Public Joint Stock Company
West Finance and Credit Bank
Financial Statements

Year ended 31 December 2015
Together with Independent Auditor's Report

Translation from Ukrainian original

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INDEPENDENT AUDITORS' REPORT

To the Participant and Management of PJSC "West Finance and Credit Bank"

We have audited the accompanying financial statements of PJSC "West Finance and Credit Bank", which comprise the statement of financial position as at 31 December 2015, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 respects, the financial position of PJSC "West Finance and Credit Bank" as at 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

We draw attention to Note 2 to the financial statements, which describes the current political and economic situation in Ukraine. The circumstances referred to in Note 2 could continue to adversely affect the financial position and performance of PJSC "West Finance and Credit Bank" in a manner not currently determinable. Our opinion is not qualified in respect of this matter.

Ernst & Young Audit Services LLC

13 April 2016

PJSC "CREDITWEST BANK"
Statement of Financial Position
As at 31 December 2015

(in thousand of Ukrainian hryvnias)

	Notes	2015	2014
Assets			
Cash and cash equivalents	6	365 048	197 068
Securities: held to maturity	7	150 101	-
Due from banks	8	2 952	1 939
Loans and advances to customers	9	523 721	452 219
Investment property	10	1 341	4 497
Property, equipment and intangible assets	11	17 207	2 320
Other assets	12	7 621	2 416
Total assets		**1 067 991**	**660 459**
Liabilities			
Due to banks	13	222 229	31 582
Due to customers	14	536 758	402 817
Income tax payable		4 523	2
Deferred tax liability	24	395	1 405
Other liabilities	15	3 933	2 305
Subordinated debt	16	117 475	75 813
Total liabilities		**885 313**	**513 924**
Equity			
Share capital	17	103 013	88 045
Share premium		2 902	2 902
Additional paid in capital		4 426	4 426
Retained earnings		72 337	51 162
Total equity		**182 678**	**146 535**
Total liabilities and equity		**1 067 991**	**660 459**

Signed and authorised for issuance

Mr. Adnan Aracal — Chairman of the Management Board

Mr. Igor Kuzmenko — Chief Accountant

13 April 2016

PJSC "CREDITWEST BANK"
Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2015

(in thousand of Ukrainian hryvnias)

	Notes	2015	2014
Interest income	19	90 574	55 663
Interest expense	19	(47 538)	(26 169)
Net interest income	19	**43 036**	**29 494**
Fee and commission income	20	19 386	12 501
Fee and commission expense	20	(1 961)	(1 474)
Gains less losses arising from dealing in foreign currencies		31 382	17 528
Gains less losses from foreign currency revaluation		6 166	9 589
Recovery of/ (charge for) impairment of loans and advances	23	1 637	(3 052)
Recovery of impairment of other assets	23	2 535	-
Other operating income	21	1 766	1 466
Administrative and other operating expenses	22	(60 439)	(37 082)
Profit before tax		**43 508**	**28 970**
Income tax expense	24	(7 365)	(5 555)
Net profit and total comprehensive income		**36 143**	**23 415**
Earnings per share (in Ukrainian hryvnias per share)	17	**0.00041**	**0.00027**

Signed and authorised for issuance

Mr. Adnan Anacali — Chairman of the Management Board

Mr. Igor Kuzmenko — Chief Accountant

13 April 2016

PJSC "CREDITWEST BANK"
Statement of Cash Flows
For the year ended 31 December 2015

(in thousand of Ukrainian hryvnias)

	Notes	2015	2014
Operating activities			
Interest received		89 591	53 098
Interest paid		(48 442)	(23 666)
Fees and commissions received		19 375	12 501
Fees and commissions paid		(1 961)	(1 474)
Net receipts from operations with derivative financial instruments		-	205
Net receipts from dealing in foreign currencies		31 382	17 528
Other operating income received		1 766	1 261
General administrative and other operating expenses paid		(57 395)	(35 125)
Income tax paid		(3 854)	(4 515)
Cash flows from operating activities before change in operating assets and liabilities		**30 462**	**19 813**
Changes in operating assets and liabilities			
Change in restricted mandatory reserve balances with the National Bank of Ukraine		-	8 896
Change in due from banks		3 170	(956)
Change in loans and advances		49 455	(54 148)
Change in other assets		(3 009)	(1 413)
Change in due to banks		69 371	(92 982)
Change in due to customers		97 984	110 510
Change in other liabilities		2 465	769
Cash flows from (used in) operating activities		**249 898**	**(9 511)**
Investing activities			
Acquisition of property equipment and intangible assets		(16 540)	(1 560)
Proceeds from disposals of property equipment and intangible assets		1 526	1 409
Purchase of held to maturity securities		(150 000)	-
Cash flows used in investing activities		**(165 014)**	**(151)**
Financing activities			
Other borrowed funds received		119 689	-
Repayment of other borrowed funds		(54 557)	-
Cash flows from financing activities		**65 132**	**-**
Effect of changes in foreign exchange rate on cash and cash equivalents		17 964	46 956
Net increase (decrease) in cash and cash equivalents		**150 016**	**(9 662)**
Cash and cash equivalents as at 1 January		**197 068**	**159 774**
Cash and cash equivalents as at 31 December	**6**	**365 048**	**197 068**

Signed and authorised for issuance

Mr. Adnan Anacali — Chairman of the Management Board

Mr. Igor Kuzmenko — Chief Accountant

13 April 2016

The notes set out on pages 6 to 39 form an integral part of these financial statements

PJSC "CREDITWEST BANK"
Statement of Changes in Equity
For the year ended 31 December 2015

(in thousand of Ukrainian hryvnias)

	Share capital	Share premium	Additional paid-in capital	Retained earnings	Total
Balance as at 1 January 2014	**88 045**	**2 902**	**4 426**	**27 747**	**123 120**
Total comprehensive income	-	-	-	23 415	**23 415**
Balance as at 31 December 2014	**88 045**	**2 902**	**4 426**	**51 162**	**146 535**
Issue of share capital (Note 17)	14 968	-	-	(14 968)	-
Total comprehensive income	-	-	-	36 143	**36 143**
Balance as at 31 December 2015	**103 013**	**2 902**	**4 426**	**72 337**	**182 678**

Signed and authorised for issuance

Mr. Adnan Aracali — Chairman of the Management Board

Mr. Igor Kuzmenko — Chief Accountant

13 April 2016

1 Background

Organization and operations

Public Joint Stock Company "West Finance and Credit Bank" (further - the Bank) was established as the closed joint stock company according to Ukrainian legislation and registered by the National Bank of Ukraine (the NBU) on 4 October 2006. In January 2009, the Bank was reorganised into open joint-stock company. In January 2011, the Bank was re-registered in the form of a public joint stock company.

The principal activities of the Bank are lending, deposits taking, cash and settlement operations with securities and foreign exchange as well as other services. The Bank's activities are regulated by the NBU.

The head office is located at 4A A1, Leontovycha St., Kyiv, Ukraine.

As at 31 December 2015, the Bank had one branch and 81 employees (2014: 1 branch and 73 employees).

The ultimate controlling party of the Bank is ALTINBAŞ HOLDİNG ANONİM ŞIRKETİ which as at 31 December 2015 owns 100% of shares of the Bank.

2 Operating environment of the Bank

The Bank conducts its operations in Ukraine. The Ukrainian economy while deemed to be of market status continues to display certain characteristics consistent with that of an economy in transition. These characteristics include, but are not limited to, low levels of liquidity in the capital markets, high inflation and significant imbalances in the public finance and foreign trade.

In 2015, Ukrainian political and economic situation continued to deteriorate significantly. The political and social unrest which began in late 2013 and developed in 2014 combined with regional tensions led to the secession of the Autonomous Republic of Crimea to the Russian Federation and to full-fledged armed confrontations with separatists in certain parts of the Donetsk and Lugansk regions and ultimately to the significant deterioration of the political and economic relations of Ukraine with the Russian Federation. These factors have contributed to the decline of key economic indices, increase of the state budget deficit, depletion of the NBU's foreign currency reserves and, as a result, further downgrading of the Ukrainian sovereign debt credit ratings.

Political tensions adversely affected the financial market of Ukraine which led to a substantial restriction of the capacity of Ukrainian enterprises and banks to attract financing on international stock and credit markets. This situation led to further devaluation of the hryvnia against major currencies. During 2015, official UAH/US dollar exchange rate established by the National Bank of Ukraine has increased by 52,21% from UAH/US dollar 15.768556 as at 1 January 2015 to UAH/US dollar 24.000667 as at 31 December 2015. As some of the loans were issued in foreign currencies UAH depreciation against these currencies has a negative impact on borrowers' ability to service the loans. In addition, factors such as decrease of liquidity and profitability of the corporate sector adversely affect debt servicing level of the Bank's loan portfolio. Events taking place in the economy also lead to a decrease in the value of collateral for loans and other active operations of the Bank. Management analyses credit impairment considering the above mentioned risk factors.

The National Bank of Ukraine continues to extend previously imposed restrictions on purchase of foreign currencies, cross border settlements (including payment of dividends), and also mandated obligatory conversion of foreign currency proceeds into UAH.

Known and estimated results of the above factors on the financial position and performance of the Bank during the reporting period were taken into account while preparing these financial statements.

The Government has committed to direct its policy towards the association with the European Union, to implement a set of reforms aiming at the removal of the existing imbalances in the economy, public finance and public governance and the improvement of the investment climate.

Stabilization of the Ukrainian economy in the foreseeable future depends on success of actions undertaken by the Government and securing continued financial support of Ukraine by international donors and international financial institutions.

The Bank's management monitors the developments in the current environment and taking actions where appropriate to minimize any negative effects to the extent possible. Further negative developments in the political macroeconomic and/or international trade conditions may further adversely affect the Bank's financial position and performance in a manner not currently determinable.

3 Basis of preparation

General

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) on the historical cost basis except for derivative financial instruments presented in other assets and investment property, which are stated at fair value.

Functional and presentation currency

The financial statements are presented in Ukrainian hryvnia, which is the Bank's functional and presentation currency.

4 Critical accounting estimates and judgments in applying accounting policies

The Bank makes estimates and assumptions that affect the amounts recognized in the financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management of the Bank also makes certain judgements, apart from those involving estimates, in the process of applying the accounting policies. Judgements 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 amount of assets and liabilities within the next financial year include:

Critical judgements

The Bank's accounting policies allow offsetting of assets and liabilities (i.e. loans due from and deposits due to the same banks) only when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously. Although settlement of loans and deposits is typically done on the same day, loans due from and deposits due to the same banks are settled by receiving and paying separate amounts thus exposing the Bank to credit risk for the full amount of the asset or liquidity risk for the full amount of the liability. These risk exposures may be significant even though relatively brief. Management believes that these transactions are in substance foreign currency exchange swaps and accounts for these transactions in accordance with the Bank's accounting policy in respect of derivatives (Note 5b). Accordingly, the gross fair value of foreign currency exchange swaps is recognized as an asset when the fair value is positive and as a liability when the fair value is negative. The net amounts of receivables/payables on settlement (having the legal form of loans due from and deposits due to the same banks) are offset and not recognized on the statement of financial position.

Impairment losses on loans and receivables

Management estimates impairment by assessing the likelihood of repayment of loans and advances based on the analysis of individual accounts for individually significant loans and collectively for loans with similar risk characteristics. Factors taken into consideration when assessing individual loans include collection history, current financial condition of the borrower, timeliness of repayments and collateral if any. To determine the amount of impairment management estimates the amounts and timing of future payments of principal and interest and proceeds from the disposal of collateral, if any. These cash flows are then discounted using the loan's original effective interest rate. Actual principal and interest payments depend on the borrowers' ability to generate cash flows from operations or obtain alternative financing and could differ from management's estimates.

Factors taken in consideration when estimating impairment of loans assessed collectively include historical loss experience, portfolio delinquency rates and overall economic conditions.

Note 9 contains a description of the sensitivity of the carrying amount of loans and advances to changes in estimates. Should actual repayments be less than management estimates, the Bank would be required to record additional impairment losses.

5 Summary of significant accounting policies

The Bank has adopted the following amended IFRSs which are effective for annual periods beginning on or after 1 January 2015:

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is not relevant to the Bank, since the Bank does not have defined benefit plans with contributions from employees or third parties.

Annual improvements 2010-2012 Cycle

These improvements are effective from 1 July 2014 and did not have a material impact on the Bank. They include:

- IFRS 2 *Share-based Payment*;
- IFRS 3 *Business Combinations*;
- IFRS 8 *Operating Segments*;
- IFRS 13 *Short-term Receivables and Payables* – Amendments to IFRS 13;
- IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets*;
- IAS 24 *Related Party Disclosures*.

Annual improvements 2011-2013 Cycle

These improvements are effective from 1 July 2014 and did not have a material impact on the Bank. They include:

- IFRS 3 *Business Combinations*;
- IFRS 13 *Fair Value Measurement*;
- IAS 40 *Investment Property*;
- Meaning *of effective IFRSs* – Amendments to IFRS 1.

(a) Foreign currency translation

The Ukrainian hryvnia is the Bank's functional currency as it is the currency of the primary economic environment in which the Bank operates. Transactions in other currencies are treated as transactions in foreign currencies. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the official exchange rate of the NBU at the end of the respective reporting period. Gains and losses resulting from the translation of foreign currency transactions are recognized in the statement of profit or loss and other comprehensive income as gains less losses from foreign currency revaluation. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

The principal UAH exchange rates used in the preparation of these financial statements are as follows:

Currency	31 December 2015	31 December 2014
US dollar	**24,00**	**15,77**
EUR	**26,22**	**19,23**

(b) Financial instruments

(i) Classification

Financial instruments at fair value through profit or loss are financial assets or liabilities that are:

- acquired or incurred principally for the purpose of selling or repurchasing in the near term
- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking
- derivative financial instruments (except for derivative financial instruments that are designated and effective hedging instruments) or
- upon initial recognition designated as at fair value through profit or loss.

Management may designate financial assets and liabilities at fair value through profit or loss where either:

- the assets or liabilities are managed, evaluated and reported internally on a fair value basis
- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise or
- the asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

All trading derivatives in a net receivable position (positive fair value), as well as options purchased, are reported as assets. All trading derivatives in a net payable position (negative fair value), as well as options written, are reported as liabilities.

Management determines the appropriate classification of financial instruments in this category at the time of the initial recognition. Derivative financial instruments and financial instruments designated as at fair value through profit or loss upon initial recognition are not reclassified out of at fair value through profit or loss category. Financial assets that would have met the definition of loan and receivables may be reclassified out of the fair value through profit or loss or available-for-sale category if the Bank has an intention and ability to hold it for the foreseeable future or until maturity. Other financial instruments may be reclassified out of at fair value through profit or loss category only in rare circumstances. Rare circumstances arise from a single event that is unusual and highly unlikely to recur in the near term.

Financial instruments at fair value through profit or loss comprise derivative financial instruments which mainly relate to forward exchange contracts.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that management:

- intends to sell immediately or in the near term
- upon initial recognition designates as at fair value through profit or loss
- upon initial recognition designates as available-for-sale or
- may not recover substantially all of its initial investment, other than because of credit deterioration.

Loans and receivables comprise loans and advances, balances due from banks, mandatory reserves with the NBU and cash and cash equivalents.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that management has the positive intention and ability to hold to maturity, other than those that:

- management upon initial recognition designates as at fair value through profit or loss
- management designates as available-for-sale or
- meet the definition of loans and receivables.

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial instruments at fair value through profit or loss.

(ii) Recognition

Financial assets and liabilities are recognized in the statement of financial position when the Bank becomes a party to the contractual provisions of instrument. All regular way purchases of financial assets are accounted for at the settlement date.

(iii) Measurement

A financial asset or liability is initially measured at its fair value plus, in the case of a financial asset or liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability.

Subsequent to initial recognition, financial assets, including derivatives that are assets, are measured at their fair values, without any deduction for transaction costs that may be on sale or other disposal, except for:

- loans and receivables that are measured at amortized cost using the effective interest method
- held-to-maturity investments that are measured at amortized cost using the effective interest method and
- investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, which are measured at cost less impairment losses.

All financial liabilities, other than those designated at fair value through profit or loss and financial liabilities that arise when a transfer of a financial asset carried at fair value does not qualify for de-recognition, are measured at amortized cost.

The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest rate method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortized based on the effective interest rate of the instrument.

Financial assets or liabilities originated at interest rates different from market rates are re-measured at origination to their fair value, being future interest payments and principal repayments discounted at market interest rates for similar instruments. The difference between the fair value and the nominal value at origination is credited or charged to profit or loss or equity (if financial assets or liabilities originated with the shareholders acting in their capacity as shareholders) as gains or losses on origination of financial instrument at rates different from market rates. Subsequently, the carrying amount of such assets or liabilities is adjusted for amortization of the gains/losses on origination and the related income/expenses are recorded in profit or loss using the effective interest method.

(iv) Fair value measurement principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Bank measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

When there is no quoted price in an active market the Bank uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in these circumstances.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price i.e. the fair value of the consideration given or received. If the Bank determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently that difference is recognized in profit or loss on an appropriate basis over the life of the instrument, or until the transaction is closed out.

(v) Gains or losses on subsequent measurement

A gain or loss arising from a change in the fair value of a financial asset or liability is recognized as follows:

- a gain or loss on a financial instrument classified as at fair value through profit or loss is recognized in profit or loss

- a gain or loss on an available-for-sale financial asset is recognized in other comprehensive income (except for impairment losses and foreign exchange gains and losses on debt financial instruments available-for-sale) until the asset is derecognized, at which time the cumulative gain or loss previously recognized in other comprehensive income is transferred to profit or loss. Interest in relation to an available-for-sale financial asset is recognized in profit or loss using the effective interest method.

For financial assets and liabilities carried at amortized cost, a gain or loss is recognized in profit or loss when the financial asset or liability is de recognized or impaired, and through the amortization process.

(vi) Derecognition

The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or in which the Bank neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualify for de-recognition that is created or retained by the Bank is recognized as a separate asset or liability in the statement of financial position. The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Bank also derecognises certain assets when it writes off balances pertaining to the assets deemed to be uncollectible.

(vii) Derivative financial instruments

Derivative financial instruments include swaps, forwards, futures, spot transactions and options in interest rates, foreign exchanges, precious metals and stock markets, and any combinations of these instruments.

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Changes in the fair value of derivatives are recognized immediately in profit or loss.

Derivatives may be embedded in another contractual arrangement (a host contract). An embedded derivative is separated from the host contract and is accounted for as a derivative if and only if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the combined instrument is not measured at fair value with changes in fair value recognized in profit or loss. Derivatives embedded in financial assets or financial liabilities at fair value through profit or loss are not separated.

Although the Bank trades in derivative instruments for risk hedging purposes, these instruments do not qualify for hedge accounting.

(viii) Interest bearing borrowings

Interest bearing borrowings are recognized initially at fair value. Subsequent to initial recognition interest bearing borrowings are stated at amortized cost and any difference between cost and redemption value is recognized in profit or loss over the life of the borrowings.

When borrowings are repurchased or settled before maturity, any difference between the amount repaid and the carrying amount is immediately recognized in profit or loss.

(c) Impairment

(i) Calculation of recoverable amount

Financial assets carried at amortized cost

Financial assets carried at amortized cost consist principally of loans and advances and other receivables (loans and receivables). Management reviews the loan portfolio to assess impairment on a regular basis. A loan (or a group of loans) is impaired and impairment losses are incurred 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 loan and that event (or events) has an impact on the estimated future cash flows of the loan (or the group of loans) that can be reliably estimated.

Management first assesses whether objective evidence of impairment exists individually for loans and advances that are individually significant and individually or collectively for loans and

advances that are not individually significant. If no objective evidence of impairment exists for an individually assessed loan, whether significant or not, it includes the loan in a group of loans with similar credit risk characteristics and collectively assesses them for impairment. Loans that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on a loan has been incurred the amount of the loss is measured as the difference between the loan carrying amount and the present value of estimated future cash flows including amounts recoverable from guarantees and collateral (excluding future losses that have not been incurred) discounted at the loan's original effective interest rate. Contractual cash flows and historical loss experience adjusted on the basis of relevant observable data that reflect current economic conditions provide the basis for estimating expected cash flows.

In some cases the observable data required to estimate the amount of an impairment loss on a loan may be limited or no longer fully relevant to current circumstances. This may be the case when a borrower is in financial difficulties and there is little available historical data relating to similar borrowers. In such cases management uses its experience and judgment to estimate the amount of any impairment loss.

The assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

All impairment losses in respect of loans and receivables are recognized in profit or loss and are only reversed if a subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognized.

When a loan is uncollectable it is written off against the related allowance for loan impairment. The Bank writes off a loan balance (and any related allowances for loan losses) when management determines that the loans are uncollectible and when all necessary steps to collect the loan are completed.

Available-for-sale assets

Impairment losses on available-for-sale assets are recognized by transferring the cumulative loss that has been recognized in other comprehensive income to profit or loss as a reclassification adjustment. The cumulative loss that is reclassified from other comprehensive income to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss previously recognized in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

For an investment in equity security available-for-sale a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Non-financial assets

Other non-financial assets, other than deferred taxes, are assessed at each reporting date for any indications of impairment. The recoverable amount of non-financial assets is the greater of their fair value less costs to sell and value in use. In assessing value in use the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognized when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

All impairment losses in respect of non-financial assets are recognized in profit or loss and reversed only if there has been a change in the estimates used to determine the recoverable amount. Any impairment loss reversed is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(ii) Reversal of impairment

An impairment loss in respect of a held-to-maturity asset or a loan or a receivable carried at amortized cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognized. An impairment loss in respect of an investment in an equity instrument classified as available-for-sale is not reversed. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be related objectively to an event occurring after the impairment loss was recognized in profit or loss then the impairment loss is reversed with the amount of the reversal recognized in profit or loss.

In respect of other assets an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(iii) Credit related commitments

In the normal course of business, the Bank enters into credit related commitments, comprising undrawn loan commitments, letters of credit and guarantees, and provides other forms of credit insurance.

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

A financial guarantee liability is recognized initially at fair value net of associated transaction costs and is measured subsequently at the higher of the amount initially recognized less cumulative amortization or the amount of provision for losses under the guarantee. Provisions for losses under financial guarantees and other credit related commitments are recognized when losses are considered probable and can be measured reliably.

Financial guarantee liabilities and provisions for other credit related commitment are included in other liabilities.

(d) Property, equipment and intangible assets

Property equipment and intangible assets are carried at cost less accumulated depreciation and amortization and impairment losses. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets. Depreciation and amortization commences from the date an asset is ready for use. The estimated useful lives are as follows:

Furniture and equipment	5 years
Motor vehicles	5 years
Intangible assets	3 years

Expenditures for leasehold improvements are recognized as assets and charged to profit or loss on a straight-line basis over the shorter of their economic life or the period of the applicable lease.

(e) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in normal course of business or for the use in production or supply of goods or services or for administrative purposes.

In 2015, the Bank changed its accounting policy for investment property from cost model to fair value model. Management believes that fair value model provides reliable and more relevant information on value of the Bank's investment property. The policy has been applied prospectively.

(f) Leases

Payments for operating leases, where the Bank does not assume substantially all the risks and rewards of ownership, are classified as expenses when incurred.

(g) Income and expense recognition

Interest and similar income and interest expense and similar charges are recognized in profit or loss on an accrual basis, taking into account the effective yield/rate of the asset/liability or an applicable floating rate. Interest and similar income and expense include the amortization of any discount or premium or other differences between the initial carrying amount of an interest bearing instrument and its amount at maturity calculated on an effective interest rate basis.

Commission income and expense is recognized on an accrual basis. Other fees, commission and other income are recognized when the corresponding service is provided/received.

Loan origination fees, loan servicing fees and other fees that are considered to be integral to the overall profitability of a loan, together with the related transaction costs, are deferred and amortized to interest income over the estimated life of the financial instrument using the effective interest method.

(h) Taxation

Income tax comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income in which case it is recognized in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(i) Employee benefits

Pensions are provided by the State. Mandatory contributions are made by the Bank and employees based on the earnings of the employees. The cost for these contributions is recognized in profit or loss when contributions are due and is included in salaries and employee benefits as part of administrative and other operating expenses.

(j) Cash and cash equivalents

Cash and cash equivalents include cash, balances with the National Bank of Ukraine and balances due from banks with original contractual maturity within three months.

(k) Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

(l) Segment reporting

An operating segment is a component of the Bank that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same Bank); whose operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be

allocated to the segment and assess its performance and for which discrete financial information is available.

The Bank represents one reportable segment that has central management and follows common lending policy and marketing strategy. There are no customers from which revenues exceed 10% of total external revenue.

(m) New standards and interpretations not yet adopted

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Bank's financial statements are disclosed below. The Bank intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments 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. Early application of previous versions of IFRS 9 is permitted if the date of initial application is before 1 February 2015. 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.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Revenue arising from lease contracts within the scope of IAS 17 Leases insurance contracts within the scope of IFRS 4 Insurance Contracts and financial instruments and other contractual rights and obligations within the scope of IAS 39 Financial Instruments: Recognition and Measurement (or IFRS 9 Financial Instruments if early adopted) is out of IFRS 15 scope and is dealt by respective standards.

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.

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.

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests

The amendments to IFRS 11 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 cope 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 apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016 with early adoption permitted. These amendments are not expected to have any impact to the Bank.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortization

The amendments clarify the principle in IAS 16 and IAS 38 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 to the Bank given that the Bank has not used a revenue-based method to depreciate its non-current assets.

Amendments to IAS 27: 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 its separate financial statements will have to apply that change retrospectively. For first-time adopters of IFRS electing to use the equity method in its 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 IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the acknowledged inconsistency between the requirements in IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. The amendments clarify that an investor recognizes a full gain or loss on the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture. The amendments are applied prospectively to transactions occurring in annual periods beginning on or after 1 January 2016. Earlier application is permitted. These amendments will not have any impact on the Bank's financial statements.

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 Presentation of Financial Statements clarify rather than significantly change existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1
- That specific line items in the statements of profit or loss and OCI 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 OCI 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 OCI.

These 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.

Amendments to IFRS 10 IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity when the investment entity 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 the equity method to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. These amendments must be applied retrospectively and 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.

Annual improvements 2012-2014 Cycle

These improvements are effective on or after 1 January 2016 and are not expected to have a material impact on the Bank. They include:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – changes in methods of disposal

Assets (or disposal groups) are generally disposed of either through sale or through distribution to owners. The amendment to IFRS 5 clarifies that changing from one of these disposal methods to the other should not be considered to be a new plan of disposal rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in IFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification. The amendment must be applied prospectively to changes in methods of disposal that occur in annual periods beginning on or after 1 January 2016 with earlier application permitted.

IFRS 7 Financial Instruments: Disclosures – servicing contracts

IFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The Board was asked whether servicing contracts constitute continuing involvement for the purposes of applying these disclosure requirements. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in paragraphs IFRS 7.B30 and IFRS 7.42C in order to assess whether the disclosures are required. The amendment must be applied for annual periods beginning on or after 1 January 2016 with earlier application permitted. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.

IFRS 7 Financial Instruments: Disclosures - applicability of the offsetting disclosures to condensed interim financial statements

In December 2011, IFRS 7 was amended to add guidance on offsetting of financial assets and financial liabilities. In the effective date and transition for that amendment IFRS 7 states that "An entity shall apply those amendments for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods". The interim disclosure standard IAS 34 does not reflect this requirement however and it is not clear whether those disclosures are required in the condensed interim financial report. The amendment removes the phrase 'and interim periods within those annual periods' clarifying that these IFRS 7 disclosures are not required in the condensed interim financial report. The amendment must be applied retrospectively for annual periods beginning on or after 1 January 2016 with earlier application permitted.

IAS 19 Employee Benefits – regional market issue regarding discount rate

The amendment to IAS 19 clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency government bond rates must be used.

The amendment must be applied for annual periods beginning on or after 1 January 2016 with earlier application permitted.

IAS 34 Interim Financial Reporting – disclosure of information 'elsewhere in the interim financial report

The amendment states 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 the greater interim financial report (e.g. in the management commentary or risk report). The Board specified that 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. If users do not have access to the other information in this manner then the interim financial report is incomplete. The amendment should be applied retrospectively for annual periods beginning on or after 1 January 2016 with earlier application permitted.

6 Cash and cash equivalents

Cash and cash equivalents as at 31 December 2015 are as follows:

	2015	2014
Cash	6 788	10 957
Balances with the NBU	27 098	84 927
Current accounts placed with other banks	331 162	101 184
Total	**365 048**	**197 068**

As at 31 December 2015, cash balances with the NBU include minimum mandatory balance that the Bank is required to maintain. The estimated amount of minimum mandatory balance as at 31 December 2015 is UAH 7 734 thousand (2014: UAH 5 981 thousand). The Bank considers these mandatory balances with the NBU as cash and cash equivalents.

The following table represents analysis of current accounts in other banks by rating agency designation based on Standard and Poor's ratings (S&P) or their equivalent as at 31 December 2015:

	2015	2014
Current accounts:		
BBB- to A+	323 860	70 222
BB- to BB+	12	11
CCC- to CCC+	7 290	30 951
	331 162	**101 184**

As at 31 December 2015, two largest balances on current accounts placed with other banks amount to UAH 323 698 thousand or 97,7% of the gross exposure of current accounts placed with other banks (2014: UAH 94 844 thousand or 93,7%).

7 Securities: held to maturity

Held to maturity securities are presented by deposit certificates of the NBU, which bear interest rates of 18-19% and mature in January 2016. As at 31 December 2015, held to maturity securities are neither impaired, nor past due.

8 Due from banks

As at 31 December 2015, due to banks are presented by deposits with contractual maturity over three months placed with two banks (2014: two banks), with "CCC- to CCC+" ratings based on Standard and Poor's ratings (S&P) or their equivalent. As at 31 December 2015 and 2014 amounts due from banks are neither impaired, nor past due.

9 Loans and advances

Loans and advances as at 31 December are as follows:

	2015	2014
Corporate	525 524	453 592
Retail	860	1 698
Total loans gross	**526 384**	**455 290**
Allowance for impairment (Note 23)	(2 663)	(3 071)
Total	**523 721**	**452 219**

(a) Significant credit risk concentration

As at 31 December 2015, the amount of loans and advances to ten largest borrowers comprised UAH 409 035 thousand, and represents 77,71% of total gross loans and advances (2014: UAH 352 865 thousand and 77,5%).

(b) Loan impairment

Loan impairment as at 31 December 2015 is as follows:

	Gross loans	Impairment	Net loans	Impairment to gross loans
Corporate loans				
Loans individually assessed for impairment	59 473	(1 916)	57 557	3,2%
Loans collectively assessed for impairment	466 051	(125)	465 926	0,03%
Total corporate loans	**525 524**	**(2 041)**	**523 483**	**0,4%**
Retail loans				
Loans individually assessed for impairment	622	(622)	-	100,0%
Loans collectively assessed for impairment	238	-	238	0,0%
Total retail loans	**860**	**(622)**	**238**	**72%**
Total corporate and retail loans	**526 384**	**(2 663)**	**523 721**	**0,5%**

Loan impairment as at 31 December 2014 is as follows:

	Gross loans	Impairment	Net loans	Impairment to gross loans
Corporate loans				
Loans with specific impairment	23 117	(1 804)	21 313	7,8%
Loans without specifically identified impairment	430 475	(820)	429 655	0,2%
Total corporate loans	**453 592**	**(2 624)**	**450 968**	**0,6%**
Retail loans				
Loans without specifically identified impairment	1 698	(447)	1 251	26,3%
Total retail loans	**1 698**	**(447)**	**1 251**	**26,3%**
Total corporate and retail loans	**455 290**	**(3 071)**	**452 219**	**0,7%**

(c) Collateral

The following table provides information on collateral as at 31 December by type of collateral. The table shows the amounts of secured loans rather than the fair value of collateral.

	2015	2014
Real estate	454 090	336 505
Motor vehicles	27 036	42 747
Other	44 102	60 789
Unsecured	1 156	15 249
Total	**526 384**	**455 290**

Other collateral is primarily represented by production facilities.

The Bank's lending activities are conducted in Ukraine. The ability of the borrowers to repay their debt is dependent on a number of factors including the overall financial health of the individual borrowers and the continued development of the Ukrainian economy.

Although collateral can be an important mitigation of credit risk it is the Bank's policy to lend on the basis of the customer's capacity to repay rather than rely primarily on the value of collateral offered. Depending on the customer's standing and the type of product loans may be provided without collateral.

Effect of collateral as at 31 December 2015 is as follows:

	Over-collateralized assets		Under-collateralized assets		Assets uncovered	
	Carrying value net of allowance	Fair value of collateral	Carrying value net of allowance	Fair value of collateral	Carrying value net of allowance	Fair value of collateral
Corporate loans	484 977	1 104 187	37 527	33 731	979	-
Retail loans	110	951	-	-	128	-
Total	**485 087**	**1 105 138**	**37 527**	**33 731**	**1 107**	**-**

Effect of collateral as at 31 December 2014 is as follows:

	Over-collateralised assets		Under-collateralised assets		Assets uncovered	
	Carrying value net of allowance	**Fair value of collateral**	**Carrying value net of allowance**	**Fair value of collateral**	**Carrying value net of allowance**	**Fair value of collateral**
Corporate loans	434 663	968 703	16 305	15 749	-	-
Retail loans	989	2 049	-	-	262	-
Total	**435 652**	**970 752**	**16 305**	**15 749**	**262**	-

(d) Credit quality of the loan portfolio

As at 31 December 2015, estimated difference between the Bank's actual impairment losses on commercial loans with specific impairment and what they would have been without any collateral is UAH 64 255 thousand (2014: UAH 15 850 thousand).

Quality of loans and advances as at 31 December 2015 is as follows:

	Gross loans	**Impairment**	**Net loans**	**Impairment to gross loans**
Corporate loans and advances				
Not overdue	523 874	(568)	523 306	0,11%
Overdue	1 650	(1 473)	177	89,32%
Total corporate loans and advances	**525 524**	**(2 041)**	**523 483**	**0,39%**
Retail loans and advances				
Not overdue	130	-	130	0,00%
Overdue	730	(622)	108	85,21%
Total retail loans and advances	**860**	**(622)**	**238**	**72,26%**

Quality of loans and advances as at 31 December 2014 is as follows:

	Gross loans	**Impairment**	**Net loans**	**Impairment to gross loans**
Corporate loans and advances				
Not overdue	396 004	2 624	393 382	0,7%
Overdue	57 588	-	57 586	0,0%
Total corporate loans and advances	**453 592**	**2 624**	**450 968**	**0,7%**
Retail loans and advances				
Not overdue	1 249	5	1 244	0,4%
Overdue	449	442	7	98,4%
Total retail loans and advances	**1 698**	**447**	**1 251**	**98,8%**

(e) Corporate loans by industry

Corporate loans by industry as at 31 December are as follows:

	2015	2014
Trade	250 862	212 701
Production	163 148	91 896
Agriculture	55 306	50 275
Financial services	33 258	31 808
Car rent	9 744	39 851
Real estate	9 079	8 702
Other	4 050	15 563
Construction	77	2 796
Total	**525 524**	**453 592**

10 Investment property

Movement in investment property during 2015 is as follows:

	2015
Fair value of investment property at 1 January	**4 497**
Sale	(1 372)
Revaluation	(1 784)
Fair value of investment property at 31 December	**1 341**

Movement in investment property during 2014 is as follows:

	2014
Cost as at 1 January	**7 499**
Disposal	(2 102)
Cost as at 31 December	**5 397**
Accumulated depreciation as at 1 January	**(628)**
Depreciation	(272)
Accumulated depreciation as at 31 December	**(900)**
Net book value as at 31 December	**4 497**

Loss on revaluation of investment property in 2015 in amount of UAH 1 784 thousand is recognized within administrative and operating expenses (Note 22).

During the year ended 31 December 2015, the Bank disposed premises with a net book value of UAH 1 372 thousand, consideration received for the disposed property comprised UAH 2 543 thousand. Income on disposal of UAH 776 thousand was recognized in other operating income (Note 21).

11 Property, equipment and intangible assets

Movements in property, equipment and intangible assets for the year ended 31 December 2015 are as follows:

	Leasehold improve-ments	Furniture and equipment	Motor vehicles	Intangible assets	Capital investments	Total
Cost						
1 January 2015	**80**	**3 918**	**1 815**	**905**	**-**	**6 718**
Additions	5 570	6 226	-	1 803	2 940	16 539
Disposals	-	(33)	-	-	-	(33)
Transfers	-	(134)	131	3	-	-
31 December 2015	**5 650**	**9 977**	**1 946**	**2 711**	**2 940**	**23 224**
Accumulated depreciation and amortization						
1 January 2015	**80**	**2 889**	**579**	**850**	**-**	**4 398**
Depreciation and amortization	335	840	390	87	-	1 652
Disposals	-	(33)	-	-	-	(33)
31 December 2015	**415**	**3 696**	**969**	**937**	**-**	**6 017**
Net book value as at 31 December 2015	**5 235**	**6 281**	**977**	**1 774**	**2 940**	**17 207**

Movements in property, equipment and intangible assets for the year ended 31 December 2014 are as follows:

	Leasehold improve-ments	Furniture and equipment	Motor vehicles	Intangible assets	Total
Cost					
1 January 2014	**80**	**3 291**	**1 095**	**836**	**5 302**
Additions	-	627	864	69	1 560
Disposals	-	-	(144)	-	(144)
31 December 2014	**80**	**3 918**	**1 815**	**905**	**6 718**
Accumulated depreciation and amortization					
1 January 2014	**80**	**2 567**	**463**	**835**	**3 945**
Depreciation and amortization	-	322	260	15	597
Disposals	-	-	(144)	-	(144)
31 December 2014	**80**	**2 889**	**579**	**850**	**4 398**
Net book value as at 31 December 2014	**-**	**1 029**	**1 236**	**55**	**2 320**

12 Other assets

Other assets as at 31 December 2015 are as follows:

	2015	2014
Foreclosed curtain fabric	6 224	6 224
Prepayments	4 402	994
Derivative financial instruments (note 25)	65	58
Materials and supplies	46	59
Foreclosed machinery	-	216
Other	573	1 089
Allowance for impairment (Note 23)	(3 689)	(6 224)
Total	**7 621**	**2 416**

During the year ended 31 December 2015, the Bank recognized a recovery of allowance for impairment on foreclosed curtain fabric in amount of UAH 2 535 thousand (Note 23).

13 Due to banks

Balances due to banks as at 31 December 2015 are as follows:

	2015	2014
Deposits and balances due to banks:		
OECD countries	166 956	-
Domestic	55 273	31 582
Total	**222 229**	**31 582**

As at 31 December 2015, balances due to banks in amount of UAH 222 229 thousand or 100% of total due to banks are placed in five banks (31 December 2014: UAH 31 582 thousand or 100% of total due to banks are placed in two banks).

14 Due to customers

Due to customers as at 31 December 2015 are as follows:

	2015	2014
Current accounts:		
Corporate	359 509	228 728
Retail	13 264	7 811
Total current accounts	**372 773**	**236 539**
Deposits:		
Corporate	109 691	112 014
Retail	54 294	54 264
Total deposits	**163 985**	**166 278**
Total	**536 758**	**402 817**

As at 31 December 2015, current accounts of five largest corporate customers comprised UAH 156 484 thousand or 42% of total current accounts (31 December 2014: current accounts of five largest customers comprised UAH 66 157 thousand or 28% of total current accounts).

As at 31 December 2015, deposits of five largest customers comprised UAH 114 306 thousand or 70% of total deposits (31 December 2014: deposits of five largest customers comprised UAH 99 485 thousand or 60% of total deposits).

15 Other liabilities

Other liabilities as at 31 December 2015 are as follows:

	2015	2014
Accrual for unused vacations	1 084	1 053
Accounts payable	2 716	800
Taxes payable other than corporate income tax	122	377
Other	11	75
Total	**3 933**	**2 305**

16 Subordinated debt

In 2008, the Bank received a subordinated loan of USD 5 000 thousand denominated in US dollars with a nominal interest rate of 5,5% from the shareholder JSC "ALTINBAŞ HOLDİNG ANONİM ŞIRKETİ". The principal amount of this loan was initially repayable in August 2013. In 2011, maturity of the loan was extended until July 2017. In 2014, maturity of the loan was extended until July 2020.

In 2011, the Bank received a subordinated loan of USD 500 thousand denominated in US dollars with a nominal interest rate of 6.1% from the shareholder JSC "ALTINBAŞ HOLDİNG ANONİM ŞIRKETİ". The loan was initially repayable in July 2016. In 2014, maturity of the loan was extended until July 2020.

Loans were initially recognized at fair value determined by discounting future payments under the loans at the market rate of interest for similar instruments.

17 Share capital

As at 31 December 2015, the Bank's authorized share capital comprised 88 045 200 ordinary shares with a nominal value of UAH 1,17 per share (31 December 2014: 88 045 200 ordinary shares with a nominal value of UAH 1 per share). All shares have equal voting rights. As at 31 December 2015, all shares were fully paid and registered.

No dividends were declared and paid in 2015 and 2014.

In accordance with Ukrainian legislation the distributable reserves are limited to the balance of retained earnings determined in accordance with legislative and regulatory requirements.

In August, 2015, according to the Decision of the shareholders of the Bank dated 28 April 2015, the Bank's share capital was increased by UAH 14 968 thousand through capitalisation of part of the profit for 2014 by increasing nominal value of shares from UAH 1,00 per share to UAH 1,17 per share.

Earnings per share

Basic earnings per share are be calculated by dividing profit or loss attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the period. The Bank does not have converted preferred shares, thus diluted earnings per share is equal to basic earnings per share.

	2015	2014
Profit for the period owned by holders of the Bank's ordinary shares	36 143	23 415
Average number of outstanding shares for the period (thousand shares)	88 045 200	88 045 200
Earnings per ordinary share	0,00041	0,00027

18 Commitments and contingencies

(a) Operating lease commitments

The Bank leases operational premises in the normal course of business. Future payments on non-cancellable leases as at 31 December are as follows:

	2015	2014
Within one year	1 185	307

(b) Commitments to extend credit

The Bank has outstanding commitments to extend credit. These commitments take the form of approved loans and loan facilities. Total outstanding contractual commitments do not necessarily represent future cash requirements, as these commitments may expire or terminate without being funded. As at 31 December 2015, irrevocable commitments to extend credit comprise UAH 1 572 thousand (31 December 2014: UAH 672 thousand).

(c) Insurance

The insurance industry in Ukraine is in a developing stage and many forms of insurance protection common in other countries are not yet generally available. The Bank does not have full coverage for its premises and equipment, business interruption or third party liability in respect of damage arising from accidents on Bank property or relating to operations. Until the Bank obtains adequate insurance coverage there is a risk that the loss or destruction of certain assets could have a material adverse effect on the operations and financial position.

(d) Tax contingency

The Ukrainian tax system can be characterized by numerous taxes and frequently changing legislation. Tax regulations are often unclear open to wide interpretation and in some instances are conflicting. Instances of inconsistent opinions between local regional and national tax authorities and between the National Bank of Ukraine and the Ministry of Finance are not unusual. Tax declarations are subject to review and investigation by a number of authorities that are enabled by law to impose significant penalties and interest charges. These facts create tax risks in Ukraine substantially more significant than typically found in countries with more developed tax systems.

Management believes it has complied with all existing tax legislation. However it is not certain that tax authorities will not have a different interpretation of the Bank's compliance with existing legislation and assess fines and penalties. No provision for potential tax assessments has been made in these financial statements.

(e) Litigation

The Bank is involved in various legal proceedings in the ordinary course of business. Management of the Bank believes that no legal proceedings will have a material effect on financial position of the Bank.

19 Interest income and expense

Interest income and expense for the year ended 31 December 2015 are as follows:

	2015	2014
Loans and advances	83 491	54 168
Due from banks	7 083	1 495
Total interest income	**90 574**	**55 663**
Deposits	(17 271)	(11 091)
Current accounts	(19 575)	(7 579)
Subordinated debt	(8 966)	(5 442)
Due to banks	(1 726)	(2 057)
Total interest expense	**(47 538)**	**(26 169)**
Net interest income	**43 036**	**29 494**

20 Fee and commission income

Fee and commission income for the year ended 31 December 2015 is as follows:

	2015	2014
Fee and commission income:		
Currency exchange	9 020	5 476
Payments and cash withdrawals	6 261	4 182
Other	4 105	2 842
Total fee and commission income	**19 386**	**12 501**
Fee and commission expense:		
Payments and cash withdrawals	(1 783)	(1 391)
Other	(178)	(83)
Total fee and commission expense	**(1 961)**	**(1 474)**

21 Other operating income

	2015	2014
Gain on sale of investment property (Note 10)	776	-
Gain on sale of other assets	617	-
Penalties and fines	308	-
Proceeds from loans previously written-off	-	1 046
Net result from operations with derivative financial instruments	45	205
Other	20	215
Total other operating income	**1 766**	**1 466**

22 Administrative and other operating expenses

Administrative and other operating expenses for the year ended 31 December 2015 are as follows:

	2015	2014
Salary and employee benefits	32 679	19 157
Rent and maintenance of premises	10 243	5 333
Communication and information	3 793	2 320
Legal and consulting services	3 451	1 347
Loss on revaluation of investment property (Note 10)	1 784	-
Repairs and maintenance of property and equipment	1 697	874
Depreciation and amortization	1 652	869
Business trips	1 198	150
Stationary and office consumables	1 012	1 094
Taxes other than on income and other charges	967	3 527
Security	273	170
Advertising and marketing	177	33
Transportation	57	52
Loss on disposal of investment property	-	693
Other	1 456	1 463
Total	**60 439**	**37 082**

23 Allowance for impairment

Movements in allowance for impairment for the year ended 31 December 2015 are:

	Loans and advances	Other assets
Balance as at 1 January 2014	**(1 065)**	**(6 224)**
Charge for impairment allowance	(3 052)	-
Amounts written off	1 046	-
Balance as at 1 January 2015	**(3 071)**	**(6 224)**
Recovery of allowance for impairment	408	2 535
Balance as at 31 December 2015	**(2 663)**	**(3 689)**

24 Income tax expense

Income tax expense is comprised of the following:

	2015	2014
Current tax expense	8 375	3 833
Deferred tax charge / (benefit)	(1 010)	1 722
Total tax expense for the year	**7 365**	**5 555**

The income of the Bank for 2015 is taxable at the rate of 18% (2014: 18%). The reconciliation between the expected and the actual income tax expense is provided below:

	2015	2014
Profit before tax	**38 917**	**28 970**
Theoretical tax charge at 18%	7 044	5 211
Non-deductible expenses	321	344
Effective income tax expense	**7 365**	**5 555**

(a) Movements in recognized temporary differences during the year

Deferred tax assets and liabilities as at 31 December 2015 are attributable to the items detailed as follows:

	1 January 2015	Recognized through profit or loss	31 December 2015
	Asset (liability)	***Benefit (charge)***	***Asset (liability)***
Loans and advances	(651)	217	(434)
Investment property	104	(104)	-
Other assets	1 111	(1 111)	-
Subordinated debt	(2 039)	2 039	-
Other liabilities	70	(31)	39
Total	**(1 405)**	**1 010**	**(395)**

Deferred tax assets and liabilities as at 31 December 2014 are attributable to the items detailed as follows:

	1 January 2014	Recognized through profit or loss	31 December 2014
	Asset (liability)	*Benefit (charge)*	*Asset (liability)*
Due from banks	(2)	2	-
Loans and advances	(377)	(274)	(651)
Investment property	100	4	104
Other assets	1 119	(8)	1 111
Subordinated debt	(637)	(1 402)	(2 039)
Other liabilities	114	(44)	70
Total	**317**	**(1 722)**	**(1 405)**

25 Derivative financial instruments

Derivative financial instruments are represented mainly by forward foreign currency exchange contracts and interbank swaps.

Management believes that these transactions are in substance foreign exchange swaps and accounts for these transactions in accordance with the Bank's accounting policy in respect of derivative financial instruments.

The table below sets out gross amounts of receivable and payable upon settlement of amounts of forward foreign currency exchange derivative contracts and of loans due from and deposits due to banks. Because these contracts are short-term the net amount of receivable or payable upon settlement also approximates the positive (net receivable) or negative (net payable) fair value of the financial instruments:

	2015	2014
	Forward currency exchange contracts	**Forward currency exchange contracts**
UAH receivable	39 124	37 671
USD receivable	-	58 892
USD payable	(22 801)	(37 845)
EUR payable	(16 258)	(58 660)
Fair value of assets	**65**	**58**
Maximum exposure to credit risk (gross amount receivable)	**39 124**	**96 563**

26 Financial risk management

Management of risk is fundamental to the banking business and is an essential element of operations. The major risks faced by the Bank are those related to credit exposures, market risk (which includes risk of movements in foreign exchange rates and in interest rates) and liquidity risk.

(a) Risk management framework

The risk management policies aim to identify, analyse and manage the risks faced by the Bank, to set appropriate risk limits and controls, and to continuously monitor risk levels and adherence to limits.

The risks are managed in an integrated manner and are evaluated in accordance with Bank's internal policies which are reviewed and approved by the Board on an annual basis. Risk limits are established for credit, market and liquidity risks and the level of exposure is then maintained within these limits.

(b) Credit risk

Credit risk is the risk of a financial loss to the Bank if a customer or counterparty fails to meet its contractual obligations and arises principally from loans and advances and securities. The maximum credit risk exposure is generally net carrying amounts of instruments as at end of the reporting period.

Management monitors concentration of credit risk. For the analysis of concentration of credit risk in respect of loans and advances refer to Note 9.

The Bank has to comply with varying NBU regulations that limit exposure to companies groups of companies and related parties. To manage credit risk the Bank deals with counterparties of good credit standing and when appropriate obtains collateral.

Corporate lending

In making its lending decisions the Bank evaluates potential borrowers on the basis of their financial condition as reflected in their financial statements, their credit history with the Bank and other financial institutions, and the amount of risk involved in lending to a particular borrower using a rating scale. A lack of credit history with the Bank or lack of credit history in general is not an absolute bar to granting a loan provided the Bank receives sufficient information to assess the borrower's business and financial condition. However, when the Bank lends to a borrower with no credit history, it sets conditions such as a requirement to transfer a certain part of the customer's banking operations to the Bank for a certain period and charging a higher interest rate or requiring additional collateral or guarantees from such borrower.

In evaluating the risks associated with a particular borrower the Bank takes into account the borrower's business and factors such as the quality of its management, its main business activities, its geographic location, suppliers, customers, other indebtedness, financial stability, turnover, likely return on the loan, liquidity of the proposed collateral and whether it is sufficient in view of the credit risk. The Bank also considers the weighted average credit risk associated with the industry in which the borrower operates.

Retail lending

The Bank ceased its retail lending activities. The Bank plans to grant retail loans only in exceptional cases and will concentrate on collection of existing retail loans.

The Bank continuously monitors the performance of individual credit exposures and regularly reassesses the creditworthiness of its customers. The review is based on an analysis of overdue payments and other information obtained by the Bank. In light of this information the borrower's internal credit rating may be revised.

The maximum exposure to off-balance sheet credit risk at 31 December 2015 is as follows:

	2015	**2014**
Irrevocable credit lines (Note 18(b))	1 572	672
Gross amount receivable on derivatives (Note 25)	39 124	96 563
Total off-balance sheet exposure	**40 696**	**97 235**

(c) Market risk

Market risk is the risk that changes in the market prices such as interest rate, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) will affect income or the value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the return on risk.

(d) Foreign currency risk

Currency risk is the risk that movements in foreign exchange rates will affect income or the value of portfolios of financial instruments.

The Bank has assets and liabilities denominated in several foreign currencies. Foreign currency risk arises when the actual or forecasted assets in a foreign currency are either greater or less

than the liabilities in that currency. Management establishes limits and constantly monitors foreign currency positions in accordance with the regulations of the NBU and internally developed methodology. The policy with regard to open foreign currency position is restricted to certain thresholds under regulatory provisions of the NBU however the calculation of open currency position under regulatory provisions differs from the below table.

Foreign currency positions as at 31 December 2015 are as follows:

	USD	EUR	Other
Assets			
Cash and cash equivalents	285 172	47 040	122
Due from banks	2 952	-	-
Loans and advances	207 988	39 623	-
	496 112	**86 664**	**122**
Liabilities			
Due to banks	(175 024)	(47 205)	-
Due to customers	(165 223)	(22 558)	(11)
Subordinated debt	(117 475)	-	-
	(457 722)	**(69 763)**	**(11)**
Net balance sheet position	**38 390**	**16 901**	**111**
Derivatives: forward foreign currency exchange contracts (note 25)	(22 801)	(16 258)	-
Net long position	**15 590**	**642**	**111**

Foreign currency positions as at 31 December 2014 are as follows:

	USD	EUR	Other
Assets			
Cash and cash equivalents	69 131	34 449	13
Due from banks	1 939	-	-
Loans and advances	219 191	40 553	-
	290 261	**75 002**	**13**
Liabilities			
Due to banks	(31 582)	-	-
Due to customers	(193 457)	(18 765)	(11)
Subordinated debt	(75 813)	-	-
	(300 852)	**(18 765)**	**(11)**
Net balance sheet position	**(10 591)**	**56 237**	**2**
Derivatives: forward foreign currency exchange contracts (note 25)	21 047	(58 660)	-
Net long (short) position	**10 456**	**(2 423)**	**2**

Other currencies are mainly represented by Turkish Lira.

Currency risks as defined by IFRS 7 arise on account of financial instruments being denominated in a currency that is not the functional currency and being of a monetary nature; translation-related risks are not taken into consideration.

Relevant risk variables are generally non-functional currencies in which the Bank has financial instruments. The following tables demonstrate the sensitivity to a reasonably possible change in the foreign currency exchange rate, with all other variables held constant, of the Bank's profit before tax for the years ended 31 December 2015 and 2014.

2015	**Increase/ decrease in exchange rate**	**Effect on profit before tax**
USD/UAH	+67%	10 950
USD/UAH	-18%	(2 942)

2014	**Increase/ decrease in exchange rate**	**Effect on profit before tax**
USD/UAH	+29%	2 330
USD/UAH	-29%	(2 330)

(e) Interest rate risk

Interest rate risk is the risk that movements in interest rates will affect income or the value of financial instruments.

Interest rate risk is measured by the extent to which changes in market interest rates impact on margins and net interest income. To the extent the term structure of interest bearing assets differs from that of liabilities net interest income will increase or decrease as a result of movements in interest rates. To manage interest rate risk management continually assesses market interest rates for different types of interest bearing assets and liabilities.

Interest margins on assets and liabilities having different maturities may increase as a result of changes in market interest rates. In practice management resets interest rates on both assets and liabilities based on current market conditions and mutual agreement which is documented in an addendum to the original agreement which sets forth the new interest rate.

As at 31 December 2015, the Bank had one floating rate instrument (31 December 2014: nil). Increase of effective interest rate by 1% will decrease profit of the Bank by UAH 1 200 thousand.

(f) Liquidity risk

Liquidity risk arises in the general funding of activities and in the management of positions. It includes both the risk of being unable to fund assets at appropriate maturities and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame.

Management's approach to managing liquidity is to ensure as far as possible that it will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions without incurring unacceptable losses or risking damage to the Bank's reputation.

The Bank seeks to actively support a diversified and stable funding base comprising debt securities in issue long-term and short-term loans from other banks core corporate and retail customer deposits accompanied by diversified portfolios of highly liquid assets in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

To maintain its short-term liquidity the Bank takes short-term deposits enters into repurchase transactions and buys and sells foreign currency securities and precious metals. To maintain its long-term liquidity the Bank takes medium and long-term deposits sells assets such as securities regulates its interest rate policy and strives to reduce expenses.

The contractual remaining maturities of non-derivative financial assets and liabilities excluding interest payments as at 31 December 2015 are as follows:

	Within one month	From one to three months	From three months to one year	From one to five years	More than five years	Total
Assets						
Cash and cash equivalents	365 048	-	-	-	-	**365 048**
Securities: held to maturity	150 101	-	-	-	-	**150 101**
Due from banks	-	-	-	2 952	-	**2 952**
Loans and advances	68 253	118 533	328 249	8 677	9	**523 721**
	583 402	**118 533**	**328 249**	**11 629**	**9**	**1 041 822**
Liabilities						
Due to banks	101 401	-	120 827	-	-	**222 229**
Due to customers	474 614	45 795	10 606	5 744	-	**536 758**
Subordinated debt	-	-	631	116 844	-	**117 475**
	576 015	**45 795**	**132 064**	**122 588**	**-**	**876 462**
Liquidity surplus	7 387	72 738	196 185	(110 959)	9	**165 360**
Cumulative liquidity surplus	**7 387**	**80 125**	**276 310**	**165 351**	**165 360**	

The contractual remaining maturities of non-derivative financial assets and liabilities excluding interest payments as at 31 December 2014 are as follows:

	Within one month	From one to three months	From three months to one year	From one to five years	More than five years	Total
Assets						
Cash and cash equivalents	197 068	-	-	-	-	**197 068**
Due from banks	-	-	1 781	158	-	**1 939**
Loans and advances	16 571	81 551	305 277	48 820	-	**452 219**
	213 639	**81 551**	**307 216**	**48 820**	**-**	**651 226**
Liabilities						
Due to banks	31 582	-	-	-	-	**31 582**
Due to customers	252 623	74 727	61 624	13 843	-	**402 817**
Subordinated debt	-	-	-	-	75 813	**75 813**
	284 205	**74 727**	**61 624**	**13 843**	**75 813**	**510 212**
Liquidity (gap) surplus for the period	(70 566)	6 824	245 592	34 977	(75 813)	**141 014**
Cumulative liquidity (gap) surplus	**(70 566)**	**(63 742)**	**181 850**	**216 827**	**141 014**	

As at 31 December 2015 under Ukrainian law and terms of deposit agreements the Bank is obliged to repay term deposits of individuals upon demand of a depositor. In the event that a term deposit is repaid upon demand of the depositor prior to maturity, interest is paid based on

the interest rate for demand deposits, unless a different interest rate is specified in the agreement. In the above table these deposits are shown in "Within one month" bucket.

Due to short-term nature of the loans issued by the Bank it is likely that many of the loans will be prolonged at maturity. On the contrary, historical experience demonstrates that certain loans are settled before their contractual maturity dates. Accordingly the effective maturity of the loan portfolio may be significantly different than the term based on contractual terms.

The contractual maturity analysis of undiscounted cash flows (including interest payments) for financial liabilities as at 31 December 2015 is as follows:

	Within one month	**From one to three months**	**From three months to one year**	**From one to five years**	**Total**
Due to banks	102 283	-	127 214	-	**229 497**
Due to customers	475 078	46 440	11 051	5 926	**538 495**
Subordinated debt	-	-	7 334	158 282	**165 616**
Credit related commitments (Note 18(b))	550	-	1 022	-	**1 572**
Total	**577 911**	**46 440**	**146 621**	**164 208**	**935 180**

The contractual maturity analysis of undiscounted cash flows (including interest payments) for financial liabilities as at 31 December 2014 is as follows:

	Within one month	**From one to three months**	**From three months to one year**	**From one to five years**	**Total**
Due to banks	31 634	-	-	-	**31 634**
Due to customers	259 229	81 344	67 596	14 830	**422 998**
Subordinated debt	-	-	3 855	108 811	**112 666**
Credit related commitments (Note 18(b))	672	-	-	-	**672**
Total	**291 535**	**81 344**	**71 451**	**123 641**	**567 970**

27 Capital management

(i) Regulatory capital

Under the current capital requirements set by the NBU, banks have to maintain a ratio of capital to risk weighted assets (regulatory capital ratio) above the prescribed minimum level. If it does not maintain or sufficiently increase its capital base in line with the increase in its risk weighted assets, it may be non-compliant with the NBU capital adequacy regulations, which could lead to the imposition of sanctions by the NBU. This could have a material adverse effect on results of operations and financial position. As at 31 December 2015, the minimum level required by the NBU is 10,0% (31 December 2014: 10,0%).

The Bank's capital adequacy ratio as at 31 December 2015 is 42,87% (31 December 2014: 45,25%). The Bank was in compliance with the regulatory capital ratios set by the NBU as at 31 December 2015 and 2014. The amount of regulatory capital as at 31 December 2015 is UAH 270 162 thousand (31 December 2014: UAH 227 822 thousand).

The following table shows the composition of the capital position calculated in accordance with the requirements of the Basel Accord I as at 31 December:

	2015	2014
Tier 1 capital		
Share capital	103 013	88 045
Retained earnings, share premium and additional paid in capital	79 665	58 490
Total Tier 1 capital	**182 678**	**146 535**
Subordinated debt	117 475	75 813
Total capital	**300 153**	**222 347**

28 Balances with related parties

The Bank grants loans and advances to customers, attracts deposits and performs other transactions with related parties in the ordinary course of business. Parties are considered to be related if one party has the ability to control the other party or exercises significant influence over the party when making financial and operational decisions. Terms of transactions with related parties are established at the time of the transaction. Related parties comprise entities which are under common control with the Bank, members of the Supervisory Board, key management personnel and their close family members, companies that are controlled or significantly influenced by shareholders, by key management personnel or by their close family members.

As at 31 December 2015 and 2014, the ultimate controlling party of the Bank is JSC "ALTINBAŞ HOLDING ANONIM ŞIRKETI", which is ultimately controlled by members of Altinbaş family.

Balances and transactions with the related parties as at and for the year ended 31 December 2015 are as follows:

	2015	2014
Balances and transactions with the Parent company		
Statement of financial position:		
Subordinated debt	117 475	75 813
Loans and advances from international and other financial institutions	-	39 421
Due to customers	48 073	39 781
Statement of comprehensive income:		
Interest expenses	16 983	7 373
Balances and transactions with the key management personnel		
Statement of financial position:		
Loans and advances to customers	9	3
Due to customers	1 233	2 440
Statement of comprehensive income:		
Interest income	3	-
Interest expenses	91	1
Salaries and related charges	6 951	4 508

The foreign currency positions and interest rates of transactions with related parties as at 31 December 2015 are as follows:

	UAH	Interest rate	USD	Interest rate	EUR	Interest rate
Balances with the Parent company and other entities under common control						
Subordinated debt	-	-	117 475	5,5-6,1%	-	-
Due to customers	-	-	48 073	6,0%	-	-
Balances with key management personnel						
Loans and advances	9	45,0%	-	-	-	-
Deposits from customers	-	-	1 138	7,7%	-	-
Current accounts	41	0,3%	53	0,3%	1	0,3%

The foreign currency positions and interest rates of transactions with related parties as at 31 December 2014 are as follows:

	UAH	Interest rate	USD	Interest rate	EUR	Interest rate
Balances with the Parent company and other entities under common control						
Subordinated debt	-	-	75 813	5,5-6,1%	-	-
Loans and advances from international and other financial institutions	-	-	39 421	4,5%	-	-
Due to customers	-	-	39 781	4,4%	-	-
Balances with key management personnel						
Loans and advances	3	36,0%	-	-	-	-
Due to customers	118	6,5%	1 666	7,9%	656	7,2%

The remaining contractual maturities of balances with related parties as at 31 December 2015 are as follows:

	Within one month	From one to three months	From three months to one year	From one to five years	More than five years	Total
Balances with the Parent company and other entities under common control						
Subordinated debt	-	-	-	117 475	-	**117 475**
Due to customers	-	48 073	-	-	-	**48 073**
Balances with key management personnel						
Loans and advances to customers	-	-	-	9	-	**9**
Due to customers	89	-	1 143	-	-	**1 233**

The remaining contractual maturities of balances with related parties as at 31 December 2014 are as follows:

	Within one month	From one to three months	From three months to one year	From one to five years	More than five years	Total
Balances with the Parent company and other entities under common control						
Subordinated debt	**-**	**-**	-	-	75 813	**75 813**
Loans and advances from international and other financial institutions	**-**	**-**	39 421	-	-	**39 421**
Due to customers	**-**	**-**	39 781	-	-	**39 781**
Balances with key management personnel						
Loans and advances to customers	-	3	-	-	**-**	**3**
Due to customers	1 294	66	1 080	-	**-**	**2 440**

Key management personnel are those individuals that have the authority and responsibility for planning, directing and controlling the activities of the Bank directly or indirectly and includes members of the Board of Management.

29 Estimation of fair value

(a) Fair value of financial assets and liabilities not carried at fair value

Set out below is the comparison by class of the carrying amounts and fair values of the Bank's financial instruments that are carried at amortized cost in the financial statements. The table does not include the fair values of non-financial assets and non-financial liabilities.

	2015		2014	
	Carrying value	Fair value	Carrying value	Fair value
Cash and cash equivalents	365 048	365 048	197 068	197 068
Securities: held to maturity	150 101	150 101	-	-
Due from banks	2 952	2 952	1 939	1 939
Loans and advances	523 721	522 113	452 219	460 126
Total	**1 041 822**	**1 040 214**	**651 226**	**659 133**
Due to banks	222 229	222 229	31 582	31 582
Due to customers	536 758	536 478	402 817	402 817
Subordinated debt	117 475	125 762	75 813	58 395
Total	**876 462**	**884 469**	**510 212**	**515 904**

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

Assets for which fair value approximates carrying value

For the financial assets and financial liabilities that are liquid or have a short term maturity (less than three months), it is assumed that their carrying amounts approximate their fair values. This assumption is also applied to demand deposits, savings accounts without a specific maturity and variable rate financial instruments.

Financial assets and financial liabilities carried at amortized cost

For those instruments carried at amortized cost a discounted cash flow model is used based on a current market rates offered for similar financial instruments with similar provisions, similar credit risk and maturity.

(b) Financial instruments recorded at fair value

All the assets and liabilities whose fair value is measured or disclosed in the financial statements are classified by fair value sources hierarchy level presented below on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2: valuation techniques for which all inputs which have a significant effect on the recorded fair value belong to the lowest hierarchy level and are directly or indirectly based on market data; and
- Level 3: valuation techniques which use inputs which have a significant effect on the recorded fair value belong to the lowest hierarchy level and are not observable on the market.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Bank determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Bank has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

	Fair value measurement using			
31 December 2015	***Level 1***	***Level 2***	***Level 3***	***Total***
Assets measured at fair value				
Other assets (Derivative financial instruments)	-	65	-	***65***
Assets for which fair values are disclosed				
Cash and cash equivalents	365 048	-	-	**365 048**
Securities: held to maturity	150 101	-	-	**150 101**
Due from banks	-	2 952	-	**2 952**
Loans and advances	-	-	522 113	**522 113**
Liabilities for which fair values are disclosed				
Due to banks	-	222 229	-	**222 229**
Due to customers	-	536 478	-	**536 478**
Subordinated debt	-	125 762	-	**125 762**

Information about changes of value of investment property during 2015 has been disclosed in Note 10.

	Fair value measurement using			
31 December 2014	***Level 1***	***Level 2***	***Level 3***	***Total***
Assets measured at fair value				
Other assets (Derivative financial instruments)	**-**	58	-	**58**
Assets for which fair values are disclosed				
Cash and cash equivalents	197 068	-	-	**197 068**
Due from banks	-	1 939	-	**1 939**
Loans and advances	-	-	460 126	**460 126**
Liabilities for which fair values are disclosed				
Due to banks	-	31 582	-	**31 582**
Due to customers	-	402 817	-	**402 817**
Subordinated debt	-	58 395	-	**58 395**

The following is the description of the determination of fair value for the financial instruments which are recorded at fair value using the valuation techniques. These incorporate the Bank's estimate of assumptions that a market participant would make when valuing the instruments.

Derivative financial instruments

The derivatives valued using a valuation technique with market observable inputs are mainly currency swaps and forward foreign exchange contracts. The most frequently applied valuation techniques include forward and swap models, using the present value calculations. The models incorporate various inputs including foreign exchange spot and forward rates.

During 2015 and 2014, the Bank did not transfer any financial assets or financial liabilities between fair value hierarchy levels.