

PUBLIC JOINT STOCK COMPANY  
«BANK FOR INVESTMENTS AND SAVINGS»

Financial statements  
As at 31 December 2014

Together with Independent Auditor's Report  
(original translation from Ukrainian to English)

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**Statement of Management's Responsibilities for the preparation and approval of the financial statements for the year ended 31 December 2014**

The following statement, which should be read in conjunction with the independent auditors' responsibilities stated in the independent auditors' report, is made with a view to distinguishing the respective responsibilities of management and those of the independent auditors in relation to the financial statements of PUBLIC JOINT STOCK COMPANY «BANK FOR INVESTMENTS AND SAVINGS» (hereinafter – the Bank).

Management is responsible for the preparation of the financial statements that present fairly, in all material aspects the financial position of the Bank at 31 December 2014 and the results of its operations, cash flows, and changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information, in compliance with International Financial Reporting Standards (hereinafter – IFRS).

In preparing the financial statements, management is responsible for:

- Properly selecting and applying accounting policies;
- Making reasonable assumptions and estimates;
- Compliance with relevant IFRS and disclosure of all material departures in the Notes to Financial statements;
- Preparing the financial statements on a going concern basis, unless it is inappropriate to presume that the Bank will continue in business for the foreseeable future.

The Bank Management is responsible for:

- Designing, implementing and maintaining an effective and sound system of the Bank internal controls;
- Maintaining proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Bank, and which enable them to ensure that the financial statements of the Bank comply with IFRS;
- Guaranteeing compliance of financial accounting to the legislative regulations and accounting standards in force in Ukraine;
- Taking such steps as are reasonably available to them to safeguard the assets of the Bank; and
- Preventing and detecting fraud and other irregularities.

The financial statement for the year ended 31 December 2014 were approved by the Bank's management and authorized for issue on 17 April 2015.

Chairman of the Management Board



/V. M. Bayraka/

Chief Accountant

/T. O. Verba/



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## Independent Auditor's Report

### To the shareholders and management of PJS "BANK FOR INVESTMENTS AND SAVINGS"

We have audited the annual financial statements of Public Joint Stock Company "BANK FOR INVESTMENTS AND SAVINGS", Kyiv, Ukraine (the "Bank") for the year ended 31 December 2014, comprising the statement of financial position as at 31 December 2014, the statement of income and comprehensive income for the year 2014, the statement of changes in equity for the year 2014, the statement of cash flows for the year 2014, and a summary of significant accounting policies and other explanatory notes.

#### *Management's responsibility for the financial statements*

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

#### *Auditor's responsibility*

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

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

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

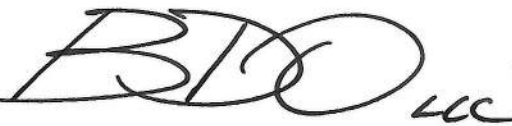
#### *Opinion*

In our opinion, the financial statements present fairly, in all material aspects, the financial position of the Bank as at 31 December 2014, and its financial results and cash flows for the year then ended in accordance with International Financial Reporting Standards.

***Emphasis of matters***

Without changing our opinion, we draw your attention to Note 2 to the financial statements, where the fact is disclosed that the Ukrainian economy is in a protracted crisis, complicated by military conflict in Eastern Ukraine and unrecognized separation of the Autonomous Republic of Crimea. Under results of 2014 international rating agencies significantly downgraded the sovereign debt of Ukraine. More to that, due to the above factors and negative expectations of the country's population, the Ukrainian hryvnia in 2014 depreciated by 97 % and 74 % relative to the US dollar and Euro, respectively. Stabilization of the situation in Ukraine largely depends upon the government actions undertaken in order to address the military conflict and reforming the country's financial, administrative, fiscal and legal systems. To solve the above indicated problems the government introduces rather tough and unpopular measures, such as the partial mobilization of the population for military service, introduction of new taxes and fees, restrictions on cash and non-cash foreign currency transactions, and so on. Such arrangements might adversely affect the economy of Ukraine, the Bank's operating activities, its ability to continue going concern and the value of its assets. Our opinion does not include observations concerning the issues in this paragraph.

Kyiv, 17 April 2015



**Statement of financial position  
 as of 31 December 2014**

(in Ukrainian Hryvnias and in thousands)

Item	Notes	Reporting Period	Previous period
1	2	3	4
<b>ASSETS</b>			
Cash and cash equivalents	6	477 152	312 903
Mandatory reserves in the National Bank of Ukraine		-	34 990
Trading securities		-	-
Due from other banks	7	-	185 649
Loans to customers	8	3 546 895	1 736 955
Securities available for sale	9	-	180
Securities held to maturity		-	-
Current income tax receivable		47	-
Deferred tax assets		1 440	-
Property and equipment and intangible assets	10	24 873	21 360
Other financial assets	11	108 259	6 490
Other assets	12	876	3 923
<b>Total assets</b>		<b>4 159 542</b>	<b>2 302 450</b>
<b>LIABILITIES</b>			
Due to banks	13	44 288	260 117
Due to clients	14	3 386 143	1 724 352
Other borrowed funds	15	180 746	16 523
Current income tax liabilities		-	75
Deferred tax liabilities		-	720
Provisions for liabilities	16	1 384	253
Other financial liabilities	17	5 977	3 028
Other liabilities	18	6 043	2 770
<b>Total liabilities</b>		<b>3 624 581</b>	<b>2 007 838</b>
<b>EQUITY</b>			
Share capital	19	500 000	250 000
Retained earnings		450	10 223
Reserves and other funds		34 511	34 389
<b>Total equity</b>		<b>534 961</b>	<b>294 612</b>
<b>Total liabilities and equity</b>		<b>4 159 542</b>	<b>2 302 450</b>

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

17 April 2015

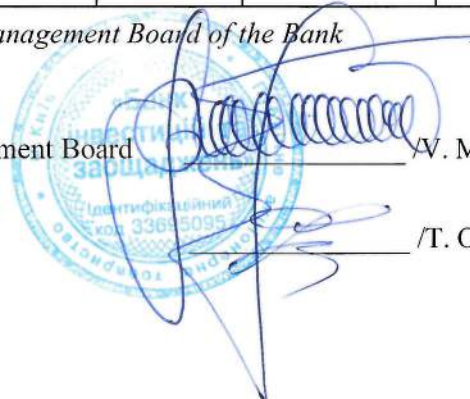
Chairman of the Management Board

/V. M. Bayraka/

N. Yu. Dyadyura  
 ☎ (044) 207-70-35

Chief Accountant

/T. O. Verba/



**Statement of profit or loss and other comprehensive income  
 for the year ended 31 December 2014**

(in Ukrainian Hryvnias and in thousands)

Item	Notes	Reporting Period	Previous period
1	2	3	4
Interest income	21	380 321	270 709
Interest expense	21	(256 203)	(197 743)
<b>Net interest income/ (Net interest expense)</b>		<b>124 118</b>	<b>72 966</b>
Fee and commission income	22	47 845	19 592
Fee and commission expense	22	(27 433)	(1 685)
Results of transactions with the securities of the Bank trading portfolio		27	(77)
Results of trading transactions with derivatives		(93 276)	(3 771)
Results on foreign exchange operations		99 736	1 857
Results on foreign currency revaluation		8 446	5 643
Provision for impairment losses of loans and due from other banks		(46 194)	(2 637)
Provision for impairment losses of accounts receivable and other financial assets		(1)	-
Impairment of securities available for sale		(180)	(604)
Provisions for liabilities		(1 131)	68
Other operating income	23	1 881	941
Administrative and other operating expense	24	(121 825)	(80 489)
<b>Profit/(loss) before income tax</b>		<b>(7 987)</b>	<b>11 804</b>
Income tax expenses	25	662	(2 401)
<b>Profit/(loss) for the year</b>		<b>(7 325)</b>	<b>9 403</b>
Other comprehensive income:		-	-
<b>Total comprehensive income for the year</b>		<b>(7 325)</b>	<b>9 403</b>
Earnings /(loss) per share:	26		
Basic earnings/(loss) per ordinary share		(19,48)	37,61
Diluted earnings/(loss) per ordinary share		(19,48)	37,61

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

17 April 2015

Chairman of the Management Board

/V. M. Bayraka/

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Chief Accountant

/T. O. Verba/

**Statement of changes in equity  
 for the year ended 31 December 2014**

(in Ukrainian Hryvnias and in thousands)

Item	Notes				
		Share capital	Provisions, other funds and provisions of revaluation	Retained earnings	Total
<b>Remained balance as of December 31, 2012</b>		<b>250 000</b>	<b>34 259</b>	<b>3 423</b>	<b>287 682</b>
Allocation of annual profit			130	(130)	-
Total comprehensive income				9 403	9 403
Dividends	27			(2 473)	(2 473)
<b>Remained balance as of December 31, 2013</b>		<b>250 000</b>	<b>34 389</b>	<b>10 223</b>	<b>294 612</b>
Allocation of annual profit			122	(122)	
Share issue	19	250 000			250 000
Total comprehensive income				(7 325)	(7 325)
Dividends	27			(2 326)	(2 326)
<b>Remained balance as of December 31, 2014</b>		<b>500 000</b>	<b>34 511</b>	<b>450</b>	<b>534 961</b>

2013 - According to the General Meeting of Shareholders Minutes on April 13, 2013, the Reserve fund was founded on the basis of 2012 income in amount of UAH 130 000, in order to cover contingent losses and expenses.

2014 - According to the General Meeting of Shareholders Minutes on April 13, 2014, the Reserve fund was founded on the basis of 2013 income in amount of UAH 122 000, in order to cover contingent losses and expenses.

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

17 April 2015

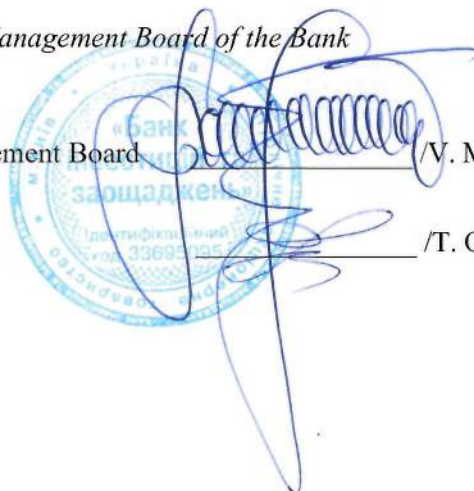
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**Statement on cash flows  
 for the year ended 31 December 2014**

(in Ukrainian Hryvnias and in thousands)

Item	Notes	Reporting Period	Previous period
1	2	3	4
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income/(loss) before taxation		(7 987)	11 805
Adjustment to:			
Amortization and depreciation		3 316	3 930
Net increase / (decrease) of provisions on assets depreciation		47 506	3 174
Amortization of a discount/(premium)		-	(808)
Results on operations with securities held for trading		-	77
Results on operations with derivatives		2 727	3 771
Results on operations with the foreign currency		295	(5 643)
(Income accrued)		(33 954)	2 884
Expense accrued		27 664	2 833
Other non-cash movements		-	352
<b>Net cash income / (loss) from operating activities before changes in operating assets and liabilities</b>		<b>39 567</b>	<b>22 375</b>
Changes in operating assets and liabilities			
Net (increase) / decrease in mandatory reserves with the National Bank of Ukraine		34 990	(20 742)
Net (increase) / decrease in securities held for trading		-	16 142
Net (increase) / decrease of due from other banks	7	185 881	(44 862)
Net (increase) / decrease in loans and receivables from customers	8	(1 822 428)	(131 230)
Net (increase) / decrease in other financial assets	11	(104 661)	(2 981)
Net (increase) / decrease in other assets	12	3 047	(1 886)
Net increase / (decrease) in due to banks	13	(215 763)	5 021
Net increase / (decrease) in customer accounts	14	1 635 652	127 555
Net increase/(decrease) in liabilities provisions	16	-	(68)
Net increase/(decrease) in other financial liabilities	17	5 979	2 053
<b>Net cash generated / (used) from operating activities, before income tax</b>		<b>(237 736)</b>	<b>(28 623)</b>
Income tax paid		(1 620)	(1 912)
<b>Net cash generated / (used) from operating activities</b>		<b>(239 356)</b>	<b>(30 535)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of securities in the Bank portfolio available for sale	10	-	(784)
Revenues from redemption of securities in the Bank portfolio before redemption		-	16 808
Acquisition of property and equipment	10	(6 745)	(1 899)
Revenues from sale of fixed assets	10	-	-

*PJSC «BANK FOR INVESTMENTS AND SAVINGS»  
 Financial statement for the year ended on December 31 2014  
 (in Ukrainian Hryvnias and in thousands)*

Acquisition of intangible assets	10	(199)	(92)
<b>Net cash received / (used) from investing activities</b>		<b>(6 944)</b>	<b>14 033</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Issue of ordinary shares	19	250 000	-
Receipt of other borrowed funds	15	179 020	-
Return of other borrowed funds	15	(16 145)	(117)
Dividends paid	27	(2 326)	(2 030)
<b>Net cash received / (used) from financing activities</b>		<b>410 549</b>	<b>(2 147)</b>
Net increase / (decrease) of cash and its equivalents		164 249	(12 517)
<b>Cash and cash equivalents as for the beginning of period</b>	<b>6</b>	<b>312 903</b>	<b>328 650</b>
<b>Cash and cash equivalents as for the end of period</b>	<b>6</b>	<b>477 152</b>	<b>316 132</b>

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

17 April 2015

Chairman of the Management Board

/V. M. Bayraka/

N. Yu. Dyadyura  
 ☎ (044) 207-70-35

Chief Accountant

/T. O. Verba/



## **Note 1. General information about the Bank activity**

PUBLIC JOINT STOCK COMPANY «BANK FOR INVESTMENTS AND SAVINGS» is registered by the National Bank of Ukraine on August 9, 2005.

The registered address of the Bank is 83D Melnykova Street, Kyiv-04119, Ukraine.

The Bank web-site address is [www.bisbank.com.ua](http://www.bisbank.com.ua).

The reporting period presented in this Report is year 2014.

The report has been prepared as for December 31 2014 and represented in thousands of hryvnias.

The Bank is an element of the bank system of Ukraine (as for the end of 2014 there are 163 operating banks in Ukraine), which is regulated by the National Bank of Ukraine.

The Bank is an independent financial institution and is not a part of consolidated groups or subsidiary structure of any other companies. The supreme body of Management is the General Shareholders Meeting of the PJSC «BANK FOR INVESTMENTS AND SAVINGS».

The Bank is an active member of the Deposit Guarantee Fund.

As of the end of 2014, the number of the Bank employees was 239 people (as for the end of 2012, the number of the employees was 211 people).

As of the reporting date, the regional network of the Bank consists of the Principal Bank and 21 branches that cover the majority of Ukraine regions.

The strategic goal of the Bank is to create a new standard of client-oriented service; the strengthening of the Bank reputation as a stable and reliable bank of Ukraine, keeping the tendency of the dynamic increase of the main financial rates and providing the high level of liquidity and solvency.

The Bank provides the bank services according to the licence № 221 dated October 24, 2011, received from the National Bank of Ukraine, and the General licence to perform foreign exchange transactions № 221-3, dated June 21, 2013. According to these licences, the Bank is allowed to perform the following transactions:

1. Involvement into deposits the assets and bank metals from the unlimited circle of legal bodies and individuals;
2. Opening and maintenance of current (correspondent) accounts of clients, the accounts in bank metals included;
3. Placement, including to current accounts, of deposit attracted funds and bank metals on behalf of the Bank on its own conditions and at its peril.
4. Foreign exchange transactions:

Also, since 2009 the Bank has been cooperating with The State Mortgage Institution (the budget institution) in the sphere of market mortgage crediting transactions.

Also, according to the Licences received from the National Securities and Stock Market Commission on November 20, 2011 (updated on July 25, 2014), the Bank is authorized to perform its professional activities on the stock market of stock trading, notably brokerage, dealer activities and underwriting. Moreover, during 2012 the Bank received the National Bank of Ukraine permission to provide a new type of financial service, notably the fiduciary maintenance of assets and stock on the basis of contracts with legal entities and individuals.

In May 2012, the Bank has become a member of ATMoSfera united cash machine network. Also, the implementation of the Internet banking system for legal entities and individuals has been completed in 2013.

In April 2014 has been completely renovated corporate website of the Bank and deposit line for individuals. During the first half of 2014 was launched self-service customers at the ATM «Cash-in», and also introduced the service SMS-messages for legal entities. Bank's contact center was created in the second half of 2014. It allowed to improve customer service.

The Bank does not have the status of a specialized bank.

Among the main activities of the Bank there are: credit and deposit transactions, settling and cash service of clients, foreign exchange transactions, stock transactions, payment cards transactions, documentary transactions. The use of the policies of flexible and individual approach to every client allows the Bank constant increasing its own client base and drain the clients' assets to deposits (due to the wide range of services for clients), and also, to provide wide activities in the crediting of the real economy sector of Ukraine.

Also, the Bank performs a wide range of activities on the interbank market. It uses the instruments of the interbank market to drain or place the resources promptly, and also, to perform the foreign currency exchange transactions both in the benefit of the clients and the Bank currency position.

In order to perform international transactions, the Bank has established correspondent relations with DEUTSCHE BANK TRUST COMPANY AMERICAS (the USA), DEUTSCHE BANK AG (Germany), CREDIT EUROPE BANK N.V. (The Netherlands), JSC «PROMSVYAZBANK» (Russia), PJSC «FIRST UKRAINIAN INTERNATIONAL BANK», PJSC «KREDOBANK» and others.

The Bank is the member of SWIFT payment system from 2006. In 2008, the Bank has become a member of Visa International international payment system; the Bank has received the registration certificate of the National Bank of Ukraine that confirms the right to issue Visa International payment cards, and has begun the emission of the payment cards of this system, notably, Visa Electron, Visa Classic, Visa Gold, and Visa Platinum. During incomplete seven years since the beginning of the emission (as for December 31, 2014), the Bank has emitted more than 26.000 cards for its clients and provided salary projects for 200 companies.

In general, according to the results of activities in 2014, the Bank has strengthened its positions in the rating of Association of Ukrainian Banks according to the main financial indices:

	as of December 31, 2014 (among 158 banks)	as of December 31, 2013 (among 180 banks)
Net assets	Position 42	Position 64
Capital	Position 40	Position 78
Funds of legal entities	Position 30	Position 53
Funds of individuals	Position 44	Position 63
Financial result	Position 57	Position 75

As a result in 2014 the Bank assigned to the third group («medium») banks of the NBU classification.

The Bank successfully continues to realize the important strategic goal to widen a circle of the counter-agents segments. In 2014 the client base of the Bank increased due to:

	as of December 31, 2014	as of December 31, 2013
Number of clients (total), including:	37 762	25 231
- economic entities	1 567	1 207
- individuals	36 195	24 024

As for December 31, 2014, the owner of the considerable part of the Bank is resident of Ukraine:

- **Andriy Volodymyrovich Popov – 15.00% of the total share capital (including 14.9996% of direct participation, and 0.0004% of indirect participation).**

The part of management in the Bank shares is absent.

There were no mergers, takeovers, partitions or separations of the Bank in the reporting year.

On September 30, 2014 the Credit Rating independent rating agency made a decision about the increasing of the long-term credit rating of the PJSC «BANK FOR INVESTMENTS AND SAVINGS» level, which is uaA-, an investment level with a prognosis as «stable». Also, on December 23, 2014, the abovementioned agency made a decision about the confirmation the rating of stability of bank deposit to the level of «4», (that is «high reliability»).

## **Note 2. The economic environment of the Bank activities**

The economic situation in 2014 has worsened significantly, which was caused by the conduct of military operations in eastern Ukraine and low external demand against the backdrop of macroeconomic imbalances accumulated in previous years. Thus, among the negative factors that have shaped economic

trends in 2014 were: fighting in eastern Ukraine and the gap interregional relations because of the annexation of Crimea; low external demand due to inhibition of growth of countries - major trading partners; complicated trade relations with Russian Federation; decline in purchasing power due to reduced real incomes; deterioration of financial results, narrowing lending activity, reduced government funding and a high level of uncertainty. However, constrained economic downturn such factors as record harvest crops and liberalization of access of Ukrainian goods to the EU markets.

According to the information of the State Statistics Service of Ukraine the gross domestic product of Ukraine in 2014 decreased by 15.2%. The decline in industrial production was 10.7%. Thus, the decline in production is the third year in a row (in 2012-2013 production decreased by 0.5% and 4.7% respectively). The largest decline demonstrated coal industry - 30.5% (mainly under the influence of warfare in eastern Ukraine). In second place - engineering, production of which declined during the year by 21.3% (mainly influenced by complicated trade relations with Russian Federation).

The situation in the construction industry is complicated. The volume of construction reduced the third consecutive year (21.7% for 2014 – the information of the State Statistics Service of Ukraine), due to the limited amount of working capital construction companies, low investment demand, reduction in state funding.

The only sector that showed positive growth in 2014 was agriculture, production of which (according to preliminary data of the State Statistics Service of Ukraine) increased by 2.8% due to a record harvest of grain crops and growth of crop.

According to the information of the National Bank of Ukraine (hereinafter - NBU), the basis of the balance of payments was formed in 2014 with a deficit of USD 13.3 billion unlike 2013, when the surplus was USD 2.0 billion. The current account deficit reached USD 5.2 billion (due to low economic activity, decrease in purchasing power of households, exceeding the rate of drop in imports than exports). Thus, due to suspension of production facilities and the destruction of transport infrastructure in the Donbas and lower prices on world markets and deteriorating trade relations with Russian Federation, exports of goods decreased by 14.4% - to USD 55.6 billion. The decrease of the real effective exchange rate and decline in domestic demand led to lower imports of goods by 27.4% - to USD 61.7 billion.

Against the background of low economic activity in Ukraine in 2014, the labor market is also observed negative trends. The number of registered unemployed increased to 9.2% and as of 01.01.2015 amounted to 512.2 thousand people.

A nominal average monthly salary of one employee grew by 5.9 % and constituted UAH 3 476. On the background of the high level of inflation in 2014, the real salary decreased by 6.5%.

The turnover of the retail trade increased to UAH 903,534 billion or by 8.6 % in 2014 in comparison with 2013 (due to the decrease of the real salary that inhibited the domestic consumer demand).

The consumer price index on the basis of 2014 was 24.9%, the highest value since 2008.

Among the negative tendencies one should mention the volatility in the foreign exchange market of Ukraine, official rate against the US dollar declined during the year by 97.27% and stood at the end of the year 15,768556 UAH / USD on the background of a significant reduction in foreign reserves NBU (from 20.4 billion USD on 01.01 .2014 to 7.5 billion USD on 01.01.2015).

Thus, in general, the dynamics of most macroeconomic indicators in Ukraine shows crisis state in most sectors of the economy, which in turn negatively affected the Ukrainian banks with assets excluding currency fluctuations (at the rate \$ - 7.993) reduced by 223 billion USD or 16%.

The crisis in the economy, volatility in the foreign exchange market, the recognition of insolvency countless banks (33 institutions per year) in conjunction with the military conflict in eastern Ukraine caused panic in society and undermined the credibility of the Ukrainian banks. Thus, the volume of household funds in bank accounts excluding currency fluctuations decreased by UAH 126 billion, or 29%. Due entities excluding currency fluctuations are also reduced by UAH 26 billion, or 10%. Reducing resource base had a negative impact on the volume of lending to the real sector of the economy, the volume of loans to entities decreased, excluding currency fluctuations UAH 87 billion, or 12%, while the volume of loans to individuals, excluding currency fluctuations, fell by UAH 27 billion, or 16%.

The regulatory capital of banks for 2014 decreased by UAH 16 billion, or 8% - to UAH 189 billion, Equity - UAH 5 billion, or 3% - to UAH 180 billion. The reduction is primarily due to the transfer of 17 banks in liquidation and losses resulting from the formation of reserves. Thus, the level of capitalization of banks declined, the average value of the «regulatory capital adequacy» N2 standard

decreased from 18.26% to 15.60% (the minimum level required is 10 %), which represents that the solvency of the banking system of Ukraine is sufficient, however, generally deteriorated.

As a result of the banking system of Ukraine in 2014 financial result was negative - losses reached almost UAH 53 billion. Thus, the main banking system as a whole remained profitable. Negative financial result of the banking sector was formed primarily due to a significant increase in allocations to reserves for possible losses from active operations. About 40% of losses in the system was formed banks categorized insolvent.

Despite the crisis state the economic environment and in particular the banking system, the financial position of the Bank was stable, as indicated by the positive dynamics of key financial indicators, low level of overdue loans, adequate capitalization and profitable activity.

### **Note 3. Principles of the financial statement presentation**

The annual financial statement of the year ended on December 31, 2014, has been drafted by the Bank according to the requirements of the International Financial Reporting Standards (IFRS), which have been adopted and issued by the International Accounting Standards Board (IASB), and explanations published by the IFRS Interpretations Committee (IFRS IC).

The Bank maintains accounting records according to the rules and provision to the maintenance of accounting and reporting in the banking institutions of Ukraine, taking into consideration the basic provisions of IFRS.

This financial statement has been drafted on the basis of accounting records maintained in accordance with the abovementioned requirements, and has the adjustments and declassifications necessary to bring the statement into conformity with the provisions of IFRS, including:

- provisions for possible losses on the active bank transactions;
- deferred taxes.

The financial statement as for 2014 is drafted under the assumption that the Bank is able to continue its activities on a going concern in the nearest future. The Bank management and shareholders have the intention to further develop the Bank activities in Ukraine. The Bank management reckons that such assumptions about the Bank ability to continue operations on a going concern basis are appropriate, taking into the consideration of the appropriate level of capital adequacy to support the intentions of the Bank shareholders, as well as historical experience, which indicates that short-term liabilities will be refinanced in the normal course of business.

#### ***Functional and presentation currencies***

The functional currency of the Bank accounting record maintenance and financial statement drafting is Ukrainian hryvnia. Unless other is specified, the statement is represented in hryvnias and rounded to thousands. Balances on the analytical accounts that are recorded in the Bank balance sheet in a currency other than the functional one at the balance sheet date, are recalculated into the functional currency at the official exchange rates of foreign currencies, and:

- assets and liabilities in the statement of financial position are recalculated at the official exchange rate at the end of the day the respective reporting period;
- components of capital, if any, are recalculated at the historical exchange rate.

The income and losses are not recalculated, as records of such accounts are maintained in the balance sheet only in the functional currency.

As of December 31, 2014, the main exchange rates used for recalculations of sums in the foreign currencies, were as follows:

	December 31, 2014	December 31, 2013
USD 100	1576,8556	799,3000
EUR 100	1923,2908	1 104,1530
RUB 10	3,0304	2,4497

#### **Note 4. Accounting policy principles**

##### **Note 4.1. Consolidated financial statement**

The Bank does not have any associated or subsidiary companies, and therefore, it does not compile the consolidated financial statement.

##### **Note 4.2. The assessment principle of financial statement compilation**

In the drafting of the financial statement in accordance with the provisions of IAS 1 «Financial Statement Presentation», the bases of estimation of financial instruments (including cash / liabilities / equity instruments) of the Bank are: fair value, initial cost and amortized cost. The estimation methods are described below.

The fair cost is the amount at which a financial instrument could be exchanged, or with the help of which the liabilities during the contract performance between well-aware, not connected parties, acting at their own will, can be regulated. Fair value is a current bid price for cash and the price for financial liabilities, which are quoted in the active market. A financial instrument is considered as quoted on the active market, if quoted prices of such financial instrument are freely and regularly available at a stock exchange or other institution, and those prices represent actual and regular market transactions performed under standard terms.

In order to determine the fair value of certain financial instruments, for which there is no information on market prices from external sources available, the following estimation methods are used: discounting of cash flows, estimation models based on the data use of recent agreements conducted between unrelated parties, or financial data analysis on investees. The usage of estimation methods may require assumptions not supported by market data. In this financial statement, the information disclosed in those cases, where the substitution of any such possible assumptions with the alternative one, would result in significantly different indices of profit, income, total assets or total liabilities.

The initial cost is the amount of money paid in cash or cash equivalents, or the fair value of other resources given to acquire an asset at the acquisition date, which includes transaction costs. The estimation using the initial cost is only applicable to investments in equity instruments that do not have a quoted market price, and which fair value cannot be reliably determined.

Amortized cost is a cost on initial recognition of financial instruments minus principal redemption and plus accrued interest; and for financial assets, it must be minus any depletion for incurred impairment losses. The accrued interest includes depreciation of transaction costs deferred at initial recognition, and of any premium or discount of maturity value using the effective interest rate. Accrued interest income and accrued interest expense, including both accrued coupon profit and amortized discount or premium (including fees transferred to next periods at the first recognition, if any), are not presented separately, and are included to the balance-sheet value of related balance sheet articles.

##### **Note 4.3. Initial recognition of financial instruments**

A financial instrument is a contract that simultaneously leads to incurrence (increase) of the financial asset of one economic entity and a financial liability or equity instrument of another.

The Bank recognizes the financial asset in its balance, when the Bank becomes a party of contractual provisions considering this financial instrument.

According to 39 “Financial Instruments: Recognition and Measurements”, the financial instruments of the Bank are classified at the moment of their acquisition as: loans and receivables; financial asset at fair value with representation through profit and loss; held-to-maturity investments; financial asset available for sale; financial liabilities, which are estimated at fair value with representation of revaluation through profit or loss; and financial liabilities at amortized cost.

During the initial recognition of the financial asset or liabilities, the cash or liabilities are estimated at their fair value, plus (in case the financial asset or liabilities estimation not at their fair value with their representation as profit or loss) transaction expense directly related to the acquisition or issue of the financial asset or liabilities. After the initial recognition they are represented at amortized cost with

using of the effective interest rate instrument, excluding the cash at fair value with representation of revaluation through profit or loss.

At the initial recognition, fair value is best proved by the contract cost. The profit or loss during the initial recognition is accounted only in that case, if there is a difference between fair value and contract cost, which can be proved by the current contracts with the same financial instrument, or estimation methods, which as basic data are using the open market information only.

All transactions of purchase or sale of financial assets, which presuppose the delivery during the period defined by law or accepted by market, are recognized on a date of transaction, that is the date the Bank assumes responsibilities of purchase of the asset. All other transactions of purchase of financial instruments are recognized on a settlement date that is a date of proprietary transfer of such instruments.

The initial recognition of financial instruments is performed using the following values of separate items of assets and liabilities.

#### **Financial assets**

***Loans and receivables.*** The loans are initially recognized at their fair value. The fair value is a sum of actually allocated funds and expenditures that are directly connected to the transaction, including: fees and additional fees; transaction costs and other premiums or discounts; income arising from receipt by the purchaser of the trade discount or rebate on the amount; and differences between the contractual and fair value. Receivables are initially recorded at fair value, which is equal to the cost of its acquisition.

***Financial assets with revaluation recognition at fair value through profit and loss.*** This category includes securities recognized by Bank during the initial recognition, towards which the Bank has an intent and possibility of account at fair value with revaluation recognition through profit and loss. After the initial recognition the abovementioned securities are calculated in a trade portfolio. The expenditures for purchase transactions are recognized through the expenditures accounts during the initial recognition of such securities.

***Financial assets available for sale.*** This category includes non-derivative financial assets, which the Bank intends to hold during indefinite time, and which can be sold to cover the liquidity, or in response to changes of interest rates, foreign exchange rates or stock cost. Securities are considered as such assets. The securities for sale after the initial recognition are calculated at fair value with further revaluation. As for the reported date the securities available for sale in the Bank portfolio are absent.

***Held-to-maturity investments.*** This category of cash includes non-derivative financial assets, which have market quotation with the fixed payments, or assets that shall be recognized, and fixed terms of maturity, which the Bank has an intent and possibility to hold to maturity terms. The investment securities are considered as such investments. Bank held-to maturity investments after the initial recognition are calculated at amortized cost.

#### **Financial liabilities**

***Debts to other banks.*** Debts to other banks are calculated from the moment of granting to the Bank of the cash assets or other assets by counter-agent banks and the National Bank of Ukraine. These debts are granted loans by counter-agent banks, granted loan of refinancing by the NBU. Mentioned non-derivative financial liabilities are calculated at amortized cost.

***Due to clients.*** Assets and deposits are recognized by the Bank during their involvement from clients, who are the owners of the cash assets (individuals and entities). The attracted funds of clients include non-derivative financial liabilities to individuals, state or corporate clients, and are calculated at amortized cost.

***Provided guarantees to clients*** are initially evaluated at fair value, which is the sum of received fees (rewards for guarantees provided). The fee received for guarantee provided is amortized by the straight line method through the duration period of the respected guarantee.

***Debt securities of own emission.*** The Bank can realize the debt securities by the nominal value, with discount or premium. Interest charge and discount (premium) depreciation on these securities is performed using the effective interest method and depending on conditions of securities issuing, but at least once in a month during the period from the security sale until its maturity. As for the reported date the debt securities of own emission in the Bank portfolio are absent.



#### **Note 4.4. Depreciation of financial assets**

The Bank creates the provisions for possible impairment (depreciation) for all categories of cash excluding those calculated at fair value through profit or loss.

The Bank considers the cash as an impaired one, and the damages due to impairment are arising for the Bank only in that time, when there are objective signs of impairment in a result of one or several events, which had place after the initial recognition and can be authentically evaluated, and such case or cases of arising of detrimental events have influence on expected future cash flows or a group of financial assets, which can be authentically defined.

The objective sign of impairment (depreciation) of cash is information drawing attention of the asset holder, considering such detrimental events:

- significant financial difficulties experienced by the issuer or debtor;
- breach of contract, such as failure to comply with terms of the agreement, or debt arrears on the payment of interest or principal payments;
- the Bank concessional loan granting (for economic or legal reasons relating to the debtor financial difficulties) that the lender would not consider in other conditions;
- probability of bankruptcy or other financial reorganization of the debtor;
- disappearance of an active market for this financial asset due to financial difficulties;
- available data indicating a significant reduction in the estimated future cash flows from a group of cash since the initial recognition of such assets, although the reduction in certain cash of the group is not yet possible to identify, including:
  - adverse change in the solvency status of debtors in the group (for example, an increase in the number of delayed payments or credit card debtors, who have reached their credit limits and pay the minimum monthly payments); or
  - all-state or local economic conditions that correlate with defaults on assets in the group (for example, the unemployment rate in the geographical area, where the debtor act; price drop on the property that is the subject of mortgages, falling oil prices for assets loans that are loans granted to oil producers; negative change of production conditions that affect the debtors in the group).

The depreciation of cash is represented by the means of forming of provisions for reimbursement of possible losses of active banking transactions at the Bank expense.

In order to form the provision of financial assets, the Bank estimates the risks of such assets, starting from the date of their recognition in the account until the date of their derecognition.

The Bank estimates the risk of non-fulfillment of obligations by debtor/counter-agent, and forms the provision to its full extent, regardless of the amount of its income as for the first day of every month following the reported one.

The expenditures of impairment (depreciation) of cash are presented in Income and Losses and Other Revenues Statement.

The assets, the maturity of which is considered as impossible, and in relation to which all necessary procedures of full or partial reimbursement are completed, and the final loss sum is defined, are written-off at the expense of formed provision on impairment.

The decision on reimbursement (writing-off) at the expense of provision of bad debts is made by the Bank Management.

In case the revenues from previously written-off assets are received, they are recognized as revenue in the accounts for the accounting return of previously written-off debt (for assets that are charged at provision expense in the previous year) or they reduce the bill for accounting the allocations to provisions (for assets that are charged against the provisions in the current year).

#### **Note 4.5. Derecognition of financial assets**

The Bank derecognizes the cash (or a group of financial assets) in the following cases:

- the period of validation for cash flows of the financial assets, defined by the agreement, terminates;

- transfer of financial asset adheres to the criteria of derecognition, which are provided below.
  - The banks transfers the proprietary of receipt of cash flows from the financial asset, defined by the agreement;
  - The Bank provisions the right to receive the cash flows from the financial asset provided by the contract on transfer, but it assumes responsibilities of cash flows payment to one or several receivers according to the contract that corresponds to following conditions:
    - a) The Bank does not have any obligations of payment to a final buyer before the receipt of the initial asset equivalent amount.
    - b) The terms and conditions of the contract prohibit the Bank to sell or deposit the initial asset as a pledge, excluding its transfer to the final receiver as a guarantee of payment of cash flows.
    - c) The Bank is obliged to transfer any cash flows, which are encash end by it, due to the power of attorney issued by final buyers without a significant delay. Moreover, the Bank does not have the right to reinvest such cash flows, except for investment funds or equivalent assets within a short maturity period from the encash date to the date of their necessary transfer by the final receiver. Interests on such investments are transferred to final receivers.

During the transfer of the financial asset, the Bank evaluates the bounds, where it provisions all the risks and rewards from possessing of the asset, including:

- 1) If in general all risks and rewards of possessing of the financial asset are being transferred by the Bank, then the Bank can derecognize the financial asset and recognize rights and liabilities evolved or provisioned during the transfer as an asset or a liability, separately.
- 2) If the Bank provisions all risks and rewards of possessing of the financial asset, then the Bank is still recognizing the financial asset;
- 3) If the Bank does not transfer and provision all risks and rewards of possessing of the financial asset, then the Bank defines whether the control over the financial asset is provisioned.

The Bank has no control over the transferred asset, if the party receiving these assets is able to sell it to the third unrelated party and can perform this selling unilaterally without a need to set additional restrictions for such transfer.

If the control over the financial asset is not provisioned, the Bank derecognizes such asset and recognizes the rights and liabilities, evolved or provisioned during the transfer, as an asset or a liability, separately.

In case the control over the financial asset is provisioned, the Bank continues to recognize such transferred assets in the bounds of its further share.

#### **Note 4.6. Cash assets and their equivalents**

Cash assets and cash equivalents are assets that can be converted into cash on first demand and which are subject to an insignificant risk of changes in value. Cash assets and their equivalents include the cash assets balances on correspondent accounts in the National Bank of Ukraine, balances on correspondent accounts in Ukrainian banks, loans and overnight deposits.

Cash assets and their equivalents are accounted at amortized cost.

Cash balances of required provision in the National Bank of Ukraine are accounted at amortized cost, and represent required provision deposits, which are not available to finance the Bank routine operations and hence are not related to cash assets and their equivalents for the purpose of the compilation of the Statement on Flow of Cash Assets. The cash assets and their equivalent do not include the assets having restrictions in their use, in particular, assets and assets in accounts and cash cover placed in other banks demanded by the counter-agent bank in different transactions (letters of credit etc.).

The information on the cash assets and their equivalents is disclosed in Note 6 “Cash assets and their equivalents”.

#### **Note 4.7. Bank metals**

The Bank performs purchase and sale of the bank metals with the aim to generate profit due to the short-term fluctuations of prices or dealer's margin. Gold and other bank metals are accounted according to the rates of the National Bank of Ukraine, which approximately correspond with fair value, and the gains and losses are represented as a part of gains and losses and other comprehensive income. As a result of the Bank evaluating the bank metals at fair value, the requirements of IAS "Provisions" are not applied to them as for the value. The information on the bank metals is disclosed in Note 13 "Other assets".

#### **Note 4.8. Trading securities**

To this category of the cash the Bank includes the trading securities accounted at fair value with recognitions of the revaluation results through profit and losses.

The securities are classified as trading securities, if they have been purchased by the Bank with the aim of their sale in short-term prospects and receipt of the profit from the short-term fluctuations of the market price, and they are accounted in the trade portfolio.

The trade portfolio has the following securities as accounted:

- Debt securities, shares and other common shares, which are used by the Bank in order to receive profit in a result of the short-term fluctuations of price or dealer's margin and sale in the nearest future;
- Any other securities, which are defined by the Bank as those the Bank has an intent and possibility to account at fair value with the recognition of the revaluation through income and expenses (excluding the securities not having the quoted price on the active market and the fair value of which is difficult to define accurately) during the initial recognition.

The trade securities are initially evaluated at fair value. The expenses for transactions of purchase are recognized in the accounts of expenditures during the initial recognition of such securities.

In case of change of a fair value, the revaluation of the securities is performed according to the data of the last quotation in the reporting period at the officially organized market. The result of revaluation is obligatory represented in the accounting as for the balance date.

In order to define the fair value of the securities, according to which the quotation as listed securities registered in the Stock Register are disclosed, the Bank follows "Financial Instruments: recognition and Measurement" of International Accounting Standard 39, namely: current fair value of security is defined by its quoted price of the purchaser according to disclosed quotations of listed securities at stock exchange as for the date of the close of last exchange day of the reported month. In case of absence of such quotations on the defined date, the Bank must define the fair value of the security according to the last stock price, which is defined by the results of the stock trading that took place during last five days of the reported month.

Results of changes of the fair value of the trading securities prices are disclosed in the Statement articles on income and expenses and other comprehensive income, that are "Income / (losses), which arise during initial recognition of cash at interest rate higher or lower than the market one", and "Results of revaluation of other financial instruments accounted at fair value with recognition of results of revaluation through income and expenses".

Trading securities are not reviewed for impairment.

In case of sale of securities from the trading portfolio, the profit or loss (the difference between the sale cost and balance cost) is represented in the article "Results of transactions with securities of the trading portfolio of the Bank" of the Statement on Income and Losses and Other Comprehensive Income.

The interest charge is performed depending on the securities issuing conditions, but no less than once in a month during the period starting from the date of security acquisition until the its maturity date or sale.

#### **Note 4.9. Loans to customers**

Loans to customers are non-derivative financial assets with fixed payments or payments which are to be recognized and do not have a quotation on the active market, and shall be returned on the fixed date or a date may be defined. Whereby the Bank does not have an intent to perform the trading transactions with these receivables.

The loans and receivables of the clients are represented beginning from the moment of granting of cash assets to the creditors. The Bank evaluates the granted loans during the initial recognition at the fair value, including the expenditures for transaction and other payments, which are connected with the loans initiating. With the presence of the active market, the fair value of loans is measured by the Bank using the method of discounted cash flow analysis through the market interest rate for the similar financial instrument. If such active market is absent, the fair value of the loans is defined by other methods of measurement (the market price is defined as a sum of a common market-value (e.g. LIBOR rates, EURIBOR etc.). The market interest rates are set by the decision of the Assets and Liabilities Management Committee of the Bank.

The loans granted at the interest rate, higher or lower, than the market interest rate, are measured as for the date of grant at the fair value, which presents future interest payments and payments of principal debt discounted cum of market rates of analogue loans. At that, the Bank recognizes the profit or loss of the first day at amount of the difference between the fair and nominal value of the loan. Income or loss recognized by the Bank is represented in the Statement on income and expenses and other comprehensive income in the article «Income/ (losses), which arise during initial recognition of cash at interest rate higher or lower, than the market one».

In what follows, the loans to customers are measured at amortized cost price using the effective interest rate during the depreciation of a discount (premium) and interest charge. The depreciation of the discount (premium) of the financial instruments is performed along with the interest charge.

During the reporting period of 2014, the Bank granted guarantees of provision of offer and guarantees of provision of contract conditions implementation to clients. The granted financial guarantees are initially estimated at fair value, which equals to the amount of received fees (reward for guarantee granted). The fee received for the granted guarantee is amortized during the term of validity by straight line depreciation method.

In order to maintain the solvency of the debtors, which are in a difficult situation due to the unforeseen circumstances, relevant decrease of the credit risk and provision of the stability of its activities, the Bank performs the restructuring of credit transactions.

Restructuring is a change of significant conditions of the credit transactions with the characteristics of depreciation accepted by both parties (the Bank and the Debtor) in the signed additional contract to existing credit agreement, or a conclusion of a new contract on crediting with the financing of existing receivables aiming to decrease the debt load of the Debtor and resumption of his solvency.

The Bank uses standard variants of restricting (change of the date of credit repayment, deferral of periodical payments at main amount of debt and/or at interest (profit) charge for credit transactions, credit foreign exchange change to the national currency, refinancing, decrease of the interest rate of the credit (permanently or temporarily) or decrease of the amount/disuse of the contractual presumptive damages etc.).

The Bank is constantly analyzing the restructured loan in order to control the quality of the restructuring performance and ability to perform future payments. Such loans will be measured for the impairment at a later date.

Income and expenses on loans are recorded in the accounting using the effective interest rate.

The information on the loans and receivables is disclosed in the Statement on the financial conditions in Note 8 “Loans to customers”.

#### **Note 4.10. Securities in the Bank portfolio available for sale**

In the portfolio of securities available for sale, the shares and other common securities, debt securities, which were not classified to other portfolios, are accounted.

The securities for sale in the Bank portfolio are initially estimated and represented in the accounting at:

- fair value;
- prime cost considering impairment: shares and other securities with variable income, which fair value cannot be reliably determined.

The profit from the debt securities is recognized on a daily basis. The depreciation of the discount (premium) of the financial instruments is performed along with the interest charge.

The expenditures on transactions connected with the purchase of the debt securities to the portfolio for sale are represented for the accounts of the discount (premium) during the initial recognition of these securities.

The securities available for sale in the Bank portfolio as for the reported date are given in the Note 9 «Securities available for sale in the Bank portfolio».

#### **Note 4.11. Sale (purchase) of securities with liabilities of buy-sell back agreements**

In the accounting, the Bank represents the transactions of sale or purchase of securities with a buy-sell return at a fixed price of one and the same counteragent as repos, regardless of the number of contracts that executed these transactions. .

All income or losses, which arise from the transactions of sale (purchase) of the securities with liabilities of buy-sell back are recognized as interest, and are charged during the time of validity of the reverse repurchase agreements using the effective interest rate method.

During the reporting period of 2014, the Bank has not performed any sale (purchase) of the securities with liabilities of buy-sell back transactions.

#### **Note 4.12. Securities held-to-maturity in the Bank portfolio**

In the held-to-maturity securities portfolio, securities with fixed payments or payments that can be defined, as well as securities with a fixed payment, which the Bank intends to hold to maturity in order to receive the interest profit, are accounted.

The purchased securities held-to-maturity in the portfolio are initially estimated and represented in the accounting at prime cost. After the initial recognition the securities held-to-maturity in the portfolio are represented in the accounting at amortized cost using the effective interest rate method.

The profit recognition and depreciation of the discount (premium) of securities are performed using the effective interest rate method.

The expenditures for transaction, made during the purchase of the securities, are included into the cost of purchase and represented at accounting of the discount (premium) account.

#### **Note 4.13. Investments to associated companies**

The investments to associated companies are the shares and common shares of emitters, which correspond to the definition of the Bank associated company, excluding securities that are purchased and/or held only until the sale in 12 months since the purchase date.

The investments placed to associated companies are initially measured and represented in the accounting at prime cost. The expenditures on transactions connected with the purchase of the investment increase the amount of such investment as for the date of its purchase.

The investments to associated companies are accounted using the equity participation method with considering its impairment, and are represented in the accounting at the value, which is defined with considering the change of the total equity amount of the associated company, excluding those, which are the results of transactions between the Bank and the associated company.

During the reporting period of 2014, the Bank has not performed any transactions of investments to associated companies.

#### **Note 4.14. Investment property**

The investment property is:

- Land not to be sold in the short-term prospects during the performance of activities, but held in order to receive the profit from the capital growth in long-term prospects;
- Land, the further usage of which is yet undefined;
- Building in the Bank property (or in its disposal according to the financial leasing (rent) and 90% (or a part) of which are provided for leasing (rent) according to one or several operating leasing agreements;
- Building, which is not occupied and aimed to be leased (rented) according to one or several operating leasing agreements;
- The property, which is being built, or improved for the further usage of it as investment property.

In the reporting year of 2014, according to the defined criteria, the Bank has not recognized any investment property.

#### **Note 4.15. Goodwill**

In the reporting year of 2014, the Bank has not recognized the goodwill.

#### **Note 4.16. Fixed assets**

Purchased (produced) fixed assets are represented in the accounting at initial cost, which includes all the expenses connected with the purchase (production), delivery, installment and reduction to the state appropriate for intended use.

The initial cost of fixed assets increases on the expenses amount connected with the repairmen of the object (modernization, reconstruction etc.).

The depreciation of the fixed assets is accounted starting from the first day of the month following the acquisition month, and the charge terminates from the first day of the month following the month of fixed asset retirement.

Standards used to charge the depreciation of fixed assets are calculated depending on the period of their effective usage (maintenance) according to the straight line method. In 2014 the depreciation method has not been changed.

The standards of depreciation charges have been set by the permanently acting commission during putting into transaction of the fixed assets on the basis of their effective usage period, which has values in bounds of the following fixed assets objects:

- Plot of land are not amortized;
- Houses, buildings and transmitting devices – 20 years;
- Machinery and equipment – 4-10 years;
- Means of transportation (motorcars) – 5 years;
- Tools, devices, stock (furniture) – 4-5 years;
- Other fixed assets – 12 years.

The depreciation of tangible negotiable assets of a little value are accounted in the first month of the object usage in the amount of its 100% cost.

In the reporting year of 2014, the Bank has not recognized the useful life and depreciation standards of the fixed assets.

In the Bank, the recognition of the impairment of the fixed assets is accepted by the permanently acting commission is case, if there are signs of possible losses of economic benefits of the fixed assets. On the basis of the analysis of the possibility of loss of economic benefits of non-current assets, the decision on the recognition of objects and restore of noncurrent assets utility is made.

In the reporting year of 2014, the Bank has not recognized the impairment of the fixed assets, having regard to the absence of the possible loss of economic benefits of the fixed assets, which are accounted on the Bank balance.

In the Statement on Financial Position the fixed assets are represented in residual value, which is the difference between the initial cost and the accumulated depreciation of the fixed assets, and also, having regard to possible losses due to impairment.

#### **Note 4.17. Intangible assets**

In general, the Bank accounts the right to use the software in order to provide the Bank activities automation as intangible assets.

During the initial recognition, the intangible assets are accounted at their initial cost, which includes all expenses connected with their purchase (creation), delivery, and installment and putting into operation. Further, the intangible assets are represented at their cost minus the accumulated depreciation and damages due to impairment.

The depreciation of intangible assets is accounted monthly using the straight line method according to the beneficial usage period of the intangible assets. In 2014, the depreciation method and standards have not been changed. The depreciation of the intangible assets is charged during the beneficial usage (maintenance) period of the object.

The revision of the depreciation standards and the periods of the beneficial usage of intangible assets put into operation is performed in case of change of the expected benefits from their usage. In the reporting year of 2014, the Bank has not changed the standards of depreciation and period of beneficial usage of the intangible assets.

In the Bank, the recognition of the impairment of the intangible assets is accepted by the permanently acting commission in case, if there are signs of possible losses of economic benefits. The analysis of the possibility of the economic benefits losses is performed by the Analysis and Risk Management Department, on the basis of which the permanently acting commission makes decisions as for recognition of impairment or renewal of the benefits of the intangible assets objects.

The Bank has not recognized any impairment of the intangible assets in the reporting year of 2014 considering the absence of the possible loss of the economic benefits of the intangible assets accounted on the Bank balance.

#### **Note 4.18. Operating leasing (rent), with the Bank acting as lessor and/or lessee**

Leasing (rent) of assets, under which the risks and rewards of the ownership right of the leased property, remains in the lessor's possession, are classified as operating leasing (rent).

During the reporting period of 2014 the Bank was the grantor of service premises granted as operating leasing. Leasing (rental) payments under the contracts on obtaining assets to operating leasing (rent) are recognized as operating expenses. Information on costs derived from operating leasing of fixed assets is disclosed in Note 26 "Administrative and other operating expenses".

The Bank-lessee expenditures for improvement of the object of operating leasing (rent) (modernization, modification, further construction, retrofitting, renovation etc.) that lead to an increase in future economic benefits initially expected from its use, are shown by the lessee as a capital investment to improvement of the leased assets.

In the reporting year of 2014, the Bank granted to operating leasing a part of its own premises. As of December 31, 2014, the assets granted by the Bank to operating leasing (rent) constitute UAH 768 thousand.

The method of estimation of fixed assets transferred to operating leasing adheres to the method for assessing of own fixed assets.

Leasing (rental) payments on fixed assets that are transferred to the operating leasing (rent), are accrued monthly over the lease term in accordance with the signed contracts. Information on income from operating leasing is disclosed in Note 23 «Other operating income».

**Note 4.19. Financial leasing (rent), with the Bank acting as lessor and/or lessee**

The Bank uses the following criteria in order to define the transaction as a financial leasing:

- at the end of leasing (rent) period, the proprietary and other material rights for the asset are transferred to the lessee;
- the lessee has a right to purchase this asset for a price significantly lower than the fair value as for the date of the exercise of this right, and at the beginning of the leasing (rent) period there is a grounded assurance that this right will be exercised;
- the period of leasing (rent) composes the bigger part of the period of beneficial usage of the assets, even so the proprietary is not transferred;
- at the beginning of the leasing (rent) period, the current value of the minimal leasing (rent) payments is almost equal to the fair value of the leased (rented) asset;
- leased (rented) assets have specific characteristics, i.e. only the lessee can use them without significant modifications.

During the reporting period of 2014, the Bank has not granted or received the fixed assets as the financial leasing.

**Note 4.20. Non-negotiable assets held to sale and disposal groups**

The Bank classifies the non-negotiable assets as those held for sale, if the book value of such assets will be compensated by the sale transactions, and not by the current use.

The non-negotiable assets are classified by the Bank as those held to sale, if on the date of decision making on recognition them as assets held for sale if such conditions are fulfilled: the condition of the assets allows to perform an immediate sale, and there is a high level of probability of their sale during one year starting from their classification.

As for the reported date the Bank does not have and assets held for sale and disposal groups.

**Note 4.21. Discontinued activities**

No discontinuation of any banking transactions activities has been performed during in the reporting year.

**Note 4.22. Derivative financial instruments**

A derivative financial instrument (derivative) is a financial instrument, which has all three following characteristics:

- Its value changes as a respond to change of set interest rate, financial instrument price, consumer goods price, foreign exchange, indices of prices and rates, rate of the credit rating and solvency index or any other similar variable value;
- It does not require the initial net investments, or requires the initial net investments less than those required for other types of contracts having similar response to the change of market conditions;
- It is paid on the future date.

The derivative financial instruments that include the currency swaps are accounted at fair value. All derivative financial instruments are shown as assets, if their fair value has positive value since the liabilities, if their fair value is negative.

The derivative financial instrument fair value change is recognized in the income or losses.

The derivative financial instruments can be input to another contract (“prime contract”). The input derivative instrument is accounted as a derivative instrument only in case, if the economic characteristics and risks of the prime contract and the input derivative instrument are not closely related, if the separate instrument in the same conditions as the input derivative instrument, corresponds to the



definition of the derivative instrument, and if the combined instrument is not measured at the fair value, with the representation of the fair value change through income and expenses. The derivative instruments input to the financial assets or liabilities at fair value with representation of the revaluation as profit or loss, are not separated.

Loan granting transactions (deposit placement) and the loan receipts (involvement of deposits) denominated in different currencies for the equivalent amount with the same counter-agent bank and the same payment period is an exchange swap, which is a contractual agreement between two parties to perform the exchange of the foreign exchange rates and interest rates on the market, and such transactions are to be curtailed.

#### **Note 4.23. Borrowed funds**

Borrowed funds, which include funds of the National Bank of Ukraine, credit entities and clients, debt securities issued and subordinated debt during the initial recognition at fair value, including transaction costs and other fees associated with the initiation of these investments (deposits). After the initial recognition, borrowed funds are measured at amortized cost using the effective interest rate. Revenues and expenses are recognized in the accounts of the 6th and 7th grade at the time of liability termination, as well as through the depreciation process.

The Bank recognizes a profit or loss in the amount of the difference between the fair value of the financial liability and the cost of the contract in correspondence with premium (discount) accounts, if the effective interest rate on this instrument is higher or lower than the market one. The fair value of financial liabilities at initial recognition is the transaction cost.

Bank presents the accounting exchange transaction deposits with substantially different conditions as the repayment of initial financial liability and recognition of a new one. The Bank recognizes significantly different such conditions, under which the current net value of cash flows under the new conditions is discounted at the initial effective interest rate (for financial liabilities with variable interest rates the effective interest rate is used, which was calculated at the time of the last change in nominal interest rate), and it differs by at least 10% of the current discounted value of cash flows remaining to maturity of the initial financial liability.

Bank derecognized the financial liability or its part, if such liability is paid, annulated or the term of its exercise is expired

During the reporting period of 2014, the Bank has not issued or placed securities emitted by the Bank.

#### **Note 4.24. Provisions for liabilities**

Bank forms the provision by financial liabilities, which are accounted in off-balance sheets of the following groups:

- Warranties, guarantees, letters of credit and acceptances granted to banks;
- Guarantees granted to clients;
- Loan obligations granted to banks;
- Loan obligations granted to clients.

The Bank does not form the provision for liabilities from loans granted to clients (excluding banks), which are revocable and risk-free, i.e. the contact on which defined the Bank vested right without prior notice to the debtor unilaterally to refuse subsequent fulfillment of all its obligations, including the cases of deterioration of the financial condition of the debtor and/or delay in the performance of contractual obligations to the Bank and bill sureties provided by the Bank.

Provisions for financial liabilities are provisions to ensure their implementation in the future that is recognized in the balance sheet as a liability and indicates possible losses due to an outflow of resources associated with the implementation by the Bank of such financial liabilities.

#### **Note 4.25. Subordinated loan**

Subordinated debt is a common unsecured by bank debt capital instruments (equity components), which, according to the contract, cannot be taken from the Bank in a period less than five years, and in the case of bankruptcy or liquidation are returned to the investor after repayment of claims of all other creditors. Amount of subordinated debt included in equity is annually declining by 20% of its initial size during the last five years of the contract.

The involvement of assets on terms of subordinated loan has not been conducted by the Bank during the reporting period of 2014.

#### **Note 4.26. Income tax**

In the reporting year tax accounting has been performed according with the Tax Code of Ukraine. The income tax rate in 2014 is 18 %.

When calculating deferred taxes, The Bank applies the method on temporary differences, which is a comparison of the assets and liabilities according to the balance of financial and tax accounting data.

In the financial statement, the income tax expenses are represented through current tax and changes in deferred tax amount.

Income tax expenses are represented through profit or loss, except for the amounts that relate directly to equity.

Deferred tax amounts are calculated using the balance liabilities of temporary differences arising between the tax bases of assets and liabilities and their balance amounts for financial statement purposes. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available, against which the deferred tax assets will be realized.

Deferred tax assets and liabilities are calculated according to the tax rates currently in force during the period when the asset is realized, or the liability is paid on the basis of the legislative regulations currently in force at the reported date.

#### **Note 4.27. Share capital and share premium**

The share capital is cash contributions paid by members of the bank of share price, shares of the bank at an amount determined by the Statute.

Share premium (emission differences) is the excess of the amount of cash funds received from the initial issue or own shares sale over their par or exceeding the nominal value of their purchase.

Contributions to share capital are presented at their fair value at the date of the transaction.

As of 31.12.2014, registered and fully paid share capital comprised 500,000 ordinary registered shares with a nominal value of UAH 1000 each. All ordinary shares give equal voting rights on the principle of «one share is one vote».

In the reported 2014 shareholders of the Bank increased the share capital by UAH 250 000 thousand, which were maintained at the end of the day 31.12.2014 on account 5004 «Unregistered share capital».

By means of yearly contributions in amount of 5 % of net profit, the provision funds are created on the account 5021 – «Provisions».

Following the results of financial and economic activities of the Bank, the allocated profit contributed to the Bank development fund, is represented in the analytic balance sheet «Bank development fund», opened at the balance account 5022 «Other Funds».

#### **Note 4.28. Treasury stock**

The purchase of the Bank treasury stock is recognized as a reduction of capital. If the Bank repurchase the financial equity instruments, the purchase cost of such equity instruments, including any directly related external expense minus income tax, is calculated from the equity amount owned by the

Bank owners until their repeated emission, consignment or cancellation. In case of the further consignment or repeated emission, any sum received is returned as a part of the equity.

Income and losses from sale of own shares are accounted in retained income.

The Bank has not performed treasury stock transactions from during the reporting year of 2014.

#### **Note 4.29. Recognition of income and expenses**

The income and expenses of the Bank are recognized in the following cases:

- recognition of real debt for assets and liabilities;
- financial results of transaction related to the provision (reception) of services can be accurately determined.

The income and expenses arising from transactions are determined by agreement between the parties or other documents executed in accordance with the current legislation of Ukraine.

The income and expenses are recognized on each activity (operating, investing or financial activity) of the Bank. Criteria for recognition of income and expenses are applied separately to each transaction of the Bank. Each type of profit and expense is recognized in accounting separately.

As a result of transaction activities of the Bank, such income and expenses arise:

- Interest income and expenses;
- Commission income and expenses;
- Income (losses) on trading;
- Dividend income;
- Expenses for special provisions forming of the Bank;
- Income from the repayment of assets previously written off;
- Other operating income and expenses;
- General administrative expenses;
- Income tax.

*Interest income and expense* are operating income and expenses received (paid) by the Bank for the use of monetary funds, their equivalents or amounts owed to the Bank (involved by the Bank), calculated in proportion to the amount of time using the effective interest rate. They are:

- Income (losses) from operations with funds placed in other banks (involved from other banks);
- Income (losses) on loans and deposits granted (received) to legal entities and individuals, and on other financial instruments, including securities;
- Income on amortization of discount (premium).

For all financial instruments measured at amortized cost and interest financial instruments classified as trading or available-for-sale, interest income or expense are represented at the effective interest rate, which is the rate that exactly discounts expected future cash payments through the expected service age of the financial instrument or a shorter period where it is appropriate, to the net book value of the financial asset or financial liability. The calculation takes into account all contractual conditions of the financial instrument (for example, prepayment right) and includes all rewards or additional expenses that are directly connected with the financial instrument, and are an integral part of the effective interest rate, but not future credit losses. The book value of the financial asset or financial liability is adjusted if the Bank revises its estimates of future cash flows. The adjusted book value is calculated on the basis of the initial effective interest rate, and the changes in book value are represented as interest income or expenses.

At the recorded in the financial statement value of the cash or group of similar cash due to impairment, interest income continues to be recognized using the initial effective interest rate applied to the new book value.

*Commissioned income and expenses* (hereinafter commissions) are operating income and expenses for granted (received) services, the amounts of which are calculated as proportional to the amounts of the asset or liability, or are fixed.

Received (paid) by Bank commissions, depending on the purpose of their measurement and basis of accounting of their associated financial instrument, can be divided into the following categories:

- Commissions, which are an integral part of the income (expenses) of the financial instrument;
- Commissions received (paid) during the provision of services, are recognized as income (expense);
- Commissions received (paid) after performing certain actions are recognized as income (loss) after certain actions.

*Income (losses) on trading* are the result (profit or loss) from operations of purchase and sale of various financial instruments.

*Dividend income* is an income arising from the Bank use of securities with variable income.

*The costs of forming specific provisions of the Bank* are costs for covering the possible losses from impairment and write-offs of bad bank assets.

*Income from return of previously written-off assets* are funds received to pay off debt, which was recognized by the Bank as bad on receipt.

*Other operating income and expenses* are income and expenses from operations that are not related to investing and financing activities.

*General administrative expenses* are operating expenses associated with the provision of the Bank activities.

*Income tax* is the Bank operating expenses associated with the payment of taxes in accordance with law currently in force and subject to the requirements of international accounting standards for the recognition of deferred tax liabilities and tax assets.

Income and expenses of the Bank recorded in the accounting records and financial statements using the basic principles of accounting, including accrual and correspondence.

All income and expenses that relate to the reporting period are reflected in the accounting records of this period, regardless of when they were received.

The Bank recognizes interest income and expenses on account of interest income and expense using the effective interest method.

The amortization of the discount (premium) of the financial instruments is performed simultaneously with the interest charge.

Income (expenses) from disposable services (e.g., fees for currency exchange, granting or receiving consultations, etc.) are recognized without a display on accrued income (expenses), if the funds have been received (paid) in the reporting period, during which the services actually been granted (received).

#### **Note 4.30. Foreign currency revaluation**

Cash assets and liabilities denominated in foreign currencies and precious metals are initially recorded at the official rate of hryvnia to foreign currency / precious metals (on the accounting date, which is the date of recognition of assets and liabilities), and are further revalued after each rate change.

Cash assets and liabilities denominated in foreign currencies are recalculated into the functional currency at the official rate of foreign exchange currently in force at the balance date. In the Statement, income and expenses resulting from recalculation of foreign currency transactions are shown through profit or loss and other comprehensive income as a result of transactions in foreign currencies, and that are recalculation differences.

Non-cash items measured at historical (initial) value in a foreign currency are recalculated at the official exchange rate of hryvnia to foreign currencies currently in force on the dates of the initial transactions. Non-cash items accounted at fair value are recalculated at the official exchange rate of hryvnia at the date when the fair value has been defined.

In the Statement on income and expenses and other comprehensive income, assets and liabilities in Statement on financial conditions are represented according to the official exchange rate of hryvnia to foreign currencies set National Bank of Ukraine on December 31, 2013.

The main official exchange rates of foreign exchange defined by the NBU for recalculation into hryvnia of balances in foreign currencies were as follows:

Currency code	Currency name and amount	December 31, 2014	December 31, 2013
826 GBP 100	British pounds of sterling	2452,5514	1 319,7311
840 USD 100	US dollars	1576,8556	799,3000
985 PLN 100	Polish zloty	447,0378	265,9648
643 RUB 10	Russian rubles	3,0304	2,4497
756 CHF 100	Swiss francs	1599,0113	902,5282
978 EUR 100	Euros	1923,2908	1 104,1530

In order to reduce the currency risks the Bank adheres to the open currency position standards.

#### **Note 4.31. Offsetting of assets and liabilities**

Balance assets and financial liabilities are offset, and the balance reflects balance rest remaining, only when the Bank has a legally enforceable right to set off the balance recognized amounts and intends either to offset or to realize the asset or exercise the liability simultaneously. In accounting, for a transfer of a financial asset that does not qualify for derecognition, the Bank does not offset the transferred asset and its associated liability.

#### **Note 4.32. Business segment information**

Segment is a separated component of the Bank that provides a single product or services (business segment), or supplies products or services within a particular economic environment (geographical segment), which is exposed to the risks and receives income, other than the risks and income in other segments. Segments, where the majority of revenues is obtained due to service provision to external customers, and revenues, financial result or assets are 10% or more of overall indices of all segments, are reported separately. The Bank does not perform its activities outside Ukraine, and thus reporting on geographical segments in this financial statement is not disclosed.

As primary reporting format, the Bank uses business segment because of the risks and profitability of the Bank are affected predominantly by differences in the products and services that it provides.

For management purposes, the Bank has three main business segments:

- 1) Banking service of retail business: service of investments (deposits) of individual clients, granting of loans, overdrafts, service of cards and money transfer services;
- 2) Banking service of corporate business: granting of loans, credit lines and overdrafts, documentary services, factoring services, deposit and current accounts service of legal entities-clients;
- 3) Interbank business.

Pricing for the business segments is based on the basis of the Bank analysis of the cost of each segment services and the market prices of the services, tariffs, banking services, approved by the Tariff Committee of the Bank.

The distribution of reporting indicators by segments is performed according to management accounting data. Operating segment income is profit directly related to the segment, regardless of whether it is received from the sale to external buyers or from transactions with other segments. Segment expenses are costs resulting from operating activities directly related to the segment.

In the reporting year, the changes in accounting policy on determining income and expenses of operating segments have been not performed.

Information on operating segments is disclosed in Note 28 «Operating Segments».

**Note 4.33. The effect of changes in accounting policies, accounting estimates and corrections of substantial errors**

Basic principles of recognition and estimation methods of assets, liabilities, income and expenses remained unchanged, and therefore, changes in accounting policies during the reporting year of 2014 have not been performed.

Errors of previous years and related reporting adjustments were not performed in 2014.

**Note 4.34. Basic accounting estimates and judgements used in financial statement preparation**

Principles of preparation of financial statements require from management of the Bank to use estimates and assumptions that can affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities on the date of the financial statement, and included amounts of profit for the reporting period. These estimates and assumptions are based on information available on the date of issuance of the financial statement. Although, these estimates are based on the best understanding direction of current events and transactions by the Management, actual results may differ significantly from these estimates and assumptions.

The main reasons of ambiguity of estimates are following:

*Impairment of loans and receivables*

Management of impairment by the means of loan repayment probability assessing based on the analysis of individual borrowers on individual significant loans, and collectively for loans with similar conditions and risk characteristics.

Factors taken into consideration when assessing individual loans include payment history, current financial conditions of the borrower, on time payments and pledge if any. To determine the amount of impairment, the Management estimates the amount and terms of future payments of principal amount and interests, and in payments from the sale of pledge, if any. After that, these cash flows are discounted using the initial interest rate on position. Actual payments of principal repayments and interests depend on the borrower's ability to generate cash flows from transactions or obtain alternative financing, and may differ from the Management estimates.

Factors taken into account when assessing the impairment of loans assessed collectively comprise accumulated experience in evaluation losses on loans, delinquency rates in the credit portfolio and general economic conditions. Note 9 provides information on the book value of loans and prepayments, and amounts recognized provisions for impairment. If the actual repayments were lower than Management estimated, the Bank would have been obliged to record additional expenses due to impairment.

*Fair value of financial instruments*

If the fair value of cash and liabilities recorded in the statement on financial conditions cannot be derived on the basis of active market prices, it is derived using different measurement methodologies that include the use of mathematical models. The input data for such models is obtained from observed markets if possible, but in case the observation is not possible, the certain assumptions are used in order to derive the fair value.

**Note 5. Transition to new and amended standards**

***New and amended mandatory standards and interpretations to be used by the Bank***

In general, the accounting policies are consistent with those used in the previous financial year. Some new standards and interpretation have become required for usage since January 1, 2014. The new and amended standards and interpretations that are mandatory to be used by the Bank are following:

Amendments to IFRS 10, IFRS 12 and IAS 27 - *Investment Entities* exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments had no impact on the financial position or performance of the Bank.

Amendments to IAS 32 *Offsetting Financial Assets and Financial Liabilities*, describe how to properly apply the criteria for offsetting in IAS 32 in respect of settlement systems (such as single

clearing center), within which mechanisms were used of non-simultaneous gross payments. These amendments had no impact on the financial position or performance of the Bank.

Amendments to IAS 36 - *Recoverable Amount Disclosures for Non-Financial Assets*. Amends IAS 36 Impairment of Assets to reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique. These amendments had no impact on the financial position or performance of the Bank.

Amendments to IAS 39 - *Novation of Derivatives and Continuation of Hedge Accounting*. These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments had no impact on the financial position or performance of the Bank.

IFRIC Interpretation 21 *Levies*. IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. These amendments had no impact on the financial position or performance of the Bank.

## Note 6. Cash and cash equivalents

**Table 6.1. Cash and cash equivalents**

(in Ukrainian Hryvnias and in thousands)

Line	Item	Reporting Period	Previous period
1	Cash assets	24 594	68 758
2	Cash in the National Bank of Ukraine (excluding obligatory provisions)	159 733	67 351
3	Correspondent accounts, overnight loans and deposits in banks:	292 825	176 794
3.1	of Ukraine	206 249	168 760
3.2	of other countries	86 576	8 034
4	<b>Cash and cash equivalents total</b>	<b>477 152</b>	<b>312 903</b>

The amounts of obligatory provisions of banks in the Bank, determined in accordance with the regulations of the National Bank of Ukraine, not intended to finance current operations of the Bank, constituted at the end of the day 31.12.2013 UAH 34 990 thousand. These amounts are not included to «Cash and cash equivalents» as the Bank has restrictions on their use.

Cash equivalents that have been actually guaranteed by securities purchased under repurchase agreements, and securities may be sold or remortgaged in the Bank are absent.

**Table 6.2. Analysis of the credit quality of the cash equivalents for the reporting period**

(in Ukrainian Hryvnias and in thousands)

Line	Item	Correspondent account	Overnight loans	Total
1	2	3	4	5
1	In 20 biggest banks of Ukraine	10 923	195 326	206 249
2	In other banks of Ukraine	85 929	-	85 929
3	In big banks of OECD countries	137	-	137
4	In other banks of OECD countries	510	-	510
5	In other banks	<b>97 499</b>	<b>195 326</b>	<b>292 825</b>

<b>6</b>	<b>Cash equivalents total</b>	10 923	195 326	206 249
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**Table 6.3. Analysis of the credit quality of the cash equivalents for the previous period**  
 (in Ukrainian Hryvnias and in thousands)

Line	Item	Correspondent account	Total
1	2	3	4
1	In 20 biggest banks of Ukraine	-	-
2	In other banks of Ukraine	43 562	125 198
3	In big banks of OECD countries	7 064	-
4	In other banks of OECD countries	771	-
5	In other banks	200	-
<b>6</b>	<b>Cash equivalents total</b>	<b>51 597</b>	<b>125 198</b>

Table «Trading securities» and «Analysis of quality trading debt securities» is not provided due to the absence of such securities in the portfolio at the date.

Trading securities are provided as collateral by the repo transactions and other transactions, right at their next sale and pledge not transmitted.

**Note 7. Due from other banks**

**Table 7.1. Due from other banks**

(in Ukrainian Hryvnias and in thousands)

Line	Item	Reporting Period	Previous period
1	2	3	4
1	Deposits in other banks	-	99 500
1.1	Short-term	-	99 500
2	Loans granted to other banks	-	90 096
2.1	Short-term	-	90 096
3	Provisions on impairment in other banks	-	(3 947)
<b>4</b>	<b>Assets total excluding provisions</b>	<b>-</b>	<b>185 649</b>

**Table 7.2. Analysis of the credit quality of due from other banks for the reporting period**

(in Ukrainian Hryvnias and in thousands)

Line	Item	Deposits	Loans	Total
1	2	3	4	5
1	Undue and non-depreciated:	99 500	90 096	189 596
1.2	In other banks of Ukraine	99 500	90 096	189 596
2	Due from other banks before provision calculation	99 500	90 096	189 596
3	Provisions on assets impairment in other banks	(1 447)	(2 500)	(3 947)
<b>4</b>	<b>Due from other banks total excluding provisions</b>	<b>98 053</b>	<b>87 596</b>	<b>185 649</b>

Table «Analysis of quality of other banks in the reporting period» is not provided due to lack of funds from banks at the relevant date.



**Table 7.3. Analysis of change of provision for impairment in other banks**

(in Ukrainian Hryvnias and in thousands)

Line	Reserve flows	Reporting Period	Previous period
		Due from other banks	Due from other banks
1	2	3	4
1	Provision on impairment as for the beginning of period	(3 947)	(2 165)
2	(Increase)/decrease of provision on impairment during the period	3 947	(1 782)
3	Impact of the recalculation to the reporting currency	-	-
<b>4</b>	<b>Provision on impairment as for the end of period</b>	<b>-</b>	<b>(3 947)</b>

**Note 8. Loans to customers**

**Table 8.1. Loans to customers**

(in Ukrainian Hryvnias and in thousands)

Line	Item	Reporting Period	Previous period
1	2	3	4
1	Loans granted to legal entities	3 603 690	1 752 691
2	Loans granted to individual entrepreneurs	20 171	14 109
3	Credits on mortgage of individuals	2 262	1 150
4	Loans granted to individuals for current needs	23 015	21 362
5	Other loans granted to individuals	1 712	1 568
6	Reserve on loan impairment	(103 955)	(53 926)
<b>7</b>	<b>Loans total excluding provisions</b>	<b>3 546 895</b>	<b>1 736 955</b>

The Bank has no received as pledge securities that are guarantees for loans and advances to clients on repo transactions.

**Table 8.2. Analysis of provision change on impairment for loans for the reporting period**

(in Ukrainian Hryvnias and in thousands)

Line	Reserve flows	Loans granted to legal entities	Loans granted to individual entrepreneurs	Credits on mortgage of individuals	Loans granted to individuals for current needs	Other loans granted to individuals	Total
1	2	3	4	5	6	7	8
1	Opening balance	<b>(53 346)</b>	<b>(467)</b>	<b>(1)</b>	<b>(112)</b>	-	<b>(53 926)</b>
2	(Increase)/decrease of provision on impairment during the period	(49 970)	292	(35)	(240)	(188)	(50 141)
3	Writing-off the bad loans under provision	-	117	-	-	-	117
4	Exchange differences on provisions	-	-	-	(5)	-	(5)
<b>5</b>	<b>Closing balance</b>	<b>(103 316)</b>	<b>(58)</b>	<b>(36)</b>	<b>(357)</b>	<b>(188)</b>	<b>(103 955)</b>

During the reported 2014, there has been a partial redemption by counter-agents of written-off amount of the bad loans of UAH 72 thousand.

**Table 8.3. Analysis of provision change on impairment for loans for the previous period**  
 (in Ukrainian Hryvnias and in thousands)

Line	Provision flows	Loans granted to legal entities	Loans granted to individual entrepreneurs	Credits on mortgage of individuals	Loans granted to individuals for current needs	Other loans granted to individuals	Total
1	2	3	4	5	6	7	8
1	Opening balance	(52 904)	(73)	-	(68)	(26)	(53 071)
2	(Increase)/decrease of provision on impairment during the period	(442)	(394)	(1)	(44)	26	(855)
3	Writing-off the bad loans under provision	-	-	-	-	-	-
<b>4</b>	<b>Closing balance</b>	<b>(53 346)</b>	<b>(467)</b>	<b>(1)</b>	<b>(112)</b>	<b>-</b>	<b>(53 926)</b>

**Table 8.4. Loan structure by economic activities**  
 (in Ukrainian Hryvnias and in thousands)

Line	Economic activity	Reporting Period		Previous period	
		Amount	%	Amount	%
1	2	3	4	5	6
1	Production and distribution of the electricity, gas and water	-	-	-	-
2	Real estate operations, rent, engineering and services	714 149	19,56	251 791	14,06
3	Trade, auto repair, repair of household devices and personal hygiene items	1 573 165	43,09	848 957	47,40
4	Agriculture, hunting and forestry	33 427	0,92	1 307	0,07
5	Building	578 227	15,84	239 968	13,40
6	Individuals	26 989	0,74	24 081	1,34
7	Other	724 893	23,72	424 777	23,72
<b>8</b>	<b>Loans to customers total excluding provisions</b>	<b>3 650 850</b>	<b>100</b>	<b>1 790 881</b>	<b>100</b>

The table shows details of outstanding balances on loans divided by economic activities. The main sectors of the economy that Bank loans are trade, real estate, auto repair, household devices repair etc. In order to minimize the credit risks, the Bank sets lending ceiling by industry, which during the reporting year have not been violated.

**Table 8.5. Information on loans by types of credit securities for the reporting period**  
 (in Ukrainian Hryvnias and in thousands)

Line	Item	Loans granted to legal entities	Loans granted to individual entrepreneurs	Credits on mortgage of individuals	Loans granted to individuals for current needs	Other loans granted to individuals	Total
1	2	4	5	6	7	8	9
1	Unsecured loans	129 345	-	-	-	1 702	131 047
2	Secured loans:						
2.1	by cash assets	1 190 625	6 386	-	16 931	10	1 213 951
2.2	by real estate	1 366 199	7 282	2 262	880	-	1 376 623
2.2.1	dwelling included	68 358	-	2 159	835	-	71 352
2.4	by guarantees and warranties	14 866	-	-	137	-	15 003
2.5	by other assets	902 655	6 503	-	5 068	-	914 226
<b>3</b>	<b>Loans to customers total excluding provisions</b>	<b>3 603 690</b>	<b>20 171</b>	<b>2 262</b>	<b>23 015</b>	<b>1 712</b>	<b>3 650 850</b>

During the reporting year, the Bank did not purchase financial and non-cash through foreclosure on pledge, or the right exercise for other instruments that reduce the credit risk.

**Table 8.6. Information on loans by types of credit securities for the previous period**  
 (in Ukrainian Hryvnias and in thousands)

Line	Item	Loans granted to legal entities	Loans granted to individual entrepreneurs	Credits on mortgage of individuals	Loans granted to individuals for current needs	Other loans granted to individuals	Total
1	2	4	5	6	7	8	9
1	Unsecured loans	65 317	-	-	1 539	1 560	68 416
2	Secured loans:						
2.1	by cash assets	630 374	-	-	16 378	-	646 751
2.2	by real estate	571 071	6 632	1 150	2 739	-	581 591
2.2.1	dwelling included	30 295	-	756	2 026	-	33 077
2.4	by guarantees and warranties	1 806	-	-	458	-	2 264
2.5	by other assets	484 123	7 478	-	249	8	491 858
<b>3</b>	<b>Loans to customers total excluding provisions</b>	<b>1 752 691</b>	<b>14 109</b>	<b>1 150</b>	<b>21 362</b>	<b>1 568</b>	<b>1 790 881</b>

**Table 8.7. Analysis of credit quality for the reporting period**

(in Ukrainian Hryvnias and in thousands)

Line	Item	Loans granted to legal entities	Loans granted to individual entrepreneurs	Credits on mortgage of individuals	Loans granted to individuals for current needs	Other loans granted to individuals	Total
1	2	3	4	5	6	7	8
1	Undue and non-depreciated	3 043 814	20 171	550	17 293	89	3 081 917
1.1	Big borrowers, with credit years more than 2 years	77 067	-	-	-	-	77 067
1.2	New big borrowers	713 982	-	-	-	-	713 982
1.3	Loans to medium enterprises	65 122	-	-	-	-	65 122
1.4	Loans to small enterprises	2 187 644	20 171	-	-	-	2 207 814
2	Overdue but non-depreciated	175	-	-	-	-	175
2.1	With delay of payment to 31 days	175	-	-	-	-	175
3	Depreciated loans estimated on the individual basis	559 700	-	1 712	5 722	1 624	568 758
3.1	without delay of payment	545 967	-	1 712	5 690	1 624	554 992
3.2	with delay of payment from 93 to 183 days	12 146	-	-	-	-	12 146
3.3	with delay of payment more than 366 (367) days	1 588	-	-	32	-	1 619
4	Loan amount total before calculation of provisions	<b>3 603 690</b>	<b>20 171</b>	<b>2 262</b>	<b>23 015</b>	<b>1 712</b>	<b>3 650 850</b>
5	Reserve on loan impairment	(103 316)	(58)	(36)	(357)	(188)	(103 955)
6	<b>Loans total excluding provisions</b>	<b>3 500 373</b>	<b>20 114</b>	<b>2 226</b>	<b>22 658</b>	<b>1 524</b>	<b>3 546 895</b>

The classification of the Bank counter-agents into large, medium and small is performed according to the Economic Code of Ukraine namely on the net income from the sale of products (goods and services) received during the reporting period. The Bank defines an enterprise as «small» if its income is less than EUR 10 mln; as «large» if its income is minimum EUR 50 mln; all remaining are defined as «medium». Liabilities to the Bank include accrued and unpaid income and considered amount of provisions formed for them. The assignment of the borrower to the bank to a certain category of quality is based on the principle of worst-case, i.e., in the case of overdue liabilities (loan or interest thereon) the amount of all obligations under the credit transaction is classified as the worst type of debt.

**Table 9.8 Analysis of credit quality for the previous period**

(in Ukrainian Hryvnias and in thousands)

Line	Item	Loans granted to legal entities	Loans granted to individual entrepreneurs	Credits on mortgage of individuals	Loans granted to individuals for current needs	Other loans granted to individuals	Total
1	2	3	4	5	6	7	8
1	Undue and non-depreciated	1 610 801	14 046	-	331	-	1 625 178
1.1	Big borrowers, with	49 123	-	-	-	-	49 123

	credit years more than 2 years						
1.2	New big borrowers	377 190	10 000	-	-	-	387 190
1.3	Loans to small enterprises	1 184 488	4 046	-	-	-	1 188 534
2	Overdue but non-depreciated	3 175	127	-	-	-	3 302
2.1	With delay of payment from 184 to 365 (366) days	3 175	-	-	-	-	3 175
3	Depreciated loans estimated on the individual basis	136 704	-	1 150	20 812	66	158 732
3.1	without delay of payment	136 704	-	1 150	20 796	66	158 716
3.2	with delay of payment more than 366 (367) days	-	-	-	16	-	-
4	Loan amount total before calculation of provisions	<b>1 750 680</b>	<b>14 173</b>	<b>1 150</b>	<b>21 143</b>	<b>66</b>	<b>1 787 212</b>
5	Reserve on loan impairment	(53 348)	(466)	(1)	(110)	-	(53 926)
<b>6</b>	<b>Loans total excluding provisions</b>	<b>1 699 343</b>	<b>13 643</b>	<b>1 148</b>	<b>21 252</b>	<b>1 568</b>	<b>1 736 955</b>

In the 2014 accounts payable in the amount of UAH 118 thousand was recognized as hopeless and charged against the reserve formed for possible losses on credit transactions.

In the reporting year of 2013 there were no cases of debts under credits declared to be uncollectable, or writing them off under the provision formed for possible losses on credit transactions.

**Note 9. Securities available for sale**

**Table 9.1. Securities available for sale**

(in Ukrainian Hryvnias and in thousands)

Table 10.1. Securities available for sale in the Bank portfolio Line	Item	Reporting Period	Previous period
1	2	3	4
1	Financial investments to companies	784	784
2	Provisions on financial investments impairment to companies	(784)	(604)
<b>3</b>	<b>Financial investments to companies total excluding provisions</b>	<b>-</b>	<b>180</b>

Tables «Securities held-to-maturity in the Bank portfolio» and «Quality analysis of securities held-to-maturity in the Bank portfolio for the previous period» not available due to the lack of such securities in the portfolio at the relevant date.

The Bank has not transferred the securities held-to-maturity without derecognition as collateral under repo transactions.

**Note 10. Property and equipment and intangible assets**

**Table 10.1. Property and equipment and intangible assets**

The transactions of receipt, transfer, commitment, retirement of fixed assets and intangible assets are carried out at the book value.

(in Ukrainian Hryvnias and in thousands)

Line	Item	Plots of land	Houses, buildings and transmitting devices	Machinery and equipment	Means of transportation	Tools, devices, stock (furniture)	Other fixed assets	Other non-negotiable intangible assets	Uncompleted investments to the fixed assets and intangible assets	Intangible assets	Total
1	2	3	4	5	6	7	8	9	10	11	12
<b>1</b>	<b>Book value at the beginning of the previous period</b>	<b>13</b>	<b>13 729</b>	<b>4 363</b>	<b>821</b>	<b>1 209</b>	<b>439</b>	<b>284</b>	<b>1 150</b>	<b>1 311</b>	<b>23 319</b>
1.1	Initial (revaluated) value	13	16 205	10 848	1 854	3 363	1 599	2 342	1 150	2 622	39 996
1.2	Amortization and depreciation at the beginning of the previous period	-	(2 476)	(6 485)	(1 033)	(2 154)	(1 160)	(2 058)	-	(1 311)	(16 677)
2	Receipts	-	-	630	-	232	5	137	895	92	1 991
3	Capital investments for the completion of fixed assets and improvement of intangible assets	-	-	16	89	185	398	26	(2 033)	1 319	-
4	Retirement	-	-	-	(1)	-	(19)	-	-	-	(20)
5	Amortized values	-	(691)	(1 411)	320	(542)	(149)	872	-	(330)	(1 931)
6	Other changes	-	-	(113)	(523)	(3)	(38)	(1 319)	-	(3)	(1 999)
<b>7</b>	<b>Book value at the end of the previous period (beginning of the reporting period)</b>	<b>13</b>	<b>13 038</b>	<b>3 485</b>	<b>706</b>	<b>1 081</b>	<b>636</b>	<b>-</b>	<b>12</b>	<b>2 389</b>	<b>21 360</b>
7.1	Initial (revaluated) value	13	16 205	11 381	1 419	3 777	1 945	1 186	12	4 030	39 968
7.2	Amortization and depreciation at the end of the previous period (beginning of the reporting period)	-	(3 167)	(7 896)	(713)	(2 696)	(1 309)	(1 186)	-	(1 641)	(18 608)
8	Receipts	219	6 054	119	-	28	-	38	353	184	6 995

9	Capital investments for the completion of fixed assets and improvement of intangible assets	-	-	-	-	2	-	1	(69)	15	(51)
10	Retirement	-	-	(8)	-	-	(91)	-	-	(16)	(115)
11	Amortized values	-	(812)	(1 218)	(205)	(394)	(79)	(30)	-	(346)	(3 084)
12	Other changes	-	-	(97)	-	(3)	(20)	(9)	(19)	(84)	(232)
<b>13</b>	<b>Book value at the end of the reporting period</b>	<b>232</b>	<b>18 280</b>	<b>2 281</b>	<b>501</b>	<b>714</b>	<b>446</b>	<b>-</b>	<b>277</b>	<b>2 142</b>	<b>24 873</b>
13.1	Initial (revaluated) value	232	22 259	11 395	1 419	3 804	1 834	1 216	277	4 129	46 565
13.2	Amortization and depreciation at the end of the reporting period	-	(3 979)	(9 114)	(918)	(3 090)	(1 388)	(1 216)	-	(1 987)	(21 692)

As of December 31, 2014,

- Bank had no property and equipment and intangible assets with legal restrictions on their possession, use and disposal;
- The Bank had no property and equipment issued as pledge;
- The Bank had property and equipment that were temporarily not used (conservation, reconstruction, etc.);
- The Bank had no property and equipment retired from usage in order to be sold;
- The initial value of fully depreciated fixed non-negotiable assets was UAH 11 474 thousand.
- The Bank had no value of intangible assets for which there are proprietary limitations;
- The Bank had no created intangible assets;
- The Bank did not increase or decrease during the reporting period, arising from revaluations, and as a result of impairment losses recognized or created directly in equity capital.

**Note 11. Other financial assets**

**Table 11.1. Other financial assets**

(in Ukrainian Hryvnias and in thousands)

Line	Item	Notes	Reporting Period	Previous period
1	2	3	4	5
1	Receivables from trade operations		52 927	-
2	Payments for conversion transactions		2 618	-
3	Derivatives in the Bank trade portfolio		95	2 247
4	Cash with limited rights of use		52 510	4 202
5	Other financial assets		110	41
7	Provisions on the impairment of other financial assets		(1)	-
<b>8</b>	<b>Other financial assets total excluding provisions</b>		<b>108 259</b>	<b>6 490</b>

In the article «Cash assets with limited right of use» the remain of the «Equity Bank accounts» balance account is shown, where the security deposit is accounted in the PJSC «Bank Pivdennyi» to ensure the fulfillment of the contract to support VISA membership and providing by the currency received from the NBU of short-term loan.

**Table 11.2. Analysis of the provision change on other cash impairment for the reporting period**  
 (in Ukrainian Hryvnias and in thousands)

Line	Reserve flows	Cash assets with limited rights of use	Total
1	2	3	4
1	Opening balance	-	-
2	(Increase)/decrease of provision on impairment during the period	(1)	(1)
<b>3</b>	<b>Closing balance</b>	<b>(1)</b>	<b>(1)</b>

**Table 11.3. Analysis of the provision change on other cash impairment for the previous period**  
 (in Ukrainian Hryvnias and in thousands)

Line	Item	Receivables on foreign exchange transactions	Payments for conversion transactions	Derivatives in the Bank trade portfolio	Cash assets with limited rights of use	Other financial assets	Total
1	2	3	4	5	6	7	8
1	Undue and non-depreciated receivables:	52 927	2 618	95	52 510	107	108 257
1.1	Big borrowers, with credit years more than 2 years	-	1 805	95	52 510	-	54 410
1.2	New bigcustomers	52 927	-	-	-	-	52 927
1.3	Medium company	-	813	-	-	-	813
1.4	Small enterprises	-	-	-	-	107	107
2	Overdue but non-depreciated	-	-	-	-	1	1
2.1	With delay of payment from 31 to 31 days	-	-	-	-	1	1
3	Debt estimated on the individual basis	-	-	-	-	2	2
3.1	With delay of payment from 31 to 31 days	-	-	-	-	1	1
3.2	With delay of payment from 31 to 92 days	-	-	-	-	1	1
4	Other financial activities total before calculation of the provision	52 927	2 618	95	52 510	110	108 260
<b>5</b>	<b>Provision for impairment of other financial assets</b>	-	-	-	-	<b>(1)</b>	<b>(1)</b>
<b>6</b>	<b>Other cash total excluding provisions</b>	<b>52 927</b>	<b>2 618</b>	<b>95</b>	<b>52 510</b>	<b>109</b>	<b>108 259</b>



**Table 11.4 Analysis of credit quality of other cash for the previous period**

(in Ukrainian Hryvnias and in thousands)

Line	Item	Receivables on foreign exchange transactions	Cash assets with limited rights of use	Other financial assets	Total
1	2	3	4	5	6
1	Undue and non-depreciated receivable	1 448	4 202	40	5 690
1.1	Big borrowers, with credit years more than 2 years	1 448	4 202	-	5 650
1.2	Small enterprises	-	-	40	40
2	Other financial activities total before calculation of the provision	1 448	4 202	40	5 690
<b>3</b>	<b>Other cash total excluding provisions</b>	<b>1 448</b>	<b>4 202</b>	<b>40</b>	<b>5 690</b>

**Note 12. Other assets**

**Table 12.1. Other assets**

(in Ukrainian Hryvnias and in thousands)

Line	Item	Notes	Reporting Period	Previous period
1	2	3	4	5
1	Receivables on purchase of assets		10	34
2	Service prepayment		-	4
3	Precious metals		155	1 643
4	Other assets		711	2 242
<b>5</b>	<b>Other assets total excluding provisions</b>		<b>876</b>	<b>3 923</b>

**Note 13. Due to banks**

(in Ukrainian Hryvnias and in thousands)

Line	Item	Reporting Period	Previous period
1	2	3	4
1	Correspondent accounts and overnight deposits of other banks	10 017	30 253
2	Deposits of other banks	-	99 547
2.1	Short-term	-	99 547
3	Received loans	34 271	130 317
3.1	Short-term	34 271	130 317
<b>4</b>	<b>Total due to other banks</b>	<b>44 288</b>	<b>260 117</b>

During the reported and previous periods, all liabilities on principal amounts of due to other banks and related interests have been paid on time according to their repayment schedule.

**Note 14. Due to clients**

**Table 14.1. Due to clients**

(in Ukrainian Hryvnias and in thousands)

Line	Item	Reporting Period	Previous period
1	2	3	4
1	Governmental and public organizations	484	583
1.1	Current accounts	484	583
2	Other legal entities	2 119 954	823 444
2.1	Current accounts	608 777	82 648
2.2	Term deposits	1 511 177	740 796
3	Individuals	1 265 705	900 325
3.1	Current accounts	103 340	55 414
3.2	Term deposits	1 162 365	844 911
<b>4</b>	<b>Due to clients total</b>	<b>3 386 143</b>	<b>1 724 352</b>

**Table 14.2. Distribution of due to clients by the types of economic activities**

(in Ukrainian Hryvnias and in thousands)

Line	Economic activity	Reporting Period		Previous period	
		Amount	%	Amount	%
1	2	3	4	5	6
1	Government	-	-	-	-
2	Production and distribution of the electricity, gas and water	170 236	5,03%	3 274	0,19%
3	Real estate operations, rent, engineering and services	41 434	1,22%	19 781	1,15%
4	Trade, auto repair, repair of household devices and personal hygiene items	766 453	22,63%	306 792	17,79%
5	Agriculture, hunting and forestry	5 276	0,16%	7 689	0,45%
6	Individuals	1 265 705	37,38%	900 325	52,21%
7	Other	1 137 039	33,58%	486 491	28,21%
<b>8</b>	<b>Due to clients total</b>	<b>3 386 143</b>	<b>100 %</b>	<b>1 724 352</b>	<b>100 %</b>

The book value of assets of clients, as collateral for credit operations and irrevocable liabilities, amounts to UAH 1 361 594 thousand. These are only term deposit of clients. UAH 1 339 591 thousand of the mentioned amount are pledged for loans of legal entities, and UAH 22 004 thousand are pledged for loans of individuals.

**Note 15. Other borrowed funds**

**Table 15.1. Other borrowed funds**

(in Ukrainian Hryvnias and in thousands)

Line	Item	Reporting Period	Previous period
1	2	3	4
1	Loans received from international and other financial organizations	180 746	16 523
<b>2</b>	<b>Total</b>	<b>180 746</b>	<b>16 523</b>

In the note, it is referred to the cash received from the non-residents financial companies in amount of USD 11 353,5 million at 9.5 %, and loans from the State Mortgage Institution under long-term refinancing of mortgage loans of up to 2016 at 13.5% (as of December 31, 2014, the remain is UAH 345 thousand). During the reporting period, all the repayments of all payments of principal and interests have been performed on time according to the payment schedule. The pledge for the borrowed funds is a credit of mortgage of mortgage market price UAH 1 638 thousand owned by individual borrowers.

**Note 16. Provisions for liabilities**

**Table 16.1. Provisions for liabilities changes for the reporting period**

(in Ukrainian Hryvnias and in thousands)

Line	Provision flows	Notes	Credit related liabilities	Total
1	2	3	4	5
1	Opening balance		<b>253</b>	<b>253</b>
2	Forming and/or increase of provision		1 131	1 131
<b>3</b>	<b>Closing balance</b>		<b>1 384</b>	<b>1 384</b>

Provisions for liabilities listed in the table are formed under bank guarantees granted to legal entities, and unused remains on credit lines accounted on off-balance sheet accounts.

**Table 16.2. Provisions on liabilities changes on the previous period**

(in Ukrainian Hryvnias and in thousands)

Line	Reserve flows	Notes	Credit related liabilities	Total
1	2	3	4	5
1	Opening balance		321	321
2	Forming and/or increase of provision		(68)	(68)
<b>3</b>	<b>Closing balance</b>		<b>253</b>	<b>253</b>

**Note 17. Other financial liabilities**

**Table 17.1. Other financial liabilities**

(in Ukrainian Hryvnias and in thousands)

Line	Item	Note	Reporting Period	Previous period
1	2	3	4	5
1	Accounts payable on foreign exchange transactions		5 618	25
2	Derivative financial liabilities in the trading bank portfolio		-	2 905
3	Other financial liabilities		359	98
<b>4</b>	<b>Other financial liabilities total</b>		<b>5 977</b>	<b>3 028</b>

**Note 18. Other liabilities**

(in Ukrainian Hryvnias and in thousands)

Line	Item	Notes	Reporting Period	Previous period
1	2	3	4	5
1	Accounts payable on taxes and charges, excluding the income tax		4 950	2 171
2	Credit debts on payments to the bank employees		941	466
3	Income of future periods		152	133
<b>4</b>	<b>Total</b>		<b>6 043</b>	<b>2 770</b>

**Note 19. Share capital and share premium**

(in Ukrainian Hryvnias and in thousands)

Line	Item	Quantity of stock in circulation (thousands pieces)	Common shares	Total
1	2	3	4	5
1	Balance as for the beginning of the previous period	250	250 000	250 000
2	Share issue	-	-	-
3	Balance as for the end of the previous period (beginning of the reporting period)	250	250 000	250 000
4	Share issue	250	250 000	250 000
<b>5</b>	<b>Balance as for the end of the reporting period</b>	<b>500</b>	<b>500 000</b>	<b>500 000</b>

During the year the Bank performed share issue. Additionally issued 250 000 ordinary registered shares with a nominal value of one share - 1 000 UAH. Each ordinary registered share gives the shareholder the right of one vote in all matters, including decisions made by the General Meeting of Shareholders.

The Statute approved by the NBU 23.12.2014, the state registration of changes took place January 19, 2015. At January 23, 2015 National Bank Ukraine made a record in the State Register of banks due to the increased share capital of 500 000 000.00 hryvnias.

**Note 20. Analysis of the assets and liabilities on their maturity terms**

(in Ukrainian Hryvnias and in thousands)

Line	Item	Notes	Reporting Period			Previous period		
			Less than 12 months	More than 12 months	Total	Less than 12 months	More than 12 months	Total
1	2	3	4	5	6	7	8	9
<b>ASSETS</b>								
1	Cash and cash equivalents	6	477 152	-	477 152	312 903	-	312 903
2	Assets of obligatory provisions in the National Bank of Ukraine		-	-	-	34 990	-	34 990

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3	Trading securities		-	-	-	-	-	-
4	Due from other banks	7	-	-	-	185 649	-	185 649
5	Loans to customers	8	3 032 509	514 386	3 546 895	1 398 188	338 767	1 736 955
6	Securities available for sale	9	-	-	-	180	-	180
7	Receivables from current income tax		47	-	47	-	-	-
8	Deferred tax assets		1 440	-	1 440	-	-	-
9	Main assets and intangible assets	10	220	24 653	24 873	2 390	18 970	21 360
10	Other financial assets	11	94 955	13 304	108 259	6 490	-	6 490
11	Other assets	12	876	-	876	3 923	-	3 923
<b>12</b>	<b>Assets Total</b>		<b>3 607 199</b>	<b>552 343</b>	<b>4 159 542</b>	<b>1 944 713</b>	<b>357 737</b>	<b>2 302 450</b>
<b>LIABILITIES</b>								
13	Due to banks	13	44 288		44 288	260 117		260 117
14	Due to clients	14	3 046 140	340 004	3 386 144	1 554 390	169 962	1 724 352
15	Other involved assets	15	180 401	345	180 746	16 019	504	16 523
16	Liabilities on the current income tax					75	-	75
17	Deferred tax liabilities					720	-	720
18	Liabilities provisions	16	1 384		1384	253	-	253
19	Other financial liabilities	17	5 637	340	5 977	3 028	-	3 028
20	Other liabilities	18	5 102	941	6 043	2 770	-	2 770
<b>21</b>	<b>Liabilities Total</b>		<b>3 282 952</b>	<b>341 630</b>	<b>3 624 581</b>	<b>1 837 372</b>	<b>170 466</b>	<b>2 007 838</b>

**Note 21. Interest income and expenses**

(in Ukrainian Hryvnias and in thousands)

Line	Item	Reporting Period	Previous period
1	2	3	4
<b>INTEREST INCOME:</b>			
1	Loans to customers	372 037	251 155
2	Securities in the Bank portfolio before redemption	235	549
3	Due from other banks	6 445	16 603
4	Trading debt securities	-	1 780
5	Correspondent accounts in other banks	1 598	620
6	Overnight deposits in other banks	6	2
<b>7</b>	<b>Interest income total</b>	<b>380 321</b>	<b>270 709</b>
<b>INTEREST EXPENSES:</b>			
8	Term deposits of legal entities	(96 943)	(51 388)
9	Other involved funds	(7 683)	(111)
10	Term deposits of legal entities	(112 752)	(116 022)
11	Term deposits of other banks	(25 467)	(21 415)
12	Overnight deposits of other banks	(11)	(7)
13	Current accounts	(13 198)	(5 174)

14	Correspondent accounts	(149)	(3 626)
<b>15</b>	<b>Interest expenses total</b>	<b>(256 203)</b>	<b>(197 743)</b>
<b>16</b>	<b>Net interest income / (expenses)</b>	<b>124 118</b>	<b>72 966</b>

**Note 22. Commission income and expenses**

(in Ukrainian Hryvnias and in thousands)

Line	Item	Reporting Period	Previous period
1	2	3	4
<b>COMMISSION INCOME:</b>			
1	Cash operations	13 989	9 484
2	Securities operations	10	2
3	Fiduciary operations	1 557	326
4	Other	31 825	7 936
5	Granted guarantees	464	1 845
<b>6</b>	<b>Commission income total</b>	<b>47 845</b>	<b>19 592</b>
<b>COMMISSION EXPENSES:</b>			
7	Cash operations	(3 097)	(1 626)
8	Securities operations	(45)	(25)
8	Other	(24 291)	(34)
9	Granted guarantees	-	-
<b>10</b>	<b>Commission expenses total</b>	<b>(27 433)</b>	<b>(1 685)</b>
<b>11</b>	<b>Net commission income / (expenses)</b>	<b>20 412</b>	<b>17 907</b>

Interpretation of “Other (line 4):

- Reporting year: “Other” item includes commission income from transactions of purchase / sale of foreign currency to clients at the foreign exchange market in the amount of UAH 22 013 thousand; other operations with clients in amount of UAH 432 thousand and commission income from transactions of sale of the foreign exchange market in amount of UAH 9372 thousand;.
- Previous year: “Other” item includes commission income from transactions of purchase / sale of foreign currency to clients at the foreign exchange market in the amount of UAH 7 676 thousand, and other operations with clients in amount of UAH 258 thousand.

**Note 23. Other operating income**

(in Ukrainian Hryvnias and in thousands)

Line	Item	Notes	Reporting Period	Previous period
1	2	3	4	5
1	Sublease income		165	157
2	Income from retirement of property and equipment and intangible assets		-	74
3	Other		1 716	710
<b>4</b>	<b>Operating income total</b>		<b>1 881</b>	<b>941</b>

The article «Other» includes:

- Reporting period: this article includes the return of previously accrued interest on deposits prematurely terminated in the amount of UAH 1579 thousand, return of previously written-off debt - UAH 72 thousand, fines and penalties received by the Bank – UAH 29 thousand, agency fees from operations TSFR Ltd. – UAH 11 thousand, refund of the court fee paid amount of UAH 8 thousand.
- Previous period: this article includes the return of previously accrued interest on deposits prematurely terminated in the amount of UAH 577 thousand, refund of the court fee paid amount of UAH 67 thousand, insurance compensation - UAH 35 thousand.

**Note 24. Administrative and other operating expenses**

(in Ukrainian Hryvnias and in thousands)

Line	Item	Notes	Reporting Period	Previous period
1	2	3	4	5
1	Staff costs		34 486	29 768
2	Property and equipment depreciation		2 828	3 433
3	Amortization of software and other intangible assets		469	496
4	Expenses for maintenance of property and equipment and intangible assets, telecommunications and other operating services		3 900	3 237
5	Operating leasing (rent) expenses		8 622	9 442
6	Other expenses related to fixed assets		2 015	1 677
7	Professional services		1 891	1 142
8	Marketing and advertisement expenses		127	130
9	Insurance expenses		38 129	18 906
10	Payment of other taxes and charges excluding the income tax		25 848	9 156
11	Other		3 510	3 102
<b>12</b>	<b>Administrative and other operating expenses total</b>		<b>121 825</b>	<b>80 489</b>

**Note 25. Income tax expenses**

**Table 25.1. Income tax expenses**

(in Ukrainian Hryvnias and in thousands)

Line	Item	Reporting Period	Previous period
1	2	3	3
1	Current income tax	1 498	1 262
2	Change of deferred income tax	(2 160)	1 139
<b>3</b>	<b>Income tax expenses total</b>	<b>(662)</b>	<b>2 401</b>

**Table 25.2. Accordance of the amount of accounted income (loss) and income (loss) tax amount**  
 (in Ukrainian Hryvnias and in thousands)

Line	Item	Reporting Period	Previous period
1	2	3	4
1	Income before tax	(7 987)	11 804
2	Theoretical tax accruals on relevant tax rate	(1 437)	2 243
<b>ADJUSTMENT OF THE ACCOUNTED INCOME (LOSS):</b>			
3	Expenses that are not included in the total expenses to calculate tax income, but are recognized in the accounting (specify which one)	5 954	1 391
4	Expenses that are included in the total expenses to calculate tax income, but are not recognized in the accounting (specify which one)	(3 019)	(2 779)
5	Income subject to income tax, but not recognized (not included) to accounted income (loss) (specify which one)	-	257
6	Income not subject to income tax, but recognized (not included) to accounted income (loss) (specify which one)	-	150
<b>7</b>	<b>Amount of income (loss) tax</b>	<b>1 498</b>	<b>1 262</b>

In 2014, the difference between the tax and accounted income that are present due to the temporal and permanent differences arose due the following parameters:

**1. Expenses**, which are not included to the amount of expenses in order to calculate the tax income, but are defined in the accounting in the amount of UAH 5 954 thousand, including:

- interest expenses – UAH 27 thousand;
- staff costs – UAH 655 thousand;
- expenses on maintenance of own and leased fixed assets – UAH 588 thousand (including depreciation – UAH 586 thousand);
- other business and operating costs– UAH 38 thousand;
- insurance provision – UAH 2 352 thousand;
- other administrative expenses and telecommunication costs– UAH 5 thousand;
- charges to Deposit Guarantee Fund – UAH 2 035 thousand;
- other expenses – UAH 254 thousand.

**2. Expenses**, which are included to the amount of expense in order to calculate the tax income, but are not defined in the accounting in the amount of UAH 3 019 thousand, including:

- vacation provision – UAH 463 thousand;
- fixed assets depreciation – UAH 684 thousand;
- results of writing-off of the fixed assets – UAH 20 thousand;
- charges to Deposit Guarantee Fund – UAH 1 852 thousand.

In 2013, the difference between the tax and accounted income that are present due to the temporal and permanent differences arose due the following parameters:

**1. Expenses**, which are not included to the amount of expenses in order to calculate the tax income, but are defined in the accounting in the amount of UAH 1391 thousand, including:

- staff costs – UAH 442 thousand;
- expenses on maintenance of own and leased fixed assets – UAH 718 thousand (including depreciation – UAH 716 thousand);



- other business and operating costs– UAH 24 thousand;
- insurance provision formed for credit lines– UAH 1576 thousand;
- other administrative expenses and telecommunication costs– UAH 40 thousand;
- payment of taxes and other obligatory charges, charges to Deposit Guarantee Fund included– UAH 1737 thousand;
- other expenses – UAH 6 thousand.

**2. Expenses**, which are included to the amount of expense in order to calculate the tax income, but are not defined in the accounting in the amount of UAH 2 779 thousand, including:

- vacation provision – UAH 474 thousand;
- fixed assets depreciation – UAH 659 thousand;
- results of writing-off of the fixed assets – UAH 8 thousand;
- payment of taxes and other obligatory charges, charges to Deposit Guarantee Fund included– UAH 1638 thousand.

**3. Income**, which is not liable to income tax, but are defined in the accounting in the amount of UAH 150 thousand, including:

- interest income on the securities– UAH 153 thousand;
- results of trading operations with securities - UAH 15 thousand;
- results of consignment of the fixed assets – UAH 18 thousand.

**4. Income**, which is liable to income tax, but are not defined in the accounting in the amount of UAH 257 thousand, including:

- interest income on the securities– UAH 237 thousand;
- results of consignment of the fixed assets – UAH 3 thousand;
- results of consignment of the securities – UAH 17 thousand.

**Table 25.3. The tax results related to the recognition of the deferred tax assets and liabilities for the reporting period**

(in Ukrainian Hryvnias and in thousands)

Line	Item	Opening balance	Recognized in income/ losses	Closing balance
1	2	3	4	5
1	The tax impact of the temporal differences that decrease (increase) the taxation amount, and the transferred taxes for future periods			
1.1	Property and equipment	514	(250)	264
1.2	Vacation provision	84	85	169
1.3	Deposit Guarantee Fund	389	178	567
1.4	Provisions on other banks receivables	(1 707)	2 147	440
1.5	Other (securities)	-	-	-
2	Deferred net tax asset (liability)	(720)	2 160	1 440
3	Recognized deferred tax asset		2 160	1 440
4	Recognized deferred tax liabilities	720	-	-

**Note 25.4 The tax results related to the recognition of the deferred tax assets and liabilities for the previous period**

(in Ukrainian Hryvnias and in thousands)

Line	Item	Opening balance	Recognized in income/ losses	Closing balance
1	2	3	4	5
1	The tax impact of the temporal differences that decrease (increase) the taxation amount, and the transferred taxes for future periods			
1.1	Property and equipment	511	3	514
1.2	Vacation provision	225	(141)	84
1.3	Deposit Guarantee Fund	311	78	389
1.4	Provisions on other banks receivables	(192)	(1 515)	(1 707)
1.5	Other (securities)	(436)	436	-
2	Deferred net tax asset (liability)	419	(1 139)	(720)
3	Recognized deferred tax asset	419	(419)	-
4	Recognized deferred tax liabilities	-	(720)	720

**Note 26. Earnings / (loss) per ordinary share**

**Table 26.1. Basic and diluted Earnings / (loss) per ordinary share**

(in Ukrainian Hryvnias and in thousands)

Line	Item	Notes	Reporting Period	Previous period
1	2	3	4	5
1	Income/(loss), owned by the common share shareholders of the Bank		(7 325)	9 403
2	Annual income / (loss)		(7 325)	9 403
3	Average annual quantity of common shares in circulation (ths. p.)	28	376	250
4	<b>Net and adjusted income / (loss) on one ordinary share</b>		<b>(19,48)</b>	<b>37,61</b>

**Table 26.2. Calculation of income / (loss) owned by the shareholders of the common and preference shares of the Bank**

(in Ukrainian Hryvnias and in thousands)

Line	Item	Notes	Reporting Period	Previous period
1	2	3	4	5
1	Annual income/(loss) owned by the Bank owners		(7 325)	9 403
2	Common stock dividends		2 326	2 473
3	Annual retained income / (loss)		(7 325)	9 403
4	Dividends on ordinary share, approved for payment during the year		2 326	2 473
5	Annual income/(loss) owned by the shareholders, who are the owners of the common shares		(7 325)	9 403

**Note 27. Dividends**

(in Ukrainian Hryvnias and in thousands)

Line	Item	Reporting Period		Previous period	
		Common shares	Preference shares	Common shares	Preference shares
1	Opening balance	-	-	-	-
2	Dividends approved for payment during the year	2 326	-	2 473	-
3	Dividends paid during a year	2 326	-	2 473	-
4	Closing balance	-	-	-	-
5	Dividends for a share approved for payment during the period	6,18	-	9,89	-

Common shares give their holders the right to receive part of the income of the Bank in the form of dividends, to participate in the management of the Bank, to receive part of the Bank property in case of its liquidation and other rights, according to the Law of Ukraine “On Joint Stock Companies”. Common shares give their holders equal rights.

General Meeting of Shareholders decides about the order of payment of dividends, according to the legislation of Ukraine currently in force, and the Charter of the Bank. Each common share of the Bank is charged by same amount of dividends.

Dividends are paid once a year as results of the calendar year. Dividends paid from net income of the reporting year and / or retained income in the amount set by the General Meeting of Shareholders.

Payment of dividends to shareholders is held once in its full amount within the period set by the General Meeting of Shareholders in the decision on payment of dividends. Dividends are paid within a period not later than six months after the end of the reporting year.

**Note 28. Operating segments**

**Table 28.1. Income, expenses and results of the reporting segments for the reporting period**

(in Ukrainian Hryvnias and in thousands)

Line	Item	Reporting segment item			Other segments and operations	Retirement	Total
		Service of corporate clients	Service of individuals	Interbank business			
1	2	3	4	5	6	7	8
1	Income from external clients						
1.1	Interest income	369 617	2 420	8 049	235	-	380 321
1.2	Commission income	29 823	6 729	11 293	-	-	47 845
1.3	Other transactional income	8	1 598	-	204	-	1 809
2	Income from other segments						
2.1	Other transactional income	-	-	-	72	-	72
3	Segments income total	399 449	10 746	19 342	510	-	430 047
4	Interest expense	(108 208)	(114 686)	(25 626)	(7 683)	-	(256 203)
5	Charges to the provision on the	(81 202)	(534)	3 392	(180)	-	(78 525)

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	depreciation of loans and due from other banks						
6	Contributions to the provision for impairment of receivables	-	-	44 077	-	-	44 077
7	Results of transactions with the securities in the Bank trading portfolio	-	-	-	27	-	27
8	Results of trading transactions with other financial instruments	-	-	(93 275)	-	-	(93 275)
9	Results of transactions with the foreign currency	-	-	99 736	-	-	99 736
10	Result of revaluation of trading operations with foreign currency	-	-	-	8 446	-	8 446
11	Commission expense	(1 392)	(1 747)	(24 250)	(45)	-	(27 433)
12	Charges to the provision on the liabilities	144	(1 275)	-	-	-	(1 131)
13	Administrative and other transactional expenses	(38 129)	(996)	-	(82 699)	-	(121 825)
14	SEGMENT RESULT: Income/(loss)	170 661	(108 491)	23 394	(81 624)	-	3 940

**Table 28.2 Income, expenses and results of the reporting segments for the previous period**  
(in Ukrainian Hryvnias and in thousands)

Line	Item	Reporting segment item			Other segments and operations	Retirement	Total
		Service of corporate clients	Service of individuals	Interbank business			
1	2	3	4	5	6	7	8
1	Income from external clients						
1.1	Interest income	247 325	3 831	17 225	2 329	-	270 709
1.2	Commission income	14 167	3 957	1 467	-	-	19 592
1.3	Other transactional income	383	429	-	35	-	847
2	Income from other segments						
2.1	Other transactional income	-	-	-	94	-	94
3	Segments income total	261 875	8 217	18 693	2 457	-	291 242
4	Interest expense	(53 256)	(119 328)	(25 047)	(111)	-	(197 743)
5	Charges to the provision on the depreciation of loans and due from other	36 457	74	(771)	(604)	-	35 157

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	banks						
6	Results of transactions with the securities in the Bank trading portfolio	-	-	-	-	-	
7	Results of trading transactions with other financial instruments	-	-	(3 770)	-	-	(3 770)
8	Results of transactions with the foreign currency	-	-	1 857	-	-	1 857
9	Result of revaluation of trading operations with foreign currency	-	-	-	5 643	-	5 643
10	Commission expense		(728)	(927)	(30)	-	(1 685)
11	Charges to the provision on the liabilities	96	(28)	-	-	-	(68)
12	Administrative and other transactional expenses	-	(498)	-	(79 991)	-	(80 489)
13	SEGMENT RESULT: Income/(loss)	245 172	(112 290)	(9 966)	(72 713)	-	50 203

**Table 28.3. Assets and liabilities of the reporting segments for the reporting period**  
(in Ukrainian Hryvnias and in thousands)

Line	Item	Reporting segment item			Other segments and operations	Total
		Service for corporate clients	Service for individuals	Investment activity of the Bank		
<b>ASSETS OF SEGMENTS</b>						
1	Assets of segments	3 520 487	26 408	505 067	-	4 051 962
2	Assets of segments total	3 520 487	26 408	505 067	-	4 051 962
3	Unallocated assets	-	-	-	107 580	107 580
4	Assets total	3 520 487	26 408	505 067	107 580	4 159 542
<b>LIABILITIES OF SEGMENTS</b>						
5	Liabilities of segments	2 120 439	1 265 705	44 288	180 746	3 611 178
6	Liabilities of segments total	2 120 439	1 265 705	44 288	180 746	3 611 178
7	Unallocated liabilities	-	-	-	13 404	13 404
8	Liabilities Total	2 120 439	1 265 705	44 288	194 150	3 624 582
<b>OTHER SEGMENT ITEMS</b>						
9	Capital investment	-	-	-	48	48
10	Depreciation	-	-	-	(3 084)	(3 084)
11	Other non-monetary income (expenses)	-	-	-	-	-

**Table 28.4 Assets and liabilities of the reporting segments for the previous period**  
 (in Ukrainian Hryvnias and in thousands)

Line	Item	Reporting segment item			Other segments and operations	Total
		Service for corporate clients	Service for individuals	Investment activity of the Bank		
<b>ASSETS OF SEGMENTS</b>						
1	Assets of segments	1 750 325	24 016	468 986	-	2 243 328
2	Assets of segments total	1 750 325	24 016	468 986	-	2 243 328
3	Unallocated assets	-	-	-	96 508	96 508
4	Assets total	1 750 325	24 016	468 986	96 508	2 339 836
<b>LIABILITIES OF SEGMENTS</b>						
5	Liabilities of segments	824 033	900 319	260 118	16 523	2 000 993
6	Liabilities of segments total	824 033	900 319	260 118	16 523	2 000 993
7	Unallocated liabilities	-	-	-	13 575	-
8	Liabilities Total	824 033	900 319	260 118	30 098	2 014 568
<b>OTHER SEGMENT ITEMS</b>						
9	Capital investment	-	-	-	(233)	(233)
10	Depreciation	-	-	-	(1 931)	(1 931)
11	Other non-monetary income (expenses)	-	-	-	-	-

**Table 28.5. Information on geographical regions**  
 (in Ukrainian Hryvnias and in thousands)

Line	Item	Reporting year			Previous year		
		Ukraine	other countries	Total	Ukraine	other countries	Total
1	2	3	4	5	6	7	8
1	Income from external clients	430 047	-	430 047	291 149	-	291 149
2	Fixed assets	22 511	-	22 511	18 967	-	18 967

## Note 29. Financial risk management

The goals of financial risk management in the Bank are 1) to ensure profitable activities taking into account a moderate level of risks; 2) adherence to all requirements of the NBU on the risk management; 3) approach of risk management standards to guidelines of Basel Committee (in particular, changes in regulations of bank risk management provide a gradual transition from Basel I to Basel II-III).

Risk management system in the Bank is designed so that it involves all management levels: the Supervisory Board determines the Bank development strategy, including on risk management; the Bank Management Board carries out operating management of the Bank activities, including consideration of maintaining the moderate level of risks; Analysis and Risk Management Department provides direct analysis, monitoring and control of the risks which impact on the Bank indicators is the most significant.

In addition, collegial bodies (Loan Committee, Asset and Liability Management Committee, Tariff Committee, Tender Committee) have been established and are permanently

functioning in the Bank, which task includes operational decisions on tactical objectives of the risk management.

The level of the Bank risk management system is in full accordance with the volumes and complexity of the transactions performed. The Bank uses up to-date analytical module “Asset and Liability Analyzer”, enabling to receive automatically management reporting for managing the principal risk types and make promptly required decisions on minimizing the adverse effect of risks on the Bank financial indices.

Among the financial risks that are managed by the Bank on a systematic basis (daily) the traditional ones should be singled out: credit risk, market risk (interest rate, currency and price risks) and liquidity risk.

#### **Credit risk**

Credit risk (the most significant risk among all) is the risk that a borrower fails to repay the loan and interest thereon. Minimization of this risk is achieved through clear credit procedures for credit operations and deliberate techniques implemented by the Bank that are used in ,borrower solvency analysis, as well as through lending primarily under the liquid securities (real estate, property rights for cash deposits of banks and other).

Among the methods the Banks uses in risk management should be singled out: limit setting on credit operations (on borrower, economy branches, associated persons etc.); obligatory adherence to economic standards of the NBU (standards of credit risk); use of the up-to-date methods of analysis of borrower’s activities; setting of the credit ratings of the own Bank scale on the basis of financial stability of the borrower; insurance of the pledged property and financial risks; use of different measurement methods of marker value of pledged property (profit, expense methods and method of analogues); performance of the stress testing of the credit portfolio taking into account the changes in business environment).

In addition, the Bank has set limits to the authorities of departments within which the Credit commissions of the departments may lend own clients. All non-limit credit operations shall be approved by the Credit Commission of the Head office.

During the year of 2014, the Bank has actualized the majority of regulations related to the credit risk management.

The highest credit risk value is represented as follows:

(in Ukrainian Hryvnias and in thousands)

	December 31, 2014	December 31, 2013
<b>Statement on financial position</b>		
Cash and cash equivalents (excluding cash on hand)	452 558	244 145
Trading securities	-	-
Due to other banks	-	185 649
Loans and advances to customers	3 546 895	1 736 955
Securities held-to-maturity	-	-
Securities available for sale	-	180
Other financial assets	108 259	6 490
	<b>4 107 712</b>	<b>2 173 419</b>
<b>Off balanced items</b>		
Liabilities related to crediting	348 935	133 666
Guarantees	23 134	119 936
	<b>372 069</b>	<b>253 602</b>

#### **Market risk**

Market risk is the risk of unforeseen losses of the Bank arising from adverse changes in interest rates, foreign exchange rates, share prices, etc. Under the classification of the Basel Committee, the market risks comprise currency risk, interest rate risk and price risk. Market risk management under the above classification is performed centrally by the Analysis and Risk Management Department using up-to-date methods of measuring, assessment and control over their level. The reports on market risk are read over by the Asset and Liability Management Committee

that subsequently makes decisions on adjustment of risk positions taking into account expected/forecast levels of exchange rates, interest rates and securities prices.

The Bank activities are mostly affected by currency and interest rate risks, whereas price risk does not actually exist, because as for the end of 2014, the Bank has insignificant e any remains on balance on securities with unfixed income (UAH 784 thousand) purchased during the reporting year.

#### Currency risk

Currency risk (market component of risk) is the risk related to existing or potential effects of adverse fluctuations of the exchange rates and banking metal values on the Bank proceeds. Minimization of this risk is achieved through the foreign exchange transactions made by the Bank solely within the currency position limits.

Among the methods the Banks uses in the currency risk management should be singled out: VAR methodology; fixing of limits to maximum possible amounts of currency position; obligatory adherence to economic standards of the NBU (currency risk standards); currency risks hedges; back-testing; stress testing under various scenarios of development of financial markets.

**Table 29.1. Analysis of currency market**

(in Ukrainian Hryvnias and in thousands)

Line	Currency name	As for reporting date of the reporting period				As for reporting date of the previous period			
		Monetary assets	Monetary liabilities	Derivative financial instruments	Net position	Monetary assets	Monetary liabilities	Derivative financial instruments	Net position
1	2	3	4	5	6	7	8	9	10
1	US dollar	1 063 113	1 126 538	14 389	(49 036)	1 302 770	1 318 193	119	(15 304)
2	Euro	114 404	96 256	(46 439)	(28 291)	350 219	340 251	(16 523)	(6 555)
3	Precious metals	206	520		(314)	1 644	142	-	1 502
4	Other currencies (freely convertible)	687	640		47	127	-	-	127
5	Other currencies (inconvertible)	1 205	1 334		(129)	456	1 378	-	(922)
6	Total*	1 181 690	1 225 288	(32 050)	(77 723)	1 655 216	1 659 964	(16 404)	24 410

\*in the column "Net position" the general position on all currencies is shown.

Precious metals: Gold – (318), Silver - 4.

Other currencies (freely convertible): British pound of sterling – (7), Swiss francs - 54.

Other currencies (inconvertible): Russian rubles - (143), Polish zloty - 14.

**Table 29.2. Change of profit or loss and equity as a result of possible changes in hryvnia official exchange rate to foreign currencies set on the balance date, ensuring that all other variables characteristics remain fixed**

(in Ukrainian Hryvnias and in thousands)

Line	Item	As for reporting date of the reporting period		As for reporting date of the previous period	
		Impact on income/(loss)	Impact on equity capital	Impact on income/(loss)	Impact on equity capital
1	2	3	4	5	6
1	Strengthening of US dollar by 5 %	(3 070)	(3 070)	(765)	(765)



2	Weakening of US dollar by 5 %	3 070	3 070	765	765
3	Strengthening of euro by 5 %	910	910	(330)	(330)
4	Weakening of euro by 5 %	(910)	(910)	330	330
5	Strengthening of British pound of sterling by 5 %	0	0	5	5
6	Weakening of British pound of sterling by 5 %	0	0	(5)	(5)
7	Strengthening of other currencies and bank metals	(5)	(5)	(44)	(44)
8	Weakening of other currencies and bank metals	5	5	44	44

**Table 29.3. Change of profit or loss and equity as a result of possible changes in hryvnia official exchange rate to foreign currencies set as average weighted rate, ensuring that all other variables characteristics remain fixed**

(in Ukrainian Hryvnias and in thousands)

Line	Item	Average-weighted exchange rate of the reporting period		Average-weighted exchange rate of the previous period	
		Impact on income/(loss)	Impact on equity capital	Impact on income/(loss)	Impact on equity capital
1	2	3	4	5	6
1	Strengthening of US dollar by 5 %	(2 326)	3	(765)	(765)
2	Weakening of US dollar by _ %	2 326	(2 326)	765	765
3	Strengthening of euro by 5 %	577	2 326	(315)	(315)
4	Weakening of euro by 5 %	(577)	577	315	315
5	Strengthening of British pound of sterling by 5 %	0	(577)	4	4
6	Weakening of British pound of sterling by 5 %	0	0	(4)	(4)
7	Strengthening of other currencies and bank metals	(5)	0	(46)	(46)
8	Weakening of other currencies and bank metals	5	(5)	46	46

### Interest risk

Interest rate risk is the risk related to existing or potential effects of adverse fluctuations in the interest rates on the Bank proceeds. Minimization of this risk is achieved through balancing the assets and liabilities that are sensitive to changes in the interest rate.

Among the methods the Banks uses in the interest rate risk management should be singled out: GAP analysis and fixing of the limits to maximum possible gaps between the assets and liabilities that are sensitive to changes in the interest rate; managing of the structure of assets and liabilities using indicators of spread, net interest margin, profitability/value of individual items of interest-bearing assets/liabilities (by currency); implementing a deliberate price policy to maximize net interest income; stress testing under various scenarios of development of financial markets.

**Table 29.4. General analysis of the interest risk**

(in Ukrainian Hryvnias and in thousands)

Line	Item	On demand and less than 1 month	1-6 months	6-12 months	More than 1 year	Non-monetary	Total
1	2	3	4	5	6	7	8
Reporting period							
1	Financial assets total	1 265 065	652 054	1 320 687	544 640	143 100	3 925 546
2	Financial liabilities total	806 358	465 946	1 427 581	540 346	-	3 040 231
3	Net gap between the interest rates at the end of previous period	458 707	186 108	(106 894)	204 294	143 100	885 315
Previous period							
4	Financial assets total	542 053	462 446	737 120	344 867	130 078	2 216 564
5	Financial liabilities total	766 390	256 361	618 814	170 185	-	1 811 850
6	Net gap between the interest rates at the end of previous period	(224 337)	206 085	118 206	174 682	130 078	404 714

The table shows interest rate sensitive cash and liabilities at book value and maturity terms. Interests on cash and all liabilities presented in the table are calculated at fixed rates.

**Table 29.5. Monitoring of interest rates on financial instruments**

(%)

Line	Item	Reporting Period				Previous period			
		hryvnia	US dollar	Euro	Other	hryvnia	US dollar	Euro	Other
1	2	3	4	5	6	7	8	9	10
Assets									
1	Cash and cash equivalents	31,03	0,79	0,73	3,87	10,39	0,21	0,00	1,90
2	Cash of obligatory provisions in NBU	-	-	-	-	2,25	-	-	-
3	Trading debt securities	-	-	-	-	-	-	-	-
4	Due from other banks	-	-	-	-	9,93	2,55	3,21	-
5	Loans to customers	18,09	11,67	11,06	-	17,86	11,84	12,18	-
6	Debt securities held-to-maturity in the Bank portfolio	-	-	-	-	-	-	-	-
7	Other assets	5,00	-	-	-	-	2,00	-	-
Liabilities									
8	Due to banks	19,50	-	-	-	12,35	2,06	1,80	-
9	Due to clients:								
9.1	current accounts	7,86	0,23	0,18	-	1,95	1,10	0,34	-
9.2	term deposits	19,30	9,79	7,97	-	18,12	9,34	7,78	-
10	Other borrowed funds	13,50	9,80	-	-	13,50	9,50	-	-

The table shows the average data rate. Interest rate is calculated as a percentage of annual account. The interest rate is calculated in percents in annual accounting.

## Geographical risk

**Table 29.6. Analysis of geographical concentration of cash and liabilities on the reporting period**  
(in Ukrainian Hryvnias and in thousands)

Line	Item	Ukraine	OECD	other countries	Total
1	2	3	4	5	6
<b>Assets</b>					
1	Cash and cash equivalents	390 576	86 066	510	477 152
2	Cash of obligatory provisions in NBU	-	-	-	-
3	Trading securities	-	-	-	-
4	Due from other banks	-	-	-	-
5	Loans to customers	3 546 865	-	-	3 546 865
6	Securities in the Bank portfolio before redemption	-	-	-	-
7	Other financial assets	108 258	-	1	108 259
8	Financial assets total	4 045 729	86 066	511	4 132 306
<b>Liabilities</b>					
9	Due to banks	44 288	-	-	-
10	Due to clients	2 607 317	7	778 820	3 386 144
11	Other borrowed funds	345	-	180 401	-
12	Other financial liabilities	5 977	-	-	5 977
13	Financial liabilities total	2 657 927	7	959 221	3 617 155
14	Net balance position on financial instruments	1 393 594	86 059	(958 710)	520 943
15	Credit related liabilities	475 932	-	-	475 932

**Table 29.7 Analysis of geographical concentration of cash and liabilities on the previous period**  
(in Ukrainian Hryvnias and in thousands)

Line	Item	Ukraine	OECD	other countries	Total
1	2	3	4	5	6
<b>Assets</b>					
1	Cash and cash equivalents	304 869	7 834	200	312 903
2	Cash of obligatory provisions in NBU	34 990	-	-	34 990
3	Trading securities	-	-	-	-
4	Due from other banks	185 649	-	-	185 649
5	Loans to customers	1 736 955	-	-	1 736 955
6	Securities in the Bank portfolio before redemption	180	-	-	180
7	Other financial assets	6 490	-	-	6 490
8	Financial assets total	2 269 133	7 834	200	2 277 167
<b>Liabilities</b>					
9	Due to banks	260 117	-	-	206 117
10	Due to clients	1 317 543	60	406 749	1 724 352
11	Other borrowed funds	504	-	16 019	16 523
12	Other financial liabilities	3 028	-	-	3028
13	Financial liabilities total	1 581 192	60	422 768	2 004 020
14	Net balance position on financial instruments	687 941	7 774	(422 568)	273 147
15	Credit related liabilities	253 348	-	-	253 348

**Liquidity risk**

Liquidity risk is the risk that the Bank will not be able to discharge its liabilities to the clients and counterparties on a timely basis and in full. Minimization of this risk is achieved through balancing by the Bank of own structure of assets and liabilities by repayment/maturity dates (including by basic currencies in which the Bank makes the transactions).

Among the methods the Banks uses in liquidity risk management should be singled out: GAP analysis and setting of the limits to maximum possible gaps of liquidity; using of payment schedule; adherence to the liquidity ratios (including mandatory economic standards of the NBU and mandatory provision standards); diversification of assets and liabilities; maintaining an emergency plan in active state; stress testing of the Bank liquidity positions under various scenarios of development of financial markets.

**Table 29.8. Analysis of financial liabilities on their maturity for the reporting period**  
(in Ukrainian Hryvnias and in thousands)

Line	Item	On demand and less than 1 month	1-3 months	3-12 months	1-5 years	Total
1	2	3	4	5	6	7
1	Due to banks	44 289	-	-	-	44 289
2	Due to clients:	1 271 300	206 733	1 568 239	340 005	3 386 277
2.1	Cash of individuals	324 841	188 160	730 660	22 147	1 265 808
2.2	Other	946 459	18 573	837 579	317 858	2 120 469
3	Other borrowed funds	31 799	148 610		345	180 754
4	Other financial liabilities	5 485	7	145	340	5 977
5	Financial guarantees	19 604	1 072	2 458		23 134
6	Credit related liabilities	214 265	6 017	149 431	84 469	454 182
7	Potential future payments on financial liabilities total	1 586 742	362 439	1 720 273	425 159	4 094 613

The following maturities shown in the table are determined from the reporting date to the maturity date under the contract. These amounts represent the contractual undiscounted cash flows differ from the amount included in the balance, as the balance amount is based on discounted cash flows. Financial instruments accounted by a net basis, are presented in the net amount.

**Table 29.9. Analysis of financial liabilities on their maturity for the previous period**  
(in Ukrainian Hryvnias and in thousands)

Line	Item	On demand and less than 1 month	1-3 months	3-12 months	1-5 years	Total
1	2	3	4	5	6	7
1	Due to banks	260 117	-	-	-	260 117
2	Due to clients:	656 674	93 979	803 927	169 975	1 724 555
2.1	Cash of individuals	296 959	77 555	487 884	38 090	900 488
2.2	Other	359 715	16 424	316 043	131 885	824 067
3	Other borrowed funds	-	-	16 019	504	16 523
4	Other financial liabilities	1 834	134	1 060	-	3 028
5	Financial guarantees	2 382	113 839	3 715	-	119 936

6	Credit related liabilities	9 986	3 763	32 175	87 742	133 666
7	Potential future payments on financial liabilities total	930 993	211 715	856 896	258 221	2 257 825

**Table 29.10. Analysis of cash and liabilities on the maturity terms on the basis of expected maturity terms for the reporting period**

(in Ukrainian Hryvnias and in thousands)

Line	Item	On demand and less than 1 month	1-3 months	3-12 months	1-5 years	More than 5 years	Total
1	2	3	4	5	6	7	8
<b>Assets</b>							
1	Cash and cash equivalents	477 152	-	-	-	-	477 152
2	Cash of obligatory provisions in NBU	-	-	-	-	-	-
3	Trading securities	-	-	-	-	-	-
4	Due from other banks	-	-	-	-	-	-
5	Loans to customers	1 110 935	203 267	1 718 307	514 119	267	3 546 892
6	Securities in the Bank portfolio available for sale	-	-	-	-	-	-
7	Other financial assets	94 955	-	-	13 304	-	108 259
8	Financial assets total	1 683 042	203 267	1 718 307	527 423	267	4 132 306
<b>Liabilities</b>							
9	Due from other banks	44 288	-	-	-	-	44 288
10	Due to clients	1 271 254	206 695	1 568 192	340 003	-	3 386 143
11	Other borrowed funds	31 799	148 602	-	345	-	180 746
12	Other financial liabilities	5 485	7	145	340	-	5 977
13	Financial liabilities total	1 352 826	355 304	1 568 337	340 688	-	3 617 155
14	Net liquidity gap on the end of December 31	330 216	(152 037)	149 970	186 735	267	515 151
15	Total liquidity gap on the end of December 31	330 216	178 179	328 149	514 884	515 151	515 151

These cash and liabilities are presented in the table at book value, i.e. considering discounted cash flows.

**Table 29.11 Analysis of cash and liabilities on the maturity terms on the basis of expected maturity terms for the previous period**

(in Ukrainian Hryvnias and in thousands)

Line	Item	On demand and less than 1 month	1-3 months	3-12 months	1-5 years	Total
1	2	3	4	5	6	7
<b>Assets</b>						
1	Cash and cash equivalents	312 903	-	-	-	312 903
2	Cash of obligatory provisions in	34 990	-	-	-	34 990

	NBU					
3	Trading securities	-	-	-	-	-
4	Due from other banks	171 081	14 568	-	-	185 649
5	Loans to customers	248 122	125 859	1024207	338 767	1 736 955
6	Securities in the Bank portfolio available for sale	180				180
7	Other financial assets	5 221	133	1 136		6 490
8	Financial assets total	772 497	140 560	1025343	338 767	2 277 167
<b>Liabilities</b>						
9	Due from other banks	260 117				260 117
10	Due to clients	656 639	93 929	803 822	169 962	1 724 352
11	Other borrowed funds			16 019	504	16 523
12	Other financial liabilities	1 834	134	1 060		3 028
13	Financial liabilities total	918 590	94 063	820 901	170 466	2 004 020
14	Net liquidity gap on the end of December 31	(146 093)	46 497	204 442	168 301	273 147
15	Total liquidity gap on the end of December 31	(146 093)	(99596)	104 846	273 147	273 147

### **Note 30. Capital management**

Capital management of the Bank is directed primarily to protect from possible risks typical for its activities. The Bank controls the capital adequacy both through implementation of mandatory economic standards of the National Bank of Ukraine (capital ratios) and recommended indices established by the Basel Capital Accord. In particular, the Bank performs quarterly calculation of capital adequacy in accordance with the recommendations of the Basel II (quantitative measurement of credit, market and operational risk carried out by applying *Standardized Approach*).

The main objective of the Bank capital management is to ensure balanced growth of assets and regulatory capital. In particular, the Bank policy of conduction of active and passive operations, great importance is given to improvement of the structure of assets weighted considering risk ratio (to prevent too high proportion of assets that have weighed on risk ratio of 100%). Also, it is aimed to improve the level of capitalization (if necessary). The Bank may refuse to pay dividends to participants and / or to provide an increase of regulatory capital either by contributions to the share capital, or by raising subordinated debt. In addition, the Bank is working constantly in order to minimize distractions from regulatory capital: it is performing activities in order to repay overdue income, and is excluding positive liquidity gaps exceeding one year etc.

*The standard of capital adequacy adheres to the National Bank of Ukraine requirements.*

As required by the National Bank of Ukraine, the banks must maintain a capital adequacy rate on the level of 10 % of assets weighted, considering risk factors. The table below shows the Bank capital adequacy rate, calculated as for December 31, 2014 and 2013. During the reported and previous years, the Bank met all capital standards set by the National Bank of Ukraine.

During the year the Bank performed share issue. Additionally issued 250 000 ordinary shares with a nominal value of one share - 1 000 UAH. As of the reporting date the shares were accounted as contributions to unregistered share capital committed funds under a temporary certificate of registration NSSMC and taken into account in the amount of UAH 250 000 thousand the calculation of regulatory capital.

**Note 30. Regulatory capital structure**

**Table 30.1. Regulatory capital structure**

(in Ukrainian Hryvnias and in thousands)

Line	Item	Reporting Period	Previous period
1	2	3	4
1	Bank regulatory capital (RC)	519 991	293 402
2	Actually paid registered share capital	250 000	250 000
3	Contributions for unregistered share capital	250 000	-
4	Disclosed provisions created or increased on the basis of retained profit :		
4.1	General provisions and provision funds created according to the law of Ukraine	34 511	34 388
4.1.1	Of which provision funds	34 511	34 388
5	Reduction of property and equipment (amount of inchoate provisions; intangible assets excluding depreciation; capital investments to intangible assets, last and previous year damages)	(2 362)	(2 396)
	including;		
5.1	Intangible assets excluding amortization	(2 143)	(2 396)
5.2	Capital investments to intangible assets	(220)	(3)
<b>6</b>	<b>Property and equipment (FA) (first level capital)</b>	<b>532 149</b>	<b>281 995</b>
7	Provisions on standard accounts payable granted to clients, and standard debts on off-balance operations	476	1 184
8	Accounting income of the current year	(12 634)	10 223
<b>9</b>	<b>Additional capital (second level capital)</b>	<b>(12 158)</b>	<b>11 407</b>
<b>10</b>	<b>Regulatory capital total</b>	<b>519 991</b>	<b>293 402</b>
11	Assets weighted at risk	3 909 559	2 191 557
11	Total amount of open currency position on all foreign currencies	11 691	58 442
<b>12</b>	<b>Standards of adequacy of regulatory capital (standard is no less than 10 %)</b>	<b>13,26%</b>	<b>13,04%</b>

**Table 30.2. Bank capital structure calculated on the basis of Basel Requirements**

(in Ukrainian Hryvnias and in thousands)

Line	Item	Reporting year	Previous year
1	2	3	4
1	Actually paid registered share capital	250 000	250 000
2	Contributions for unregistered share capital	250 000	-
3	General provisions and provision funds	34 511	34 388
4	Intangible assets excluding amortization	(2 143)	(2 396)
4	Capital investments to intangible assets	(220)	(3)
5	Current year income	450	10 223
<b>6</b>	<b>Capital</b>	<b>532 598</b>	<b>292 218</b>

**Note 31. Fiduciary accounts**

(in Ukrainian Hryvnias and in thousands)

Line	Item	Reporting year	Previous year	Changes (+; -)
1	2	3	4	5
1	Current accounts of the fiduciary bank of the fiduciary management	11 327	3 227	8 100
2	Receivables on fiduciary transactions	83 982	17 409	66 573
3	Active fiduciary management accounts total	95 309	20 636	74 673
4	Bank management funds	93 426	20 310	73 116
5	Fiduciary transactions income	1 883	326	1 557
6	Passive fiduciary management accounts total	95 309	20 636	74 673

**Note 32. Contingencies of the Bank**

Bank discloses information on events that occurred at the end of the reporting period but not recognized in other notes, for which the probability of an outflow of resources for economic benefits will not meet the definition of liabilities, including:

*a) hearing of the case in court.*

At the reporting date, as for January 1, 2015, there are several court disputes with the participation of the Bank on the amount of UAH 1 587 642,63, which may be resolved in favor of the Bank.

In general, as the preliminary analysis of trials shows, the amount of compensation for the liabilities of Client to the Bank exceeds the amount of possible losses of the Bank in the future.

In general, overall consideration of cases does not bear a risk of negative financial conditions and stability of the Bank.

*b) contingent tax liability.*

Bank tax accounting policies aim to adherence to principles of prudence and diligence. Therefore, the Bank does not consider the risks associated with the emergence of potential tax liabilities, and does not assess their financial impact, estimation of uncertainty of possible future changes of these obligations at the end of the reporting period.

Controlling authority has the right to determine the amount of monetary liability of the taxpayer in cases, provided by the Tax Code of Ukraine, before the expiry of 1095 days following the last day of the deadline for filing tax returns.

*c) capital investment liabilities.*

Total amount of liabilities relative to the purchase of the fixed assets is UAH 98 thousand.

Contract № 2001-12, dated January 20, 2012, concluded with Viktor Mykhailovych Sereda, a private entrepreneur, on support for receiving permits for the installation of advertising structures in Odesa, 75 Katerynynska Street.

Amendment № 14, dated June 10, 2013 to the contract № 2001-12, dated January 20, 2012, a sign at 75 Katerynynska Street, Kyiv, for the amount of UAH 12 thousand.

Contract № MS.EG.09.14, dated December 24, 2014, concluded with Subsidiary Company «S&T Ukraine» for the installation of structured cabling networks in Kyiv, 83-D Melnykova Street, for the amount of UAH 86 thousand.

The total amount of liabilities on the purchase of the intangible assets is UAH 239 thousand.

Contract № 425-VBR, dated December 24, 2014, concluded with RENOME-SMART, LC for the extend the functionality of the software and commissioning of the license and warranty for the amount of UAH 123 thousand.

Amendment № 6, dated September 30, 2014 to the contract № IS/BIS, dated September 02, 2011, concluded with PJSC «Ukrainian Processing Center» of transfer non-exclusive license to use the component IS-1-148 «Support schemes issue loyalty» of the Program complex IS-Card for the amount of UAH 30 thousand.



Amendment № 1 to the contract №20140303-4, dated March 03, 2014, FOLGA ED, LC for the redesign and revision the functionality of the Bank website bisbank.com.ua for the amount of UAH 86 thousand.

*d) operating lease liabilities (rent).*

**Table 32.1. Future minimal rent payments on undefined contract on operating leasing (rent)**  
(in Ukrainian Hryvnias and in thousands)

Line	Item	Reporting period	Previous period
1	2	3	4
1	Up to 1 year	2 403	3 191
2	1-5 years	5 081	7 309
3	Total	7 484	10 500

As of January 1, 2015, the Bank has concluded 31 contracts on operating leasing, including 24 contracts with up to one year term, and 7 contracts with 1-5 years term.

*e) loan liabilities.*

At the reporting date, as for December 31, 2014, the amount of unforeseen liabilities related to crediting (generally represent irrevocable lines of credit granted to clients) amounted to UAH 348 935 thousand. Their potential financial impact on the financial performance of the Bank is insignificant. According to the degree of uncertainty the existing credit lines do not carry serious risks (liquidity risk in particular), considering that almost all of them are open for up to 1 year, and 96 % of them are revocable, or free from risks.

**Table 32.2. Loan liabilities structure**  
(in Ukrainian Hryvnias and in thousands)

Line	Item	Note	Reporting period	Previous period
1	2	3	4	5
1	Unused credit lines		348 935	133 665
2	Import letters of credit		52 320	-
3	Granted guarantees		23 134	119 936
4	Reserve on loan liabilities		(1 384)	(253)
5	Credit liabilities total excluding provisions		423 005	253 348

**Table 32.3. Credit liabilities by currency**  
(in Ukrainian Hryvnias and in thousands)

Line	Item	Reporting period	Previous period
1	2	3	4
1	Hryvnia	215 047	163 191
2	US dollar	205 533	90 147
3	Euro	2 425	10
4	Total	423 005	253 348

*f) Pledged assets and assets with limitations associated with their possession, use and disposal.*

**Table 32.4. Pledged assets without derecognition**

(in Ukrainian Hryvnias and in thousands)

Line	Item	Reporting period		Previous period	
		Pledged assets	Secured liability	Pledged assets	Secured liability
1	2	4	5	6	7
1	Property rights	39 144	34 272	145 130	145 130
2	Total	39 144	34 272	145 130	145 130

These assets are monetary funds deposited in US Dollars placed in the National Bank of Ukraine, which issued as collateral for hryvnia borrowed funds from the National Bank of Ukraine under the mortgage contract at the time of short-term liabilities.

**Note 33. Derivative financial instruments**

**Table 33.1. Fair value of derivative financial instruments accounted in the trading portfolio of the Bank**

(in Ukrainian Hryvnias and in thousands)

Line	Item	Notes	Reporting period		Previous period	
			Positive fair value	Negative fair value	Positive fair value	Negative fair value
1	2	3	4	5	6	7
1	SWAP contracts		2 713	294	1 448	1 314
2	SPOT contracts		-	5 145	799	1 590
3	Net fair value		2 713	5 439	2 247	2 905

**Note 34. Fair value of financial instruments**

The Bank defines the fair value as the amount at which a financial instrument could be exchanged between knowledgeable and willing parties other than in a forced sale or liquidation, and is best proved by an active quoted market price of the financial instrument.

The estimated fair values of financial instruments have been determined by the Bank using available market information, (if exists), and appropriate valuation methodologies.

For assets with up to one month term the fair value is approximately equals the book value due to the relatively high urgency of these financial instruments. For longer-term debts of other banks and to other banks, interest rates used reflect market rates and, accordingly, the fair value approximates their book value.

The book value of securities available for sale is an adequate estimate of their fair value. Interest-bearing securities include interest rates, reflecting fair market rates and, accordingly, the fair value approximates the book value of these instruments.

The fair value of the credit portfolio is based on the characteristics of service of loans and the interest rates of individual loans within each sector portfolio. Evaluation of reservation on losses on loans is performed taking into account the risk premium applied to different types of loans based on factors such as the current situation in the sector, in which the borrower operates, the financial conditions of each borrower and guarantees obtained. Accordingly, the provision on losses on loans is considered a reasonable estimate of potential losses that would be required to reflect the impact of credit risk.

In general, loans are granted at market rates, and therefore the current balance remains represent a reasonable estimate of fair value. Accordingly, the book value calculated as the amortized cost of such instruments is a reasonable approximation of their fair value.

For deposits with maturity up to one month, the fair value approximates their book value due to relatively short-term maturity of these financial instruments. For longer-term deposit interest rates reflect market rates and, accordingly, the fair value approximates their book value.

**Table 34.1. Analysis of financial instruments accounted at the amortized cost**  
(in Ukrainian Hryvnias and in thousands)

Line	Item	Reporting period		Previous period	
		Fair value	Book value	Fair value	Book value
1	2	3	4	5	6
<b>FINANCIAL ASSETS</b>					
1	Cash and cash equivalents:	477 152	477 152	347 893	347 893
1.1	cash assets	24 594	24 594	68 758	68 758
1.2	cash in NBU (excluding provisions)	159 733	159 733	67 351	67 351
1.3	obligatory provisions in NBU	-	-	34 990	34 990
1.4	correspondent accounts and overnight deposits and credits in banks	292 825	292 825	176 794	176 794
2	Due from other banks:	-	-	185 649	185 649
2.1	deposits in other banks	-	-	98 053	98 053
2.2	credits granted to other banks	-	-	87 596	87 596
3	Loans and debts of clients:	3 546 895	3 546 895	1 736 955	1 736 955
3.1	loans to legal entities	3 500 373	3 500 373	1 699 343	1 699 343
3.2	loans to individual entrepreneurs	20 114	20 114	13 643	13 643
3.3	mortgage credits of individuals	2 226	2 226	1 145	1 145
3.4	credits granted to individuals for current needs	24 103	24 103	21 274	21 274
3.5	other credits to individuals	79	79	1 550	1 550
4	Securities held-to-maturity in the Bank portfolio:	-	-	-	-
4.1	government bonds	-	-	-	-
5	Other financial assets:	108 164	108 164	4 243	4 243
5.1	restricted cash	52 510	52 510	4 202	4 202
5.2	receivables from operations in foreign currencies	2 618	2 618	-	-
5.3	receivables on securities	52 927	52 927	-	-
5.4	other financial assets	109	109	41	41
<b>6</b>	<b>Financial assets accounted at the amortized cost total</b>	<b>4 132 210</b>	<b>4 132 210</b>	<b>2 274 740</b>	<b>2 274 740</b>
<b>FINANCIAL LIABILITIES</b>					
7	Due to banks:	44 288	44 288	260 117	260 117
7.1	correspondent accounts and overnight deposits and credits in banks	10 017	10 017	30 253	30 253
7.2	deposits of other banks	-	-	99 547	99 547
7.3	received credits	34 271	34 271	130 317	130 317
8	Due to clients:	3 386 144	3 386 144	1 724 352	1 724 352

8.1	other legal entities	2 120 439	2 120 439	824 029	824 029
8.2	individuals	1 265 705	1 265 705	900 323	900 323
9	Other borrowed funds:	180 746	180 746	16 523	16 523
9.1	credits received from international and other financial organizations	180 746	180 746	16 523	16 523
10	Other financial liabilities:	5 977	5 977	123	123
10.1	receivables on securities	5 440	5 440	25	25
10.2	other financial liabilities	537	537	98	98
<b>11</b>	<b>Financial liabilities accounted at the amortized cost total</b>	<b>3 617 155</b>	<b>3 617 155</b>	<b>2 001 115</b>	<b>2 001 115</b>

**Table 34.1. Financial liabilities accounted at fair value by levels of its measurement**  
(in Ukrainian Hryvnias and in thousands)

Line	Item	Fair value in different measurement models			Fair value total	Book value total
		market quotations (level I)	Measurement model using observed data (level II)	Measurement model using indices not proved by the market date (level III)		
1	2	3	4	5	6	7
<b>FINANCIAL ASSETS</b>						
1	Securities available for sale in the Bank portfolio	-	-	-	-	-
1.1	Financial investments to companies	-	-	-	-	-
2	Other financial assets	95	-	-	95	95
2.1	Derivative financial assets in the Bank trading portfolio	95	-	-	95	95
<b>3</b>	<b>Financial assets accounted at fair value total</b>	<b>95</b>	<b>-</b>	<b>-</b>	<b>95</b>	<b>95</b>
<b>FINANCIAL LIABILITIES</b>						
4	Other financial liabilities	-	-	-	-	-
4.1	Derivative financial liabilities in the Bank trading portfolio	-	-	-	-	-
<b>5</b>	<b>Financial liabilities accounted at fair value total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The Bank has no financial instruments, fair value of which is determined by its third level evaluation. There were no changes during the reported and previous periods considering income / expense recognized through profit / loss, other comprehensive income, purchase, sale, production, calculation, and transfer «from» or «to» the third level assessment.

During the reported and previous periods, the Bank had no cash, fair value of which cannot be reliably estimated.

Bank did not hold the mortgage, which was allowed to sell or remortgage.

**Note 35. Financial assets presentation by the assessment categories**

**Table 35.1. Financial assets presentation by the assessment categories for the reporting period**  
 (in Ukrainian Hryvnias and in thousands)

Line	Item	Credits and receivables	Assets available for sale	Financial assets accounted at fair price with representation of revaluation through profit/loss		Investments held to maturity	Total
				Trading assets	Assets accounted at fair price through profit or loss		
1	2	3	4	5	6	7	8
<b>ASSETS</b>							
1	Cash and cash equivalents	477 152	-	-	-	-	477 152
2	Trading securities	-	-	-	-	-	-
3	Due from other banks:	-	-	-	-	-	-
3.1	deposits in other banks	-	-	-	-	-	-
3.2	credits granted to other banks	-	-	-	-	-	-
4	Loans and debts of clients:	3 546 895	-	-	-	-	3 546 895
4.1	loans to legal entities	3 500 373	-	-	-	-	3 500 373
4.2	loans to individual entrepreneurs	20 114	-	-	-	-	20 114
4.3	mortgage credits of individuals	2 226	-	-	-	-	2 226
4.4	credits granted to individuals for current needs	24 103	-	-	-	-	24 103
4.5	other credits to individuals	79	-	-	-	-	79
5	Securities held-to-maturity in the Bank portfolio	-	-	-	-	-	-
6	Securities available for sale in the Bank portfolio	-	-	-	-	-	-
7	Other financial assets:	108 164	-	95	-	-	108 259
7.1	derivatives in Bank's trading portfolio	-	-	95	-	-	-
7.2	restricted cash	52 510	-	-	-	-	52 510
7.3	receivables from operations in foreign currencies	2 618	-	-	-	-	2 618
7.4	receivables on securities	52 927	-	-	-	-	52 927
7.3	other financial assets	109	-	-	-	-	109

8	Financial assets total	4 132 211	-	95	-	-	4 132 306
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**Table 35.2. Financial assets presentation by the assessment categories for the previous period**  
 (in Ukrainian Hryvnias and in thousands)

Line	Item	Credits and receivables	Assets available for sale	Financial assets accounted at fair price with representation of revaluation through profit/loss		Investments held to maturity	Total
				Trading assets	Assets accounted at fair price through profit or loss		
1	2	3	4	5	6	7	8
	ASSETS						
1	Cash and cash equivalents	347 893	-	-	-	-	347 893
2	Trading securities	-	-	-	-	-	-
3	Due from other banks:	185 649	-	-	-	-	185 649
3.1	deposits in other banks	98 053	-	-	-	-	98 053
3.2	credits granted to other banks	87 596	-	-	-	-	87 596
4	loans and debts of clients	1 736 955	-	-	-	-	1 736 955
4.1	loans to legal entities	1 699 343	-	-	-	-	1 699 343
4.2	loans to individual entrepreneurs	13 643	-	-	-	-	13 643
4.3	mortgage credits of individuals	1 145	-	-	-	-	1 145
4.4	credits granted to individuals for current needs	21 274	-	-	-	-	21 274
4.5	other credits to individuals	1 550	-	-	-	-	1 550
5	Securities held-to-maturity in the Bank portfolio	-	-	-	-	-	-
6	Securities available for sale in the Bank portfolio	-	180	-	-	-	180
7	Other financial assets:	4 243	-	2 247	-	-	6 490
7.1	derivatives in Bank's trading portfolio	-	-	2 247	-	-	2 247
7.2	restricted cash	4 202	-	-	-	-	4 202
7.3	other financial assets	41	-	-	-	-	41
8	Financial assets total	2 274 740	180	2 247	-	-	2 277 167

**Table 35.3. Financial liabilities accounted at amortized value**

(in Ukrainian Hryvnias and in thousands)

Line	Item	Reporting period	Previous period
1	2	3	4
1	Due to banks:	44 288	260 117
1.1	correspondent accounts and overnight deposits of other banks	10 017	30 253
1.2	deposits of other banks	-	99 547
1.3	received loans	34 271	130 317
2	Due to clients:	3 386 144	1 724 352
2.1	other legal entities	2 120 439	824 029
2.2	individuals	1 265 705	900 323
3	Other borrowed funds:	180 746	16 523
3.1	loans received from international and other financial organizations	180 746	16 523
4	Other financial liabilities:	5 977	123
4.1	securities receivables	5 440	25
4.2	other financial liabilities	537	98
5	<b>Financial liabilities accounted at amortized value total</b>	<b>3 617 155</b>	<b>2 001 115</b>

**Note 36. Related party transactions**

**Table 36.1. Remains on transactions with related parties as for the end of reporting period**

(in Ukrainian Hryvnias and in thousands)

Line	Item	The biggest participants (shareholders) of the Bank	Leading management staff	Other related parties
1	2	3	4	5
1	Credits and accounts payable of clients (contractual interest rate is 7 -18 %)	79	198	-
2	Provisions on accounts payable as for December 31	-	2	-
3	Due to clients (contractual interest rate is 1 -20 %)	38 782	1 987	2 905
4	Provisions on liabilities	35	10	-

**Table 36.2. Income and expenses on transactions with related parties as for reporting period**

(in Ukrainian Hryvnias and in thousands)

Line	Item	The biggest participants (shareholders) of the Bank	Leading management staff	Other related parties
1	2	3	4	5
1	Interest income	-	13	-
2	Interest expenses	7 192	271	228
3	Dividends	2 326	-	-
4	Commission income	7	27	9
5	Charges to provision for impairment of loans and due from other banks	-	44	-

**Table 36.3. Other rights and liabilities on transactions with related parties as for the end of reporting period**

(in Ukrainian Hryvnias and in thousands)

Line	Item	The biggest participants (shareholders) of the Bank	Leading management staff	Other related parties
1	2	3	4	5
1	Other loan liabilities	421	391	-

**Table 36.4. Total amount of credits granted to related parties and paid by the related parties during the reporting period**

(in Ukrainian Hryvnias and in thousands)

Line	Item	The biggest participants (shareholders) of the Bank	Leading management staff	Other related parties
1	2	3	4	5
1	Amount of credits granted to related parties during the period	-	121	-
2	Amount of credits paid by related parties during the period	799	64	11 678

**Table 36.5. Remains on transactions with related parties as for the end of previous period**

(in Ukrainian Hryvnias and in thousands)

Line	Item	The biggest participants (shareholders) of the Bank	Leading management staff	Other related parties
1	2	3	4	5
1	Credits and accounts payable of clients (contractual interest rate is 14-20%)	878	141	11 678
2	Reserve on accounts payable as for December 31	-	1	169
3	Due to clients (contractual interest rate is 1 -20 %)	45 730	8 420	1 570
4	Provisions on liabilities	-	2	-

**Table 36.6. Income and expenses on transactions with related parties as for previous period**

(in Ukrainian Hryvnias and in thousands)

Line	Item	The biggest participants (shareholders) of the Bank	Leading management staff	Other related parties
1	2	3	4	5
1	Interest income	7	28	1 681
2	Interest expenses	19 743	667	511
3	Dividends	2 473	-	-
4	Commission income	7	2	41



5	Charges to provision on impairment of loans and due from other banks	-	7	-
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**Table 36.7. Other rights and liabilities on transactions with related parties as for the end of previous period**

(in Ukrainian Hryvnias and in thousands)

Line	Item	The biggest participants (shareholders) of the Bank	Leading management staff	Other related parties
1	2	3	4	5
1	Other credit liabilities	622	130	2

**Table 36.8. Total amount of credits granted to related parties and paid by the related parties during the previous period**

(in Ukrainian Hryvnias and in thousands)

Line	Item	The biggest participants (shareholders) of the Bank	Leading management staff	Other related parties
1	2	3	4	5
1	Amount of credits granted to related parties during the period	878	-	-
2	Amount of credits paid by related parties during the period	-	242	330

**Table 36.9. Benefits to leading management staff**

(in Ukrainian Hryvnias and in thousands)

Line	Item	Reporting period		Previous period	
		Expenses	Accounted liability	Expenses	Accounted liability
1	2	3	4	5	6
1	Current employee benefits	4 293	5 293	5 285	5 285
2	Retirement benefits	10	10	-	-

**Note 37. Subsequent Events**

Due to the accomplished during the year share issue in the amount of 250 000 ordinary registered shares, January 19, 2015 held state registration of amendments to the Bank's Statute. At January 23, 2015 National Bank Ukraine made a record in the State Register of banks due to the increased share capital of 500 000 000.00 hryvnias.

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