PUBLIC JOINT STOCK COMPANY
«BANK FOR INVESTMENTS AND SAVINGS»

Financial statements
As at 31 December 2015

Together with Independent Auditor's Report

(translation from Ukrainian original)

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Statement of Management's Responsibilities for the preparation and approval of the financial statements for the year ended 31 December 2015

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 2015 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 2015 were approved by the Bank's management and authorized for issue:

15 April 2016.

Acting Chairman of the Board ______________ /O. A. Hrishko/

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 financial statements of Public Joint Stock Company "BANK FOR INVESTMENTS AND SAVINGS", Kyiv, Ukraine (the "Bank"), which comprise the statement of financial position as at 31 December 2015, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year than ended, 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 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 2015, and its financial results and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matters

We draw attention to Note 2 «The economic environment of the Bank activities», which refers to the political and economic instability in Ukraine. Instability may also exist in the near future and affect the operations of the Bank, its ability to continue as a going concern and the value of its assets. Expressing our opinion, we did not take this issue into account.

We also draw attention to Note 38 "Subsequent Events", where the fact is disclosed that in April 2016 some shareholders received from the National Bank of Ukraine permits to acquire significant participation in the Bank. As such, the part of shareholders with a significant participation in the Bank will be 60% of the share capital. This will also lead to changes in the ownership structure of the Bank, a list of related parties and can affect the value of the maximum credit risk rate on transactions with related parties of the Bank. Expressing our opinion, we did not take this issue into account.

22 April 2016
Kyiv, Ukraine

BDO LLC

(in thousands of Ukrainian Hryvnias)

Statement of financial position
as at 31 December 2015

Item	Notes	Reporting Period	Previous period
ASSETS			
Cash and cash equivalents	6	130 898	477 152
Due from other banks	7	224 187	-
Loans to customers	8	5 057 003	3 546 895
Securities available for sale	9	-	-
Current income tax receivable		47	47
Deferred tax assets	26	-	1 440
Property and equipment and intangible assets	10	23 901	24 873
Other financial assets	11	8 763	108 259
Other assets	12	932	876
Total assets		**5 445 731**	**4 159 542**
LIABILITIES			
Due to banks	13	-	44 288
Due to clients	14	4 466 818	3 386 143
Debt securities issue	15	32 978	-
Other borrowed funds	16	386 590	180 746
Current income tax liabilities		239	-
Deferred tax liabilities	26	80	-
Provisions for liabilities	17	907	1 384
Other financial liabilities	18	4 359	5 977
Other liabilities	19	9 691	6 043
Total liabilities		**4 901 662**	**3 624 581**
EQUITY			
Share capital	20	500 000	500 000
Reserves and other funds	20	34 634	34 511
Retained earnings		9 435	450
Total equity		**544 069**	**534 961**
Total liabilities and equity		**5 445 731**	**4 159 542**

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

15 April 2016 Acting Chairman of the Board __________ /O. A. Hrishko/

«Банк інвестицій та заощаджень» м.Київ Україна ідентифікаційний код 33695095

N. Yu. Dyadyura Chief Accountant __________ /T. O. Verba/
☎ (044) 207-70-35

(in thousands of Ukrainian Hryvnias)

Statement of profit or loss and other comprehensive income for the year 2015

Item	Notes	Reporting Period	Previous period
Interest income	22	600 499	380 321
Interest expense	22	(419 288)	(256 203)
Net interest income		**181 211**	**124 118**
Net (increase)/decrease of the provision for impairment of loans and due from other banks		(65 363)	(46 194)
Net interest income after charging of the provision for impairment of loans and due from other banks			
Fee and commission income	23	36 268	47 845
Fee and commission expense	23	(5 667)	(27 433)
Results of transactions with the securities of the Bank trading portfolio		254	27
Results of trading transactions with derivatives		10 899	(93 276)
Results on foreign exchange operations		56 719	99 736
Results on foreign currency revaluation		(66 961)	8 446
Net increase of the provision for impairment losses of accounts receivable and other financial assets		(13)	(1)
Net increase of the provision for impairment of securities available for sale		-	(180)
Net increase of the provisions for liabilities		477	(1 131)
Other operating income	24	4 268	1 881
Administrative and other operating expense	25	(137 562)	(121 825)
Profit/(loss) before income tax		**14 530**	**(7 987)**
Income tax (benefit)/expenses	26	(3 089)	662
Profit/(loss) for the year		**11 441**	**(7 325)**
Other comprehensive income:		-	-
Total comprehensive income/(loss) for the year		**11 441**	**(7 325)**
Earnings /(loss) per share:	27		
Basic earnings/(loss) per ordinary share		22,88	(19,48)
Diluted earnings/(loss) per ordinary share		22,88	(19,48)

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

15 April 2016 — Acting Chairman of the Board ____________ /O. A. Hrishko/

N. Yu. Dyadyura
☎ (044) 207-70-35

Chief Accountant ____________ /T. O. Verba/

(in thousands of Ukrainian Hryvnias)

Statement of changes in equity for the year 2015

Item	Notes	Share capital	Reserves and other funds	Retained earnings	Total
Remained balance as of December 31, 2013		**250 000**	**34 389**	**10 223**	**294 612**
Total comprehensive income		-	-	(7 325)	(7 325)
Profit for the year		-	-	(7 325)	(7 325)
Other comprehensive income		-	-	-	-
Distribution of profit to reserves and other funds		-	122	(122)	-
Share issue	20	250 000	-	-	250 000
Dividends	28	-	-	(2 326)	(2 326)
Remained balance as of December 31, 2014		**500 000**	**34 511**	**450**	**534 961**
Total comprehensive income		-	-	11 441	11 441
Profit for the year		-	-	11 441	11 441
Other comprehensive income		-	-	-	-
Distribution of profit to reserves and other funds		-	123	(123)	-
Dividends	28	-	-	(2 333)	(2 333)
Remained balance as of December 31, 2015		**500 000**	**34 634**	**9 435**	**544 069**

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

15 April 2016 — Acting Chairman of the Board ____________ /O. A. Hrishko/

N. Yu. Dyadyura
☎ (044) 207-70-35

Chief Accountant ____________ /T. O. Verba/

Україна «Банк інвестицій та заощаджень» м.Київ Ідентифікаційний код 33695095

(in thousands of Ukrainian Hryvnias)

Statement on cash flows
for the year 2015

Item	Notes	Reporting Period	Previous period
CASH FLOWS FROM OPERATING ACTIVITIES			
Income/(loss) before taxation		14 530	(7 987)
Adjustment to:			
Amortization and depreciation	10	3 121	3 316
Net increase/(decrease) of provisions on assets impairment		64 899	47 506
Results on operations with derivatives		-	2 727
Results on operations with the foreign currency		-	295
Income accrued		(12 361)	(33 954)
Expense accrued		(14 747)	27 664
Net cash income / (loss) from operating activities before changes in operating assets and liabilities		**55 442**	**39 567**
Changes in operating assets and liabilities:			
Net (increase)/decrease in mandatory reserves with the National Bank of Ukraine		-	34 990
Net (increase)/decrease of due from other banks		(263 608)	185 881
Net (increase)/decrease in loans and receivables from customers		(1 523 152)	(1 822 428)
Net (increase)/decrease in other financial assets		99 967	(104 661)
Net (increase)/decrease in other assets		(55)	3 047
Net increase/(decrease) in due to banks		(44 289)	(215 763)
Net increase/(decrease) in customer accounts		1 099 488	1 635 652
Net increase/(decrease) in debt securities issue		32 528	-
Net increase/(decrease) in liabilities provisions		-	-
Net increase/(decrease) in other financial liabilities		(13)	5 979
Net cash generated / (used) from operating activities, before income tax		**(543 692)**	**(237 736)**
Income tax paid		(1 330)	(1 620)
Net cash generated / (used) from operating activities		**(545 022)**	**(239 356)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property and equipment	10	(2 197)	(6 745)
Revenues from sale of property and equipment	10	-	-
Acquisition of intangible assets	10	(974)	(199)
Net cash received / (used) from investing activities		**(3 171)**	**(6 944)**

(in thousands of Ukrainian Hryvnias)

Statement of cash flows for 2015 (continued)

Item	Notes	Reporting Period	Previous period
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of ordinary shares	20	-	250 000
Receipt of other borrowed funds	16	204 457	179 020
Return of other borrowed funds	16	(185)	(16 145)
Dividends paid	28	(2 333)	(2 326)
Net cash received / (used) from financing activities		**201 939**	**410 549**
Net increase / (decrease) of cash and its equivalents		(346 254)	164 249
Cash and cash equivalents as for the beginning of period	6	**477 152**	**312 903**
Cash and cash equivalents as for the end of period	6	**130 898**	**477 152**

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

15 April 2016 Acting Chairman of the Board ____________ /O. A. Hrishko/

N. Yu. Dyadyura
☎ (044) 207-70-35

Chief Accountant ____________ /T. O. Verba/

«Банк інвестицій та заощаджень»
Україна м. Київ
Ідентифікаційний код 33695095

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 9 August 2005.

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

The Bank web-site address is www.bisbank.com.ua.

The reporting period presented in this Report is year 2015.

The report has been prepared as of 31 December 2015 and represented in thousands of hryvnias.

The Bank is an element of the bank system of Ukraine (as at the end of 2015 there are 117 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 the reporting year 2015, the number of the Bank employees was 241 people (as at the end of 2014, the number of the employees was 239 people).

As of the reporting date, the regional network of the Bank consists of the Principal Bank and 22 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 license № 221 dated 24 October 2011, received from the National Bank of Ukraine, and the General license to perform foreign exchange transactions № 221-3, dated 21 June 2013. According to these licenses, 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.

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 Ukrgasbank, PJSC CN Khreschatyk and others.

The Bank is the member of SWIFT payment system from 2006. In 2008, the Bank has become a member of Visa 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.

As a result in 2015 the Bank assigned to the second group banks of the NBU classification (share of assets is less than 0,5% of the banking system assets).

As for 31 December 2015, 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 9 September 2015 the Credit Rating independent rating agency confirmed the long-term credit rating of the PJSC «BANK FOR INVESTMENTS AND SAVINGS» level, which is uaA-, an investment level with a stable forecast. Also, the abovementioned agency confirmed the rating of stability of bank deposit to the level of «4», (that is «high reliability»).

Financial statements for the year ended 31 December 2015 were approved by the Acting Chairman of the Board and the Chief Accountant on 19 April 2016.

Note 2. The economic environment of the Bank activities

The economic situation in 2015 has worsened further. Most macroeconomic factors of the previous year remained in the current year. As such, among the negative factors that have shaped economic trends in 2015 were: military conflict in eastern Ukraine and the breaking of interregional relations because of the annexation of Crimea and temporary occupation of the territories of Donetsk and Lugansk regions; aggravation of the political crisis; saving trend of rapid decline in prices on world commodity markets; low external demand due to slowdown of economic growth of countries - major trade partners; complicated trade relations with Russia; decline in purchasing power due to the reduction in real incomes; deteriorating financial results of enterprises, narrowing lending activity, reduced public funding and high level of uncertainty. However, the economic downturn was hindered by factors such as cooperation with the IMF.

According to the information of the Ministry of Statistics, the gross domestic product of Ukraine in 2015 decreased by 9,9%. The decline in industrial production was 13.0%. As such, the decline in production is the fourth year in a row (in 2012-2014 production decreased by 0.7%, 4.3% and 10,1% respectively). The largest decline demonstrated coal industry - 38,1% (mainly under the influence of warfare in eastern Ukraine). The second is engineering, production of which declined during the year by 16,1% (In particular because of the unfavorable external environment, reducing world prices for steel and scrap shortage).

The volume of agricultural production in 2015 also declined, but in much lesser amounts (compared to other sectors). Compared to the previous year, production fell by 4.8%, including crop production - by 5.3%, cattle breeding - by 3.7%. In 2015, farmers received considerable grain harvest and record volumes of sunflower seeds.

According to the NBU, the balance of payments of Ukraine in 2015 returned from deficit to surplus status, and the surplus was 849 million dollars USA against a negative balance of 13.3 billion USD in 2014.

Stabilization of Economy of Ukraine in the near future depends on the success of the actions undertaken by the government, and financial support for Ukraine by international financial institutions.

These financial statements reflect management's current assessment of possible effect of economic conditions on operations and the financial position of the Bank. Future conditions may differ from management's estimates. These financial statements do not include any adjustments that might occur as a result of this uncertainty. Such adjustments will be reported when they become known and estimable.

Note 3. Principles of the financial statement presentation

The financial statements for the year ended 31 December 2015 were prepared 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 financial statements for the year 2015 were prepared under the assumption that the Bank is able to continue its activities on a going concern basis 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 statements preparation is Ukrainian hryvnia. Unless other is specified, the statement is represented in hryvnias and rounded to thousands. Balances of funds that are recorded at the reporting date a currency other than the functional one, are recalculated into the functional currency at the official exchange rates of foreign currencies.

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 prepare the consolidated financial statement.

Note 4.2. The measurement basis of financial statements preparation

Basis of measurement of financial instruments are: fair value, cost, amortized cost, the effective interest rate method.

The fair value of a financial asset is the price that would be obtained by selling an asset or paid for transferring obligations under a regular agreement concluded in between market participants at the measurement date. Fair value measurement assumes that the transaction for the sale of an asset or transfer of a liability is performed on the main market of the asset / liability, or at the most favorable market for the asset / liability (in the absence of the primary market).

The initial cost is the amount of paid cash or cash equivalents, or the fair value of other resources given to acquire an asset at the acquisition date, which includes transaction costs. Transaction costs are costs inherent in the operations of the acquisition, issue or disposal of a financial instrument.

The amortized cost - is the amount at which the financial asset, financial liability is estimated and which consists of the cost of acquisition, reduced by the amount of principal repayments, increased (reduced) by the amount of accumulated amortization of any difference between the original value and the redemption value, calculated using the effective interest rate, reduced by the amount of write-down due to impairment.

The effective interest rate is the method of calculating the amortized cost of a financial asset or financial liability (or a group of financial assets or financial liabilities) and the distribution of income as interest or interest expense over the relevant period. Effective interest rate is the rate that exactly discounts the expected flow of future cash payments or receipts over the expected life of the financial instrument to the net carrying value (amortized cost) of this instrument.

Bank's accounting policies on recognition and measurement of certain assets and liabilities, revenues and expenses are disclosed in the accompanying notes herein.

Note 4.3. Initial recognition of financial instruments

Derivatives and other financial instruments at fair value through profit or loss are initially recognized at fair value. All other financial instruments are initially recognized at fair value plus the costs incurred in the transaction. The gain or loss on initial recognition is recognized only if there is a difference between the fair value and the contractual price.

All transactions of purchase or sale of financial assets, which presuppose the delivery during the period defined by law or accepted by market (regular purchase and sale), are recognized on a date of settlements, that is the date the Bank supplies the financial asset.

Note 4.4. Impairment of financial assets

The financial asset or group of financial assets is impaired and impairment losses occur if and only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset ("loss event") and that event (or events) loss impact (effect) on the previously estimated future cash flows from the financial asset or group of financial assets that can be reliably estimated.

The objective sign of impairment of an asset ("loss events") are:

- financial difficulties of the borrower, of which in particular the received borrower's financial statements may testify, or information of leading rating agencies;
- violation of the loan agreement, namely: refusal / avoidance of payment of interest / principal or of a part of interest / debt payable on fixed contract date;
- provision by the Bank of favorable conditions, economically or legally related to the financial difficulties of the borrower, which would not be provided otherwise;
- the borrower's bankruptcy or reorganization.

Financial assets are divided in significant and insignificant.

Financial assets that are not individually significant are:

- corporate loans with credit debt on the reporting date less than 50 mln. UAH or the equivalent in foreign currency, determined at the official exchange rate to foreign currencies set by the NBU on the date of the charging of allowance;
- loans to individuals with credit debt on the reporting date less than 0.5 mln. UAH or the equivalent in foreign currency, determined at the official exchange rate to foreign currencies set by the NBU on the date of the charging of allowance;
- receivables in the amount at the reporting date less than 5 mln. UAH or the equivalent in foreign currency, determined at the official exchange rate to foreign currencies set by the NBU on the date of charging of the allowance.

All other financial assets are considered as individually significant.

If the borrower has at least one individually significant financial asset, all other financial assets of the borrower are also recognized as individually significant. Financial assets of one debtor that individually are insignificant are recognized as those individually insignificant.

Limits of the significance are reviewed at least once a year.

For financial assets that are individually significant, if there is objective evidence of impairment (impairment signs), the Bank determines the amount of impairment loss on an individual basis. The amount of the impairment loss on an individual basis is the difference between the asset's carrying amount and the present value of estimated future cash flows (including the cash flows from sales of collateral), discounted at the initial effective interest rate on the asset.

For financial assets that are not individually significant, for individually significant financial assets that have no objective evidence of impairment and for individually significant financial assets, for which at an individual assessment there were no impairment losses, the Bank forms groups of financial assets (portfolios) by similar characteristics and assesses impairment on portfolio basis, taking into account the past experience of losses on assets with credit risk characteristics similar to those of the groups (portfolios).

As soon as the objective information becomes available that allows to estimate losses from certain assets in the group impaired (for example, information on bankruptcy, the death of the borrower, debt delinquency (or virtual absence of debt service) over 180 days, etc.), these assets are excluded from such a group (portfolio) and evaluated individually.

The Bank assesses the risk of default by the debtor / counterparty of obligations and charges a provision in full regardless of the amount of revenues as of the first day of each month following the reporting one.

If, in a subsequent period, the impairment loss is reduced and this reduction can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced either directly or by adjusting the estimated reserve account. Such reversible entry should not lead to the carrying amount of the financial asset exceeding its amortized cost, calculated as if the impairment not been recognized at the date of recovery of impairment. The amount of the reversing entry is recognized in profit or loss. This procedure does not apply to equity instruments. As such, if in the following periods after the charge of the provision for financial asset the amount of the provision is changed, the Bank accordingly adjusts the previously charged provision for the asset (unless reduction of the allowance for shares and other securities with variable income accounted for by the Bank's in the available-for-sale portfolio).

Interest income on financial assets that are impaired, is recognized in the accounting records with the amount of the provision.

Interest income on financial assets that are not impaired, is recognized in the accounting without taking into account the amount of the provision.

Note 4.5. Derecognition of financial assets

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

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

b)transfer of financial asset adheres to the criteria of derecognition, which are provided below.

- If the Bank transfers substantially all the risks and rewards of the financial asset ownership, it should derecognize the financial asset and recognize the rights and obligations created or retained in the transfer separately as an asset or liability;
- if the Bank retains substantially all the risks and rewards of the financial asset, it continues to recognize the financial asset;
- if the Bank neither transfers not retains substantially all the risks and rewards of the financial asset ownership, it determines whether the control is retained of the financial asset.

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 continuing involvement.

The Bank derecognizes the financial liabilities of a part thereof, if such liabilities are repaid, cancelled or expired.

Note 4.6. Cash assets and their equivalents

Cash 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 and their equivalents include the cash balances on correspondent accounts in the Bank, ATMs and software and hardware self-service complexes (terminals, POS-terminals), funds on correspondent accounts in the National Bank of Ukraine, whose use is not restricted, balances on correspondent accounts with other banks, deposits and overnight loans that are not impaired.

Cash and cash equivalents are accounted at amortized cost.

Cash balances of mandatory reserve 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.

The information on the cash and cash equivalents is disclosed in Note 6 "Cash and cash equivalents".

Note 4.7. Mandatory reserves on accounts of the National Bank of Ukraine

Mandatory reserves are one of the monetary instruments to regulate the money supply and management of money and credit market. All the Bank's attracted funds are subject to mandatory reserves except for loans raised from banks resident, funds raised from international financial organizations and funds raised as a subordinated debt. Mandatory reserves are charged based on the set reserve requirements for obligations to the Bank raised funds for the whole on the consolidated balance sheet of the Bank.

Mandatory reserve rates are set for different types of differentiated liabilities depending on:

- term of raising funds (short-term / long-term liabilities of the Bank);
- currency of liabilities (national, foreign, including precious metals);
- objects (legal entities /individuals).

Bank forms and storages funds of the mandatory reserves in a monetary unit of Ukraine.

Mandatory reserves are recognized at fair value. Further evaluation is carried at amortized cost using the effective interest rate.

Note 4.8. Financial assets at fair value through profit or loss

The financial assets measured at fair value through profit / loss include debt securities, shares and other financial investments held in the trading portfolio and those identified by the Bank as measured at fair value through profit / loss on initial recognition.

Bank accounts for in the trading portfolio securities and other financial investments purchased to sell in the near future and generating a profit from short-term fluctuations in price or dealer's margin, and financial investments which at initial recognition are a part of a portfolio of financial instruments managed by together and for which there is evidence of actual short-term profit.

The Bank on initial recognition reflects in the accounting financial investments at fair value through profit / loss at fair value, excluding transaction costs. The costs of acquisition of such financial investments are recorded on expenditure accounts at the date they were incurred.

All other financial investments at initial recognition are measured t fair value, to which the transaction costs are added.

At each subsequent reporting date after the recognition, all financial investments are measured at fair value, except for:

1) financial investments held-to-maturity;
2) shares and other financial investments available-for-sale, whose fair value cannot be determined reliably;
3) investments in associates and subsidiaries.

The fair value of securities that are traded on organized markets is determined by their market value.

The Bank reflects in the accounting for each subsequent reporting date after the recognition, shares and other financial investments in the portfolio available for sale, whose fair value can not be reliably measured, at their cost.

The Bank determines the amount of impairment loss on securities with variable income accounted at cost as the difference between their carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

This difference is recognized expenses of the reporting period. As of 31 December 2015 there are no assets at fair value through profit or loss in the statement of financial position.

Note 4.9. Due from other banks

Due from other banks include balances on correspondent accounts with other banks, deposits and overnight loans that are impaired, deposits placed in other banks, loans to other banks and repurchase agreements.

Due from other banks is initially measured at cost, consisting of the fair value and the costs directly related to the financial instrument acquisition. At each subsequent reporting after recognition, these financial instruments are measured at amortized cost.

The Bank recognizes interest income on these financial instruments on accounts for interest income using the effective interest rate (hereinafter - EIR). For financial instruments of the interbank market revenues (expenses), which are part of EIR are recognized as follows:

- for loans / deposits "overnight", which are provided / attracted during a month and do not cross the monthly reporting date – EIR is not calculated;
- for loans / deposits "overnight", which are provided / attracted at the monthly reporting date, on short-term interbank loans and deposits, issued at market conditions and when the frequency of calculation and payment of interest is matching, the Bank uses professional judgment according to which the EIR is a nominal one. For these financial instruments the EIR is calculated.

Note 4.10. Loans and advances to customers

Loans provided (advances to customers) are initially recognized at fair value, including transaction costs and other charges related to the initiation of the loan. At the reporting the loan is measured at amortized cost using the EIR.

The Bank records in accounting during the initial recognition gain or loss in the amount of the difference between the fair value of a financial asset and the contract value in correspondence with the accounts of discount (premium), if the effective interest rate on this instrument is higher or lower than the market one. The difference between the fair value of a financial asset and contract value from transactions with shareholders is recognized directly in equity and included as parts to retained earnings / (loss) for the period of its retention or during the disposal of the financial instrument.

The Bank recognizes interest income on financial assets for which impairment was recognized, by the carrying amount of the asset (including the provision charged) using the EIR, which applies to discount the estimated expected cash flows when determining the impairment of financial assets.

During the reporting 2015, the Bank provided to clients guarantees for the offer and guarantees of performance of the contract. Provided financial guarantees were initially measured at fair value, which is equal to the amount of received fees (remuneration for the guarantee provided). The fee received for the guarantee provided is amortized over the term of the relevant guarantee on the straight-line method.

In order to maintain the solvency of borrowers in a difficult situation due to unforeseen circumstances, appropriate reduction of credit risk and ensuring the stability of the activity, the Bank restructured credit operations.

Restructuring is the change of material terms of credit transactions with signs of impairment agreed by the parties through the conclusion of an additional agreement to the existing loan agreement or by concluding a new contract loan when refinancing existing debt to reduce the debt burden on the Borrower and restore his solvency.

The Bank uses standard options of restructuring (changing the end date of repayment, rescheduling of periodic payments of principal debt and / or accrued income (interest) on credit operations, changes in foreign currency loans to national, refinancing, reduction of the interest rate on the loan (temporarily or permanently) or reduction of the size of / non-use penalties provided by the loan agreement, etc.).

The Bank reviews on ongoing basis renegotiated loans to control the quality of the loan restructuring and the possibility of future payments. The loans continue to further be assessed for the impairment.

Information about loans and advances to customers is disclosed in the Statement of financial position in Note 9 "Loans and advances to customers".

Note 4.11. Financial assets available-for-sale

The Bank accounts in the bank's portfolio available for sale debt securities, shares and other financial investments that are intended for sale and are not classified as financial investments at fair value through profit / loss or financial investments held to maturity, namely:

- debt securities that the Bank does not intend to and / or is unable to keep to the date of maturity or if there are certain restrictions on account of securities held to maturity;
- debt securities that the Bank is willing to sell due to changes in market interest rates or risks, liquidity needs, availability and profitability of alternative investments, financing sources and terms or changes in exchange risks;
- shares and other financial investments, for which it is impossible to reliably estimate the fair value.

At the reporting date all securities available for sale are subject to review for impairment.

Total impairment losses of investments is defined as the difference between their carrying amount and the present value of expected cash flows discounted at the current rate of interest on such securities. This difference is recognized as expenses of the reporting period.

Note 4.12. Repurchase agreements of securities

During the reporting year 2015, the Bank did not enter into any repo transactions.

Note 4.13. Financial assets held to maturity

During the reporting year 2015, the Bank did not enter into any transactions with assets held-to-maturity.

Note 4.14. Investments in associates and subsidiaries

There are no investments in associates and subsidiaries of the Bank as at 31 December 2015 and 2014.

Note 4.15. Investment property

Investment property is owned or leased under finance leases land plots, buildings held to obtain rental payments and / or capital appreciation, and not for use in the production or the supply of goods, during the provision of services or administrative purposes or sale in the ordinary activity.

Operating property and property held for future use as operating real estate; property held for sale in the ordinary course of business or in the process of construction or development with a view of the sale; property which is built or improved on behalf of third parties; property leased to another entity under a finance lease agreement is not considered to be an investment property.

At initial recognition, investment property is measured and recorded in accounting at cost including all costs directly attributable to its acquisition. At each subsequent date after initial recognition, investment property is measured at cost taking into account accumulated depreciation and impairment losses.

During the reporting year 2015 the Bank did not recognize the investment property.

Note 4.16. Goodwill

Goodwill is excess of purchase price over the acquirer's interest in the fair value of acquired identifiable assets, liabilities and contingent liabilities at the acquisition date.

In the reporting year 2015, the Bank has not recognized the goodwill.

Note 4.17. Fixed assets

Fixed assets are tangible assets that the Bank holds for use in the course of business, providing services, lease or for administrative purposes and use is expected for over a year and the cost of which (including VAT) per unit or a set is more than 6 thousand UAH.

Purchased (produced) fixed assets are valued at cost, which includes the purchase price, state duty, customs duty, shipping and unloading costs, installation costs and other costs directly attributable to bringing the asset to operational status.

The initial cost of fixed assets increases by the expenses amount connected with the repair of the object (modernization, modification, completion, further equipping, reconstruction etc.).

After initial recognition of fixed assets they are further accounted for at cost less accumulated depreciation and accumulated impairment losses of all groups. The costs of current repair and maintenance of assets are expensed as incurred and do not affect the carrying value of fixed assets.

Non-current tangible assets at cost up to 6 thous. UAH and the useful life exceeding one year are recognized as low-value non-current assets.

Impairment of fixed assets in the Bank is recognized by the permanent commission if there is evidence of a possible loss of economic benefit of the assets. Based on the analysis of the possibility of loss of economic benefits of fixed assets a decision is made as to the recognition of impairment or restoring of utility of items of fixed assets.

In the reporting year 2015, the Bank did not recognize impairment of fixed assets, taking into account the loss of possible economic benefits of fixed assets recorded on the balance sheet of the Bank.

Note 4.18. Intangible assets

Intangible assets include non-monetary assets that do not have physical form and can be identified. Intangible assets include acquired licenses and software and are carried at cost, which consists of the actual cost of acquisition (production) and bringing to a state in which they are suitable for use according to the intended purpose. Subsequently, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses.

For each individual intangible asset the useful life is established, as determined by the Bank based on the following criteria: experience of the Bank with similar assets, current trends in the development of software products, performance characteristics.

The revision of the amortization rates and useful lives of intangible assets put into operation is performed in case of change of the expected benefits from their usage. In the reporting year 2015, the Bank has not changed the amortization rates and useful lives of the intangible assets.

In the Bank, the recognition of the impairment of the intangible assets is accepted by the permanently acting commission is 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 2015 considering the absence of the possible loss of the economic benefits of the intangible assets accounted on the Bank balance.

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

Operating lease (rental) is a business transaction that involves the transfer to the lessee of the right to use fixed assets with the mandatory return of fixed assets to their owner after the expiration of the lease (rental) agreement and does not involve the transfer of risks and rewards associated with ownership of the asset.

During the reporting period 2015 the Bank was the leaseholder of service premises granted as operating leasing. Leasing (rental) payments under the contracts for obtaining assets to operating leasing (rent) are recognized as 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 2015, the Bank granted to operating leasing a part of its own premises. As of 31 December 2015, the assets granted by the Bank to operating leasing (rent) comprise UAH 6 324 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.

Note 4.20. Financial leasing (rent), with the Bank acting as lessor and/or lessee

Financial lease is a lease under which there is a transfer of significant risks and rewards of ownership and ownership of the leased property may transfer to the lessee and remain at the lessor, depending on the nature of the transaction. During the year 2015, the Bank did not enter into the transactions to provide fixed assets in financial leasing.

Note 4.21. Non-negotiable assets held to sale and disposal groups

The Bank classifies the non-current 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-current 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 at 31 December 2015, the Bank does not have non-current assets held for sale and disposal groups.

Note 4.22. Depreciation

Depreciation of fixed assets is charged from the first day of the month following the month of acquisition and terminated from the first day of the month following the month of the fixed asset disposal.

The rates at which depreciation is calculated are based on the useful life (operation) of fixed assets on a straight line basis. During the 2015 depreciation method has not been changed.

Depreciation rates are established by the permanent commission during the commissioning of fixed assets based on their useful life, which takes the following values within fixed assets:

- land plots – not depreciated;
- buildings, structures and transmission equipment - 20 years;
- machinery and equipment – 4 – 10 years;
- vehicles (motor cars) – 5 years;
- instruments, fixtures, implements (furniture) – 4 – 5 years;
- other fixed assets - 12 years.

Depreciation of low-value non-current tangible assets is charged in the first month of the object use at 100% of its value.

For intangible assets the Bank establishes the useful with based on the requirements of the Tax Code of Ukraine, namely:

- for intangible assets whose useful life is set in legal documents (contracts, licenses, etc.):
  - o group "copyright and allied rights" the useful life is set corresponding to the period prescribed in legal documents, but not less than 2 years.
  - o group "right to commercial designation" the useful life is set corresponding to the period prescribed in legal documents.
- For intangible assets whose useful life is not defined in the title documents:
  - o the useful is set of 10 years.

In the reporting year 2015 the Bank did not make changes in depreciation rates and useful life of fixed assets.

Note 4.23. Discontinued operations

According to International Financial Reporting Standards discontinued operations is a component of an entity that has been eliminated or is classified as held for sale and:

a) is a separate main line of business or geographical area of activity;
б) is a part of a single coordinated plan of liquidation of a separate main line of business or geographical area of activity;
c) is a subsidiary acquired exclusively with a view to resale.

During the 2015 the Bank did not discontinue banking operations under the license of the National Bank of Ukraine.

Note 4.24. Derivative financial instruments

A derivative financial instrument is a financial instrument, which has the following criteria:

– 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 exchange contracts and 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 profit or losses for the year.

During the reporting year 2015, the Bank did not apply the hedging accounting.

Note 4.25. Borrowed funds

The borrowed funds are non-derivative financial liabilities to individuals, state or corporate customers and are carried at fair value at the date of recognition in the balance sheet. Subsequent measurement after initial recognition is at amortized cost using the effective interest rate.

Acceptance, maintenance, repayment of deposits, accrual and payment of interest are carried out under the terms of agreements concluded in national and foreign currencies. The Bank is a member of the Fund Deposit Guarantee.

Revenues and expenses are recognized on an accrual basis or based on the fact under the contract result. Interest on borrowed funds is charged based on the actual /actual method.

Note 4.26. Financial liabilities at fair value through profit or loss

The Bank classifies all financial liabilities as those subsequently measured at amortized cost, except for financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities are subsequently measured at fair value.

The Bank did not enter into any operations with financial liabilities at fair value through profit or loss during the reporting year 2015.

Note 4.27. Debt securities issued by the Bank

Since 2015 the Bank attracted funds on deposits of individuals registered with the issuance of savings (deposit) certificates. Savings (deposit) certificates are debt securities of the Bank placed (sold) at par (fair) value. Subsequently such securities of the Bank are accounted for at amortized cost.

Savings (deposit) certificate is a security certifying the amount of the deposit made to the Bank, and the rights of the depositor (certificate holder) to receive with the expiry of the prescribed time of deposit amount and interest as set by the certificate. The Bank issues registered saving (deposit) certificates for a period of six months.

Savings (deposit) certificates are issued in national and foreign currencies only in documentary (paper) form.

The Bank recognizes a gain or loss in the event of funds raising on the deposit (with issuance of savings (deposit) certificate) at a rate that is lower or higher than the market one. For transactions with shareholders such differences are recognized directly in equity.

If the term of deposit receipt for fixed-term savings (deposit) certificates expired, the certificate is considered a document on demand, on which the Bank is obliged to pay obligations the said amount in its deposit and interest in case of presenting savings (deposit) certificate.

Note 4.28. Provisions for liabilities

The Bank charges 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 charge 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 4.29. 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. Subordinated debt may be included in the Bank's regulatory capital after obtaining permission of the National Bank. The amount of subordinated debt included in regulatory capital is reduced annually by 20% of its initial size over the last five years of the contract. Originally subordinated debt funds recorded at fair value. Subsequently they are measured at amortized cost using the effective interest rate.

The involvement of assets on terms of subordinated loan has not been conducted by the Bank during the reporting year 2015.

Note 4.30. Income tax

In the reporting year tax accounting has been performed according with the Tax Code of Ukraine.

The income tax rate in 2015 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 other comprehensive income.

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 4.31. Share capital and share premium

Share capital is paid by the shareholders commitments to making funds subscribed for shares in the share capital, the amount of which is registered in accordance with the laws of Ukraine.

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 31.12.2015, 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».

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 4.32. Preference shares

Preference shares give their holders the prevailing rights with respect to the holders of common shares, to receive part of the profits of the Bank in the form of dividends and to receive part of the Bank's property in case of liquidation, as well as providing the right to participate in managing the Bank in cases stipulated by the Charter and the law which regulates the establishment, operation and termination of joint stock companies.

The bank neither issued nor placed preferred shares.

Note 4.34. Dividends

Dividends are a part of the net profit distributed among the shareholders according to their share of participation in the Bank's authorized capital. Dividends are paid from the net profit of the reporting year and / or retained earnings based on the decision of the General Meeting of Shareholders. The size of the dividend is determined by the General Meeting of Shareholders.

Note 4.35. Recognition of income and expenses

Income and expenses recognized by the Bank from banking operations and other operations in order to reflect them in the financial statements should be considered as income and expenses resulting from operating, investing and financing activities of the Bank.

Criteria for recognition of income and expenses are applied separately to each transaction of the Bank. Each type of income and expenses is reflected in accounting separately.

(in thousands of Ukrainian Hryvnias)

Gains and losses arising from transactions are determined by the agreement between the parties or other documents issued in accordance with the current legislation of Ukraine.

The Bank recognizes interest income and expenses using the method of EIR. For financial instruments for which it is impossible to determine the future cash flows (overdraft loans, revolving credit lines, investments / deposits on demand) and to which EIR does not apply for the recognition of interest income the Bank uses the nominal interest rate.

The Bank recognizes interest accrued on financial instruments at an interest rate that is provided by the contract (issue) on accounts of accrued income and accrued expenses. In adjusting the income and expenditure for the recognition of the latter based on the EIR accounts of a discount / premium are used.

Items of income and expenses are measured and accounted for in the period of economic transactions, regardless of when they were received or paid. Amortization of discount (premium) on financial instruments is charged simultaneously with interest accrual.

For financial instruments to which the EIR does not apply for the recognition of interest income the Bank uses the nominal interest rate.

To calculate interest income on financial assets for which the Bank recognized impairment the carrying value includes the amount of the provision at the beginning of the reporting period.

Income (loss) for the one-time services (e.g. fees for exchanged currencies, providing (receiving) consultations, etc.) is recognized without recognition of on the accounts of accrued income (expenses), if the funds were received (paid) during the reporting period in which the services were actually rendered (received).

Fees and commissions that are an integral part of the income (expenses) for the loan before the time of loan or tranche of a credit line are recorded by the Bank on deferred income accounts. Commission received in advance is included in the financial instrument at the time of issuance of the loan by transferring the latter to the accounts of discount / premium.

Note 4.36. Foreign currency translation

Transactions in foreign currencies and precious metals are translated into hryvnia at the official rate of the National Bank of Ukraine, effective on the transaction date.

At each subsequent reporting date after the recognition all monetary items in foreign currency and precious metals are recorded in the accounting at the UAH official exchange rate to foreign currencies / precious metals on the reporting date.

Non-monetary items in foreign currency and precious metals, which are carried at cost are recorded in the accounting at the UAH official rate to foreign currencies and precious metals on the date of recognition (transaction date).

Non-monetary items in foreign currency and precious metals, which are carried at fair value, are recorded in the accounting at the UAH official rate to foreign currencies and precious metals on the date of their fair value measurement.

Income and expenses in foreign currency are recorded in the accounting records in local currency at the official exchange rate to foreign currencies on the date of their recognition.

Assets and liabilities in foreign currencies and precious metals are recognized in the financial statements in UAH equivalent at the official exchange rate at 31 December 2015 or the date of their recognition.

The principal official exchange rates of foreign currencies set by the NBU used for the UAH revaluation of balances in foreign currency were as follows:

Currency code		**Currency name and amount**		**31 December 2015**	**31 December 2014**
826	GBP	100	British pounds sterling	3 553,3176	2 452,5514
840	USD	100	USD	2 400,0667	1 576,8556
985	PLN	100	PLZ	618,4700	447,0378
643	RUB	10	Russian rubles	3,2931	3,0304
756	CHF	100	Swiss francs	2 424,9241	1 599,0113
978	EUR	100	EURO	2 622,3129	1 923,2908

To reduce the currency risk the Bank adheres to standards of open currency positions.

Note 4.37. Offsetting of assets and liabilities

The Bank offsets a financial asset and financial liability with the recognition of the net amount in the statement of financial position, if and only if:

a) It has legally enforceable right to set off the recognized amounts;

b) It intends to repay the liability on a net basis or sell the asset and repay the liability simultaneously.

In accounting for the transfer of a financial asset that does not qualify for derecognition, the Bank does not offset the transferred asset and the associated liability.

During the reporting year 2015 offsetting of assets and liabilities in the Bank's balance sheet was not made.

Note 4.38. Assets held in trust

Bank performs trust management operations of attracted funds from individuals and legal entities to finance housing. As of 31 December 2015, the Bank established nine construction financing funds, the manager of which is the Bank.

Financial assets held in trust by the Bank are recorded and kept separately from the own assets of the Bank. Accounting of the trust management activities is carried out on each individual contract for trust management.

Trust management is based on the trust management agreement concluded between the Bank and the truster.

The main income for this type of operation is the fee that the Bank receives from trusters and developers; size and frequency of payment are determined by relevant agreements.

Note 4.39. Inflationary accounting

The need to translate the financial statements in accordance with IAS 29 "Financial reporting in hyperinflationary economies" is a matter of judgment. Characteristics of the economic environment of Ukraine for 2015 reporting year are not indicators of hyperinflation; therefore, the Bank did not recalculate the financial statements.

Note 4.40. Employee benefits and associated deductions

Employee benefits include:

a) Short-term payments:
   - Salary, social contributions;
   - Paid annual leaves and temporary disability;
   - Participation in bonuses payment,

a) post-employment benefits, such as
   - pensions (e.g. pensions and one-time payments on retirement);

b) other long-term payments, such as
   - additional paid periods of absence from work, for example, long-term leave for retirement or paid sabbatical leave;
   - jubilee payments or other long-service benefits;
   - payments on long-term disability;

c) payments on retirement.

The main deductions from the payments made by the Bank to its employees, is a single fee for obligatory state social insurance (single payment), individual income tax and war tax. Also, when charging wage to employees a single fee is accrued.

The bank charges monthly allowance for leaves - allowance that is charged to pay for annual leave to employees in future periods.

The Bank does not implement the program of private pensions.

Note 4.41. Business segment information

In accordance with IFRS 8 "Operating Segments" information should be disclosed both in respect of business segments and geographical segments. One of these formats is considered primary, and the other - secondary.

The Bank has identified the primary disclosure by business segments, geographical segments are not disclosed in the statements at all, because the Bank does not work outside Ukraine.

Forming of the operating segments bases on selected areas of operations:

1) services to corporate clients;
2) services of retail business;
3) interbank business.

Operating banking segment is recognized as reporting, if the majority of its revenue is generated from external customers, while its operating figures correspond to one of the following criteria:

- income of the segment comprises at least 10 % of the comprehensive income;
- financial result of the segment is at least 10 % of the total financial result;
- carrying amount of the segment assets is at least 10 % of the total cost of assets of all operating segments.

Intersegment transactions are performed on normal market conditions. Resources are reallocated between segments that causes the transfer expenses or segment income. There is no other significant redistribution between segments. Segment assets and liabilities make up most of the balance sheet currency and do not exclude tax consequences. Capital is not assigned to segments except for result of the current year and other comprehensive income.

There were no changes in the accounting policies regarding the recognition and allocation of segments in the reporting period.

Note 4.42. Related party transactions

The Bank defines the list of parties related to the Bank in accordance with International Accounting Standard 24 "Related party disclosures", the Law "On banks and banking activity" and the Regulation on the definition of parties related to the bank, approved by the National bank of Ukraine dated 12.05.2015 No 315.

Agreements concluded with parties related to the Bank may not provide for conditions that are not current market conditions. Agreements concluded with the Bank's related parties on terms that are not current market conditions, are invalid from the date of their signing.

Note 4.43. Changes of accounting policies, accounting estimates, correction of significant errors and their presentation in the financial statements

Changes in accounting policies are made in cases where there is a need to transfer to the requirements of a new or revised standard or interpretation, as well as on the Bank's own initiative, if as a result of the changes described in the financial statements information will be more reliable and meaningful.

There were no significant errors in financial accounting of the Bank for 2015. The adjusting entries were made on operations performed from charging of the provision for possible losses on active operations. There were no corrections of previous period's errors.

Note 4.44. Significant accounting judgments and estimates, their effect on the recognition of assets and liabilities

Preparation of IFRS financial statements requires the Bank to make certain judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses recorded in the financial statements. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis for judgments regarding the carrying amounts of assets and liabilities. Judgments that have the most significant effect on the amounts recognized in the financial statements and estimates that can cause a significant adjustment to the carrying amounts of assets and liabilities in subsequent periods include:

Going concern – The Bank follows the assumption that its activities will continue in the future, has neither the intention nor the need for the liquidation or significant reduction in the volume of transactions.

Loans impairment loss. The Bank estimates impairment by assessing the likelihood of repayment of loans and advances based on analysis of individual accounts for individually significant loans, and collectively for loans with similar terms and risk characteristics. Factors taken into consideration when assessing individual loans include collection history, current financial condition of the borrower, debt servicing and collateral, if any. The allowances for impairment losses in the financial statements have been determined on the basis of existing economic and political conditions. The Bank is not able to predict changes in the economic and political situation that will take place in Ukraine and what effect such changes might have to the adequacy of provisions for losses in future periods.

To determine the amount of impairment, management estimates the amounts and timing of future payments of principal and interest and income from the sale of collateral, if any. Afterwards these cash flows are discounted using the original interest rate. Actual payments of principal and interest on the debt depend on the ability of the borrower to generate cash flows from operations or obtain alternative financing, and could differ from management's estimates.

Note 8 provides information on the carrying value of loans and the amounts of recognized provisions for loan impairment. If actual repayments were lower than management estimates, the Bank would be required to record additional expenses due to impairment.

Fair value of financial instruments

If the fair value of financial assets 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 revised standards to be applied by the Bank

On the whole, the accounting policies adopted are consistent with those of the previous financial year. Certain new IFRSs and Interpretations became effective from 1 January 2015. Listed below are those new or amended standards or interpretations which are or in the future could be relevant to the Bank's:

Amendments to IAS 19 - *Defined Benefit Plans: Employee Contributions*. Amendments clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of service, in these contributions, can, but are not required, to be recognized as a reduction in the service cost in the period in which the related service is rendered. The amendments did not affect the Bank's financial position and results of operations.

Annual Improvements (2010 – 2012 Cycle).

IFRS 2 *Share-based Payment.* The amendment clarifies *vesting conditions* by separately defining a *performance condition* and a *service condition,* both of which were previously incorporated within the definition of a *vesting condition.*

IFRS 3 *Business Combinations.* The amendment clarifies that contingent consideration is assessed as either being a liability or an equity instrument on the basis of IAS 32 Financial Instruments: Presentation, and also requires contingent consideration that is not classified as equity to be remeasured at fair value at each reporting date, with changes in fair value through profit or loss.

IFRS 8 *Operating Segments.* The amendments require additional disclosures regarding management's judgments when operating segments have been aggregated in determining reportable segments. The amendment clarifies that a reconciliation of the total of reportable segments assets to the entity's assets is only required if a measure of segment assets is regularly provided to the chief operating decision maker.

IFRS 13 Fair Value Measurement. The amendment clarifies that short-term receivables and payables with no stated interest rate can still be measured at the invoice amount without discounting, if the effect of discounting is immaterial.

IAS 16 *Property, Plant & Equipment* and IAS 38 *Intangible Assets*. The amendment clarifies the computation of accumulated depreciation when items of property, plant and equipment and intangible assets are subsequently measured using the revaluation model. The net carrying amount of the asset is adjusted to the revalued amount, and either:
(i) The gross carrying amount is adjusted in a manner consistent with the net carrying amount (e.g. proportionately to the change in the net carrying value, or with reference to observable market data). Accumulated depreciation is then adjusted to equal the difference between the gross and net carrying amounts
(ii) Accumulated depreciation is eliminated against the gross carrying amount.

IAS 24 *Related Party Disclosures.* The amendment clarifies that an entity that provides key management personnel services ('management entity') to a reporting entity (or to the parent of the reporting entity), is a related party of the reporting entity, and:

- Would require separate disclosure of amounts recognized as an expense for key management personnel services provided by a separate specialized management entity
- Would not require disaggregated disclosures by the categories set out in IAS 24.17.

The improvements did not affect the Bank's financial statements.

Annual Improvements (2011 – 2013 Cycle).

IFRS 1 *First-time Adoption of International Financial Reporting Standards.*

The amendment clarifies that an entity has an option to use either:

- The IFRSs that are mandatory at the reporting date, or
- One or more IFRSs that are not yet mandatory, if those IFRSs permit early application.

IFRS 3 Business Combinations. The amendments to IFRS 3 clarify that the formation of all types of joint arrangements as defined in IFRS 11, Joint Arrangements (i.e. joint ventures and joint operations) are excluded from the scope of IFRS 3. The scope exception only applies to the accounting by the joint arrangement in its own financial statements and not to the accounting by the parties to the joint arrangement for their interests in the joint arrangement.

IFRS 13 Fair Value Measurement. IFRS 13.52 defines the scope of the exception that permits an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis. This is referred to as the portfolio exception.
The amendment clarifies that the portfolio exception applies to all contracts within the scope of IAS 39 Financial Instruments: Recognition and Measurement (or IFRS 9 Financial Instruments if this has been adopted early), regardless of whether they meet the definition of financial assets or financial liabilities in IAS 32 Financial Instruments: Presentation.

IAS 40 *Investment Property.* The amendment notes that determining whether the acquisition of an investment property is a business combination requires judgment of the specific requirements of IFRS 3, independently from the requirements of IAS 40, requires judgment in relation to:
Whether the acquisition of investment property is the acquisition of an asset, a group of assets, or a business combination (by applying the requirements of IFRS 3 only)
Distinguishing between investment property and owner-occupied property (by applying the requirements of IAS 40 only).

The improvements did not affect the Bank's financial statements.

IFRS and IFRIC interpretations not yet effective

The Bank has not applied the following IFRSs and Interpretations to IFRS and IAS that have been issued but are not yet effective:

IFRS 9 *Financial Instruments.* In July 2014, the IASB issued the final version of IFRS 9 which reflects all phases of the financial instruments project and replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The adoption of IFRS 9 will have an effect on the classification and measurement of the Bank's financial assets, but no impact on the classification and measurement of the Bank's financial liabilities.

Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 10, between an investor and its associate or joint venture, is recognized in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however is recognized only to the extent of unrelated investors' interest in the associate or joint venture.

The amendments are effective for annual periods beginning on or after 1 January 2016 and must be applied prospectively, with early adoption permitted. These amendments will not have any impact on the Bank's financial statements.

Amendments to IFRS 10 *Consolidated Financial Statements, IFRS 12 Disclosure of Interest in Other Entities and IAS 28 Investments in Associates and Joint Ventures - Investment Entities – Applying the consolidation exception»*

The amendments address issues that have arisen in applying the investment entities exception in IFRS 10. The amendments to IFRS10 clarify that the exception from the presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment measures all of its subsidiaries at fair value.

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 allow the investor, when applying equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interest in subsidiaries.

The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will not have any impact on the Bank's financial statements.

Amendments to IFRS 11 *Joint Arrangements: Accounting for Acquisitions of Interests.* The amendments require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments become effective on retrospective basis for annual reporting periods, beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Bank' financial statements.

IFRS 14 *Regulatory Deferral Accounts*. IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate regulation and the effects of that rate-regulation on its financial statements. IFRS 14 is effective for annual periods beginning on or after 1 January 2016. Since the Bank is an existing IFRS preparer, this standard would not apply.

IFRS 15 *Revenue from Contracts with Customers*. IFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Bank is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

13 January the International Accounting Standards Board (IASB) has published a new leasing standard IFRS 16 *"Leases"*.

IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of the lease, in order to ensure that lessees and lessors in the financial statements provided appropriate information that fairly represents the content of these agreements.

IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting.

For lessees, the lease becomes an on-balance sheet liability that attracts interest, together with a new asset on the other side of the balance sheet.

There are also changes in accounting over the life of the lease. In particular, companies will now recognize a front-loaded pattern of expense for most leases, even when they pay constant annual rentals.

IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019. The Bank is currently assessing the impact of IFRS 16 on the financial statement.

Amendments to IAS 1 *Presentation of Financial Statements - Disclosure Initiative*

These amendments clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirement in IAS 1;
- That specific line items in the statement(s) of profit or loss and other comprehensive income and the statement of financial position may be disaggregated;
- That entities have flexibility as to the order in which they present the notes to financial statements;
- That the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and other comprehensive income.

The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Bank's financial statements.

Amendments to IAS 16 and IAS 38: *Clarification of Acceptable Methods of Depreciation and Amortization.* The amendments clarify that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Bank given that the Bank has not used a revenue-based method to depreciate its non-current assets.

Amendments to IAS 27 *Separate Financial Statements*: *Equity Method in Separate Financial Statements.* The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in their separate financial statements will have to apply that change retrospectively. For first-time adopters of IFRS electing to use the equity method in their separate financial statements, they will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will not have any impact on the Bank's financial statements.

Amendments to IAS 41 *Agriculture: Bearer Plants.* The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41. Instead, IAS 16 will apply. After initial recognition, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of IAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* will apply. The amendments are retrospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Bank's financial statements.

Annual Improvements (2012 – 2014 Cycle).

IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations.* The amendment clarifies that the reclassification of an asset or disposal group from being held for sale to being held for distribution to owners, or vice versa is considered to be a continuation of the original plan of disposal. Upon reclassification, the classification, presentation and measurement requirements of IFRS 5 are applied. If an asset ceases to be classified as held for distribution to owners, the requirements of IFRS 5 for assets that cease to be classified as held for sale apply.

IFRS 7 *Financial Instruments: Disclosures.*

Servicing contracts

The amendment clarified the circumstances in which an entity has continuing involvement from the servicing of a transferred asset.

Continuing involvement exists if the servicer has a future interest in the performance of the transferred financial asset. Examples of situations where continuing involvement exists are where a transferor's servicing fee is:

- A variable fee which is dependent on the amount of the transferred asset that is ultimately recovered; or
- A fixed fee that may not be paid in full because of non-performance of the transferred financial asset.

The amendment is required to be applied retrospectively in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors.* However, the amendment needs not to be applied for any period beginning before the annual period in which the entity first applies the amendments.

Applicability of the offsetting amendments in condensed interim financial statements

A further amendment to IFRS 7 has clarified that the application of the amendment *Offsetting Financial Assets and Financial Liabilities* (Amendments to IFRS 7) issued in December 2011 is not explicitly required for all interim periods. However, it is noted that in some cases these disclosures may need to be included in condensed interim financial statements in order to comply with IAS 34.

IAS 19 *Employee Benefits: Discount rate - regional market issue*

The amendment has been clarified and requires that high quality corporate bonds used to determine the discount rate for the accounting of employee benefits need to be denominated in the same currency as the related benefits that will be paid to the employee. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

Entities are required to apply the amendment from the earliest comparative period presented in the financial statements, with initial adjustments being recognized in retained earnings at the beginning of that period.

IAS 34 *Interim Financial Reporting*

The amendment clarifies, that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within interim financial report (e.g. in the management commentary or the risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time.

These improvements become effective for the annual reporting periods, beginning on or after 1 January 2016. The improvements will have no effect on the Bank's financial statements.

19 January 2016, the International Accounting Standards Board (IASB) has published final amendments to IAS 12 *'Income Taxes'*. The IASB had concluded that the diversity in practice around the recognition of a deferred tax asset that is related to a debt instrument measured at fair value is mainly attributable to uncertainty about the application of some of the principles in IAS 12 and clarify when a deferred tax asset should be recognized for unrealized losses arising from debt instruments. The amendments are effective for annual periods beginning on or after 1 January 2017. Earlier application is permitted.

29 January 2016, the IASB has published amendments to IAS 7 *'Statement of Cash Flows'*. The amendments are intended to clarify IAS 7 to improve information provided to users of financial statements about an entity's financing activities.

The amendments come with the objective that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

To achieve this objective, the IASB requires that the following changes in liabilities arising from financing activities are disclosed (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The amendments state that one way to fulfill the new disclosure requirement is to provide reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.

The amendments are effective for annual periods beginning on or after 1 January 2017. Earlier application is permitted.

(in thousands of Ukrainian Hryvnias)

Note 6. Cash and cash equivalents

Table 6.1. Cash and cash equivalents

Line	Item	Reporting Period	Previous period
1	Cash	30 516	24 594
2	Cash in the National Bank of Ukraine (excluding obligatory reserves)	98 407	159 733
3	Correspondent accounts, overnight loans and deposits in the banks of:	1 975	292 825
3.1	Ukraine	1 975	206 249
3.2	other countries	-	86 576
4	**Cash and cash equivalents total**	**130 898**	**477 152**

There are no cash equivalents that have been actually guaranteed by securities purchased under repurchase agreements, and securities may be sold or remortgaged.

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

Line	Item	Correspondent account	Overnight loans	Total
1	2	3	4	5
1	In 20 biggest banks of Ukraine	-	-	-
2	In other banks of Ukraine	1 975	-	1 975
3	**Cash equivalents total**	**1 975**	-	**1 975**

Table 6.3. Analysis of the credit quality of the cash equivalents for the previous period

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

(in thousands of Ukrainian Hryvnias)

Note 7. Due from other banks

Table 7.1. Due from other banks

Line	Item	Reporting Period	Previous period
1	2	3	4
1	Correspondent accounts in other banks	263 492	-
1.1	Ukraine	81 056	-
1.2	other countries	182 436	-
2	Provisions on impairment in other banks	(39 305)	-
3	**Total due from other banks**	**224 187**	-

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

Line	Item	Correspondent accounts	Total
1	2	3	5
1	Undue and non-impaired:	180 554	180 554
1.2	In big banks of OECD countries	180 554	180 554
2	Due from other banks individually impaired:	82 938	82 938
2.1	Non past due	82 938	82 938
3	Due from other banks before provision calculation	263 492	263 492
4	Provisions for impairment	(39 305)	(39 305)
5	**Due from other banks total excluding provisions**	**224 187**	**224 187**

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

Line	Changes in provisions	Reporting period	Previous period
1	2	3	4
1	Provision on impairment as for the beginning of period	-	(3 947)
2	(Increase)/decrease of provision for impairment during the period	(39 305)	3 947
3	**Provision on impairment as for the end of period**	**(39 305)**	-

(in thousands of Ukrainian Hryvnias)

Note 8. Loans to customers

Table 8.1. Loans to customers

Line	Item	Reporting period	Previous period
1	2	3	4
1	Loans to legal entities	5 135 645	3 603 690
2	Loans to individuals- entrepreneurs	20 665	20 171
3	Mortgage loans to individuals	1 583	2 262
4	Consumer loans to individuals	12 860	23 015
5	Other loans to individuals	4 116	1 712
6	Provisions for loans impairment	(117 866)	(103 955)
7	**Total loans for customers less provisions**	**5 057 003**	**3 546 895**

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 changes in provisions for impairment of loans for the reporting period

Line	Item	Loans to legal entities	Loans to individuals-entrepreneurs	Mortgage loans to individuals	Consumer loans to individuals	Other loans to individuals	Total
1	2	3	4	5	6	7	8
1	Opening balance	**(103 316)**	**(58)**	**(36)**	**(357)**	**(188)**	**(103 955)**
2	(Increase)/decrease of provision for impairment during the period	(25 363)	10	30	(706)	(29)	(26 058)
3	Writing-off the bad loans under provision	12 147	-	-	-	-	12 147
4	**Closing balance**	**(116 532)**	**(48)**	**(6)**	**(1 063)**	**(217)**	**(117 866)**

Table 8.3. Analysis of changes in provisions for impairment of loans for the previous period

Line	Item	Loans to legal entities	Loans to individuals-entrepreneurs	Mortgage loans to individuals	Consumer loans to individuals	Other loans to individuals	Total
1	2	3	4	5	6	7	8
1	Opening balance	**(53 346)**	**(467)**	**(1)**	**(112)**	-	**(53 926)**
2	(Increase)/decrease of provision for 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)
5	**Closing balance**	**(103 316)**	**(58)**	**(36)**	**(357)**	**(188)**	**(103 955)**

(in thousands of Ukrainian Hryvnias)

Table 8.4. Loan structure by economic activities

Line	Type of Economic activity	Reporting Period		Previous period	
		Amount	%	Amount	%
1	2	3	4	5	6
1	Real estate operations, rent, engineering and services	712 470	13,8	714 149	19,6
2	Trade, auto repair, repair of household devices and personal appliances	2 445 625	47,3	1 573 165	43,1
3	Agriculture, hunting and forestry	33 953	0,7	33 427	0,9
4	Building	679 233	13,1	578 227	15,9
5	Ground and pipeline transport	159 910	3,1	152 718	4,2
6	Activity of hotels and similar facilities for temporary accommodation	194 701	3,7	128 158	3,5
7	Production of machinery, equipment and other products	240 300	4,6	194 950	5,3
8	Activities in the field of sports, recreation and entertainment	182 702	3,5	49 174	1,3
9	Individuals	18 559	0,4	26 990	0,7
10	Other	507 416	9,8	199 892	5,5
11	**Total loans to customers before provision for impairment**	**5 174 869**	**100**	**3 650 850**	**100**

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 has not been violated.

(in thousands of Ukrainian Hryvnias)

Table 8.5. Information on loans by types of collateral for the reporting period

Line	Item	Loans to legal entities	Loans to individuals-entrepreneurs	Mortgage loans to individuals	Consumer loans to individuals	Other loans to individuals	Total
1	2	4	5	6	7	8	9
1	Unsecured loans	149 001	-	-	-	4 116	153 116
2	Secured loans:						
2.1	by cash	1 972 650	2 512	-	93	-	1 975 255
2.2	by securities	109 379					109 379
2.3	by real estate	1 597 929	8 749	1 583	7 784	-	1 616 046
2.3.1	including residential property	74 955	-	1 583	1 087	-	77 624
2.4	by guarantees and warranties	21 079	-	-	-	-	21 079
2.5	by other assets	1 285 607	9 404	-	4 983	-	1 299 994
3	**Loans to customers total excluding provisions**	**5 135 645**	**20 665**	**1 583**	**12 860**	**4 116**	**5 174 869**

During the reporting year, the Bank did not purchase financial and non-financial assets 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 collateral for the previous period

Line	Item	Loans to legal entities	Loans to individuals-entrepreneurs	Mortgage loans to individuals	Consumer loans to individuals	Other loans 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	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	including residential property	68 358	-	2 159	835	-	71 352
2.3	by guarantees and warranties	14 866	-	-	137	-	15 003
2.4	by other assets	902 655	6 503	-	5 068	-	914 226
3	**Loans to customers total excluding provisions**	**3 603 690**	**20 171**	**2 262**	**23 015**	**1 712**	**3 650 850**

(in thousands of Ukrainian Hryvnias)

Table 8.7. Analysis of credit quality for the reporting period

Line	Item	Loans to legal entities	Loans to individuals-entrepreneurs	Mortgage loans to individuals	Consumer loans to individuals	Other loans to individuals	Total
1	2	3	4	5	6	7	8
1	**Neither impaired nor past due:**	**4 277 464**	**2 512**	**851**	**7 739**	**2 436**	**4 291 002**
1.1	large borrowers, with credit history over 2 years	1 466 211	-	-	-	-	1 466 211
1.2	Loans to medium enterprises	361 417	2 512	-	-	-	363 929
1.3	Loans to small enterprises	2 449 837	-	-	-	-	2 449 837
1.4	Other loans to individuals	-	-	851	7 739	2 436	11 026
2	**Past due but not impaired**	**207 774**	-	-	**5 031**	**204**	**213 009**
2.1	not past due	115 263	-	-	4 983	20	120 266
	past due up to 31 days	52 482	-	-	-	-	52 482
	past due from 184 to 366(367) days	40 029	-	-	-	183	40 213
	past due over 366 (367) days	-	-	-	48	-	48
3	**Loans individually determined as impaired**	**650 406**	**18 153**	**733**	**90**	**1 476**	**670 858**
3.1	not past due	650 406	18 153	733	90	1 435	670 816
3.2	past due 93 to 183 days					41	41
4	**Total loans before provision**	**5 135 645**	**20 665**	**1 583**	**12 860**	**4 116**	**5 174 869**
5	Provision for impairment	**(116 532)**	**(47)**	**(6)**	**(1 063)**	**(218)**	**(117 866)**
6	**Total loans less provision**	**5 019 113**	**20 618**	**1 577**	**11 797**	**3 898**	**5 057 003**

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 amounts of provisions charged are taken into account. The assignment of the borrower's liability 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.

(in thousands of Ukrainian Hryvnias)

Table 8.8. Analysis of credit quality for the previous period

Line	Item	Loans to legal entities	Loans to individuals-entrepreneurs	Mortgage loans to individuals	Consumer loans to individuals	Other loans to individuals	Total
1	2	3	4	5	6	7	8
1	**Neither impaired nor past due:**	**3 043 814**	**20 171**	**550**	**17 293**	**89**	**3 081 917**
1.1	large borrowers, with credit history over 2 years	77 067	-	-	-	-	77 067
1.2	New large 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
1.5	Other loans to individuals	-	-	550	17 293	89	17 932
2	**Past due but not impaired**	**175**	-	-	-	-	**175**
2.1	past due up to 31 days	175	-	-	-	-	175
3	**Loans individually determined as impaired**	**559 700**	-	**1 712**	**5 722**	**1 624**	**568 758**
3.1	not past due	545 967	-	1 712	5 690	1 624	554 992
3.2	past due 93 to 183 days	12 146	-	-	-	-	12 146
3.3	past due over 366 (367) days	1 588	-	-	32	-	1 619
4	**Total loans before provision**	**3 603 690**	**20 171**	**2 262**	**23 015**	**1 712**	**3 650 850**
5	Provision for impairment	(103 316)	(58)	(36)	(357)	(188)	(103 955)
6	**Total loans less provision**	**3 500 373**	**20 114**	**2 226**	**22 658**	**1 524**	**3 546 895**

Table 8.9 The effect of the provision of collateral value on the loan quality for the reporting date

Line	Item	Carrying value of loans to customers	Expected cash flows from collateral realization	Collateral effect
1	2	3	4	5 = 3 - 4
1	Loans to legal entities	5 019 113	3 403 650	1 615 463
2	Loans to individuals- entrepreneurs	20 618	15 402	5 216
3	Mortgage loans to individuals	1 577	5 048	(3 471)
4	Consumer loans to individuals	11 797	12 988	(1 191)
5	Other loans to individuals	3 898	-	3 898
6	**Total loans**	**5 057 003**	**3 437 088**	**1 619 915**

(in thousands of Ukrainian Hryvnias)

Table 8.10 The effect of the provision of collateral value on the loan quality for the previous date

Line	Item	Carrying value of loans to customers	Expected cash flows from collateral realization	Collateral effect
1	2	3	4	5 = 3 - 4
1	Loans to legal entities	3 500 374	2 456 592	1 043 782
2	Loans to individuals- entrepreneurs	20 113	20 399	(287)
3	Mortgage loans to individuals	2 226	3 586	(1 360)
4	Consumer loans to individuals	22 658	21 236	1 422
5	Other loans to individuals	1 524	2 694	(1 170)
6	**Total loans**	**3 546 895**	**2 504 507**	**1 042 388**

Cash flows from the sale of provision are evaluated using the liquidity ratio and the cost of implementation of this provision.

Mortgaged property is evaluated by an independent certified estimating entity under Article 3 of the Law of Ukraine "On the assessment of property, property rights and professional valuation activities in Ukraine", according to the procedure laid down by regulations referred to in Article 9 of the Law, namely evaluation regulations (national standards), approved by the Cabinet of Ministers of Ukraine, methods and other legal acts that are tailored to the requirements of regulations (national standards) and approved by the Cabinet of Ministers of Ukraine or the State Property Fund of Ukraine (including national standards: No 1 "General principles of property and property rights valuation", No 2 "Real estate Valuation", No 3 "Valuation of integral property complexes" and other documents).

Review (update) of the value of the mortgaged property shall be carried out by an independent estimating entity taking into account the changing market opportunities for such property and / or the state of conservation of the property, but at least once every twelve months for real estate, equipment and vehicles, one once in six months - for other property using the comparative method, expenditure and income approach (separately), and by combining the said approaches.

Note 9. Securities available for sale

Table 9.1. Securities available for sale

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)	(784)
3	**Total financial investments to companies less provisions**	-	-

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

(in thousands of Ukrainian Hryvnias)

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.

Item	Land plots	Buildings, Constructions and Transmitting Facilities	Machinery and Equipment	Means of Transport	Fixtures and Fittings (Furniture	Other Fixed Assets	Other Non-current Tangible Assets	Capital investment	Intangible assets	Total
Book value as at 31.12.2013	**13**	**13 038**	**3 485**	**706**	**1 081**	**636**	**-**	**12**	**2 389**	**21 360**
Initial cost	13	16 205	11 381	1 419	3 777	1 945	1 186	12	4 030	39 968
Accumulated depreciation and amortization	-	(3 167)	(7 896)	(713)	(2 696)	(1 309)	(1 186)	-	(1 641)	(18 608)
Additions	219	6 054	119	-	28	-	38	353	184	6 995
Capital investments	-	-	-	-	2	-	1	(69)	15	(51)
Disposals	-	-	(8)	-	-	(91)	-	-	(16)	(115)
Amortization/ depreciation charges	-	(812)	(1 218)	(205)	(394)	(79)	(30)	-	(346)	(3 084)
Other changes	-	-	(97)	-	(3)	(20)	(9)	(19)	(84)	(232)
Book value as at 31.12.2014	**232**	**18 280**	**2 281**	**501**	**714**	**446**	**-**	**277**	**2 142**	**24 873**
Initial cost	232	22 259	11 395	1 419	3 804	1 834	1 216	277	4 129	46 565
Accumulated depreciation and amortization	-	(3 979)	(9 114)	(918)	(3 090)	(1 388)	(1 216)	-	(1 987)	(21 692)
Additions	-	-	305	866	27	88	22	1 241	798	3 347
Capital investments	-	-	134	-	11	19	0	(340)	176	-
Disposals of book value	-	-	(104)	-	(14)	(21)	-	(1 059)	-	(1 198)
Amortization/ depreciation charges	-	(989)	(1 114)	(205)	(306)	(61)	(22)	-	(424)	(3 121)
Disposals of accumulated depreciation	-	-	(294)	(310)	(56)	(125)	(68)		(553)	(1 406)
Book value as at 31.12.2015	**232**	**17 291**	**1 502**	**1 162**	**432**	**471**	**-**	**119**	**2 692**	**23 901**
Initial cost	**232**	**22 259**	**11 436**	**1 975**	**3 772**	**1 795**	**1 170**	**119**	**4 550**	**47 308**
Accumulated depreciation and amortization	**-**	**(4 968)**	**(9 934)**	**(813)**	**(3 340)**	**(1 324)**	**(1 170)**	**-**	**(1 858)**	**(23 407)**

As at 31 December 2015:
- 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;

(in thousands of Ukrainian Hryvnias)

- The initial value of fully depreciated fixed assets was UAH 13 220 thousand (2014: UAH 11 474 thousand).
- The Bank had no intangible assets for which there are proprietary limitations;
- The Bank had no created intangible assets;
- The Bank did not have any revaluation loss or surplus during the reporting period, and as a result of impairment losses recognized or created directly in equity.

Note 11. Other financial assets

Table 11.1. Other financial assets

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
4	Restricted cash		8 730	52 510
5	Other financial assets		35	110
6	Provisions for impairment of other financial assets		(2)	(1)
7	**Total other financial assets less provisions**		**8 763**	**108 259**

The item "Restricted cash" shows balances of the balance account "Due to bank in calculations", where the security deposit is accounted in the PJSC «Bank Pivdennyi» to ensure the fulfillment of the contract to support VISA membership.

Table 11.2. Analysis of changes in provisions for impairment of other financial assets for the reporting period

Line	Item	Restricted cash	Total
1	2	3	4
1	Opening balance	**(1)**	-
2	(Increase)/decrease of provision for impairment during the period	(1)	(1)
3	**Closing balance**	**(2)**	**(1)**

Table 11.3. Analysis of changes in provisions for impairment of other financial assets for the previous period

Line	Item	Restricted cash	Total
1	2	3	4
1	Opening balance	-	-
2	(Increase)/decrease of provision for impairment during the period	(1)	(1)
3	**Closing balance**	**(1)**	**(1)**

(in thousands of Ukrainian Hryvnias)

Table 11.4. Analysis of credit quality of other financial assets for the reporting period

Line	Item	Receivables on foreign exchange transactions	Payments for conversion transactions	Derivatives in the Bank trade portfolio	Restricted cash	Other financial assets	Total
1	2	3	4	5	6	7	8
1	Undue and non-impairment receivables:	-	-	-	8 730	32	8 762
1.1	Large borrowers, with credit history over 2 years	-	-	-	8 730	-	8 730
1.4	Small enterprises	-	-	-	-	32	32
2	Debt impaired on the individual basis	-	-	-	-	3	3
2.1	past due up to 31 days	-	-	-	-	1	1
2.2	past due from 184 to 365 (366) days	-	-	-	-	1	1
2.3	past due over 365(366) days	-	-	-	-	1	1
3	Total other financial activities before provision	-	-	-	8 730	35	8 765
4	**Provision for impairment of other financial assets**	-	-	-	-	(2)	(2)
5	**Total other financial assets less provisions**	-	-	-	**8 730**	**33**	**8 763**

(in thousands of Ukrainian Hryvnias)

Table 11.5. Analysis of credit quality of other financial assets for the previous period

Line	Item	Receivables on foreign exchange transactions	Payments for conversion transactions	Derivatives in the Bank trade portfolio	Restricted cash	Other financial assets	Total
1	2	3	4	5	6	7	8
1	Undue and non-impairment receivables:	52 927	2 618	95	52 510	107	108 257
1.1	Large borrowers, with credit history over 2 years	-	1 805	95	52 510	-	54 410
1.2	New large customers	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	past due up to 31 days	-	-	-	-	1	1
3	Debt impaired on the individual basis	-	-	-	-	2	2
3.1	past due up to 31 days	-	-	-	-	1	1
3.2	past due from 31 to 92 days	-	-	-	-	1	1
4	Total other financial activities before provision	52 927	2 618	95	52 510	110	108 260
5	**Provision for impairment of other financial assets**	-	-	-	-	**(1)**	**(1)**
6	**Total other financial assets less provisions**	**52 927**	**2 618**	**95**	**52 510**	**109**	**108 259**

(in thousands of Ukrainian Hryvnias)

Note 12. Other assets

Table 12.1. Other assets

Line	Item	Reporting period	Previous period
1	2	4	5
1	Receivables on purchase of assets	59	10
2	Service prepayment	11	-
3	Precious metals	81	155
4	Other assets , including:	793	711
4.1	Deferred expenses	716	652
5	Provisions for other assets	(12)	-
6	**Other assets total excluding provisions**	**932**	**876**

Prepaid expenses as of 31.12.2015: rent - 222 thousand UAH, audit - 182 thousand UAH, utilities 102 thousand UAH, as at 31.12.2014: rent – 248 thousand UAH, deferred leave allowances - 148 thousand UAH.

Note 13. Due to banks

Line	Item	Reporting period	Previous period
1	2	3	4
1	Correspondent accounts and overnight deposits to other banks	-	10 017
2	Deposits of other banks	-	-
2.1	Short-term	-	-
3	Received loans	-	34 271
3.1	Short-term	-	34 271
4	**Total due to other banks**	-	**44 288**

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.

(in thousands of Ukrainian Hryvnias)

Note 14. Due to clients

Table 14.1. Due to clients

Line	Item	Reporting period	Previous period
1	2	3	4
1	Governmental and public organizations	424	484
1.1	Current accounts	424	484
2	Other legal entities	2 940 704	2 119 954
2.1	Current accounts	664 345	608 777
2.2	Term deposits	2 276 359	1 511 177
3	Individuals	1 525 690	1 265 705
3.1	Current accounts	98 109	103 340
3.2	Term deposits	1 427 581	1 162 365
4	**Due to clients total**	**4 466 818**	**3 386 143**

Table 14.2. Allocation of due to clients by types of economic activities

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	383 057	8,6%	170 236	5,0%
2	Real estate operations, rent, engineering and services	237 137	5,3%	41 434	1,2%
3	Trade, auto repair, repair of household devices and personal hygiene items	884 458	19,8%	766 453	22,6%
5	Agriculture, hunting and forestry	23 598	0,5%	5 276	0,2%
6	Construction of buildings and structures	18 113	0,4%	40 321	1,2%
7	Insurance and other financial services (reinsurance and non-state pension provision)	345 085	7,7%	78 119	2,3%
8	Non-residents	990 398	22,2%	778 817	23,0%
9	Individuals	1 525 690	34,2%	1 265 705	37,4%
10	Other	59 282	1,3%	239 782	7,1%
11	**Total due to clients**	**4 466 818**	**100 %**	**3 386 143**	**100 %**

The book value of assets of clients, as collateral for credit operations and irrevocable liabilities, amounts to UAH 2 108 121 thousand (2014: UAH 1 361 594 thousand). These are only term deposits of clients. UAH 2 107 897 thousand of the mentioned amount are pledged for loans of legal entities, and UAH 224 thousand are pledged for loans of individuals (2014: 1 339 591 thous. UAH and 22 004 thous. UAH, respectively).

(in thousands of Ukrainian Hryvnias)

Note 15. Debt securities issue

Table 15.1. Debt securities issue

Line	Item	Reporting period	Previous period
1	2	3	4
1	Deposit certificates	32 978	-
2	**Total**	**32 978**	-

The Bank has no assets provided as collateral for securities issued by the Bank.

Note 16. Other borrowed funds

Table 16.1. Other borrowed funds

Line	Item	Reporting Period	Previous period
1	2	3	4
1	Loans received from international financial organizations	386 431	180 401
2	Loans from the State Mortgage Institution	159	345
3	**Total**	**386 590**	**180 746**

The note indicates cash received from the non-resident financial companies in amount of USD 16 101 thousands at 9.07 %, and loans from the State Mortgage Institution under long-term refinancing of mortgage loans of up to 2016 at 13.5%. During the reporting periods, 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 from the State Mortgage Institution is a mortgage at the market price UAH 2 168 thousand owned by individual borrowers.

Note 17. Provisions for liabilities

Table 17.1. Changes of provisions for liabilities for the reporting period

Line	Item	Loans related liabilities	Total
1	2	3	4
1	Opening balance	**1 384**	**1 384**
2	Increase/(decrease) of provision	(477)	(477)
3	**Closing balance**	**907**	**907**

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

Table 17.2. Changes of provisions for liabilities for the previous period

Line	Item	Loans related liabilities	Total
1	Opening balance	**253**	**253**
2	Forming and/or increase of provision	1 131	1 131
3	**Closing balance**	**1 384**	**1 384**

(in thousands of Ukrainian Hryvnias)

Note 18. Other financial liabilities

Table 18.1. Other financial liabilities

Line	Item	Reporting Period	Previous period
1	2	4	5
1	Accounts payable on foreign exchange transactions	1 894	5 618
2	Accrued expenses	2 383	340
3	Other financial liabilities	82	19
4	**Total other financial liabilities**	**4 359**	**5 977**

Note 19. Other liabilities

Line	Item	Reporting Period	Previous period
1	2	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	Deferred income	152	133
4	**Total**	**6 043**	**2 770**

Note 20. Share capital and reserves

a) share capital

Line	Item	Number of shares in circulation (thousands pieces)	Ordinary shares	Total
1	2	3	4	5
1	Balance as the beginning of the previous period	250	250 000	250 000
2	Share issue	250	250 000	250 000
3	Balance as the end of the previous period (beginning as the beginning of the reporting period)	500	500 000	500 000
4	**Balance as for the end of the reporting period**	**500**	**500 000**	**500 000**

During the year the Bank did not issue shares. Total shares issued are 500 000 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.

Ordinary shares give their holders the right to receive part of the profits of the Bank in the form of dividends, to participate in the Bank's management, to obtain a portion of the Bank's property in case of liquidation and other rights under the Law of Ukraine "On Joint Stock Companies". Ordinary shares give their holders the same rights.

(in thousands of Ukrainian Hryvnias)

b) reserve and other funds

In 2015, the reserve fund was charged to cover unexpected losses and losses from profits for 2014 in amount of 123 thousand UAH according to the minutes of general shareholders meetings dated 25.04.2015.

In 2014, the reserve fund was charged to cover unexpected losses and losses from profits for 2013 in amount of 122 thousand UAH according to the minutes of general shareholders meetings dated 13.04.2014.

Note 21. Analysis of the assets and liabilities by their maturity dates

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
ASSETS								
1	Cash and cash equivalents	6	130 898	-	130 898	477 152	-	477 152
2	Due from other banks	7	224 187	-	224 187	-	-	-
3	Loans to customers	8	4 901 487	155 516	5 057 003	3 032 509	514 386	3 546 895
4	Current income tax assets		47	-	47	47	-	47
5	Deferred tax assets	26	-	-	-	1 440	-	1 440
6	Property, equipment and intangible assets	10	104	23 797	23 901	220	24 653	24 873
7	Other financial assets	11	8 763	-	8 763	94 955	13 304	108 259
8	Other assets	12	932	-	932	876	-	876
9	**Total assets**		**5 266 418**	**179 313**	**5 445 731**	**3 607 199**	**552 343**	**4 159 542**
LIABILITIES								
10	Due to banks	13	-	-	-	44 288		44 288
11	Due to clients	14	4 414 767	52 051	4 466 818	3 046 140	340 004	3 386 144
12	Debt securities issue	15	32 978	-	32 978	-	-	-
13	Other borrowed funds	16	386 590	-	386 590	180 401	345	180 746
14	Current income tax liabilities		239	-	239	-	-	-
15	Deferred tax liabilities	26	80	-	80	-	-	-
16	Provisions for liabilities	17	907	-	907	1 384		1384
17	Other financial liabilities	18	3 922	437	4 359	5 637	340	5 977
18	Other liabilities	19	9 691	-	9 691	5 102	941	6 043
19	**Total liabilities**		**4 849 174**	**52 488**	**4 901 662**	**3 282 952**	**341 630**	**3 624 581**

(in thousands of Ukrainian Hryvnias)

Note 22. Interest income and expenses

Line	Item	Reporting Period	Previous period
1	2	3	4
INTEREST INCOME:			
1	Loans to customers	571 728	372 037
2	Securities in the Bank portfolio held to maturity	11 532	235
3	Due from other banks	13 626	6 445
4	Correspondent accounts in other banks	3 613	1 598
5	Overnight deposits in other banks	-	6
6	**Total interest income**	**600 499**	**380 321**
INTEREST EXPENSES:			
7	Term deposits of legal entities	(243 730)	(96 943)
8	Debt securities issue	(1 308)	-
9	Other borrowed funds	(26 258)	(7 683)
10	Term deposits of individuals	(126 924)	(112 752)
11	Term deposits of other banks	(3 983)	(25 467)
12	Overnight deposits of other banks	-	(11)
13	Current accounts	(17 044)	(13 198)
14	Correspondent accounts	(41)	(149)
15	**Total interest expenses**	**(419 288)**	**(256 203)**
16	**Net interest income**	**181 211**	**124 118**

Note 23. Commission income and expenses

Line	Item	Reporting Period	Previous period
1	2	3	4
COMMISSION INCOME:			
1	Cash settlement operations	20 509	13 989
2	Securities operations	5	10
3	Trust activities	2 314	1 557
4	Granted guarantees	3 141	464
5	Transactions in currency market	9 602	31 385
6	Other	697	440
7	**Total commission income**	**36 268**	**47 845**
COMMISSION EXPENSES:			
8	Cash settlement operations	(5 518)	(3 097)
9	Securities operations	(100)	(45)
10	Transactions in currency market	-	(24 250)
11	Other	(49)	(41)
12	**Total commission expenses**	**(5 667)**	**(27 433)**
13	**Net commission income / (expenses)**	**30 601**	**20 412**

(in thousands of Ukrainian Hryvnias)

Note 24. Other operating income

Line	Item	Reporting Period	Previous period
1	2	4	5
1	Sublease income	624	165
3	Other	3 644	1 716
4	**Total operating income**	**4 268**	**1 881**

The item «Other» includes:

- Reporting period: the return of previously accrued interest on deposits prematurely terminated in the amount of UAH 3 408 thousand, return of previously written-off debt - UAH 25 thousand, fines and penalties received by the Bank – UAH 116 thousand, consulting services – UAH 82 thousand, insurance recovery - UAH 13 thousand.
- Previous period: 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.

Note 25. Administrative and other operating expenses

Line	Item	Reporting Period	Previous period
1	2	4	5
1	Staff costs	44 812	34 486
2	Property and equipment depreciation	2 675	2 828
3	Amortization of software and other intangible assets	447	469
4	Expenses for maintenance of property and equipment and intangible assets, telecommunications and other operating services	5 222	3 900
5	Operating leasing (rent) expenses	7 448	8 622
6	Other expenses related to fixed assets	2 607	2 015
7	Professional services	5 573	1 891
8	Marketing and advertisement expenses	88	127
9	Insurance expenses	44 905	38 129
10	Payment of other taxes and charges excluding the income tax	17 606	25 848
11	Other	6 179	3 510
12	**Total administrative and other operating expenses**	**137 562**	**121 825**

(in thousands of Ukrainian Hryvnias)

Note 26. Income tax expenses/(benefits)

Table 26.1. Income tax expenses/(benefits)

Line	Item	Reporting Period	Previous period
1	2	3	4
1	Current income tax	1 569	1498
2	Change of deferred income tax	1 520	(2 160)
3	**Total income tax expenses/(benefits)**	**3 089**	**(662)**

Table 26.2. Reconciliation of the accounting profit (loss) and taxable income (loss)

Line	Item	Reporting Period	Previous period
1	2	3	4
1	Income before tax	14 530	(7 987)
2	Theoretical tax accruals on relevant tax rate	2 615	(1 437)
ADJUSTMENT OF THE ACCOUNTED INCOME (LOSS):			
3	Expenses that are not included in the total expenses to calculate tax income, but are recognized in the accounting (specify which one)	583	5 954
4	Expenses that are included in the total expenses to calculate tax income, but are not recognized in the accounting (specify which one)	(1 543)	(3 019)
5	Income not subject to income tax, but recognized (not included) to accounted income (loss) (specify which one)	(86)	-
6	**Current income tax**	**1 569**	**1 498**

In 2015 the difference between the tax and accounting profit arising from differences due to the following factors:

1. **Expenses** not included in the cost to calculate taxable income but identified in the accounting in amount of 583 thousand UAH, including:
   - Depreciation of fixed assets and amortization of intangible assets according to the accounting records – 558 thous. UAH);
   - Result of write-off of fixed and intangible assets according to the accounting records – 25 thous. UAH;

2. **Expenses** included in the cost to calculate taxable income but not identified in the accounting in amount of 583 thous. UAH, including:
   - Depreciation of fixed assets and amortization of intangible assets according to the accounting records – 638 thous. UAH;
   - Result of write-off of fixed and intangible assets according to the tax accounting records – 26 thous. UAH;
   - Deductions to the Deposit Guarantee Fund – 567 thous. UAH.
   - Provision for leaves – 169 thous. UAH;
   - Part of a negative difference between the provision calculated in accordance with Section III TCU – 143 thous. UAH.

(in thousands of Ukrainian Hryvnias)

In 2014, the difference between the tax and accounting income that are present due to the temporary 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.

Table 26.3. The tax results related to the recognition of the deferred tax assets and liabilities for the reporting period

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	264	(344)	(80)
1.2	Vacation provision	169	(169)	-
1.3	Deposit Guarantee Fund	567	(567)	-
1.4	Provisions on other banks receivables	440	(440)	-
2	Deferred net tax asset (liability)	**1 440**	**(1 520)**	-

(in thousands of Ukrainian Hryvnias)

Table 26.4. The tax results related to the recognition of the deferred tax assets and liabilities for the previous period

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
2	**Deferred net tax asset (liability)**	**(720)**	**2 160**	**1 440**

Note 27. Earnings/(loss) per ordinary share

Table 27.1. Basic and diluted Earnings/(loss) per ordinary share

Line	Item	Reporting Period	Previous period
1	2	4	5
2	Income / (loss) for the year	11 441	(7 325)
3	Average annual quantity of ordinary shares in circulation (ths. p.)	500	376
4	**Net basic and adjusted income / (loss) on one ordinary share**	**22,88**	**(19,48)**

Table 27.2. Calculation of income/(loss) owned by the shareholders of the ordinary and preferred shares of the Bank

Line	Item	Reporting Period	Previous period
1	2	4	5
1	Annual income/(loss) owned by the Bank owners	11 441	(7 325)
2	Ordinary dividends	2 333	2 326
3	Annual retained income / (loss)	11 441	(7 325)
4	Dividends on ordinary share, approved for payment during the year	2 333	2 326
5	Annual income/(loss) owned by the shareholders, who are the owners of the common shares	11 441	(7 325)

Note 28. Dividends

Line	Item	Reporting Period		Previous period	
		Ordinary shares	Preferred shares	Ordinary shares	Preferred shares
1	Opening balance	-	-	-	-
2	Dividends approved for payment during the year	2 333	-	2 326	-
3	Dividends paid during a year	2 333	-	2 326	-
4	Closing balance	-	-	-	-
5	Dividends for a share approved for payment during the period	4,67	-	6,18	-

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 are paid from net income of the reporting year and / or retained income in the amount set by the General Meeting of Shareholders.

Dividends to shareholders are paid 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.

(in thousands of Ukrainian Hryvnias)

Note 29. Operating segments

Table 29.1. Income, expenses and results of the reporting segments for the reporting period

Line	Item	Reporting segment item			Other segments and operations	Retirement	Total
		Service to corporate clients	Service to individuals	Interbank business			
1	2	3	4	5	6	7	8
1	Income from external clients						
1.1	Interest income	569 489	2 240	17 239	11 532	-	600 499
1.2	Commission income	32 842	1 330	2 096	-	-	36 268
1.3	Other operating income	3 693	575	-	-	-	4 268
3	Segments income total	606 024	4 144	19 335	11 532	-	641 035
4	Interest expense	(256 643)	(132 362)	(4 024)	(26 258)	-	(419 288)
5	Charges to the provision on the impairment of loans and due from other banks	(26 762)	705	(39 306)	-	-	(65 363)
6	Charges to the provision on the impairment of receivables	-	-	-	(13)	-	(13)
7	Results of transactions with the securities in the Bank trading portfolio	-	-	-	254	-	254
8	Results of trading transactions with other financial instruments	-	-		10 899	-	10 899
9	Results of transactions with the foreign currency	-	-	56 719	-	-	56 719
10	Result of revaluation of foreign currency	-	-	(66 960)	-	-	(66 961)
11	Commission expense	-	(3 404)	(2 163)	(100)	-	(5 667)
12	Charges to the provision for the liabilities	477	-	-	-	-	477
13	Administrative and other transactional expenses	(43 005)	-	-	(94 557)	-	(137 562)
14	Income tax expenses				(3 089)		(3 089)
15	**SEGMENT RESULT: Income**	**280 090**	**(130 918)**	**(36 399)**	**(101 332)**	**-**	**11 441**

(in thousands of Ukrainian Hryvnias)

Table 29.2. Income, expenses and results of the reporting segments for the previous period

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 depreciation of loans and due from other banks	(81 202)	(534)	3 392	(180)	-	(78 525)
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	Income tax benefits				662		662
15	**SEGMENT RESULT: Income/(loss)**	**202 256**	**(108 491)**	**(20 128)**	**(80 926)**	-	**(73257)**

(in thousands of Ukrainian Hryvnias)

Table 29.3. Assets and liabilities of the reporting segments for the reporting period

Line	Item	Reporting segment item			Other segments and operations	Total
		Service for corporate clients	Service for individuals	Interbank business		
ASSETS OF SEGMENTS						
1	Assets of segments	5 039 731	17 272	333 299	-	5 390 302
2	Assets of segments total	5 039 731	17 272	333 299	-	5 390 302
3	Unallocated assets	-	-	-	55 429	55 429
4	**Assets total**	**5 039 731**	**17 272**	**333 299**	**55 429**	**5 445 731**
LIABILITIES OF SEGMENTS						
5	Liabilities of segments	3 327 719	1 558 668	-	-	4 886 387
6	Liabilities of segments total	3 327 719	1 558 668	-	-	4 886 387
7	Unallocated liabilities	-	-	-	15 276	15 276
8	**Liabilities Total**	**3 327 719**	**1 558 668**	-	**15 276**	**4 901 663**
OTHER SEGMENT ITEMS						
9	Capital investment	-	-	-	3 347	3 347
10	Depreciation	-	-	-	(3 121)	(3 121)

Table 29.4. Assets and liabilities of the reporting segments for the previous period

Line	Item	Reporting segment item			Other segments and operations	Total
		Service for corporate clients	Service for individuals	Investment activity of the Bank		
ASSETS OF SEGMENTS						
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**
LIABILITIES OF SEGMENTS						
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**
OTHER SEGMENT ITEMS						
9	Capital investment	-	-	-	48	48
10	Depreciation	-	-	-	(3 084)	(3 084)

(in thousands of Ukrainian Hryvnias)

Table 29.5. Information on geographical regions

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	641 035	-	641 035	430 047	-	430 047
2	Fixed assets	21 104	-	21 104	22 511	-	22 511

Note 30. 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 (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 2015, the Bank has actualized the regulations related to the credit risk management.

(in thousands of Ukrainian Hryvnias)

When performing credit operations the Bank complies with credit risk standards established by the National Bank of Ukraine (Instructions on the regulation of banks in Ukraine, approved by the National Bank of Ukraine dated 28.08.2001 No 368):

— maximum credit risk amount per one counterparty (H7);

— large credit risks (H8). Credit risk is taken in respect of one counterparty or group of related counterparties is considered large if the total requirements to the counterparty or group of related counterparties and all off-balance sheet commitments granted by the Bank to counterparty or group of related counterparties is exceeding 10% of regulatory capital;

— the maximum credit risk on transactions with related parties of the Bank (H9). Set to limit the risk that arises during operations with the Bank's related parties, which can lead to direct and indirect effects on the Bank;

Values of the credit risk (H7, H8, H9) are calculated in accordance with the National Bank of Ukraine and monitored daily by the Bank management. As at 31.12.2015 comprised: H7 - 23,27% (at standard value of not more than 25%), H8 - 450.22% (the standard value of not more than 800%), H9 - 0.06% (the standard value of not more than 25%) (2014; H7 - 24.23%, H8 - 466.41%, H9 - 0.10%).

The maximum value of the Bank's credit risk is the following:

	31 December 2015	31 December 2014
Statement of financial position		
Cash and cash equivalents (excluding cash on hand)	100 382	452 558
Due to other banks	224 187	-
Loans and advances to customers	5 057 003	3 546 895
Other financial assets	8 763	108 259
	5 360 335	**4 107 712**
Off balance-sheet items		
Liabilities related to crediting	778 702	348 935
Guarantees	210 091	23 134
	988 793	**372 069**

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 balances 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.

(in thousands of Ukrainian Hryvnias)

Table 30.1. Analysis of currency market

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	1 902 373	1 852 618	-	49 755	1 063 113	1 126 538	14 389	(49 036)
2	Euro	150 288	151 610	-	(1 322)	114 404	96 256	(46 439)	(28 291)
3	Precious metals	183	274	-	(91)	206	520		(314)
4	Other currencies (freely convertible)	1 307	1 069	-	248	687	640		47
5	Other currencies (inconver-tible)	1 656	1 559	-	97	1 205	1 334		(129)
6	Total*	**2 055 817**	**2 007 130**	-	**48 687**	**1 181 690**	**1 225 288**	**(32 050)**	**(77 723)**

***in the column "Net position" the general position on all currencies is shown.**
Precious metals: Gold – (95), Silver - 4.
Other currencies (freely convertible): British pound of sterling – 208, Swiss francs - 40.
Other currencies (inconvertible): Russian rubles -52, Polish złoty – 45.

Table 30.2. 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

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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 %	2 488	2 488	(3 070)	(3 070)
2	Weakening of US dollar by 5 %	(2 488)	(2 488)	3 070	3 070
3	Strengthening of euro by 5 %	(66)	(66)	910	910
4	Weakening of euro by 5 %	66	66	(910)	(910)
5	Strengthening of British pound of sterling by 5 %	13	13	0	0
6	Weakening of British pound of sterling by 5 %	(13)	(13)	0	0
7	Strengthening of other currencies and bank metals	4	4	(5)	(5)
8	Weakening of other currencies and bank metals	(4)	(4)	5	5

(in thousands of Ukrainian Hryvnias)

Table 30.3. 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

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 %	2 274	2 274	(2 326)	(2 326)
2	Weakening of US dollar by _ %	(2 274)	(2 274)	2 326	2 326
3	Strengthening of euro by 5 %	(61)	(61)	577	577
4	Weakening of euro by 5 %	61	61	(577)	(577)
5	Strengthening of British pound of sterling by 5 %	12	12	0	0
6	Weakening of British pound of sterling by 5 %	(12)	(12)	0	0
7	Strengthening of other currencies and bank metals	4	4	(5)	(5)
8	Weakening of other currencies and bank metals	(4)	(4)	5	5

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.

(in thousands of Ukrainian Hryvnias)

Table 30.4. General analysis of the interest risk

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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	2 669 882	1184 077	1 092 029	155 901	289 732	5 391 621
2	Financial liabilities total	2 234 262	1749 389	54 089	52 051	-	4 089 791
3	**Net interest rate gap at the end of period**	**435 620**	**(565 312)**	**1 037 940**	**103 850**	**289 732**	**1 301 830**
Previous period							
4	Financial assets total	1 265 065	652 054	1 320 687	544 640	143 100	3 925 546
5	Financial liabilities total	806 358	465 946	1 427 581	540 346	-	3 040 231
6	**Net interest rate gap at the end of previous period**	**458 707**	**186 108**	**(106 894)**	**204 294**	**143 100**	**885 315**

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

Table 30.5. 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	22,03	6,75	-	-	31,03	0,79	0,73	3,87
4	Due from other banks	-	1,81	1,45	5,32	-	-	-	-
5	Loans to customers	18,27	10,95	11,06	-	18,09	11,67	11,06	-
6	Debt securities held-to-maturity in the Bank portfolio	24,28	-	-	-	-	-	-	-
7	Other assets	-	-	-	-	5,00	-	-	-
Liabilities									
8	Due to banks	20,73	-	-	-	19,50	-	-	-
9	Due to clients:								
9.1	current accounts	3,99	0,30	0,19	-	7,86	0,23	0,18	-
9.2	term deposits	22,06	8,98	7,43	-	19,30	9,79	7,97	-
10	Debt securities issued	22,07	9,93	-	-	-	-	-	-
11	Other borrowed funds	13,50	9,80	-	-	13,50	9,80	-	-

The table shows the average rate data. The interest rate is calculated in percents in annual accounting.

(in thousands of Ukrainian Hryvnias)

Geographical risk

Table 30.6. Analysis of geographical concentration of cash and liabilities on the reporting period

Line	Item	Ukraine	OECD	other countries	Total
1	2	3	4	5	6
Assets					
1	Cash and cash equivalents	130 898	-	-	130 898
3	Due from other banks	43 133	180 969	85	224 187
4	Loans to customers	5 057 003	-	-	5 057 003
5	Other financial assets	8 763	-	-	8 763
6	**Total financial assets**	**5 239 797**	**180 969**	**85**	**5 420 851**
Liabilities					
7	Due to banks	-	-	-	-
8	Due to clients	3 476 392	27	990 399	4 466 818
9	Debt securities issued	32 978	-	-	32 978
10	Other borrowed funds	159	-	386 431	386 590
11	Other financial liabilities	4 359	-	-	4 359
12	**Total financial liabilities**	**3 513 888**	**27**	**1 376 830**	**4 890 745**
13	**Net balance position on financial instruments**	**1 725 909**	**180 942**	**(1376745)**	**530 106**
14	Credit related liabilities	1 061 168	-	-	1 061 168

Table 30.7. Analysis of geographical concentration of cash and liabilities on the reporting period

Line	Item	Ukraine	OECD	other countries	Total
1	2	3	4	5	6
Assets					
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**
Liabilities					
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

(in thousands of Ukrainian Hryvnias)

Geographical risk concentrations bases on analysis of assets and liabilities in terms of their origin (place of registration). In this case, those institutions are geographic risk sensitive that conduct their activities in different economic environments caused by various political, regulatory and legal economic conditions. The wrong choice to direct money can lead to financial losses.

Factoring in that the Bank operates on the territory of Ukraine only, geographical risk is considered by the Bank as insignificant, i.e. one that has no impact on profit and capital of the Bank.

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 30.8. Analysis of financial assets and liabilities related to maturities based on estimated maturity terms for the reporting period

ne	Item	On demand and less than 1 month	1 – 3 months	3 – 12 months	12 months – 5 years	Over 5 years	Total
1	2	3	4	5	6	7	8
Assets							
1	Cash and cash equivalents	130 898	-	-	-	-	130 898
2	Due from other banks	224 187	-	-	-	-	224 187
3	Loans to customers	2 685 837	114 672	2 100 977	155 321	196	5 057 003
4	Other financial assets	79	6	8 678	-	-	8 763
5	**Total financial assets**	**3 041 001**	**114 678**	**2 109 655**	**155 321**	**196**	**5 420 851**
Liabilities							
6	Due to banks	-	-	-	-	-	-
7	Due to clients	2 627 499	231 246	1 556 022	52 051	-	4 466 818
8	Debt securities issued	14 801	5 921	12 256	-	-	32 978
9	Other borrowed funds	386 431	-	159	-	-	386 590
10	Other financial liabilities	207	480	3 235	437	-	4 359
11	**Total financial liabilities**	**3 028 938**	**237 647**	**1 571 672**	**52 488**	-	**4 890 745**
12	**Net liquidity gap as at 31 December**	**12 063**	**(122 969)**	**537 983**	**102 833**	**196**	**530 106**
13	**Total liquidity gap as at 31 December**	**12 063**	**(110 906)**	**427 077**	**529 910**	**530 106**	**530 106**

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

Note 31. 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 at 31 December 2015 and 2014. During the reporting and previous years, the Bank met all capital standards set by the National Bank of Ukraine.

(in thousands of Ukrainian Hryvnias)

Table 31.1. Regulatory capital structure

Line	Item	Reporting Period	Previous period
1	2	3	4
1	Bank regulatory capital (RC)	574 525	519 991
2	Actually paid registered share capital	500 000	250 000
3	Contributions for nonregistered 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	34 633	34 511
4.1.1	Of which provision funds	34 633	34 511
5	Reduction of property and equipment (amount of inchoate provisions; intangible assets excluding amortization; capital investments to intangible assets, last and previous year damages)	(4 802)	(2 362)
	including;		
5.1	Intangible assets excluding amortization	(2 692)	(2 143)
5.2	Capital investments to intangible assets	(104)	(220)
5.3	Past years' loss	(2 006)	(220)
6	**Property and equipment (FA) (Tier 1)**	**529 831**	**532 149**
7	Provisions for standard accounts payable granted to clients, and standard debts on off-balance operations	38 761	476
8	Accounting income of the current year	5 933	(12 634)
9	**Additional capital (Tier 2)**	**44 694**	**(12 158)**
10	**Regulatory capital total**	**574 525**	**519 991**
11	Assets weighted at risk	3 725 504	3 909 559
11	Total amount of open currency position on all foreign currencies	15 524	11 691
12	**Standards of adequacy of regulatory capital (standard is no less than 10 %)**	**15,36%**	**13,26%**

Table 31.2. Bank capital structure calculated on the basis of Basel Requirements

)

Line	Item	Reporting year	Previous year
1	2	3	4
1	Actually paid registered share capital	500 000	250 000
2	Contributions for unregistered share capital	-	250 000
3	General provisions and reserve funds	34 633	34 511
4	Intangible assets excluding amortization	(2 692)	(2 143)
4	Capital investments to intangible assets	(104)	(220)
5	Current year income	3 927	450
6	**Capital**	**535 764**	**532 598**

(in thousands of Ukrainian Hryvnias)

Note 32. Trust management accounts

Line	Item	Reporting year	Previous year	Changes (+; -)
1	2	3	4	5
1	Current accounts of the fiduciary bank of the trust management	12 101	11 327	774
2	Receivables on trust transactions	96 668	83 982	12 686
3	Active trust management accounts total	108 769	95 309	13 460
4	Bank management funds	144 359	93 426	50 933
5	Trust transactions income	4 197	1 883	2 314
6	**Passive trust management accounts total**	**148 556**	**95 309**	**53 247**

As of 31 December 2015 the Bank established nine construction financing funds, the manager of which is the Bank.
Accounting of trust management transactions is performed for each bank management fund.

Note 33. Contingencies of the Bank

The 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 embodying economic benefits will not meet the definition of liabilities, including:

a) hearing of the case in court.

At the reporting date with the participation of PJSC "Bank for investments and savings" (hereinafter - the Bank) there are two court disputes involving the Bank, for which the Bank is a defendant, totaling 29 thousand UAH. One of the disputes with clients of the Bank in the amount of 20 thousand USD can be settled 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 131 thousand.

Additional Agreement No6 dated 30.09.2014 to the contract No IS/BIS dated 02.09.2011 with PJSC "Ukrainian Processing Center" for transfer to a non-exclusive license to use the component IS-1-148 «Support schemes of issuer's loyalty" of Program complex IS-Card in the amount of 30 thousand UAH.

Amendment No1 to the contract No20140303-4 dated 03.03.2014 with LLC "Folga ED" for works with the new design and updating functionality of website bisbank.com.ua in the amount of 86 thousand UAH.

(in thousands of Ukrainian Hryvnias)

Invoice No6\15 dated 22.06.2015 from PE Sereda V.M. to purchase of framelate in amount of 15 thousand UAH.

d) operating lease liabilities (rent).

Table 33.1. Future minimal rent payments on undefined contract on operating leasing (rent)

Line	Item	Reporting period	Previous period
1	2	3	4
1	Up to 1 year	1 323	2 403
2	1-5 years	7 282	5 081
3	**Total**	**8 605**	**7 484**

As of 31.12.2015 the Bank signed 37 operating lease (rent) contracts, including 28 contracts whose validity up to 1 year and 9 contracts whose validity is from 1 to 5 years.

e) loan liabilities.

As of 31 December 2015, the amount of liabilities related to crediting (generally represent irrevocable lines of credit granted to clients) amounted to UAH 778 702 thousand. Their potential financial impact on the financial performance of the Bank is insignificant and do not carry serious risks (liquidity risk in particular), considering that almost all of them are open for up to 1 year, and 99 % of them are revocable, or free from risks.

Table 33.2. Loan liabilities structure

Line	Item	Reporting period	Previous period
1	2	4	5
1	Unused credit lines	778 702	348 935
2	Import letters of credit	73 282	52 320
3	Granted guarantees	210 091	23 134
4	Provision for loan liabilities	(907)	(1 384)
5	**Credit liabilities total excluding provisions**	**1 061 168**	**423 005**

Table 33.3. Credit liabilities by currency

Line	Item	Reporting period	Previous period
1	2	3	4
1	Hryvnia	611 406	215 047
2	US dollar	442 918	205 533
3	Euro	6 844	2 425
4	**Total**	**1 061 168**	**423 005**

(in thousands of Ukrainian Hryvnias)

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

Table 33.4. Pledged assets without derecognition

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
2	Total	-	-	39 144	34 272

In previous periods 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 34. Derivative financial instruments

Table 34.1. Fair value of derivative financial instruments accounted in the trading portfolio of the Bank

Line	Item	Reporting period		Previous period	
		Positive fair value	Negative fair value	Positive fair value	Negative fair value
1	2	4	5	6	7
1	SWAP contracts	-	-	2 713	294
2	SPOT contracts	-	-	-	5 145
3	Net fair value	-	-	2 713	5 439

Note 35. 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 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 thousands of Ukrainian Hryvnias)

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 35.1 Fair value and inputs hierarchy levels used for the assets and liabilities evaluation techniques for reporting period

Line	Item	Fair value under various evaluation techniques			Fair value	Book (carrying) value
		Market quotations (level 1)	Model using observable data (level 2)	Model using non-observable data (level 3)		
1	2	3	4	5	6	7
I	Assets					
1	Cash and cash equivalents	128 923	1 975		130 898	130 898
1.1	Cash on hand	30 516			30 516	30 516
1.2	Cash with the National Bank of Ukraine	98 407			98 407	98 407
1.3	Correspondent accounts, deposits and loans overnight in banks		1 975		1 975	1 975
2	Due from other banks		224 187		224 187	224 187
2.1	Loans to other banks		224 187		224 187	224 187
3	Loans to customers		5 057 003		5 057 003	5 057 003
3.1	Loans to legal entities		5 019 113		5 019 113	5 019 113
3.2	Loans to individual entrepreneurs		20 618		20 618	20 618
3.3	Mortgage loans of individuals		1 577		1 577	1 577
3.4	Consumer loans to individuals		11 797		11 797	11 797
3.5	Other loans to individuals		3 898		3 898	3 898
4	Other financial assets		8 763		8 763	8 763
4.1	Restricted cash		8 730		8 730	8 730
4.2	Other financial assets		33		33	33
5	Property, equipment and intangible assets		23 901		23 901	23 901
5.1	Land plots		232		232	232
5.2	Buildings, Constructions and Transmitting Facilities		20 872		20 872	20 872
5.3	Intangible assets		2 797		2 797	2 797
6	**Total assets**	**128 923**	**5 315 829**		**5 444 752**	**5 444 752**
II	Liabilities					
7	Due to customers		4 466 818		4 466 818	4 466 818
7.1	State institutions and enterprises		424		424	424
7.2	Other legal entities		2 940 704		2 940 704	2 940 704
7.3	Individuals		1 525 690		1 525 690	1 525 690
8	Debt securities issued		32 978		32 978	32 978
9	Other borrowed funds		386 590		386 590	386 590
10	Other financial liabilities		4 359		4 359	4 359
11	**Total liabilities**		**4 890 745**		**4 890 745**	**4 890 745**

(in thousands of Ukrainian Hryvnias)

Table 35.2 Fair value and inputs hierarchy levels used for the assets and liabilities evaluation techniques for previous period

Line	Item	Fair value under various evaluation techniques			Fair value	Book (carrying) value
		Market quotations (level 1)	Model using observable data (level 2)	Model using non-observable data (level 3)		
1	2	3	4	5	6	7
I	Assets					
1	Cash and cash equivalents	184 327	292 825		477 152	477 152
1.1	Cash on hand	24 594			24 594	24 594
1.2	Cash with the National Bank of Ukraine	159 733			159 733	159 733
1.3	Correspondent accounts, deposits and loans overnight in banks		292 825		292 825	292 825
2	Loans to customers		3 546 895		3 546 895	3 546 895
2.1	Loans to legal entities		3 500 373		3 500 373	3 500 373
2.2	Loans to individual entrepreneurs		20 114		20 114	20 114
2.3	Mortgage loans of individuals		2 226		2 226	2 226
2.4	Consumer loans to individuals		24 103		24 103	24 103
2.5	Other loans to individuals		79		79	79
3	Other financial assets		55 749		108 259	108 259
3.1	Trade receivables		52 927			
3.2	Receivables for foreign currency transactions		2 618			
3.3	Derivative financial assets		95			
3.4	Restricted cash				52 510	52 510
3.5	Other financial assets		109		109	109
5	**Total assets**	**184 327**	**3 972 852**		**4 157 179**	**4 157 179**
II	Liabilities					
6	Due to banks		44 288		44 228	44 228
6.1	Correspondent accounts and deposits overnight in other banks		10 017		10 017	10 017
6.2	Loans received		34 271		34 271	34 271
7	Due to customers		3 386 144		3 386 144	3 386 144
7.1	Other legal entities		2 120 439		2 120 439	2 120 439
7.2	Individuals		1 265 705		1 265 705	1 265 705
8	Other borrowed funds		180 746		180 746	180 746
9	Other financial liabilities		5 977		5 977	5 977
9.1	Accounts payable for foreign currency transactions		5 440		5 440	5 440
9.2	Other financial liabilities		537		537	537
10	**Total liabilities**		**3 617 155**		**3 617 155**	**3 617 155**

(in thousands of Ukrainian Hryvnias)

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 36. Presentation of financial instruments by assessment categories

Table 36.1. Presentation of financial instruments by assessment categories for the reporting period

Line	Item	Loans and receivables	Assets available for sale	Financial assets at fair value through profit or loss		Investments held to maturity	Total
				Trading assets	assets at fair value through profit or loss		
1	2	3	4	5	6	7	8
ASSETS							
1	Cash and cash equivalents	130 898	-	-	-	-	130 898
2	Trading securities	-	-	-	-	-	-
3	Due from other banks:	224 187	-	-	-	-	224 187
3.1	deposits in other banks	224 187	-	-	-	-	224 187
4	Loans and debts of clients:	5 057 003	-	-	-	-	5 057 003
4.1	loans to legal entities	5 019 113	-	-	-	-	5 019 113
4.2	loans to individual entrepreneurs	20 618	-	-	-	-	20 618
4.3	mortgage loans to individuals	1 577	-	-	-	-	1 577
4.4	loans to individuals for current needs	11 797	-	-	-	-	11 797
4.5	Other loans to individuals	3 898	-	-	-	-	3 898
5	Other financial assets:	8 763	-	-	-	-	8 763
5.1	restricted cash	8 730	-	-	-	-	8 730
5.2	other financial assets	33	-	-	-	-	33
6	**Total financial assets**	**5 420 851**	-	-	-	-	**5 420 851**

(in thousands of Ukrainian Hryvnias)

Table 36.2. Presentation of financial instruments by assessment categories for the reporting period

Line	Item	Loans and receivables	Assets available for sale	Financial assets at fair value through profit or loss		Investments held to maturity	Total
				Trading assets	assets at fair value through profit or loss		
1	2	3	4	5	6	7	8
ASSETS							
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	loans 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 loans to individuals	2 226	-	-	-	-	2 226
4.4	loans to individuals for current needs	24 103	-	-	-	-	24 103
4.5	Other loans 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	**Total financial assets**	**4 132 211**	-	**95**	-	-	**4 132 306**

(in thousands of Ukrainian Hryvnias)

Table 36.3. Financial liabilities accounted at amortized value

Line	Item	Reporting period	Previous period
1	2	3	4
1	Due to banks:	-	44 288
1.1	correspondent accounts and overnight deposits of other banks	-	10 017
1.2	deposits of other banks	-	-
1.3	received loans	-	34 271
2	Due to clients:	4 466 818	3 386 144
2.1	other legal entities	2 941 128	2 120 439
2.2	individuals	1 525 690	1 265 705
3	Other borrowed funds:	386 590	180 746
3.1	loans received from international and other financial organizations	386 590	180 746
4	Other financial liabilities:	4 359	5 977
4.1	securities receivables	-	5 440
4.2	other financial liabilities	4 359	537
5	**Financial liabilities accounted at amortized value total**	**4 890 745**	**3 617 155**

Note 37. Related party transactions

Table 37.1. Balances of related party transactions as at the end of the reporting period

Line	Item	Major participants (shareholders) of the Bank	Key management staff	Associates	Other related parties
1	2	3	4	5	6
1	Loans to customers and customers' debts (contractual interest rate is 7 -18 %)	161	89	-	-
2	Provisions for impairment of loans as for December 31	-	1	-	-
3	Due to clients (contractual interest rate is 1 -20 %)	8 604	3 541	26	2 511
4	Provisions for loan liabilities	-	1	-	-

(in thousands of Ukrainian Hryvnias)

Table 37.2. Income and expanses on transactions with related parties as for reporting period

Line	Item	Major participants (shareholders) of the Bank	Key management staff	Associates	Other related parties
1	2	3	4		5
1	Interest income	-	14	-	-
2	Interest expenses	1 437	480	-	319
3	Dividends	2 333	-	-	-
4	Commission income	3	17	6	-
5	Charges to provision for impairment of loans and due from other banks	456	12 219	-	-

Table 37.3. Other rights and liabilities on transactions with related parties as for the end of reporting period

Line	Item	Major participants (shareholders) of the Bank	Key management staff	Other related parties
1	2	3	4	5
1	Other loan liabilities	339	731	-

Table 37.4. Total amount of loans granted to related parties and paid by the related parties during the reporting period

Line	Item	Major participants (shareholders) of the Bank	Key management staff	Other related parties
1	2	3	4	5
1	Amount of credits granted to related parties during the period	959	1 184	-
2	Amount of credits paid by related parties during the period	877	1 293	-

Table 37.5. Balances of related party transactions as at the end of the previous period

Line	Item	Major participants (shareholders) of the Bank	Key management staff	Other related parties
1	2	3	4	5
1	Loans to customers and customers' debts (contractual interest rate is 7 -18 %)	79	198	-
2	Provisions for impairment of loans as for December 31	-	2	-
3	Due to clients (contractual interest rate is 1 -20 %)	38 782	1 987	2 905
4	Provisions for loan liabilities	35	10	-

(in thousands of Ukrainian Hryvnias)

Table 37.6. Income and expanses on transactions with related parties as for previous period

Line	Item	Major participants (shareholders) of the Bank	Key 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 37.7. Other rights and liabilities on transactions with related parties as for the end of previous period

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

Table 37.8. Total amount of loans granted to related parties and paid by the related parties during the previous period

Line	Item	Major participants (shareholders) of the Bank	Key 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 37.9. Remuneration of the key management personnel

Line	Item	Reporting period		Previous period	
		Expenses	Accrued liabilities	Expenses	Accrued liabilities
1	2	3	4	5	6
1	Current employee benefits	5 563	5 563	4 293	4 293
2	Retirement benefits	26	26	10	10

Note 38. Subsequent Events

In April 2016 the Bank's shareholders Lahur S.M. and Ivahiv S.P. received permission from the National Bank of Ukraine to acquire significant participation in the Bank of 17.5% (each), and the joint acquisition by Dyminsky P.P. and Dyminska J.P. of significant participation in the Bank of 10%. After increasing by the aforesaid shareholders of their shares in the authorized capital of the Bank pursuant to the received permits, the statutory capital structure will for 60% consist of shareholders with a significant participation that will meet the requirements of the National Bank of Ukraine on transparency of the Bank's ownership structure.