Joint Stock Company
“The State Export-Import Bank of Ukraine”
Annual Consolidated Financial Statements

for the year ended 31 December 2015
and Independent Auditor’s Report

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This version of our report is a translation from the original, which was prepared in Ukrainian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Independent Auditor's Report

To the Shareholders and Board of Directors of Joint Stock Company "The State Export-Import Bank of Ukraine"

We have audited the accompanying consolidated financial statements of Joint Stock Company "The State Export-Import Bank of Ukraine" and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position (consolidated balance sheet) as at 31 December 2015 and the consolidated statement of profit and loss (consolidated income statement), consolidated statement of comprehensive income, consolidated statement of changes in equity (consolidated statement of equity) and consolidated statement of cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

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

Emphasis of Matter

We draw your attention to Note 2, Note 22 and Note 32 to the consolidated financial statements. The operations of the Group, and those of other entities in Ukraine, have been affected and may continue to be affected for the foreseeable future by the continuing political and economic uncertainties in Ukraine. Our opinion is not qualified in respect of this matter.

LLC AF PricewaterhouseCoopers (Audit)

05 April 2016
Kyiv, Ukraine

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONSOLIDATED BALANCE SHEET)

As at 31 December 2015
(thousands of Ukrainian Hryvnia)

	Notes	*31 December 2015*	*31 December 2014*
Assets			
Cash and cash equivalents	6	24,241,179	16,790,414
Due from credit institutions	7	4,083,743	1,967,651
Loans to customers	8	55,099,903	49,973,792
Investment securities:	9		
- designated at fair value through profit or loss		9,924,610	6,882,115
- available-for-sale		41,191,570	40,426,199
- held-to-maturity		230,912	820,866
Tax assets	13	293,122	691,771
Investment property	10	1,566,942	1,986,087
Property and equipment	11	2,170,944	2,251,643
Intangible assets	12	17,584	14,078
Deferred income tax asset	13	1,730,750	1,307,279
Other assets	15	797,253	418,288
Total assets		**141,348,512**	**123,530,183**
Liabilities			
Amounts due to the National Bank of Ukraine	16	2,979,775	5,248,980
Amounts due to credit institutions	17	19,298,870	16,556,455
Amounts due to customers	18	79,317,943	61,995,129
Eurobonds issued	19	33,122,294	21,764,479
Current income tax liabilities	13	-	25,181
Subordinated debt	20	9,375,369	6,140,035
Provisions for other losses	14	22,213	400
Other liabilities	15	292,387	223,946
Total liabilities		**144,408,851**	**111,954,605**
Equity			
Share capital	21	21,689,042	16,689,042
Unregistered contributions to share capital	21	-	5,000,000
Revaluation reserves	21	664,823	1,255,595
Accumulated deficit		(25,577,130)	(11,531,985)
Reserve and other funds	21	162,926	162,926
Total equity	2, 32	**(3,060,339)**	**11,575,578**
Total equity and liabilities		**141,348,512**	**123,530,183**

Authorised for release and signed

05 April 2016

Chairman of the Board **O.V. Hrytsenko**

Head of Accounting and Reporting Department – Chief Accountant **N.A. Potemska**

CONSOLIDATED STATEMENT OF PROFIT AND LOSS (CONSOLIDATED INCOME STATEMENT)

for the year ended 31 December 2015

(thousands of Ukrainian Hryvnia)

	Notes	2015	2014
Interest income			
Loans to customers		7,333,783	5,912,411
Investment securities other than designated at fair value through profit or loss		4,696,434	3,685,254
Due from credit institutions		642,360	165,357
Amounts due from the National Bank of Ukraine		247,309	23,707
		12,919,886	9,786,729
Investment securities designed at fair value through profit or loss		291,524	309,378
		13,211,410	**10,096,107**
Interest expense			
Amounts due to customers		(5,218,921)	(3,969,626)
Eurobonds issued		(2,795,722)	(1,445,808)
Amounts due to the National Bank of Ukraine		(904,487)	(1,090,596)
Amounts due to credit institutions		(1,013,118)	(387,246)
Subordinated debt		(885,991)	(525,277)
		(10,818,239)	**(7,418,553)**
Net interest income		**2,393,171**	**2,677,554**
Allowance for loan impairment charge	7,8	(10,326,225)	(11,430,955)
Net interest margin after allowance for loan impairment		**(7,933,054)**	**(8,753,401)**
Commission income		1,102,590	598,170
Commission expense		(392,045)	(168,359)
Commission income, net	23	**710,545**	**429,811**
Net profit from investment securities designated at fair value through profit and loss		3,886,182	3,340,677
Net gains/(losses) from available-for-sale investment securities:			
- dealing		32,871	13,944
- losses on impairment		(2,955,590)	(493,418)
Net gains/(losses) from foreign currencies:			
- dealing		878,047	746,076
- translation differences		(6,823,654)	(4,292,128)
Net gains/(losses) from precious metals:			
- dealing		9,592	10,457
- revaluation		(13,874)	20,297
Other income		105,603	70,848
Non-interest income		**(4,880,823)**	**(583,247)**
Personnel expenses	24	(864,949)	(899,960)
Depreciation and amortisation	11,12	(105,939)	(104,776)
Other operating expenses	24	(965,679)	(2,497,486)
Loss from changes in terms of loans to customers		(18,633)	(53,278)
(Charge to) / reversal of other impairment and provisions	14	(11,961)	20,564
Non-interest expense		**(1,967,161)**	**(3,534,936)**
Loss before tax		**(14,070,493)**	**(12,441,773)**
Income tax credit	13	6,721	1,192,456
Loss for the year		**(14,063,772)**	**(11,249,317)**

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05 April 2016

Chairman of the Board **O.V. Hrytsenko**

Head of Accounting and Reporting Department – Chief Accountant **N.A. Potemska**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015
(thousands of Ukrainian Hryvnia)

	Notes	*2015*	*2014*
Loss for the year		**(14,063,772)**	**(11,249,317)**
Other comprehensive income:			
Other comprehensive income to be reclassified through the consolidated statement of profit and loss (the consolidated income statement):			
Net (losses)/gains on investment securities available-for-sale	21	(572,145)	220,000
Income tax relating to components of other comprehensive income	13,21	-	(41,191)
Other comprehensive income not to be reclassified through the consolidated statement of profit and loss (the consolidated income statement)			
Revaluation of property	21	-	169,294
Income tax relating to components of other comprehensive income	13,21	-	(34,219)
Other comprehensive (loss)/income for the year, net of tax		**(572,145)**	**313,884**
Total comprehensive loss for the year		**(14,635,917)**	**(10,935,433)**

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05 April 2016

Chairman of the Board **O.V. Hrytsenko**

Head of Accounting and Reporting Department – Chief Accountant **N.A. Potemska**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONSOLIDATED STATEMENT OF EQUITY)

For the year ended 31 December 2015
(thousands of Ukrainian Hryvnia)

	Share capital	*Unregistered contributions to share capital*	*Revaluation reserve*	*Accumulated deficit*	*Reserve and other funds*	*Total capital*
As at 1 January 2014	**16,514,051**	**-**	**974,461**	**(28,394)**	**151,203**	**17,611,321**
Loss for the year	-	-	-	(11,249,317)	-	(11,249,317)
Other comprehensive income for the year	-	-	313,884	-	-	313,884
Total comprehensive income/(loss) for the year	**-**	**-**	**313,884**	**(11,249,317)**	**-**	**(10,935,433)**
Depreciation of revaluation reserve, net of tax (Note 21)	-	-	(16,234)	16,234	-	-
Revaluation reserve on property transferred to investment property, net of tax (Note 21)	-	-	(16,510)	16,510	-	-
Realised revaluation result transferred to accumulated deficit	-	-	(6)	6	-	-
Distribution of part of profit to the shareholder (Note 21)	-	-	-	(100,310)	-	(100,310)
Allocation of profits to reserve and other funds	-	-	-	(11,723)	11,723	-
Increase in share capital (Note 21)	174,991	5,000,000	-	(174,991)	-	5,000,000
As at 31 December 2014	**16,689,042**	**5,000,000**	**1,255,595**	**(11,531,985)**	**162,926**	**11,575,578**
Loss for the year	-	-	-	(14,063,772)	-	(14,063,772)
Other comprehensive loss for the year	-	-	(572,145)	-	-	(572,145)
Total comprehensive loss for the year	**-**	**-**	**(572,145)**	**(14,063,772)**	**-**	**(14,635,917)**
Depreciation of revaluation reserve, net of tax (Note 21)	-	-	(18,627)	18,627	-	-
Increase in share capital (Note 21)	5,000,000	(5,000,000)	-	-	-	-
As at 31 December 2015	**21,689,042**	**-**	**664,823**	**(25,577,130)**	**162,926**	**(3,060,339)**

Authorised for release and signed

05 April 2016

Chairman of the Board **O.V. Hrytsenko**

Head of Accounting and Reporting Department – Chief Accountant **N.A. Potemska**

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2015
(direct method)
(thousands of Ukrainian Hryvnia)

	Notes	2015	2014
Cash flows from operating activities			
Interest received		11,552,900	8,762,270
Interest paid		(10,583,546)	(7,039,741)
Commissions received		906,363	599,308
Commissions paid		(389,930)	(168,359)
Result from dealing in foreign currencies and precious metals		887,639	756,533
Personnel expenses		(842,730)	(913,030)
Other operating income		105,334	70,681
Other operating and administrative expenses		(497,409)	(602,439)
Cash flow from operating activities before changes in operating assets and liabilities		**1,138,621**	**1,465,223**
Net (increase)/decrease in operating assets:			
Due from credit institutions		(1,580,103)	(491,637)
Deposit with the National Bank of Ukraine		-	755,193
Loans to customers		3,249,513	721,660
Other assets		(417,117)	79,662
Net increase / (decrease) in operating liabilities			
Amounts due to credit institutions		(1,590,752)	347,740
Amounts due to the National Bank of Ukraine		(2,221,039)	(4,356,529)
Amounts due to customers		(2,207,107)	840,610
Other liabilities		112,608	65,435
Net cash flows from operating activities paid before income tax		**(3,515,376)**	**(572,643)**
Income tax paid		(43,282)	(167,143)
Net cash flows from operating activities paid		**(3,558,658)**	**(739,786)**
Cash flows from investing activities			
Proceeds from sale and redemption of investment securities		19,015,540	31,279,319
Purchase of investment securities		(9,814,312)	(23,689,358)
Dividends received		580	594
Purchases of property, equipment and intangible assets		(35,275)	(134,575)
Proceeds from sale of property and equipment		84	461
Purchases of investment property		-	(6,937)
Proceeds from sale of investment property		715	14,705
Net cash flows from investing activities		**9,167,332**	**7,464,209**
Cash flows from financing activities			
Distribution of part of profit to the shareholder		-	(100,310)
Redemption of Eurobonds issued		-	(2,385,050)
Proceeds from borrowings from credit institutions		1,021,013	4,387,084
Repayment of borrowings from credit institutions		(4,511,602)	(4,296,333)
Net cash flows used in financing activities		**(3,490,589)**	**(2,394,609)**
Effect of exchange rates changes on cash and cash equivalents		5,332,680	4,139,530
Net change in cash and cash equivalents		**7,450,765**	**8,469,344**
Cash and cash equivalents, 1 January		**16,790,414**	**8,321,070**
Cash and cash equivalents, 31 December	6	**24,241,179**	**16,790,414**

Authorised for release and signed
05 April 2016
Chairman of the Board **O.V. Hrytsenko**

Head of Accounting and Reporting Department – Chief Accountant **N.A. Potemska**

1. Principal activities

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

As at 31 December 2015 and 2014, 100% of UkrEximBank's shares were owned by the Cabinet Ministers of Ukraine on behalf of the State of Ukraine.

UkrEximBank's head office is in Kyiv at 127 Gorky Str. It has 27 branches and 75 operating outlets (31 December 2014: 27 branches and 93 operating outlets) and 2 representative offices located in London and New-York. UkrEximBank and its branches form a single legal entity.

Traditionally the main focus of UkrEximBank's operations was the servicing of various export-import transactions. Currently UkrEximBank's customer base is diversified and includes a number of large industrial and State owned enterprises. UkrEximBank accepts deposits from the public and makes loans, transfers payments in Ukraine and internationally, exchanges currencies, invests funds and provides cash and settlements, and other banking services to its customers.

One of the main activities of UkrEximBank is to facilitate, on behalf of the Ukrainian Government, the administration of loan agreements entered into by the Ukrainian Government with other foreign governments. UkrEximBank acts as an agent, on behalf of the Ukrainian Government, with respect to loans from foreign financial institutions based on the aforementioned agreements.

The Bank’s aim is to provide financing to investment projects (public and private) supporting the development of high value-adding industries and to manufacturers of export-oriented and import-substituting products, to raise foreign credit facilities to improve the economic development of Ukraine (including implementation of energy-saving technologies), to service foreign economic operations of its customers and to act as a financial agent on behalf of the Ukrainian Government.

These annual consolidated financial statements comprise UkrEximBank and its subsidiaries (together referred to as the "Bank"). A list of consolidated subsidiaries is as follows:

"Ukreximleasing", a 100% owned subsidiary was founded in 1997 and operates in Ukraine in the trading and leasing business.

"Eximleasing" Ltd, a 100% owned subsidiary was founded in 2006 and registered in Ukraine.

2. Basis of preparation of financial statements

General information

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

The annual consolidated financial statements are prepared under the historical cost convention except as disclosed in the accounting policies, for example investment securities available-for-sale, investment securities designated at fair value through profit or loss, buildings and investment property have been measured at fair value.

These annual consolidated financial statements are presented in thousands of Ukrainian hryvnia ("UAH") unless otherwise indicated.

Going concern. Management prepared these consolidated financial statements on a going concern basis. Going concern assumption is supported by strong liquidity position of the Bank, support provided by the government (refer to Note 21), capitalisation program and three-year business plan, prepared by management.

Ukreximbank incurred loss of UAH 14,063,772 thousand in 2015 mainly due to significant impairment charge of UAH 13,293,776 thousand and loss from translation differences on operations in foreign currencies of UAH 6,823,654 thousand, which is partially offset by net profit from investment securities designated at fair value through profit and loss of UAH 3,886,182 thousand.

Impairment provision increase was caused by the recent economic crisis in Ukraine, especially by loss of certain regions (Crimea, "ATO zone"), impact of hryvnia depreciation on borrowers with loans in foreign currencies. Loss from translation differences in foreign currencies was caused by significant devaluation of Ukrainian hryvnya in 2015 (from UAH 15.7686 for USD 1 as at 31 December 2014 to UAH 24.0007 for USD 1 as at 31 December 2015).

Ukrainian government being the owner of the Bank demonstrates readiness to provide support in form of additional contributions to the Bank's capital and actually made it in the amount of UAH 5 bln in the end of 2014 (registered in March 2015) and in the amount of UAH 9.3 bln in January 2016. According to the State Banks Strategy announced in February 2016 by Ukrainian government, Ukreximbank will remain the state-owned system-bank for at least next several years.

In addition, the Bank prepared and agreed with the Government and the NBU capitalisation plan till the end of 2018, which contains increase of share capital already done in January 2016 and further increase till the end of 2018. Accordingly, at the time of issue of these financial statements the Bank complies with the capitalisation plan and the NBU capital requirements.

Regulatory capital adequacy ratio of the Bank was 2.41% as at 31 December 2015 and raised to 10.47% as at 1 February 2016 after additional share capital contribution of UAH 9.3 bln. Capital adequacy ratio according to Basel requirements was -4.14% as at 31 December 2015. According to the NBU Regulation #260 dated 15/04/2015 the Bank as well as all top-20 Ukrainian banks should have positive equity till 1 April 2016, capital adequacy (N2) not lower than 5% till 1 September 2016, N2 not lower than 7% till 1 January 2018 and 10% till 1 January 2019.

The Bank has sufficient liquidity to fulfil its obligations within a foreseeable future: UAH 24.2 billion of cash and cash equivalents and UAH 51.1 billion of investment securities except held to maturity (UAH 47.1 bln of which are government securities). Coverage of the Bank's obligations with maturity dates within one year, in particular, due to banks and due to customers balances, by these liquid assets is 92%, although such outflow is very unlikely. The Bank has positive liquidity gap within 1 year of UAH 17 bln as at 31 December 2015.

Management of the Bank is confident about the ability of the Bank to operate as a going concern in the long run and about renewed profitability of its operations in future. The losses incurred during the last two years should be considered rather as "one-off" event caused by the political and economical instability in Ukraine.

3. Summary of accounting policies

Changes in accounting policies

The following amended standards became effective for the Bank from 1 January 2015, but did not have any material impact on the Bank:

- Amendments to IAS 19 – “Defined benefit plans: Employee contributions” (issued in November 2013 and effective for annual periods beginning 1 July 2014).
- Annual Improvements to IFRSs 2012 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014).
- Annual Improvements to IFRSs 2013 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014).

Basis of consolidation

Consolidated financial statements. Subsidiaries are those investees, including structured entities, that the Bank controls because the Bank (i) has power to direct relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of investor’s returns. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Bank has power over another entity. For a right to be substantive, the holder must have practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Bank may have power over an investee even when it holds less than majority of voting power in an investee. In such a case, the Bank assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee. Protective rights of other investors, such as those that relate to fundamental changes of investee’s activities or apply only in exceptional circumstances, do not prevent the Bank from controlling an investee. Subsidiaries are consolidated from the date on which control is transferred to the Bank, and are deconsolidated from the date on which control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

The Bank measures non-controlling interest that represents present ownership interest and entitles the holder to a proportionate share of net assets in the event of liquidation on a transaction by transaction basis, either at: (a) fair value, or (b) the non-controlling interest's proportionate share of net assets of the acquiree. Non-controlling interests that are not present ownership interests are measured at fair value.

Goodwill is measured by deducting the net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and fair value of an interest in the acquiree held immediately before the acquisition date. Any negative amount ("negative goodwill") is recognised in profit or loss, after management reassesses whether it identified all the assets acquired and all liabilities and contingent liabilities assumed, and reviews appropriateness of their measurement.

The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, including fair value of assets or liabilities from contingent consideration arrangements, but excludes acquisition related costs such as advisory, legal, valuation and similar professional services. Transaction costs incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt are deducted from its carrying amount and all other transaction costs associated with the acquisition are expensed.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. The Bank and all of its subsidiaries use uniform accounting policies consistent with the Bank's policies.

Non-controlling interest is that part of the net results and of the equity of a subsidiary attributable to interests which are not owned, directly or indirectly, by the Bank. Non-controlling interest forms a separate component of the Bank's equity.

Financial assets

Initial recognition

Financial assets in the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. When financial assets are initially recognised, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Bank determines the classification of its financial assets upon initial recognition, and subsequently can reclassify financial assets in certain cases as described below.

Date of recognition

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Bank commits itself to purchase an asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets at fair value through profit or loss

Financial assets, designated at fair value through profit or loss at inception, are included in the item 'Investment Securities' of the statement of financial position (balance sheet). Derivatives are classified as held for trading unless they are designated and effective hedging instruments. Gains or losses on financial assets at fair value through profit or loss are recognised in the consolidated statement of profit and loss (the consolidated income statement).

Financial assets classified in this category are designated by management on initial recognition when the following criteria are met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis; or

- The assets are part of a group of financial assets, financial liabilities or both which are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

If the Bank is unable to determine the value of the embedded derivative separately at the acquisition date or at the end of the next financial reporting period, these financial assets are accounted at fair value with changes through profit or loss.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Bank has the intention and ability to hold them to maturity. Investments intended to be held for an undefined period are not included in this classification. Held-to-maturity investments are measured at amortised cost. Gains and losses are recognised in the consolidated statement of profit and loss (the consolidated income statement) when the investments are impaired, as well as through the amortisation process.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These loans and receivables are not entered into with the intention of either immediate or short-term resale and are not classified as trading securities or designated as investment securities available-for-sale. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the consolidated statement of profit and loss (the consolidated income statement) when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition available-for sale financial assets are measured at fair value with gains or losses being recognised in other comprehensive income until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in other comprehensive income is reclassified to the consolidated statement of profit and loss (the consolidated income statement). However, interest calculated using the effective interest method is recognised in the consolidated statement of profit and loss (the consolidated income statement).
Investments in equity instruments that do not have a quoted market price in an active market and if their fair value cannot be reliably measured are accounted at cost less any allowance for impairment.

Determination of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value for financial instruments traded in active market at the reporting date is based on publicly available market prices or direct dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models and other relevant valuation models.

Offsetting

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position only when there is a legally enforceable right to set off the recognised amounts and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) the event of default and (iii) the event of insolvency or bankruptcy.

Reclassification of financial assets

If a non-derivative financial asset classified as held for trading ceases to be held for the purpose of selling in the near term, it may be reclassified out of the fair value through profit or loss category into one of the following:

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

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

Financial assets are reclassified at their fair value on the date of reclassification. Any gain or loss already recognised in profit or loss (consolidated income statement) is not reversed. The fair value of the financial asset on the date of reclassification becomes its new cost or amortised cost, as appropriate.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, amounts due from the NBU, excluding restricted mandatory reserves, amounts due from credit institutions and reverse repurchase agreements that mature within ninety days of the date of origination and are free from contractual encumbrances, and are not impaired individually.

Precious metals

Gold and other precious metals are recorded at fair value, which approximate the NBU bid prices and are quoted at a discount to London Bullion Market rates. Changes in the NBU bid prices are recorded as revaluation differences from precious metals in the consolidated statement of profit and loss (the consolidated income statement).

Repurchase and reverse repurchase agreements and securities lending

Sale and repurchase agreements ("repos") are treated as secured financing transactions. Securities sold under sale and repurchase agreements are retained in the consolidated statement of financial position (the consolidated balance sheet) and in case the transferee has the right by contract or custom to sell or repledge them, reclassified as securities pledged under sale and repurchase agreements. The corresponding liability is presented within amounts due to credit institutions, the NBU or customers. Securities purchased under agreements to resell ("reverse repo") are recorded as cash and cash equivalents, amounts due from credit institutions or loans to customers as appropriate. The difference between sale and repurchase price is treated as interest and is accrued over the life of repo agreements using the effective interest method.

Securities lent to counterparties are retained in the consolidated financial statements. Securities borrowed are not recorded in the consolidated financial statements, unless they are sold to third parties, in which case the purchase and sale are recorded within gains less losses from trading securities in the consolidated statement of profit and loss (the consolidated income statement). The obligation to return them is recorded at fair value as a trading liability.

Promissory notes

Promissory notes purchased are included in available-for-sale investment securities, or in amounts due from credit institutions or in loans to customers, depending on their substance and are accounted for in accordance with the accounting policies for these categories of assets.

Derivative financial instruments

In the normal course of business, the Bank enters into derivative financial instruments including swaps in the foreign exchange market. Such financial instruments are held for trading and are recorded at fair value. The fair values are derived based on quoted market prices or valuation models that take into account current and contractual market prices of the underlying instruments and any other relevant factors. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Gains and losses resulting from these instruments are included in the consolidated statement of profit and loss (the consolidated income statement) as net gains/ (losses) from foreign currencies and precious metals dealing.

Derivatives embedded in other financial instruments are treated as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contract, and the host contract is not itself held for trading or designated at fair value through profit or loss.

Borrowings

Issued financial instruments or their components are classified as liabilities, where the substance of the contractual arrangement results in the Bank having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity instruments. Such instruments include amounts due to the National Bank of Ukraine, amounts due to credit institutions, amounts due to customers, debt securities issued, Eurobonds issued and subordinated debt. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the consolidated statement of profit and loss (the consolidated income statement) when the borrowings are derecognised as well as through the amortisation process.

If the Bank purchases its own debt, it is removed from the consolidated statement of financial position (the consolidated balance sheet) and the difference between the carrying amount of the liability and the consideration paid is recognised in the consolidated statement of profit and loss (the consolidated income statement).

Leases

i. Finance – Bank as a lessor

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

ii. Operating – Bank as a lessee

Leases of assets under which the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under an operating lease are recognised as expenses on a straight-line basis over the lease term and included into other operating expenses.

iii. Operating – Bank as a lessor

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

Impairment of financial assets

The Bank assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired only if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset ('an incurred loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, an increased probability that they will enter bankruptcy or other financial reorganisation and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Amounts due from credit institutions and loans to customers

For amounts due from credit institutions and loans to customers carried at amortised cost, the Bank first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risks characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is an objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an impairment allowance account and the amount of the loss is recognised in the consolidated statement of profit and loss (the consolidated income statement). Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated impairment allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Bank. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the impairment allowance account. If a future write-off is later recovered, the recovery is credited to the consolidated statement of profit and loss (the consolidated income statement).

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the 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.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Bank's internal credit grading system that considers credit risk characteristics such as asset type, industry, geographical location, collateral type, past-due status and other relevant factors.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the years on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are correlated with changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the group or their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Held-to-maturity investments

For held-to-maturity investments the Bank assesses individually whether there is objective evidence of impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of profit and loss (the consolidated income statement).

If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognised, any amounts formerly charged are credited to the consolidated statement of profit and loss (the consolidated income statement).

Available-for-sale financial assets

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

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

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as amounts due from credit institutions and loans to customers. Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded in the consolidated statement of profit and loss (the consolidated income statement). If, in a subsequent year the fair value of a debt instrument increases and the increase is objectively related to an event occurring after the impairment loss was recognised in the consolidated statement of profit and loss (the consolidated income statement), the impairment loss is reversed through the consolidated statement of profit and loss (the consolidated income statement).

Renegotiated loans

Where possible, the Bank seeks to renegotiate loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions.

The accounting treatment of such renegotiation is as follows:

- If the currency of the loan has been changed the old loan is derecognised and a new loan is recognised.
- If the loan renegotiation is not caused by the financial difficulties of the borrower but the cash flows were renegotiated on favourable terms for the borrower, the loan is not recognised as impaired.
- If the loan is impaired after renegotiation, the Bank uses the original effective interest rate in respect of new cash flows to estimate the recoverable amount of the loan. The difference between the recalculated present value of the new cash flows taking into account collateral and the carrying amount before renegotiation is included in the impairment charges for the period.

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

Asset management

The Bank acts as an asset manager in respect of certain funds related to construction financing. The Bank acts as an agent in these arrangements and its responsibility is limited to fiduciary duties, which are commonly applied in the asset management industry. Accordingly, the Bank does not incur any liability relating to the funds under management. These funds under management do not comprise legal entities under the laws of Ukraine and the management of these funds is administered by the Bank. The funds are held in current accounts in the Bank until such time as they are invested in eligible assets which meet the investment requirements of these funds.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

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

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

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Bank's continuing involvement is the amount of the transferred asset that the Bank may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Bank's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

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

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated statement of profit and loss (the consolidated income statement).

Financial guarantees

In the ordinary course of business, the Bank gives financial guarantees, consisting of letters of credit, guarantees and avals. Financial guarantees are initially recognised in the consolidated financial statements at fair value, in 'Other liabilities', being the fee received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the unamortised fee and the best estimate of expenditure required settling any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees is taken to the consolidated statement of profit and loss (the consolidated income statement). The premium received is recognised in the consolidated statement of profit and loss (the consolidated income statement) on a straight-line basis over the life of the guarantee.

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 the end of each reporting period, the commitments are measured at the higher of (i) the remaining unamortised balance of the amount at initial recognition and (ii) the best estimate of expenditure required to settle the commitment at the end of each reporting period.

Taxation

The current income tax charge is calculated in accordance with Ukrainian taxation regulations.

Deferred tax assets and liabilities are calculated in respect of temporary differences using the liability method. Deferred income taxes are provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, except where the deferred income tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Ukraine also has various operating taxes, which are assessed on the Bank's activities. These taxes are recorded in other operating expenses in the consolidated statement of profit and loss (the consolidated income statement).

Property and equipment

Equipment is carried at cost or cost restated for effects of hyperinflation (for assets acquired prior to 31 December 2000), excluding the costs of day-to-day servicing, less accumulated depreciation and any accumulated impairment. Buildings are measured at fair value less depreciation and impairment charged subsequent to the date of the revaluation.

The carrying values of equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Following initial recognition at cost, buildings and land are subsequently carried at their revalued amount, which is the fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Any revaluation surplus is credited to the property revaluation reserve which is included in other comprehensive income, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the consolidated statement of profit and loss (the consolidated income statement), in which case the increase is recognised in the consolidated statement of profit and loss (the consolidated income statement). A revaluation deficit is recognised in the consolidated income statement, except that a deficit directly offsetting a previous surplus on the same asset is directly offset against the surplus in the property revaluation reserve.

An annual transfer from the property revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the assets' original cost. Specifically, the accumulated depreciation at the revaluation date is subtracted from the original (revalued) cost of property, plant and equipment, and the resulting net carrying amount is revalued to its fair value. The revalued amount of an asset as at the revaluation date equals its fair value and the accumulated depreciation equals zero. Upon disposal, any revaluation of property relating to the particular asset being sold is transferred to retained earnings/(accumulated deficit).

Depreciation of an asset begins when it is available for use. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

	Years
Buildings	15-75 years
Furniture and other assets	2-25 years
Equipment and computers	2-15 years
Motor vehicles	5 years

Leasehold improvements (refurbishment costs for premises under lease contract) are depreciated over a period not exceeding the leasing period.

The asset's residual values, useful lives and methods are reviewed and adjusted as appropriate, at each financial year-end.

Costs related to repairs and renewals are charged when incurred and included in other operating expenses unless they qualify for capitalisation.

Intangible assets

Intangible assets include acquired computer software and licences. Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic lives of five to ten years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortisation periods and methods for intangible assets with finite useful lives are reviewed at least at each financial year-end.

Investment property

Investment property is property held to earn rental income or for capital appreciation and which is not occupied by the Bank.

Investment property is initially recognised at cost, including transaction costs, and subsequently re-measured at fair value based on its market value. Market value of the Bank's investment property is obtained from reports of independent appraisers, who hold a recognised and relevant professional qualification and who have recent experience in valuation of property in similar locations and categories.

Assets held for sale

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

The prospective sale is deemed feasible if the Bank's management is committed to a plan to sell the non-current asset and an active program to locate a buyer and complete the plan has been initiated. Furthermore, the non-current asset must have been actively marketed for a sale at price that is reasonable in relation to its current fair value and the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification of the non-current asset as held for sale.

Provision

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

Retirement and other benefit obligations

The Bank has contribution pension plan separate from the State pension system of Ukraine, which requires current contributions by the employer calculated as a percentage of current gross salary payments; such expense is charged in the period the related salaries are earned. The contribution payable to a contribution plan is in proportion to the services rendered to the Bank by the employees, age of employees and years working for the Bank and is recorded as an expense under "Personnel expenses". Unpaid contributions are recorded as a liability. The Bank has no other post-retirement benefits or significant other compensated benefits requiring accrual.

Segment reporting

The Bank's segmental reporting is based on the following operating segments: Retail banking, Corporate banking and Financial institutions and investments.

Contingencies

Contingent liabilities are not recognised in the consolidated statement of financial position (the consolidated balance sheet) but are disclosed unless the possibility of any future outflow is considered remote. A contingent asset is not recognised in the consolidated statement of financial position (the consolidated balance sheet) but disclosed when an inflow of economic benefits is probable.

Recognition of income and expense

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest and similar income and expense

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

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

Commission income

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

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

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

- *Fee income from providing transaction services*

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

Dividend income

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

Foreign currency translation

The consolidated financial statements are presented in Ukrainian hryvnia ("UAH"), which is the Bank's functional and presentation currency. Transactions in foreign currencies are initially recorded in the functional currency, converted at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Gains and losses resulting from the translation of foreign currency transactions are recognised in the consolidated statement of profit and loss (the consolidated income statement) as gains less losses from foreign currencies— translation differences. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Differences between the contractual exchange rate of a transaction in a foreign currency and the NBU exchange rate on the date of the transaction are included in gains less losses from dealing in foreign currencies. The official NBU exchange rates at 31 December 2015 and 2014 were UAH 24.007 and UAH 15.7686 to 1 US dollar and UAH 26.2231 and UAH 19.2329 to 1 euro, respectively.

Future changes in accounting policies

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

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

Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).

Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.

Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.

Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.

IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.

Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

The standard is expected to have a significant impact on the Bank's loan impairment provisions. The Bank is currently assessing the impact of the new standard on its financial statements.

IFRS 15, Revenue from Contracts with Customers (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2018). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed. The Bank is currently assessing the impact of the new standard on its financial statements.

IFRS 16 "Leases" (issued in January 2016 and effective for annual periods beginning on or after 1 January 2019). The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The Bank is currently assessing the impact of the new standard on its consolidated financial statements.

Recognition of Deferred Tax Assets for Unrealised Losses - Amendments to IAS 12 (issued in January 2016 and effective for annual periods beginning on or after 1 January 2017). The amendment has clarified the requirements on recognition of deferred tax assets for unrealised losses on debt instruments. The entity will have to recognise deferred tax asset for unrealised losses that arise as a result of discounting cash flows of debt instruments at market interest rates, even if it expects to hold the instrument to maturity and no tax will be payable upon collecting the principal amount. The economic benefit embodied in the deferred tax asset arises from the ability of the holder of the debt instrument to achieve future gains (unwinding of the effects of discounting) without paying taxes on those gains. The Bank is currently assessing the impact of the amendments on its consolidated financial statements.

Disclosure Initiative - Amendments to IAS 7 (issued on 29 January 2016 and effective for annual periods beginning on or after 1 January 2017). The amended IAS 7 will require disclosure of a reconciliation of movements in liabilities arising from financing activities. The Bank is currently assessing the impact of the amendment on its consolidated financial statements.

The following other new pronouncements are not expected to have any material impact on the Group when adopted:

- IFRS 14, Regulatory deferral accounts (issued in January 2014 and effective for annual periods beginning on or after 1 January 2016).
- Accounting for Acquisitions of Interests in Joint Operations - Amendments to IFRS 11 (issued on 6 May 2014 and effective for the periods beginning on or after 1 January 2016).
- Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments to IAS 16 and IAS 38 (issued on 12 May 2014 and effective for the periods beginning on or after 1 January 2016).
- Agriculture: Bearer plants - Amendments to IAS 16 and IAS 41 (issued on 30 June 2014 and effective for annual periods beginning 1 January 2016).

- Equity Method in Separate Financial Statements - Amendments to IAS 27 (issued on 12 August 2014 and effective for annual periods beginning 1 January 2016).
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after 1 January 2016).
- Annual Improvements to IFRSs 2014 (issued on 25 September 2014 and effective for annual periods beginning on or after 1 January 2016).
- Disclosure Initiative Amendments to IAS 1 (issued in December 2014 and effective for annual periods on or after 1 January 2016).
- Investment Entities: Applying the Consolidation Exception Amendment to IFRS 10, IFRS 12 and IAS 28 (issued in December 2014 and effective for annual periods on or after 1 January 2016).

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Bank's financial statements.

4. Significant accounting judgements and estimates

In the process of applying the Bank's accounting policies, management has used its judgement and made estimates in determining the amounts recognised in the consolidated financial statements. The most significant use of judgements and estimates are as follows:

Allowance for impairment of loans and receivables

The Bank regularly reviews its loans and receivables to assess impairment. The Bank uses its judgement to estimate the amount of any impairment loss in cases where a borrower is in financial difficulties and there is little available historical data relating to similar borrowers. Similarly, the Bank estimates changes in future cash flows based on the 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. A 10% increase or decrease in actual loss experience compared to the loss estimates used would result in an increase or decrease in loan impairment losses of UAH 1,449.8 million and UAH 4,084.8 million (2014: UAH 844.5 million and UAH 2,572.7 million), respectively. The Bank increased or decreased by 10% probability of default (PD) for each individual customer and calculated deviation (increase or decrease) of the impairment provision compared to the actual provision in the calculation of the above provision sensitivity to changes in actual loss experience compared to the estimated. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the Bank of loans and receivables. The Bank uses its judgement to adjust observable data for a group of loans or receivables to reflect current circumstances.

Deferred income tax assets

The recognised deferred tax asset in the amount of UAH 1,730,750 thousand (31 December 2014: UAH 1,307,279 thousand) represents income taxes recoverable through future deductions from taxable profits and is recorded in the statement of financial position. Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. The future taxable profits and the amount of tax benefits that are probable in the future are based on a 3-year business plan prepared by management and adjusted by differences between tax and financial accounting, and the program of capitalisation. The business plan is based on management expectations that are believed to be reasonable under the circumstances. Key assumptions in the management expectations include stabilisation of the economy of Ukraine together with the recovery of the whole banking sector's profitability in 2016-2017, as well as moderate growth in loan portfolio and reduced loan loss provisions charges due to the expected improvement in the economy. Taking into account planned future profits for 2017-2018 and the fact that current Ukrainian tax legislation does not place limits on the term of utilization of tax losses carried forward, management believes that it is appropriate to recognise the deferred tax asset.

(thousands of Ukrainian hryvnia, unless otherwise stated)

5. Segment information

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

Retail banking	Business Unit focussing on servicing retail customers on the full list of products, and selling products that are mainly in standardized form (as per the tariffs approved and the standard procedures) and generally do not require individual approach.
Corporate banking	Business Unit focussing on corporate customers selling products that require individual approach and are mainly offered to corporate clients.
Inter-bank and investments business	Business Unit focussing on the provision of services to participants in the financial markets (money, currency, stock, etc.) and the sale of products related to transactions on the financial markets.

The Board monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance, as explained in the table below, is measured taking into account income and expenses from other segments.

Unallocated amounts include:

- Income tax receivables and payables, the share of assets and costs associated with the work of the Bank's TOP management, i.e. personnel performing general management functions at the level of the whole Bank's system and the Bank's staff, supporting directly the work of TOP management;
- The result of the revaluation of open currency position;
- The difference between inter-segment revenues and costs of all business lines, obtained as a result of transfer rates.

For the purposes of segment reporting interest is split on the basis of uniform transfer rates set by the Assets and Liabilities Committee based on the borrowing rate of the Bank.

During the twelve months ended 31 December 2015 and 2014, the Bank had revenues from transactions with a single external customer that accounted for more than 10% of the total income of the Bank, namely UAH 3,371,185 thousand (2014: UAH 2,111,974 thousand). Revenue from transactions with the external customer is reflected in the segment "Inter-bank and investments business".

Analysis of income of the Bank by banking products and services is presented in the profit and loss (interest income and expenses) and Note 23 (Fee and commission income and expenses).

Geografical information.

Most revenues and capital expenditure relates to Ukraine. The Bank has no significant revenue from other contries. Geographical analysis of assets and liabilities is disclosed in Note 25.

The following table presents income and profit, certain asset and liabilities information regarding the Bank's operating segments for the year ended 31 December 2015:

	Retail banking	***Corporate banking***	***Interbank and investments business***	***Unallocated***	***Total***
External					
Interest income	393,057	6,971,386	5,846,967	-	13,211,410
Commission income	424,391	658,165	20,034	-	1,102,590
Other income	19,083	54,260	20,971	11,289	105,603
Net gains from transactions with foreign currencies	237,507	172,539	652,525	-	1,062,571
Net gains from operations with banking metals	458	-	8,849	-	9,307
Gain from investment securities available-for-sale	-	-	32,871	-	32,871

(thousands of Ukrainian hryvnia, unless otherwise stated)

	Retail banking	*Corporate banking*	*Interbank and investments business*	*Unallocated*	*Total*
Gain from changes in the fair value of investment securities designated at fair value through profit and loss	-	-	-	3,886,182	3,886,182
Reversal of provisions for covering loans	-	-	400,401	-	400,401
Reversal of provisions for impairment of other assets and for covering other losses	-	94,029	435,055	-	529,084
Income from other segments	**3,386,431**	**3,166,995**	**6,126,478**	**(12,679,904)**	**-**
Total income	**4,460,927**	**11,117,374**	**13,544,151**	**(8,782,433)**	**20,340,019**
Interest expenses	(2,681,316)	(2,531,140)	(5,605,783)	-	(10,818,239)
Commission expense	(120,668)	(260,753)	(10,573)	(51)	(392,045)
Loan impairment charge	(221,803)	(10,504,823)	-	-	(10,726,626)
Loss from operations with foreign currencies	-	-	-	(7,008,178)	(7,008,178)
Loss from operations from banking metals	-	-	-	(13,589)	(13,589)
Personnel expenses	(412,835)	(260,327)	(79,038)	(112,749)	(864,949)
Depreciation and amortisation	(69,431)	(25,447)	(4,355)	(6,706)	(105,939)
Other operating expenses	(359,124)	(456,452)	(35,162)	(114,941)	(965,679)
Loss from investment securities available-for-sale	-	(852,822)	(2,102,768)	-	(2,955,590)
Charge for impairment of other assets and for covering other losses	(29,504)	-	-	(511,541)	(541,045)
Loss from changes in terms of loans to customers	-	(18,484)	(149)	-	(18,633)
Expenses from other segments	(328,477)	(7,469,872)	(6,062,729)	13,861,078	**-**
Segment results	**237,769**	**(11,262,746)**	**(356,406)**	**(2,689,110)**	**(14,070,493)**
Income tax credit					6,721
Loss for the period					**(14,063,772)**
Assets and liabilities as at 31 December 2015					
Segment assets	4,746,994	56,142,419	78,222,914		139,112,327
Unallocated assets				2,236,185	2,236,185
Total assets					**141,348,512**
Segment liabilities	32,198,018	47,560,991	64,580,236		144,339,245
Unallocated liabilities				69,606	69,606
Total liabilities					**144,408,851**
Other segment information					
Capital expenditure	(28,582)	(8,220)	(1,470)	(2,264)	(40,536)

The following table presents income and profit, certain asset and liabilities information regarding the Bank's operating segments for the year ended 31 December 2014:

	Retail banking	*Corporate banking*	*Interbank and investments business*	*Unallocated*	*Total*
External					
Interest income	213,363	5,845,662	4,037,082	-	10,096,107
Commission income	329,686	250,473	18,011	-	598,170
Other income	6,721	32,196	25,464	6,467	70,848
Net gains from transactions with foreign currencies	139,116	1	580,297	-	719,414
Net gains from operations with banking metals	6,081	-	17,670	7,003	30,754

(thousands of Ukrainian hryvnia, unless otherwise stated)

	Retail banking	*Corporate banking*	*Interbank and investments business*	*Unallocated*	*Total*
Gain from investment securities available-for-sale	-	-	13,944	-	13,944
Gain from changes in the fair value of investment securities designated at fair value through profit and loss	-	-	8,747	3,331,930	3,340,677
Reversal of provisions for impairment of other assets and for covering other losses	8,442	-	17,742	-	26,184
Income from other segments	**2,705,490**	**2,162,877**	**3,803,915**	**(8,672,282)**	**-**
Total income	**3,408,899**	**8,291,209**	**8,522,872**	**(5,326,882)**	**14,896,098**
Interest expenses	(2,185,457)	(1,755,055)	(3,478,041)	-	(7,418,553)
Commission expense	(92,829)	(64,021)	(11,261)	(248)	(168,359)
Loan impairment charge	(262,507)	(11,071,928)	(96,520)	-	(11,430,955)
Loss from operations with foreign currencies	-	(281,102)	-	(3,984,364)	(4,265,466)
Personnel expenses	(415,876)	(272,731)	(89,051)	(122,302)	(899,960)
Depreciation and amortisation	(68,172)	(26,179)	(4,168)	(6,257)	(104,776)
Other operating expenses	(732,868)	(1,300,902)	(225,797)	(237,919)	(2,497,486)
Loss from investment securities available-for-sale	-	(476,057)	(11,784)	(5,577)	(493,418)
Charge for impairment of other assets and for covering other losses	-	(1,838)	-	(3,782)	(5,620)
Loss from changes in terms of loans to customers	-	(53,278)	-	-	(53,278)
Expenses from other segments	(238,110)	(6,127,910)	(3,978,334)	10,344,354	**-**
Segment results	**(586,920)**	**(13,139,792)**	**627,916**	**657,023**	**(12,441,773)**
Income tax credit					1,192,456
Loss for the period					**(11,249,317)**
Assets and liabilities as at 31 December 2014					
Segment assets	4,479,281	51,722,633	65,105,665		121,307,579
Unallocated assets				2,222,604	2,222,604
Total assets					**123,530,183**
Segment liabilities	27,778,522	34,471,802	49,500,438		111,750,762
Unallocated liabilities				203,843	203,843
Total liabilities					**111,954,605**
Other segment information					
Capital expenditure	(66,415)	(23,156)	(4,015)	(6,028)	(99,614)

The major part of the fair value gain from investment securities designated at fair value through profit or loss for twelve months of 2015 is attributable to revaluation of government bonds indexed according to changes in the foreign exchange rate.

6. Cash and cash equivalents

Cash and cash equivalents comprise:

	31 December 2015	*31 December 2014*
Current accounts with other credit institutions	9,593,295	10,598,929
Deposits certificates of the National Bank of Ukraine up to 90 days	6,255,946	-
Overnight deposits with other credit institutions	4,265,831	1,300,449

(thousands of Ukrainian hryvnia, unless otherwise stated)

	31 December 2015	*31 December 2014*
Current account with the National Bank of Ukraine (other than restricted mandatory reserves)	2,184,195	2,128,691
Cash on hand	1,109,948	934,393
Time deposits with credit institutions up to 90 days	831,964	1,827,952
Cash and cash equivalents	**24,241,179**	**16,790,414**

As at 31 December 2015 included in current accounts with other credit institutions is UAH 8,863,054 thousand, placed on current accounts with five OECD banks (31 December 2014: UAH 10,348,146 thousand, placed on current accounts with five OECD and CIS banks). These banks are the main counterparties of the Bank in performing international settlements. The placements have been made under normal banking terms and conditions.
As at 31 December 2015 overnight deposits represent overnight deposits placed with OECD banks. These placements earn market interest rates. UAH 4,265,831 thousand was placed with one OECD bank (31 December 2014: UAH 1,300,449 thousand was placed with one OECD bank).

Financing transactions that did not require the use of cash and cash equivalents, and were excluded from the statement of cash flows are as follows:

	2014
Non-cash financing activities	
Increase of share capital through capitalisation of retained earnings	174,991
Issue of ordinary shares in exchange for government securities	5,000,000
Non-cash financing activities	**5,174,991**

Since August 2014 Ukrainian banks are required to keep mandatory reserves on a correspondent account with the NBU. Since January 2015 the amount of mandatory reserves that should be kept at the beginning of each operational day on a correspondent account with the NBU should be equal to 40% from the reserves base (the average arithmetical sum of funds, that is calculated for the period of the determination in accordance with the ratio of the mandatory reserves for the period), that is calculated for the certain period of allowance. Since January 2015 Ukrainian banks have been allowed to cover the mandatory reserve balance with 50 % of cash on hand, beginning from March 2015 – 100% cash on hand, beginning from November 2015 – 75% cash on hand and with 100% of placements on a correspondent account opened with PJSC "Clearing Centre". As at 31 December 2014, Ukrainian state bonds with a carrying value of UAH 30,898,854 thousand were used by the Bank to cover its NBU mandatory reserve requirement (Note 9).

Since August 2008, Ukrainian banks were required to deposit 20% of funds raised from non-residents in foreign currency for a period of less than 183 days on a separate account with the NBU, in the form of non-interest bearing cash deposit. Starting from August 2014 the reserve requirement for funds raised from non-residents in foreign currency is set by the NBU at 0%. As at 31 December 2015 no funds was placed by the Bank on this account.

Since 2009, Ukrainian banks were required to deposit an amount equivalent to the amount of impairment allowance (defined in accordance with the NBU regulations) created for loans granted in foreign currencies to borrowers with no foreign currency income, on a separate account with the NBU in the form of non-interest bearing cash deposit. Starting from February 2014 the NBU temporarily allowed not to keep such reserves on a separate account with the NBU.

As at 31 December 2015 and 2014 the Bank meets all the NBU's mandatory reserve requirements.

7. Due from credit institutions

Amounts due from credit institutions comprise:

	31 December 2015	*31 December 2014*
Loans and deposits	4,525,511	1,960,403
Current accounts with other credit institutions in precious metals	106,968	116,908
Other amounts due from credit institutions	10	9,323
	4,632,489	**2,086,634**
Less – Allowance for impairment	(548,746)	(118,983)
Due from credit institutions	**4,083,743**	**1,967,651**

(thousands of Ukrainian hryvnia, unless otherwise stated)

As at 31 December 2015, loans and deposits due from credit institutions include UAH 229,419 thousand of security deposits, placed mainly in respect of customers' transactions, such as letters of credit, performance guarantees and transactions with travellers' cheques (31 December 2014: UAH 130,417 thousand).

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

	Loans and deposits
At 1 January 2014	**11,542**
Charge	96,520
Translation differences	10,921
At 31 December 2014	**118,983**
Charge	415,941
Translation differences	13,822
At 31 December 2015	**548,746**

8. Loans to customers

Loans to customers comprise:

	31 December 2015	*31 December 2014*
Commercial loans	95,509,668	72,818,138
Overdrafts	273,354	304,580
Promissory notes	21,545	16,001
Financial lease receivables	143,547	22,182
	95,948,114	**73,160,901**
Less– Allowance for impairment	(40,848,211)	(23,187,109)
Loans to customers	**55,099,903**	**49,973,792**

Allowance for impairment of loans to customers

A reconciliation of the allowance for impairment of loans to customers by class is as follows:

	Commercial loans	*Overdrafts*	*Financial lease receivables*	*Promissory notes*	*Total*
At 01 January 2015	**23,164,123**	**5,444**	**17,238**	**304**	**23,187,109**
Charge for the year	9,891,540	18,101	498	145	9,910,284
Recoveries	5,475	-	-	-	5,475
Amounts written-off	(9,739)	-	-	-	(9,739)
Translation differences	7,754,711	371	-	-	7,755,082
At 31 December 2015	**40,806,110**	**23,916**	**17,736**	**449**	**40,848,211**
Individual impairment	38,802,056	4,237	17,736	-	38,824,029
Collective impairment	2,004,054	19,679	-	449	2,024,182
	40,806,110	**23,916**	**17,736**	**449**	**40,848,211**
Gross amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance	**57,213,119**	**20,558**	**27,147**	**-**	**57,260,824**

	Commercial loans	*Overdrafts*	*Financial lease receivables*	*Promissory notes*	*Total*
At 01 January 2014	**8,711,816**	**6,684**	**10,608**	**29,621**	**8,758,729**
Charge/(reversal) for the year	11,358,590	(1,468)	6,630	(29,317)	11,334,435
Recoveries	39,057	-	-	-	39,057
Amounts written-off	(1,316,710)	-	-	-	(1,316,710)
Translation differences	4,371,370	228	-	-	4,371,598
At 31 December 2014	**23,164,123**	**5,444**	**17,238**	**304**	**23,187,109**

(thousands of Ukrainian hryvnia, unless otherwise stated)

	Commercial loans	***Overdrafts***	***Financial lease receivables***	***Promissory notes***	***Total***
Individual impairment	21,696,102	1,559	10,451	-	21,708,112
Collective impairment	1,468,021	3,885	6,787	304	1,478,997
	23,164,123	**5,444**	**17,238**	**304**	**23,187,109**
Gross amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance	**29,693,265**	**10,425**	**10,452**	**-**	**29,714,142**

Individually impaired loans

As at 31 December 2015 interest income on loans, for which individual impairment allowances have been recognised, amounts to UAH 3,481,235 thousand (2014: UAH 1,225,316 thousand).

In accordance with Ukrainian legislation, loans may only be written off with the approval of the Board of Directors.

Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

- For securities lending and reverse repurchase transactions - cash or securities,
- For commercial lending - charges over real estate properties, inventory and trade receivables,
- For retail lending - mortgages over residential properties and vehicles.

The Bank monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for loan impairment.

As at 31 December 2015, loans to customers with a carrying value of UAH 5,088,445 thousand are pledged as collateral under loans received from the NBU (31 December 2014: UAH 6,899,998 thousand) (Note 16).

Concentration of loans to customers

As at 31 December 2015, the Bank has a concentration of loans represented by UAH 39,944,601 thousand due from the ten largest borrowers (41.63% of gross loan portfolio) (31 December 2014: UAH 28,336,489 thousand or 38.73%). An allowance of UAH 15,330,275 thousand has been recognised against these loans (31 December 2014: UAH 8,181,234 thousand).

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

	31 December 2015	***31 December 2014***
Private entities	76,228,940	57,196,728
State entities	18,158,597	14,408,725
Individuals	1,303,048	1,001,516
Municipal and utility entities	257,529	553,932
	95,948,114	**73,160,901**

Loans are made principally within Ukraine to companies of the following industry sectors:

	31 December 2015	***%***	***31 December 2014***	***%***
Agriculture and food industry	16,779,746	17.5	12,247,792	16.7
Trade	11,303,278	11.8	8,817,828	12.1
Extractive industry	10,984,005	11.4	7,458,774	10.2
Real estate	8,846,650	9.2	5,361,050	7.3

(thousands of Ukrainian hryvnia, unless otherwise stated)

	31 December 2015	*%*	*31 December 2014*	*%*
Chemical industry	8,827,769	9.2	6,339,970	8.7
Mechanical engineering	6,475,345	6.7	4,584,459	6.3
Metallurgy	5,561,073	5.8	3,848,349	5.3
Construction	4,771,851	5.0	6,836,398	9.3
Production of rubber and plastic goods	4,361,864	4.5	3,351,343	4.6
Production of construction materials	3,973,268	4.1	3,108,739	4.2
Hotels and restaurant	3,596,452	3.7	22,914	0.0
Power engineering	2,614,353	2.7	2,243,804	3.1
Transport and communications	1,911,787	2.0	2,034,848	2.8
Individuals	1,303,048	1.4	1,001,516	1.4
Road construction	1,053,974	1.1	2,100,773	2.9
Pulp and paper industry	1,033,578	1.1	977,997	1.3
Light industry	493,310	0.5	328,957	0.4
Finance	453,280	0.5	233,958	0.3
Health protection	239,892	0.3	187,212	0.3
Wood processing	220,159	0.2	166,633	0.2
Proffecional, scientific and technical activity	171,104	0.2	950,239	1.3
Metal processing	158,885	0.2	135,139	0.2
Other	813,443	0.9	822,209	1.1
	95,948,114	**100**	**73,160,901**	**100**

Included in the corporate lending portfolio are finance lease receivables. They may be analysed as follows:

	2015	*2014*
Gross investment in finance leases, receivable:		
Less than 1 year	84,653	13,481
From 1 to 5 years	118,371	9,468
	203,024	**22,949**
Unearned future finance income on finance leases	(59,477)	(767)
Net investment in finance leases	**143,547**	**22,182**

	2015	*2014*
Net investment in finance leases, receivable:		
Less than 1 year	56,470	13,072
From 1 to 5 years	87,077	9,110
Net investment in finance leases	**143,547**	**22,182**

9. Investment securities

As at 31 December 2015 and as at 31 December 2014, investment securities designated at fair value through profit and loss represented Ukrainian state bonds, principal of which will be indexed according to increases in the average interbank exchange rate of Hryvnia to United States dollar per month, prior to the month of issue, and the average exchange rate of Hryvnia to United States dollar per month, prior to maturity month. The Bank decided not to separate an embedded derivative instrument and to evaluate an instrument as a whole at its fair value, recognising revaluation as profit or loss.

Available-for-sale investment securities comprise:

	31 December 2015	*31 December 2014*
Ukrainian state bonds	37,163,276	30,214,641
Corporate bonds	2,388,565	7,156,304
Municipal entities	1,628,039	3,043,563
Corporate shares	11,690	11,691
Available-for-sale investments	**41,191,570**	**40,426,199**

(thousands of Ukrainian hryvnia, unless otherwise stated)

As at 31 December 2015, available-for-sale investment securities with a carrying value of UAH 3,620,028 thousand are pledged as collateral under loans received from the NBU (31 December 2014: UAH 1,635,455 thousand) (Note 16).

As at 31 December 2014, available-for-sale investment securities with a carrying value of UAH 808,541 thousand are pledged as collateral under repurchase agreements with the NBU (Note 16).

As at 31 December 2014, Ukrainian state bonds classified as available-for-sale investment securities with a carrying value of UAH 30,898,854 thousand are used by the Bank for the partial fulfilment of the requirements for the mandatory reserves of the NBU (Note 6).

Held-to-maturity investment securities comprise the following:

	31 December 2015		*31 December 2014*	
	Nominal value	*Carrying value*	*Nominal value*	*Carrying value*
Ukrainian state bonds	248,483	230,912	-	-
Corporate bonds	-	-	776,183	820,866
Held-to-maturity investments		**230,912**		**820,866**

As at 31 December 2014, held-to-maturity investment securities with a carrying value of UAH 820,866 thousand are pledged as collateral under loans received from the NBU (Note 16).

10. Investment property

The movements of investment property are as follows:

	2015	2014
Investment property as at 1 January	**1,986,087**	**3,666,666**
Transfer from owner occupied property	3,794	40,921
Additions	-	6,937
Transfer to other assets	-	(639)
Disposals	(530)	(14,569)
Net loss from fair value remeasurement	(422,409)	(1,713,229)
Investment property as at 31 December	**1,566,942**	**1,986,087**

In 2015, the Bank sold an investment property item with the gain of UAH 185 thousand (2014: UAH 136 thousand).

In 2015 the Bank revalued its investment property. The valuation was performed by an independent appraiser, who holds a recognised and relevant professional qualification and who has relevant experience in valuation of property of similar location and category. The most efficient use method is the key valuation principle underlying the fair value measurements in the appraisers' reports. The highest and best use method specifies that the market value of the real estate property is based on its highest and best use which creates the highest value for the property. Only asset utilisations that are technically feasible, permissible and economically justifiable are considered.

In 2015 the Bank recognised the result from remeasurement of investment property fair value in the amount of UAH 422,409 thousand in other operating expenses (2014: UAH 1,713,229 thousand).

The Bank leased out a portion of its investment property under operating lease agreements. Future minimum receivables under non-cancellable operating leases comprise the following:

	31 December 2015	*31 December 2014*
Less than 1 year	19,712	15,487
From 1 to 5 years	17,951	20,106
Future minimum receivables under non-cancellable operating lease	**37,663**	**35,593**

During 2015 the Bank has recognised rental income of UAH 34,305 thousand (2014: UAH 29,942 thousand), included in other income in the consolidated statement of profit and loss (the consolidated income statement).

(thousands of Ukrainian hryvnia, unless otherwise stated)

11. Property and equipment

The movements of property and equipment were as follows:

	Buildings	*Leasehold improve-ments*	*Computers and equipment*	*Furniture and other assets*	*Motor vehicles*	*Construc-tion in progress*	*Total*
Cost or revalued amount							
At 31 December 2014	**1,873,417**	**12,314**	**420,141**	**212,790**	**28,831**	**138,088**	**2,685,581**
Additions	-	-	8,597	14,911	-	2,443	25,951
Disposals	(20)	(690)	(3,608)	(1,123)	-	(155)	(5,596)
Transfer to investment property	-	-	-	-	-	(3,794)	(3,794)
Transfers	3,349	653	-	-	-	(4,002)	-
At 31 December 2015	**1,876,746**	**12,277**	**425,130**	**226,578**	**28,831**	**132,580**	**2,702,142**
Accumulated depreciation							
At 31 December 2014	**-**	**(9,939)**	**(268,275)**	**(135,918)**	**(19,806)**	**-**	**(433,938)**
Charge for the year	(31,511)	(1,591)	(45,823)	(17,456)	(3,739)	-	(100,120)
Disposals	20	676	1,421	743	-	-	2,860
At 31 December 2015	**(31,491)**	**(10,854)**	**(312,677)**	**(152,631)**	**(23,545)**	**-**	**(531,198)**
Net book value:							
At 31 December 2014	**1,873,417**	**2,375**	**151,866**	**76,872**	**9,025**	**138,088**	**2,251,643**
At 31 December 2015	**1,845,255**	**1,423**	**112,453**	**73,947**	**5,286**	**132,580**	**2,170,944**

	Buildings	*Leasehold improve-ments*	*Computers and equipment*	*Furniture and other assets*	*Motor vehicles*	*Construc-tion in progress*	*Total*
Cost or revalued amount							
At 31 December 2013	**1,952,077**	**12,443**	**372,443**	**190,287**	**29,810**	**137,117**	**2,694,177**
Additions	-	-	58,499	29,147	-	41,599	129,245
Disposals	(30)	(3,292)	(7,506)	(2,174)	(956)	(9,891)	(23,849)
Transfer to investment property	(40,553)	-	(3,295)	(4,470)	(23)	-	(48,341)
Transfers	15,322	3,163	-	-	-	(18,485)	-
Deduction of accumulated depreciation prior to revaluation	(65,981)	-	-	-	-	-	(65,981)
Impairment (Note 24)	(157,039)	-	-	-	-	(11,925)	(168,964)
Revaluation through revaluation reserve in equity	169,621	-	-	-	-	(327)	169,294
At 31 December 2014	**1,873,417**	**12,314**	**420,141**	**212,790**	**28,831**	**138,088**	**2,685,581**
Accumulated depreciation							
At 31 December 2013	**(36,180)**	**(11,334)**	**(234,295)**	**(123,524)**	**(16,681)**	**-**	**(422,014)**
Charge for the year	(30,804)	(1,688)	(44,334)	(17,918)	(4,085)	-	(98,829)
Disposals	6	3,083	7,506	1,972	937	-	13,504
Transfer to investment property	997	-	2,848	3,552	23	-	7,420
Write-off of accumulated depreciation prior to revaluation	65,981	-	-	-	-	-	65,981
At 31 December 2014	**-**	**(9,939)**	**(268,275)**	**(135,918)**	**(19,806)**	**-**	**(433,938)**
Net book value:							
At 31 December 2013	**1,915,897**	**1,109**	**138,148**	**66,763**	**13,129**	**137,117**	**2,272,163**
At 31 December 2014	**1,873,417**	**2,375**	**151,866**	**76,872**	**9,025**	**138,088**	**2,251,643**

As at 31 December 2015, buildings, leasehold improvements and other items of property, plant and equipment include assets with a cost or revalued amount of UAH 276,792 thousand which are fully depreciated (31 December 2014: UAH 239,547 thousand). These assets are still used by the Bank.

As at 31 December 2015, the Bank had capital commitments for the acquisition of property, plant and equipment of UAH 20,059 thousand (31 December 2014: UAH 94,566 thousand).

(thousands of Ukrainian hryvnia, unless otherwise stated)

As at 1 March and 1 August of each year the Bank performs testing of fair value of buildings. On the basis of such testing the deviation between fair value of buildings and their carrying value is calculated. The amount of the calculated deviation reviewed for essentiality of the impact on the financial statements of the Bank.

As at 1 March 2015 and 1 August 2015 according to the Bank's testing of the fair value of buildings no essential deviations from carrying value of buildings were found.

In 2014 the Bank revalued its buildings. Revaluation was perfomed by the independent valuators as at 31 December 2014 and fair value was determined by comparative, income and expense methods taking into account market information.

If the buildings were reported at cost, the carrying value would be as follows:

	31 December 2015 (revalued)	*31 December 2015 (at cost)*	*31 December 2014 (revalued)*	*31 December 2014 (at cost)*
Cost	1,876,746	1,037,183	1,873,417	1,033,854
Accumulated depreciation	(31,491)	(152,119)	-	(140,408)
Residual value	**1,845,255**	**885,064**	**1,873,417**	**893,446**

12. Intangible assets

The movements of intangible assets were as follows:

	Computer software and licenses
Cost	
At 31 December 2014	**60,229**
Additions	9,324
Disposals	(4,768)
At 31 December 2015	**64,785**
Accumulated depreciation	
At 31 December 2014	**(46,151)**
Charge for the year	(5,819)
Disposals	4,769
At 31 December 2015	**(47,201)**
Net book value:	
At 31 December 2014	**14,078**
At 31 December 2015	**17,584**

	Computer software and licences
Cost	
At 31 December 2013	**54,900**
Additions	5,330
Disposals	(1)
At 31 December 2014	**60,229**
Accumulated depreciation	
At 31 December 2013	**(40,204)**
Charge for the year	(5,948)
Disposals	1
At 31 December 2014	**(46,151)**
Net book value:	
At 31 December 2013	**14,696**
At 31 December 2014	**14,078**

(thousands of Ukrainian hryvnia, unless otherwise stated)

As at 31 December 2015, intangible assets include assets with a cost of UAH 33,200 thousand which have been fully amortised (31 December 2014: UAH 31,939 thousand). These assets are still used by the Bank.

13. Income tax

The corporate income tax charge comprises:

	2015	**2014**
Current tax charge	416,750	107,270
Deferred tax credit	(423,471)	(1,299,726)
Income tax credit	**(6,721)**	**(1,192,456)**

As at 31 December 2015, Ukrainian corporate income tax was calculated as financial result adjusted for tax differences (2014: taxable income less allowable expenses) at the rate of 18% (31 December 2014: 18%).

Income tax assets and liabilities consist of the following:

	31 December 2015	***31 December 2014***
Current tax assets	293,122	691,771
Deferred income tax assets	1,730,750	1,307,279
Income tax assets	**2,023,872**	**1,999,050**
Current income tax liabilities	-	25,181
Income tax liabilities	**-**	**25,181**

The effective income tax rate differs from the statutory income tax rate. A reconciliation of the income tax charge based on the statutory rate with the actual rate is as follows:

	2015	**2014**
Loss before tax	(14,070,493)	(12,441,773)
Statutory tax rate	18%	18%
Income tax credit at the statutory rate	(2,532,689)	(2,239,519)
Effect of change in tax rates	-	1,867
Revision of temporary difference due to the changes in tax laws	2,099,935	314,454
Unrecognised deferred tax asset	331,652	717,018
Non-deductible expenditures:		
- salaries and bonuses	-	4,136
- consulting and marketing	660	862
- utilities	-	3,335
- repair and maintenance of property and equipment	-	2,627
- charity	1,254	521
- lease	-	425
- other banking operating services	91,857	1,558
- other expenses	610	260
Income tax credit	**(6,721)**	**(1,192,456)**

Deferred tax assets and liabilities include:

		Origination and reversal of temporary differences			***Origination and reversal of temporary differences***		
	01 January 2014	***In the consolidated statement of profit and loss***	***In other compre-hensive income***	***31 December 2014***	***In the consolidated statement of profit and loss***	***In other compre-hensive income***	***31 December 2015***
Tax effect of deductible temporary differences:							
Allowance for impairment of assets and liabilities	-	1,369,104	-	1,369,104	1,035,241	-	2,404,345

(thousands of Ukrainian hryvnia, unless otherwise stated)

		Origination and reversal of temporary differences			*Origination and reversal of temporary differences*		
	01 January 2014	*In the consolidated statement of profit and loss*	*In other compre-hensive income*	*31 December 2014*	*In the consolidated statement of profit and loss*	*In other compre-hensive income*	*31 December 2015*
Accruals	12,793	(12,620)	-	173	(173)	-	-
Valuation of financial instruments	205,849	550,535	(41,191)	715,193	(276,805)	101,042	539,430
Other assets/ liabilities	143	(143)	-	-	2,257	-	2,257
Deferred income tax asset	**218,785**	**1,906,876**	**(41,191)**	**2,084,470**	**760,520**	**101,042**	**2,946,032**
Tax effect of taxable temporary differences:							
Allowance for impairment of assets and liabilities	(72,428)	72,428	-	-	-	-	-
Property, equipment and intangible assets	(47,829)	25,883	(34,219)	(56,165)	(9,405)	-	(65,570)
Investment property	(15,565)	15,565	-	-	-	-	-
Other assets/ liabilities	-	(4,008)	-	(4,008)	4,008	-	-
Deferred tax liabilities	**(135,822)**	**109,868**	**(34,219)**	**(60,173)**	**(5,397)**	**-**	**(65,570)**
Unrecognised deferred tax asset	**-**	**(717,018)**	**-**	**(717,018)**	**(331,652)**	**(101,042)**	**(1,149,712)**
Net deferred tax assets/(liabilities)	**82,963**	**1,299,726**	**(75,410)**	**1,307,279**	**423,471**	**-**	**1,730,750**

The Bank does not recognise deferred tax asset in the full amount and created respective provision for deferred tax asset as at 31 December 2015. For the information on the professional judgements of the management applied to the recognition of deferred tax assets refer to Note 4.

14. Impairment provisions and other reserves

The movements in other impairment provisions and other reserves are as follows:

	Investment securities held to maturity	*Other assets*	*Guarantees and commitments*	*Total*
At 31 December 2013	**18,236**	**44,157**	**-**	**62,393**
Translation differences	-	4,098	7,258	11,356
Charge/(reversal)	(18,236)	4,530	(6,858)	(20,564)
Transfer from investment securities	-	178,046	-	178,046
Amounts written-off	-	(136)	-	(136)
At 31 December 2014	**-**	**230,695**	**400**	**231,095**
Translation differences	-	4,898	30,664	35,562
Charge/(reversal)	-	20,812	(8,851)	11,961
Amounts written-off	-	(1,101)	-	(1,101)
At 31 December 2015	**-**	**255,304**	**22,213**	**277,517**

During 2014 available-for-sale investment securities of one issuer were not repaid on maturity and were reclassified to Other assets and fully provisioned (UAH 178,046 thousand).

Allowances for impairment of assets are deducted from the related assets. Provisions are recognised in liabilities.

(thousands of Ukrainian hryvnia, unless otherwise stated)

15. Other assets and liabilities

Other assets comprise:

	31 December 2015	*31 December 2014*
- other financial assets:		
Receivables on transactions with customers	210,074	199,584
Service fee on financial guarantees issued	202,107	5,873
Transit accounts in respect of card operations	163,371	28,394
Other accrued income	29,106	21,405
Other	-	70
	604,658	255,326
Less: Allowance for impairment (Note 14)	(200,476)	(206,629)
Other financial assets	404,182	48,697
- other assets:		
Other tax assets, except those related to income tax	277,925	280,320
Precious metals	62,587	50,712
Prepayments	53,087	44,885
Cash and cash equivalents, the presence of which is not confirmed	30,740	-
Inventories	21,425	16,105
Other	2,135	1,635
	447,899	393,657
Less: Allowance for impairment (Note 14)	(54,828)	(24,066)
Other assets	393,071	369,591
Total other assets	**797,253**	**418,288**

As at 31 December 2015 and 2014 other tax assets, except those related to income tax, mainly consist of a recognised VAT credit related to repossessed investment property (Note 10) which will be set-off against VAT liabilities recognised as a result of the future sale of the investment property.

As at 31 December 2015, prepayments include balances of UAH 8,648 thousand (31 December 2014: UAH 2,456 thousand) in respect of the purchase of property, equipment and intangible assets, and balances of UAH 4,775 thousand (31 December 2014: UAH 4,029 thousand) in respect of the construction of branch premises.

Other liabilities comprise:

	31 December 2015	*31 December 2014*
- other financial liabilities:		
Accrued expenses	42,735	9,341
Transit accounts in respect of card operations	30,963	49,439
Transit accounts on transactions with customers	6,688	1,661
Liabilities in respect of financial guarantees issued	5,895	5,888
Other financial liabilities	86,281	66,329
- other liabilities:		
Provision for unused vacation	68,476	56,913
Payables to Guarantee Fund of Individuals' Deposits	52,875	42,164
Accrued salary payable	24,504	13,530
Deferred income	12,922	9,009
Accrued pension contribution	830	1,148
Other	46,499	34,853
Other liabilities	206,106	157,617
Total other liabilities	**292,387**	**223,946**

(thousands of Ukrainian hryvnia, unless otherwise stated)

16. Amounts due to the National Bank of Ukraine

Amounts due to the National Bank of Ukraine as at 31 December 2015 comprise:

	31 December 2015	*31 December 2014*
Loans due to the National Bank of Ukraine	2,977,827	4,445,182
Correspondent account	1,948	2,014
Repurchase agreements	-	801,784
Amounts due to the National Bank of Ukraine	**2,979,775**	**5,248,980**

As at 31 December 2014, the Bank entered into repurchase agreements with the NBU of UAH 801,784 thousand, the subject of these agreements were Ukrainian state bonds with the fair value of UAH 808,541 thousand (Note 9).

As at 31 December 2015, loans due to the National Bank of Ukraine comprise:

Origination date	Maturity date	Type of interest rate	Effective interest rate	Carrying value
19 March 2009	10 June 2020	Fixed rate	20%	1,233,266
19 March 2009	10 June 2020	Fixed rate	20%	1,744,561
Amounts due to the National Bank of Ukraine				**2,977,827**

As at 31 December 2014, loans due to the National Bank of Ukraine comprise:

Origination date	Maturity date	Type of interest rate	Effective interest rate	Carrying value
19 March 2009	12 November 2015	Floating (NBU rate + 0.5%)	14.5%	1,745,510
19 March 2009	12 November 2015	Floating (NBU rate + 0.5%)	14.5%	2,044,309
03 February 2010	24 January 2016	Floating (NBU rate + 2%)	16%	655,363
Amounts due to the National Bank of Ukraine				**4,445,182**

These loans are initially recognized at fair value, which was based on the market data at the date of recognition.

Loans due to the NBU are secured with loans to customers (Note 8) and investment securities (Note 9).

17. Amounts due to credit institutions

Amounts due to credit institutions comprise:

	31 December 2015	*31 December 2014*
Loans due to international financial organisations	14,045,679	11,191,711
Loans and deposits due to other banks	4,100,747	3,440,923
Current accounts	1,152,421	1,922,697
Other amounts due to credit institutions	23	1,124
Amounts due to credit institutions	**19,298,870**	**16,556,455**
Held as security against guarantees (Note 22)	29,705	44,557

As at 31 December 2015, included in current accounts is UAH 539,387 thousand received from five Ukrainian banks (31 December 2014: UAH 1,256,693 thousand received from five Ukrainian banks). The amount was received under normal banking terms and conditions.

As at 31 December 2015, included in amounts due to credit institutions is UAH 1,390,022 thousand received from Ukrainian banks (31 December 2014: UAH 2,153,130 thousand).

As at 31 December 2015, loans and deposits due to other banks and loans due to international financial organisations include UAH 1,046,260 thousand and UAH 569,333 thousand received from OECD banks and international financial organisations, respectively, under the trade and export financing agreements (31 December 2014: UAH 1,166,656 thousand and UAH 848,391 thousand respectively). These loans are denominated in US dollars, euros and Japanese yen and bear fixed and floating interest rates and are matched in maturity with loans to customers issued under the respective trade and export financing programmes.

(thousands of Ukrainian hryvnia, unless otherwise stated)

As at 31 December 2015 international financial institutions loans include loans from the International Bank for Reconstruction and Development (IBRD) within the framework of the second project of export development and additional finance for the second project of export development totalling UAH 5,437,942 thousand (31 December 2014: UAH 3,544,973 thousand). The total amount of these loans under the loan agreements is USD 304,500 thousand. These loans are denominated in US dollars received by the Bank with interest rate of LIBOR + spread IBRD, which is reviewed twice a year, and have a current interest rate: 0.86% and 1.15%, maturing in 2026 and 2041 respectively.

Loans from international financial institutions also include loans from the IBRD for the Project on Energy Efficiency in the amount of UAH 2,473,662 thousand (31 December 2014: UAH 1,220,425 thousand). The total amount of this loan under the loan agreement is USD 200,000 thousand. The loan is denominated in US dollars with an interest rate of LIBOR + spread IBRD, which is reviewed twice a year, with the current interest rate: 1.07%, the loan matures in 2040.

International financial institutions loans include loans from the European Bank for Reconstruction and Development ("EBRD") within the Framework of the energy efficiency programs in Ukraine totalling UAH 807,971 thousand (31 December 2014: UAH 791,265 thousand). These loans are denominated in US dollars and maturing in 2017, have floating interest rates LIBOR + spread EBRD, which is reviewed twice a year, with the current interest rate 6.8708%.

Loans from international financial institutions also include loans from the European Investment Bank ("EIB") within the Ukreximbank Loan for SMEs and Mid-Caps totalling UAH 3,289,579 thousand (31 December 2014: UAH 2,158,200 thousand). The total amount of these loans under the loan agreement is equivalent of EUR 100,000 thousand. These loans are denominated in US dollars and maturing in 2023, have floating interest rates for each tranche: LIBOR + spread EIB, which is reviewed twice a year, with the current interest rate: 4.031% and 4.3475 respectively.

For the purposes of the cash flow statement presentation, the Bank allocates funds, attracted from credit institutions, between the funds for the operating and financing activities. Funds raised from the Ukrainian banks are included in the category of funds for operation activities, and funds from other banks for financing activities.

18. Amounts due to customers

Amounts due to customers comprise:

	31 December 2015	*31 December 2014*
Current accounts		
- Legal entities	13,526,606	10,368,656
- Budget financed organisations	4,699,932	2,390,125
- Individuals	3,002,802	2,479,182
- Funds under the Bank's management (see below)	13,718	17,055
	21,243,058	**15,255,018**
Time deposits		
- Legal entities	36,643,285	27,444,607
- Individuals	21,431,600	19,295,504
	58,074,885	**46,740,111**
Amounts due to customers	**79,317,943**	**61,995,129**
Held as security against loans to customers	912,330	907,144
Held as security against guarantees and avals (Note 22)	535,733	291,110
Held as security against letters of credit (Note 22)	444,464	188,135
Held as security against undrawn loan commitments (Note 22)	1,978	19,932

As at 31 December 2015, legal entities current accounts included funds of top ten customers in the amount of UAH 3,470,838 thousand (25.7% of legal entities current accounts) (31 December 2014: UAH 2,494,286 thousand, or 24.1%).

As at 31 December 2015, individuals' current accounts included funds of top ten customers in the amount of UAH 77,529 thousand (2.6% of individuals' current accounts) (31 December 2014: UAH 61,918 thousand, or 2.5%).

As at 31 December 2015, term deposits of legal entities included funds raised from five customers – legal entities in the amount of UAH 27,045,620 thousand (73.8% of term deposits of legal entities) (31 December 2014: UAH 18,296,943 thousand, or 66.67%).

(thousands of Ukrainian hryvnia, unless otherwise stated)

As at 31 December 2015, term deposits of individuals included funds raised from ten individuals in the amount of UAH 1,523,604 thousand (7.1% of term deposits of individuals) (31 December 2014: UAH 1,160,958 thousand, or 6.02%).

As at 31 December 2015, term deposits of legal entities included funds raised in gold, which are accounted for at fair value through profit or loss in the amount to UAH 15,322 thousand (31 December 2014: UAH 11,054 thousand).

As at 31 December 2015, term deposits of individuals included funds raised in gold, which are accounted at fair value through profit or loss in the amount to UAH 142,425 thousand (31 December 2014: UAH 119,075 thousand).

In accordance with Ukrainian legislation, the Bank is obliged to return time deposit to individuals on their request only on maturity date prescribed in the deposit agreement. Early return of time deposit on customer request is prohibited and could be done only in the cases and under conditions stipulated by such agreement.

Funds under the Bank's management

The Bank acts as an asset manager in respect of certain funds related to construction financing Amounts due to funds under the Bank's management are as follows:

	2015	*2014*
At 1 January	**17,055**	**1,069**
Funds attracted from individuals	52,889	82,978
Invested funds	(56,226)	(66,992)
At 31 December	**13,718**	**17,055**

An analysis of customer accounts by economic sector is as follows:

	31 December 2015	%	*31 December 2014*	%
Agriculture and food industry	27,263,219	34.4	17,823,477	28.7
Individuals	24,434,402	30.8	21,774,686	35.1
Trade	6,234,324	7.9	6,147,434	9.9
Budget organizations	4,699,932	5.9	2,390,125	3.9
Transport and communications	2,086,555	2.6	2,052,308	3.3
Professional, scientific and technical activities	2,003,401	2.5	1,005,284	1.6
Mechanical engineering	1,896,796	2.4	1,815,486	2.9
Finance	1,820,697	2.3	2,305,178	3.7
Construction	1,259,118	1.6	580,222	0.9
Power engineering	1,130,043	1.4	396,968	0.6
Information and telecommunications	779,643	1.0	471,275	0.8
Extractive industry	527,598	0.7	324,201	0.5
Metal processing	446,645	0.6	262,401	0.4
Chemical industry	421,939	0.5	480,516	0.8
Real estate	365,163	0.5	1,055,002	1.7
Processing	344,104	0.4	212,332	0.3
Production of rubber and plastic goods	313,646	0.4	192,251	0.3
Wood processing	251,457	0.3	165,898	0.3
Production of construction materials	219,211	0.3	350,607	0.6
Health protection	160,222	0.2	77,042	0.1
Personal services	154,244	0.2	192,055	0.3
Metallurgy	122,606	0.2	418,182	0.7
Hotels and restaurants	99,974	0.1	58,114	0.1
Education	99,314	0.1	96,503	0.2
Light industry	94,774	0.1	41,413	0.1
Pulp and paper industry	92,645	0.1	98,687	0.2
Other	1,996,271	2.5	1,207,482	2.0
Amounts due to customers	**79,317,943**	**100**	**61,995,129**	**100**

19. Eurobonds issued

	31 December 2015		31 December 2014	
	Nominal value (thousand of USD)	*Carrying value*	*Nominal value (thousand of USD)*	*Carrying value*
April 2010 issue	500,000	12,158,478	500,000	7,998,928
October 2010 issue	250,000	6,079,239	250,000	3,999,464
January 2013 issue	500,000	12,403,814	500,000	8,138,406
April 2013 issue	100,000	2,480,763	100,000	1,627,681
Eurobonds issued		**33,122,294**		**21,764,479**

In April 2010, the Bank, through BIZ Finance PLC (consolidated structured company registered in the United Kingdom), issued Eurobonds in the form of loan participation notes with a par value of USD 500,000 thousand (UAH 3,996,500 thousand at the exchange rate at the date of issue). The bonds had a fixed coupon rate of 8.375% p.a. and maturity in April 2015.

In October 2010, the Bank, through BIZ Finance PLC, issued Eurobonds in the form of loan participation notes with a par value of USD 250,000 thousand (UAH 1,998,250 thousand at the exchange rate at the date of issue). The bonds had a fixed coupon rate of 8.375% p.a. and maturity in April 2015 and were consolidated and form a single series with the notes issued in April 2010.

Issued Eurobonds in the form of loan participation notes with a par value of USD 750,000 thousand and maturity in 2015 were reprofiled on 20 July 2015 on the following conditions:

- the coupon rate of 9.625% p.a.;

- maturity date was postponed by 7 years until 27 April 2022 in addition to that 50% of the principal amount of the Eurobonds should be repayed on 27 April 2019 and the rest of principal amount of the Eurobonds should be repayed with six equal semi-annual payments, beginning on 27 October 2019, and with the last payment on 27 April 2022.

As change of conditions did not result in derecognition of existing debt, after amending the conditions of these Eurobonds the Bank continued to recognize these liabilities at amortized cost using new effective interest rate.

In January 2013, the Bank, through BIZ Finance PLC, issued Eurobonds in the form of loan participation notes with a par value of USD 500,000 thousand (UAH 3,996,500 thousand at the exchange rate at the date of issue). The bonds had a fixed coupon rate of 8.75% p.a. and maturity in January 2018.

In April 2013, the Bank, through BIZ Finance PLC, issued Eurobonds in the form of loan participation notes with a par value of USD 100,000 thousand (UAH 799,300 thousand at the exchange rate at the date of issue). The bonds had a fixed coupon rate of 8.75% p.a. and maturity in January 2018 and were consolidated and form a single series with the notes issued in January 2013.

These bonds were consolidated and form a signle seria with the bonds issued in January 2013.

Issued Eurobonds in the form of loan participation notes with a par value of USD 600,000 thousand and maturity in 2018 were reprofiled on 23 July 2015 on the following conditions:

- the coupon rate of 9.75% p.a.;

- maturity date was postponed by 7 years until 22 January 2025 in addition to that 50% of the principal amount of the Eurobonds should be repayed on 22 January 2021 and the rest of principal amount of the Eurobonds should be repayed with eight equal semi-annual payments, beginning on 22 July 2021, and with the last payment on 22 January 2025.

As change of conditions did not result in derecognition of existing debt, after amending the conditions of these Eurobonds the Bank continued to recognize these liabilities at amortized cost using new effective interest rate.

All Eurobonds issued are subject to various covenants and restrictions (Note 22).

20. Subordinated debt

In February 2006, the Bank obtained a loan of USD 95,000 thousand (UAH 2,280,063 thousand) from Credit Suisse International. Carrying value of the loan was UAH 2,338,461 thousand as at 31 December 2015 (2014: UAH 1,526,527 thousand). This loan was funded by 8.4% loan participation notes issued on a limited recourse basis by Credit Suisse International, for the sole purpose of funding a subordinated loan to the Bank. The interest rate was changed to 5.79% in February 2011 according to the terms of the loan. The loan matures in February 2016. Interest payments are made semi-annually in arrears on 9 February and 9 August of each year, commencing on 9 August 2006.

In November 2006, the Bank obtained a further loan of USD 30,000 thousand (UAH (720,020 thousand) from Credit Suisse International. Carrying value of the loan was UAH 738,461 thousand as at 31 December 2015 (2014: UAH 482,061 thousand). This loan was funded by 8.4% loan participation notes, which were consolidated and form a single series with the securities issued in February 2006. The interest rate was changed to 5.79% in February 2011 according to the terms of the loan. Interest payments are made semi-annually in arrears on 9 February and 9 August of each year, commencing on 9 August 2006.

On 29 May 2015 the Bank as borrower, the Credit Suisse International as a creditor and Biz Finance Plc as a new creditor concluded the second supplementary loan agreement under the terms of which Credit Suisse International as a creditor was replaced by Biz Finance Plc.

On 9 July 2015 the Bank and Biz Finance Plc concluded the agreement on amendments and the new edition of the loan agreement (the agreement on borrowings of funds on subordinated terms in the form of subordinated debt) for the amount of USD 125,000 thousand concerning the following:

- the interest rate was changed to 7% p.a. + 6-months Libor rate and as at 31 December 2015 the interest rate was 7.5091%;
- maturity date was postponed by 7 years until 9 February 2023 in addition to that 50% of the principal amount of the Subordinated debt should be repayed on 9 February 2020 and the rest of principal amount should be repayed with six equal semi-annual payments, beginning on 9 August 2020, and with the last payment on 9 February 2023.

As change of conditions did not result in derecognition of existing debt, after amending the conditions of this subordinated debt the Bank continued to recognize these liabilities at amortized cost using new effective interest rate.

In May 2009, the Bank obtained a loan amounting to USD 250,000 thousand (UAH 6,000,167 thousand) from the EBRD. Carrying value of the loan was UAH 6,298,447 thousand as at 31 December 2015 (2014: UAH 4,131,447 thousand). The loan matures in May 2019. Interest rate was fixed for the first five years and comprised 13.21% per annum. Starting from 28 July 2014 for the next five years the interest rate is floating, set according to agreement terms and comprise 12% + 6-month LIBOR. As at 31 December 2015 the interest rate was 12.4697%. Interest payments are made semi-annually in arrears on 28 July and 28 January of each year, commencing on 28 July 2009.

Subordinated debts are subject to various covenants and restrictions (Note 22).

21. Equity

As at 31 December 2015, the Bank's authorised issued share capital comprised 14,834,780 (31 December 2014: 11,414,901) ordinary shares with a nominal value of UAH 1,462.04 per share (31 December 2014: 1,462.04 per share). All shares have equal voting rights. As at 31 December 2015, 14,834,780 shares were fully paid and registered (31 December 2014: 11,414,901 shares were fully paid and registered).

The movements in share capital were as follows:

	Number of shares	*Nominal amount, UAH'000*	*Restated cost, UAH'000*
At 1 January 2014	**11,414,901**	**16,514,051**	**16,514,051**
Shares issued	-	174,991	174,991
At 31 December 2014	**11,414,901**	**16,689,042**	**16,689,042**
Shares issued	3,419,879	5,000,000	5,000,000
At 31 December 2015	**14,834,780**	**21,689,042**	**21,689,042**

(thousands of Ukrainian hryvnia, unless otherwise stated)

In December 2014, according to the Resolution of the Cabinet of Ministers of Ukraine No 713 dated 29 December 2014 the Bank's share capital was increased by UAH 5,000,000 thousand through issue of 3,419,879 new shares with nominal value of UAH 1,462.04 each with 100% of these shares kept by the State. As at the reporting date these shares have not yeat been registered and therefore were included in "Unregistered contributions to share capital". In March 2015 capital was increased by UAH 5,000,000 thousand after registration of shares shares.

In August 2014, according to the Resolution of the Cabinet of Ministers of Ukraine No 142 dated 21 May 2014 the Bank's share capital was increased by UAH 174,991 thousand through capitalisation of part of the net profit for 2012 and retained earnings of previous years according to UAR.

In May 2014, in accordance with the legislation of Ukraine, the Bank made a profit distribution to shareholders in the amount of UAH 100,310 thousand.

Movements in revaluation reserves

Movements in revaluation reserves were as follows:

	Property revaluation reserve	*Unrealised gains/(losses) on investment securities available for sale*	*Revaluation reserves*
At 1 January 2014	**956,565**	**17,896**	**974,461**
Revaluation of property	169,294	-	169,294
Depreciation of revaluation reserve, net of tax	(16,234)	-	(16,234)
Realised revaluation result transferred to retained earnings	(16,516)	-	(16,516)
Disposal gains on investment securities available-for-sale reclassified to the consolidated statement of profit and loss (consolidated income statement)	-	(13,944)	(13,944)
Impairment on investment securities available-for-sale reclassified to the consolidated statement of profit and loss (consolidated income statement)	-	84,758	84,758
Net unrealised gains on available-for-sale investment securities	-	149,186	149,186
Tax effect of property revaluation, net income from investment securities available-for-sale	(34,219)	(41,191)	(75,410)
At 31 December 2014	**1,058,890**	**196,705**	**1,255,595**
Depreciation of revaluation reserve, net of tax	(18,627)	-	(18,627)
Disposal gains on investment securities available-for-sale reclassified to the consolidated statement of profit and loss (consolidated income statement)	-	(31,205)	(31,205)
Net unrealised losses on available-for-sale investment securities	-	(540,940)	(540,940)
At 31 December 2015	**1,040,263**	**(375,440)**	**664,823**

Nature and purpose of revaluation reserves

Property revaluation reserve

The revaluation reserve for property and equipment is used to record increases in the fair value of buildings and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in equity.

Unrealised losses on investment securities available-for-sale

This reserve records changes in fair value of available-for-sale investments.

Reserves and other funds of the Bank

The reserve fund is created in accordance with the Charter to achieve 25 per cent of the size of the regulatory capital at the beginning of each year. The size of the allocations to the reserve fund is not less than 5 per cent of the amount of the Bank's annual profit. The reserve fund is created for incidental losses for all assets and off-balance sheet commitments.

The Bank's distributable reserves are determined by the amount of the reserves according to the Bank’s accounts. As at 31 December 2015 the amount of non-distributable reserves was UAH 827,749 thousand (31 December 2014: UAH 1,491,305 thousand). Non-distributable reserves are represented by revaluation reserve and a general reserve fund, which is created to cover general banking risks, including future losses and other unforeseen risks or contingencies.

22. Commitments and contingencies

Operating environment

The Ukrainian economy while deemed to be of market status continues to display certain characteristics consistent with that of an economy in transition. These characteristics include low levels of liquidity in the capital markets and the existence of restrictive currency controls which cause the national currency to be illiquid outside of Ukraine.

The stabilisation and further recovery of the Ukrainian economy will be significantly impacted by the policies and decisions of the Government, the Verkhovna Rada of Ukraine and the NBU with regard to administrative, legal and economic reforms, regulating of the conflict in the east of the country, amount of the international financial aid and conditions of external markets.

As a result, banking operations in Ukraine involve political and economic risks that are not typical for developed markets.

The Ukrainian economy is vulnerable to changes in the global financial and commodity markets. Deteriorated conditions of economic cooperation with the Russian Federation and overall foreign trade conditions have resulted in the reduced export of commodities and accompanying services. Devaluation of the national currency, high inflation, decrease in output in almost all sectors of the economy, reduction of personal disposable income, capital outflow had a negative impact on the Ukrainian economy.

According to the information of the State statistics service of Ukraine in 2015 the decline in the gross domestic product (GDP) is 9,9%, consumer inflation in 2015 was 43,3%, industrial output constracted by 13,0%. As at 31 December 2015 the official NBU exchange rate of Hryvnia against US dollar was UAH 24.0007 per USD 1, compared to UAH 15.7686 per USD 1 as at 31 December 2014.

In 2015 the stabilisation measures in economic environment were the enhanced cooperation with the International Monetary Fund (on 11 March 2015 the Executive Board of the International Monetary Fund approved an Extended Arrangement under the Extended Fund Facility for Ukraine totalling over USD 17,5 billion for the period of four years), international financial oganisations, restrictive measures from the side of the National Bank of Ukraine and the Government, cleansing of the banking system, reaching agreement with creditors concerning the restructuring of government debt and quaranteed government debt.

From 15 February 2015 the introduction of the ceasefire in certain areas of Donetsk and Lugansk regions (the territory of the “anti-terrorist” operation (“ATO”) as a result of implemention of “Complex of measures on implementation of the Minsk agreements”not become a sufficient condition for recovery of normal operational work of banking system of Ukraine there and the normal functioning of the structural units of the Bank in particular.

In addition, factors such as the growth of unemployment in Ukraine, lower levels of liquidity and profitability in the corporate sector and increase in the number of instances where legal entities and individuals become insolvent had a negative effect on the borrowers' ability to repay the amounts owed to the Bank and caused the decline in the value of collateral pledged for loans. After receiving the relevant information, the Bank promptly revises its estimates of expected future cash flows.

Whilst the Government and the Bank management take appropriate measures to support the sustainability of the Bank’s business in the current circumstances, continued further deterioration in the areas described above could negatively affect the Bank’s results and financial position.

Legal aspects

In the ordinary course of business, the Bank is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations of the Bank.

(thousands of Ukrainian hryvnia, unless otherwise stated)

Tax and other regulatory compliance risks

Ukrainian legislation and regulations regarding taxation and other operational matters, including currency exchange control and custom regulations, continue to evolve. Legislation and regulations are not always clearly written and are subject to varying interpretations by local, regional and national authorities, and other Governmental bodies. Instances of inconsistent interpretations are not unusual. Management believes that its interpretation of the relevant legislation is appropriate and that the Bank has complied with all regulations and paid or accrued all taxes and withholdings that are applicable.

At the same time there is a risk that transactions and interpretations that have not been challenged in the past may be challenged by the authorities in the future, although this risk significantly reduces with the passage of time. It is not practical to determine the amount of unasserted claims that may manifest, if any, or the likelihood of any unfavourable outcome.

Since 1 September 2013 transfer pricing rules came into force. These rules provide that in the case of transactions with related parties and, in some cases with unrelated parties (controlled operations) that are not at market value, entities should charge additional taxes.

The Bank enters into controlled transactions solely at market prices. The Bank has implemented the necessary internal controls for compliance with the transfer pricing rules.

Financial commitments and contingencies

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

	31 December 2015	*31 December 2014*
Guarantees	5,866,577	2,215,425
Letters of credit	463,133	536,425
Undrawn loan commitments	181,127	259,545
Avals on promissory notes	34,184	39,835
	6,545,021	**3,051,230**
Less – Provisions (Note 14)	(22,213)	(400)
Financial commitments and contingencies (before deducting collateral)	**6,522,808**	**3,050,830**
Less – cash held as security against letters of credit, avals and guarantees, and undrawn loan commitments (Note 17, Note 18)	(1,011,880)	(543,734)
Financial commitments and contingencies	**5,510,928**	**2,507,096**

As at 31 December 2015, the Bank issued letters of credit of UAH 418,043 thousand in favour of four Ukrainian companies that are partially secured by cash deposits of UAH 399,374 thousand (31 December 2014: UAH 504,008 thousand in favour of four Ukrainian companies that were partially secured by cash deposits of UAH 155,718 thousand).

As at 31 December 2015, the Bank issued guarantees of UAH 4,823,056 thousand in favour of four Ukrainian companies that are partially secured by cash deposits of UAH 360,708 thousand (31 December 2014: UAH 1,442,633 thousand in favour of four Ukrainian companies that were partially secured by cash deposits of UAH 63,447 thousand).

As at 31 December 2015 undrawm loan commitments for plastic cards amounted to UAH 182,595 thousand (31 December 2014: UAH 160,047 thousand).

Financial covenants

The Bank is a party to various arrangements with other credit institutions, which contain financial covenants relating to the financial performance and general risk profile of the Bank. Under such covenants, the Bank is required to maintain a minimum international risk based capital adequacy ratio of 10%, to limit credit exposure to a single borrower and to ensure a certain level of operating activity. These financial covenants may restrict the Bank's ability to execute certain business strategies and enter into other significant transactions in the future.

(thousands of Ukrainian hryvnia, unless otherwise stated)

23. Net commission income

Net commission income comprises:

	2015	*2014*
Commission income		
Cash and settlement service	547,741	396,489
Guarantees and letters of credit	417,850	90,540
Operations with banks	98,239	82,160
Credit servicing commission	13,028	11,339
Other	25,732	17,642
	1,102,590	**598,170**
Commission expense		
Guarantees and letters of credit	(195,103)	(27,244)
Cash and settlement service	(189,825)	(134,787)
Currency conversion	(3,835)	(4,053)
Other	(3,282)	(2,275)
	(392,045)	**(168,359)**
Net commission income	**710,545**	**429,811**

24. Personnel and other operating expenses

Personnel and other operating expenses comprise:

	2015	*2014*
Salaries and bonuses	661,462	704,138
Charges on payroll	203,487	195,822
Personnel expenses	**864,949**	**899,960**
Loss on fair value remeasurement for investment property	422,409	1,713,230
Payables to Guarantee Fund of Individuals' Deposits	210,813	147,968
Repair and maintenance expenses	81,670	54,796
Operating taxes	30,694	224,935
Occupancy cost	29,105	23,257
Rent cost	26,455	21,637
Security	26,398	25,684
Expenses for cash collection	25,134	22,608
Electronic and data processing costs	23,777	17,324
Legal and advisory services	18,683	7,223
Household expenses	17,848	17,632
Communications	9,250	7,734
Business travel and related expenses	7,898	4,960
Charity	7,474	3,306
Marketing and advertising	7,342	10,216
Expenses related to representative offices	7,295	5,977
Other	13,434	20,035
Loss on fair value adjustment for own property	-	168,964
Other operating expenses	**965,679**	**2,497,486**

Expenses for payment to the non-state pension fund in 2015 comprised UAH 10,142 thousand (2014: UAH 11,046 thousand).

25. Risk management

Introduction

The Bank is exposed to risks i.e. credit risk, liquidity risk and market risk (which is subdivided into interest rate risk, currency risk and trading book risk), operational risk as well as strategic and reputation risk which are continuously identified, assessed and controlled within the Risk management process. The risk management process makes a crucial contribution in ensuring the Bank's efficiency and profitability and each employee of the Bank is responsible for adhering to the risk management rules and procedures in the course of fulfilling their tasks and duties.

The Bank adheres to the following key risk management principles:

- centralisation of liquidity, interest and currency risk management at the Head Office level;
- unification of analysis and monitoring procedures for credit projects, assessment of the creditworthiness of each borrower and establishment of credit rating and rules for creating allowance for loan impairment across all branches of the Bank;
- clear definition of the roles of all participants in the risk management process and the interrelations among those participants;
- definition of risk limits for transaction volumes: by Bank or Branch Officer, limits on exposures to single borrowers, limits on exposures to related parties, credit portfolio concentration limits (by industry, counterparty banks, separate transactions/ balance sheet items, etc.);
- ensuring continuous risk monitoring and control and compliance with all established limits;
- avoidance of conflicts of interest;
- ensuring internal control over compliance with policies and procedures.

The risk management process includes four stages: identification of risk, its sources and risk areas; estimation of the level of risk; minimisation of risk or limitation of risk at an acceptable levels; on-going monitoring of positions at risk.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. These risks are monitored through the Bank's strategic planning process.

Risk management structure

The Supervisory Board is generally responsible for establishment and approval of objectives in the sphere of risk management and management of capital. In addition, the Bank has separate independent bodies responsible for managing and monitoring risks. The following bodies are responsible for the risk management process at the Bank: Management Board, Assets and Liabilities Committee ("ALCO"), Credit Committee, Retail Business Committee, Risk Management Division, Securities Division, Treasury Division, Internal Audit Division.

Supervisory Board

The Supervisory Board is responsible for the overall risk management approach and for approving the risk strategies and principles.

Management Board

The Management Board has the overall responsibility for the development of the risk strategy and implementing of principles, frameworks, policies and limits within the Bank. Fundamental risk issues are managed and monitored by relevant risk decisions based on quarterly reports of the Risk Management Division, ALCO, Credit Committee and Retail Business Committee. The Management Board approves the Bank's risk management.

Assets and Liabilities Committee ("ALCO")

The ALCO has the overall responsibility for implementing principles, frameworks, policies and limits regarding liquidity and market risks within the Bank and ensuring that liquidity and market risks are within the specified ranges approved by the Management Board. The ALCO reports to the Management Board.

Credit Committee and Retail Business Committee

The Credit Committee and Retail Business Committee have the overall responsibility for implementing principles, frameworks, policies and limits regarding credit risk within the Bank and ensuring that credit risk indicators are within the specified ranges approved by the Management Board. These committees report to the Management Board.

Risk Management Division

Risk Management Division is responsible for control, monitoring, analysis and reporting of key risk indicators connected with the Bank's activities. In addition, Risk Management Division elaborates and supervises implementation of risk management methodologies, norms and procedures, estimates the risk of all banking products and structured transactions. The Risk Management Division reports to the Management Board.

Treasury and Securities Divisions

Treasury is responsible for the management of the Bank's liquidity position via money market operations, while Securities Division is responsible for management of the Bank's liquidity position via capital market operations. The Treasury Division and Securities Division report to the Management Board.

Internal Audit Division

The risk management processes are audited on a regular basis by Internal Audit Division, which examines both the adequacy of procedures and the Bank's compliance with those procedures. Audit findings, conclusions and recommendations are submitted to the Management Board and the Supervisory Board.

Risk measurement and risk reporting systems

The Bank's risks are measured using methods which reflect both the expected loss under normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. The Bank also runs worse case scenarios reflecting the impact of extreme events with la low probability of occurrence . The Bank carries out back-testing of the models to checks their adequacy.

Risks are monitored and controlled primarily based on limits established by the Bank. These limits reflect the business strategy and market environment of the Bank as well as the level of risk that the Bank is willing to accept, with additional emphasis on selected industries. In addition, the Bank monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risks types and activities.

Information regarding the balance-sheet structure, capital adequacy, compliance with limits and indicators established by the ALCO, and covenants under contractual obligations of the Bank is submitted to the ALCO on a monthly basis. The Management Board receives a comprehensive risk report once a quarter which is designed to provide all the necessary information to assess and conclude on the risks of the Bank.

For all levels of the Bank's management, various risk reports are prepared in order to provide comprehensive, relevant and up-to-date information to all of the Bank's units.

Risk Mitigation

The Bank does not use derivatives to manage risks arising from changes in interest rates, credit risk and liquidity risk since a market for such financial instruments does not yet exist in Ukraine.

The Bank extensively uses collateral to minimise credit risk (see below for more detail).

Excessive risks concentration

Concentration arises when a number of counterparts are engaged in similar business activities, or activities in the same geographic region, or have similar economic characteristics, which determine their ability to meet contractual obligations that are equally affected by the changes in economic, political or other environment. Concentration indicates the relative sensitivity of the Bank's performance to the developments affecting a particular industry or geographical area.

In order to avoid excessive concentrations of risks, the Bank's internal policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified risks concentration is duly controlled and managed.

Credit risk

The Banks considers credit risk as the probability of non-timely and/or insufficient receipt of funds from customers (counterparties) under their commitments.

Credit risk management is primarily aimed at ensuring fulfilment of commitments by the Bank's customers (counterparties) in form, volume and time periods adequate for maintaining liquidity, yield and capital adequacy ratios within the limits acceptable for the Bank.

In managing credit risk, the Bank considers the following:

- structural (strategic) management — acceptable level of loan portfolio structure and volume (on balance sheet and off balance sheet) in short, medium and long term horizon taking into consideration estimated and unpredictable changes in the financial and economic environment;
- on-going (operational) management - acceptable quality and volume of individual loans and commitments taking into consideration estimated and unpredictable changes in the financial and economic environment;
- structural (strategic) and on-going (operational) management of the allowance for impairment effect on the Bank's capital adequacy ratio in short, medium and long term horizon taking into consideration estimated and unpredictable changes in quality of the individual loans, credit portfolios and total credit portfolio.

The Bank manages and controls credit risk based on the following principles:

- setting targets (optimal and acceptable for the Bank), critical (undesirable, but manageable) and threshold (requiring urgent measures) values of the key credit risk exposures;
- providing loans or loan related commitments solely in accordance with the approved Credit policy and the Bank's internal regulations;
- creation and maintaining allowances and provisions for loan related operations in volumes, which are not lower than the Bank's best estimates;
- constant monitoring of the actual values of the key credit risk exposures at the level of individual loans/commitments, credit portfolios and total credit portfolio;
- taking efficient measures if the actual values of credit risk exposures approach their critical and/or threshold values.

Key credit risk exposures, their target, critical and threshold values are updated at least annually and approved by the Management Board of the Bank.

Individual credit risk

Individual credit risk is a risk which can be attributed to a particular transaction or counterparty.

Individual credit risk is managed through: loan and customer (or counterparty) classification via the system of internal credit ratings determined on the basis of the customer's (counterparties') creditworthiness and an evaluation of their loan repayment quality; evaluation and monitoring of collateral value and liquidity; setting credit risk limits and monitoring compliance with the limits; creation of adequate allowance for asset's impairment.

The Bank's lending policy determines the type of collateral required for a particular transaction, industry or customer. The primary types of collateral include: guarantees of primary banks, deposits with the Bank, real estate property and pledges of equipment or vehicles. The Bank requires obligatory insurance of collateral to be provided by the customer.

In order to limit individual credit risk, the Bank sets the following limits: maximum volume of credit transactions (loans, securities, receivables) per single counterparty (or group of related counterparties), including financial commitments and contingencies; maximum volume of credit transactions (loans, securities, receivables) for one insider, including financial commitments and contingencies.

Portfolio credit risk

Portfolio credit risk is the risk typical for a group of credit transactions (loans, securities, receivables) and group of counterparties with similar credit characteristics.

Portfolio credit risk management is exercised through: industry classification on the basis of an internal system of industry ratings, which characterises the systematic risk of the industry; monitoring of the credit portfolio structure (by category of customers, industries and credit ratings of customers and loans); establishment of concentration limits and appropriate monitoring and control thereof; diversification of credit portfolio (both by industry and customer category).

(thousands of Ukrainian hryvnia, unless otherwise stated)

Diversification of credit portfolio (both by industry and customer category) is provided through establishment of the following limits: by industry; by maximum total volume of "large" loans (which constitute 10% or more of the regulatory capital of the Bank as to each counterparty or group of related counterparties); by maximum total volume of loans to insiders; by credit portfolio concentration per category of customers; by total indebtedness of 5 largest customers; by total indebtedness of 10 largest customers; by total indebtedness of 20 largest customers.

Credit-related commitment risks

The Bank issues guarantees to its customers, under which the Bank may be required to make payments on behalf of the relevant customers. These guarantees expose the Bank to risks similar to credit risks, and are mitigated by similar control procedures and principles.

The Bank undertakes to effect payment against presentation of complying documents under letters of credit. If the letters of credit are opened on uncovered basis the Bank has risks similar to credit risks, which are mitigated by similar control procedures and principles.

The maximum exposure to credit risk for the components of the consolidated statement of financial position before the effect of mitigation through the use of collateral agreements, is best represented by their carrying amounts.

Where financial instruments are recorded at fair value, the carrying value represents the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

For more details on the maximum exposure to credit risk for each class of financial instrument, references shall be made to the specific notes.

Credit quality by category of financial assets

In 2015 the Bank introduced a new system of calculation of probability of default (PD) for corporate borrowers, which involves the calculation of probability of default (PD) and the rating class (PD-rate) from 1 to 17 (17 grades). In the table below for loans that are neither past due nor individually impaired, high rating mean the minimum level of credit risk. Other borrowers with good financial position and quality of debt servicing are included in the standard credit rating. The below standard rating have lower credit quality compared to previous ratings, but loans are not necessarily individually impaired. For loans that are past due or individually impaired, rating standard and below standard indicates that there is a possibility of delays in loan repayment as a result of adverse changes in commercial, financial and economic conditions. Low rating means that there is a high probability of default of loan, the borrower's activity is poor, loss making or ceased. For the exposures of foreign credit institutions: high rating is equal to the Fitch rating BBB- and higher, standard rating is equal to lower than BBB- , but higher than CCC+, and rating below standard and lower is equal to rating CCC+ and lower.

		Neither past due nor individually impaired			***Past due or individually impaired***		
At 31 December 2015	***No-tes***	***High rating***	***Standard rating***	***Below standard rating***	***Standard and below standard rating***	***Low rating***	***Total***
Cash and cash equivalents	6	24,241,179	-	-	-	-	24,241,179
Amounts due from foreign credit institutions	7	336,366	-	-	-	-	336,366
Amounts due from Ukrainian credit institutions	7	20	-	3,745,874	2,965	547,264	4,296,123
Investment securities:	9	-	-	-	-	-	
- designated at fair value through profit or loss		9,924,610	-	-	-	-	9,924,610
- available-for-sale		37,163,276	4,028,294	-	-	-	41,191,570
- held-to-maturity		230,912	-	-	-	-	230,912
Loans to corporate customers:	8	-	-	-	-	-	
Commercial loans		9,318,389	18,832,198	7,170,623	22,363,090	36,522,320	94,206,620
Overdrafts		48,188	64,111	140,497	20,558	-	273,354
Finance lease receivables		51,033	63,361	2,006	15,331	11,816	143,547
Promissory notes		12,390	-	9,155	-	-	21,545
		9,430,000	18,959,670	7,322,281	22,398,979	36,534,136	94,645,066

(thousands of Ukrainian hryvnia, unless otherwise stated)

		Neither past due nor individually impaired			*Past due or individually impaired*		
At 31 December 2015	***No-tes***	***High rating***	***Standard rating***	***Below standard rating***	***Standard and below standard rating***	***Low rating***	***Total***
Loans to individuals	8	9,581	71,755	152,582	28,572	1,040,558	1,303,048
Total		**81,335,944**	**23,059,719**	**11,220,737**	**22,430,516**	**38,121,958**	**176,168,874**
Provision for impairment		(105,330)	(756,712)	(757,782)	(7,067,120)	(32,710,013)	(41,396,957)
Total after provision for impairment		**81,230,614**	**22,303,007**	**10,462,955**	**15,363,396**	**5,411,945**	**134,771,917**

In 2014 the Bank used an internal system of credit ratings from A + to F (16 grades), where the highest rating of A+ is characterized by an extremely high ability of the borrower to fulfil its debt obligations, and the worst rating F is for borrowers who have stopped work and/or are bankrupt. In the table below, for loans that are not past due and not individually impaired, rating A and B mean the minimum level of credit risk. Other borrowers with good financial position and quality of debt servicing are included in the credit ratings of C and D and lower. This rating have lower credit quality compared to previous ratings, but loans are not necessarily individually impaired. For loans that are past due or individually impaired, rating D and higher indicates that there is a possibility of delays in loan repayment as a result of adverse changes in commercial, financial and economic conditions. Rating E and F or no rating means that there is a high probability of default of loan, the borrower’s activity is poor, loss making or ceased. For the exposures of foreign credit institutions: rating A and B is equal to the Fitch rating BBB- and higher, rating C is equal to lower than BBB- , but higher than CCC+, and rating D and lower is equal to rating CCC+ and lower.

		Neither past due nor individually impaired			*Past due or individually impaired*		
At 31 December 2014	***No-tes***	***Rating A and B***	***Rating C***	***Rating D and lower***	***Rating D and higher***	***Rating E and F or no rating***	***Total***
Cash and cash equivalents	6	16,754,230	14,677	21,507	-	-	16,790,414
Amounts due from foreign credit institutions	7	247,315	-	-	-	-	247,315
Amounts due from Ukrainian credit institutions	7	9,332	554,998	771,693	503,296	-	1,839,319
Investment securities:	9						
- designated at fair value through profit or loss		6,882,115	-	-	-	-	6,882,115
- available-for-sale		31,068,551	6,042,067	2,839,524	476,057	-	40,426,199
- held-to-maturity		-	-	820,866	-	-	820,866
Loans to corporate customers:	8						
Commercial loans		5,382,773	16,824,599	18,260,493	15,376,714	15,972,826	71,817,405
Overdrafts		97,868	184,064	11,440	10,425	-	303,797
Finance lease receivables		-	11,097	633	-	10,452	22,182
Promissory notes		6,740	-	9,261	-	-	16,001
		5,487,381	17,019,760	18,281,827	15,387,139	15,983,278	72,159,385
Loans to individuals	8	20,989	103,363	182,893	26,095	668,176	1,001,516
Total		**60,469,913**	**23,734,865**	**22,918,310**	**16,392,587**	**16,651,454**	**140,167,129**
Provision for impairment		(37,807)	(239,092)	(1,147,495)	(8,886,208)	(12,995,490)	(23,306,092)
Total after provision for impairment		**60,432,106**	**23,495,773**	**21,770,815**	**7,506,379**	**3,655,964**	**116,861,037**

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

(thousands of Ukrainian hryvnia, unless otherwise stated)

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

At 31 December 2015	*Less than 30 days*	*From 31 to 60 days*	*From 61 to to 90 days*	*Total*
Loans to customers:				
Loans to corporate customers	1,574,277	1,123,307	16,108	2,713,692
Loans to individuals	22,390	3,009	2,330	27,729
Total	**1,596,667**	**1,126,316**	**18,438**	**2,741,421**

At 31 December 2014	*Less then 30 days*	*From 31 to 60 days*	*From 61 to to 90 days*	*Over 90 days*	*Total*
Loans to customers:					
Loans to corporate customers	2,154,058	85,530	20,342	62,075	2,322,005
Loans to individuals	23,067	2,667	1,432	1,375	28,541
Total	**2,177,125**	**88,197**	**21,774**	**63,450**	**2,350,546**

The table below presents the value of collateral taken by the Bank when assessing the impairment of assets, in the amount not exceeding the carrying amount of the loan. For the purposes of impairment assessment the Bank does not take into account certain types of collateral, including trade receivables, inventory, movable property.

	31 December 2015	*31 December 2014*
Loans to corporate customers	47,700,338	35,485,759
Loans to individuals	298,578	550,993
Total	**47,998,916**	**36,036,752**

Impairment assessment

The main considerations for the loan impairment assessment is based on a determination whether any payments of principal or interest are overdue by more than 90 days or whether there are any known difficulties in the cash flows of counterparties, credit rating downgrades, or infringement of the original terms of the respective contract. The Bank addresses impairment assessment in two areas: individually assessed allowances and collectively assessed allowances (on a portfolio basis).

Geographical concentration

The geographical concentration of the Bank's financial assets and liabilities is set out below:

	31 December 2015			
	Ukraine	*OECD countries*	*CIS and other non-OECD countries*	*Total*
Assets:				
Cash and cash equivalents	10,552,282	13,482,723	206,174	24,241,179
Due from credit institutions	3,747,379	299,716	36,648	4,083,743
Loans to customers	55,099,903	-	-	55,099,903
Investment securities:				
- designated at fair value through profit or loss	9,924,610	-	-	9,924,610
- available-for-sale	41,191,570	-	-	41,191,570
- held-to-maturity	230,912	-	-	230,912
Other financial assets	402,036	1,361	785	404,182
	121,148,692	**13,783,800**	**243,607**	**135,176,099**
Liabilities:				
Amounts due to the National Bank of Ukraine	2,979,775	-	-	2,979,775
Amounts due to credit institutions	1,390,026	17,905,990	2,854	19,298,870
Amounts due to customers	78,011,047	397,151	909,745	79,317,943
Eurobonds issued	-	33,122,294	-	33,122,294

(thousands of Ukrainian hryvnia, unless otherwise stated)

	31 December 2015			
	Ukraine	*OECD countries*	*CIS and other non-OECD countries*	*Total*
Subordinated debt	-	9,375,369	-	9,375,369
Other financial liabilities	41,275	44,714	292	86,281
	82,422,123	**60,845,518**	**912,891**	**144,180,532**
Net position	**38,726,569**	**(47,061,718)**	**(669,284)**	**(9,004,433)**
Commitments and contingencies (Note 22)	**5,494,694**	**4,234**	**12,000**	**5,510,928**

	31 December 2014			
	Ukraine	*OECD countries*	*CIS and other non-OECD countries*	*Total*
Assets:				
Cash and cash equivalents	4,964,362	11,679,419	146,633	16,790,414
Due from credit institutions	1,711,488	243,544	12,619	1,967,651
Loans to customers	49,973,792	-	-	49,973,792
Investment securities:				
- designated at fair value through profit or loss	6,882,115	-	-	6,882,115
- available-for-sale	40,426,199	-	-	40,426,199
- held-to-maturity	820,866	-	-	820,866
Other financial assets	47,094	821	782	48,697
	104,825,916	**11,923,784**	**160,034**	**116,909,734**
Liabilities:				
Amounts due to the National Bank of Ukraine	5,248,980	-	-	5,248,980
Amounts due to credit institutions	2,153,131	14,368,836	34,488	16,556,455
Amounts due to customers	60,998,151	283,785	713,193	61,995,129
Eurobonds issued	-	21,764,479	-	21,764,479
Subordinated debt	-	6,140,035	-	6,140,035
Other financial liabilities	58,409	7,872	48	66,329
	68,458,671	**42,565,007**	**747,729**	**111,771,407**
Net position	**36,367,245**	**(30,641,223)**	**(587,695)**	**5,138,327**
Commitments and contingencies (Note 22)	**2,492,389**	**2,781**	**11,926**	**2,507,096**

Liquidity risk

The Bank considers liquidity risk as the risk of an inability to finance growth of the Bank's assets and to fulfil its own obligations when they fall due.

The main purpose of liquidity risk management is to ensure the ability of the Bank to fulfil its obligations when they fall due by maintaining acceptable (manageable) liquidity gaps.

While managing liquidity risk, the Bank is considering a combination of the following:

- structural (short and long-term) assets and liabilities management focused on ensuring appropriate liquidity levels in the short and long-term time horizon;
- current (short-term) assets and liabilities management focused on ensuring appropriate level of instant and current liquidity taking into consideration estimated and unpredictable cash flow changes.

Liquidity risk management is based on acceptable levels of maturity gaps (by currency) and on the following principles:

- setting target (optimal and acceptable to the Bank), critical (undesirable but manageable) and threshold (requiring urgent measures) levels of key liquidity risk indicators;
- permanent monitoring of actual key liquidity risk indicators;

(thousands of Ukrainian hryvnia, unless otherwise stated)

- use of adequate corrective actions if actual key liquidity risk indicators approach their critical and/or threshold levels.

Key liquidity risk indicators, their respective targets, critical and threshold levels are updated at least annually and approved by the Management Board of the Bank.

Assessment of the liquidity position

The adherence to the internal limits set by the Bank is in line with the liquidity risk standards established by the National Bank of Ukraine. The liquidity position is assessed and managed by the Bank, based on certain liquidity ratios established by the NBU.

The liquidity position, assessed by respective liquidity ratios established by the NBU, was as follows:

	31 December 2015, %	*31 December 2014, %*
N4 "Instant Liquidity Ratio" (cash in hand, balances on nostro accounts with banks and unpledged deposit certificates of the National Bank of Ukraine / balances on customers' current accounts) (minimum required by the NBU — 20%)	64.68	61.03
N5 "Current Liquidity Ratio" (cash in hand, balances on nostro accounts with banks, banking metals, claims on banks with residual maturity of up to 31 days and unpledged Ukrainian state bonds / balances on customers' current accounts, term deposits, debt obligations and commitments with residual maturity of up to 31 days) (minimum required by the NBU — 40%)	123.09	134.69
N6 "Short-Term Liquidity Ratio" (cash in hand, balances on nostro accounts with banks, banking metals, claims on banks with residual maturity of up to 1 year and unpledged Ukrainian state bonds / balances on customers' current accounts, term deposits, debt obligations and commitments with residual maturity of up to 1 year) (minimum required by the NBU — 60%)	136.98	114.29

Analysis of financial liabilities by remaining contractual maturities

The table below summarises the maturity profile of the Bank's financial liabilities based on contractual undiscounted repayment obligations. Less than 3 month liabilities are those that are due on the earliest date. However, the Bank expects that many customers will not demand repayment on the earliest date when the Bank could be required to make a respective repayment and the table does not reflect the expected cash flows calculated by the Bank on the basis of information on deposit repayment in previous periods.

Financial liabilities At 31 December 2015	*Less than 3 months*	*3 to 12 months*	*1 to 5 years*	*More than 5 years*	*Total*
Amounts due to the NBU	150,436	551,739	3,961,332	-	4,663,507
Amounts due to credit institutions	2,066,080	873,065	7,507,242	14,740,143	25,186,530
Amounts due to customers	66,144,071	12,979,150	1,272,008	72,127	80,467,356
Eurobonds issued	702,020	2,437,806	24,561,115	21,640,812	49,341,753
Subordinated debt	495,054	490,898	10,753,945	1,392,851	13,132,748
Other liabilities	86,281	-	-	-	86,281
Commitments and contingent financial liabilities	1,385,403	3,359,641	1,799,716	261	6,545,021
Total undiscounted financial liabilities	**71,029,345**	**20,692,299**	**49,855,358**	**37,846,194**	**179,423,196**

(thousands of Ukrainian hryvnia, unless otherwise stated)

Financial liabilities At 31 December 2014	***Less than 3 months***	***3 to 12 months***	***1 to 5 years***	***More than 5 years***	***Total***
Amounts due to the NBU	930,965	4,239,156	644,913	-	5,815,034
Amounts due to credit institutions	2,961,992	2,568,992	5,634,357	9,374,767	20,540,108
Amounts due to customers	48,845,903	12,815,917	1,288,392	168,626	63,118,838
Eurobonds issued	414,533	12,735,573	11,532,583	-	24,682,689
Subordinated debt	306,831	302,642	7,869,876	-	8,479,349
Other liabilities	66,329	-	-	-	66,329
Commitments and contingent financial liabilities	812,812	1,062,464	1,175,693	261	3,051,230
Total undiscounted financial liabilities	**54,339,365**	**33,724,744**	**28,145,814**	**9,543,654**	**125,753,577**

The above table shows the timing of expiry dates of commitments and contingent financial liabilities of the Bank according to the respective agreements. The Bank expects that not all of the contingent liabilities or commitments will be drawn before their expiry. In order to limit liquidity risk arising from asymmetric prepayment and early repayment prospective of the term assets and liabilities, the Bank incorporates in standard client agreements conditions that motivate customers not to use the options of prepayment and early repayment.

Market risk

The Bank considers market risk as the aggregate of interest rate risk and currency risk, i.e. inability to secure excess of income (including interest income) over expenses (including interest expenses) by currency in volumes required to fulfil the Bank's obligations and to maintain liquidity and capital adequacy risks within the range acceptable to the Bank.

Market risk management is performed by systematic combination of:

- interest risk management;
- foreign currency risk management.

Interest rate risk

Interest rate risk is considered by the Bank as the inability to secure excess of interest income over interest expenses in volumes required to fulfil the Bank's interest payment obligations and to maintain liquidity and capital adequacy risks within the range acceptable to the Bank. The Bank considers the mismatch of interest receipts and interest payments by volumes or dates to be the main source of interest rate risk.

The Bank considers interest rate risk management as an integral part of the Bank's operations including the effect of negative impact by internal and external factors.

Interest rate risk management is performed through a combination of:

- structural (strategic) and current (operational) management of interest-earning assets aimed at achieving acceptable structure and volume of interest income in short, middle and long-term time horizon taking into consideration estimated and unpredictable changes in interest rates;
- structural (strategic) and current (operational) management of interest-bearing liabilities aimed at achieving acceptable structure and volume of interest expenses in short, middle and long-term time horizon taking into consideration estimated and unpredictable changes in interest rates.

Interest rate risk management is aimed at securing the excess of interest income over interest expenses in volumes sufficient to fulfil the Bank's interest payment obligations and to maintain liquidity and capital adequacy risks within the range acceptable to the Bank. Interest rate risk management is performed via:

- setting target (optimal and acceptable to the Bank), critical (undesirable but manageable) and threshold (requiring urgent measures) levels of key interest rate risk indicators;
- permanent monitoring of actual values of key interest rate risk indicators;
- taking efficient measures if the actual values of key interest rate risk indicators approach their critical and/or threshold levels.

(thousands of Ukrainian hryvnia, unless otherwise stated)

Key interest rate risk indicators, their respective targets, critical and threshold levels are updated at least annually and approved by the Management Board of the Bank.

The table below demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Bank's consolidated statement of profit and loss (consolidated income statement).

The sensitivity of the consolidated statement of profit and loss (consolidated income statement) reflects the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate non-trading financial assets and financial liabilities held at reporting date.

	31 December 2015				
Currency	***Base for interest rate***	***Increase in basis points***	***Effect on profit before income tax expense***	***Decrease in basis points***	***Effect on profit before income tax expense***
UAH	NBU	+100	3,144	-100	(3,144)
USD	LIBOR	+75	(117,288)	-75	117,288
EUR	LIBOR	+75	31	-75	(31)
EUR	Euribor	+75	(1,049)	-75	907
Other	LIBOR	+75	542	-75	(542)
Other	Euribor	+75	3	-75	(3)
Total			**(114,617)**		**114,475**

	31 December 2014				
Currency	***Base for interest rate***	***Increase in basis points***	***Effect on profit before income tax expense***	***Decrease in basis points***	***Effect on profit before income tax expense***
UAH	NBU	+100	(8,727)	-100	8,727
USD	LIBOR	+75	(56,649)	-75	53,781
EUR	LIBOR	+75	37	-75	(37)
EUR	Euribor	+75	3,901	-75	(3,901)
Other	LIBOR	+75	423	-75	(418)
Other	Euribor	+75	2	-75	(2)
Total			**(61,013)**		**58,150**

The equity sensitivity is calculated by the revaluation of available-for-sale financial assets with fixed rate as at 31 December to assess the possible effects of the assumed changes in interest rates. For securities classified at the 1 and 2 levels of the fair value hierarchy of the asset, the method of modified duration is used, for securities classified at the 3 level of the hierarchy - a method of yield curve, with the following assumptions: +/- 400 b.p. for corporate bonds with government guarantee, +/- 300 b.p. for corporate bonds, +/- 300 b.p. for Ukrainian state bonds denominated in local currency, +/- 200 b.p. for Ukrainian state bonds in USD, +/- 20% interest rate change for corporate bonds of the 3 level of hierarchy. As at 31 December 2015, the total effect of the changes on the Bank's equity is: UAH (1,169,741) thousand / UAH 1,169,741 thousand (2014: UAH (1,532,772) thousand / UAH 1,532,772thousand).

Sensitivity of net profit / (loss) on investment securities designated at fair value through profit or loss is calculated by the revaluation of financial instruments with fixed interest rate, and are revalued through profit / (loss) as of 31 December in terms of effects of the assumed changes in interest rates using the method of modified duration. The effect of changes in interest rate of +/- 200 b.p. for Ukrainian state bonds on the Bank’s income is UAH (113,405) thousand / UAH 113,405 thousand (2014: UAH (163,839) thousand / UAH 163,839 thousand).

Currency risk

The Bank considers currency risk as the inability to secure excess of foreign currency cash inflow over foreign currency cash outflow (by currency) in amounts required to maintain liquidity and capital adequacy risks within the range acceptable to the Bank. The Bank considers the inconsistency of fluctuations in foreign currency exchange rates to be the main source of currency risk.

Currency risk management is performed through a combination of:

- structure (strategic) and current (operational) management of assets by currency aimed at achieving an acceptable structure and amount of foreign currency cash inflow in short, medium and long term time horizon taking into consideration estimated and unpredictable changes in foreign currency exchange rates;

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- structure (strategic) and current (operational) liabilities management aimed at achieving an acceptable structure and amount of foreign currency cash outflow in short, medium and long term time horizon taking into consideration estimated and unpredictable changes in foreign currency exchange rates.

Currency risk management is aimed at securing an excess of foreign currency cash inflow over foreign currency cash outflow at the level acceptable for the Bank and necessary for maintaining liquidity and capital adequacy risks within the range acceptable to the Bank, and is performed via:

- setting targets (optimal and acceptable to the Bank), critical (undesired but manageable) and threshold (urgent measures) values of key currency risk indicators;
- continuous monitoring of actual values of key currency risk indicators;
- taking efficient measures if the actual values of key currency risk indicators approach their critical and/or threshold values.

Key currency risk indicators, their target, critical and threshold values are updated at least annually and approved by the Management Board of the Bank.

The tables below indicate the currencies to which the Bank has significant exposure at 31 December 2015 on its non-trading monetary assets and liabilities and its forecast cash flows. The analysis calculates the effect of a reasonably possible movement of the currency rate against hryvnia, with all other variables held constant on the consolidated statement of profit and loss (consolidated income statement) (due to the fair value of currency sensitive non-trading monetary assets and liabilities). The effect on equity does not differ from the effect on the consolidated income statement. A negative amount in the table reflects a potential net reduction in consolidated statement of profit and loss (consolidated income statement) or equity, while a positive amount reflects a net potential increase.

	31 December 2015		**31 December 2014**	
Currency	***Change in currency rate, %***	***Effect on profit before tax***	***Change in currency rate, %***	***Effect on profit before tax***
UAH/USD	+40,00%	(6,051,942)	+40,00%	(1,567,516)
UAH/EUR	+40,00%	(680,689)	+40,00%	(1,278,795)
Total		**(6,732,631)**		**(2,846,311)**
UAH/USD	-30,00%	4,538,956	-30,00%	1,175,637
UAH/EUR	-30,00%	510,517	-30,00%	959,097
Total		**5,049,473**		**2,134,734**

Offsetting financial assets and financial liabilities

As at 31 December 2014 repurchase contracts in the amount of UAH 801,784 thousand include loans from the National Bank of Ukraine, which fall under the enforceable master netting or similar arrangement.

26. Transfer of financial assets

Transfers that did not qualify for derecognition of the financial asset in its entirety

Sale and repurchase transactions

As at 31 December 2014 the Bank had investment securities available for sale which are represented by government securities with carrying value of UAH 808,541 thousand in respect of which the Bank has an obligation to repurchase for a predetermined fixed price. Information on the book value of liabilities in respect of sale and repurchase transactions is disclosed in Note 9 and Note 16.

	31 December 2014	
	Carrying amount of assets	Carrying amount of liabilities
Investment securities available for sale:		
Government bonds	808,541	801,784
Total	**808,541**	**801,784**

(thousands of Ukrainian hryvnia, unless otherwise stated)

27. Fair value of assets and liabilities

Fair value measurement procedures

For unquoted trading and available-for-sale securities and unquoted derivatives the fair value measurements are based on the accounting policies of the Bank and approved procedures of the securities portfolio management The fair values are calculated regularly using key inputs of previous measurements and other relevant information as appropriate. Securities are revalued on a monthly basis and approved by the Bank's Credit Committee.

The Bank tests the fair values of investment properties and buildings twice a year by engaging domestic professionally qualified valuers that have extensive and relevant valuation expertise. The decision on revaluation of investment properties and buildings is made by the Board of Directors based on an evaluation of the fair value of investment properties compared to their carrying amount, and whether the fair value of buildings significantly differs from their carrying amount. The investment properties and buildings are valued by external independent appraisers that are accredited with the Bank and have the market knowledge, good reputation and adhere to the principles of independence and professional standards according to the decision made by the Board of Directors.

Levels of the fair value hierarchy

For the purposes of disclosing the information about fair value, the Bank classifies the assets and liabilities based on the nature, characteristics and risks of an asset or liability and the levels of the fair value hierarchy as shown below (at carrying value):

	31 December 2015				
	Fair value measurement applied				
	Valuation date	*Quoted market prices (Level 1)*	*Valuation based on assumptions confirmed by observable data (Level 2)*	*Valuation based on assumptions not confirmed by observable data (Level 3)*	*Total*
Assets measured at fair value					
Current accounts with other credit institutions in precious metals	31.12.2015	-	106,968	-	**106,968**
Investment securities designed at fair value through profit or loss:					
Ukrainian state bonds	31.12.2015	-	9,924,610	-	**9,924,610**
Available-for-sale investment securities:					
Ukrainian state bonds	31.12.2015	-	37,163,276	-	**37,163,276**
Corporate bonds	31.12.2015	-	2,388,565	-	**2,388,565**
Municipal bonds	31.12.2015	-	1,628,039	-	**1,628,039**
Corporate shares	31.12.2015	-	-	11,690	**11,690**
Investment property	01.11.2015	-	-	1,570,736	**1,570,736**
Buildings	31.12.2014	-	-	1,845,255	**1,845,255**
Liabilities measured at fair value					
Due to customers in precious metals	31.12.2015	-	184,758	-	**184,758**
Assets for which fair value is disclosed					
Cash and cash equivalents	31.12.2015	3,294,142	20,947,037	-	**24,241,179**
Amounts due from credit institutions	31.12.2015	-	3,976,775	-	**3,976,775**
Loans to customers	31.12.2015	-	-	52,878,035	**52,878,035**
Securities held to maturity	31.12.2015	-	225,113	-	**225,113**

(thousands of Ukrainian hryvnia, unless otherwise stated)

	31 December 2015				
	Fair value measurement applied				
	Valuation date	***Quoted market prices (Level 1)***	***Valuation based on assumptions confirmed by observable data (Level 2)***	***Valuation based on assumptions not confirmed by observable data (Level 3)***	***Total***
Other assets	31.12.2015	-	404,182	-	**404,182**
Liabilities for which fair value is disclosed					
Amounts due to the National Bank of Ukraine	31.12.2015	-	2,979,775	-	**2,979,775**
Amounts due to credit institutions	31.12.2015	-	19,298,870	-	**19,298,870**
Amounts due to customers	31.12.2015	-	79,184,522	-	**79,184,522**
Eurobonds issued	31.12.2015	30,124,193	-	-	**30,124,193**
Subordinated debt	31.12.2015	2,359,991	6,298,447	-	**8,658,438**
Other liabilities	31.12.2015	-	86,281	-	**86,281**

	31 December 2014				
	Fair value measurement applied				
	Valuation date	***Quoted market prices (Level 1)***	***Valuation based on assumptions confirmed by observable data (Level 2)***	***Valuation based on assumptions not confirmed by observable data (Level 3)***	***Total***
Assets measured at fair value					
Current accounts with other credit institutions in precious metals	31.12.2014	-	116,908	-	**116,908**
Investment securities designed at fair value through profit or loss:					
Ukrainian state bonds	31.12.2014	-	6,882,115	-	**6,882,115**
Available-for-sale investment securities:					
Ukrainian state bonds	31.12.2014	-	30,214,641	-	**30,214,641**
Corporate bonds	31.12.2014	-	6,680,247	476,057	**7,156,304**
Municipal bonds	31.12.2014	-	3,043,563	-	**3,043,563**
Corporate shares	31.12.2014	-	-	11,691	**11,691**
Investment property	31.12.2014	-	-	1,986,087	**1,986,087**
Buildings	31.12.2014	-	-	1,873,417	**1,873,417**
Liabilities measured at fair value					
Due to customers in precious metals	31.12.2014	-	168,562	-	**168,562**
Assets for which fair value is disclosed					
Cash and cash equivalents	31.12.2014	3,063,084	13,727,330	-	**16,790,414**
Amounts due from credit institutions	31.12.2014	-	1,850,743	-	**1,850,743**
Loans to customers	31.12.2014	-	-	47,710,209	**47,710,209**
Securities held to maturity	31.12.2014	-	808,989	-	**808,989**
Other assets	31.12.2014	-	48,697	-	**48,697**

(thousands of Ukrainian hryvnia, unless otherwise stated)

	31 December 2014				
		Fair value measurement applied			
	Valuation date	Quoted market prices (Level 1)	Valuation based on assumptions confirmed by observable data (Level 2)	Valuation based on assumptions not confirmed by observable data (Level 3)	Total
Liabilities for which fair value is disclosed					
Amounts due to the National Bank of Ukraine	31.12.2014	-	5,248,980	-	**5,248,980**
Amounts due to credit institutions	31.12.2014	-	16,556,455	-	**16,556,455**
Amounts due to customers	31.12.2014	-	61,800,361	-	**61,800,361**
Eurobonds issued	31.12.2014	15,474,116	-	-	**15,474,116**
Subordinated debt	31.12.2014	1,028,109	4,131,446	-	**5,159,555**
Other liabilities	31.12.2014	-	66,329	-	**66,329**

Set out below is a comparison by class of the carrying amounts and fair values of the Bank's financial instruments that are not carried at fair value in the statement of financial position (balance sheet). The table does not include the fair values of non-financial assets and non-financial liabilities.

	31 December 2015			*31 December 2014*		
	Carrying value	*Fair value*	*Unrecognised gain/(loss)*	*Carrying value*	*Fair value*	*Unrecognised gain/(loss)*
Financial assets						
Cash and cash equivalents	24,241,179	24,241,179	-	16,790,414	16,790,414	-
Amounts due from credit institutions	3,976,775	3,976,775	-	1,850,743	1,850,743	-
Loans to customers	55,099,903	52,878,035	(2,221,868)	49,973,792	47,710,209	(2,263,583)
Securities held to maturity	230,912	225,113	(5,799)	820,866	808,989	(11,877)
Other assets	404,182	404,182	-	48,697	48,697	-
Financial liabilities						
Amounts due to the National Bank of Ukraine	2,979,775	2,979,775	-	5,248,980	5,248,980	-
Amounts due to credit institutions	19,298,870	19,298,870	-	16,556,455	16,556,455	-
Amounts due to customers	79,133,185	79,184,522	(51,337)	61,826,567	61,800,361	26,206
Eurobonds issued	33,122,294	30,124,193	2,998,101	21,764,479	15,474,116	6,290,363
Subordinated debt	9,375,369	8,658,438	716,931	6,140,035	5,159,555	980,480
Other liabilities	86,281	86,281	-	66,329	66,329	-
Total unrecognized change in unrealized fair value			**1,436,028**			**5,021,589**

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

Assets for which fair value approximates carrying value

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 to their fair value. This assumption is also applied to demand deposits, savings accounts without a specific maturity and variable rate financial instruments.

(thousands of Ukrainian hryvnia, unless otherwise stated)

Fixed rate financial instruments

The fair values of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates offered for similar financial instruments. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and maturity. For 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.

Investment securities designated at fair value through profit or loss and available-for-sale investment securities

Investment securities designated at fair value through profit or loss and investment securities available for sale (excluding shares), are valued using market quotes. Securities available for sale which are valued using a valuation technique or pricing models primarily consist of shares. These securities are valued using models utilising data which is not based on the market observations. The non-observable inputs to the models include assumptions regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates level of enterprise goodwill, its management and founders / shareholders.

Investment property

The highest and best use method specifies that the market value of the real estate property is based on its highest and best use which creates the highest value for the property. Only asset utilisations that are technically feasible, permissible and economically justifiable are considered.

Other valuation principles are used in line with the selected valuation approaches subject to the provisions of the national standard №1 "General Principles of valuation of property and property rights", approved by the Cabinet Ministers of Ukraine № 1440 from 10.09.2003.

Land plots are valued by applying the sales comparison approach.

Real estate is valued using either the comparative or income approach (based on the principle of expected future benefits from the use of a valued item) subject to the availability of market information and best use.

Buildings

The fair value of buildings was measured mainly using the comparative approach and in certain cases by applying either or both of the cost and income approach.

Movements in level 3assets measured at fair value

The following table shows a reconciliation of the opening and closing amount of Level 3 assets which is recorded at fair value:

	1 January 2015	***Total loss recorded in consolidated statement of profit and loss (consolidated income statement)***	***Purchases***	***Settlements***	***31 December 2015***
Available-for-sale investment securities	487,748	(452,702)[a]	-	(23,356)[b]	11,690
Investment property	1,986,087	(422,224)[c]	3,794[d]	(715)[e]	1,566,942
Buildings	1,873,417	(31,511)[f]	3,349[g]	-	1,845,255
Total assets	**4,347,252**	**(906,437)**	**7,143**	**(24,071)**	**3,423,887**

		Total gain / (loss) recorded in					
	1 January 2014	***consolidated statement of profit and loss (consolidated income statement)***	***Consolida-ted other compre-hensive income***	***Purchases***	***Settlements***	***Transfers to Level 3***	***31 December 2014***
Available-for-sale investment securities	17,268	(4,983)[(a)]	-	-	(594)[(b)]	476,057	487,748
Investment property	3,666,666	(1,713,093)[(c)]	-	47,858[(d)]	(15,344)[(e)]	-	1,986,087
Buildings	1,915,897	(187,843)[(f)]	169,621	15,322[(g)]	(39,580)[(h)]	-	1,873,417
Total assets	**5,599,831**	**(1,905,919)**	**169,621**	**63,180**	**(55,518)**	**476,057**	**4,347,252**

[(a)] UAH 580 thousand included in "Other income", UAH 19,649 thousand included in "Interest income from Investment securities other than designated at fair value through profit or loss", and UAH 472,931 thousand of loss is included in losses from available-for-sale investment securities "Losses on impairment" (2014: UAH 594 thousand included in "Other income" and UAH 5,577 thousand of loss is included in losses on impairment from available-for-sale investment securities).

[(b)] UAH 23,356 thousand of settlements comprise: UAH 23,356 thousand of repayments (2014: UAH 594 thousand of settlements comprise: UAH 594 thousand of repayments).

[(c)] Loss from revaluation of investment property in the amount of UAH 422,409 thousand is included in other operating expenses, gain from sale of investment property of UAH 185 thousand is included in other income (2014: Loss from revaluation of investment property in the amount of UAH 1,713,229 thousand is included in other operating expenses, gain from sale of investment property of UAH 136 thousand is included in other income).

[(d)] Purchases in 2015 include UAH 3,794 thousand of own property transferred to investment property (2014: Purchases in the amount of UAH 47,858 thousand include UAH 6,937 thousand of acquisitions and UAH 40,921 thousand of own property transferred to investment property).

[(e)] Settlements in the amount of UAH 715 thousand include UAH 715 thousand of sales (2014: UAH 15,344 thousand include UAH 14,705 thousand of sales and UAH 639 thousand of transfers to receivables).

[(f)] Loss of UAH 31,511 thousand is included into depreciation and amortization (2014: loss of UAH 30,804 thousand is included into depreciation and amortization, and loss on revaluation of own property of UAH 157,039 thousand is included in other operating expenses).

[(g)] Settlements in the amount of UAH 3,349 thousand include UAH 3,349 thousand of transfer from construction in progress to premises and equipment (2014: settlements in the amount of UAH 15,322 thousand include UAH 15,322 thousand of transfer from construction in progress to premises and equipment).

[(h)] Purchases in the amount of UAH 39,580 thousand include UAH 24 thousand of disposals and UAH 39,556 thousand of transfers to investment property).

Gains or losses on level 3 financial instruments included in the profit or loss for the period comprise:

	2015		
	Realised gains	***Unrealised losses***	***Total***
Investment securities available for sale	14,741	(467,443)	(452,702)
Investment property	185	(422,409)	(422,224)
Buildings	-	(31,511)	(31,511)
Total	**14,926**	**(921,363)**	**(906,437)**

(thousands of Ukrainian hryvnia, unless otherwise stated)

	2014		
	Realised gains	***Unrealised losses***	***Total***
Investment securities available for sale	594	(5,577)	(4,983)
Investment property	136	(1,713,229)	(1,713,093)
Buildings	-	(187,843)	(187,843)
Total	**730**	**(1,906,649)**	**(1,905,919)**

The tables below shows the quantitative information as at 31 December 2015 and 31 December 2014 about significant unobservable inputs used for the fair valuation of assets classified as those of the 3 level of the fair value hierarchy:

At 31 December 2015	***Carrying value***	***Valuation technique***	***Unobservable parameter***	***Range of parameter values***
Available-for-sale investment securities	11,690	Discounted cash flows	Expected profitability	Corporate: 5.00% - 32.00%
			Risk factor	Corporate: 0 – 1.0
Investment property:				
- real estate	651,275	Comparative, income method	Sqm	UAH 1 thousand - UAH 36 thousand
- land	915,667	Comparative	Are	UAH 6 thousand - UAH 2,596 thousand
Buildings:				
- real estate	1,843,617	Comparative	Sqm	UAH 1 thousand - UAH 34 thousand
- land	1,638	Comparative	Are	UAH 56 thousand - UAH 194 thousand

At 31 December 2014	***Carrying value***	***Valuation technique***	***Unobservable parameter***	***Range of parameter values***
Available-for-sale investment securities	487,748	Discounted cash flows	Expected profitability	Corporate: 6.78% - 25.16%
			Risk factor	Corporate: 0 – 1.0
Investment property:				
- real estate	859,977	Comparative	Sqm	UAH 1 thousand - UAH 39 thousand
- land	1,126,110	Comparative	Are	UAH 2 thousand - UAH 1 577 thousand
Buildings:				
- real estate	1,871,779	Comparative	Sqm	UAH 1 thousand - UAH 35 thousand
- land	1,638	Comparative	Are	UAH 56 thousand - UAH 194 thousand

28. Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities according to when they are expected to be recovered or settled. See Note 25 for the Bank's contractual undiscounted repayment obligations.

	31 December 2015			***31 December 2014***		
	Within one year	***More than one year***	***Total***	***Within one year***	***More than one year***	***Total***
Assets						
Cash and cash equivalents	24,241,179	-	24,241,179	16,790,414	-	16,790,414
Due from credit institutions	2,854,695	1,229,048	4,083,743	507,627	1,460,024	1,967,651
Loans to customers	30,713,229	24,386,674	55,099,903	20,950,203	29,023,589	49,973,792
Investment securities:						
- designated at fair value through profit or loss	6,798,950	3,125,660	9,924,610	671,260	6,210,855	6,882,115
- available-for-sale	33,727,611	7,463,959	41,191,570	25,811,418	14,614,781	40,426,199
- held-to-maturity	59,097	171,815	230,912	820,866	-	820,866

(thousands of Ukrainian hryvnia, unless otherwise stated)

	31 December 2015			31 December 2014		
	Within one year	More than one year	Total	Within one year	More than one year	Total
Investment property	-	1,566,942	1,566,942	-	1,986,087	1,986,087
Property and equipment	-	2,170,944	2,170,944	-	2,251,643	2,251,643
Intangible assets	-	17,584	17,584	-	14,078	14,078
Deferred income tax asset	-	1,730, 750	1,730, 750	-	1,307,279	1,307,279
Other assets	797,253	-	797,253	418,288	-	418,288
Total	**99,485,136**	**41,863,376**	**141,348,512**	**65,970,076**	**57,560,107**	**123,530,183**
Liabilities						
Amounts due to the National Bank of Ukraine	1,948	2,977,827	2,979,775	4,593,617	655,363	5,248,980
Amounts due to credit institutions	2,168,271	17,130,599	19,298,870	4,924,349	11,632,106	16,556,455
Amounts due to customers	78,143,111	1,174,832	79,317,943	60,688,209	1,306,920	61,995,129
Eurobonds issued	982,002	32,140,292	33,122,294	12,365,831	9,398,648	21,764,479
Subordinated debt	426,947	8,948,422	9,375,369	257,151	5,882,884	6,140,035
Current income tax liabilities	-	-	-	25,181	-	25,181
Provisions for other losses	22,213	-	22,213	400	-	400
Other liabilities	292,387	-	292,387	223,946	-	223,946
Total	**82,036,879**	**62,371,972**	**144,408,851**	**83,078,684**	**28,875,921**	**111,954,605**
Net amount	**17,448,257**	**(20,508,596)**	**(3,060,339)**	**(17,108,608)**	**28,684,186**	**11,575,578**

The maturity analysis does not reflect the historical stability of current accounts. In the table above current accounts are reflected in the Amount due to customers in "Within one year" maturity bucket. It should be noted that historically substantial portion of funds have remained on the current accounts for periods longer than one year. The category Amounts due to customers includes term deposits of individuals in accordance with their contractual maturity dates. In accordance with Ukrainian legislation, the Bank is obliged to repay time deposit to individuals on their request only on maturity date prescribed in the deposit agreement. Early repayment of time deposit on customer request is prohibited and could be done only in the cases and under conditions stipulated by such agreement.

29. Presentation of financial instruments by measurement category

Assets by measurement categories as at 31 December 2015:

	Loans and receivables	*Assets available for sale*	*Assets at fair value through profit or loss*	*Assets held to maturity*	*Total*
Cash and cash equivalents	24,241,179	-	-	-	**24,241,179**
Due from credit institutions	3,976,775	-	106,968	-	**4,083,743**
Loans to customers	55,099,903	-	-	-	**55,099,903**
Investment securities:					
- designated at fair value through profit or loss	-	-	9,924,610	-	**9,924,610**
- available-for-sale	-	41,191,570	-	-	**41,191,570**
- held-to-maturity	30,128	-	-	200,784	**230,912**
Other financial assets	404,182	-	-	-	**404,182**
Total	**83,752,167**	**41,191,570**	**10,031,578**	**200,784**	**135,176,099**

(thousands of Ukrainian hryvnia, unless otherwise stated)

Assets by measurement categories as at 31 December 2014:

	Loans and receivables	*Assets available for sale*	*Assets at fair value through profit or loss*	*Total*
Cash and cash equivalents	16,790,414	-	-	16,790,414
Due from credit institutions	1,850,743	-	116,908	1,967,651
Loans to customers	49,973,792	-	-	49,973,792
Investment securities:				
- designated at fair value through profit or loss	-	-	6,882,115	6,882,115
- available-for-sale	-	40,426,199	-	40,426,199
- held-to-maturity	820,866	-	-	820,866
Other financial assets	48,697	-	-	48,697
Total	**69,484,512**	**40,426,199**	**6,999,023**	**116,909,734**

As at 31 December 2015 and 31 December 2014, all financial liabilities of the Bank were carried at amortized cost, except for deposits in gold, which belong to the fair value through profit or loss measurement category.

30. Related party disclosures

In accordance with IAS 24 "Related Party Disclosures", parties are considered to be related if they are under common control or if one party has the ability to control the other party or exercise significant influence over the other 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.

Related parties may enter into transactions which unrelated parties might not. The terms and conditions of such transactions may differ from those between unrelated parties.

Transactions and balances with related parties comprise transactions with Ukrainian government-related entities (both directly and indirectly controlled by and under significant influence of the Government) and key management personnel.

The outstanding balances of key management personnel as at 31 December 2015 and 2014, and related income and expense for the years ended 31 December 2015 and 2014, are as follows:

	31 December 2015	*31 December 2014*
	Key management personnel	*Key management personnel*
Loans to customers	170	-
Less: Allowance for impairment	(23)	-
Loans to customers, net	**147**	**-**
Current accounts	21,758	18,160
Time deposits	2,666	6,016
Amounts due to customers	**24,424**	**24,176**

	2015	*2014*
	Key management personnel	*Key management personnel*
Interest income on loans	2	1
Interest expense on customers' deposits	(153)	(854)
Translation differences	(10,466)	(8,210)

The aggregate remuneration and other benefits paid to key management personnel for the year ended 31 December 2015 is UAH 24,400 thousand (UAH 314 thousand payment to non-state pension fund) (for the year ended 31 December 2014: UAH 29,530 thousand (UAH 365 thousand payment to non-state pension fund)).

In the normal course of business, the Bank enters into contractual agreements with the Government of the Ukraine and entities controlled or significantly influenced by it. The Bank provides the government-related entities with a full range of banking service including, but not limited to, lending, deposit-taking, issue of guarantees, operation with securities, cash and settlement transaction.

(thousands of Ukrainian hryvnia, unless otherwise stated)

Balances of government-related entities which are significant in terms of the carrying amount as at 31 December 2015 are disclosed below:

Client	*Sector*	*Cash and cash equiva-lents*	*Due from credit institu-tions*	*Loans to custo-mers*	*Amounts due to custo-mers*	*Amounts due to NBU*	*Amounts due to credit institu-tions*	*Guaran-tees issued*
Client 1	State enteties	-	-	-	1,958,950	-	-	-
Client 2	State enteties	-	-	-	1,838,815	-	-	-
Client 3	Agriculture and food industry	-	-	-	25,459,305	-	-	-
Client 4	Finance	8,440,141	-	-	-	2,979,775	-	-
Client 5	Finance	-	2,262,063	-	-	-	-	-
Client 6	Extractive industry	-	-	9,436,665	-	-	-	-
Client 7	Extractive industry	-	-	1,080,080	-	-	-	-
Client 8	Trade	-	-	538,455	851,219	-	-	1,538,646
Client 9	Trade	-	-	-	-	-	-	722,621
Client 10	Mechanical engineering	-	-	2,002,138	-	-	-	472,454
Client 11	Power engineering	-	-	1,543,572	-	-	-	-
Client 12	Road construction	-	-	1,053,974	-	-	-	-
Other	-	-	-	560,884	6,828,540	-	238,378	-

Balances of government-related entities which are significant in terms of the carrying amount as at 31 December 2014 are disclosed below:

Client	*Sector*	*Cash and cash equivalents*	*Due from credit institutions*	*Loans to customers*	*Amounts due to customers*	*Amounts due to NBU*	*Guarantees issued*
Client 1	State enteties	-	-	-	1,395,399	-	-
Client 3	Agriculture and food industry	-	-	-	16,507,911	-	-
Client 4	Finance	2,128,691	-	-	-	5,248,980	-
Client 5	Finance	-	790,000	-	-	-	-
Client 6	Extractive industry	-	-	6,214,992	-	-	-
Client 7	Extractive industry	-	-	708,723	-	-	-
Client12	Road construction	-	-	2,067,172	-	-	-
Client 9	Trade	-	-	-	-	-	168,001
Client 8	Trade	-	-	-	518,716	-	650,822
Client13	Trade	-	-	-	448,793	-	-
Client11	Power engineering	-	-	1,330,652	-	-	36,482
Client10	Mechanical engineering	-	-	1,044,373	-	-	315,295
Client14	Transport and commu-nications	-	-	712,751	-	-	-
Client15	Transport and commu-nications	-	-	-	467,988	-	-
Other	-	-	-	603,443	4,243,958	-	-

(thousands of Ukrainian hryvnia, unless otherwise stated)

For the twelve-month period ended 31 December 2015, the Bank recorded UAH 2,332,037 thousand of interest income (for the twelve month period ended 31 December 2014: UAH 1,455,920 thousand), including interest income from operations with the NBU deposit certificates with maturity up to 90 days – UAH 247,309 thousand (for the twelve-month period 2014: UAH 14,795 thousand) and UAH 2,628,673 thousand of interest expenses (for the twelve months period ended 31 December 2014: UAH 2,154,307 thousand) from significant transactions with the government-related entities.

As at 31 December 2015 and 2014, the Bank's investments in debt securities issued by the government or the government-related corporate entities were as follows:

	31 December 2015	*31 December 2014*
Available-for-sale investment securities	39,562,151	34,585,181
Investment securities designed at fair value through profit or loss	9,924,610	6,882,115
Investment securities held to maturity	230,912	820,866

Carrying value of government bonds, which are included in investment securities designated at fair value through profit or loss and investment securities available for sale is disclosed in Note 9.

For the twelve-month period ended 31 December 2015, the Bank recorded UAH 3,371,185 thousand (for the twelve-month period 2014: UAH 2,111,974 thousand) of interest income from transactions with government bonds, and UAH 816,307 thousand from transactions with other investment securities (for the twelve-month period 2014: UAH 880,392 thousand) of interest income.

31. Capital adequacy

The Bank pro-actively manages its exposures to ensure it that it maintains an adequate capital level to cover external risks inherent in the business. The adequacy of the Bank's capital is monitored using the ratios established by the NBU and Basel Capital Accord 1988.

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

The Bank manages its capital structure and adjusts its total assets to provide for observed and expected changes in the business environment and the risk profile of its business activities.

During 2015 capital adequacy of the Bank as well as whole banking system significantly decreased due to Ukrainian Hryvnia depreciation and worsening of economical situation. In 2014 the Bank complied with all externaly imposed capital requirements.

NBU capital adequacy ratio

In 2015 the NBU performed diagnostic of 20 largerst banks of Ukraine, including the Bank. Certain requirements for the minimum capital adequacy ratio were applied for the banks that took part in diagnostic of the NBU.

As at 31 December the Bank's regulatory capital adequacy ratio on this basis was as follows:

	31 December 2015	*31 December 2014*
Main capital	1,141,141	10,918,490
Additional capital, calculated	8,709,529	5,646,643
Additional capital included in the calculation of total capital (limited to main capital)	1,141,141	5,646,643
Total capital	**2,282,282**	**16,565,133**
Risk weighted assets	**94,789,952**	**89,483,029**
Capital adequacy ratio	2.41%	18.51%

Regulatory capital comprises Tier 1 capital (Main capital) consisting of paid-in registered share capital plus reserves less expected losses and Tier 2 capital (Additional capital), consisting of provisions against highest quality credit operations, asset revaluation reserve, current year profit, subordinated debt and retained earnings. For Regulatory capital calculation purposes the qualifying Tier 2 capital amount is limited to 100% of Tier 1 capital.

(thousands of Ukrainian hryvnia, unless otherwise stated)

Capital adequacy ratio under Basel Capital Accord 1988

The Bank's capital adequacy ratios, computed in accordance with the Basel Capital Accord 1988 were as follows:

	31 December 2015	*31 December 2014*
Tier 1 capital	(3,725,162)	10,319,983
Tier 2 capital, calculated	664,823	4,803,520
Tier 2 capital included in the calculation of total capital	-	4,803,520
Total capital	**(3, 725,162)**	**15,123,503**
Risk weighted assets	**89,889, 011**	**84,901,881**
Tier 1 capital ratio	-4.14%	12.16%
Total capital ratio	-4.14%	17.81%

As disclosed in Note 9, the Bank's securities portfolio includes investment securities designated at fair value through profit and loss which represent Ukrainian state bonds, principal of which will be indexed according to increases in the average interbank exchange rate of Hryvnia to United States dollar per month, prior to the month of issue, and the average exchange rate of Hryvnia to United States dollar per month, prior to maturity month. In 2015 there was repayment of part of these bonds and the Bank realised in cash the respective difference in exchange rate. Taking this into account, the Bank considers these bonds as a hedging instrument and thus includes them in the calculation of currency risk for the purposes of capital adequacy ratio.

Capital ratio and total capital ratio as at 31 December 2015 aquired negative values, the reason for this was the significant devaluation of the national currency and the deterioration of aconomic situation in Ukraine, that has a significant negative impact on the Bank's loan portfolio, causes the increase in the allowance for impairment of loans, and as consequence increase accumulated deficit of the Bank.

32. Subsequent events

In January 2016, according to the Resolution of the Cabinet of Ministers of Ukraine No 33 dated 27 January 2016 the Bank's share capital was increased by UAH 9,318,999 thousand through issue of 6,373,970 new shares with nominal value of UAH 1,462.04 each with 100% of these shares kept by the State.

The State of Ukraine acquired the additional issue of shares, that increased the share capital of the Bank, by exchanging them to Ukrainian state bonds with indexed value in the nominal amount of UAH 9,319,000 thousand with maturity of 10 years and coupon rate of 6% p.a.

As at 1 February 2016 the Bank's capital adequacy ratio according to the NBU requirements was 10,47%.