of business;
- Termination or a decision about termination of the business;
- Restructuring of the Bank;
- Curt decisions which could result significant financial liabilities of the Bank, which are not reflected in the financial statements.