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

for the year ended 31 December 2014
and Independent Auditor's Report

CONTENTS

INDEPENDENT AUDITOR'S REPORT

ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 2014 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 2014, 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 23 and Note 33 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)

16 March 2015
Kyiv, Ukraine

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONSOLIDATED BALANCE SHEET)

As at 31 December 2014

(thousands of Ukrainian Hryvnia)

	Notes	*31 December 2014*	*31 December 2013*
Assets			
Cash and cash equivalents	6	16,790,414	8,321,070
Mandatory restricted reserves with the National Bank of Ukraine	7	-	740,957
Due from credit institutions	8	1,967,651	1,005,655
Loans to customers	9	49,973,792	41,624,943
Investment securities:	10		
- designated at fair value through profit or loss		6,882,115	3,540,585
- available-for-sale		40,426,199	29,575,699
- held-to-maturity		820,866	1,370,663
Tax assets	14	691,771	639,420
Investment property	11	1,986,087	3,666,666
Property and equipment	12	2,251,643	2,272,163
Intangible assets	13	14,078	14,696
Deferred income tax asset	14	1,307,279	82,963
Other assets	16	418,288	419,289
Total assets		**123,530,183**	**93,274,769**
Liabilities			
Amounts due to the National Bank of Ukraine	17	5,248,980	9,223,005
Amounts due to credit institutions	18	16,556,455	8,155,881
Amounts due to customers	19	61,995,129	41,461,040
Eurobonds issued	20	21,764,479	13,519,313
Current income tax liabilities	14	25,181	32,703
Subordinated debt	21	6,140,035	3,112,441
Other liabilities	16	224,346	159,065
Total liabilities		**111,954,605**	**75,663,448**
Equity			
Share capital	22	16,689,042	16,514,051
Unregistered contributions to share capital	22	5,000,000	-
Revaluation reserves	22	1,255,595	974,461
Accumulated deficit		(11,531,985)	(28,394)
Reserve and other funds	22	162,926	151,203
Total equity		**11,575,578**	**17,611,321**
Total equity and liabilities		**123,530,183**	**93,274,769**

Authorised for release and signed

16 March 2015

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 2014

(thousands of Ukrainian Hryvnia)

	Notes	*2014*	*2013*
Interest income			
Loans to customers		5,912,411	5,449,182
Investment securities other than designated at fair value through profit or loss		3,685,254	3,332,913
Due from credit institutions		165,357	146,004
Amounts due from the National Bank of Ukraine		23,707	6,835
		9,786,729	8,934,934
Investment securities designed at fair value through profit or loss		309,378	309,366
		10,096,107	**9,244,300**
Interest expense			
Amounts due to customers		(3,969,626)	(2,827,134)
Eurobonds issued		(1,445,808)	(1,142,570)
Amounts due to the National Bank of Ukraine		(1,090,596)	(679,688)
Amounts due to credit institutions		(387,246)	(322,600)
Subordinated debt		(525,277)	(326,918)
		(7,418,553)	**(5,298,910)**
Net interest income		**2,677,554**	**3,945,390**
Allowance for loan impairment charge	8,9	(11,430,955)	(2,779,838)
Net interest margin after allowance for loan impairment		**(8,753,401)**	**1,165,552**
Commission income		598,170	502,145
Commission expense		(168,359)	(132,124)
Commission income, net	24	**429,811**	**370,021**
Net profit from investment securities designated at fair value through profit and loss:			
- result from trading		8,747	-
- change in fair value		3,331,930	1,227
Net gains/(losses) from available-for-sale investment securities:			
- dealing		13,944	42,377
- losses on impairment		(493,418)	(165,922)
Net gains/(losses) from foreign currencies:			
- dealing		746,076	268,489
- translation differences		(4,292,128)	(54,159)
Net gains/(losses) from precious metals:			
- dealing		10,457	9,631
- revaluation		20,297	(11,348)
Other income		70,848	65,156
Non-interest income		**(583,247)**	**155,451**
Personnel expenses	25	(899,960)	(810,887)
Depreciation and amortisation	12,13	(104,776)	(98,911)
Other operating expenses	25	(2,497,486)	(391,209)
Loss from changes in terms of loans to customers		(53,278)	(50,174)
Reversal of / (charge to) other impairment and provisions	15	20,564	(6,641)
Non-interest expense		**(3,534,936)**	**(1,357,822)**
(Loss)/profit before tax		**(12,441,773)**	**333,202**
Income tax credit/(expense)	14	1,192,456	(132,570)
(Loss)/profit for the year		**(11,249,317)**	**200,632**

Authorised for release and signed
16 March 2015

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 2014
(thousands of Ukrainian Hryvnia)

	Notes	*2014*	*2013*
(Loss)/profit for the year		**(11,249,317)**	**200,632**
Other comprehensive income:			
Other comprehensive income to be reclassified through the consolidated statement of profit and loss (the consolidated income statement):			
Disposal gains on investment securities available-for-sale reclassified to the consolidated statement of profit and loss (the consolidated income statement)		(13,944)	(42,377)
Impairment on investment securities available-for-sale reclassified to the consolidated statement of profit and loss (the consolidated income statement)		84,758	10,535
Net gains on investment securities available-for-sale	22	149,186	116,612
Income tax relating to components of other comprehensive income	14, 22	(41,191)	(8,477)
Other comprehensive income not to be reclassified through the consolidated statement of profit and loss (the consolidated income statement)			
Revaluation of property	22	169,294	-
Income tax relating to components of other comprehensive income	14, 22	(34,219)	-
Other comprehensive income for the year, net of tax		**313,884**	**76,293**
Total comprehensive (loss)/income for the year		**(10,935,433)**	**276,925**

Authorised for release and signed
16 March 2015

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 2014
(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 2013	**17,160,050**	**-**	**914,633**	**(840,431)**	**146,232**	**17,380,484**
Profit for the year	-	-	-	200,632		200,632
Other comprehensive income for the year	-	-	76,293	-		76,293
Total comprehensive income for the year	-	-	**76,293**	**200,632**		**276,925**
Depreciation of revaluation reserve, net of tax (Note 22)	-	-	(16,465)	16,465		-
Distribution of part of profit to the shareholder (Note 22)	-	-	-	(46,088)		(46,088)
Allocation of profits to reserve and other funds	-	-	-	(4,971)	4,971	-
Increase in share capital (Note 22)	67,233	-	-	(67,233)		-
Write-off of the effect of applying IAS 29 (Note 22)	(713,232)	-	-	713,232		-
As at 31 December 2013	**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 22)	-	-	(16,234)	16,234	-	-
Revaluation reserve on property transferred to investment property, net of tax (Note 22)	-	-	(16,510)	16,510	-	-
Realised revaluation result transferred to accumulated deficit	-	-	(6)	6	-	-
Distribution of part of profit to the shareholder (Note 22)	-	-	-	(100,310)	-	(100,310)
Allocation of profits to reserve and other funds	-	-	-	(11,723)	11,723	-
Increase in share capital (Note 22)	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**

Authorised for release and signed
16 March 2015

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

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

CONSOLOIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2014
(direct method)
(thousands of Ukrainian Hryvnia)

	Notes	2014	2013
Cash flows from operating activities			
Interest received		8,762,270	8,101,550
Interest paid		(7,039,741)	(4,862,512)
Commissions received		599,308	499,311
Commissions paid		(168,359)	(132,124)
Result from dealing in foreign currencies and precious metals		756,533	278,120
Personnel expenses		(913,030)	(808,092)
Other operating income		70,681	64,523
Other operating and administrative expenses		(602,439)	(351,561)
Cash flow from operating activities before changes in operating assets and liabilities		**1,465,223**	**2,789,215**
Net (increase)/decrease in operating assets:			
Due from credit institutions		(491,637)	139,251
Deposit with the National Bank of Ukraine		755,193	(208,926)
Loans to customers		721,660	(3,822,447)
Other assets		79,662	(40,804)
Net increase / (decrease) in operating liabilities			
Amounts due to credit institutions		347,740	(877,497)
Amounts due to the National Bank of Ukraine		(4,356,529)	1,312,051
Amounts due to customers		840,610	(1,728,996)
Other liabilities		65,435	(89,344)
Net cash flows from operating activities paid before income tax		**(572,643)**	**(2,527,497)**
Income tax paid		(167,143)	(266,501)
Net cash flows from operating activities paid		**(739,786)**	**(2,793,998)**
Proceeds from sale and redemption of investment securities		31,279,319	31,389,279
Purchase of investment securities		(23,689,358)	(45,582,336)
Dividends received		594	42
Purchases of property, equipment and intangible assets		(134,575)	(97,956)
Proceeds from sale of property and equipment		461	788
Purchases of investment property		(6,937)	-
Proceeds from sale of investment property		14,705	6,574
Net cash flows from/(used in) investing activities		**7,464,209**	**(14,283,609)**
Cash flows from financing activities			
Distribution of part of profit to the shareholder		(100,310)	(46,088)
Proceeds from Eurobonds issued		-	4,794,839
Redemption of Eurobonds issued		(2,385,050)	-
Proceeds from borrowings from credit institutions		4,387,084	4,584,974
Repayment of borrowings from credit institutions		(4,296,333)	(3,116,866)
Net cash flows (used in) /from financing activities		**(2,394,609)**	**6,216,859**
Effect of exchange rates changes on cash and cash equivalents		4,139,530	(15,478)
Net change in cash and cash equivalents		**8,469,344**	**(10,876,226)**
Cash and cash equivalents, 1 January		**8,321,070**	**19,197,296**
Cash and cash equivalents, 31 December	6	**16,790,414**	**8,321,070**

Authorised for release and signed
16 March 2015

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 2014 and 2013, 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 93 operating outlets (31 December 2013: 29 branches and 94 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. In current environment to perform this mission the Bank, inter alia, conducts significant operations with securities of Ukrainian Government and state-owned entities as disclosed in Note 31.

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 22) and three-year business plan, prepared by management.

3. Summary of accounting policies

Changes in accounting policies

The following new standards and interpretations became effective for the Bank from 1 January 2014:

"Offsetting Financial Assets and Financial Liabilities" - Amendments to IAS 32 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2014). The amendment added application guidance to IAS 32 to address inconsistencies identified in applying some of the offsetting criteria. This includes clarifying the meaning of 'currently has a legally enforceable right of set-off' and that some gross settlement systems may be considered equivalent to net settlement. The standard clarified that a qualifying 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. The amended standard did not have a material impact on the Bank's financial statements.

"Amendments to IFRS 10, IFRS 12 and IAS 27 - Investment entities" (issued on 31 October 2012 and effective for annual periods beginning 1 January 2014). The amendment introduced a definition of an investment entity as an entity that (i) obtains funds from investors for the purpose of providing them with investment management services, (ii) commits to its investors that its business purpose is to invest funds solely for capital appreciation or investment income and (iii) measures and evaluates its investments on a fair value basis. An investment entity is required to account for its subsidiaries at fair value through profit or loss, and to consolidate only those subsidiaries that provide services that are related to the entity's investment activities. IFRS 12 was amended to introduce new disclosures, including any significant judgements made in determining whether an entity is an investment entity and information about financial or other support to an unconsolidated subsidiary, whether intended or already provided to the subsidiary. The amended standard did not have a material impact on the Bank's financial statements.

IFRIC 21 – "Levies" (issued on 20 May 2013 and effective for annual periods beginning 1 January 2014). The interpretation clarifies the accounting for an obligation to pay a levy that is not income tax. The obligating event that gives rise to a liability is the event identified by the legislation that triggers the obligation to pay the levy. The fact that an entity is economically compelled to continue operating in a future period, or prepares its financial statements under the going concern assumption, does not create an obligation. The same recognition principles apply in interim and annual financial statements. The application of the interpretation to liabilities arising from emissions trading schemes is optional. The interpretation did not have a material impact on the Bank's financial statements.

Amendments to IAS 36 – "Recoverable amount disclosures for non-financial assets" (issued in May 2013 and effective for annual periods beginning 1 January 2014; earlier application is permitted if IFRS 13 is applied for the same accounting and comparative period). The amendments remove the requirement to disclose the recoverable amount when a CGU contains goodwill or indefinite lived intangible assets but there has been no impairment. The amended standard did not have a material impact on the Bank's financial statements.

Amendments to IAS 39 – "Novation of Derivatives and Continuation of Hedge Accounting" (issued in June 2013 and effective for annual periods beginning 1 January 2014). The amendments allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated (i.e. parties have agreed to replace their original counterparty with a new one) to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met. The amended standard is not relevant for the Bank.

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 premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amortised premium 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.

Share capital

Ordinary shares are classified as equity. Share capital contributions received before 31 December 2000 are recognised at cost in the consolidated statement of financial position (consolidated balance sheet) as at 31 December 2014 and 31 December 2013.

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 2014 and 2013 were UAH 15.7686 and UAH 7.9930 to 1 US dollar and UAH 19.2329 and UAH 11.0415 to 1 euro, respectively.

Future changes in accounting policies

Standards and interpretations issued but not yet effective

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2015 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 Bank is currently assessing the impact of the new standard on its financial statements.

Amendments to IAS 19 – "Defined benefit plans: Employee contributions" (issued in November 2013 and effective for annual periods beginning 1 July 2014). The amendment allows entities to recognise employee contributions as a reduction in the service cost in the period in which the related employee service is rendered, instead of attributing the contributions to the periods of service, if the amount of the employee contributions is independent of the number of years of service. The amendment is not expected to have any material impact on the Bank's financial statements.

***Annual Improvements to IFRSs 2012 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014, unless otherwise stated below*)**. The improvements consist of changes to seven standards. IFRS 2 was amended to clarify the definition of a 'vesting condition' and to define separately 'performance condition' and 'service condition'; The amendment is effective for share-based payment transactions for which the grant date is on or after 1 July 2014. IFRS 3 was amended to clarify that (1) an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in IAS 32, and (2) all non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognised in profit and loss. Amendments to IFRS 3 are effective for business combinations where the acquisition date is on or after 1 July 2014. IFRS 8 was amended to require (1) disclosure of the judgements made by management in aggregating operating segments, including a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics, and (2) a reconciliation of segment assets to the entity's assets when segment assets are reported. The basis for conclusions on IFRS 13 was amended to clarify that deletion of certain paragraphs in IAS 39 upon publishing of IFRS 13 was not made with an intention to remove the ability to measure short-term receivables and payables at invoice amount where the impact of discounting is immaterial. IAS 16 and IAS 38 were amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model. IAS 24 was amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity ('the management entity'), and to require to disclose the amounts charged to the reporting entity by the management entity for services provided. The Bank is currently assessing the impact of the amendments on its financial statements.

Annual Improvements to IFRSs 2013 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014). The improvements consist of changes to four standards. The basis for conclusions on IFRS 1 is amended to clarify that, where a new version of a standard is not yet mandatory but is available for early adoption; a first-time adopter can use either the old or the new version, provided the same standard is applied in all periods presented. IFRS 3 was amended to clarify that it does not apply to the accounting for the formation of any joint arrangement under IFRS 11. The amendment also clarifies that the scope exemption only applies in the financial statements of the joint arrangement itself. The amendment of IFRS 13 clarifies that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including contracts to buy or sell non-financial items) that are within the scope of IAS 39 or IFRS 9. IAS 40 was amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive. The guidance in IAS 40 assists preparers to distinguish between investment property and owner-occupied property. Preparers also need to refer to the guidance in IFRS 3 to determine whether the acquisition of an investment property is a business combination. The Bank is currently assessing the impact of the amendments on its financial statements.

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). This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The Bank is currently assessing the impact of the amendments on its financial statements.

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). In this amendment, the IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The Bank is currently assessing the impact of the amendments 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 2017). 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.

Equity Method in Separate Financial Statements - Amendments to IAS 27 (issued on 12 August 2014 and effective for annual periods beginning 1 January 2016). The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The Bank is currently assessing the impact of the amendments on its separate financial statements.

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). These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary. The Bank is currently assessing the impact of the amendments on its financial statements.

Annual Improvements to IFRSs 2014 (issued on 25 September 2014 and effective for annual periods beginning on or after 1 January 2016). The amendments impact 4 standards. IFRS 5 was amended to clarify that change in the manner of disposal (reclassification from "held for sale" to "held for distribution" or vice versa) does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such. The amendment to IFRS 7 adds guidance to help management determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement, for the purposes of disclosures required by IFRS 7. The amendment also clarifies that the offsetting disclosures of IFRS 7 are not specifically required for all interim periods, unless required by IAS 34. The amendment to IAS 19 clarifies that for post-employment benefit obligations, the decisions regarding discount rate, existence of deep market in high-quality corporate bonds, or which government bonds to use as a basis, should be based on the currency that the liabilities are denominated in, and not the country where they arise. IAS 34 will require a cross reference from the interim financial statements to the location of "information disclosed elsewhere in the interim financial report". The Bank is currently assessing the impact of the amendments on its financial statements.

Disclosure Initiative Amendments to IAS 1 (issued in December 2014 and effective for annual periods on or after 1 January 2016). The Standard was amended to clarify the concept of materiality and explains that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, even if the IFRS contains a list of specific requirements or describes them as minimum requirements. The Standard also provides new guidance on subtotals in financial statements, in particular, such subtotals (a) should be comprised of line items made up of amounts recognised and measured in accordance with IFRS; (b) be presented and labelled in a manner that makes the line items that constitute the subtotal clear and understandable; (c) be consistent from period to period; and (d) not be displayed with more prominence than the subtotals and totals required by IFRS standards.

(thousands of Ukrainian hryvnia, unless otherwise stated)

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). The Standard was amended to clarify that an investment entity should measure at fair value through profit or loss all of its subsidiaries that are themselves investment entities. In addition, the exemption from preparing consolidated financial statements if the entity's ultimate or any intermediate parent produces consolidated financial statements available for public use was amended to clarify that the exemption applies regardless whether the subsidiaries are consolidated or are measured at fair value through profit or loss in accordance with IFRS 10 in such ultimate or any intermediate parent's financial statements.

Other new standards are not relevant for the Bank. Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Bank's consolidated 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 844.5 million and UAH 2,572.7 million (2013: UAH 418.7 million and UAH 1,020.2 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. In particular, the Bank increased loss given default (LGD) in assessing impairment by 15% as at 31 December 2014. The impact of such an increase on the provision for impairment is UAH 334,079 thousand.

Deferred income tax assets

The recognised deferred tax asset in the amount of UAH 1,307,279 thousand (31 December 2013: UAH 82,963 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. 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, 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 2016-2017 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.

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 2014 and 2013, 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 2,111,974 thousand (31 December 2013: UAH 1,685,860 thousand). Revenues from transactions with the external customer is reflected in the segment "Inter-bank and investments business".

Analysis of income of the Bank for banking products and services is presented in the profit and loss (interest income and expenses) and Note 24 (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 26.

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
Nat 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
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)

(thousands of Ukrainian hryvnia, unless otherwise stated)

	Retail banking	*Corporate banking*	*Interbank and investments business*	*Unallocated*	*Total*
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 expense					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 following table presents income and profit, certain asset and liabilities information regarding the Bank's operating segments for the year ended 31 December 2013:

	Retail banking	*Corporate banking*	*Interbank and investments business*	*Unallocated*	*Total*
External					
Interest income	262,663	5,337,477	3,644,160	-	9,244,300
Commission income	255,802	226,989	19,354	-	502,145
Other income	11,170	31,357	15,207	7,422	65,156
Net gains from transactions with foreign currencies	76,408	116,381	121,087	-	313,876
Net gains from operations with banking metals	10,576	-	-	-	10,576
Gain from investment securities available-for-sale	-	-	-	341	341
Gain from changes in the fair value of investment securities designated at fair value through profit and loss	-	-	1,227	-	1,227
Reversal of provisions for loan impairment	-	-	5,820	-	5,820
Reversal of provisions for impairment of other assets and for covering other losses	-	-	-	6,638	6,638
Income from other segments	**2,118,742**	**1,316,656**	**3,221,517**	**(6,656,915)**	**-**
Total income	**2,735,361**	**7,028,860**	**7,028,372**	**(6,642,514)**	**10,150,079**
Interest expenses	(1,759,596)	(1,017,079)	(2,522,235)	-	(5,298,910)

(thousands of Ukrainian hryvnia, unless otherwise stated)

	Retail banking	*Corporate banking*	*Interbank and investments business*	*Unallocated*	*Total*
Commission expense	(78,392)	(45,977)	(7,584)	(171)	(132,124)
Loan impairment charge	(21,763)	(2,763,895)	-	-	(2,785,658)
Loss from operations with foreign currencies	-	-	-	(99,546)	(99,546)
Loss from operations with precious metals	-	-	(6,825)	(5,468)	(12,293)
Loss from investment securities available-for-sale	-	-	(123,886)	-	(123,886)
Personnel expenses	(350,821)	(243,883)	(86,673)	(129,510)	(810,887)
Depreciation and amortisation	(64,714)	(24,655)	(3,782)	(5,760)	(98,911)
Other operating expenses	(127,546)	(68,661)	(30,922)	(164,080)	(391,209)
Charge for impairment of other assets and for covering other losses	(11,143)	(1,807)	(329)	-	(13,279)
Loss from changes in terms of loans	-	(50,174)	-	-	(50,174)
Expenses from other segments	**(205,263)**	**(5,129,170)**	**(3,747,477)**	**9,081,910**	**-**
Segment results	**116,123**	**(2,316,441)**	**498,659**	**2,034,861**	**333,202**
Income tax expense					(132,570)
Profit for the year					**200,632**
Assets and liabilities as at 31 December 2013					
Segment assets	4,651,579	45,432,676	42,278,145	-	92,362,400
Unallocated assets	-	-	-	912,369	912,369
Total assets					**93,274,769**
Segment liabilities	21,214,096	20,135,258	34,257,213	-	75,606,567
Unallocated liabilities	-	-	-	56,881	56,881
Total liabilities					**75,663,448**
Other segment information					
Capital expenditure	(86,433)	(29,922)	(5,228)	(7,962)	(129,545)

The major part of the fair value gain from investment securities designated at fair value through profit or loss for twelve months of 2014 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 2014	*31 December 2013*
Cash on hand	934,393	977,242
Current account with the National Bank of Ukraine (other than restricted mandatory reserves)	2,128,691	1,859,740
Current accounts with other credit institutions	10,598,929	3,734,311
Overnight deposits with other credit institutions	1,300,449	472,778
Time deposits with credit institutions up to 90 days	1,827,952	1,276,999
Cash and cash equivalents	**16,790,414**	**8,321,070**

As at 31 December 2014 included in current accounts with other credit institutions is UAH 10,348,146 thousand, placed on current accounts with five OECD and CIS banks (31 December 2013: UAH 3,177,104 thousand, placed on current accounts with five OECD banks, CIS banks and Ukrainian 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.

(thousands of Ukrainian hryvnia, unless otherwise stated)

As at 31 December 2014 overnight deposits represent overnight deposits placed with OECD banks. These placements earn market interest rates. UAH 1,300,449 thousand was placed with one OECD bank (31 December 2013: UAH 472,778 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:

	31 December 2014	*31 December 2013*
Non-cash financing activities		
Increase of share capital through capitalisation of retained earnings	174,991	67,233
Issue of ordinary shares in exchange for government securities	5,000,000	-
Non-cash financing activities	**5,174,991**	**67,233**

7. Mandatory restricted reserves with the National Bank of Ukraine

Since August 2014 Ukrainian banks are required to keep mandatory reserves on a correspondent account with the NBU. Prior to that time Ukrainian banks were required to keep part of mandatory reserves on a separate account with the NBU (2013: until 01.07.2013 – 50%, from 01.07.2013 to 23.02.2014 - 40%, from 24.02.2014 – 20%, as at 31 December 2013 the amount of funds on a separate account with the NBU was UAH 629,753 thousand). Since October 2013, the Ukrainian banks have been allowed to cover the mandatory reserve balance held on a separate correspondent account with the NBU with the purchased foreign-currency denominated Ukrainian state bonds amounting to 10% of their carrying value in the hryvnia equivalent and long-term national currency denominated Ukrainian state bonds with the maturity of more than 3,600 days according to the initial offering terms amounting to 100% of their carrying value. In addition, the Ukrainian banks can use 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 (31 December 2013: UAH 15,016,084 thousand) were used by the Bank to cover its NBU mandatory reserve requirement (Note 10).

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 2014 no funds was placed by the Bank on this account (31 December 2013: UAH 6,312 thousand).

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 (31 December 2013: UAH 104,892 thousand was placed by the Bank).

As at 31 December 2014 and 2013 the Bank meets all the NBU's mandatory reserve requirements.

8. Due from credit institutions

Amounts due from credit institutions comprise:

	31 December 2014	*31 December 2013*
Loans and deposits	1,960,403	890,689
Current accounts with other credit institutions in precious metals	116,908	123,603
Other amounts due from credit institutions	9,323	2,905
	2,086,634	**1,017,197**
Less– Allowance for impairment	(118,983)	(11,542)
Due from credit institutions	**1,967,651**	**1,005,655**

As at 31 December 2014, loans and deposits due from credit institutions include UAH 130,417 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 2013: UAH 63,193 thousand).

(thousands of Ukrainian hryvnia, unless otherwise stated)

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

	Loans and deposits	*Total*
At 1 January 2013	**17,028**	**17,028**
Reversal	(5,820)	(5,820)
Translation differences	334	334
At 31 December 2013	**11,542**	**11,542**
Charge	96,520	96,520
Translation differences	10,921	10,921
At 31 December 2014	**118,983**	**118,983**

9. Loans to customers

Loans to customers comprise:

	31 December 2014	*31 December 2013*
Commercial loans	72,818,138	49,901,320
Overdrafts	304,580	420,975
Promissory notes	16,001	40,170
Financial lease receivables	22,182	21,207
	73,160,901	**50,383,672**
Less– Allowance for impairment	(23,187,109)	(8,758,729)
Loans to customers	**49,973,792**	**41,624,943**

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 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**
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**

	Commercial loans	*Overdrafts*	*Financial lease receivables*	*Promissory notes*	*Total*
At 01 January 2013	**9,115,437**	**1,160**	**10,522**	**5,625**	**9,132,744**
Charge for the year	2,756,052	5,524	86	23,996	2,785,658
Recoveries	12,791	-	-	-	12,791
Amounts written-off	(3,226,768)	-	-	-	(3,226,768)
Translation differences	54,304	-	-	-	54,304
At 31 December 2013	**8,711,816**	**6,684**	**10,608**	**29,621**	**8,758,729**
Individual impairment	8,191,554	-	10,591	29,496	8,231,641
Collective impairment	520,262	6,684	17	125	527,088
	8,711,816	**6,684**	**10,608**	**29,621**	**8,758,729**
Gross amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance	**14,136,220**	**-**	**11,543**	**29,496**	**14,177,259**

(thousands of Ukrainian hryvnia, unless otherwise stated)

Individually impaired loans

As at 31 December 2014 interest income on loans, for which individual impairment allowances have been recognised, amounts to UAH 1,225,316 thousand (2013: UAH 907,059 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 2014, loans to customers with a carrying value of UAH 6,899,998 thousand are pledged as collateral under loans received from the NBU (31 December 2013: UAH 5,462,087 thousand) (Note 17).

Concentration of loans to customers

As at 31 December 2014, the Bank has a concentration of loans represented by UAH 28,336,489 thousand due from the ten largest borrowers (38.73% of gross loan portfolio) (31 December 2013: UAH 17,717,687 thousand or 35.17%). An allowance of UAH 8,181,234 thousand has been recognised against these loans (31 December 2013: UAH 1,865,130 thousand).

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

	31 December 2014	*31 December 2013*
Private entities	57,196,728	39,575,472
State entities	14,408,725	9,524,472
Individuals	1,001,516	737,902
Municipal and utility entities	553,932	545,826
	73,160,901	**50,383,672**

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

	2014	*%*	*2013*	*%*
Agriculture and food industry	12,247,792	16.7	8,453,688	16.8
Trade	8,817,828	12.1	7,452,333	14.8
Extractive industry	7,458,774	10.2	4,057,443	8.1
Construction	6,836,398	9.3	5,643,212	11.2
Chemical industry	6,339,970	8.7	3,787,646	7.5
Real estate	5,361,050	7.3	2,304,399	4.6
Mechanical engineering	4,584,459	6.3	3,025,476	6.0
Metallurgy	3,848,349	5.3	2,108,140	4.2
Production of rubber and plastic goods	3,351,343	4.6	2,104,333	4.2
Production of construction materials	3,108,739	4.2	1,599,494	3.2
Power engineering	2,243,804	3.1	1,335,196	2.7
Road construction	2,100,773	2.9	2,095,773	4.2
Transport and communications	2,034,848	2.8	1,526,288	3.0
Individuals	1,001,516	1.4	737,902	1.5
Pulp and paper industry	977,997	1.3	806,680	1.6
Professional, scientific and technical activities	950,239	1.3	1,976,260	3.9
Light industry	328,957	0.4	175,569	0.3
Information and telecommunications	321,696	0.4	4,987	0.0
Finance	233,958	0.3	125,126	0.2
Health protection	187,212	0.3	135,581	0.3

(thousands of Ukrainian hryvnia, unless otherwise stated)

	2014	*%*	*2013*	*%*
Wood processing	166,633	0.2	216,813	0.4
Metal processing	135,139	0.2	139,028	0.3
Personal services	66,414	0.1	64,351	0.1
Hotels and restaurants	22,914	0.0	16,909	0.0
Other	434,099	0.6	491,045	0.9
	73,160,901	**100**	**50,383,672**	**100**

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

	2014	*2013*
Gross investment in finance leases, receivable:		
Less than 1 year	13,481	16,672
From 1 to 5 years	9,468	7,645
	22,949	**24,317**
Unearned future finance income on finance leases	(767)	(3,110)
Net investment in finance leases	**22,182**	**21,207**

	2014	*2013*
Net investment in finance leases, receivable:		
Less than 1 year	13,072	14,888
From 1 to 5 years	9,110	6,319
Net investment in finance leases	**22,182**	**21,207**

10. Investment securities

As at 31 December 2014, investment securities designated at fair value through profit and loss presented 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.

As at 31 December 2013, investment securities designated at fair value through profit and loss, with a carrying value of UAH 1,038,267 thousand were pledged as collateral for loans received from the NBU (Note 17).

As at 31 December 2013, investment securities designated at fair value through profit and loss, with a carrying value of UAH 307,463 thousand are pledged as collateral under repurchase agreements with the NBU (Note 17).

Investment securities designated at fair value through profit and loss also include investments into corporate bonds with zero fair value. This portfolio is managed based on fair value taking into account risks involved, and the results are reported on this basis to key management personnel.

Available-for-sale investment securities comprise:

	31 December 2014	*31 December 2013*
Ukrainian state bonds	30,214,641	17,892,254
Corporate bonds	7,156,304	8,416,862
Municipal entities	3,043,563	3,249,315
Corporate shares	11,691	17,268
Available-for-sale investments	**40,426,199**	**29,575,699**

As at 31 December 2014, available-for-sale investment securities with a carrying value of UAH 1,635,455 thousand are pledged as collateral under loans received from the NBU (31 December 2013: UAH 4,038,764 thousand) (Note 17).
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 (31 December 2013: UAH 1,836,421 thousand) (Note 17).

(thousands of Ukrainian hryvnia, unless otherwise stated)

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 (31 December 2013: UAH 15,016,084 thousand) are used by the Bank for the partial fulfilment of the requirements for the mandatory reserves of the NBU (Note 7).

Held-to-maturity investment securities comprise the following:

	31 December 2014		*31 December 2013*	
	Nominal value	*Carrying value*	*Nominal value*	*Carrying value*
Municipal bonds	-	-	90,000	91,085
Corporate bonds	776,183	820,866	1,244,943	1,297,814
		820,866		**1,388,899**
Less: Allowance for impairment (Note 15)		-		(18,236)
Held-to-maturity investments		**820,866**		**1,370,663**

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 (31 December 2013: UAH 1,297,814 thousand) (Note 17).

11. Investment property

The movements of investment property are as follows:

	2014	2013
Investment property as at 1 January	3,666,666	3,707,841
Transfer from owner occupied property	40,921	-
Additions	6,937	-
Transfer from other assets	(639)	-
Disposals	(14,569)	(6,561)
Net loss from fair value remeasurement	(1,713,229)	(34,614)
Investment property as at 31 December	**1,986,087**	**3,666,666**

In 2014, the Bank sold an investment property item with the gain of UAH 136 thousand (2013: UAH 13 thousand).

In 2014 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 highest and best 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 2014 the Bank recognised the result from remeasurement of investment property fair value in the amount of UAH 1,713,229 thousand in other operating expenses (2013: UAH 34,614 thousand in other operating expenses).

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 2014	*31 December 2013*
Less than 1 year	15,487	20,442
From 1 to 5 years	20,106	24,011
Future minimum receivables under non-cancellable operating lease	**35,593**	**44,453**

During 2014 the Bank has recognised rental income of UAH 29,942 thousand (2013: UAH 29,455 thousand), included in other income in the consolidated statement of profit and loss (the consolidated income statement).

(thousands of Ukrainian hryvnia, unless otherwise stated)

12. 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 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 25)	(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**

	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 2012	**1,931,015**	**11,876**	**334,628**	**175,181**	**26,865**	**138,990**	**2,618,555**
Additions	12	-	46,333	17,627	5,121	20,104	89,197
Disposals	-	(186)	(8,518)	(2,521)	(2,176)	(174)	(13,575)
Transfers	21,050	753	-	-	-	(21,803)	-
At 31 December 2013	**1,952,077**	**12,443**	**372,443**	**190,287**	**29,810**	**137,117**	**2,694,177**
Accumulated depreciation							
At 31 December 2012	**(5,205)**	**(10,828)**	**(200,819)**	**(109,454)**	**(14,994)**	**-**	**(341,300)**
Charge for the year	(30,975)	(676)	(41,994)	(16,574)	(3,859)	-	(94,078)
Disposals	-	170	8,518	2,504	2,172	-	13,364
At 31 December 2013	**(36,180)**	**(11,334)**	**(234,295)**	**(123,524)**	**(16,681)**	**-**	**(422,014)**
Net book value:							
At 31 December 2012	**1,925,810**	**1,048**	**133,809**	**65,727**	**11,871**	**138,990**	**2,277,255**
At 31 December 2013	**1,915,897**	**1,109**	**138,148**	**66,763**	**13,129**	**137,117**	**2,272,163**

As at 31 December 2014, buildings, leasehold improvements and other items of property, plant and equipment include assets with a cost or revalued amount of UAH 239,547 thousand which are fully depreciated (31 December 2013: UAH 217,184 thousand). These assets are still used by the Bank.

(thousands of Ukrainian hryvnia, unless otherwise stated)

As at 31 December 2014, the Bank had capital commitments for the acquisition of property, plant and equipment of UAH 94,566 thousand (31 December 2013: UAH 131,299 thousand).

In 2014 the Bank revalued its buildings. Revaluation was perfomed by the independent valuators as at 31.12.2014 and fair value was determined by comparative, income and expense methods taking into account market information.

If the buildings are reported at cost, the carrying value is as follows:

	31 December 2014 (revalued)	*31 December 2014 (at cost)*	*31 December 2013 (revalued)*	*31 December 2013 (at cost)*
Cost	1,873,417	1,425,632	1,952,077	1,043,960
Accumulated depreciation	-	(505,275)	(36,180)	(130,724)
Residual value	**1,873,417**	**920,357**	**1,915,897**	**913,236**

13. Intangible assets

The movements of intangible assets were as follows:

	Computer software and licenses
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**

	Computer software and licences
Cost	
At 31 December 2012	**46,821**
Additions	8,759
Disposals	(680)
At 31 December 2013	**54,900**
Accumulated depreciation	
At 31 December 2012	**(36,051)**
Charge for the year	(4,833)
Disposals	680
At 31 December 2013	**(40,204)**
Net book value:	
At 31 December 2012	**10,770**
At 31 December 2013	**14,696**

As at 31 December 2014, intangible assets include assets with a cost of UAH 31,939 thousand which have been fully amortised (31 December 2013: UAH 27,194 thousand). These assets are still used by the Bank.

(thousands of Ukrainian hryvnia, unless otherwise stated)

14. Income tax

The corporate income tax charge comprises:

	2014	2013
Current tax charge	107,270	138,794
Deferred tax (credit)/charge	(1,299,726)	(6,224)
Income tax (credit)/expenses	**(1,192,456)**	**132,570**

As at 31 December 2014, Ukrainian corporate income tax was calculated as taxable income less allowable expenses at the rate of 18% (31 December 2013: 19%).

Income tax assets and liabilities consist of the following:

	31 December 2014	*31 December 2013*
Current tax assets	691,771	639,420
Deferred income tax assets	1,307,279	82,963
Income tax assets	**1,999,050**	**722,383**
Current income tax liabilities	25,181	32,703
Income tax liabilities	**25,181**	**32,703**

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:

	2014	2013
Income before tax	(12,441,773)	333,202
Statutory tax rate	18%	19%
Income tax expense at the statutory rate	(2,239,519)	63,308
Effect of change in tax rates	1,867	4,591
Revaluation of temporary difference due to the changes in tax laws	314,454	51,129
Unrecognised deferred tax asset	717,018	-
Non-deductible expenditures:		
- salaries and bonuses	4,136	3,030
- consulting and marketing	862	670
- utilities	3,335	3,059
- repair and maintenance of property and equipment	2,627	2,278
- charity	521	272
- lease	425	306
- other banking operating services	1,558	1,565
- other expenses	260	2,362
Income tax (credit) / expenses	**(1,192,456)**	**132,570**

Deferred tax assets and liabilities include:

		Origination and reversal of temporary differences			*Origination and reversal of temporary differences*		
	01 January 2013	*In the consolidated statement of profit and loss*	*In other compre-hensive income*	*31 December 2013*	*In the consolidated statement of profit and loss*	*In other compre-hensive income*	*31 December 2014*
Tax effect of deductible temporary differences:							
Allowance for loan impairment	-	-		-	1,369,104	-	1,369,104
Accruals	15,417	(2,624)		12,793	(12,620)	-	173
Valuation of financial instruments	222,567	(8,241)	(8,477)	205,849	550,535	(41,191)	715,193
Other assets/ liabilities	3,393	(3,250)		143	(143)	-	-
Deferred income tax assets	**241,377**	**(14,115)**	**(8,477)**	**218,785**	**1,906,876**	**(41,191)**	**2,084,470**

Tax effect of taxable

(thousands of Ukrainian hryvnia, unless otherwise stated)

	01 January 2013	Origination and reversal of temporary differences: In the consolidated statement of profit and loss	Origination and reversal of temporary differences: In other comprehensive income	31 December 2013	Origination and reversal of temporary differences: In the consolidated statement of profit and loss	Origination and reversal of temporary differences: In other comprehensive income	31 December 2014
temporary differences:							
Allowance for loan impairment	(89,969)	17,541	-	(72,428)	72,428	-	-
Property, equipment and intangible assets	(46,984)	(845)	-	(47,829)	25,883	(34,219)	(56,165)
Investment property	(19,208)	3,643	-	(15,565)	15,565	-	-
Other assets/ liabilities	-	-	-	-	(4,008)	-	(4,008)
Deferred tax liabilities	**(156,161)**	**20,339**	**-**	**(135,822)**	**109,868**	**(34,219)**	**(60,173)**
Unrecognised deferred tax asset	**-**	**-**	**-**	**-**	**(717,018)**	**-**	**(717,018)**
Net deferred tax assets /(liabilities)	**85,216**	**6,224**	**(8,477)**	**82,963**	**1,299,726**	**(75,410)**	**1,307,279**

The Bank does not recognise deferred tax asset in the full amount and created respective provision for deferred tax asset as at 31 December 2014. For the snformation on the professional judgements of the management applied to the recognition of deferred tax assets refer to Note 4.

15. Other impairment and provisions

The movements in other impairment and provisions are as follows:

	Investment securities held to maturity	*Other assets*	*Guarantees and commitments*	*Total*
At 31 December 2012	**18,252**	**37,595**	**-**	**55,847**
Translation differences	-	166	-	166
Charge/(reversal)	(16)	6,657	-	6,641
Amounts written-off	-	(261)	-	(261)
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**

During 2014 AFS 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.

16. Other assets and liabilities

Other assets comprise:

	31 December 2014	*31 December 2013*
- other financial assets:		
Transit accounts in respect of card operations	28,394	28,320
Other accrued income	21,405	10,201
Receivables on transactions with customers	199,584	11,919
Service fee on financial guarantees issued	5,873	5,518
Other	70	35
	255,326	55,993
Less: Allowance for impairment (Note 15)	(206,629)	(15,950)
Other financial assets	48,697	40,043

(thousands of Ukrainian hryvnia, unless otherwise stated)

	31 December 2014	31 December 2013
- other assets:		
Precious metals	50,712	30,572
Prepayments	44,885	79,127
Inventories	16,105	13,277
Other tax assets, except those related to income tax	280,320	283,044
Other	1,635	1,433
	393,657	407,453
Less: Allowance for impairment (Note 15)	(24,066)	(28,207)
Other assets	369,591	379,246
Total other assets	**418,288**	**419,289**

As at 31 December 2014 and 2013 other tax assets, except those related to income tax, mainly consist of a recognised VAT credit related to repossessed investment property (Note 11) which will be set-off against VAT liabilities recognised as a result of the future sale of the investment property.

As at 31 December 2014, prepayments include balances of UAH 2,456 thousand (31 December 2013: UAH 30,858 thousand) in respect of the purchase of property, equipment and intangible assets, and balances of UAH 4,029 thousand (31 December 2013: UAH 6,199 thousand) in respect of the construction of branch premises.

Other liabilities comprise

	31 December 2014	31 December 2013
- *Other financial liabilities:*		
Transit accounts in respect of card operations	49,439	10,204
Accrued expenses	9,341	6,465
Liabilities in respect of financial guarantees issued	5,888	4,395
Transit accounts on transactions with customers	1,661	3,889
Other financial liabilities	66,329	24,953
- *Other liabilities:*		
Provision for unused vacation	56,913	54,843
Payables to Guarantee Fund of Individuals' Deposits	42,164	30,042
Accrued salary payable	13,530	29,040
Deferred income	9,009	13,775
Accrued pension contribution	1,148	779
Other provision	400	-
Other	34,853	5,633
Other liabilities	158,017	134,112
Total other liabilities	**224,346**	**159,065**

17. Amounts due to the National Bank of Ukraine

Amounts due to the National Bank of Ukraine as at 31 December 2014 comprise:

	31 December 2014	31 December 2013
Loans due to the National Bank of Ukraine	4,445,182	7,111,848
Repurchase agreements	801,784	2,108,803
Correspondent account	2,014	2,354
Amounts due to the National Bank of Ukraine	**5,248,980**	**9,223,005**

As at 31 December 2014, the Bank entered into repurchase agreements with the NBU for the amount of UAH 801,784 thousand (31 December 2013: UAH 2,108,803 thousand). The subject of this agreement is Ukrainian state bonds with the fair value of UAH 808,541 thousand (31 December 2013: UAH 2,143,884 thousand) (Note 10).

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

Origination date	Maturity date	Type of interest rate	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**

(thousands of Ukrainian hryvnia, unless otherwise stated)

As at 31 December 2013, loans due to the National Bank of Ukraine comprise:

Origination date	Maturity date	Type of interest rate	Interest rate	Carrying value
19 March 2009	12 November 2015	Floating (NBU rate +0.5%)	7.0%	1,551,010
19 March 2009	12 November 2015	Floating (NBU rate + 0.5%)	7.0%	1,924,749
03 February 2010	24 January 2016	Floating (NBU rate + 2%)	8.5%	616,089
10 July 2013	04 July 2014	Fixed rate	7.0%	320,000
14 August 2013	08 August 2014	Fixed rate	7.0%	1,000,000
22 November 2013	14 November 2014	Fixed rate	6.5%	700,000
04 December 2013	09 January 2014	Fixed rate	6.5%	1,000,000
Amounts due to the National Bank of Ukraine				**7,111,848**

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 9) and investment securities (Note 10).

18. Amounts due to credit institutions

Amounts due to credit institutions comprise:

	31 December 2014	*31 December 2013*
Loans and deposits due to other banks	3,440,923	2,391,545
Loans due to international financial organisations	11,191,711	5,032,008
Current accounts	1,922,697	732,230
Other amounts due to credit institutions	1,124	98
Amounts due to credit institutions	**16,556,455**	**8,155,881**
Held as security against guarantees (Note 23)	44,557	52,446

As at 31 December 2014, included in current accounts is UAH 1,256,693 thousand received from five Ukrainian banks (31 December 2013: UAH 362,224 thousand received from five Ukrainian banks and non-OECD banks). The amount was received under normal banking terms and conditions.

As at 31 December 2014, included in amounts due to credit institutions is UAH 2,153,130 thousand received from Ukrainian banks (31 December 2013: UAH 851,419 thousand).

As at 31 December 2013, loans and deposits due to other banks included UAH 56,859 thousand received from Kreditanstalt fur Wiederaufbau ("KfW") under loan agreements for financing small and medium-sized enterprises in Ukraine. The loans were denominated in US dollars, had interest rate of LIBOR +2.75% and matured in 2014. In 2014 these loans were fully repaid.

As at 31 December 2014, loans and deposits due to other banks and loans due to international financial organisations include UAH 1,166,656 thousand and UAH 848,391 thousand received from OECD banks and international financial organisations, respectively, under the trade and export financing agreements (31 December 2013: UAH 904,251 thousand and UAH 297,154 thousand respectively and UAH 2,080 thousand received from other foreign banks). 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.

As at 31 December 2014 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 3,544,973 thousand (31 December 2013: UAH 1,129,043 thousand). The total amount of these loans under the loan agreements is USD 304,500 thousand.

Proceeds from these loans are used for mid and long-term financing of Ukrainian borrowers that meet the criteria of the IBRD, and are distributed among the Ukrainian commercial banks that meet the criteria of the IBRD. 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: 0.61% and 0.83%, maturing in 2026 and 2041 respectively.

Loans from international financial institutions also include loans from the International Bank for Reconstruction and Development ("IBRD") for the Project on Energy Efficiency in the amount of UAH 1,220,425 thousand (31 December 2013: UAH 415,973 thousand). Proceeds from this loan are used to finance Ukrainian borrowers who meet the criteria of the IBRD, and are distributed among the Ukrainian commercial banks that meet the criteria of the IBRD. 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: 0.82%, the loan matures in 2040.

(thousands of Ukrainian hryvnia, unless otherwise stated)

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 791,265 thousand (31 December 2013: UAH 449,745 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 6.63% and 6.60%.

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 operating activities, and funds from other banks for financing activities.

19. Amounts due to customers

Amounts due to customers comprise:

	31 December 2014	*31 December 2013*
Current accounts		
- Legal entities	10,368,656	5,701,404
- Budget financed organisations	2,390,125	1,695,207
- Individuals	2,479,182	1,594,204
- Funds under the Bank's management (see below)	17,055	1,069
	15,255,018	**8,991,884**
Time deposits		
- Legal entities	27,444,607	16,847,917
- Individuals	19,295,504	15,621,239
	46,740,111	**32,469,156**
Amounts due to customers	**61,995,129**	**41,461,040**
Held as security against loans to customers	907,144	1,887,368
Held as security against letters of credit (Note 23)	188,135	82,615
Held as security against guarantees and avals (Note 23)	291,110	139,431
Held as security against undrawn loan commitments (Note 23)	19,932	10,614

As at 31 December 2014, legal entities current accounts included funds of top ten customers in the amount of UAH 2,494,286 thousand (24.1% of legal entities current accounts) (31 December 2013: UAH 950,558 thousand, or 16.7%).

As at 31 December 2014, individuals' current accounts included funds of top ten customers in the amount of UAH 61,918 thousand (2.5% of individuals' current accounts) (31 December 2013: UAH 20,628 thousand, or 1.3%).

As at 31 December 2014, term deposits of legal entities included funds raised from five customers – legal entities in the amount of UAH 18,296,943 thousand (66.67% of term deposits of legal entities) (31 December 2013: UAH 10,116,104 thousand, or 60.0%).

As at 31 December 2014, term deposits of individuals included funds raised from ten individuals in the amount of UAH 1,160,958 thousand (6.02% of term deposits of individuals) (31 December 2013: UAH 784,463 thousand, or 5.0%).

As at 31 December 2014, 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 11,054 thousand (31 December 2013: UAH 5,130 thousand).

As at 31 December 2014, term deposits of individuals included funds raised in gold, which are accounted at fair value through profit or loss in the amount to UAH 119,075 thousand (31 December 2013: UAH 98,619 thousand).

In accordance with Ukrainian legislation, the Bank is obliged to repay time deposits of individuals upon demand of a depositor. In the event that a term deposit is repaid upon demand of the depositor prior to maturity, interest is paid based on the interest rate for demand deposits, unless a different interest rate is specified in the 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:

(thousands of Ukrainian hryvnia, unless otherwise stated)

	2014	*2013*
At 1 January	**1,069**	**7,516**
Funds attracted from individuals	82,978	34,542
Invested funds	(66,992)	(40,989)
At 31 December	**17,055**	**1,069**

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

	31 December 2014	%	*31 December 2013*	%
Individuals	21,774,686	35.1	17,215,443	41.5
Agriculture and food industry	17,823,477	28.7	10,794,465	26.0
Trade	6,147,434	9.9	2,858,978	6.9
Budget organizations	2,390,125	3.9	1,695,207	4.1
Finance	2,305,178	3.7	1,456,758	3.5
Transport and communications	2,052,308	3.3	1,124,164	2.7
Mechanical engineering	1,815,486	2.9	1,140,368	2.8
Real estate	1,055,002	1.7	840,387	2.0
Professional, scientific and technical activities	1,005,284	1.6	645,431	1.6
Construction	580,222	0.9	478,749	1.1
Chemical industry	480,516	0.8	191,623	0.5
Information and telecommunications	471,275	0.8	317,833	0.8
Metallurgy	418,182	0.7	66,910	0.2
Power engineering	396,968	0.6	218,472	0.5
Production of construction materials	350,607	0.6	165,338	0.4
Extractive industry	324,201	0.5	110,434	0.3
Metal processing	262,401	0.4	169,863	0.4
Processing	212,332	0.3	132,722	0.3
Production of rubber and plastic goods	192,251	0.3	93,420	0.2
Personal services	192,055	0.3	158,767	0.4
Wood processing	165,898	0.3	130,587	0.3
Pulp and paper industry	98,687	0.2	75,103	0.2
Education	96,503	0.2	86,646	0.2
Health protection	77,042	0.1	150,936	0.4
Hotels and restaurants	58,114	0.1	57,388	0.1
Culture and sport	31,667	0.1	41,090	0.1
Other	1,217,228	2.0	1,043,958	2.5
Amounts due to customers	**61,995,129**	**100**	**41,461,040**	**100**

20. Eurobonds issued

	31 December 2014		31 December 2013	
	Nominal value	*Carrying value*	*Nominal value*	*Carrying value*
April 2010 issue	3,996,500	7,998,928	3,996,500	4,048,178
October 2010 issue	1,998,250	3,999,464	1,998,250	2,024,089
February 2011 issue	-	-	2,385,050	2,504,580
January 2013 issue	3,996,500	8,138,406	3,996,500	4,118,722
April 2013 issue	799,300	1,627,681	799,300	823,744
Eurobonds issued		**21,764,479**		**13,519,313**

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 carry a fixed coupon rate of 8.375% p.a. and mature 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 carry a fixed coupon rate of 8.375% p.a. and mature in April 2015 and were consolidated and form a single series with the notes issued in April 2010.

In February 2011, the Bank, through BIZ Finance PLC, issued Eurobonds in the form of deposit linked notes in UAH

1,250 thousand denominations with a total nominal value for the issue of UAH 2,385,050 thousand. The bonds carry a fixed coupon rate of 11% p.a. The bonds were repaid on maturity in February 2014.

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 carry a fixed coupon rate of 8.75% p.a. and mature 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 carry a fixed coupon rate of 8.75% p.a. The bonds mature in January 2018 and were consolidated and form a single series with the notes issued in January 2013.

All Eurobonds issued are subject to various covenants and restrictions (Note 23).

21. Subordinated debt

In February 2006, the Bank obtained a loan of USD 95,000 thousand (UAH 1,498,013 thousand) from Credit Suisse International (carrying value of UAH 1,526,527 thousand as at 31 December 2014 (2013: UAH 771,430 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 09 February and 09 August of each year, commencing on 09 August 2006.

In November 2006, the Bank obtained a further loan of USD 30,000 thousand (UAH (473,057 thousand) from Credit Suisse International (carrying value of UAH 482,061 thousand as at 31 December 2014 (2013: UAH 243,610 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.

In May 2009, the Bank obtained a loan amounting to USD 250,000 thousand (UAH 3,942,139 thousand) from the EBRD (carrying value of UAH 4,131,447 thousand as at 31 December 2014 (2013: UAH 2,097,401 thousand). The loan matures in May 2019 with an interest rate change in 2014. 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 2014 the interest rate was 12.3291%. 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 23).

22. Equity

As at 31 December 2014, the Bank's authorised issued share capital comprised 11,414,901 (31 December 2013: 11,414,901) ordinary shares with a nominal value of UAH 1,462.04 per share (31 December 2013: 1,446.71 per share). All shares have equal voting rights. As at 31 December 2014, 11,414,901 shares were fully paid and registered (31 December 2013: shares were fully paid and registered).

As at 31 December 2012, the annual consolidated financial statements reflected the amount of paid-in share capital stated at cost, which was restated using the consumer price index for the contributions made before 31 December 2000. The share capital of the Bank was contributed in Ukrainian hryvnia. Pursuant to the decision of the Board of Directors, the share capital of the Bank in the financial statements for the year ended 31 December 2013 was decreased by UAH 713,232 thousand, through the write-off of the effect of applying IAS 29 "Financial Reporting in Hyperinflationary Economies" recognised in the financial statements according to the account balances as at 31 December 2000.

The movements in share capital were as follows:

	Number of shares	*Nominal amount, UAH'000*	*Restated cost, UAH'000*
At 1 January 2013	**11,414,901**	**16,446,818**	**17,160,050**
Shares issued	-	67,233	67,233
Write-off of the effect of applying IAS 29	-	-	(713,232)

	Number of shares	*Nominal amount, UAH'000*	*Restated cost, UAH'000*
At 31 December 2013	**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**

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 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.

In December 2013, according to the Resolution of the Cabinet of Ministers of Ukraine No 630 dated 28 August 2013 the Bank's share capital was increased by UAH 67,233 thousand through capitalisation of part of the net profit for 2011 and retained earnings of previous years according to UAR.

In May 2013, in accordance with the legislation of Ukraine, the Bank made a profit distribution to shareholders in the amount of UAH 46,088 thousand.

The accumulated deficit shown in these consolidated annual financial statements arises as a result of capitalising results from previous years (as shown in the financial statements prepared according to UAR) and results for previous years according to IFRS which have been retained.

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 2013	**973,030**	**(58,397)**	**914,633**
Depreciation of revaluation reserve, net of tax	(16,465)	-	(16,465)
Disposal gains on investment securities available-for-sale reclassified to the consolidated statement of profit and loss	-	(42,377)	(42,377)
Impairment on investment securities available-for-sale reclassified to the consolidated statement of profit and loss	-	10,535	10,535
Net unrealised gains on available-for-sale investment securities	-	116,612	116,612
Tax effect of net income from investment securities available-for-sale	-	(8,477)	(8,477)
At 31 December 2013	**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**

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 gains/ (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 its reserves as disclosed in the accounts prepared in accordance with UAR. As at 31 December 2013 the Bank has distributable reserves amounting to UAH 215,688 thousand. As at 31 December 2014, the Bank did not have distributable reserves. The amount of non-distributable reserves was UAH 1,491,305 thousand (31 December 2013: UAH 1,167,323 thousand). Non-distributable reserves are represented by a statutory revaluation reserve and a general reserve fund, which is created to cover general banking risks, including future losses and other unforeseen risks or contingencies.

23. 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 recovery of the Ukrainian economy will be significantly impacted by the duration and implications of the conflict in the east of the country, the amount of the international financial aid and the policies and decisions of the Government and the NBU with regard to administrative, legal and economic reforms. 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 Customs Union's countries have resulted in the reduced export of commodities and accompanying services. A sharp devaluation of the national currency, acceleration of inflation, reduction of personal disposable income, decrease of revenue proceeds and capital investments, and capital outflow from the Ukrainian economy in the light of the annexation of Crimea and the "anti-terrorist" operation ("ATO") conducted in the east of the country have resulted in a decline in the gross domestic product. In particular, decrease of industrial production in 2014 in the Donetsk region was 31.5%, Lugansk - 42%.

Military actions in certain areas of Donetsk and Lugansk regions make impossible the normal functioning of the branches of the Bank on this territory, make it difficult to service loans for customers and have a negative impact on the Bank's overall activity.

Whilst the Ukrainian Government continues to introduce various stabilisation measures aimed at supporting the State finances, banking sector and liquidity of Ukrainian banks and companies, an actual lack of access to capital markets for the Bank and its counterparties has an adverse impact on the Bank's financial position, results of operations and business prospects in the medium term.

In addition, factors such as the growth of unemployment in Ukraine, lower levels of liquidity and profitability in the corporate sector and a threat of a significant 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. Negative developments in the economic environment have also resulted in a reduced value of collateral pledged for loans and other liabilities. After receiving the relevant information, the Bank promptly revises its estimates of expected future cash flows in impairment assessments.

(thousands of Ukrainian hryvnia, unless otherwise stated)

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.

As at 31 December 2014 the official NBU exchange rate of Hryvnia against US dollar was UAH 15.769 per USD 1, compared to UAH 7.993 per USD 1 as at 31 December 2013. According to data of the State Statistic Service of Ukraine, real GDP contracted by 15.2% in the fourth quarter of 2014 compared to the fourth quarter of 2013, inflation for 2014 amounted to 24.9% and industrial output in 2014 contracted by 10.7% compared to 2013.

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.

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) 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 of the transfer pricing.

Financial commitments and contingencies

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

	31 December 2014	*31 December 2013*
Letters of credit	536,425	570,869
Guarantees	2,215,425	2,137,681
Avals on promissory notes	39,835	28,152
Undrawn loan commitments	259,545	181,582
	3,051,230	**2,918,284**
Less – Provisions (Note 15)	(400)	-
Financial commitments and contingencies (before deducting collateral)	**3,050,830**	**2,918,284**
Less — cash held as security against letters of credit, avals and guarantees, and undrawn loan commitments (Note 18, Note 19)	(543,734)	(285,106)
Financial commitments and contingencies	**2,507,096**	**2,633,178**

As at 31 December 2014, the Bank issued letters of credit of UAH 504,008 thousand in favour of four Ukrainian companies that are partially secured by cash deposits of UAH 155,718 thousand (31 December 2013: UAH 483,376 thousand in favour of four Ukrainian companies that were partially secured by cash deposits of UAH 35,698 thousand). As at 31 December 2014, the Bank issued guarantees of UAH 1,442,633 thousand in favour of four Ukrainian companies that are partially secured by cash deposits of UAH 63,447 thousand (31 December 2013: UAH 1,539,297 thousand in favour of four Ukrainian companies that were partially secured by cash deposits of UAH 32,161 thousand).

(thousands of Ukrainian hryvnia, unless otherwise stated)

As at 31 December 2014 undrawn loan commitments for plastic cards amounted to UAH 160,047 thousand (31 December 2013: UAH 139,852 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.

24. Net commission income

Net commission income comprises:

	2014	*2013*
Commission income		
Cash and settlement service	396,489	327,130
Guarantees and letters of credit	90,540	86,988
Operations with banks	82,160	65,038
Credit servicing commission	11,339	7,128
Other	17,642	15,861
	598,170	**502,145**
Commission expense		
Cash and settlement service	(134,787)	(110,527)
Guarantees and letters of credit	(27,244)	(16,746)
Currency conversion	(4,053)	(2,972)
Other	(2,275)	(1,879)
	(168,359)	**(132,124)**
Net commission income	**429,811**	**370,021**

25. Personnel and other operating expenses

Personnel and other operating expenses comprise:

	2014	*2013*
Salaries and bonuses	704,138	640,868
Charges on payroll	195,822	170,019
Personnel expenses	**899,960**	**810,887**
Loss on fair value remeasurement for investment property	1,713,230	34,614
Operating taxes	224,935	10,198
Loss on fair value adjustment for own property	168,964	-
Payables to Guarantee Fund of Individuals' Deposits	147,968	114,823
Repair and maintenance expenses	54,796	46,359
Security	25,684	26,388
Occupancy cost	23,257	23,492
Expenses for cash collection	22,608	18,529
Rent cost	21,637	17,860
Household expenses	17,632	14,130
Electronic and data processing costs	17,324	14,072
Marketing and advertising	10,216	16,626
Communications	7,734	6,594
Legal and advisory services	7,223	4,393
Expenses related to representative offices	5,977	6,028
Business travel and related expenses	4,960	6,968
Charity	3,306	1,860
Other	20,035	28,275
Other operating expenses	**2,497,486**	**391,209**

Expenses for payment to the non-state pension fund in 2014 comprised UAH 11,046 thousand (2013: UAH 9,447 thousand).

26. 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, Securities Division, Treasury Division, Risk Management Division, Audit and Revision 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.

In response to the difficult economic and political situation in Ukraine during 2014, annexation of Crimea, the conflict in the east, the Bank in its credit policy imposed limits on the decisions in respect of credit risk (lending) for branches located in Crimea and on the territory not controlled by Ukrainian government. Collateral for the loans, which are located on the teritory not controlled by Ukrainian authorities is not taken into account for the purposes of calculation of the allowance for impairment. In addition, the Bank created provisions for impairment for loans to customers located in Crimea approximately 100%.

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.

(thousands of Ukrainian hryvnia, unless otherwise stated)

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).

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

The Bank uses 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	***Notes***	***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	8	247,315	-	-	-	-	247,315
Amounts due from Ukrainian credit institutions	8	9,332	554,998	771,693	503,296	-	1,839,319
Investment securities:	10						

(thousands of Ukrainian hryvnia, unless otherwise stated)

		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***
- 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:	9						
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	9	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**

		Neither past due nor individually impaired			Past due or individually impaired		
At 31 December 2013	***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	8,158,426	130,781	31,863	-	-	8,321,070
Mandatory restricted reserves with the National Bank of Ukraine	7	740,957	-	-	-	-	740,957
Amounts due from foreign credit institutions	8	186,786	-	-	-	-	186,786
Amounts due from Ukrainian credit institutions	8	-	195,090	635,321	-	-	830,411
Investment securities:	10						
- designated at fair value through profit or loss		3,540,585					3,540,585
- available-for-sale		18,918,336	7,458,357	3,199,006	-	-	29,575,699
- held-to-maturity		197,253	-	1,100,561	91,085	-	1,388,899
Loans to corporate customers:	9						
Commercial loans		3,074,314	25,288,813	6,298,716	8,702,797	5,798,788	49,163,428
Overdrafts		33,051	167,093	220,821	-	-	420,965
Finance lease receivables		-	9,664	-	-	11,543	21,207
Promissory notes		-	10,674	-	29,496	-	40,170
		3,107,365	25,476,244	6,519,537	8,732,293	5,810,331	49,645,770
Loans to individuals	9	164,935	86,407	149,764	166,345	170,451	737,902
Total		**35,014,643**	**33,346,879**	**11,636,052**	**8,989,723**	**5,980,782**	**94,968,079**
Provision for impairment		(17,734)	(276,149)	(223,757)	(3,564,718)	(4,706,149)	(8,788,507)
Total after provision for impairment		**34,996,909**	**33,070,730**	**11,412,295**	**5,425,005**	**1,274,633**	**86,179,572**

(thousands of Ukrainian hryvnia, unless otherwise stated)

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.

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

At 31 December 2014	*Less than 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**

At 31 December 2013	*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	463,880	60,055	1,610	169,537	695,082
Loans to individuals	5,942	445	208	485	7,080
Total	**469,822**	**60,500**	**1,818**	**170,022**	**702,162**

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 2014	*31 December 2013*
Loans to corporate customers	35,485,759	33,329,390
Loans to individuals	550,993	469,795
Total	**36,036,752**	**33,799,185**

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 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

(thousands of Ukrainian hryvnia, unless otherwise stated)

	31 December 2014			
	Ukraine	*OECD countries*	*CIS and other non-OECD countries*	*Total*
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 23)	**2,492,389**	**2,781**	**11,926**	**2,507,096**

	31 December 2013			
	Ukraine	*OECD countries*	*CIS and other non-OECD countries*	*Total*
Assets:				
Cash and cash equivalents	4,507,287	3,559,036	254,747	8,321,070
Mandatory restricted reserves with the National Bank of Ukraine	740,957	-	-	740,957
Due from credit institutions	816,471	184,875	4,309	1,005,655
Loans to customers	41,624,936	7	-	41,624,943
Investment securities:				
- designated at fair value through profit or loss	3,540,585	-	-	3,540,585
- available-for-sale	29,575,699	-	-	29,575,699
- held-to-maturity	1,370,663	-	-	1,370,663
Other financial assets	38,513	1,465	65	40,043
	82,215,111	**3,745,383**	**259,121**	**86,219,615**
Liabilities:				
Amounts due to the National Bank of Ukraine	9,223,005	-	-	9,223,005
Amounts due to credit institutions	851,359	7,014,698	289,824	8,155,881
Amounts due to customers	40,516,826	139,672	804,542	41,461,040
Eurobonds issued	-	13,519,313	-	13,519,313
Subordinated debt	-	3,112,441	-	3,112,441
Other financial liabilities	17,408	7,515	30	24,953
	50,608,598	**23,793,639**	**1,094,396**	**75,496,633**
Net position	**31,606,513**	**(20,048,256)**	**(835,275)**	**10,722,982**
Commitments and contingencies (Note 23)	**2,630,775**	**2,323**	**80**	**2,633,178**

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;
- 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.

(thousands of Ukrainian hryvnia, unless otherwise stated)

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 2014, %	*31 December 2013, %*
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%)	61.03	54.74
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%)	134.69	98.42
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%)	114.29	97.47

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 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**

Financial liabilities

At 31 December 2013	*Less than 3 months*	*3 to 12 months*	*1 to 5 years*	*More than 5 years*	*Total*
Amounts due to the NBU	3,244,913	2,320,104	4,727,368	-	10,292,385
Amounts due to credit institutions	1,543,330	1,887,610	2,811,657	3,809,851	10,052,448
Amounts due to customers	29,836,490	11,678,062	992,033	51,958	42,558,543
Eurobonds issued	2,726,044	712,504	12,511,528	-	15,950,076
Subordinated debt	161,284	159,838	2,146,388	2,217,153	4,684,663
Other liabilities	24,953	-	-	-	24,953
Commitments and contingent financial liabilities	624,201	1,643,991	625,853	24,239	2,918,284
Total undiscounted financial liabilities	**38,161,215**	**18,402,109**	**23,814,827**	**6,103,201**	**86,481,352**

(thousands of Ukrainian hryvnia, unless otherwise stated)

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.

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 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**

(thousands of Ukrainian hryvnia, unless otherwise stated)

	31 December 2013				
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	(12,062)	-100	12,064
USD	LIBOR	+75	(15,895)	-75	14,478
EUR	LIBOR	+75	115	-75	(115)
EUR	Euribor	+75	2,863	-75	(2,863)
Other	LIBOR	+75	341	-75	(340)
Other	Euribor	+75	1	-75	(1)
Total			**(24,637)**		**23,223**

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 2014, the total effect of the changes on the Bank's equity is: UAH (1,532,772) thousand / UAH 1,532,772 thousand (2013: UAH (597,858) thousand / UAH 597,858 thousand).

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 (163,839) thousand / UAH 163,839thousand (2013: UAH (106,890) thousand / UAH 106,890 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;
- 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 2014 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.

(thousands of Ukrainian hryvnia, unless otherwise stated)

	31 December 2014		**31 December 2013**	
Currency	***Change in currency rate, %***	***Effect on profit before tax***	***Change in currency rate, %***	***Effect on profit before tax***
UAH/USD	+40,00%	(1,567,516)	+40,00%	173,727
UAH/EUR	+40,00%	(1,278,795)	+40,00%	(376,760)
Total		**(2,846,311)**		**(203,033)**
UAH/USD	-30,00%	1,175,637	-30,00%	904,705
UAH/EUR	-30,00%	959,097	-30,00%	282,570
Total		**2,134,734**		**1,187,275**

Offsetting financial assets and financial liabilities

As at 31 December 2014 repurchase contracts in the amount of UAH 801,784 thousand (31 December 2013: UAH 2,108,803 thousand) include loans from the National Bank of Ukraine, which fall under the enforceable master netting or similar arrangement.

27. 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 2013 the Bank had investment securities designated at fair value through profit or loss, which were represented by government bonds, in the carrying amount of UAH 307,463 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 10 and Note 17.

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 (31 December 2013: UAH 1,836,421 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 10 and Note 17.

	31 December 2014		***31 December 2013***	
	Carrying amount of assets	**Carrying amount of liabilities**	**Carrying amount of assets**	**Carrying amount of liabilities**
Investment securities designated at fair value through profit or loss:				
Government bonds	-	-	307,463	301,913
Investment securities available for sale:				
Government bonds	808,541	801,784	1,836,421	1,806,890
Total	**808,541**	**801,784**	**2,143,884**	**2,108,803**

28. 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.

(thousands of Ukrainian hryvnia, unless otherwise stated)

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:

		Fair value measurement applied			
31 December 2014	***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	-	7,156,304	-	**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**
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**

Levels of hierarchy for financial instruments measured at fair value as at 31 December 2013:

(thousands of Ukrainian hryvnia, unless otherwise stated)

		Fair value measurement applied			
31 December 2013	***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	31.12.2013	-	123,603	-	**123,603**
Investment securities designed at fair value through profit or loss:					
Ukrainian state bonds	31.12.2013	-	3,540,585	-	**3,540,585**
Available-for-sale investment securities:					
Ukrainian state bonds	31.12.2013	-	17,892,254	-	**17,892,254**
Corporate bonds	31.12.2013	-	8,416,862	-	**8,416,862**
Municipal bonds	31.12.2013	-	3,249,315	-	**3,249,315**
Corporate shares	31.12.2013	-	-	17,268	**17,268**
Investment property	01.10.2013	-	-	3,666,666	**3,666,666**
Buildings	01.07.2012	-	-	1,915,897	**1,915,897**
Liabilities measured at fair value					
Due to customers	31.12.2013	-	103,749	-	**103,749**
Assets for which fair value is disclosed					
Cash and cash equivalents	31.12.2013	2,836,982	5,484,088	-	**8,321,070**
Mandatory restricted reserves with the National Bank of Ukraine	31.12.2013	740,957	-	-	**740,957**
Amounts due from credit institutions	31.12.2013	-	882,052	-	**882,052**
Loans to customers	31.12.2013	-	-	39,896,462	**39,896,462**
Securities held to maturity	31.12.2013	-	1,309,091	74,348	**1,383,439**
Other assets	31.12.2013	-	40,043	-	**40,043**
Liabilities for which fair value is disclosed					
Amounts due to the National Bank of Ukraine	31.12.2013	-	9,223,005	-	**9,223,005**
Amounts due to credit institutions	31.12.2013	-	8,155,881	-	**8,155,881**
Amounts due to customers	31.12.2013	-	41,230,045	-	**41,230,045**
Eurobonds issued	31.12.2013	12,958,509	-	-	**12,958,509**
Subordinated debt	31.12.2013	882,077	2,097,401	-	**2,979,478**
Other liabilities	31.12.2013	-	24,953	-	**24,953**

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.

(thousands of Ukrainian hryvnia, unless otherwise stated)

	31 December 2014			*31 December 2013*		
	Carrying value	***Fair value***	***Unrecognised gain / (loss)***	***Carrying value***	***Fair value***	***Unrecognised gain / (loss)***
Financial assets						
Cash and cash equivalents	16,790,414	16,790,414	-	8,321,070	8,321,070	-
Mandatory restricted reserves with the National Bank of Ukraine	-	-	-	740,957	740,957	-
Amounts due from credit institutions	1,850,743	1,850,743	-	882,052	882,052	-
Loans to customers	49,973,792	47,710,209	(2,263,583)	41,624,943	39,896,462	(1,728,481)
Securities held to maturity	820,866	808,989	(11,877)	1,370,663	1,383,439	12,776
Other assets	48,697	48,697	-	40,043	40,043	-
Financial liabilities						
Amounts due to the National Bank of Ukraine	5,248,980	5,248,980	-	9,223,005	9,223,005	-
Amounts due to credit institutions	16,556,455	16,556,455	-	8,155,881	8,155,881	-
Amounts due to customers	61,826,567	61,800,361	26,206	41,357,291	41,230,045	127,246
Eurobonds issued	21,764,479	15,474,116	6,290,363	13,519,313	12,958,509	560,804
Subordinated debt	6,140,035	5,159,555	980,480	3,112,441	2,979,478	132,963
Other liabilities	66,329	66,329	-	24,953	24,953	-
Total unrecognized change in unrealized fair value			**5,021,589**			**(894,692)**

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.

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.

Real estate properties specialised in nature (engineering structures) are valued using the cost approach (by calculating the replacement cost of similar property taking into account further depreciation of a valued item).

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:

		Total gain / (loss) recorded in				
	As at 1 January 2014	*consolidated statement of profit and loss (consolidated income statement)*	*consolidated other comprehensive income*	*Purchases*	*Settlements*	*At 31 December 2014*
Available-for-sale investment securities	17,268	(4,983)[a]	-	-	(594)[b]	11,691
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)**	**3,871,195**

		Total gain / (loss) recorded in						
	As at 1 January 2013	*consolidated statement of profit and loss (consolidated income statement)*	*consolidated other comprehensive income*	*Purchases*	*Settlements*	*Transfers to Level 3*	*Transfers from Level 3*	*At 31 December 2013*
Available-for-sale investment securities	884,509	1,403,588[a]	(1,794)	4,158,569	(5,832,689)[b]	19,120,510	(19,715,425)	17,268
Investment property	3,707,841	(34,614)[c]	-	-	(6,561)[e]	-	-	3,666,666
Buildings	1,925,810	(30,975)[f]	-	21,062[g]	-	-	-	1,915,897
Total assets	**6,518,160**	**1,337,999**	**(1,794)**	**4,179,631**	**(5,839,250)**	**19,120,510**	**(19,715,425)**	**5,599,831**

[a] UAH 594 thousand included in "Other income" and UAH 5,577 thousand of loss is included in reversal of losses/(losses) on impairment (2013: UAH 1,537,484 thousand of gain is included within interest income from investment securities other than designated at fair value through profit or loss and UAH 133,896 thousand of loss is included in reversal of losses/(losses) on impairment).

[b] UAH 594 thousand of settlements comprise: UAH 594 thousand of repayments (2013: UAH 5,832,689 thousand comprised: UAH 3,717,211 thousand of sales and UAH 2,115,478 thousand of repayments).

[c] 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 (2013: Loss from revaluation of investment property in the amount of UAH 34,614 is included in other operating expenses).

(d) 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 (2013: none).

(e) Settlements in the amount of UAH 15,344 thousand include UAH 14,705 thousand of sales and UAH 639 thousand of transfers to receivables (2013: UAH 6,561 thousand of sales).

(f) 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 (2013: loss of UAH 30,975 thousand is included into depreciation and amortization).

(g) Purchases in the amount of UAH 15,322 thousand include UAH 15,322 thousand of transfer from construction in progress to premises and equipment (2013: UAH 12 thousand of acquisitions and UAH 21,062 thousand of transfers).

(h) Settlements in the amount of UAH 39 580 thousand include UAH 24 thousand of disposals and UAH 39,556 thousand of transfers to investment property (2013: none).

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

	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)**

	2013		
	Realised gains	***Unrealised gains/(losses)***	***Total***
Investment securities available for sale	1,372,818	30,770	1,403,588
Investment property	-	(34,614)	(34,614)
Buildings	-	(30,975)	(30,975)
Total	**1,372,818**	**(34,819)**	**1,337,999**

The tables below shows the quantitative information as at 31 December 2014 and 31 December 2013 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 2014	*Carrying value*	*Valuation technique*	*Unobservable parameter*	*Range of parameter values*
Available-for-sale investment securities	11,691	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 (average UAH 4 thousand)
- land	1,126,110	Comparative	Are	UAH 2 thousand - UAH 1 577 thousand (average UAH 19 thousand)
Buildings:				
- real estate	1,871,779	Comparative	Sqm	UAH 1 thousand - UAH 35 thousand (average (UAH 18 thousand)
- land	1,638	Comparative	Are	UAH 56 thousand - UAH 194 thousand (average UAH 116 thousand)

At 31 December 2013	*Carrying value*	*Valuation technique*	*Unobservable parameter*	*Range of parameter values*
Available-for-sale investment securities	17,268	Discounted cash flows	Expected profitability	Corporate: 1.07% - 28.39%
			Risk factor	Corporate: 0 – 1.0
Investment property:				

(thousands of Ukrainian hryvnia, unless otherwise stated)

At 31 December 2013	Carrying value	Valuation technique	Unobservable parameter	Range of parameter values
- *real estate*	1,497,533	Comparative	Sqm	UAH 1 thousand – UAH 83 thousand
- *land*	2,169,133	Comparative	Are	UAH 4 thousand- UAH 1,623 thousand
Buildings:				
- *real estate*	1,914,466	Comparative	Sqm	UAH 1 thousand - UAH 51 thousand
- *land*	1,431	Comparative	Are	UAH 40 thousand- UAH 142 thousand

29. 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 26 for the Bank's contractual undiscounted repayment obligations.

	31 December 2014			31 December 2013		
	Within one year	More than one year	Total	Within one year	More than one year	Total
Assets						
Cash and cash equivalents	16,790,414	-	16,790,414	8,321,070	-	8,321,070
Mandatory restricted reserves with the National Bank of Ukraine	-	-	-	740,957	-	740,957
Due from credit institutions	507,627	1,460,024	1,967,651	232,665	772,990	1,005,655
Loans to customers	20,950,203	29,023,589	49,973,792	13,115,568	28,509,375	41,624,943
Investment securities:						
- designated at fair value through profit or loss	671,260	6,210,855	6,882,115	80,979	3,459,606	3,540,585
- available-for-sale	25,811,418	14,614,781	40,426,199	13,903,417	15,672,282	29,575,699
- held-to-maturity	820,866	-	820,866	405,998	964,665	1,370,663
Tax assets	-	691,771	691,771	-	639,420	639,420
Investment property	-	1,986,087	1,986,087	-	3,666,666	3,666,666
Property and equipment	-	2,251,643	2,251,643	-	2,272,163	2,272,163
Intangible assets	-	14,078	14,078	-	14,696	14,696
Deferred income tax assets	-	1,307,279	1,307,279	-	82,963	82,963
Other assets	418,288	-	418,288	419,289	-	419,289
Total	**65,970,076**	**57,560,107**	**123,530,183**	**37,219,943**	**56,054,826**	**93,274,769**
Liabilities						
Amounts due to the National Bank of Ukraine	4,593,617	655,363	5,248,980	5,131,157	4,091,848	9,223,005
Amounts due to credit institutions	4,924,349	11,632,106	16,556,455	3,105,994	5,049,887	8,155,881
Amounts due to customers	60,688,209	1,306,920	61,995,129	40,529,008	932,032	41,461,040
Eurobonds issued	12,365,831	9,398,648	21,764,479	2,781,100	10,738,213	13,519,313
Subordinated debt	257,151	5,882,884	6,140,035	135,725	2,976,716	3,112,441
Current income tax liabilities	25,181	-	25,181	32,703	-	32,703
Other liabilities	224,346	-	224,346	159,065	-	159,065
Total	**83,078,684**	**28,875,921**	**111,954,605**	**51,874,752**	**23,788,696**	**75,663,448**
Net amount	**(17,108,608)**	**28,684,186**	**11,575,578**	**(14,654,809)**	**32,266,130**	**17,611,321**

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. However, under Ukrainian legislation the Bank is obliged to repay such deposits upon the demand of a depositor. The Bank expects that a significant portion of the customers will not request early repayment and expects that a substantial portion of deposits will be rolled over.

(thousands of Ukrainian hryvnia, unless otherwise stated)

30. Presentation of financial instruments by measurement category

Assets by measurement categories as at 31 December 2014:

	Loans and receivables	*Assets available for sale*	*Assets at fair value through the gain 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**

Assets by measurement categories as at 31 December 2013:

	Loans and receivables	*Assets available for sale*	*Assets at fair value through the gain or loss*	*Total*
Cash and cash equivalents	8,321,070	-	-	8,321,070
Mandatory restricted reserves with the National Bank of Ukraine	740,957	-	-	740,957
Due from credit institutions	882,052	-	123,603	1,005,655
Loans to customers	41,624,943	-	-	41,624,943
Investment securities:				
- designated at fair value through profit or loss	-	-	3,540,585	3,540,585
- available-for-sale	-	29,575,699	-	29,575,699
- held-to-maturity	1,370,663	-	-	1,370,663
Other financial assets	40,043	-	-	40,043
Total	**52,979,728**	**29,575,699**	**3,664,188**	**86,219,615**

As at 31 December 2014 and 31 December 2013, 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.

31. Related party disclosures

In accordance with IAS 24 "Related Party Disclosures", parties are considered to be related 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 2014 and 2013, and related income and expense for the years ended 31 December 2014 and 2013, are as follows:

	31 December 2014	*31 December 2013*
	Key management personnel	*Key management personnel*
Current accounts	18,160	3,606
Time deposits	6,016	26,931
Amounts due to customers	**24,176**	**30,537**

(thousands of Ukrainian hryvnia, unless otherwise stated)

	2014	*2013*
	Key management personnel	*Key management personnel*
Interest income on loans	1	15
Interest expense on customers' deposits	(854)	(1,434)
Translation differences	8,210	119

The aggregate remuneration and other benefits paid to key management personnel for the year ended 31 December 2014 is UAH 29,530 thousand (UAH 365 thousand payment to non-state pension fund) (for the year ended 31 December 2013: UAH 36,702 thousand (UAH 431 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.

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 entities	-	-	-	1,395,399	-	-
Client 2	Finance	2,128,691	-	-	-	5,248,980	-
Client 3	Finance	-	790,000	-	-	-	-
Client 4	Extractive industry	-	-	6,214,992	-	-	-
Client 5	Extractive industry	-	-	708,723	-	-	-
Client 6	Agriculture and food industry	-	-	-	16,507,911	-	-
Client 7	Road construction	-	-	2,067,172	-	-	-
Client 8	Trade	-	-	-	-	-	168,001
Client 9	Trade	-	-	-	518,716	-	650,822
Client 10	Trade	-	-	-	448,793	-	-
Client 11	Power engineering	-	-	1,330,652	-	-	36,482
Client 12	Mechanical engineering	-	-	1,044,373	-	-	315,295
Client 13	Transport and communications	-	-	712,751	-	-	-
Client 14	Transport and communications	-	-	-	467,988	-	-
Other	-	-	-	603,443	4,243,958	-	-

Balances of government-related entities which are significant in terms of the carrying amount as at 31 December 2013 are disclosed below:

Client	*Sector*	*Cash and cash equivalents*	*Mandatory restricted reserves with the National Bank of Ukraine*	*Loans to customers*	*Amounts due to customers*	*Amounts due to NBU*	*Guarantees issued*
Client 1	State entities	-	-	-	1,340,349	-	-
Client 2	Finance	1,859,739	740,957	-	-	9,223,005	-
Client 3	Finance	1,144,673	-	-	-	-	-
Client 16	Finance	239,939	-	-	-	-	-
Client 6	Agriculture and food industry	-	-	-	9,213,268	-	-
Client 4	Extractive industry	-	-	3,538,959	-	-	-

(thousands of Ukrainian hryvnia, unless otherwise stated)

Client	Sector	*Cash and cash equivalents*	*Mandatory restricted reserves with the National Bank of Ukraine*	*Loans to customers*	*Amounts due to customers*	*Amounts due to NBU*	*Guarantees issued*
Client 17	Extractive industry	-	-	-	-	-	43,158
Client 7	Road construction	-	-	2,077,848	-	-	-
Client 15	Trade	-	-	765,285	-	-	-
Client 9	Trade	-	-	-	-	-	722,803
Client 8	Trade	-	-	-	-	-	290,895
Client 11	Power engineering	-	-	919,947	-	-	-
Client 13	Transport and communications	-	-	417,453	330,474	-	-
Client 12	Mechanical engineering	-	-	439,326	-	-	145,980
Other	-	-	-	816,677	2,350,579	-	-

For the twelve-month period ended 31 December 2014, the Bank recorded UAH 1,455,920 thousand of interest income (for the twelve month period ended 31 December 2013: UAH 1,414,851 thousand) and UAH 2,154,307 thousand of interest expenses (for the twelve months period ended 31 December 2013: UAH 1,317,783 thousand) from significant transactions with the government-related entities.

As at 31 December 2014 and 2013, the Bank's investments in debt securities issued by the government or the government-related corporate entities were as follows:

	31 December 2014	*31 December 2013*
Available-for-sale investment securities	34,585,181	22,516,236
Investment securities designed at fair value through profit or loss	6,882,115	3,540,585
Investment securities held to maturity	820,866	1,297,814

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 10.

For the twelve-month period ended 31 December 2014, the Bank recorded UAH 2,111,974 thousand (for the twelve-month period 2013: UAH 1,685,860 thousand) of interest income from transactions with government bonds, and UAH 895,187 thousand from transactions with other investment securities (for the twelve-month period 2013: UAH 844,188 thousand) of interest income and UAH 14,795 thousand of interest income from operations with the NBU deposit certificates with maturity up to 90 days.

32. 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.

During 2014 and 2013, the Bank had complied in full with all its externally imposed capital requirements.

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.

NBU capital adequacy ratio

The NBU requires banks to maintain a capital adequacy ratio of 10% of the amount of risk-weighted assets, computed in accordance with the NBU regulations.

(thousands of Ukrainian hryvnia, unless otherwise stated)

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

	31 December 2014	***31 December 2013***
Main capital	10,918,490	16,270,250
Additional capital	5,646,643	3,630,918
Total capital	**16,565,133**	**19,901,168**
Risk weighted assets	**89,483,029**	**68,770,702**
Capital adequacy ratio	18.51%	28.94%

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.

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 2014	***31 December 2013***
Tier 1 capital	10,319,983	16,636,860
Tier 2 capital	4,803,520	3,372,361
Total capital	**15,123,503**	**20,009,221**
Risk weighted assets	**84,901,881**	**70,195,947**
Tier 1 capital ratio	12.16%	23.70%
Total capital ratio	17.81%	28.50%

33. Subsequent events

In 2015 the negative trends of 2014 continued due to destruction of industrial enterprises and infrastructure in the Eastern Ukraine as a result of military actions, decrease in external demand, in particular due to deterioration of trade relationships with Russian Federation, deterioration of consumer and investment internal demand. After the reporting date Ukrainian hryvnya significantly depreciated against major foreign currencies, in particular exchange rate UAH/USD increased to UAH 21.616059 per USD 1 as at 15 March 2015 compared to UAH 15.7686 per USD 1 as at 31 December 2014. The NBU discount rate was increased to 19.5% from 6 February 2015 (from 14%) and further increased tro 30% from 4 March 2015.

In January 2015 inflation accelerated to 28.5% in annual terms as a result of devaluation of the national currency and high inflationary and devaluation expectations. Internal migration and economic downturn lead to narrowing of labour market and growing unemployment which, in turn, resulted in decrease in real wages of population.

All these factors had further negative impact on the Ukrainian banking system and as a result, in 2015 the National Bank of Ukraine assigned further 11 banks to the insolvent category.

The Bank has balances with two of these banks as at 31 December 2014. Amounts due from one of these banks were fully provisioned as at the reporting date. Balances with another one were represented by interbank loans, which were fully collateralised and investment securities available for sale, for which the Bank raised impairment provision to reflect the impact of subsequent events.

On 11 March 2015 the Executive Board of the International Monetary Fund approved an Extended Arrangement under the Extended Fund Facility for Ukraine totalling USD 17,5 billion for the period of four years. As outlined in the Investor Presentation delivered by the Ministry of Finance of Ukraine, further savings of over USD 15 billion during the IMF program period should be generated in public sector financing from external debt payments on the sovereign, sovereign-guaranteed and state-owned entities debt. The list of such state-owned entities includes Ukreximbank which has Eurobonds maturing during this period (refer to Note 20). However, as clarified by the Government, each entity will undergo a separate procedure targeting its specific situation.