Translation from Ukrainian original

PUBLIC JOINT STOCK COMPANY "CITIBANK"

Annual financial statements in accordance with IFRS

for the year ended 31 December 2015
and INDEPENDENT AUDITOR'S REPORT

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RSM

RSM UKRAINE

37/19 Donetska Str.,
Kyiv 03151, Ukraine
Tel./Fax: +380 (44) 501 59 34

www.rsm.ua

INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Management Board of PJSC "CITIBANK"

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of PUBLIC JOINT STOCK COMPANY "CITIBANK" (hereinafter referred to as "the Bank"), which comprise the statement of financial position as at 31 December 2015, the statement of comprehensive income, the statement of changes in equity and cash flows statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the National Bank of Ukraine related to disclosures in the annual financial statements, and for such internal control as management determines is necessary to enable the preparation of 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 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 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 financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the

Bank as at 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards and the requirements of the National Bank of Ukraine related to disclosures in the annual financial statements.

Emphasis of Matter

We draw your attention to the information set out in Note 36 "Events after the End of the Reporting Period" and the existence of significant uncertainty, the outcome of which depends on future events, which are not under the direct control of the Bank but that might affect its financial statements in the future. The indicated significant uncertainty is the risks arising from domestic and foreign political and economic factors, which at the date of issuance of the Report cannot be reasonably predicted.

President of the firm T. O. Bernatovych

Certified auditor
Auditor of Banks' Certificate №0021

April 07, 2016
37/19 Donetska Str., Kyiv, 03151, Ukraine

STATEMENT OF FINANCIAL POSITION
as at 31 December, 2015

(in thousands of hryvnias)

	Note	2015	2014
ASSETS			
Cash and cash equivalents	*6*	4 997 604	1 530 250
Mandatory reserves in the National Bank of Ukraine		320 188	71 759
Financial assets at fair value through profit or loss	*7*	599 336	398 764
Due from other banks	*8*	27 251	17 899
Loans and advances to customers	*9*	2 736 000	2 606 764
Investment securities available for sale	*10*	7 352 673	5 810 066
Current income tax prepayment		-	18 599
Premises, equipment and intangible assets	*11*	40 166	37 700
Other financial assets	*12*	5 488	841
Other assets	*13*	6 459	7 678
Total assets		**16 085 165**	**10 500 320**
LIABILITIES			
Due to other banks	*14*	67 642	150 899
Due to customers	*15*	12 915 786	7 223 239
Deferred tax liabilities		6 106	29 819
Current tax liabilities		116 781	-
Provisions for liabilities	*16*	79	7 985
Other financial liabilities	*17*	485 425	1 338 971
Other liabilities	*18*	32 849	27 930
Total liabilities		**13 624 668**	**8 778 842**
EQUITY			
Share capital	*19*	66 500	102 444
Share premium	*19*	253 091	253 091
Retained earnings		1 945 898	1 256 267
Reserves and other funds of the Bank		206 371	143 557
Revaluation reserves	*20*	(11 363)	(33 881)
Total equity		**2 460 497**	**1 721 478**
Total liabilities and equity		**16 085 165**	**10 500 320**

Approved for issue and signed

07 April 2016

Chairman of the Board

Steven Allan Fisher

"СІТІБАНК"
21685485

Acting Chief Accountant

K.Yu.Moskvina

K.Yu.Moskvina
(044)490-10-44

The Statement of Financial Position shall be read with the accompanying Notes on pages 5-70 that are an integral part of these Financial Statements

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2015

(in thousands of hryvnias)

	Note	2015	2014
Interest income	22	1 799 121	593 954
Interest expense	22	(207 218)	(70 940)
Net interest income		1 591 903	523 014
Fee and commission income	23	69 415	43 325
Fee and commission expense	23	(24 282)	(19 099)
Gains less losses from transactions with financial assets at fair value through profit or loss		200 524	664 156
Losses less gains from revaluation of derivative financial instruments in trading portfolio		-	(6 051)
Gains less losses from disposals of investment securities available for sale		-	5 806
Gains less losses from foreign currency transactions		511 116	645 344
Foreign exchange translation (losses less gains)/gains less losses		(189 730)	64 803
(Impairment losses)/recovery of imparment losses on loans and advances to customers	9	(27 280)	4 953
Impairment losses on accounts receivable and other financial assets	12	(2 913)	(11 050)
Recovery of provisions/(allocation to provisions) for liabilities	16	7 905	(3 965)
Other operating income	24	5 756	4 199
Administrative and other operating expenses	25	(169 403)	(310 923)
Profit before tax		1 973 012	1 604 512
Income tax expense	26	(342 562)	(323 637)
PROFIT FOR THE YEAR		**1 630 450**	**1 280 875**
OTHER COMPREHENSIVE INCOME/(LOSS) THAT MAY BE RECLASSIFIED INTO PROFIT/(LOSS):			
Revaluation of investment securities available for sale	20	29 955	(57 350)
Income tax related to other comprehensive income		(7 437)	9 040
Other comprehensive income/(loss) after tax for the year		**22 518**	**(48 310)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1 652 968**	**1 232 565**
Earnings per share *(hryvnias)*	27	**163 045**	**128 087**

Approved for issue and signed

07 April 2016

Chairman of the Board

Steven Allan Fisher

Acting Chief Accountant

K.Yu.Moskvina

"CITIБАНК"

K.Yu.Moskvina
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The Statement of Comprehensive Income shall be read with the accompanying Notes on pages 5-70 that are an integral part of these Financial Statements.

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2015

(in thousands of hryvnias)

	Note	Share capital	Share premium	Reserves, other funds and revaluation reserves	Retained earnings	Total equity
Balance at 1 January 2014		**102 444**	**253 091**	**133 763**	**457 075**	**946 373**
Profit for the year		-	-	-	1 280 875	1 280 875
Other comprehensive income	*20*	-	-	(48 310)	-	(48 310)
Allocation of retained earnings to reserves		-	-	24 223	(24 223)	-
Dividends	*28*	-	-	-	(459 150)	(459 150)
Share-based payments		-	-	-	1 690	1 690
Balance at 31 December 2014		**102 444**	**253 091**	**109 676**	**1 256 267**	**1 721 478**
Profit for the year		-	-	-	1 630 450	1 630 450
Other comprehensive income	*20*	-	-	22 518	-	22 518
Allocation of retained earnings to reserves		-	-	62 814	(62 814)	-
Dividends	*28*	-	-	-	(915 000)	(915 000)
Share-based payments		-	-	-	1 051	1 051
Transfer of hyperinflation adjustment	*19*	(35 944)	-	-	35 944	-
Balance at 31 December 2015		**66 500**	**253 091**	**195 008**	**1 945 898**	**2 460 497**

Approved for issue and signed

07 April 2016

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Steven Allan Fisher

Acting Chief Accountant

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"CITIБАНК"

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The Statement of Changes in Equity shall be read with the accompanying Notes on pages 5-70 that are an integral part of these Financial Statements.

STATEMENT OF CASH FLOWS (direct method)
for the year ended 31 December 2015

(in thousands of hryvnias)

	Notes	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		1 723 783	624 560
Interest paid		(207 168)	(72 402)
Fees and commissions received		69 142	43 174
Fees and commissions paid		(24 379)	(19 099)
Income/(loss) received from transactions with financial assets at fair value through profit or loss		(194 340)	469 816
Income received from foreign currency transactions		511 116	639 293
Other operating income received		5 756	4 199
Staff costs paid		(106 737)	(76 237)
Administrative and other operating expenses paid		(53 988)	(213 592)
Income tax paid		(238 333)	(190 897)
Cash flows from operating activities before changes in operating assets and liabilities		**1 484 852**	**1 208 816**
Changes in operating assets and liabilities:			
Net increase in mandatory reserves in the National Bank of Ukraine		(248 429)	(12 036)
Net decrease in financial assets at fair value through profit or loss		-	978 158
Net (increase)/decrease in due from other banks		(9 365)	34 952
Net increase in loans and advances to customers		(101 755)	(266 206)
Net increase in other financial assets		(7 250)	(11 423)
Net decrease/(increase) in other assets		1 220	(2 731)
Net decrease in due to other banks		(83 243)	(181 192)
Net increase in due to customers		5 234 194	2 864 565
Net (decrease)/increase in other financial liabilities		(869 537)	1 336 728
Net increase in other liabilities		27 925	264
Net cash from operating activities		**5 428 613**	**5 949 894**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of investment securities available for sale		(1 942 000)	(7 854 842)
Proceeds from disposals of investment securities available for sale		554 000	2 594 443
Acquisition of premises, equipment and intangible assets		(2 707)	(5 420)
Proceeds from disposals of premises and equipment		40	266
Net cash used in investing activities		**(1 390 667)**	**(5 265 553)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(915 000)	(459 150)
Net cash used in financing activities		**(915 000)**	**(459 150)**
Effect of official exchange rate changes on cash and cash equivalents		**344 422**	**64 808**
Net increase in cash and cash equivalents		**3 467 368**	**289 999**
Cash and cash equivalents at the beginning of the period	6	1 530 234	1 240 235
Cash and cash equivalents at the end of the period	6	4 997 602	1 530 234

Approved for issue and signed

07 April 2016

Chairman of the Board

Steven Allan Fisher

"СІТІБАНК"

Acting Chief Accountant

K.Yu.Moskvina

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(044)490-10-44

The Statement of Cash Flows shall be read with the accompanying Notes on pages 5-70 that are an integral part of these Financial Statements.

Note 1 Background Information about the Bank

The Bank's Name and Location

The Public Joint-Stock Company "CITIBANK" (short name PJSC "CITIBANK"). The Head Office of the PJSC "CITIBANK" is based at 16-G Dilova Street, Kyiv 03150, Ukraine.

The Bank's Organisational Structure

Under Ukrainian legislation the Public Joint-Stock Company "CITIBANK" (hereinafter: the Bank) is a legal entity. The Bank is a member of the unified banking system of Ukraine. It has the right to acquire, on its own behalf, property, property and non-property rights and assume obligations; can make own contracts both within the Ukrainian jurisdiction and abroad, provided their conclusion or execution is not banned by Ukrainian laws; and sue, be sued or act as the third party in arbitrage or any other court of law.

The Bank is the legal successor of the rights and liabilities of the Joint-Stock Commercial Bank "Citibank (Ukraine)", set up in accordance with the Memorandum of Association on creation of the Joint-Stock Commercial Bank "Citibank (Ukraine)" as at 19 March 1998, pursuant to the Shareholders' Resolution on setting up and operation of the bank, approved by the Constituent Assembly held on 31 March 1998 and registered by the National Bank of Ukraine (hereinafter: the NBU) as at 11 May 1998, # 274.

On 30 October 1998 the Bank has acquired a package of licenses authorizing it to conduct all basic wholesale and retail banking operations for residents and non-residents. On 4 December 2001 the Bank was granted another Banking License # 193 and Permission # 193-1 related to the adoption of the new Law of Ukraine "On Banks and Banking" #2121-III dated 7 December 2000.

Renaming from the Joint-Stock Commercial Bank "Citibank (Ukraine)" to the Public Joint-Stock Company "CITIBANK" (full name) and the PJSC "CITIBANK" (short name) was made on 22 October 2009 through making an entry in the Unified State Register for Legal Entities and Individual Entrepreneurs. Consequently, the Bank received a new Banking License # 193 and Permission # 193-3 on 2 November 2009. Related to the amendments made to the Law of Ukraine "On Banks and Banking", the Banking License was replaced by a new one #193 as at 12 October 2011 and the Permission #193-1 was replaced by a General License for transactions in foreign currencies #193 and a Supplement to General License for currency operations #193 as at 12 October 2011.

The Bank has licenses issued by the National Securities and Stock Market Commission (hereinafter: NSSMC) for operations in the stock market:

- License #493442 for professional activity in the stock market as a depositary of securities issued on 12 July 2007 (was extended on 4 November 2009), valid till 12 July 2012. A new License series АД # 034437 with indefinite term of validity was issued on 13 July 2012 for professional activity in the stock market as a depositary of securities;
- License series AB #534090 for professional activity in stock market broking, issued on 18 June 2010, valid till 18 June 2015; A new License series AE # 642056 with indefinite term of validity was issued on 19 June 2015 for professional activity in the stock market broking;
- License series AB #534091 for professional activity in stock market dealing, issued on 18 June 2010, valid till 18 June 2015; A new License series AE # 642057 with indefinite term of validity was issued on 19 June 2015 for professional activity in the stock market dealing;
- License series AB #534092 for professional activity in stock market underwriting, issued on 18 June 2010, valid till 18 June 2015; A new License series AE # 642058 with indefinite term of validity was issued on 19 June 2015 for professional activity in the stock market underwriting;
- License series AB #534093 for professional activity in stock market asset management, issued on 18 June 2010, valid till 18 June 2015; A new License series AE # 642059 with indefinite term of validity was issued on 19 June 2015 for professional activity in the stock market asset management;
- License series AE #286538 for professional activity in the stock market - depositary activity of a depositary institution, issued on 08 October 2013, valid since 12 October 2013, with an unlimited term.

As at 31 December 2015 the staff of the Bank amounted to 163 persons (as at 31 December 2014 – to 162 persons).

Name of Governing Body the Bank is in Subordination to (Name of Parent Company)

The Bank is a 100% subsidiary bank of the Citigroup inc. financial corporation, headquartered in New-York, USA.

Types of Activities of the Bank

Under its By-laws/Articles of Association, licenses of the National Bank of Ukraine and licenses of the National Securities and Stock Market Commission (NSSMC), the Bank carries out the following types of activities:

- Foreign currency transactions;
- Issuance of own securities;
- Purchases and sales of securities on behalf of clients;
- Stock market transactions on own behalf (inclusive of underwriting);
- Issuance of guaranties, sureties and other commitments from third parties which envisage their execution on a cash basis;
- Acquisition or disposal of the right to collect cash for goods or services provided, accepting the risk of settling such liabilities and collecting payments (factoring);
- Leasing;
- Custodian services and rent of safe deposit lockers for storing valuables and documents;
- Issuance, purchase, sale and management of checks, notes and other negotiable payment instruments;
- Issuance of banking payment cards and running operations to support application of these cards;
- Provision of advice and information services pertinent to banking transactions;
- Making investments into authorized funds and equities of other legal entities;
- Effecting issuance, circulation, redemption (distribution) of state and other pecuniary lotteries;
- Transference of foreign exchange assets and collection of funds;
- Operations on behalf of customers or on own behalf:
- with money-market instruments;
- with instruments based on foreign exchange rates and interest rates;
- with financial futures and options;
- Asset management of funds and securities as per contracts with legal entities and individuals;
- Custodian services and maintenance of a registered-securities-owner register.

The Bank carries out activities under the Banking License of the National Bank of Ukraine as follows:

- Attraction of deposits from legal entities and individuals;
- Opening and maintenance of customer and correspondent-bank current accounts, including the transfer of funds from these accounts and crediting these accounts through payment instruments;
- Placement of the attracted funds on own behalf, subject to own terms and conditions and at own risk.

The Bank carries out foreign exchange transactions under the General License of the National Bank as follows:

- Non-trading transactions in foreign exchange assets;
- Transactions in foreign-currency cash and checks (purchase, sale, exchange, encashment) conducted by cashiers and at the Bank's currency exchange locations;
- Transactions in foreign-currency cash (purchase, sale, exchange), conducted at currency exchange locations which operate under business agreements entered into by the Bank with resident legal entities;
- Maintenance of customer accounts (resident and non-resident) in foreign currencies and of non-resident customer accounts in the Ukrainian national currency;
- Maintenance of banks' correspondent accounts (resident and non-resident) in foreign currencies;
- Maintenance of banks' correspondent accounts (non-resident) in the Ukrainian national currency;
- Opening correspondent accounts with Ukrainian authorized banks in foreign currency and transacting through them;
- Opening correspondent accounts with non-resident banks in foreign currency and transacting through them;
- Attraction and placement of foreign currency in the Ukrainian foreign exchange market;
- Attraction and placement of foreign currency in international markets;
- Trading in foreign currencies in the Ukrainian foreign currency market [excluding foreign-currency cash and checks (purchase, sale, exchange) conducted at cashiers and currency exchange outlets of the Bank and its agents];
- Trading in foreign currencies in international markets;
- Foreign currency transactions in the Ukrainian foreign currency market pertaining to and within the scope of financial services;
- Foreign currency transactions in international markets pertaining to and within the scope of financial services.

Under the NSSMC licenses the Bank carries out the activities as follows:

- broking;

- dealing;
- underwriting;
- asset management;
- depository activities of securities custodian;
- depository activities of depository institution.

The Bank's Mission

The Bank's principal goal is earning profit through provision to its customers of a full range of banking services, including, without exceptions, banking transactions related to commercial and investing activity, pertaining to banks and in compliance with the current legislation of Ukraine.

Type of the Bank

The Bank is a universal bank.

Mergers, Acquisitions, Divisions, Separations, Conversion of Banks

Over the reporting period the Bank has not conducted any reorganization (mergers, acquisitions, divisions, separations or conversions).

Risk Management

Based on PJSC "CITIBANK" (as subsidiary of Citibank N.A.) experience in international banking practice and taking into account conditions of the Ukrainian financial market the Bank apply measures to manage and control risks in accordance with the principles and requirements of Citibank N.A. policy and generally meet the guidelines and requirements of the National Bank of Ukraine on systematic risk management and compliance with standards of regulation. The current system of risk management in PJSC "CITIBANK" is part of a global Citi risk management system and includes regulations and approaches that are set forth in the relevant standards of assessment, accounting and risk management, which are designed by Citi's Corporate departments of risk management and the Department of risk architecture.

Continuous monitoring and management of the level of risks is one of the principal tasks of the Bank's Management Board. The main constituents of the Bank's risk management process are identification of risks, establishment of controls, monitoring, reporting and decision-making. The Bank's guiding principle in its risk management policy is the priority of conservatism over profitability which suggests reducing the risk level to the minimum.

PJSC "CITIBANK" determines for itself the following main groups of risks:

- Credit risk;
- Market risk;
- Currency risk;
- Interest risk;
- Liquidity risk;
- Operational and technological risks;
- Legal risk;
- Strategic risk;
- Reputational risk.

The risk management system consists of the following hierarchical levels:

1. The Supervisory Board:
   - defines and approves strategy and risk management policies, procedures, management, and the list of risks, their size limits;
   - monitors the functioning effectiveness of risk management system.
2. Management Board:
   - ensures the implementation of strategy and risk management policy that is approved by the Supervisory Board, ensures the implementation of procedures on identification, measurement, control and risks monitor.
3. Committees of the Management Board on risk management:

- the Credit Committee conducts the assessment of risks inherent in the Bank's lending and investment operations; comes up with proposals as to formation of the Bank's credit and investment portfolio; assesses the quality of the Bank funds' allocation; prepares proposals as to formation and application of the asset impairment loss provisions; and drafts proposals as to the establishment of limits on lending and investment operations;
- the Asset Liability Management Committee analyse the balance between the assets and liabilities as per their maturity pattern and issues recommendations on elimination of the mismatch in time intervals; considers the cost of liabilities and profitability of assets; works out the interest rate policy, the margin rate and spread admissible; comes up with proposals as to the establishment of operational limits for different financial instruments in order to restrict the Bank's risk; analyzes the Bank's adherence to economic operating standards and adequacy of reserves set out by the National Bank; issues recommendations concerning the asset and liability management to ensure compliance with the performance benchmarks; bears responsibility for the optimization of cash flows and payment discipline; and coordinates the system of corporate forecasting;
- the Tariff Committee analyses the correlation of the Bank's service costs and current tariffs for their market competitiveness. It is responsible for the Bank's pricing policy and banking operations efficiency and issues proposals on introduction of banking service tariffs;
- the Coordination Committee: manages strategic (including reputation risk), legal risk, country risk. The Committee considers the strategic development, risk analysis results from the Committee on business risk, compliance and control settings and coordinates with the chosen risk strategy of the bank. The Coordination Committee monitors changes in macro-economic and socio-political, legal environment and analyze the impact of such changes on the functioning of the bank.

4. Department of Risk Management – constantly operating division of risk management, reporting to the Supervisory Board:
    - develops and implements internal policies and procedures for risk management under defined strategy and corporate policies on risk management of Citi Supervisory Board;
    - provides and coordinates implementation, monitors compliance with policies and procedures for risk management.

The main principle of the Bank's policy in the field of risk management is priority of conservatism over profitability, ie compliance with minimum risk. Structural units involved in banking operations bear responsibility for the fulfilment of the Management Board's and core committees' decisions, provide banking services, and engage in attraction and allocation of funds within the established limits. The regulation of the risk management system and methodology for managing certain types of risks are detailed in the relevant internal regulations of PJSC "CITIBANK" and Citi's corporate policies. The Bank has introduced a management information system providing necessary information (reporting) flow for operational decision-making in risk management and for the dissemination of information and decisions among various structural levels in the system.

The internal audit function recommends changes as to the elimination of uncovered irregularities and formulates proposals for improvement of financial management, accounting policies and asset-liability management policy.

Participation in the Deposit Guarantee Fund

As at 31 December 2015, the Bank is a participant in the Deposit Guarantee Fund for individuals (Certificate #130 issued on 8 November 2012; registration on 28 November 2000, Reference #140). The Bank's transfer to the status of a temporary participant did not take place.

The Bank's Solvency

Regulatory capital adequacy requirement (solvency) H2 as at 31 December 2015 according to the statistical report form "Report on compliance with economic ratios and open currency position limits" as of 04.01.2016 is 56.78% (31 December 2014: 42.85%) (limit value - at least 10%).

Termination of Specific Banking Activities

Over the reporting period the Bank did not terminate or liquidate any specific types of banking operations.

Restrictions on Asset Ownership

The Bank does not have any restrictions on the ownership of its assets.

Corporate Governance

Pursuant to the current legislation of Ukraine, the Bank's governing bodies are represented by the Shareholders' General Meeting, Supervisory Board, Management Board, Auditing Committee and the Internal Audit Department.

The Shareholders' General Meeting is vested with the functions to determine the Bank's directions of business operations, make amendments and additions to the Bank's Charter, elect and retire members of the Supervisory Board, make decisions as to the Bank's liquidation or reorganization, decide on profit and loss distribution, and conduct other activities referred to the prerogative of the Supervisory Board by the current legislation. The Shareholders' General Meeting may delegate part of its authority to the Supervisory Board or Management Board, except for the questions pertaining to the sole province of the Shareholders' General Meeting. The Shareholders' General Meeting (or the Annual General Meeting) is held at least once a year. A shareholder may attend the meeting in person or via his or her representatives.

The Supervisory Board is empowered to assert the Bank Shareholders' rights; controls the activities of the Management Board within its own competency defined by the current legislation of Ukraine and by the Bank's Charter; approves strategic projects and annual plans; and decides on the issues pertaining to the sole province of the Supervisory Board. The Supervisory Board's Meetings are held at least quarterly.

The Management Board is an executive body authorized to run the Bank on a day-to-day basis. The Management Board is accountable to the Shareholders' General Meeting and to the Supervisory Board and enforces their decisions.

The Management Board's Meeting is held at least monthly. The Management Board's Meeting is summoned in case of need and chaired by the Chairman of the Board.

The Auditing Committee is set up by the Shareholders' General Meeting for control functions over the Bank's business activity.

The Internal Audit Department is vested with the supervisory function over the Bank's day-to-day operations, compliance with the laws, regulations, and the National Bank's enactments. It reviews the Bank's current performance results. The Internal Audit Department is subordinated directly to the Supervisory Board.

For the purpose of current operations and risk management, the following committees were set up:

- The Business Risk, Compliance and Control Committee;
- The Asset Liability Management Committee;
- The Credit Committee;
- The Tariff Committee.

Management's Stake in the Bank's Equity

As at 31 December 2015 and 31 December 2014, the Bank's management did not own any of the Bank's shares.

List of shareholders with a significant interest in the Bank's equity is represented below:

	31 December 2015	**31 December 2014**
Citibank Overseas Investment Corporation	67%	67%
Citicorp Leasing International LLC	33%	33%
Total	**100%**	**100%**

Reporting Date and Reporting Period

The Bank's financial statements were prepared as at and for the year ended 31 December 2015.

Functional and Presentation Currency and Unit of its Measurement

The national currency of Ukraine is the hryvnya (UAH). The functional and presentation currency of financial statements is the hryvnya (UAH). Unless otherwise stated, the financial information is presented in the hryvnias, approximated to thousand.

Approval of the Financial Statements for Issue

The financial statements for the year ended 31 December 2015 were approved for issue by the Bank's Management Board on 07 April 2016.

Note 2 Economic Environment of the Bank's Operations

Ukraine is undergoing political and economic changes that have had and may further have an impact on the activity of business entities that operate in these conditions. Resulting from the above, operations in Ukraine are associated with risks uncharacteristic for other economies.

Substantial devaluation of hryvnia and continuous inflation create serious challenges for further economic development of the country.

NBU will follow a strict monetary policy, primarily by hiking policy rates and increasing obligatory reserves requirements for commercial banks, aimed at squeezing the liquidity of cash nominated in hryvnias to tackle the ongoing inflation and UAH devaluation pressures. Administrative restrictions, including capital control, ban of dividends remittance, strict monitoring of FX transactions, will be maintained by NBU.

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

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

Overall, real GDP has decreased by 12% on a yearly basis. During 2015 there was a significant decline in investment activity. Especially in the mining and construction industry. Also there was a significant reduction in the foreign economic situation.

Economic conditions continue to limit activity on financial markets. Stock rates in illiquid markets cannot reflect the real value of financial instruments, which should be consist of an effective market, willing buyers and voluntary sellers.

In addition, the uncertain situation in Eastern Ukraine is a crucial factor for determining the future economic growth of the country.

Cooperation with international financial institutions, financial aid from the IMF and other international donor's support should stabilize the macroeconomic situation. In turn, the possibility of receiving these funds requires the approval of laws, existence of which is required by the IMF. The package of austerity measures, which is a requirement of the IMF program, will included changes to the tax, pension, customs and banking legislation.

The financial statements herein reflect the management's assessment of Ukraine's operating environment and its impact on the Bank's operations and financial standing. The future operating environment may differ from the management's prior estimates.

The Bank is consistently profitable, profit is allocated to the Bank's funds for dividends payment and Bank development. Bank meet regulatory requirements for capital adequacy ratio, which greatly exceeds the established norm. The main objective of the Bank is to timely attracting and maintaining sufficient capital required for current activities of the Bank to support the strategic goals of development and the establishment of protection against risks arising in the banking.

It is hard to assess the impact of further deterioration of financial markets' liquidity indicators, increasing instability of currency and stock markets on the Bank's financial position with acceptable degree of credibility. The Bank's management is convinced that it is taking all necessary measures towards the Bank's sustainable development and improved liquidity position under the current circumstances.

Note 3 Basis of preparation of the Financial Statements

The Bank's financial statements herein were prepared in compliance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and interpretations released by the IFRS Interpretations Committee, as well as in accordance with the requirements of the National Bank of Ukraine (hereinafter – the NBU) on disclosure of information in annual financial statements set out in the Regulation of the NBU Board #373 as at 24 October 2011 "On Approval of Guidelines on Preparation and Disclosure of Financial Statements of Banks in Ukraine".

The Bank carries out its accounting in accordance with the regulatory requirements as to the organization of accounting and reporting in banking institutions of Ukraine set out by the NBU rules in compliance with IFRS.

The financial statements herein have been prepared following the historical cost principle, except for accounting of specific financial instruments in compliance with IAS 39 "Financial Instruments. Recognition and Measurement" (hereinafter: IAS 39), namely: the securities carried at fair value with recognition of revaluation through profit or loss, derivative financial instruments in the trading portfolio, and the financial assets available for sale were carried at fair value; cash and cash equivalents, loans and receivables and financial liabilities were carried at amortized cost. The summary of significant accounting policies used for preparation of these financial statements is disclosed in Note 4. These principles have been applied consistently during all periods presented in the financial statements, unless otherwise stated.

The functional currency of accounting in the Bank is hryvnia and the financial statements are submitted in thousands of hryvnias.

Note 4 Summaries of Significant Accounting Policies

4.1 Basis of measurement in preparation of financial statements

The Bank's financial statements are based on the underlying assumption of going concern and accrual principle of accounting, as well as on the qualitative characteristics of clarity, relevance, trustworthiness and comparability.

In the course of the financial statements' preparation, the Bank makes estimates and assumptions that affect the amounts of assets and liabilities, disclosure of contingent assets and liabilities as at the balance-sheet date and calculation of income and expenses over the reporting period.

Items of the Bank's financial statements are measured on the basis of historical cost, except for those mentioned in the Summary of Significant Accounting Policies presented below, when amortized cost or fair value are used.

Amortized cost of financial asset or liability is the amount at which the financial instrument was carried at initial recognition less any principal repayments, plus or minus the accumulated amortisation using the effective interest method of any difference between that initial amount and the maturity amount and minus any reduction through the use of an allowance account for impairment.

The effective interest rate method is a method of calculation of a financial asset's or liability's amortized cost (or a group of financial assets and liabilities) and allocation of the interest income or interest expense over a relevant period. The effective interest rate is a rate that precisely discounts the future cash payments or income during the financial instrument's expected useful life, or, in certain circumstances – a shorter period, to the net carrying amount of the financial asset or liability. In calculation of the effective interest rate the Bank measures cash flows with regard to all contract terms pertinent to the financial instrument, and not considering future credit losses. The calculation includes all commissions, payable or receivable, negotiated by the parties on the contract which are an integral part of the effective interest rate, transactional expenses and all other premiums and discounts.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. When measuring the fair value of an asset or a liability, the Bank uses market observable data to the extent possible. If the fair value of an asset or a liability is not directly observable, it is estimated by the Bank using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs (e.g. using the market comparables approach that reflects recent transaction prices for similar items, discounted cash flow analysis, or option pricing models refined to reflect the issuer's specific circumstances). Inputs used are consistent with the characteristics of the asset / liability that market participants would take into account.

4.2 Initial recognition of financial instruments

A financial instrument is a contract whereby one entity receives a financial asset while the other recognizes a financial liability or an equity instrument.

A financial asset is any of the Bank's assets which is:

- Cash or cash equivalent;
- Equity instruments of another entity;
- Contractual right to receive cash or another financial asset from another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the Bank;
- Contract that will or may be settled in the entity's own equity instruments and is either a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments, or a derivative that will or may be settled in the way other than by exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

A financial liability is any of the Bank's obligations which is:

- Contractually-based obligation (to pay or transfer a financial asset to another party of the contract, or exchange financial assets or liabilities under conditions that are potentially unfavourable to the Bank); or
- Contract that will or may be settled by the Bank's equity instruments, and is either a non-derivative for which the Bank is or may be obliged to transfer a variable number of its own equity instruments, or a derivative that will or may be settled in the way other than by exchange of a fixed amount of cash or another financial asset for a fixed number of the Bank's own equity instruments.

The Bank's equity instrument is any contract that represents the residual part in the Bank's assets after deduction of all its liabilities.

The Bank recognizes a financial liability in its financial statements only when it becomes a party to a contractual provision of the instrument.

Initial recognition of financial instruments by the Bank is conducted in the following way:
a) financial assets at fair value with recognition of revaluation through profit or loss (investment securities in the trading portfolio, currency exchange operations under forward contracts, other financial assets designated at fair value with revaluation through profit or loss): initially recognized at fair value. The related transaction costs are recognized as expenses at the moment of initial recognition;
b) investments held to maturity (investment securities held to maturity): initially recognized at fair value that includes the cost of acquisition;
c) financial assets available for sale (investment securities in the Bank's available-for-sale portfolio): initially recognized at fair value that includes the cost of acquisition;
d) loans and receivables: the Bank evaluates provided (received) loans and placed (attracted) deposits at the moment of initial recognition at fair value that includes the related transaction costs.

After the initial recognition, financial assets are carried at fair value without any deduction of transaction costs which may be incurred during sale or any other disposal, except for:

- Loans and other financial assets measured at amortized cost using the effective interest rate method;
- Investments held to maturity measured at amortized cost using the effective interest rate method;
- Investments into equity instruments that are not quoted in an active market and whose fair value could not be determined reliably. Such financial instruments are recognized at acquisition cost less impairment losses.

All financial liabilities, except for those recognized as financial liabilities at fair value with recognition of revaluation through profit or loss and financial liabilities that occur in cases when transfer of a financial asset recognized at fair value does not meet the de-recognition criteria, are measured at amortized cost using the effective interest rate method. Premiums and discounts, including the initial transaction costs, are included in the carrying amount of the relevant instruments and amortized using the effective interest rate method.

4.3 Impairment of financial assets

The Bank recognizes impairment of financial assets under the categories as follows: loans and receivables, loans and deposits with lending institutions; investment securities available for sale and those held to maturity; other financial assets that are held at amortized cost.

The Bank analyses the objective factors providing the evidence that a financial asset or a group of financial assets is impaired as at each balance-sheet date. The Bank recognise impaired when there is an objective evidence that there was an adverse impact on the estimated future cash flows from the financial asset or a group of financial assets which occurred after the initial recognition as a result of one or more events ("loss events") and is reliably measurable:

a) Significant financial difficulties of an issuer or borrower;
b) Breach of a contract, such as default on obligations, overdue repayments of interest or principal;
c) Lender's provision (due to economic or legal reasons related to the borrower's financial difficulties) of concession to the borrower which the lender would not consider under other circumstances;
d) Likelihood that the borrower considers bankruptcy or a financial reorganization;
e) Disappearance of an active market for the financial asset concerned owing to financial difficulties; or
f) Observed data that point to a measurable decrease of estimated cash flows from a group of financial assets since the moment of their initial recognition, although the decrease cannot as yet be identified with specific financial assets in the group, including:

i) negative changes in the state of borrowers' repayments within the group (e.g. an increased number of overdue payments, or increased number of card-holders who have used up their credit limit and repay only minimal monthly amounts); or

ii) national or local economic environment that correlates with defaults on obligations within a group (e.g. increased unemployment rate in the borrowers' geographical region, decline of real estate prices on mortgages in the relevant region, decrease of oil prices with reference to cash flows due from oil extracting companies' loan repayments, or adverse changes in a sector's environment that affect borrowers within a group).

The Bank divides financial assets into individually significant and not for provision calculation.

The Bank assesses impairment of individually significant assets on individual basis. The individually insignificant impaired assets and those not impaired are assessed for impairment on the group basis.

As the Bank reviews its assessment of cash inflows per financial assets, it adjusts each asset's carrying amount to reflect the actual and reviewed estimated cash flows. The Bank measures the asset's carrying amount by recalculating the present value of the estimated future cash flows based on the initial effective interest rate or, if it is relevant, on the adjusted interest rate. The adjustment is recognized in the Statement of Comprehensive Income as profit or loss.

Financial assets are written off against the allowance accounts, in the absence of objective evidence of the assets' recoverability, upon the decision of the Bank's management.

4.4 De-recognition of financial instruments

The Bank derecognizes a financial asset (or part of the financial asset, or part of a group of similar financial assets) in the following cases:

- the right to receive cash inflows from the assets has expired;
- the Bank has transferred the right to cash inflows from the financial asset; or, if it has retained the right to cash inflows from the financial asset, however, assumed a contractual obligation to pay the cash flows to one or more recipients in a pass-through arrangement;
- the Bank has transferred substantially all risks and rewards of the asset, or neither transferred nor retained substantially all risks and rewards of the asset, but transferred control of the asset.

In case the Bank has transferred its right to cash inflows from the asset while it, at the same time, has neither transferred nor retained substantially all risks and rewards of the asset and has not transferred control of the asset, the Bank continues to recognize the asset in its books to the extent of its involvement in the asset. The Bank's further involvement in the asset, that has become a guarantee on the transferred asset, is evaluated at the lower of values: the initial carrying amount of the asset or the maximum compensation amount which the Bank may be required to pay.

Transfer of financial assets leads to de-recognition thereof in cases when the Bank has transferred substantially all risks and rewards of such assets and transfers control of these assets.

De-recognition of a financial liability has an effect when the liability is discharged, cancelled or expired.

If an existing financial liability has been replaced by another one related to the same lender and carrying substantially different terms or if a substantial modification of terms has been made to an existing financial liability, this transaction is recorded as a de-recognition of the original financial liability and recognition of a new financial liability with the difference in the balance-sheet value of the liabilities reported in the Statement of Comprehensive Income.

4.5 Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with the NBU, except for the mandatory cash balances with the NBU accounted for in a separate account or those which shall be kept on the correspondent account with the NBU, correspondent accounts with other banks, short-term placements with other banks with a maximum of 90-day maturities from the date of origination, which are not encumbered by any contractual obligation and which are subject to insignificant risk of changes in value. Cash and cash equivalents are measured at amortized cost.

Mandatory reserves at the National Bank of Ukraine. Cash balances of mandatory reserves at the National Bank of Ukraine accounted at their initial value and represent mandatory reserve deposits interest that cannot be used to finance the daily operations of the bank and, therefore, not considered as part of cash and cash equivalents for the cash flow reporting purposes.

4.6 Financial assets at fair value through profit or loss

The financial assets that are measured at fair value through profit / loss includes the following:

- Debt securities, shares and other financial investments held in the trading portfolio and those defined by the bank as measured at fair value through profit / loss at initial recognition;
- Any other securities and other financial investments purchased to sell in the near future and generating a profit from short-term fluctuations in price or dealer's margin;
- As well as financial investments which at initial recognition is part of a portfolio of financial instruments managed jointly and for which there is evidence of actual short-term profit.

Financial instruments at fair value through profit or loss are initially measured and recorded in the accounting at fair value. Transaction costs are recognized in the accounts incurred during their initial recognition.

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

Trading securities are carried at fair value. Interest earned on trading securities is calculated by using the effective interest method and it is presented in the profit and loss statement as interest income. All other elements of changes in fair value and gains or losses on derecognition are included in the profit and loss statement less losses from trading securities in the period in which they arise.

The revaluation of financial instruments at fair value through profit or loss is recognised in the profit and loss statement in the event of changes in their fair value.

For securities that are traded on organized markets, the fair value is determined by their market value. Market value of securities set value, which is defined by its quoted price "bid" as at the closing exchange last day of the month. The Bank uses quotations from Reuters, Bloomberg and PFTS to determine the fair value.

The Bank may accept fair value of available stock quotes if there is an active securities market. Active market is a market in which transactions of assets or liabilities occur with sufficient frequency and in quantities that ensure the availability of pricing information on an ongoing basis. Characteristics of an inactive market usually include a significant reduction in volume and level of activity for the asset or liability; quotes that differ significantly over time or depending on market participants that provide quotes; index, which in the past was a close correlation with the values of the fair value of an asset or liability, and now, quite obviously they do not relate to recent fair value of the asset or liability. For the existence of an active market must have freely available and regular price of transactions on a commercial basis.

In the absence of an active market for the fair value of securities the Bank takes a value that is determined based on market data and taking into account all available relevant information on securities and that most faithfully reflects the actual value of the securities. This determination of the value of securities is approved by the management's decision of the Bank.

Mid-term and long-term government securities with indexed value are carried as other financial assets at fair value with revaluation through profit or loss.

Pursuant to IAS 39 an embedded derivative instrument is separated from its host contract and carried as a derivative instrument, except for when the embedded instrument is closely related to the host contract. If an embedded instrument is separated, the host contract is carried under general requirements as to its classification, and the derivative is carried at fair value with recognition of revaluation through profit or loss, if it isn't meant as an instrument of hedging. In the case of impossibility of measuring an embedded derivative instrument separately, neither as at the date of its acquisition nor as at the subsequent reporting date, then the entire hybrid (combined) contract will be recognized at fair value with recognition of revaluation as profit or loss.

4.7 Due from other banks

In the normal course of business, the Bank provides loans and deposits to other credit institutions for certain periods. Amounts due from credit institutions are initially recognized at fair value. Amounts due from credit institutions with a fixed maturity are measured at amortized cost using the effective interest method. Those that do not have fixed maturities are carried at amortized cost based on expected maturities. Amounts due from credit institutions are carried net of allowance for impairment losses.

4.8 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Contracts involving loans and receivables are not made with a view of immediate or short-term repurchase and are not classified as financial assets at fair value with revaluation through profit or loss or recognition within the Bank's other comprehensive income.

Initial cost comprises the amount of cash and their equivalents paid or fair value of other resources transferred for the purchase of an asset as at the date of acquisition plus transaction costs.

In cases when the fair value of a provided compensation does not equal the fair value of a loan, for example, when the loan was issued at an interest rate lower (or higher) than market rate, the difference between the fair value of the provided compensation and the fair value of the loan is recognized as loss (or gain) at the moment of the loan's initial recognition and is included into the Statement of Comprehensive Income, subject to the nature of such losses (or gains).

After the initial recognition the Bank evaluates loans at amortized cost using the effective interest rate to calculate the interest income (expense) and amortized discounts (premiums).

The Bank includes transaction costs, which are directly related to the recognition of a financial instrument, as a part of the amount of discount (premium) related to this instrument.

The Bank amortises the discount (premium) over the entire expected useful life of a financial instrument using the effective interest rate. The amount of the discount (premium) must be entirely amortized as at the date when the loan (deposit) is repaid (settled).

Loans issued to customers with no fixed maturities are carried using the effective interest rate based on the expected term of repayment.

The Bank recognizes loans and receivables impairment through the formation of the provision for impairment loss. The carrying amount of an asset is decreased by the amount of the provision. The amount of expense is recognized in the Statement of Comprehensive Income.

Debt restructuring

The Bank attempts, if possible, to reconsider the terms of loans with non-performing debtors, instead of repossessing the collateral, in the way of extending the loan maturities and negotiating new terms of crediting.

This type of debt restructuring is recorded as follows:

- if the loan currency is changed, the old loan is de-recognized while the new loan is recognized;
- if the restructuring is not resulting from the borrower's financial difficulties, the Bank uses the approach similar to the one related to financial liabilities described below;
- if the restructuring results from the borrower's financial difficulties and the loan is recognized as such that has lost its value, the Bank recognizes the difference between the present value of future cash flows after restructuring pursuant to the new contract terms, which are discounted using the initial effective interest rate, and the carrying amount before restructuring, within the contribution towards the impairment loss provision in the reporting period.

Provided the loan is not impaired the Bank recalculates its effective interest rate.

Once the loan terms have been renegotiated, the loan is no longer considered overdue. The Bank management continuously analyses the restructured loans in order to ensure compliance with the new terms and availability of the future cash flows. Such loans continue to be measured for impairment loss on the individual or group basis and their amortised cost is calculated using the initial or current effective interest rate under the loan contract.

The fair value of loans and receivables is established by the Bank by discounting all expected future cash flows based on the market interest rate as per specific financial instrument.

4.9 Investment securities available for sale

Financial assets available for sale represent investments in debt securities that are intended to be held for an indefinite period of time. Such securities are classified as available for sale if they have been acquired basically for the purpose of sale or resale within an undefined period of time, except for investments into equity instruments that do not have a quoted market price in an active market and whose fair value cannot be established reliably.

Investment securities available for sale are initially recognized at fair value. After the initial recognition, financial assets available for sale are carried at fair value with profit and loss from revaluation being recorded as a separate component under other comprehensive income until the investment's retirement or impairment. If this occurs, the accumulated comprehensive income or loss, previously reported as other comprehensive income, is transferred to profit and loss; while interest, calculated using the effective interest rate method, is recognized in the profit and loss statement and other comprehensive income.

Rules of defining the fair value are the same as those applied to financial assets revaluated through profit or loss. The fair value of financial assets traded in an active market is measured by current bid price quotations. The fair value of financial assets that do not have active market quotes is defined by the applied assessment methodologies. These methodologies are based on the data related to recent contracts based on market terms; current market value of similar financial assets; and analysis of discounted cash flows.

Interest received from securities included in interest income from securities in the income statement.

4.10 Securities resale (repurchase) agreements with the obligation to repurchase (resale)

Repurchase (resale) agreements (repo agreements) are recorded in the financial statements as secured financing transactions. The securities sold under repo agreements remain to be recognized in the Statement of Financial Position and are reclassified into the category of collateralized securities under repo agreements if the transferee receives the right to sell or pledge the securities. Relevant liabilities are included into amounts payable to lending institutions or customers.

Acquisitions of securities under repurchase (resale) agreements are carried under the lines "Due from other banks" or "Loans to customers" depending on circumstances. Difference between the sale and repurchase prices is considered as the interest income and calculated during the contractual period of a repurchase agreement using the effective interest rate method.

Securities transferred to counterparty continue to be recognized in the Statement of Financial Position. Securities bought under credit terms are recognized in the Statement of Financial Position only upon sale to third parties and are reported in the Statement of Other Comprehensive Income as a result from the trading transaction on securities. Liabilities as to their purchase back are recorded at fair price under the line "Liabilities".

4.11 Investment securities in the Bank's held-to-maturity portfolio

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity if the Bank has positive intention and ability to hold them to maturity. The investments that the Bank intends to hold indefinitely are not included into this category.

Purchased debt securities are reflected in the accounting in the context of the following components: the nominal value, discount or premium, accumulated interest at the date of acquisition. Transaction costs, which are made when purchasing debt securities, are included in the cost of acquisition and are recorded at the accounts of discount (premium).

Debt securities held to maturity at the balance sheet date are stated at their amortized cost after initial recognition. The Bank recognizes income and amortization of discount (premium) on debt securities by using the effective interest method.

The Bank evaluates its intention and ability to hold investment securities in the held-to-maturity portfolio at the moment when they are acquired and as at each of the following reporting dates.

Debt securities in the Bank's held-to-maturity portfolio are subject to assessment for impairment loss.

Impairment of securities held to maturity are reflected in accounting by provision for the excess of the carrying value of the securities on the present value of estimated future cash flows discounted at the original effective interest rate (ie the effective interest rate calculated at initial recognition) .

Investment securities held to maturity are carried at amortized cost. The Bank recognizes income and amortises discount (premium) as per debt securities using the effective interest rate method.

If a considerable amount of investment securities held to maturity is sold, the securities from the Bank's held-to-maturity portfolio are transferred into the Bank's available-for-sale portfolio. In such a case the Bank annuls the held-to-maturity portfolio by transferring the remaining balance into the available-for-sale securities portfolio.

4.12 Premises and equipment

Premises and equipment are accounted as initial cost - historical (actual) cost of premises and equipment in the form of a cash amount or the fair value of other assets paid (transferred), spent for the acquisition (creation) of premises and equipment. The historical cost also includes all costs associated with delivery, installation, commissioning of the premises and equipment.

The carrying value of the acquired assets is defined as the sum of the purchase price and other costs directly attributable to the acquisition and preparation of the assets for use.

The acquisition cost of assets (initial cost) includes all costs related to the acquisition (purchase price including import duties, indirect taxes if they are not compensated by the bank), delivery, installation, construction, installation and commissioning into operation. Administrative and other expenses that are not directly related to the cost of acquisition of the object or bring it to working condition are not included in the initial cost of this object.

As an item of premises and equipment is initially recognized, it is further recorded at initial cost (cost price) less accumulated depreciation and accrued impairment loss.

The carrying amount of premises and equipment is assessed for impairment loss in case of events or circumstances indicating that probability exists that the carrying amount of an asset will not be recovered in full.

No revaluation of its premises and equipment carrying amount is done by the Bank.

Depreciation charges are calculated as soon as the asset has been brought to working condition for its intended use.

The initial cost of an item of premises and equipment less its residual value is subject to the depreciation charges.

The residual value of items of premises and equipment and their components is reviewed at least at the end of each reporting year.

Depreciation is charged under the straight-line method on a monthly basis during the assets' expected useful life.

Depreciation rates and expected periods of useful life are set as follows:

Groups of premises and equipment	**Annual depreciation rate**	**Useful life in years**
Land	Expected useful life is unlimited	
Buildings, constructions and driving gear	2%	50
Machinery and equipment		
- telecommunication equipment and systems	20%	5
- computers and computer peripherals	33.3%	3
Motor vehicles	25%	4
Tools, devices, and appliances (furniture)	25%	4
Other premises and equipment	25%	4
Other non-current tangible assets	100%	1

Depreciation of assets is terminated at one of the two dates depending on which one occurs earlier: the date when an asset is classified as held for sale or the date of an asset's write-off.

The calculation methods for residual value, periods of useful life and assets' depreciation are reviewed and adjusted (if needed) at least at each financial year-end.

Outlays on repair and maintenance are recognized under general administrative expenses in the period when they were incurred, except for instances when such outlays must be capitalised.

In case the carrying amount of premises and equipment increases as a result of their improvement, the value of such improvement will be subject to depreciation within the remaining period of the asset's useful life. If the asset's improvement may extend its useful life, the useful-life period may be extended based on the documented decision of an inventorying commission (an act or a report).

Low-value and short-lived non-current tangible assets (valued at or under UAH 2 500 and used over one year or less) are not subject to depreciation. Expenses on acquisition of such assets are recognized under the relevant Bank's balance-sheet.

Capital investments in leased premises are amortized over the life of the related leased asset. Expenses related to repairs and renewals are included in operating expenses at the time of implementation, if they do not meet the criteria for capitalization.

4.13 Intangible assets

Intangible assets are initially recorded in the books at initial (historical) cost. The initial cost of the acquired intangible asset includes the acquisition cost (less trade discounts), duties, indirect taxes that are not refundable, and other expenses directly related to the asset's acquisition and bringing it to working condition for its intended use.

After the initial recognition of an intangible asset, its bookkeeping is further carried at historical cost less accrued amortisation and impairment loss.

No revaluation of intangible assets carrying amount is done by the Bank.

Amortisation of intangible assets is charged under the straight-line method on a monthly basis. The period of useful life and residual value are established at acquisition (creation) of the intangible asset.

Intangible assets have limited and undefined periods of useful life.

Useful life and amortisation pattern of intangible assets with a limited period of useful life are reviewed at least at each financial year-end.

Intangible assets with undefined periods of useful life are not amortized. Such assets are checked for impairment by comparing their expected recoverable amount to their carrying amount annually and if there is an indication of possible impairment of the intangible asset.

Intangible assets have annual amortisation rates and periods of useful life from 2 to 5 years.

In case when conditions of the intangible asset's usage are non-standard and the estimated period of useful life does not coincide with the aforementioned, the period of useful life is defined by a specially designated commission approving the start of usage for premises, equipment and intangible assets and is recorded in the appropriate form of the delivery and acceptance act.

If the carrying amount of an intangible asset increases as a result of its improvement, the value of such an improvement becomes subject to amortisation within the remaining part of the intangible asset's useful life. In case the asset's improvement extends its useful life, the period of useful life may be extended based on the documented decision of an inventorying commission (an act or a report).

The carrying value of intangible assets are reviewed for impairment when events or circumstances that would indicate the likelihood that the carrying value may not be recoverable in full.

4.14 Operational lease, whereby the Bank is a lessor or lessee

A lease is classified as operational if it does not presume transferring substantially all risks and rewards related to the asset's ownership.

Classification of leases is made with reference to each lease agreement individually, depending on the substance of a transaction rather than the legal form of an agreement.

In case the lessee and the lessor renegotiate terms of a lease agreement to the extent that the lease should be reclassified, the renegotiated lease is referred to as a new agreement.

Changes in estimates of the leased asset's useful life or its residual value, as well as changes caused by the lessee's insolvency do not entail reclassification of the lease for accounting purposes.

The Bank carries out operations in providing its premises and equipment into operational lease, namely, a part of its building's premises.

The Bank classifies a lease as an operating lease transaction if none of the following criteria, separately or in combination, is met:

- the lease transfers a title to an asset to the lessee by the end of the lease term;
- the lessee has right to purchase an asset at a price which is expected to be sufficiently lower than fair value as at the date the right becomes exercisable and, at the inception of a lease, it is reasonably certain that the right will be exercised;
- the lease term lasts for the major part of the useful life of an asset, even in the case when the title is not transferred;
- at the inception of a lease, the present value of minimum lease payments amounts to at least the fair value of the leased asset;
- leased assets are of a specialised nature such that only the lessee can use them without major modifications being made.

Lease payments under operating lease agreements are reflected in the Statement of Profit or Loss and Other Comprehensive Income over the lease term in other operating income on a straight-line basis.

Assets under operating lease are recognized in the lessor's balance sheet.

4.15 Derivative financial instruments

The Bank identifies a financial instrument as derivative if the following criteria are met:

- its value changes in response to fluctuations in an underlying variable such as interest rates, prices of other financial instruments and consumer goods, currency exchange rates, price or rate indices, credit rating or credit indices, etc.;
- it requires either no initial investment, or an investment smaller than it would be required for other types of contracts with similar response to the changes in market factors; or
- it is settled at a future date.

The Bank classifies derivative financial instruments as derivative financial instruments in the Bank's trading portfolio.

All derivative financial instruments are initially carried at fair value. Transaction costs are recognized in expense accounts at their initial recognition. Transaction costs do not include discount or premium under forward and option contracts.

The fair value of derivative financial instruments, except of options, equals zero as at the transaction date. The fair value of options as at the transaction date equals the option premium and is reflected on the balance accounts for accounting of options.

Subsequently, derivative financial instruments are carried at fair value without any transaction costs.

In the reporting period the Bank did not perform operations with derivative financial instruments. Over 2014 the Bank carried out forward currency-exchange transactions which were recorded in the trading portfolio.

Revaluation of such transactions in the trading portfolio is performed prior to the settlement date on the daily basis and is recorded in the books (separately for assets and liabilities) against the forward currency exchange rate which is calculated according to the approved formula with market data usage.

As at the settlement date the aforementioned revaluation is written off and the trading result is recognized as per a regular currency exchange transaction.

In accordance with IAS 39 an embedded derivative is separated from the main agreement and accounted for as a derivative, unless the embedded instrument is closely related to the main agreement. If an embedded derivative is separated than the main agreement is accounted for in accordance with the general requirements for the classification and derivative at fair value through profit or losses if it is not intended as hedging instrument. In cases where it is impossible to estimate separately the embedded derivative either at acquisition date or the next date of the financial statements the entire hybrid (combined) contract determined at fair value through profit or loss.

4.16 Borrowed funds

Borrowed funds are made up of due to other banks (loro accounts, received loans, attracted deposits), funds of legal entities and individuals (current accounts and term deposits).

Initial recognition and subsequent evaluation of borrowed funds is done by the Bank at amortized cost based on the effective interest rate method.

After initial recognition the Bank reflects the accounting financial liabilities at each balance sheet date at amortized cost using the effective interest method.

Costs related to borrowed funds are recognized following the accrual and matching principle of accounting and reflected in Statement of Profit or Loss and the Statement of Comprehensive income when the liabilities are de-recognized and through amortisation.

The Bank did not issue own debt securities.

4.17 Provisions for liabilities

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

Provisions for contingent liabilities are estimated according to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" (hereinafter: IAS 37) which requires application of estimates and management judgment.

Contingent liabilities are not recognized in the Statement of Financial Position, but disclosed in the notes to financial statements, except for the instances when the outflow of resources is remote. Contingent assets are not recognized in the Statement of Financial Position, but disclosed in the notes to financial statements if an inflow of economic benefits is probable.

Provisions for credit-related liabilities (issued financial guarantees, letters of credit, lending liabilities) are recognized based on the analysis similar to that made for loans and receivables.

Financial guarantees are irrevocable commitments to make payments in cases of customers’ defaults on their obligations to third parties and carry the same risk as loans. Financial guarantee contracts are initially recognized at fair value and subsequently measured at the higher of – the amount determined in accordance with IAS 37; and the amount initially recognised less cumulative amortisation recognised in accordance with IAS 18 "Revenue".

Provisions are measured at the best estimate of outflow required to settle the present obligation and defined through a combination of the estimated value of outflows and their probability for a large number of contracts. Assessment of outcomes and probable outflows requires implementation of the management’s estimation and judgment, considering the experience of accomplishing similar transactions.

4.18 Income tax

Income tax expense is the aggregate amount of current and deferred tax.

Measurement of current tax expense is based on the tax legislation of Ukraine.

The Bank recognizes current income tax on a monthly basis. Adjustment of the recognized income tax is carried out after the submission of the tax return.

The taxable income differs from the accounting income reflected in the Statement of Comprehensive income since it does not include items of income or expense that are taxed or considered as expenses in other periods and also excludes items that are not taxable and are not considered as expenses for tax purposes.

Deferred tax assets and liabilities are recognized annually at the reporting year end. Deferred tax assets and liabilities are recognized at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is measured using the liability method with regard to all temporary differences between the carrying amounts of assets and liabilities and their tax base. Deferred tax asset is recognized if it is probable that taxable profit will be obtained in the future so that unused tax losses and deferred tax assets can be utilized against it.

Deferred tax assets and liabilities are recognized and measured separately and are offset in the Statement of Financial Position.

Deferred tax is reflected in the Statement of profit and loss and other comprehensive income.

Income tax and deferred tax are calculated based on the current base tax rate of 18%.

Besides, there are various operational taxes applicable to bank operations in Ukraine. These taxes are reported as administrative and operational expenses.

Deferred tax assets and liabilities are not discounted.

4.19 Share capital and share premium

Share capital is the shareholders' paid commitments in subscription for shares in the amounts established by the Charter.

Share premium is the amount of funds received by the Bank from the initial placement of the Bank's shares in excess of their face value.

As Ukraine was classified as a country with hyperinflationary economy during a decade up to 31 December 2000, IAS 29 requires that contributions to the Bank's equity received prior to 31 December 2000 be translated into units of measurement that should be valid to that date through the application of relevant inflation rates against the historical cost and that their reflection in financial statements be at the current replacement cost in the subsequent periods.

During 2015 the Bank brought its share capital in compliance with its historical value and registered by local regulatory and registration authorities by transferring the sum adjustment of share capital to retained earnings.

Contributions into the authorized capital, which were received after 1 January 2001, are recognized at historical cost.

Ordinary shares and non-cumulative preference shares, which are not subject to redemption and with dividends paid upon a relevant decision, are reflected under equity. Transaction costs paid to third parties for the issue's floatation are reflected in equity as debit to the amount received from the share issue.

Dividends paid on ordinary shares are recognized as debit to equity in the period when they are announced.

4.20 Preference shares

Preference shares may be cumulative and non-cumulative, convertible and non-convertible, revocable and irrevocable, fixed-rate and non-fixed, with equity participation or without it.

Preference assets have following rights for the holder: to receive dividends that are usually fixed and paid regardless of the performance of the company; preferential right (compared to holders of ordinary shares); the priority receipt of dividends; priority to participate in the distribution of company's property under liquidation (if the priority is provided by the terms of issue of shares).

Payment of dividends on preferred shares amounts to the size of the joint stock company profit. If the relevant income was insufficient, the payment of dividends on preferred stock is made from the reserve fund and when the amount of dividends paid to shareholders with ordinary shares much higher than the fixed dividend on preferred shares than latter holders may pay an additional appropriate amount. For the company liquidation the preference shareholders receives a proportionate part of the company's assets in penultimate place, ie after repayment of issuer to the state, creditors and the workforce (holder of common stock receives its part of the latter).

Preference share assumes that dividends for it does not depend on the performance of the company. It provides the investor a fixed income, which the issuer must pay regardless of whether it made a profit in the past financial year or not.

Preference shares can not be issued for an amount exceeding 10% of the company's charter fund. The order of priority of rights to receive the dividend is determined by the terms of issue.

Wherever possible the accumulation of unpaid dividends on preferred shares are classified as cumulative and non-cumulative. The majority of preferred shares have characteristics of dividends cumulation (cumulation - accumulation) that provides to these shares higher reliability. The basis for this privilege is a rule: dividends that were paid to shareholders for a certain period (even for a few years) will still accumulate and accrue to owners of preferred shares. They would get income next year for which were missed and this income would consist of the sum of dividends for all the missing years, in other words, a single payment of accumulated multiple dividends. Instead, non-cumulative preferred shares owners lose their income for any time during which no dividends were declared. Non-cumulative action makes it impossible to attach unpaid dividends to dividend coming years.

3 300 thousand pieces of preference shares are listed in the Bank's share capital. Each worth UAH 5 thousand. These shares are non-cumulative and dividends on them, according to the decisions of the General Meeting of shareholders, have not been paid.

4.21 Recognition of income and expenses

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

Income and expenses are recognized as per each type of the Bank's activities (operating, investing, financial).

Criteria for recognition of income and expenses are applied separately to each transaction Bank.

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

As the Bank's assets are used by other parties, income is recognized in the form of:

- interest income – payments for the use of cash and cash equivalents or sums owed to a participant of a banking group;
- royalties – payments for the use of long-term assets belonging to a participant of a banking group (e.g., patents, trademarks, copyright and software);
- dividends – distribution of profit to shareholders proportionally to their interest in equity.

Income and expenses are recognized under the following conditions:

- recognition of a real indebtedness in assets and liabilities of the Bank;
- the financial result of a transaction related to rendering (or receiving) a service can be reliably measured.

Income and expenses resulting from operations are established by a contract between counterparts or by other documents signed in conformity with current legislation of Ukraine.

Income is recognized as follows:
a) interest income: based on the effective interest method as prescribed by IAS 39;
b) royalties: on the accrual basis in accordance with the substance of a relevant agreement;
c) dividends: as the shareholders obtain the right to receive payouts.

Prerequisite for interest and royalties income recognition is the probability of economic benefit; dividends are recognized if they represent a reliably measured income.

Interest is recognized in the period when it is earned and measured using the basis of its calculation and the term of relevant assets' usage.

Expenses are recognized concurrently with the reduction of assets or increase of liabilities, leading to a decrease of equity (except for the decrease of equity resulted from divestment or distribution among shareholders), provided these expenses can be reliably measured.

Expenses are recorded in a specific period concurrently with recognition of income matched to these expenses.

If an asset provides receipt of economic benefits during several reporting periods, expenses are recognized through a systematic write-off of the asset's value (e.g., depreciation) during relevant reporting periods.

The Bank's expenses are recognized in the form of interest and commission expenses, expenses on a formation of asset impairment loss provision, other operational expenses, general administrative expenses and income tax expenses.

Expenses which are impossible to relate to an income of a specific period are reflected under expenses of the period when they are incurred.

For the trading operation in financial instruments gains and losses are recognized provided the following conditions have been satisfied:

- the purchaser has obtained substantially all risks and rewards related to ownership of the assets;
- the Bank does not retain any further involvement or control over the realized assets;
- the amount of income can be measured reliably;
- it is probable that the Bank will receive economic benefits from the transaction;
- the transaction costs can be measured reliably.

If income from service rendering is not reliably determinable, it is recognized in the amount of incurred expenses which are to be reimbursed.

Income is recognized in the amount of fair value of the assets that have been or will be received. In case of a deferred payment that results in a difference between the fair value and the face value of cash or cash equivalents due for rendered services and other assets, such difference is recognized as interest income.

The following criteria should be met for recognition of income in financial statements.

For all financial instruments carried at amortised cost and for interest-bearing financial instruments classified as financial assets at fair value through gain or loss, or financial assets available for sale, interest income or expense is reflected using the effective interest rate method, which accurately discounts the expected future expenses and income during the financial instrument's expected useful life, or a shorter period, where it is applicable, to the net carrying amount of the financial asset or liability.

The measurement allows for all contractual terms with regard to the instrument (e.g., for the right for an early repayment) and all premiums or additional expenses directly related to the financial instrument be an integral part of the effective interest rate, but excludes future credit losses.

The amounts of commissions, included into the carrying amount of financial instrument are determined by either discount or premium. In case when commissions, included into the carrying amount of financial instrument, are payable along with the obligation to provide such financial instrument, these amounts become subject to amortization from the date of the financial instrument's recognition on the book accounts.

The carrying amount of a financial asset or liability is adjusted when the Bank reconsiders its estimation of payments or receipts. The adjusted carrying amount is measured using the initial effective interest rate; and the changes of the carrying amount are reflected as interest income or expense.

In cases the value of a financial instrument or a group of similar financial instruments, reflected in financial statements, decreases resulting from impairment, the interest income remains to be recognized using the initial effective interest rate based on the new carrying amount.

Interest income and expense

Interest income and expense are reflected in accounting on an accrual basis, in conformity to the reporting period, and in accordance with the substance of the relevant agreement. Measurement of the interest income and expense is effected:

- on daily basis in automatic mode;
- on the last business day of the month and on the interest income and expense due date in manual mode, if the charge is not effected in automatic mode.

Calculation of interest income and expense on the last business day of the month is done over the period including the last calendar day of the current month.

When a financial asset of a group of similar financial assets is written off (partially written off) resulting from impairment loss, interest income is recognized using the interest rate that was used at discounting future cash flows to measure the impairment loss.

When it is probable that a loan commitment will eventuate into a loan, the commitment fee together with relevant direct costs are recognized as an adjustment to the effective interest rate of the issued loan. If it is improbable that the credit facility will be used, then the commissions are recognised as income proportional to time during the term of the commitment's validity.

Commission income and expense

Commission income is divided into two categories as follows:

- *Commission income for rendered services over a certain period*

Fees and commissions are received from rendered services over a certain period and accrued over that period. Such items include commission income and premiums from asset management, safe custody and other managerial and consulting services. Loan commitment fees, which will probably be used, and other commissions related to lending are carried over to the subsequent periods (together with any other incremental costs) and recognized as adjustments of the loan effective interest rate.

- *Commission income for rendered services in processed transactions*

Commissions received for carrying out or participation in negotiations on effecting transactions on behalf of a third party, for example, making an agreement on the purchase of shares or other securities, or a purchase or sale of company, are recognized after completion of the relevant operation. The commission or part of the commission related to certain profitability indicators is recognized after the relevant criteria are satisfied.

Identification of the nature of the commission is made in the period of drafting the financial instrument and development of the service tariff. Here at, if the commission can be separated from the financial instrument, it must be recognized under commission income/expense. The commissions embedded in the financial instrument and calculated in accordance with the determined effective interest rate for the financial instrument are recognized under interest income and expense.

The amount of a premium or components of a premium, related to certain kinds of activity, are recognized after verification of compliance with the relevant criteria.

Gains (losses) on trading - result (profit or loss) from operations of purchase and sale of various financial instruments. Including transactions with securities, foreign currency transactions under which the Bank recognizes gains and losses:

- from the sale of financial investments;
- changes in assessment (revaluation) of investments to fair value;
- from the revaluation of assets and liabilities in foreign currency in case of official rate change of hryvnia to foreign currencies.

Expenses for the formation of the Bank's special provision - costs to cover possible losses from impairment and write-offs of bad bank assets.

Staff costs

Payroll costs, contributions to national social security funds, paid annual holiday allowances, sickness benefits, bonuses and rewards in kind are charged in the year the relevant services are rendered by the employees. The staff costs include the formation of the provision for payment holiday allowances and bonuses.

Accounting of other income and expenses (other nonbanking operational income and expenses) is similar to that of commission income and expense, in compliance with the matching income-and-expenses principle. Thus, in particular, if the Bank has incurred expenses related to one or several future periods (e.g. subscription costs, insurance, membership fees, holiday allowance for the following months), they are reflected in expense accounts of future periods, with the subsequent regular charging to expense accounts.

Income tax – the Bank's operating expenses related to the payment of taxes in accordance with the current legislation of Ukraine and with the requirements of international accounting standards for the recognition of deferred tax liabilities and tax assets.

4.22 Revaluation of foreign currency

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

Transactions in foreign currencies are recognized in the presentation currency by converting the foreign currency amount using the official exchange rate of hryvnia to foreign currencies on the date of recognition of the assets, liabilities, equity, income and expenses.

All assets and liabilities in foreign currency are recognized on the balance sheet with distinction between monetary and non-monetary items. The monetary items in foreign currency are recognized in accounting in foreign currency and Ukrainian currency at the NBU exchange rate at the date of the transaction and are revaluated at the change of the official exchange rate for reporting purposes.

The monetary items, in particular, include the liability payable or receivable for received (supplied) non-current assets, works and services; interest and commission income and expenses of future periods related to operational banking activities; accrued reserves in foreign currency; all of these items are subject to revaluation related to changes of the exchange rate.

Non-monetary items, that is the lines for which the conclusive transaction is not related to cash or cash equivalent flows, are recognized in statements in Ukrainian Hryvnya (UAH) through translation at the official exchange rate at the date of advance payment in the case of purchase of stocks, non-current assets, received works and services, or at the date of receiving advance in the case of rendering service, completing works, realization of non-monetary assets. Thus, income and expenses arising from closing a non-monetary item are recognized at the exchange rate effective at the date of the cash flow.

Gains and loss resulting from translation of a transaction in foreign currency are recognized in the statement of profit and loss and other comprehensive income as a result from transactions in foreign currency – exchange rate difference.

In the statement of profit and loss and other comprehensive income the income and expenses with regard to instruments in foreign currency are recognized at the exchange rate effective at the date of originating such income and expenses, in conformity with the matching income and expense principle.

For the purpose of preparation of the Bank's financial statements foreign exchange transactions of the TOM and SPOT type are recognised using settlement date accounting.

Exchange transactions of the FORWARD type are recognized in off-balance accounts. Revaluation of such operations in the trading portfolio is done on a daily basis with recognition on the balance sheet with regard to the forward exchange rate.

In the statement of financial position the assets and liabilities in foreign currency are recognized at the NBU exchange rate as at the year end.

The following exchange rates (per unit) were applied for the preparation of these financial statements:

Currency	**31 December 2015**	**31 December 2014**
UAH / 1 US Dollar	24.000667	15.768556
UAH / 1 Euro	26.223129	19.232908

If income or loss per non-monetary item is recognized in other comprehensive income, any component of the currency of this income or loss is recognized in other comprehensive income. If income or loss per non-monetary item is recognized in profit or loss, any currency component of this profit or loss is recognized in profit or loss.

4.23 Employee benefits and related charges

Employee benefits are defined as:

- liability when an employee has provided service in exchange for employee benefits to be paid in the future;
- costs, the Bank utilizes economic benefit arising from service provided by an employee in exchange for employee benefits.

Employee benefits include:

a. Short-term employee benefits, such as wages, salaries and employee, social security contributions, paid annual leave and sick leave, profit-sharing and bonuses (if payable within twelve months after the end of the period) and non-monetary benefits (such as medical care, housing, cars and free or subsidized goods or services) for current employees;

b. post-employment benefits such as pensions, other pension provision, life insurance and health care employment;

c. Other long-term employee benefits, including additional leave for retirement or payable academic leave, payment of jubilee or other long-service benefits, payments on long-term disability and receiving profit-sharing, bonuses and deferred compensation if they are not payable wholly within twelve months after the end of the period;

d. termination benefits.

Employee benefits include benefits provided to either employees or their dependents and may be settled by payments (or the provision of goods or services) directly to employees, their wives / husbands, children or other dependents or to others such as insurance companies.

At these payments charged a single fee for obligatory state social insurance. Income tax and other deductions are kept under the Ukraine law from the funds that are accrued to employees.

Staff costs accruals are made in the year in which the associated services are rendered by employees of the Bank. Funds that are transfered in the form of accrued single contribution for obligatory state social insurance to the State Fiscal Service of Ukraine, are recognized as expenses when incurred by the Bank.

Provision for unused vacation is formed under the payment of leave and compensation provision. It is consisting of the amount for payment of vacations and a single fee charged on that amount. Expenses for payment of leave provision are recognized in staff costs.

4.24 Information on operating segments

Segment is a distinguishable component of the Bank that provides products or services (business segment), or is engaged in providing products or services within a particular economic environment (geographical segment) and is subject to risks and rewards that are different from those of other segments.

A segment is reported separately if most of its revenue is generated by operations in the main activity beyond the segment and simultaneously its performance indicators satisfy one of the criteria below:

- revenue by segment is 10 per cent or more of the combined revenue (including the banking operations within the segment);
- its financial result (income or loss) accounts for 10% or more of the greater, in absolute amount, of the combined reported profit of all operating segments;
- assets are 10 per cent or more of the combined assets;
- the total external revenue reported by operating segments must constitute not less than 75 per cent of the Bank's total revenue. If the aggregate revenue of identified reportable segments is below that threshold, additional operating segments must be identified as reportable segments to meet the quantitative revenue threshold set out above, even if such additional segments do not meet the set out thresholds (10% is the benchmark).

If the segment's indicators, identified in internal reporting, do not satisfy the criteria set out above, then:

- the segment may be identified a reportable segment if it has significance for the Bank in general and information on it is essential;
- it needs to carry out further consolidation of two or several similar segments;
- indicators of dissimilar segments are included to aggregated items, and the indicators of the reportable segments and the Bank in general must be reconciled to these items.

The basis for allocating of revenues and expenses by segment is active and passive operation that are directly provided to certain groups of customers.

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

Proceeds of reporting segment are considered as income that are directly related to the segment and the relevant part of the Bank's income attributable to the segment of external activities or transactions between other segments within the Bank.

Costs of reporting segment are considered as expenses that are related to the main business segment which is directly related to and relevant part of the costs that can be reasonably attributed to the segment and including the costs of external activities and costs associated with other segments within Bank.

The Bank operates in one geographical segment on the territory of Ukraine, so reporting for geographical segments is not provided.

4.25 Share-based payments

Certain employees of the Bank participate in the share option plan that, based on certain conditions, allows them to purchase shares of Citigroup, Inc., and the expense associated with this plan is calculated and accrued by the Bank.

The scheme envisages transacting with employees in shares, provided they continue their employment with the Bank.

Recognition of disbursements in Bank's shares is conducted in accordance with IFRS 2 "Share-based Payments" (hereinafter: IFRS 2). In accordance with amendments made to IFRS 2 with regard to transactions among related parties, which became effective 1 January 2010, in its individual or separate financial reporting the entity receiving services recognizes the transaction as a share-based payment, where the settlement is made in either shares or cash through evaluation of:

- character of provided rewards;
- own rights and obligations.

The amount of received services recognized by the Bank may differ from the amount recognized by the Group or other company within the Group that performs the share-based transaction settlement.

The Bank's expenses with regard to share-based payments are recognized together with a simultaneous increase in the equity during the option vesting period. Aggregate costs under the scheme are recognized at each balance-sheet date until the liability is settled, proportionally during the period which expires, based on the Bank's best evaluation of the number of shares to be granted as a reward. Costs reflecting changes in accrued expenses at the beginning and at the end of the reporting period are recognized as other staff costs.

If the terms and conditions of the share-based payments are modified, the costs are recognized, as a minimum, at the amount of the original equity instruments, on condition the original terms and conditions of the reward are satisfied. Besides, incremental costs, which increase the total fair value of the grant, are recognized according to evaluation as at the date of the modification. If the share-based payment is cancelled, it is accounted for as acceleration of the vesting period and therefore any amount unrecognised that would otherwise have been charged is recognised immediately.

4.26 Transactions with related parties

In accordance with IAS 24 "Disclosure of related parties" related parties are considered as one of which has the ability to control the other, is under common control or may have a significant influence in making operating and financial decisions.

The substance of the relationship is taken account when considering each possible related party and not only the legal form. Terms of transactions with related parties are set at the time of the transactions.

Related parties to the Bank are members of the Supervisory Board, Management and members of their families, entities, entities that are under common control.

The Bank assesses credit risks associated with lending to related parties and manages them based on standards set by the National Bank of Ukraine.

Key management personnel are: Chairman and members of the Supervisory Board, the Management Board; Chairman of the Credit and Tariff Committee of the Bank, acting Chief Accountant, Head of Internal Audit.

In the normal course of business, the Bank provides loans and advances to customers, attracts deposits and performs other transactions with related parties.

4.27 Critical accounting estimates and judgments in applying of accounting policy

In the application of the Bank's accounting policy the management made judgments, except accounting assumptions, which had the most significant influence on the figures reflected in the Financial Statements:

Classification of securities

The Bank's investment securities portfolio includes Ukrainian state bonds. At the initial recognition the Bank classifies securities as financial assets with fair value changes recognised as profit or loss (in the trading portfolio or as other financial assets with fair value changes recognised as profit or loss), or as financial assets available for sale, with fair value changes recognised in other comprehensive income.

Estimation uncertainties

In application of the accounting policy the Bank's management used judgments and made estimates in identification of amounts reflected in the financial Statements. The most significant application of judgment and estimation was required in identification of fair value of financial assets and loans and receivables impairment loss provision.

Going concern assumption

The Bank's management carried out an assessment as to the Bank's ability of going concern and ascertained that the Bank has the resources for continual operation in the foreseeable future. To this matter, the Bank's management is unaware of any major uncertainties that might result in significant doubts in the Bank's ability to carry out continuing operation. Hence, the preparation of the financial statements was based on the going concern assumption.

Fair value of financial instruments

In the cases when the fair value of financial assets and financial liabilities, that are recognized in the Statement of Financial Position, cannot be identified through observation of the active markets, it is established through application of a set of evaluation techniques that involve application of mathematical models. The in-parameters of the models include observable market information. In cases of impossibility to do so, identification of the fair value is arrived at through the use of certain judgments.

Loan-and-receivables impairment loss provision

The Bank regularly analyses the loans and receivables for impairment. The Bank uses its judgment while assessing the impairment losses in situations when the borrower suffers from financial difficulties and a sufficient extent of information about similar borrowers is unavailable. In a similar manner, the Bank evaluates the changes of future cash flows, based on observation data, indicating adverse changes in the status of borrowers' loan repayments within a group, or changes in the national or local economic environment, that correlate with defaults on obligations in assets within a group.

The Bank's management uses estimates based on historical data in credit loss history, with regard to assets with similar characteristics of credit risk and objective indicators of impairment loss per groups of loans and receivables. The Bank uses its judgment in adjusting observation findings with regard to loan groups or receivables to reflect the current circumstances.

Deferred tax

The management's judgment is necessary for identifying the amount of the deferred income tax provision, which can be estimated based on the probable cash flow terms and the size of future taxable income, together with the taxation planning strategy.

Initial recognition of related party transactions

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

Note 5 New and Amended Accounting Standards

For the preparation of these financial statements, the following new or amended standards are mandatory for the first time for the financial year beginning 1 January 2015 (the list does not include information about new or amended requirements that affect interim financial reporting or first-time adopters of IFRS since they are not relevant to these financial statements of the Bank prepared in accordance with IFRS):

Amendment to IAS 16 and IAS 38 (Annual Improvements to IFRSs 2010–2012 Cycle, issued in December 2013) – the amendment, applicable to annual periods beginning on or after 1 July 2014, clarifies how the gross carrying amount and the accumulated depreciation / amortisation are treated where an entity uses the revaluation model. These changes have not significantly affected the financial statements of the Bank.

Amendments to IAS 19 titled Defined Benefit Plans: Employee Contributions (issued in November 2013) – the amendments, applicable retrospectively to annual periods beginning on or after 1 July 2014, clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In particular, contributions that are independent of the number of years of service can be recognised as a reduction in the service cost in the period in which the related service is rendered (instead of attributing them to the periods of service). As the Bank has no post-employment benefit plans requiring employees or third parties to meet some of the cost of the plan, the application of the amendments had no effect on the Bank's financial statements.

Amendment to IAS 24 (Annual Improvements to IFRSs 2010–2012 Cycle, issued in December 2013) - the amendment, applicable to annual periods beginning on or after 1 July 2014, clarifies how payments to entities providing key management personnel services are to be disclosed. These changes had no effect on the Bank's financial statements.

Amendment to IAS 40 (Annual Improvements to IFRSs 2011–2013 Cycle, issued in December 2013) - the amendment, applicable to annual periods beginning on or after 1 July 2014, clarifies that IFRS 3 and IAS 40 are not mutually exclusive: while IAS 40 assists preparers to distinguish between investment property and owner-occupied property, IFRS

3 helps them to determine whether the acquisition of an investment property is a business combination. These changes had no effect on the Bank's financial statements.

Amendment to IFRS 3 (Annual Improvements to IFRSs 2011–2013 Cycle, issued in December 2013) - the amendment, applicable prospectively to annual periods beginning on or after 1 July 2014, clarifies that IFRS 3 excludes from its scope the accounting for the formation of any joint arrangement in the financial statements of the joint arrangement itself. These changes had no effect on the Bank's financial statements.

Amendment to IFRS 8 (Annual Improvements to IFRSs 2010–2012 Cycle, issued in December 2013) - the amendment, applicable to annual periods beginning on or after 1 July 2014, requires disclosure of the judgements made by management in applying the aggregation criteria to operating segments, and clarifies that reconciliations of the total of the reportable segments' assets to the entity's assets are required only if the segment assets are reported regularly. Due to the fact that shallow segments are not combined into one larger. had no effect on the Bank's financial statements.

Amendment to IFRS 13 (Annual Improvements to IFRSs 2011–2013 Cycle, issued in December 2013) - the amendment, applicable to annual periods beginning on or after 1 July 2014, clarifies that the portfolio exception in IFRS 13 - allowing 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 non-financial) within the scope of IAS 39 / IFRS 9. had no effect on the Bank's financial statements.

New and amended standards in issue **but not yet** effective:

The Bank has not applied the following new or amended standards that have been issued by the IASB, but are not yet effective for the year beginning 1 January 2015 (the list does not include information about new or changed requirements that affect the interim financial statements or first-time adopters of IFRS - such as IFRS 14 *Regulatory deferral accounts* (issued in January 2014) since they are not relevant to IFRSnot apply to the financial statements prepared under IFRS).

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

- Amendments to IAS 1 titled Disclosure Initiative (issued December 2014) - Changes will apply to annual reporting periods beginning January 1, 2016 or after and explain the position of standard of materiality and aggregation (generalization) presentation of interim results, the structure of the financial statements and the disclosure of accounting policies. The amendments are not expected to have a material effect on the Bank's financial statements.
- Amendments to IAS 16 and IAS 38 titled Clarification of Acceptable Methods of Depreciation and Amortisation (issued in May 2014) – the amendments add guidance and clarify that (i) the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset, and (ii) revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset; however, this presumption can be rebutted in certain limited circumstances. They are prospectively effective for annual periods beginning on or after 1 January 2016. The Management do not anticipate any effect on the Banks's financial statements.
- Amendment to IAS 19 (Annual Improvements to IFRSs 2012–2014 Cycle, issued in September 2014) - the amendment, applicable to annual periods beginning on or after 1 January 2016, clarifies that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid. The amendment is not expected to have an effect on the Bank's financial statements.
- Amendments to IAS 27 titled Equity Method in Separate Financial Statements (issued in August 2014) – the amendments, applicable to annual periods beginning on or after 1 July 2016, reinstate the equity method option allowing entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. It is not applicable to the Bank as it deals only with separate financial statements.
- Amendment to IFRS 5 (Annual Improvements to IFRSs 2012–2014 Cycle, issued in September 2014) - the amendment, applicable prospectively to annual periods beginning on or after 1 January 2016, adds specific guidance when an entity reclassifies an asset (or a disposal group) from held for sale to held for distribution to owners, or vice versa, and for cases where held-for-distribution accounting is discontinued. The amendment is not expected to have an effect on the Bank's financial statements.

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

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

- IFRS 9 requires all recognised financial assets to be subsequently measured at amortised cost or fair value (through profit or loss or through other comprehensive income), depending on their classification by reference to the business model within which they are held and their contractual cash flow characteristics.
- For financial liabilities, the most significant effect of IFRS 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch.
- For the impairment of financial assets, IFRS 9 introduces an "expected credit loss" model based on the concept of providing for expected losses at inception of a contract; it will no longer be necessary for there to be objective evidence of impairment before a credit loss is recognised.
- For hedge accounting, IFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risk exposures.
- The derecognition provisions are carried over almost unchanged from IAS 39.

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

- Amendments to IFRS 10 and IAS 28 titled Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (issued in September 2014) – the amendments, applicable prospectively to annual periods beginning on or after 1 January 2016, address a current conflict between the two standards and clarify that gain or loss should be recognised fully when the transaction involves a business, and partially if it involves assets that do not constitute a business. This is not expected to have an effect on the Bank's financial statements.
- Amendments to IFRS 10, IFRS 12 and IAS 28 Investment entities: application of exception in consolidation (issued December 2014). The changes, which will apply to annual reporting periods beginning January 1, 2016 or after, will clarify the application of the exception in consolidation requirements for investment entities and their affiliates. This is not expected to have an effect on the Bank's financial statements.
- Amendments to IFRS 11 titled Accounting for Acquisitions of Interests in Joint Operations (issued in May 2014) – The amendments, applicable prospectively to annual periods beginning on or after 1 July 2016, require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3) to apply all of the business combinations accounting principles and disclosure in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11. The amendments apply both to the initial acquisition of an interest in a joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not remeasured). This is not expected to have an effect on the Bank's financial statements.
- IFRS 15 Revenue from Contracts with Customers (issued in May 2014) - the new standard, effective for annual periods beginning on or after 1 January 2017, replaces IAS 11, IAS 18 and their interpretations (SIC-31 and IFRIC 13, 15 and 18). It establishes a single and comprehensive framework for revenue recognition to apply consistently across transactions, industries and capital markets, with a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures, and new or improved guidance (eg the point at which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract, etc.). The Management anticipate that IFRS 15 will be adopted in the Bank's financial statements when it becomes mandatory and that the application of the new standard might have a significant effect on amounts reported in respect of the Bank's revenue. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

Note 6 Cash and Cash Equivalents

Table 6.1. Cash and cash equivalents for the purposes of the Statement of Financial Position

(in thousands of hryvnias)

Items	2015	2014
Cash on hand	22 001	25 498
Cash balances with the National Bank of Ukraine (other than mandatory reserve deposits)	1 942 240	522 594
Correspondent accounts, deposits and overnight placements with the banks of:	3 033 363	982 158
- Ukraine	7 953	7 548
- other countries	3 025 410	974 610
Total cash and cash equivalents	**4 997 604**	**1 530 250**

All of the Bank's cash balances are on correspondent accounts with the investment grade counterparty banks and other banks that are neither bankrupt nor under liquidation. Data per geographical concentration are provided in Note 30.

In order to improve and increase efficiency of the use of mechanisms for regulation of monetary market, National Bank of Ukraine amended its Resolution N 371 from 19.09.2013 "On certain issues on regulation of the monetary market" by Resolution N 480 from 08.08.2014. In particular, it abolished the requirement to form mandatory reserves on a separate account with the National Bank. After these amendments became effective banks have to create and keep whole amount of mandatory reserves on its correspondent account with the National Bank of Ukraine. For the purposes of these financial statements cash and cash equivalents were reduced by the amount of mandatory reserves of the Bank.

For the purposes of the Statement of Cash Flows for 2015 and 2014 the banking overdrafts in the amount of UAH 2 thousand and UAH 16 thousand respectively were included into the cash and cash equivalents as far as the Bank overdraft from the parent Bank forms an integral part of the Bank's cash management.

Cash and cash equivalents for the purposes of the Statement of Cash Flows are represented as follows:

Table 6.2. Cash and cash equivalents for the purposes of the Statement of Cash Flows

(in thousands of hryvnias)

Items	2015	2014
Cash on hand	22 001	25 498
Cash balances with the National Bank of Ukraine (other than mandatory reserve deposits)	1 942 240	522 594
Correspondent accounts, deposits and overnight placements with the banks of:	3 033 361	982 142
- Ukraine	7 953	7 548
- other countries	3 025 408	974 594
Total cash and cash equivalents	**4 997 602**	**1 530 234**

Note 7 Financial Assets at Fair Value Through Profit or Loss

Table 7.1 Financial Assets at fair value through profit or loss

(in thousands of hryvnias)

Items	2015	2014
State bonds	599 336	398 764
Total financial asets at fair value through profit or loss	**599 336**	**398 764**

As at 31 December 2015 financial assets carried at fair value with recognition of revaluation through profit or loss are presented by Ukrainian state bonds with an embedded option in the amount of UAH 599 336 thousand. According to the option terms repayment of securities nominal value is related to the exchange rate of UAH/USD change in the period from the date of their issuance to the date of their repayment. The nominal value to be paid on repayment of bonds will be adjusted in the amount of devaluation of UAH in relation to the USD. The nominal value of bonds will not be reduced even if the value of UAH raise in relation to the USD. The securities redemption is conducted in UAH. The terms of redemption of the securities is September 2016. Nominal interest rate is 8.75%.

As at 31 December 2014 financial assets carried at fair value with recognition of revaluation through profit or loss are presented by Ukrainian state bonds with an embedded option in the amount of 398 764 thousand of UAH. According to the option terms repayment of securities nominal value is related to the exchange rate of UAH/USD change in the period from the date of their issuance to the date of their repayment. The nominal value to be paid on repayment of bonds, will be adjusted in the amount of devaluation of value in UAH in relation to the USD. The nominal value of bonds will not be reduced even if the value of UAH raise in relation to the USD. The securities redemption is conducted in UAH. The terms of redemption of the securities is September 2016. Nominal interest rate is 8.75%.

Table 7.2 Analysis of Financial Assets at fair value through profit or loss by credit quality for 2015

(in thousands of hryvnias)

Items	**Ukrainian state bonds**	**Total**
Debt securities (at fair value) which are not past due:	599 336	599 336
government institutions and government-financed entities	599 336	599 336
Total financial assets at fair value through profit or loss	**599 336**	**599 336**

Table 7.3 Analysis of Financial Assets at fair value through profit or loss by credit quality for 2014

(in thousands of hryvnias)

Items	**Ukrainian state bonds**	**Total**
Debt securities (at fair value) which are not past due:	398 764	398 764
government institutions and government-financed entities	398 764	398 764
Total financial assets at fair value through profit or loss	**398 764**	**398 764**

Note 8 Due from Other Banks

Table 8.1 Due from other banks

(in thousands of hryvnias)

Items	**2015**	**2014**
Deposits with other banks:	27 251	17 899
long-term deposits	27 251	17 899
Total due from other banks	**27 251**	**17 899**

As at 31 December 2015 and 2014 the deposits with other banks included a long-term deposit that is used as a security for card transactions. Accrued interests, included to deposits with other banks, as at 31 December 2015 and 31 December 2014 amount to UAH 11 thousand and UAH 2 thousand respectively.

The maximum credit risk rate per one counterparty on funds in other banks as at 31 December 2015 and 31 December 2014 amount to UAH 27 251 thousand and UAH 17 899 thousand respectively.

Table 8.2 Analysis of due from other banks by credit quality for 2015

(in thousands of hryvnias)

Items	**Deposits**	**Total**
Neither past due nor impaired:	27 251	27 251
with 20 the biggest banks	27 251	27 251
Total due from other banks	**27 251**	**27 251**

Table 8.3 Analysis of due from other banks by credit quality for 2014

(in thousands of hryvnias)

Items	Deposits	Total
Neither past due nor impaired:	17 899	17 899
with 20 the biggest banks	17 899	17 899
Total due from other banks	**17 899**	**17 899**

Note 9 Loans and Advances to Customers

Table 9.1 Loans and Advances to Customers

(in thousands of hryvnias)

Items	2015	2014
Corporate loans	2 681 195	2 558 067
Mortgage loans to individuals	73 668	80 253
Loans to individuals – consumer loans	3 787	6 723
Allowance for loan impairment	(22 650)	(38 279)
Total loans and advances to customers less allowance for impairment	**2 736 000**	**2 606 764**

As at 31 December 2015 the credit concentration as to ten biggest third-party borrowers amounts to UAH 2 336 044 thousand or 84.7% of the Bank's loan portfolio outstanding. The amount of created impairment allowance for these loans is UAH 15 322 thousand.

As at 31 December 2014 the credit concentration as to ten biggest third-party borrowers amounts to UAH 1 712 544 thousand or 64.7% of the Bank's credit portfolio outstanding. The amount of created impairment allowance for these loans is UAH 36 838 thousand.

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

(in thousands of hryvnias)

Movement in allowance for loan impairment	Corporate loans	Mortgage loans to individuals	Loans to individuals – consumer loans	Total
Balance at 1 January 2015	**38 134**	**144**	**1**	**38 279**
Increase/ (decrease) in allowance for loan impairment for the year	26 589	692	(1)	27 280
Write-off of bad debt	(42 909)	-	-	(42 909)
Balance at 31 December 2015	**21 814**	**836**	**-**	**22 650**

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

(in thousands of hryvnias)

Movement in allowance for loan impairment	Corporate loans	Mortgage loans to individuals	Loans to individuals – consumer loans	Total
Balance at 1 January 2014	**43 123**	**108**	**1**	**43 232**
Increase/ (decrease) in allowance for loan impairment for the year	(4 989)	36	-	(4 953)
Balance at 31 December 2014	**38 134**	**144**	**1**	**38 279**

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

(in thousands of hryvnias)

Economic activity	2015		2014	
	Amount	%	Amount	%
Activities in the field of wireless telecommunications	1 070 849	38,82	-	-
Trade, repair of motor vehicles, household and consumer goods	888 476	32,20	1 711 014	64,68
Processing	651 775	23,63	562 808	21,28
Loans to individuals	77 455	2,81	86 976	3,29
Mining	40 310	1,46	-	0,00
Agriculture, forestry and fishing	17 570	0,64	520	0,02
Auxiliary services in transportation sector	6 250	0,23	-	-
Science and engineering	5 517	0,20	282 421	10,68
Warehousing	329	0,01	777	0,03
Other	119	-	527	0,02
Total loans and advances to customers before impairment	**2 758 650**	**100**	**2 645 043**	**100**

Table 9.5 Information on collateral as at 31 December 2015

(in thousands of hryvnias)

Items	Corporate loans	Mortgage loans to individuals	Loans to individuals – consumer loans	Total
Unsecured loans	841 886	-	3 787	845 673
Loans collateralised by:				
real estate,	-	73 668	-	73 668
including residential property	-	73 668	-	73 668
investment banks guarantees	1 660 651	-	-	1 660 651
other assets	178 658	-	-	178 658
Total loans and advances to customers before impairment	**2 681 195**	**73 668**	**3 787**	**2 758 650**

Table 9.6 Information on collateral as at 31 December 2014

(in thousands of hryvnias)

Items	Corporate loans	Mortgage loans to individuals	Loans to individuals – consumer loans	Total
Unsecured loans	1 037 244	596	6 723	1 044 564
Loans collateralised by:				
real estate,	-	79 656	-	79 656
including residential property	-	79 656	-	79 656
investment banks guarantees	1 296 077	-	-	1 296 077
other assets	224 746	-	-	224 746
Total loans and advances to customers before impairment	**2 558 067**	**80 253**	**6 723**	**2 645 043**

Tables 9.5 and 9.6 provide information on all kinds of collateral security, received by the Bank, including security that is not taken into calculation of the loan loss provision. The receipt of security is considered by the Bank as an additional instrument of decreasing the credit risk, with regard to the level of its liquidity. In the Tables the value of security does not exceed the value of the secured liability.

Table 9.7 Analysis of loans by credit quality as at 31 December 2015

(in thousands of hryvnias)

Items	**Neither past due nor impaired**				**Not past due and individual-lly impaired**	**Total**
	High rating	**Standard rating**	**Below standard rating**	**No rating**		
Corporate loans, including:	410 338	2 051 788	219 068	-	-	2 681 195
large borrowers with credit history over 2 years	-	778 186	206 623	-	-	984 810
new large borrowers	62 063	1 077 100	2 972	-	-	1 142 135
loans to medium-size business entities	341 952	196 156	9 372	-	-	547 479
loans to small-size business entities	6 324	347	101	-	-	6 772
Mortgage loans to individuals	-	-	-	73 668	-	73 668
Loans to individuals – consumer loans	-	-	-	3 787	-	3 787
Allowance for loan impairment	(77)	(1 084)	(20 654)	(835)	-	(22 650)
Total loans and advances to customers less allowance for impairment	**410 261**	**2 050 705**	**198 414**	**76 620**	**-**	**2 736 000**

Depending on the number of the employed staff and volume of revenue from the sale of products per year, business entities are categorized as small, medium or large as follows:

- Small enterprises (regardless of the form of ownership) are the business entities employing an average of 50 or less staff over the reporting year, whose revenue from the sale of products (works, services) over this period does not exceed UAH 70 million;

- Large enterprises are business entities with an average number of staff over the reporting (financial) year exceeding 250 employees, whose revenue from the sale of products (works, services) over this period does exceeds UAH 100 million.

All other enterprises are categorized as medium.

Table 9.8 Analysis of loans by credit quality as at 31 December 2014

(in thousands of hryvnias)

Items	**Neither past due nor impaired**				**Not past due and individually impaired**	**Total**
	High rating	**Standard rating**	**Below standard rating**	**No rating**		
Corporate loans, including:	843 398	1 517 538	113 014	-	84 118	2 558 067
large borrowers with credit history over 2 years	521 315	1 018 153	18	-	84 118	1 623 604
new large borrowers	19	20 314	112 494	-	-	132 827
loans to medium-size business entities	322 065	476 832	502	-	-	799 399

loans to small-size business entities	-	2 238	-	-	-	2 238
Mortgage loans to individuals	-	-	-	80 253	-	80 253
Loans to individuals – consumer loans	-	-	-	6 723	-	6 723
Allowance for loan impairment	(185)	(2 635)	(10 660)	(145)	(24 654)	(38 279)
Total loans to customers less allowance for impairment	**843 213**	**1 514 903**	**102 354**	**86 831**	**59 464**	**2 606 764**

Table 9.9 Effect of collateral value on credit quality as at 31 December 2015

(in thousands of hryvnias)

Items	**Carrying amount**	**Expected cash flows from collateral**	**Effect of collateral**
Corporate loans	2 681 195	1 839 309	841 886
Mortgage loans to individuals	73 668	73 668	-
Loans to individuals – consumer loans	3 787	-	3 787
Allowance for impairment	(22 650)		
Total	**2 736 000**	**1 912 977**	**845 673**

Table 9.10 Effect of collateral value on credit quality as at 31 December 2014

(in thousands of hryvnias)

Items	**Carrying amount**	**Expected cash flows from collateral**	**Effect of collateral**
Corporate loans	2 558 067	1 520 823	1 037 244
Mortgage loans to individuals	80 253	79 656	596
Loans to individuals – consumer loans	6 723	-	6 723
Allowance for impairment	(38 279)		
Total	**2 606 764**	**1 600 479**	**1 044 564**

Tables 9.9 and 9.10 provide information on all kinds of collateral, received by the Bank, including collateral that is not taken into calculation of the allowance for impairment loss. The receipt of collateral is considered by the Bank as an additional instrument of decreasing the credit risk, with regard to the level of its liquidity. In the Tables above the value of security does not exceed the value of the secured liability.

At the time of the loan disbursement the market value of the collateral is determined by an independent expert appraiser who has appropriate appraiser qualification certificate, according to the Law of Ukraine "On the assessment of property, property rights and professional valuation activity in Ukraine." In majority of cases appraiser uses comparative and cost methods to determine a market value.

Note 10 Investment Securities Available for Sale

Table 10.1 Investment securities available for sale

(in thousands of hryvnias)

Items	**2015**	**2014**
Debt securities:	7 352 673	5 810 066
deposit certificates of NBU	7 256 652	5 251 266
Ukrainian state bonds	96 021	558 800
Total investment securities available for sale	**7 352 673**	**5 810 066**

As at 31 December 2015 the Bank's investment securities available for sale are represented by deposit certificates of NBU in the amount of UAH 7 352 673 thousand with maturity in January 2016. The nominal interest rates on deposit certificates vary from 7.5% to 11%. Besides, as at 31 December 2015 securities portfolio of the Bank includes Ukrainian state bonds in the amount of UAH 96 021 thousand with maturity in May 2018. The nominal interest rates on Ukrainian state bonds is 14.25%.

As at 31 December 2014 the Bank's investment securities available for sale are represented by deposit certificates of NBU in the amount of UAH 5 251 266 thousand with maturity in January 2015. The nominal interest rates on deposit certificates vary from 7.5% to 11%. Besides, as at 31 December 2014 securities portfolio of the Bank includes Ukrainian state bonds in the amount of UAH 558 800 thousand with maturities from September 2015 till May 2018. The nominal interest rates on Ukrainian state bonds vary from 0% to 14.25%.

Table 10.2 Analysis of debt securities available for sale by credit quality as at 31 December 2015

(in thousands of hryvnias)

Items	Deposit certificates of NBU	Ukrainian state bonds	Total
Neither past due nor impaired:	7 256 652	96 021	7 352 673
issued by government institutions and enterprises	7 256 652	96 021	7 352 673
Total debt securities available for sale	**7 256 652**	**96 021**	**7 352 673**

Table 10.3 Analysis of debt securities available for sale by credit quality as at 31 December 2014

(in thousands of hryvnias)

Items	Deposit certificates of NBU	Ukrainian state bonds	Total
Neither past due nor impaired:	5 251 266	558 800	5 810 066
issued by government institutions and enterprises	5 251 266	558 800	5 810 066
Total debt securities available for sale	**5 251 266**	**558 800**	**5 810 066**

Note 11 Premises, Equipment and Intangible Assets

(in thousands of hryvnias)

Items	Premises	Machines and equipment	Motor vehicles	Equip-ment, tools, furniture	Other property, and equip-ment	Other non-current tangible assets	Capital expendi-tures in property, equip-ment and intangible assets	Intan-gible assets	Total
Carrying amount at the beginning of the previous period:	**29 622**	**2 345**	**272**	**75**	**802**	**-**	**1 268**	**725**	**35 108**
Initial (revalued) cost	37 742	9 454	3 362	3 981	3 296	109	1 267	7 207	66 418
Accumulated depreciation at the beginning of the previous year	(8 120)	(7 109)	(3 090)	(3 906)	(2 494)	(109)	-	(6 482)	(31 310)
Additions	-	270	752	14	1 704	3 685	8 434	9	14 868
Improvement of Premises and Equipment and Intangible Assets	132	-	-	-	-	-	-	318	450
Disposals	-	-	(8)	-	-	-	(8 480)	-	(8 488)
Depreciation	(775)	(822)	(287)	(42)	(279)	(409)	-	(431)	(3 045)
Impairment	-	-	-	-	-	-	(1 192)	-	(1 192)

Carrying amount at the end of the previous period:	**28 979**	**1 793**	**728**	**47**	**2 227**	**3 276**	**29**	**621**	**37 700**
Initial (revalued) cost	37 874	9 724	3 676	3 995	5 000	3 703	29	7 534	71 535
Accumulated depreciation at the end of the previous period (at the beginning of the current period)	(8 895)	(7 931)	(2 948)	(3 948)	(2 773)	(427)	-	(6 913)	(33 835)
Additions	-	298	-	437	986	163	8 065	18	9 967
Improvement of Premises and Equipment and Intangible Assets	4 658	-	-	-	-	-	-	323	4 981
Disposals	(397)	-	-		-	-	(8 026)	-	(8 423)
Depreciation	(841)	(762)	(287)	(114)	(545)	(992)		(518)	(4 059)
Carrying amount at the end of the reporting period	**32 399**	**1 329**	**441**	**370**	**2 668**	**2 447**	**68**	**444**	**40 166**
Initial (revalued) cost	41 457	7 583	3 598	4 432	5 741	3 866	68	7 175	73 920
Accumulated depreciation at the end of the reporting period	(9 058)	(6 254)	(3 157)	(4 062)	(3 073)	(1 419)	-	(6 731)	(33 754)

As at 31 December 2015 the Bank does not have premises and equipment or intangible assets with legal restrictions on their title, use and disposal; fixed or intangible assets under encumbrance; fixed assets that are temporarily out of use (conservation, renovation, etc); or premises and equipment withdrawn from use and held for sale.
The initial cost of fully depreciated property and equipment as at 31 December 2015 amounts to UAH 19 753 thousand (as at 31 December 2014 - UAH 15 165 thousand.)

During 2015 the Bank did not recognize impairment of fixed assets. During 2014 the Bank recognized impairment of investments in fixed assets in the amount of UAH 1 192 thousand.

Carrying amount of premises and equipment, temporary out of usage (conservation, renovation, etc) as at 31 December 2014 amounted to UAH 11 thousand.

Items of premises and equipment are carried at their cost price less any accumulated depreciation and any accumulated impairment losses. If necessary, the fair value of the items is determined based on reports of independent appraisers by using comparative, income or cost methods.

Note 12 Other Financial Assets

Table 12.1 Other financial assets

(in thousands of hryvnias)

Items	**2015**	**2014**
Receivables on settlements	13 866	11 028
Receivables on payment cards transactions	171	31
Other financial assets	5 360	815
Allowance for impairment losses of other financial assets	(13 909)	(11 033)
Total other financial assets less allowance for impairment	**5 488**	**841**

Receivables include amounts that were written-off from the Bank's correspondent account in foreign currency and measures are taken to return them.

Other financial assets include receivables on settlements with VISA payment system in the amount of UAH 4 389 thousand as at December 31, 2015.

Table 12.2 Analysis of changes in allowance for impairment losses of other financial assets for 2015

(in thousands of hryvnias)

Movement in allowances	Other financial assets	Receivables on settlements	Total
Balance as at 1 January 2015	**5**	**11 028**	**11 033**
Increase/(decrease) in allowance for impairment for the period	75	2 838	2 913
Write-off of bad debt	(37)	-	(37)
Balance as at 31 December 2015	**43**	**13 866**	**13 909**

Table 12.3 Analysis of changes in allowance for impairment losses of other financial assets for 2014

(in thousands of hryvnias)

Movement in allowances	Other financial assets	Receivables on settlements	Total
Balance as at 1 January 2014	**6**	**-**	**6**
Increase/(decrease) in allowance for impairment for the period	22	11 028	11 050
Write-off of bad debt	(23)	-	(23)
Balance as at 31 December 2014	**5**	**11 028**	**11 033**

Table 12.4 Analysis of credit quality of other financial assets as at 31 December 2015

(in thousands of hryvnias)

Items	Receivables on payment cards transactions	Receivables on settlements	Other financial assets	Total
Neither past due nor impaired:	171	-	5 209	5 380
large borrowers with credit history over 2 years	-	-	4 913	4 913
individuals	171	-	296	467
Past due but not impaired:	-	-	102	102
up to 31 days past due	-	-	102	102
Impaired, individually assessed:	-	13 866	49	13 915
32 to 92 days past due	-	-	12	12
93 to 183 days past due	-	-	29	29
184 to 365 days past due	-	5 872	8	5 880
past due more then 366 (367) days	-	7 994	-	7 994
Total other financial assets before allowance	171	13 866	5 360	19 397
Allowance for impairment of other financial assets	-	(13 866)	(43)	(13 909)
Total other financial assets less allowance for impairment	**171**	**-**	**5 317**	**5 488**

Table 12.5 Analysis of credit quality of other financial assets as at 31 December 2014

(in thousands of hryvnias)

Items	Receivables on payment cards transactions	Receivables on settlements	Other financial assets	Total
Neither past due nor impaired:	31	5 576	628	6 235
large borrowers with credit history over 2 years	-	5 576	555	6 131
individuals	31	-	73	104
Past due but not impaired:	-	-	2	2

up to 31 days past due	-	-	2	2
Impaired, individually assessed:	-	5 452	187	5 639
up to 31 days past due	-	-	127	127
32 to 92 days past due	-	884	53	937
93 to 183 days past due	-	1 976	7	1 983
184 to 365 days past due	-	2 592	-	2 592
Total other financial assets before allowance	31	11 028	815	11 874
Allowance for impairment of other financial assets	-	(11 028)	(5)	(11 033)
Total other financial assets less allowance for impairment	**31**	**-**	**810**	**841**

Note 13 Other Assets

(in thousands of hryvnias)

Items	2015	2014
Receivables on purchase of assets	422	2 501
Pre-paid services	1 283	497
Deferred expenses	4 675	4 544
Other assets	79	136
Total other assets	**6 459**	**7 678**

Note 14 Due to Other Banks

(in thousands of hryvnias)

Items	2015	2014
Correspondent accounts and overnight placements of other banks	67 642	150 899
Total due to other banks	**67 642**	**150 899**

As at 31 December 2015 and 31 December 2014 the Bank has no funds received on terms of repurchase agreement.

During 2015 the Bank did not receive loans from the National Bank. Over 2014 the Bank has borrowed and repaid a loan to National Bank of Ukraine under repo agreement in the amount of UAH 250 000 thousand.

Note 15 Due to customers

Table 15.1 Due to customers

(in thousands of hryvnias)

Items	2015	2014
Government and public organisations:	**21 542**	**2 898**
current accounts	21 542	2 898
Other legal entities:	**12 891 316**	**7 203 581**
current accounts	11 927 434	7 203 581
term deposits	963 882	-
Individuals:	**2 928**	**16 760**
current accounts	2 928	16 760
Total due to customers	**12 915 786**	**7 223 239**

Information on due to customers, which are obtained by the Bank as a coverage for credit risk on credit transactions, is disclosed in the Note 32.

The Bank has no significant concentrations of customer deposits.

Table 15.2 Due to customers by economic sector

(in thousands of hryvnias)

Sector	2015		2014	
	Amount	%	Amount	%
Processing	3 801 279	29,43	1 542 729	21,36
Trade	3 545 534	27,45	3 061 476	42,38
Professional, science, and technical activity	1 626 910	12,60	1 349 725	18,69
Construction	1 188 562	9,20	28 779	0,40
Finance	1 055 857	8,17	150 060	2,08
Transport and communication	588 578	4,56	126 159	1,75
Information and telecommunication	565 458	4,38	272 229	3,77
Other – for individuals and non-residents	228 349	1,77	378 899	5,25
Mining	142 746	1,11	251 569	3,48
Healthcare and social assistance	66 150	0,51	28 004	0,39
Manufacturing and distribution of electricity, gas and water	45 562	0,35	19 546	0,27
Governance and activity of public organisations	21 542	0,17	2 899	0,04
Agriculture	20 256	0,16	96	0,00
Real estate	11 236	0,08	3 489	0,04
Hotels and restaurants	5 092	0,04	7 577	0,10
Education	2 658	0,02	-	-
Water supply; sewerage, waste management	16	-	-	-
Other	0	-	3	-
Total due to customers	**12 915 786**	**100,00**	**7 223 239**	**100,00**

Note 16 Provisions for Liabilities

According to the Bank, financial guarantees and irrevocable credit commitments inherent to the same risk as loans. To determine the amount of provision for liabilities the Bank uses the best estimate of probable outflow of resources as at the reporting date based on the risk category of the counterparty. The Bank does not expect income from compensations for the financial guarantee and credit commitments before the time of cash payment. Data on changes in provisions for liabilities is prented in the tables below.

Table 16.1 Changes in provisions for liabilities for 2015

(in thousands of hryvnias)

Movement in provisions	Credit-related commitments	Total
Balance at 01 January 2015	**7 985**	**7 985**
Decrease in provision	(7 905)	(7 905)
Foreign currency exchange differences	(1)	(1)
Balance at 31 December 2015	**79**	**79**

Table 16.2 Changes in provisions for liabilities for 2014

(in thousands of hryvnias)

Movement in provisions	Credit-related commitments	Total
Balance at 01 January 2014	**4 020**	**4 020**
Increase in provision	3 965	3 965
Balance at 31 December 2014	**7 985**	**7 985**

Note 17 Other Financial Liabilities

(in thousands of hryvnias)

Items	2015	2014
Payables on trading operations of foreign currencies and banking metals for customers	471 301	1 325 527
Payables under clarification	906	4 453
Payables on customer accounts and settlements	12 998	8 827
Other financial liabilities	220	164
Total other financial liabilities	**485 425**	**1 338 971**

Note 18 Other Liabilities

(in thousands of hryvnias)

Items	2015	2014
Taxes payable, other than income tax	130	412
Payables to employees	28 975	25 550
Deferred income	517	282
Accrued expenses for professional services	1 333	635
Other liabilities	1 894	1 050
Total other liabilities	**32 849**	**27 930**

Note 19 Share Capital and Share Premium

(in thousands of hryvnias)

Items	Number of shares outstanding	Ordinary shares	Effect of hyperinflation	Preference shares	Share premium	Total
Balance at the beginning of the previous year	**13 300**	**50 000**	**35 944**	**16 500**	**253 091**	**355 535**
Balance at the end of the previous year	**13 300**	**50 000**	**35 944**	**16 500**	**253 091**	**355 535**
Balance at the end of the current year	**13 300**	**50 000**	**-**	**16 500**	**253 091**	**319 591**

The Bank's share capital is divided into 10 000 ordinary shares and 3 300 preference shares of the same face value of UAH 5 thousand. All outstanding shares have been paid in cash.

Holders of the preference shares have the rights under the Ukrainian laws, in particular, to receive dividends in size and terms stipulated in the Bank's Charter if the General Meeting of Shareholders accept the decision to pay.

There is no restrictions on holding shares as at 31 December 2015 and 31 December 2014.

During 2015 the Bank brought its share capital in line with its historical value, which is registered by local regulatory and registration authorities, by transferring UAH 35 944 thousand of the share capital to retained earnings. Total UAH 35 944 thousand is the transfer hyperinflation adjustment to share capital that was made by the Bank in 2001 in accordance with IAS 29.

Note 20 Revaluation Reserves (Component of Other Comprehensive Income)

(in thousands of hryvnias)

	2015	2014
Balance at the beginning of the year	**(33 881)**	**14 429**
Revaluation of investment securities available for sale:	29 955	(57 350)
changes in fair value	29 955	(57 350)

Income tax relating to:	(7 437)	9 040
changes in revaluation reserve for investment securities available for sale	(7 437)	9 040
Total revaluation reserves (component of other comprehensive income) less income tax	22 518	(48 310)
Balance at the end of the year	**(11 363)**	**(33 881)**

Note 21 Assets and Liabilities Maturity Analysis

(in thousands of hryvnias)

Items	Note	2015			2014		
		Up to 12 months	Over 12 months	Total	Up to 12 months	Over 12 months	Total
ASSETS							
Cash and cash equivalents	6	4 997 604	-	4 997 604	1 530 250	-	1 530 250
Mandatory reserve deposits in the National Bank of Ukraine		320 188	-	320 188	71 759	-	71 759
Financial assets at fair value through profit or loss	7	599 336	-	599 336	4 424	394 340	398 764
Due from other banks	8	27 251	-	27 251	17 899	-	17 899
Loans and receivables	9	2 660 429	75 570	2 736 000	2 520 104	86 660	2 606 764
Investment securities available for sale	10	7 352 673	-	7 352 673	5 726 959	83 107	5 810 066
Receivables on current income tax		-	-	-	18 599	-	18 599
Premises, equipment and intangible assets	11	-	40 166	40 166	-	37 700	37 700
Other financial assets	12	5 488	-	5 488	841	-	841
Other assets	13	6 459	-	6 459	7 678	-	7 678
Total assets		**15 969 429**	**115 736**	**16 085 165**	**9 898 513**	**601 807**	**10 500 320**
LIABILITIES							
Due to other banks	14	67 642	-	67 642	150 899	-	150 899
Due to customers	15	12 915 786	-	12 915 786	7 223 239	-	7 223 239
Deferred tax liabilities		6 106	-	6 106	29 819	-	29 819
Current tax liabilities		116 781	-	116 781	-	-	-
Provisions for liabilities	16	79	-	79	7 985	-	7 985
Other financial liabilities	17	485 425	-	485 425	1 338 971	-	1 338 971
Other liabilities	18	32 849	-	32 849	27 930	-	27 930
Total liabilities		**13 624 668**	**-**	**13 624 668**	**8 778 842**	**-**	**8 778 842**

Note 22 Interest Income and Expense

(in thousands of hryvnias)

Items	2015	2014
Interest income:		
Loans and advances to customers	624 699	373 018
Financial assets at fair value through profit or loss	17 548	72 598
Debt securities available for sale	1 154 346	144 753
Due from other banks	251	1 961
Correspondent accounts with other banks	2 277	1 603

Other	-	21
Total interest income	**1 799 121**	**593 954**
Interest expense:		
Current accounts	(179 483)	(65 528)
Term-deposits of legal entities	(23 603)	(1 098)
Term-deposits of other banks	(4 033)	(4 114)
Correspondent accounts of other banks	(93)	(152)
Other	(6)	(48)
Total interest expense	**(207 218)**	**(70 940)**
Net interest income	**1 591 903**	**523 014**

Note 23 Fee and Commission Income and Expense

(in thousands of hryvnias)

Items	2015	2014
Fee and commission income:		
Cash and settlement transactions	43 665	31 256
Guarantees and letter of credits issued	10 553	4 475
Currency exchange transactions	10 032	-
Payment cards transactions	2 920	4 334
Credit services to customers	685	1 058
Other	1 560	2 202
Total fee and commission income	**69 415**	**43 325**
Fee and commission expense:		
Guarantees and letter of credits	(9 738)	(7 676)
Cash and settlement transactions	(10 814)	(7 467)
Payment cards transactions	(3 619)	(3 855)
Credit services	-	(1)
Other	(111)	(100)
Total fee and commission expense	**(24 282)**	**(19 099)**
Net fee and commission income	**45 133**	**24 226**

Note 24 Other Operating Income

(in thousands of hryvnias)

Items	2015	2014
Income from financial consulting services	2 627	2 635
Operating lease income	1 925	1 366
Income from disposal of premises, equipment and intangible assets	40	198
Other	1 164	-
Total other operating income	**5 756**	**4 199**

Note 25 Administrative and Other Operating Expenses

(in thousands of hryvnias)

Items	2015	2014
Staff costs	(110 163)	(93 093)
Maintenance of property, plant and equipment and intangible assets, telecommunication and other maintenance costs	(14 942)	(13 377)
Professional and consulting services	(4 136)	(2 307)

Outsourced services	(8 167)	(5 561)
Depreciation of property, plant and equipment	(3 542)	(2 614)
Business trip expenses	(5 413)	(3 972)
Operating lease expenses	(4 168)	(2 527)
Hospitality expenses	(4 549)	(1 882)
Corporate operational and technical support	(4 041)	(2 822)
Household expenses	(2 286)	(1 400)
Utilities	(1 268)	(1 142)
Staff costs relating to business support	(1 538)	(840)
Impairment of property and equipment	-	(1 192)
Amortisation of software and other intangible assets	(518)	(431)
Insurance	(190)	(142)
Security expenses	(674)	(492)
Taxes other than income tax	(194)	(165 025)
Marketing and advertising expenses	(134)	-
Operating expenses related to customer attraction	-	(9 642)
Loss on disposal of non-current assets	(476)	-
Other	(3 004)	(2 462)
Total administrative and other operating expenses	**(169 403)**	**(310 923)**

Staff costs in 2015 and 2014 include share-based payments recorded under IFRS 2 in the amount of UAH 1 051 thousand and UAH 1 690 thousand respectively.

Note 26 Income Tax Expense

The Bank recognises taxes according to tax accounting rules, in conformity to the requirements of the Ukrainian tax legislation. Tax accounting in Ukraine differs from IFRS.

The Bank’s reporting is subject to influence of permanent tax differences, resulting from the fact that certain income and expense are not referred to taxable income and expense for taxation purposes.

Deferred taxes reflect the effect of temporary tax differences between the carrying amount of assets and liabilities for accounting purposes and taxable amounts. The temporary differences as at 31 December 2015 and 2014 were basically related to different methods of income and expense recognition, and also to the value of certain assets recognized in the financial statements.

Table 26.1 Income tax expense

(in thousands of hryvnias)

Items	2015	2014
Current income tax expense	(373 712)	(290 308)
Change in deferred income tax, relating to:	31 150	(33 329)
the origination and reversal of temporary differences	31 150	(33 329)
Total income tax expense	**(342 562)**	**(323 637)**

Amount in line "Current income tax" for 2014 was amended for the purpose of correct presentation.

Deferred tax assets and liabilities as at 31 December 2015 and as at 31 December 2014 were calculated based on the income tax rate 18%.

Table 26.2 Reconciliation of accounting and tax profit (loss)

(in thousands of hryvnias)

Items	**2015**	**2014**
Income before tax	1 973 012	1 604 512
Theoretical tax charge at the applicable tax rate	(355 142)	(288 812)
Expenses that are not taxable/tax deductible in determining taxable profit but are recognized in accounting	(6 050)	(16 298)
Other	18 630	(18 527)
Total tax profit (loss)	**(342 562)**	**(323 637)**

Table 26.3 Tax effect relating to the recognition of deferred tax assets and deferred tax liabilities for 2015

(in thousands of hryvnias)

Deferred assets and deferred liabilities	**Balance at 31 December 2014**	**Recognised in profit or loss**	**Recognised in other comprehensive income**	**Balance at 31 December 2015**
Tax effect of temporary differences that are decreasing (increasing) taxable profit and tax losses carried forward				
Financial assets at fair value through profit or loss	(34 981)	34 981	-	-
Allowance for impairment of loans, past due receivables on accrued income and other receivables	(4 875)	667	-	(4 208)
Premises and equipment and intangible assets	(2 107)	137	-	(1 970)
Investment securities available for sale	7 437	-	(7 437)	-
Other liabilities	4 707	(4 635)	-	72
Net deferred tax assets/(liability)	**(29 819)**	**31 150**	**(7 437)**	**(6 106)**
Recognised deferred tax asset	**12 144**	**(4 635)**	**(7 437)**	**72**
Recognised deferred tax liability	**(41 963)**	**35 785**	**-**	**(6 178)**

The balances in lines "recognised deferred tax assets" and "recognised deferred tax liabilities" as at December 31, 2014 were amended to present information appropriatly.

Table 26.4 Tax effect relating to the recognition of deferred tax assets and deferred tax liabilities as at 31 December 2014

(in thousands of hryvnias)

Deferred assets and deferred liabilities	**Balance at 31 December 2013**	**Recognised in profit or loss**	**Recognised in other comprehensive income**	**Balance at 31 December 2014**
Tax effect of temporary differences that are decreasing (increasing) taxable profit and tax losses carried forward				
Financial assets at fair value through profit or loss	(2 570)	(32 411)	-	(34 981)
Allowance for impairment of loans, past due receivables on accrued income and other receivables	(2 097)	(2 778)	-	(4 875)
Premises and equipment and intangible assets	(1 330)	(777)	-	(2 107)
Investment securities available for sale	(1 603)	-	9 040	7 437
Other liabilities	2 070	2 637	-	4 707
Net deferred tax assets/(liability)	**(5 530)**	**(33 329)**	**9 040**	**(29 819)**
Recognised deferred tax asset	**2 070**	**2 637**	**-**	**4 707**
Recognised deferred tax liability	**(7 600)**	**(35 966)**	**9 040**	**(34 526)**

Note 27 Earnings per Ordinary and Preference Share

(in thousands of hryvnias)

Items	2015	2014
Profit attributable to ordinary equity holders	1 630 450	1 280 875
Profit attributable to preference shares holders	-	-
Profit for the year	1 630 450	1 280 875
Weighted-average number of ordinary shares (in thousands)	10	10
Weighted-average number of preference shares (in thousands)	3	3
Basic and diluted earnings per ordinary share (UAH)	**163 045**	**128 087**

Note 28 Dividends

(in thousands of hryvnias)

Items	2015		2014	
	On ordinary shares	On preference shares	On ordinary shares	On preference shares
Dividends declared over the period	915 000	-	459 150	-
Dividends paid for the year	(915 000)	-	(459 150)	-
Balance at year-end	-	-	-	-
Dividends per share declared over the period	91 500	-	45 915	-

Decision on the order and terms of paying dividends is taken by the General Meeting of the Bank's shareholders. Dividend payments on ordinary shares in 2015 and 2014 were made exclusively in cash. Subject to the Bank's Charter the decision on the amount of dividend payments on preference shares is taken by the General Meeting of Bank's shareholders. In 2015 and 2014 dividend payments on preference shares were not conducted.

Note 29 Operating Segments

Below is the information on the performance results of each reportable segment, analyzed by the Bank's chief operating decision-makers. In their assessment of reportable segments' performance, the Bank's managerial staff use the pre-tax income per segment, as they believe that this indicator is the most appropriate for segmental performance analysis, as compared to other institutions of the banking sector. Intersegment income and expenses are established based on regular conditions of operation.

Table 29.1 Reportable segment revenues, expenses and profit or loss for 2015

(in thousands of hryvnias)

Items	Reportable segments			Elimination	Total
	Corporate loans business	Treasury business	Transactional business		
Revenues from external customers:					
Interest income	246987	1174382	377752	-	1 799 121
Interest expense	-	(36 795)	(170 423)	-	(207 218)
Fee and commission income	2 062	22 022	45 331		69 415
Fee and commission expense	(10 411)	(2 308)	(11 563)	-	(24 282)
Gains less losses from transactions with securities	-	200 524	-	-	200 524
Gains less losses from foreign currency transactions	-	321 386	-	-	321 386

Other operating income	562	1 617	3 577	-	5 756
Other expenses	(3 332)	(7 431)	(5 392)	-	(16 155)
Intersegment revenue	**4 902**	2 425 573	**959 034**	**(3 389 509)**	-
Total profit for reportable segments	**240 770**	**4 098 971**	**1 198 316**	**(3 389 509)**	2 148 548
Other material non-cash items– Impairment of financial assets	(27 280)	-	4 992	-	(22 288)
Administrative expenses	(8 888)	(19 816)	(14 380)	-	(43 084)
Staff costs	(22 726)	(50 670)	(36 768)	-	(110 164)
Intersegment expenses	**(208 854)**	**(2 838 535)**	**(342 120)**	**3 389 509**	-
Profit for reportable segments before tax	**(26 978)**	**1 189 950**	**810 040**	**-**	1 973 012
Income tax	-	-	-	-	(342 562)
Net profit for the year					**1 630 450**

Table 29.2 Reportable segment revenues, expenses and profit or loss for 2014

(in thousands of hryvnias)

Items	**Reportable segments**			**Elimination**	**Total**
	Corporate loans business	**Treasury business**	**Transactional business**		
Revenues from external customers:					
Interest income	37 317	220 831	335 806	-	593 954
Interest expense	(1)	(5 153)	(65 787)	-	(70 940)
Fee and commission income	50	-	43 276	-	43 325
Fee and commission expense	(7 678)	(3 018)	(8 403)	-	(19 099)
Results from trading in other financial instruments			(6 051)	-	(6 051)
Gains less losses from transactions with securities	-	669 962	-	-	669 962
Gains less losses from foreign currency transactions	250	709 897	-	-	710 147
Other operating income	438	1 921	1 840	-	4 199
Other expenses	(412)	(15 137)	(5 696)	-	(21 245)
Intersegment revenue	**45**	**36 702**	**364 591**	**(401 338)**	**-**
Total profit for reportable segments	**30 009**	**1 616 006**	**659 576**	**(401 338)**	**1 904 253**
Other material non-cash items– Impairment of financial assets	4 953	-	(15 015)	-	(10 063)
Administrative expenses	(3 810)	(140 070)	(52 705)	-	(196 585)
Staff costs	(1 804)	(66 330)	(24 958)	-	(93 093)
Intersegment expenses	**(19 432)**	**(136 160)**	**(245 746)**	**401 338**	**-**
Profit for reportable segments before tax	**9 915**	**1 273 445**	**321 151**	**-**	**1 604 512**
Income tax	-	-	-	-	(323 637)
Net profit for the year	**-**	**-**	**-**	**-**	**1 280 875**

Table 29.3 Reportable segment assets and liabilities for 2015

(in thousands of hryvnias)

Items	Reportable segments			Total
	Corporate loans business	Treasury business	Transactional business	
Reportable segment assets	206 677	13 297 052	2 529 323	16 033 052
Reportable segment liabilities		1 502 825	11 964 981	13 467 806
Other segment items				
- capital investments	193	12 397	2 358	14 948
- depreciation	(838)	(1 867)	(1 355)	(4 060)

Table 29.4 Reportable segment assets and liabilities for 2014

(in thousands of hryvnias)

Items	Reportable segments			Total
	Corporate loans business	Treasury business	Transactional business	
Reportable segment assets	449 677	7 828 737	2 157 087	10 435 502
Reportable segment liabilities	-	1 476 425	7 240 051	8 716 476
Other segment items				
- capital investments	660	11 492	3 166	15 318
- depreciation	(59)	(2 170)	(816)	(3 045)

Table supplemented by information on the other segmental items.

Table 29.5 Reconciliation of assets and liabilities for 2015

(in thousands of hryvnias)

Items	Reportable segments			Total
	Corporate loans business	Treasury business	Transactional business	
Reportable segment assets	206 677	13 297 052	2 529 323	16 033 052
Unallocated assets	-	-	-	52 113
Total assets	**206 677**	**13 297 052**	**2 529 323**	**16 085 165**
Reportable segment liabilities	-	1 502 825	11 964 981	13 467 806
Unallocated liabilities	-	-	-	156 862
Total liabilities	**-**	**1 502 825**	**11 964 981**	**13 624 668**

Table 29.6 Reconciliation of assets and liabilities for 2014

(in thousands of hryvnias)

Items	Reportable segments			Total
	Corporate loans business	Treasury business	Transactional business	
Reportable segment assets	449 677	7 828 737	2 157 088	10 435 502
Unallocated assets	-	-	-	64 818
Total assets	**-**	**-**	**-**	**10 500 320**
Reportable segment liabilities	-	1 476 425	7 240 051	8 716 476
Unallocated liabilities	-	-	-	62 366
Total liabilities	**-**	**-**	**-**	**8 778 842**

Note 30 Financial Risk Management

Credit risk

Credit risk is a present or potential risk for cash flows and equity, which arises from inability of a party to a contract to discharge the assumed obligations to carry out the conditions of a financial agreement with a bank or in another way to fulfil the assumed obligations. Credit risk is inherent to all kinds of banking operations, where the result is relied on the counterparty, securities issuer or a borrower. It arises every time the Bank provides funds, takes on credit-related commitments, invests funds or risks the funds in other ways relevant to the terms and conditions of real or conceptual agreements regardless where the operation is recognized – on the balance sheet or in off-balance sheet accounts.

Borrowers' analyses are carried out in the standard format of credit recommendation, which covers all kinds of risks. An indispensable part of the credit recommendation is the use of the computer model "Credit Rating Analysis" used for customer's financial standing analysis, comparative sectoral analysis and, in the final count, receipt of the customer's credit rating, which reflects the degree of credit risk and maximum possible amount of expected losses. The analysis is carried out to identify the customer current financial position and its dynamics. The analysis is directed at identification of factors that have led to changes and forecasting the main trends in the customer's financial position in the future.

The Bank divides customers (borrowers) into two categories, depending on the type of approval to grant a loan: "category 1" – loans approved in Ukraine, "category 2" – loans for which additional approval is required at Citi level (by credit and risk officers, who have adequate authority and limits and control the issuance of loans in the EMEA region (Europe, Middle East and Africa)).

Pursuant to the banking regulation On the Order of Formation and Use of the Loan Loss Provision, adopted by the Board of the National Bank of Ukraine # 23 of 25.01.2012, the Bank carries out the borrowers' financial standing analyses, with relevant adjustments of the credit risk group, with a necessitated regularity as follows: for banking institutions - monthly, for legal entities - quarterly; for individuals – annually.

The Bank adheres to the requirements of economic ratios, established by the NBU with regards to credit risk monitoring.

Credit Risk Ratios	2015	2014
Maximum credit risk exposure per counterparty Ratio (H7) Required ratio - not more than 25%	17,47%	11,93%
Large credit risks Ratio (H8) Required ratio - not more than 800% of bank's regulatory capital	52,57%	172,97%
Maximum amount of loans and guarantees to one insider Ratio (H9) Required ratio - not more than 5%	0,53%	4,69%
Maximum aggregate amount of loans and guarantees granted to insiders Ratio (H10) Required ratio - not more than 30%	-	16,74%

Market risk

Market risk is the present or potential risk for cash flows and equity which arises due to unfavourable fluctuations of securities and goods prices, foreign currency exchange rates with regard to the instruments held in the Bank's trading portfolio and interest rates. This risk originates in market making, dealing, positioning in debt and equity paper, currencies, goods and derivatives.

The Bank's methodological basis and market risk management are grounded on the Bank's Market Risk Management Policy and Market Risk Limits Policy, which in turn go back to the requirements of the NBU. These documents establish the notion of market risk and its constituents, identify the main pillars of market risk management, list the instruments of its assessment and methods of control.

Market risk management envisages daily analysis of gaps in interest assets and interest liabilities, measurement of asset and liability value, identification of the interest risk limit; there is independent daily-basis control over compliance with the limits established by the corporation.

The main document that regulates the Bank's policy in securities is the Bank's Business Strategy, which is developed on an annual basis and approved upon at the national level (Ukraine), cluster (CIS/Moscow) and region (EMA/London) and sent down to the Bank for implementation. The Business Strategy is the basis for development of the investment policy.

To assess the market risk, the Bank uses the 'income at risk "- a quantitative risk assessment method, which is uncovered in the income of the Bank that are constantly at risk of failure to obtain or necessity in immediate use to cover expenses.

An indicator of risk assessment is to compare the volatility of prices for the various operations susceptible to market risk. This level of risk ratios is selected by empirical method (or otherwise).

The rsik strategy is defined in the operation strategy of the Bank. Planning of the quantitative risk assessment involves determining the boundaries of losses on bank transactions and related open positions. Limits losses in all market transactions added up to form the aggregate amount of losses that is appropriate to the portfolio market risk. This value is added to the total risk of the Bank. The latter compares with a yield losses that the Bank is ready to bear (planned limit losses). Inconsistency settlement amount and the planned limits losses corrected by appropriate adjustment of the boundaries of losses of different operations, changes in range of operations and volume of open positions.

Currency risk

Currency risk is the risk of losses that occurs resulting from unfavourable foreign-currency exchange rate fluctuations. Currency risk is a result of Bank's open positions in different currencies. Such positions are calculated as a difference between assets and liabilities in the same currency as at the reporting date.

Internal regulatory base, approved upon by the Bank's relevant bodies in accordance with the principles of corporate governance, generally sets out limits of currency positions as per currencies, terms and instruments.

The Bank's methodological basis and currency risk management are grounded on the Bank's Currency Risk Management Policy and Currency Risk Limits Policy, which are based on the requirements of the NBU. These documents establish the notion of currency risk as a constituent of market risk, describe the main aspects of currency risk management, and list the instruments of its assessment and methods of control.

Carrying out trading operations, attraction and placement of foreign currency in the interbank market, and responsibility for the open currency position falls on the Treasury Department.

The Bank manages currency risk with a system of limits set on:
- general open currency position (OCP) as per currencies;
- maximal losses (MAT);
- value at risk (VAR);
- treasury dealers.

The function of identifying the quantitative measure of risk and its monitoring is independent from activities involved in taking the risks. Daily control of adherence to limits of OCP, MAT and VAT is assigned to the Financial Department and Regional Risk Manager.

Control of dealers' adherence to limits is assigned to the treasury back office. No one transaction of the treasury can be effected without the back-office designated officer's endorsement with an indication of dealers' limit compliance.

The Treasury back office carries out control over treasury operations adequacy to the market situation and fulfils target-market control. The adequacy control aims at excluding a possibility of dealing transactions that are at odds with the Bank's interests and damage its financial position. This monitoring is conducted with the help of information from "Reuters". Target-market control consists in treasury dealers' adherence to the principle of making deals and transacting only with banks that are listed as potential counterparties. Formation of the said list of domestic banks is the prerogative of the Credit Committee. The counterparty banks are viewed with regard to their positioning in the market, financial standing, sectoral orientation and reputation. The list review is made at least once a year or if needs must – quarterly.

The Bank adheres to the requirements of economic standards, set by the NBU with regard to currency market monitoring.

Open currency position limits	2015	2014
Total long open currency position limit (L13-1) Required limit – not more than 1%	0,1698%	0,0171%
Total short open currency position limit (L13-2) Required limit – not more than 10%	5,32%	1,24%

Table 30.1 Currency risk analysis

(in thousands of hryvnias)

Currency	as at 31 December 2015			as at 31 December 2014		
	Monetary Assets	Monetary liabilities	Net position	Monetary Assets	Monetary liabilities	Net position
US Dollar	2 684 385	(3 323 364)	(638 979)	780 529	(1 180 155)	(399 626)
Euro	325 565	(329 699)	(4 134)	357 660	(369 574)	(11 914)
GB Pound	283 866	(282 389)	1 477	30 144	(30 025)	119
Russian Rubble	16 551	(24 192)	(7 641)	22 210	(22 207)	3
Other	5 656	(5 351)	305	236	(192)	44
Total	**3 316 023**	**(3 964 995)**	**(648 972)**	**1 190 779**	**(1 602 153)**	**(411 374)**

The Bank's position as per currency derivative financial instruments in each column is the fair value as of the end of the reporting period in the relevant currency, which the Bank agreed to buy (positive quantity) or sell (negative quantity) prior to closing positions and settlement with the counterparty. The analysis above includes only monetary assets and liabilities.

In accordance with the National Bank of Ukraine, the Bank is entitled to take into account when calculating the limit of foreign currency position value of government bonds with embedded options and repayment of which shall be based on changes in the exchange rate against the US dollar during the period between the date of placement and maturity of securities but maturity of which is done in local currency.

Table 30.2 Sensitivities of profit or loss and equity as a result of possible changes in official exchange rates as at reporting date relative to other foreign currency, with all other variables held constant

(in thousands of hryvnias)

Items	as at 31 December 2015		as at 31 December 2014	
	Impact on profit or loss	Impact on equity	Impact on profit or loss	Impact on equity
US Dollar strengthening by 25%	(130 991)	(130 991)	(81 923)	(81 923)
US Dollar weakening by 25%	848	848	81 923	81 923
Euro strengthening by 25%	(848)	(848)	(2 442)	(2 442)
Euro weakening by 25%	848	848	2 442	2 442
GB Pound strengthening by 25%	303	303	24	24
GB Pound weakening by 25%	(303)	(303)	(24)	(24)
Russian Rubble strengthening by 25%	(1 566)	(1 566)	1	1
Russian Rubble weakening by 25%	1 566	1 566	(1)	(1)
Other strengthening by 25%	63	63	9	9
Other weakening by 25%	(63)	(63)	(9)	(9)

Table 30.3 Sensitivities of profit or loss and equity as a result of possible changes in official exchange rates applied as weighted average relative to other foreign currency, with all other variables held constant

(in thousands of hryvnias)

Items	as at 31 December 2015		as at 31 December 2014	
	Impact on profit or loss	Impact on equity	Impact on profit or loss	Impact on equity
US Dollar strengthening by 25%	(119 224)	(119 224)	(61 794)	(61 794)
US Dollar weakening by 25%	119 224	119 224	61 794	61 794
Euro strengthening by 25%	783	783	1 996	1 996

Euro weakening by 25%	(783)	(783)	(1 996)	(1 996)
GB Pound strengthening by 25%	285	285	19	19
GB Pound weakening by 25%	(285)	(285)	(19)	(19)
Russian Rubble strengthening by 25%	(1 721)	(1 721)	1	1
Russian Rubble weakening by 25%	1 721	1 721	(1)	(1)

Calculation of financial result and equity change in the event of exchange rate change, which is established as a weighted currency exchange rate, is performed through recalculation of the Bank's currency position as of the end of the reporting period per currencies, using the weighted exchange rate for each currency for the relevant reporting year.

Interest rate risk

The interest rate risk is a real or contingent risk to cash flows or equity, arising due to unfavourable changes in interest rates. This risk affects the Bank's both profitability and the economic value of its assets, liabilities and off-balance instruments.

One of the methods to assess market interest rate is sensitivity analysis.

The aim of this method is to evaluate the impact of interest rate changes on profit or loss of the Bank. The Bank uses scenario analysis method in carrying out the sensitivity analysis. This method uses the various scenarios of interest rate changes to a static gap model of the Bank's balance sheet; i.e. based on the assumption that only interest rate changes and other characteristics are constant.

Interest rate risk management procedure determines the performance of such steps as gap analysis of interest earning assets and interest liabilities, valuation of assets and liabilities and determination of limit interest rate risk.

In compliance with the current legislation of Ukraine, the Bank runs a Tariff Committee whose main purpose is planning and regulation of tariff policy, optimization of current tariffs with a view to achieve the target budget profitability. In accordance with the vested functions, the Tariff Committee analyzes the correlation of services cost and market competitiveness of current tariffs, is responsible for the operating income policy. The tariff committee establishes standard and non-standard tariffs for wholesale and retail banking, in particular, tariffs in accounts maintenance, cash-based transactions, money transfers, electronic banking – customer-bank system, currency translation transactions, procession of checks, commissions under loan agreements.

The Bank's treasury is held responsible for operating activity in interest rate risk management. The Bank approves interest rate limits on an annual basis, which are also coordinated with at the corporate level (cluster, region). Independent control of adherence to the established limits is performed on a daily basis. In the events of negative deviations from the limits, the Bank will provide the regional risk manager with written explanation as to the reasons and further actions in elimination of the shortcomings.

Table 30.4 Interest rate risk analysis

(in thousands of hryvnias)

Items	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	Total
2015					
Total financial assets	14 192 280	1 761 455	3 747	75 570	16 033 052
Total financial liabilities	12 671 484	311 944	-	-	12 983 428
Net interest sensitivity gap at 31 December 2015	**1 520 796**	**1 449 511**	**3 747**	**75 570**	**3 049 624**
2014					
Total financial assets	8 156 608	826 738	881 376	570 779	10 435 501
Total financial liabilities	7 374 138	-	-	-	7 374 138
Net interest sensitivity gap at 31 December 2014	**782 470**	**826 738**	**881 376**	**570 779**	**3 061 363**

There were minor changes made in the information for 2014 to adopt to the current presentation.

In accordance with the loan/deposit agreements, where the interest rate is defined as LIBOR+margin, as at the date of providing the tranche a fixed interest rate is established that does not change until the tranche repayment. Owing to this provision, the table above specifies the terms before settlement of each loan tranche and deposit.

Table 30.5 Monitoring of interest rates by financial instruments

Items	as at 31 December 2015				as at 31 December 2014			
	UAH	USD	EUR	Other	UAH	USD	EUR	Other
Assets								
Cash and cash equivalents	1,5%	0,2%	0,0%	0,2%	3,0%	0,1%	0,0%	0,3%
Financial assets at fair value through profit or loss	8,8%	0,0%	0,0%	0,0%	7,9%	0,0%	0,0%	0,0%
Due from other banks	18,4%	0,3%	0,0%	0,0%	12,6%	0,1%	0,0%	0,0%
Loans and advances to customers	23,1%	6,0%	3,0%	0,0%	14,8%	3,4%	2,0%	0,0%
Investment securities available for sale	20,0%	0,0%	0,0%	0,0%	8,1%	0,0%	0,0%	0,0%
Liabilities								
Correspondent accounts	0,5%	0,0%	0,0%	0,0%	0,1%	0,0%	0,0%	0,0%
Due to other banks	21,1%	0,0%	0,0%	0,0%	1,9%	0,2%	0,0%	0,0%
Due to customers								
current accounts	3,3%	0,0%	0,0%	0,0%	1,8%	0,0%	0,0%	0,0%
term deposits	14,2%	0,1%	0,0%	0,0%	15,1%	0,0%	0,0%	0,0%

Table 30.6. Interest rate risk sensitivity analysis

(in thousands of hryvnias)

Currency	Interest assets/liabilities	Weighted average balance per year	Interest rate change, %	Net interest profit change	Sensitivity to net interest profit change, %
2015					
UAH	Assets	7 437 460	(2)	(148 749)	(9)
			2	148 749	9
	Liabilities	6 593 436	(1)	65 934	4
			1	(65 934)	(4)
USD	Assets	1 506 618	(2)	(30 132)	(2)
			2	30 132	2
	Liabilities	1 869 675	(1)	18 697	1
			1	(18 697)	(1)
EUR	Assets	330 255	(2)	(6 605)	(0)
			2	6 605	0
	Liabilities	292 064	(1)	2 921	0
			1	(2 921)	(0)
2014					
UAH	Assets	5 774 055	(2)	(115 481)	(22)
			2	115 481	22
	Liabilities	4 122 982	(1)	41 230	8
			1	(41 230)	(8)
USD	Assets	1 331 582	(2)	(26 632)	(5)
			2	26 632	5
	Liabilities	1 112 710	(1)	11 127	2
			1	(11 127)	(2)
EUR	Assets	411 852	(2)	(8 237)	(2)
			2	8 237	2
	Liabilities	426 118	(1)	4 261	1
			1	(4 261)	(1)

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk) regardless of arising factors that are specific to the individual financial instrument or its issuer or factors that affect all similar financial instruments with which transactions are made on the market.

Price risk management policy includes the development of measures to detect and neutralize possible negative events of other price risk. The Bank uses the following methods: pre-market testing of banking products, a careful choice of partners; forecasting cyclical fluctuations in market conditions, their record in investment plans, taking other anti-crisis measures at the Bank's level: increasing liquidity by raising funds, optimizing the total cost; deeper preliminary assessment of the profitability of banking products.

Below is a sensitivity analysis of other price risk due to changes in the market value of financial assets at fair value through profit or loss. The analysis is based on changes in the market value assumption, however, the influence of other factors remain unchanged.

(in thousands of hryvnias)

Items	as at 31 December 2015		as at 31 December 2014	
	Impact on profit or loss	**Impact on equity**	**Impact on profit or loss**	**Impact on equity**
5% increase in the value of financial assets that are accounted at fair value	22 967	22 967	11 938	11 938
5% decrease in the value of financial assets that are accounted at fair value	(22 967)	(22 967)	(11 938)	(11 938)

Geographical risk

Table 30.7 Geographical risk concentration analysis of the Bank's financial assets and liabilities in 2015

(in thousands of hryvnias)

Items	Ukraine	OECD	Other countries	Total
Assets				
Cash and cash equivalents	1 972 194	3 008 859	16 551	4 997 604
Mandatory reserve deposits with the National Bank of Ukraine	320 188			320 188
Financial assets at fair value through profit or loss	599 336			599 336
Due from other banks	27 251			27 251
Loans and advances to customers	2 736 000			2 736 000
Investment securities available for sale	7 352 673			7 352 673
Other financial assets	5 488			5 488
Total financial assets	**13 013 130**	**3 008 859**	**16 551**	16 038 540
Liabilities				
Due to other banks	67 640	2	-	67 642
Due to customers	11 820 666	1 073 926	21 194	12 915 786
Other financial liabilities	464 646	11 566	9 213	485 425
Provisions for liabilities	79	-	-	79
Total financial liabilities	**12 353 031**	**1 085 494**	**30 407**	**13 468 932**
Net balance position	660 099	1 923 365	(13 856)	2 569 608
Credit-related commitments	17 533 324	-	-	17 533 324

Table 30.8 Geographical risk concentration analysis of the Bank's financial assets and liabilities in 2014

(in thousands of hryvnias)

Items	Ukraine	OECD	Other countries	Total
Assets				
Cash and cash equivalents	555 640	952 400	22 210	1 530 250
Mandatory reserve deposits with the National Bank of Ukraine	71 759	-	-	71 759
Financial assets at fair value through profit or loss	398 764	-	-	398 764
Due from other banks	17 899	-	-	17 899
Loans and advances to customers	2 606 764	-	-	2 606 764
Investment securities available for sale	5 810 066	-	-	5 810 066
Other financial assets	841	-	-	841
Total financial assets	**9 461 733**	**952 400**	**22 210**	**10 436 343**
Liabilities				
Due to other banks	150 883	16	-	150 899
Due to customers	6 860 760	340 024	22 456	7 223 239
Other financial liabilities	1 330 837	7 516	618	1 338 971
Provisions for liabilities	7 985	-	-	7 985
Total financial liabilities	**8 350 464**	**347 556**	**23 074**	**8 721 094**
Net balance position	1 111 269	604 845	(864)	1 715 249
Credit-related commitments	11 586 631	-	400	11 587 031

To determine the geographical concentration of the Bank's assets and liabilities, which are related to lending, are classified based on the country of the counterparty, cash at cash desk of the Bank. Premises and equipment are classified according to the country where they are physically held.

Concentrations of other risk.

Concentration risk is not isolated type of bank risk but generalized, which includes the following elements of banking risks: credit, market, liquidity, operational, technological and geographical as a result of focusing on certain types of transactions or on certain sources of funding.

The common characteristic that identifies each concentration risk is the possibility of incurring potential losses that could worsen the financial position of the Bank and lead to the inability of current operations as a result of the activity concentration with certain persons in certain types of tools, assets, liabilities, regions and countries.

Liquidity risk

The liquidity risk is defined as present or potential risk for cash flows and equity, which occurs due to the Bank's inability to meet its obligations in due terms without sustaining unacceptable losses in the process. Liquidity risk arises through inability to manage unforeseen outflow of funds, change of the sources of financing and/or off-balance sheet liabilities.

Assets, liabilities and liquidity are managed by the Asset-Liability Committee. Liquidity risk is one of the key financial risks, so efficient management thereof provides for the Bank's stable financial position. With a view of liquidity risk management, the Bank carries out asset and liability structure analysis, liquidity gap analysis, both in all currencies and per each transactional currency separately; under control is the Bank's compliance with obligatory attracted-fund provision requirements in the correspondent account, compliance with the economic ratios established by the NBU, as well as the internal regulatory requirements. An important instrument of efficient liquidity risk management is application of the attracted fund-and-loan maturity equilibrium analysis, forecasting future cash flows.

Pursuant to corporate requirements, the Bank approves annual limits on asset and liability discrepancy per maturities and currencies. Independent control over compliance with the established limits is carried out on a daily basis. In the event of negative deviations from the limits, the Bank will provide the regional risk manager with written explanation as to the reasons and further actions in elimination of the shortcomings.

The Bank adheres to the requirements of economic ratios, established by the National Bank of Ukraine in liquidity risk monitoring.

Liquidity ratios	2015	2014
Instant liquidity ratio (N4) Required ratio - not less than 20%	**104,03%**	**92,60%**
Current liquidity ratio (N5) Required ratio - not less than 40%	**111,41%**	**128,98%**
Short-term liquidity ratio (N6) Required ratio - not less than 60%	**117,12%**	**139,36%**

Table 30.9 Analysis of financial liabilities by maturity for 2015

(in thousands of hryvnias)

Items	On demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years	Total
Due to other banks	67 642	-	-	-	67 642
Due to customers	12 603 842	301 622	10 322	-	12 915 786
Other financial liabilities	485 425	-	-	-	485 425
Guarantees	2 220	5 694	14 282	-	22 196
Import letters of credit	9 832	11 369	500 937	-	522 138
Total potential future payments for financial liabilities	**13 168 961**	**318 685**	**525 541**	**-**	**14 013 187**

Table 30.10 Analysis of financial liabilities by maturity for 2014

(in thousands of hryvnias)

Items	On demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years	Total
Due to other banks	150 899	-	-	-	150 899
Due to customers	7 223 239	-	-	-	7 223 239
Other financial liabilities	1 338 904 985	-	67	-	1 338 971 985
Guarantees	172	922	6 772	1 751	9 617
Import letters of credit	-	-	103 685	-	103 685
Total potential future payments for financial liabilities	**8 713 214**	**922**	**110 524**	**1 751**	**8 826 411**

Information in column "On demand and less than 1 month" was changed for the purpose of correct presentation of comparative information.

Related to the structure of financial liabilities in 2015 and 2014 contractual undiscounted cash flows to discharge liabilities did not significantly differ from expected cash flows to discharge liabilities.

Table 30.11 Maturity analysis of financial assets and liabilities based on the expected maturity date for 2015

(in thousands of hryvnias)

Items	On demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years	Over 5 years	Total
Assets						
Cash and cash equivalents	4 997 604	-	-	-	-	4 997 604

Mandatory reserve deposits with the National Bank of Ukraine	320 188	-	-	-	-	320 188
Financial assets at fair value through profit or loss	599 336	-	-	-	-	599 336
Due from other banks	-	27 251	-	-	-	27 251
Loans and advances to customers	922 478	579 791	1 158 161	5 934	69 636	2 736 000
Investment securities available for sale	7 352 673	-	-	-	-	7 352 673
Other financial assets	5 488	-	-	-	-	5 488
Total financial assets	**14 197 767**	**607 042**	**1 158 161**	**5 934**	**69 636**	**16 038 540**
Liabilities						
Due to other banks	67 642	-	-	-	-	67 642
Due to customers	12 603 842	301622	10322	-	-	12 915 786
Other financial liabilities	485 425	-	-	-	-	485 425
Total financial liabilities	**13 156 909**	**301 622**	**10 322**	**-**	**-**	**13 468 853**

Table 30.12 Maturity analysis of financial assets and liabilities based on the expected maturity date for 2014

(in thousands of hryvnias)

Items	**On demand and less than 1 month**	**From 1 to 3 months**	**From 3 to 12 months**	**From 12 months to 5 years**	**Over 5 years**	**Total**
Assets						
Cash and cash equivalents	1 530 250	-	-	-	-	1 530 250
Mandatory reserve deposits with the National Bank of Ukraine	71 759	-	-	-	-	71 759
Financial assets at fair value through profit or loss	-	4 424	-	394 340	-	398 764
Due from other banks	-		17 899	-	-	17 899
Loans and advances to customers	1 303 334	581 813	628 286	14 236	79 095	2 606 764
Investment securities available for sale	5 251 265	-	475 693	83 107	-	5 810 066
Other financial assets	841	-	-	-	-	841
Total financial assets	**8 157 449**	**586 237**	**1 121 878**	**491 683**	**79 095**	**10 436 343**
Liabilities						0
Due to other banks	150 899	-	-	-	-	150 899
Due to customers	7 223 239	-	-	-	-	7 223 239
Other financial liabilities	1 338 904	-	67	-	-	1 338 971
Total financial liabilities	**8 713 042**	**-**	**67**	**-**	**-**	**8 713 109**

Provisions for obligations in the amount of UAH 7,985 thousand were excluded from financial obligations for 2014 in order to ensure correct presentation of comparative information.

Note 31 Capital Management

The purpose of capital management consists in timely attraction and support of sufficient amount of capital required to sustain the Bank's continuous operations, for support of the strategic development goals and creation of safeguards against risks that occur in banking. Capital management is a constituent of the general process of the Bank's asset and liability management, hence proposals as to capital increase, dividend payment and others are considered by the Bank's Asset-Liability Committee. Subsequently, these proposals are presented and approved by the Supervisory Board and the Bank's shareholders.

In accordance with the existent requirements to the level of capital, set by the National Bank of Ukraine, all Ukraine-based banks are obliged to sustain the capital adequacy level (regulatory capital to risk weighted assets ratio) above an established minimum. As of 31 December 2015 and 2014 the minimal capital adequacy ratio set by the NBU is 10%. The Bank complies with the regulatory requirement as to the capital adequacy ratio as at 31 December 2015 and 2014. The Bank's minimal capital adequacy level as at 31 December 2015 and 2014 (according to statistical reporting form "Report on compliance with economic ratios and open currency position limits") significantly exceeded the NBU requirement and amounted to 56.78% and 42.85% respectively.

(in thousands of hryvnias)

Components of regulatory capital	**2015**	**2014**
Share capital actually paid	66 500	66 500
Share premium	253 091	253 091
Disclosed reserves	206 371	143 558
Decrease of capital by the amount of intangible assets less amortization	(444)	(621)
Primary capital (1-tier capital)	525 518	**462 528**
Standard loan provisions	71 404	13 724
Calculated profit	1 862 561	1 342 242
Additional capital (2-tier capital)	**525 517**	**462 527**
Additional capital for the calculation	**1 051 035**	**925 055**

Note 32 The Bank's Contingent Liabilities

Contingent tax liabilities

Ukrainian taxation is characterized by numerous taxes and changing legislation. Tax laws may often be vague, allow different interpretations and, in some cases, be contradicting. It is not uncommon that there are contradictions in interpretation of tax laws between local, oblast (unit of country's administrative division) and national tax administrations, between the National Bank and Ministry of Finance. The tax returns are subject to inspection by varied administrative bodies, which are authorized to impose considerable penalties and exact surcharges. These circumstances create much more serious tax risks, than the risks typical of countries with more developed taxation systems.

Management believes that they act in compliance with all current tax legislation. However, there cannot be certainty that tax authorities will not come up with another opinion as to the Bank's compliance with the current tax legislation and not apply penalties. The financial statements herein do not envisage a provision against contingent penalties related to taxation.

Lawsuits

In the course of its operations the Bank is involved in various law suits. In the management's opinion, the outcomes of these suits will not have significant impact on the Bank's financial position or operation results.

Operating lease liabilities

Table 32.1 Future minimum lease payments under non-cancellable lease contracts

(in thousands of hryvnias)

Items	**2015**	**2014**
Not later than 1 year	1 318	967
Later than 1 year and not later than 5 years	1 412	1 412
Later than 5 years	2 231	2 588
Total	**4 961**	**4 967**

Table 32.2 Structure of credit-related commitments

(in thousands of hryvnias)

Items	**2015**	**2014**
Undrawn credit lines	17 011 188	11 481 314

Import letters of credit	522 136	103 685
Guarantees issued	22 198	9 617
Other	-	400
Provision for credit-related commitments	(79)	(7 985)
Total credit-related commitments less provisions	**17 555 443**	**11 587 031**

As at 31 December 2015 and 31 December 2015 there are no funds received in provision of guarantees.

Table 32.3 Credit-related commitments by currency

(in thousands of hryvnias)

Items	**2015**	**2014**
Hryvnia	3 757 786	2 482 290
US Dollar	12 220 717	8 383 630
Euro	1 567 305	701 325
Other	9 635	19 787
Total	**17 555 443**	**11 587 031**

Note 33 Fair Value of Assets and Liabilities

The fair value of financial assets and financial liabilities is established by discounting future cash flow method and other appropriate valuation techniques may not reflect the fair value of these instruments as of the date of distribution of these financial statements. These calculations do not reflect any premiums or discounts that may be offered as a result of a proposal to sell the entire amount of a certain financial instrument at a time. The fair value measurement is based on judgment as to anticipated future cash flows, current economic environment, characteristics of risk of different financial instruments and other factors.

It is assumed that the fair value of all short-term financial assets and liabilities equals their carrying amount owing to their short-life character and market interest rates as of the period end. The fair value of loans and deposits with maturities over one year approximates their carrying amount as the Bank has the right to change the interest rates on practically all loans, when market exchange rates change.

The fair values of financial instruments, are categorized into three levels of fair value hierarchy, based on the degree to which the inputs to the measurement are observable in the following way.

Established prices in an active market (level 1) – The measurement is based on established prices on identical assets or liabilities in active markets, to which the Bank has access. Price adjustments or discounts are not applied to these financial instruments. As the fair value measurement is based on established prices that already exist and are readily available in an active market, the fair value measurement of these instruments does not envisage use of significant professional judgment.

Measurement method with the use of observable data (level 2) – The measurement is based on the inputs that are observable, either directly or indirectly, and uses one or several established prices that are observable, for regular-way transactions in markets that are not regarded as active.

Measurement method with the use of information other than observable market data (level 3) – The measurement is based on valuation techniques that include inputs for the asset or liability that are not based on observable market data.

Analysis of financial instruments that are carried at fair value, by the levels of fair value hierarchy is presented below.

Table 33.1 Fair value hierarchy levels and input methods used for valuation of assets and liabilities of the reporting period

(in thousands of hryvnias)

Items	Fair value hierarchy			Total fair value	Total carrying amount
	prices in an active market (level 1)	measurement method with the use of observable data (level 2)	measurement method with the use of information other than observable market data (level 3)		
ASSETS					
Cash and cash equivalents	**-**	**5 317 792**	**-**	**5 317 792**	**5 317 792**
cash on hand	-	22 001	-	22 001	22 001
cash balances with the National Bank of Ukraine (other than mandatory reserve deposits)	-	1 942 240	-	1 942 240	1 942 240
mandatory reserve deposit with the National Bank of Ukraine	-	320 188	-	320 188	320 188
correspondent accounts, deposits and overnight placements with the banks	-	3 033 363	-	3 033 363	3 033 363
Finsncial assets at fair value through profit or loss	**-**	**599 336**	**-**	**599 336**	**599 336**
Ukrainian state bonds	-	599 336	-	599 336	599 336
Due from other banks	**-**	**-**	**27 251**	**27 251**	**27 251**
term deposits	-	-	27 251	27 251	27 251
Loans and advances to customers	**-**	**-**	**2 736 000**	**2 736 000**	**2 736 000**
corporate loans	-	-	2 659 380	2 659 380	2 659 380
mortgage loans to individuals	-	-	72 833	72 833	72 833
loans to individuals – consumer loans	-	-	3 787	3 787	3 787
Investment securities available for sale	**-**	**7 352 673**	**-**	**7 352 673**	**7 352 673**
Ukrainian state bonds	-	96 021	-	96 021	96 021
deposit certificates of NBU	-	7 256 652	-	7 256 652	7 256 652
Other financial assets	**-**	**5 488**	**-**	**5 488**	**5 488**
receivables on payment card transactions	-	171	-	171	171
other financial assets	-	5 317	-	5 317	5 317
Premises, equipment and intangible assets	**-**	**40 166**	**-**	**40 166**	**40 166**
premises	-	32 399	-	32 399	32 399
intangible assets	-	444	-	444	444
other property, and equip-ment	-	7 323	-	7 323	7 323
Total assets	**-**	**13 315 455**	**2 763 251**	**16 078 706**	**16 078 706**
LIABILITIES					
Due to other banks	**-**	**67 642**	**-**	**67 642**	**67 642**

correspondent accounts and overnight placements of other banks	-	67 642	-	67 642	67 642
Due to customers	**-**	**12 915 786**	**-**	**12 915 786**	**12 915 786**
state and public organisations	-	21 542	-	21 542	21 542
other legal entities	-	12 891 316	-	12 891 316	12 891 316
individuals	-	2 928	-	2 928	2 928
Other financial liabilities	**-**	**485 425**	**-**	**485 425**	**485 425**
payables on trading operations of foreign currencies and banking metals for customers	-	471 301	-	471 301	471 301
other financial liabilities	-	14 124	-	14 124	14 124
Total liabilities	**-**	**13 468 853**	**-**	**13 468 853**	**13 468 853**

Table 33.2 Fair value hierarchy levels and input methods used for valuation of assets and liabilities of the previous period

(in thousands of hryvnias)

Items	Fair value hierarchy			Total fair value	Total carrying amount
	prices in an active market (level 1)	measurement method with the use of observable data (level 2)	measurement method with the use of information other than observable market data (level 3)		
ASSETS					
Cash and cash equivalents	**-**	**1 602 009**	**-**	**1 602 009**	**1 602 009**
cash on hand	-	25 498	-	25 498	25 498
cash balances with the National Bank of Ukraine (other than mandatory reserve deposits)	-	522 594	-	522 594	522 594
mandatory reserve deposit with the National Bank of Ukraine	-	71 759	-	71 759	71 759
correspondent accounts, deposits and overnight placements with the banks	-	982 158	-	982 158	982 158
Finsncial assets at fair value through profit or loss	**398 764**	**-**	**-**	**398 764**	**398 764**
Ukrainian state bonds	398 764	-	-	398 764	398 764
Due from other banks	**-**	**-**	**17 899**	**17 899**	**17 899**
term deposits	-	-	17 899	17 899	17 899
Loans and advances to customers	**-**	**-**	**2 606 764**	**2 606 764**	**2 606 764**
corporate loans	-	-	2 519 933	2 519 933	2 519 933
mortgage loans to individuals	-	-	80 109	80 109	80 109
loans to individuals – consumer loans	-	-	6 722	6 722	6 722
Investment securities available for sale	**-**	**5 810 066**	**-**	**5 810 066**	**5 810 066**

Ukrainian state bonds	-	558 800	-	558 800	558 800
deposit certificates of NBU	-	5 251 266	-	5 251 266	5 251 266
Other financial assets	**-**	**841**	**-**	**841**	**841**
receivables on payment card transactions	-	31	-	31	31
other financial assets	-	810	-	810	810
Premises, equipment and intangible assets	**-**	**37 700**	**-**	**37 700**	**37 700**
premises	-	28 979	-	28 979	28 979
intangible assets	-	621	-	621	621
other property, and equipment	-	8 100	-	8 100	8 100
Total assets	**398 764**	**7 450 616**	**2 624 663**	**10 474 043**	**10 474 043**
LIABILITIES					
Due to other banks	**-**	**150 899**	**-**	**150 899**	**150 899**
correspondent accounts and overnight placements of other banks	-	150 899	-	150 899	150 899
Due to customers	**-**	**7 223 239**	**-**	**7 223 239**	**7 223 239**
state and public organisations	-	2 898	-	2 898	2 898
other legal entities	-	7 203 581	-	7 203 581	7 203 581
individuals	-	16 760	-	16 760	16 760
Other financial liabilities	**-**	**1 338 971**	**-**	**1 338 971**	**1 338 971**
payables on trading operations of foreign currencies and banking metals for customers	-	1 325 527	-	1 325 527	1 325 527
other financial liabilities	-	13 444	-	13 444	13 444
Total liabilities	**-**	**8 713 109**	**-**	**8 713 109**	**8 713 109**

Fair value of financial assets traded in an active market is determined according to the quotations that reflect the conditions under which regular and recent market transactions take place. The Bank uses valuation methods to determine the fair value of the instruments, if quotes are not available for them.

Below is a description of methods for fair value of financial instruments determination that are accounted at fair value by using valuation techniques. These methods include the Bank's assumptions for fair value valuation under which market participants will carry out the determination of the fair value for such instruments.

Securities at fair value through profit or loss.

To assess indexed securities the Bank uses an option model based on open market data such as the dynamics of exchange rates and rates of return for the hryvnia cash deposits.

Investment securities available for sale.

Fair value of securities available for sale is based on discounted cash flows at market rates of return.

The following describes the methodologies and assumptions used to determine the fair value of financial instruments which are not reflected at fair value in the financial statements.

Due from other banks Loans and advances to customers.

The fair value of loans and advances to customers and other banks classified as Level 3 of fair value hierarchy. Assessment is based on cash flows discounted at market rates.

The fair value of cash and cash equivalents, other financial assets and liabilities approximates their carrying value and relates to Level 2 of fair value hierarchy.

As of December 31, 2015 and 2014, the Bank did not conduct appraisal of the fair value of premises and equipment (buildings owned by the Bank) due to the fact that the property market is not active in unfavorable financial and economic conditions. In fact, estimated values are used for the fair value determination, which are more based on the professional judgment of experts on appraisement rather than on market factors. In view of the above the fair value of premises and equipment and intangible assets are stated at their carring value.

Table 33.3 Transfer between fair value levels of hierarchy for assets and liabilities measured at fair value on a periodic basis

(in thousands of hryvnias)

Items	Reporting period		Previous period	
	prices in an active market **(level 1)**	measurement method with the use of observable data **(level 2)**	prices in an active market **(level 1)**	measurement method with the use of observable data **(level 2)**
Financial assets at fair value through profit or loss	**(599 336)**	**599 336**	**-**	**-**
Ukrainian state bonds	(599 336)	599 336	-	-
Total assets	**(599 336)**	**599 336**	**-**	**-**

Transfer between levels of hierarchy is carried out in connection with changes in an active market and availability of market data. During the year ended 31 December 2015 the Bank made the transfer of securities at fair value through profit or loss from Level 1 to Level 2 in the amount of UAH 599 336 thousand. The transfer between levels of hierarchy was made due to the changes in market data sources.

Note 34 Presentation of Financial Instruments by Measurement Categories

Table 34.1 Financial assets by measurement categories for 2015

(in thousands of hryvnias)

Items	Loans and advances to customers	Assets available for sale	Financial assets carried at fair value with recognition of revaluation through profit or loss		Total
			trade assets	assets carried at fair value with recognition of revaluation through profit or loss	
Cash and cash equivalents	4 997 604	-	-	-	4 997 604
Mandatory reserve deposits in the National Bank of Ukraine	320 188	-	-	-	320 188
Financial assets at fair value through profit or loss	-	-	-	599 336	599 336
Due from other banks:	27 251	-	-	-	27 251
term deposits	27 251	-	-	-	27 251
Loans and advances to customers:	2 736 000	-	-	-	2 736 000
corporate loans	2 659 382	-	-	-	2 659 382

mortgage loans to individuals	72 831	-	-	-	72 831
loans to individuals – consumer loans	3 787	-	-	-	3 787
Investment securities available for sale	-	7 352 673	-	-	7 352 673
Other financial assets:	5 488	-	-	-	5 488
receivables on payment cards transactions	171	-	-	-	171
other financial assets	5 317	-	-	-	5 317
Total financial assets	**8 086 531**	**7 352 673**	**-**	**599 336**	**16 038 540**

Table 34.2 Financial assets by measurement categories for 2014

(in thousands of hryvnias)

Items	Loans and advances to customers	Assets available for sale	Financial assets carried at fair value with recognition of revaluation through profit or loss		Total
			trade assets	assets carried at fair value with recognition of revaluation through profit or loss	
Cash and cash equivalents	1 530 250	-	-	-	1 530 250
Mandatory reserve deposits in the National Bank of Ukraine	71 759	-	-	-	71 759
Financial assets at fair value through profit or loss	-	-	-	398 764	398 764
Due from other banks:	17 899	-	-	-	17 899
term deposits	17 899	-	-	-	17 899
Loans and advances to customers:	2 606 764	-	-	-	2 606 764
corporate loans	2 519 934	-	-	-	2 519 934
mortgage loans to individuals	80 108	-	-	-	80 108
loans to individuals – consumer loans	6 722	-	-	-	6 722
Investment securities available for sale	-	5 810 066	-	-	5 810 066
Other financial assets:	841	-	-	-	841
receivables on payment cards transactions	31	-	-	-	31
other financial assets	810	-	-	-	810
Total financial assets	**4 227 513**	**5 810 066**	**-**	**398 764**	**10 436 343**

Note 35 Related Party Transactions

In the course of regular business the Bank issues loans and advances to customers, attracts deposits and performs other operations with related parties. The parties are considered related in case when one party has opportunity to control the other or exercises significant influence on the other party in making financial and operating decisions.

The terms of transactions between related parties are established at the time of transactions. For the Bank, the related parties are the members of the Supervisory Board, the Management Board and members of their families, business entities that are under joint control.

The Bank assesses credit risks associated with loans to related parties and manages them based on regulations established by the NBU.

The key management personnel are: the Chairman and members of the Board of the Bank; heads of Credit and Tariff committees of the Bank, acting chief accountant, head of internal audit.

The Bank is a 100% subsidiary of Citigroup Inc. financial corporation. The owners of the bank is Citibank Overseas Investment Corporation (67% of the share capital) and Citicorp Leasing International LLC (33% of the share capital).

Table 35.1 Outstanding balances with related parties as at 31 December 2015

(in thousands of hryvnias)

Items	Parent company	Key management personnel	Other related parties
Cash and cash equivalents	-	-	3 025 410
Loans and advances to customers (contractual interest rate: 3%)	-	5588	-
Provision for loan impairment as at 31 December	-	[illegible]	-
Due to customers	869 250	344	-
Other liabilities	-	11 938	453

Table 35.2 Income and expense items with related parties for 2015

(in thousands of hryvnias)

Items	Major shareholders of the bank	Key management personnel	Other related parties
Interest income	-	177	2 243
Gains less losses from foreign currency transactions	-	-	(88 418)
Foreign exchange translation gains less losses	-	291	268 584
Fee and commission income	299	-	565
Other operating income	-	-	2 394
Administrative and other operating expenses	-	(34 025)	(4 662)

Table 35.3 Other rights and obligations with related parties as at 31 December 2015

(in thousands of hryvnias)

Items	Key management personnel	Other related parties
Guarantees received	2 615	541 273

Table 35.4 Amounts lent to and repaid by related parties during 2015

(in thousands of hryvnias)

Items	Key management personnel
Amounts repaid by related parties during the year	985

Table 35.5 Outstanding balances with related parties as at 31 December 2014

(in thousands of hryvnias)

Items	Key management personnel	Other related parties
Cash and cash equivalents	-	974 610
Loans and advances to customers (contractual interest rate: 3%)	11 133	-
Provision for loan impairment as at 31 December	(19)	-

Due to customers	322	3 519
Other liabilities	9 610	554

Table 35.6 Income and expense items with related parties for 2014

(in thousands of hryvnias)

Items	Key management personnel	Other related parties
Interest income	287	1 107
Interest expense	-	155
Gains less losses from foreign currency transactions	87	2 542
Gains less losses from other trade operations	(665)	220 742
Other operating income	-	(185 367)
Fee and commission income	-	2 626
Fee and commission expense	-	750
Other operating income	-	131
Administrative and other operating expenses	(34 317)	4 091

Table 35.7 Other rights and obligations with related parties as at 31 December 2014

(in thousands of hryvnias)

Items	Key management personnel	Other related parties
Guarantees received	4 534	25 165

Table 35.8 Amounts lent to and repaid by related parties during 2014

(in thousands of hryvnias)

Items	Key management personnel
Amounts lent to related parties during the year	1 919
Amounts repaid by related parties during the year	1 469

Table 35.9 Key management compensation

(in thousands of hryvnias)

Items	2015		2014	
	Expenses	Accrued liabilities	Expenses	Accrued liabilities
Salaries	(26 420)	-	(14 242)	-
Dismissal payments	(56)	-	-	-
Share-based payments	(1 051)	-	(1 690)	-
Medical Insurance	(200)	-	(143)	-
Additional payments under contracts	(3 479)	-	(4 495)	-
Vacation provision	(553)	701	(349)	-
Other compensation payments	(2 630)	11 237	(5 479)	9 610

Note 36 Events After the End of the Reporting Period

Adverse fluctuations in economic conditions and the decline of trust adversely affect the development of the banking system of Ukraine. The number of participants on the banking market decreased by 46 banks in 2015 and this trend continues in 2016.

The future development of Ukraine's economy is largely dependent upon economic, financial and monetary - credit activities of the Government together with the improvement in tax, legislation, regulatory - legal and political spheres.

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

Overall, real GDP has decreased and there was a significant decline in investment activity. Especially in the mining and construction industry. Also there was a significant reduction in the foreign economic situation. Positive trend seen only in agriculture.

Credit activity was still low, due to the relatively low level of borrower's solvency. During the years 2009-2015 and the first quarter 2016 domestic banking system has accumulated a significant amount of bad debts. The volume make up about 22.1% of the loan portfolio. Given the slow pace of issuing new loans it is expected that the future quality of the loan portfolio of the banking sector will improve mainly due to the formation of provisions for bank's adversely classified assets and their write-off. The main activities of getting rid of bad debts is the realization of collateral and transfer to credit collection companies.

Later on, changes in political and economic conditions might increase the risk of negative effect on financial position of the Bank's borrowers and issuers of securities, its business results and risk of uncertainty regarding the conditional assumption of the Bank's going concern in the future.

After the end of the reporting period the following events did not occur:
- business combination;
- termination of or the decision made to discontinue an operation;
- restructuring;
- court decisions in favour of claimants against the Bank which could cause any significant liabilities for the Bank.