Translation from Ukrainian original

PUBLIC JOINT STOCK COMPANY "CITIBANK"

Annual financial statements in accordance with IFRS

for the year ended 31 December 2014
and INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Management Board of Public Joint Stock Company "Citibank"

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Public Joint Stock Company "Citibank" (hereinafter referred to as "the Bank"), which comprise the statement of financial position as at 31 December 2014, the statements of comprehensive income, the statement of changes in equity and cash flows statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the National Bank of Ukraine related to disclosures in the annual financial statements set forth by the Resolution of the Board of the National Bank of Ukraine № 373 dated 24 October 2011 "On approval of the guidelines for preparation and disclosure of financial statements of banks of Ukraine", and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2014, and its financial performance and its cash flows for the year then ended in

The Certificate on entering the Register of auditing firms and auditors №0084 of 26 January 2001.

accordance with the International Financial Reporting Standards and the requirements of the National Bank of Ukraine related to disclosures in the annual financial statements set forth by the Resolution of the Board of the National Bank of Ukraine № 373 dated 24 October 2011 "On approval of the guidelines for preparation and disclosure of financial statements of banks of Ukraine".

Emphasis of Matter

We draw your attention to the information set out in Note 37 "Events after the End of the Reporting Period" and the existence of significant uncertainty, the outcome of which depends on future events, which are not under the direct control of the Bank but that might affect its financial statements in the future. The indicated significant uncertainty is the risks arising from domestic and foreign political and economic factors, which at the date of issuance of the Report cannot be reasonably predicted.

President of the firm T. O. Bernatovych

«РСМ АПіК»
Ідентифікаційний код 21500646

Certified auditor
Auditor of Banks' Certificate №0021
Certificate of NBU №0000012
dated 30 August 2007

March 06, 2015
37/19 Donetska Str., Kyiv, 03151, Ukraine

STATEMENT OF FINANCIAL POSITION
as at 31 December, 2014

(in thousands of UAH)

	Note	2014	2013
ASSETS			
Cash and cash equivalents	6	1 530 250	1 359 512
Mandatory reserves in the National Bank of Ukraine		71 759	59 723
Securities at fair value through profit or loss	7	398 764	1 224 069
Due from other banks	8	17 899	52 867
Loans and advances to customers	9	2 606 764	2 336 361
Investment securities available for sale	10	5 810 066	583 861
Current income tax prepayment		18 599	118 009
Premises, equipment and intangible assets	11	37 700	35 107
Other financial assets	12	841	15 286
Other assets	13	7 678	4 948
Total assets		**10 500 320**	**5 789 743**
LIABILITIES			
Due to other banks	14	150 899	451 306
Customer accounts	15	7 223 239	4 360 070
Deferred tax liabilities		29 819	5 530
Provisions for liabilities	16	7 985	4 020
Other financial liabilities	17	1 338 971	10 134
Other liabilities	18	27 930	12 310
Total liabilities		**8 778 842**	**4 843 370**
EQUITY			
Share capital	19	102 444	102 444
Share premium	19	253 091	253 091
Retained earnings		1 256 267	457 075
Reserves and other funds of the Bank		143 557	119 334
Revaluation reserves		(33 881)	14 429
Total equity		**1 721 478**	**946 373**
Total liabilities and equity		**10 500 320**	**5 789 743**

Approved for issue and signed

6 March 2015

Chairman of the Board

Steven Allan Fisher

Acting Chief Accountant

K.Yu.Moskvina

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

The Statement of Financial Position shall be read with the accompanying Notes on pages 5-68 that are an integral part of these Financial Statements.

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2014

(in thousands of UAH)

	Note	2014	2013
Interest income	22	593 954	407 273
Interest expense	22	(70 940)	(51 522)
Net interest income		**523 014**	**355 751**
Fee and commission income	23	43 325	32 077
Fee and commission expense	23	(19 099)	(12 090)
Gains less losses from transactions with investment securities at fair value through profit or loss		664 156	36 458
Gains less losses/(losses less gains) from revaluation of derivative financial instruments in trading portfolio		(6 051)	3 485
Gains less losses from disposals of investment securities available for sale		5 806	4 287
Gains less losses from foreign exchanging operations		645 344	231 467
Foreign exchange translation gains less losses		64 803	4 571
Recovery of loan losses	9	4 953	2 828
Recovery of allowances for impairment of accounts receivable and other financial assets	12	(11 050)	(30)
Provisions for liabilities	16	(3 965)	(2 611)
Other operating income	24	4 199	5 414
Administrative and other operating expenses	25	(310 923)	(94 606)
Profit before tax		**1 604 512**	**567 001**
Income tax expense	26	(323 637)	(82 530)
PROFIT FOR THE YEAR		**1 280 875**	**484 471**
OTHER COMPREHENSIVE INCOME/(LOSS) THAT MAY BE RECLASSIFIED INTO PROFIT/(LOSS):			
Revaluation reserves for investment securities available for sale		(57 350)	55 713
Income tax related to other comprehensive income		9 040	(5 571)
Other comprehensive income/(loss) after tax for the year		**(48 310)**	**50 142**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1 232 565**	**534 613**
Earnings per share (UAH)	**27**	**128 087**	**48 447**

Approved for issue and signed

6 March 2015

м. Київ * Україна * Публічне акціонерне товариство "СІТІБАНК" Ідентифікаційний код 21685485

Chairman of the Board

Steven Allan Fisher

Acting Chief Accountant

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The Statement of Comprehensive Income shall be read with the accompanying Notes on pages 5-68 that are an integral part of these Financial Statements.

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2014

(in thousands of UAH)

	Note	Share capital	Share premium	Reserves, other funds and revaluation reserves	Retained earnings	Total equity
Balance at 1 January 2013		**102 444**	**253 091**	**59 460**	**450 102**	**865 097**
Profit for the year		-	-	-	484 471	484 471
Other comprehensive income	*20*	-	-	50 142	-	50 142
Allocation of retained earnings to reserves		-	-	24 162	(24 162)	-
Dividends	*28*	-	-	-	(453 526)	(453 526)
Share-based payments		-	-	-	190	190
Balance at 31 December 2013		**102 444**	**253 091**	**133 763**	**457 075**	**946 373**
Profit for the year		-	-	-	1 280 875	1 280 875
Other comprehensive income	*20*	-	-	(48 310)	-	(48 310)
Allocation of retained earnings to reserves		-	-	24 223	(24 223)	-
Dividends	*28*	-	-	-	(459 150)	(459 150)
Share-based payments		-	-	-	1 690	1 690
Balance at 31 December 2014		**102 444**	**253 091**	**109 676**	**1 256 267**	**1 721 478**

Approved for issue and signed

6 March 2015

Chairman of the Board

Steven Allan Fisher

Acting Chief Accountant

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The Statement of Changes in Equity shall be read with the accompanying Notes on pages 5-68 that are an integral part of these Financial Statements.

STATEMENT OF CASH FLOWS (direct method)
for the year ended 31 December 2014

(in thousands of UAH)

	Notes	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		624 560	389 482
Interest paid		(72 402)	(50 792)
Fees and commissions received		43 174	41 983
Fees and commissions paid		(19 099)	(12 014)
Income received from transactions with securities at fair value through profit or loss		469 816	6 736
Income received from foreign exchange operations		639 293	221 508
Other operating income received		4 199	5 413
Staff costs paid		(76 237)	(61 847)
Administrative and other operating expenses paid		(213 592)	(27 570)
Income tax paid		(190 897)	(172 344)
Cash flows from operating activities before changes in operating assets and liabilities		**1 208 816**	**340 555**
Changes in operating assets and liabilities:			
Net (increase)/decrease in mandatory reserves in the National Bank of Ukraine		(12 036)	21 703
Net (increase)/decrease in investment securities at fair value through profit or loss		978 158	(170 337)
Net (increase)/decrease in due from other banks		34 952	51 043
Net (increase)/decrease in loans and advances to customers		(266 206)	(490 001)
Net (increase)/decrease in other financial assets		(11 423)	(97)
Net (increase)/decrease in other assets		(2 731)	(956)
Net increase/(decrease) in due to other banks		(181 192)	45 691
Net increase/(decrease) in customer accounts		2 864 565	366 060
Net increase/(decrease) in other financial liabilities		1 336 728	(837)
Net increase/(decrease) in other liabilities		264	235
Net cash from operating activities		**5 949 894**	**163 059**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of investment securities available for sale		(7 854 842)	(16 855 860)
Proceeds from disposals of investment securities available for sale		2 594 443	16 919 659
Acquisition of premises, equipment and intangible assets		(5 420)	(4 184)
Proceeds from disposals of premises and equipment		266	-
Net cash from investing activities		**(5 265 553)**	**59 615**
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(459 150)	(453 526)
Net cash used in financing activities		**(459 150)**	**(453 526)**
Effect of official exchange rate changes on cash and cash equivalents		**64 808**	**(101)**
Net increase/(decrease) in cash and cash equivalents		289 999	(230 953)
Cash and cash equivalents at the beginning of the period	*6*	**1 240 235**	**1 471 188**
Cash and cash equivalents at the end of the period	*6*	**1 530 234**	**1 240 235**

Approved for issue and signed

6 March 2015

м. Київ "СІТІБАНК" Публічне акціонерне товариство ідентифікаційний код 21685485

Chairman of the Board

Steven Allan Fisher

Acting Chief Accountant

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The Statement of Cash Flows shall be read with the accompanying Notes on pages 5-68 that are an integral part of these Financial Statements.

Note 1 Background Information about the Bank

The Bank's Name and Location

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

The Bank's Organisational Structure

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

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

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

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

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

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

As at 31 December 2014 the staff of the Bank amounted to 162 persons (as at 31 December 2013 – to 147 persons).

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

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

Types of Activities of the Bank

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

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

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

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

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

- Non-trading transactions in foreign exchange assets;
- Transactions in foreign-currency cash and checks (purchase, sale, exchange, encashment) conducted by cashiers and at the Bank's currency exchange locations;
- Transactions in foreign-currency cash (purchase, sale, exchange), conducted at currency exchange locations which operate under business agreements entered into by the Bank with resident legal entities;

- Maintenance of customer accounts (residents and non-residents) in foreign currencies and of non-resident customer accounts in the Ukrainian national currency;
- Maintenance of banks' correspondent accounts (resident and non-resident) in foreign currencies;
- Maintenance of banks' correspondent accounts (resident and non-resident) in the Ukrainian national currency;
- Opening correspondent accounts with Ukrainian authorized banks in foreign currency and transacting through them;
- Opening correspondent accounts with non-resident banks in foreign currency and transacting through them;
- Attraction and placement of foreign currency in the Ukrainian foreign exchange market;
- Attraction and placement of foreign currency in international markets;
- Trading in foreign currencies in the Ukrainian foreign currency market [excluding foreign-currency cash and checks (purchase, sale, exchange) conducted at cashiers and currency exchange outlets of the Bank and its agents];
- Trading in foreign currencies in international markets;
- Foreign currency transactions in the Ukrainian foreign currency market pertaining to and within the scope of financial services.
- Foreign currency transactions in international markets pertaining to and within the scope of financial services.

Under the NSSMC licenses the Bank carries out the activities as follows:
- broking;
- dealing;
- underwriting;
- asset management;
- depository activities of securities custodian
- depository activities of depository institution.

The Bank's Mission

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

Type of the Bank

The Bank is a universal bank.

Mergers, Acquisitions, Divisions, Separations, Conversion of Banks

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

Risk Management

Continuous monitoring and management of the level of risks is one of the principal tasks of the Bank's Management Board. The main constituents of the Bank's risk management process are identification of risks, establishment of controls, monitoring, reporting and decision-making. The main risk exposures of the Bank include credit risk, market risks (comprising interest rate risk and foreign exchange rate risk), and liquidity risk. The Bank's guiding principle in its risk management policy is the priority of conservatism over profitability which suggests reducing the risk level to the minimum.

Risk management in the Bank is carried out by: the Credit Committee (credit risk), Asset/Liability Management Committee (liquidity risk, interest rate and foreign exchange rate risk, market situation monitoring and market risk control); Business Risk, Compliance and Control Committee (operational risk and other general risks), and Tariff Committee (calculation of applicable tariffs for fee and commission-earning operations and customers' current account maintenance). Risk control is exercised by the Bank's functions (Treasury, Financial Department, Operations & Technology Controls Unit, etc.).

The Credit Committee conducts the assessment of risks inherent in the Bank's lending and investment operations; comes up with proposals as to formation of the Bank's credit and investment portfolio; assesses the quality of the Bank funds' allocation; prepares proposals as to formation and application of the asset impairment loss provisions; and drafts proposals as to the establishment of limits on lending and investment operations.

The Asset Liability Management Committee looks for possible mismatches between the assets and liabilities as per their maturity pattern and issues recommendations on elimination of the mismatch in time intervals; considers the cost of liabilities and profitability of assets; works out the interest rate policy, the margin rate and spread admissible; comes up with proposals as to the establishment of operational limits for different financial instruments in order to restrict the Bank's risk; analyzes the Bank's adherence to economic operating standards and adequacy of reserves set out by the National Bank; issues recommendations concerning the asset and liability management to ensure compliance with the performance benchmarks; bears responsibility for the optimization of cash flows and payment discipline; and coordinates the system of corporate forecasting.

The Tariff Committee analyses the correlation of the Bank's service costs and current tariffs for their market competitiveness. It is responsible for the Bank's pricing policy and banking operations efficiency and issues proposals on introduction of banking service tariffs.

Structural units involved in banking operations bear responsibility for the fulfilment of the Board's and core committees' decisions, provide banking services, and engage in attraction and allocation of funds within the established limits.

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

Risk identification process consists in risk determination and assessment. The Bank has identified the main groups of risk as follows: strategic risk (including reputational), legal risk (including the compliance risk), credit risk, country risk, market risks (including liquidity, interest rate and foreign currency rate risks), operational risk, and systemic risk (inherent to IT and technological systems).

The Bank's management (Operational Risk, Compliance and Control Committee) maps out risks (i.e. establishes correspondence of each risk identified by the Bank with a specific risk group). The process of risk identification is further specified for particular departments with the latter mapping out the risks born as per procedures they are involved in.

Risk assessment is performed in two directions. First, the Bank assesses the inherent (intrinsic) risks to each activity. Second, it identifies the acceptable level of these risks (the degree of the respective risk which the Bank is prepared to accept). The qualitative risk assessment is made on a scale of high, medium and low levels.

This phase is followed by the establishment and implementation of controls (measures and procedures) that will allow lowering inherent risks to the acceptable level. Controls aimed to decrease inherent risks to the acceptable level are classified into the following categories: segregation of duties, independence, supervision, reviews, authorization and approval, controls in the IT and technological sector (automated and software-based), and administrative oversight. Additionally, controls are subdivided into preventive and subsequent ones.

The Bank has introduced a management information system providing necessary information flow for operational decision-making in risk management and for the dissemination of decisions among various structural levels in the system.

Participation in the Deposit Guarantee Fund

As at 31 December 2014, the Bank is a participant in the Deposit Guarantee Fund for individuals (Certificate #130 issued on 8 November 2012; registration on 28 November 2000, Reference #140). The Bank's transfer to the status of a temporary participant did not take place.

The Bank's Solvency

Regulatory capital adequacy requirement (solvency) H2 as at 31 December 2014 amounted to 42.85% (as at 31 December 2013 - 39.67%) (with the minimal limit value of 10%).

Termination of Specific Banking Activities

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

Restrictions on Asset Ownership

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

Corporate Governance

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

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

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

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

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

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

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

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

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

Management's Stake in the Bank's Equity

As at 31 December 2014 and 31 December 2013, the Bank's management did not own any of the Bank's shares.

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

	31 December 2014	31 December 2013
Citibank Overseas Investment Corporation	67%	67%
Citicorp Leasing International LLC	33%	33%
Total	**100%**	**100%**

Reporting Date and Reporting Period

The Bank's financial statements were prepared as at and for the year ended 31 December 2014.

Functional and Presentation Currency and Unit of its Measurement

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

Approval of the Financial Statements for Issue

The financial statements for the year ended 31 December 2014 were approved for issue by the Bank's Management Board on 06 March 2015.

Note 2 Economic Environment of the Bank's Operations

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

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

NBU will follow a strict monetary policy, primarily by hiking policy rates and increasing obligatory reserves requirements for commercial banks, aimed at squeezing the UAH liquidity to tackle the ongoing inflation and UAH devaluation pressures. Administrative restrictions, including capital control, ban of dividends remittance, strict monitoring of FX transactions, will be maintained by NBU.
Yet uncertain situation in east Ukraine remains a crucial factor which will determine the further economic growth in the country.

US $17.5bn of IMF bailout funds along with support from other international donors should lead to macroeconomic stabilization. This, in turn, requires approving the laws necessary to unlock IMF disbursements. The austerity package demanded by the latest program includes changes to tax, pensions, customs and banking legislation.

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

It is hard to assess the impact of further deterioration of financial markets' liquidity indicators, increasing instability of currency and stock markets on the Bank's financial position with acceptable degree of credibility.

The Bank’s management is convinced that it is taking all necessary measures towards the Bank’s sustainable development and improved liquidity position under the current circumstances.

Note 3 Basis of preparation of the Financial Statements

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

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

The financial statements herein have been prepared based on bookkeeping entries and include transformational adjustments for the purpose of financial reporting under the IFRS in cases of discrepancies between the provisions of the IFRS and NBU regulations, namely with regard to:

- formed allowance for loan impairment loss calculated under the Regulation on Banks’ Formation and Use of Allowance for Loan Impairment Loss;
- application of IAS 29 “Financial Reporting in Hyperinflationary Economies” to equity;
- operations with the Bank’s shareholders;
- deferred tax.

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

Note 4 Summaries of Significant Accounting Policies

4.1 Basis of measurement in preparation of financial statements

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

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

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

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

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

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

4.2 Initial recognition of financial instruments

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

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

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

Financial liability is any of the Bank's obligations which is:

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

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

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

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

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

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

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

4.3 Impairment of financial assets

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

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

a) Significant financial difficulties of an issuer or borrower;
b) Breach of a contract, such as default on obligations, overdue repayments of interest or principal;
c) Lender's provision (due to economic or legal reasons related to the borrower's financial difficulties) of concession to the borrower which the lender would not consider under other circumstances;
d) Likelihood that the borrower considers bankruptcy or a financial reorganization;
e) Disappearance of an active market for the financial asset concerned owing to financial difficulties; or
f) Observed data that point to a measurable decrease of estimated cash flows from a group of financial assets since the moment of their initial recognition, although the decrease cannot as yet be identified with specific financial assets in the group, including:
i) negative changes in the state of borrowers' repayments within the group (e.g. an increased number of overdue payments, or increased number of card-holders who have used up their credit limit and repay only minimal monthly amounts); or
ii) national or local economic environment that correlates with defaults on obligations within a group (e.g. increased unemployment rate in the borrowers' geographical region, decline of real estate prices on

mortgages in the relevant region, decrease of oil prices with reference to cash flows due from oil extracting companies' loan repayments, or adverse changes in a sector's environment that affect borrowers within a group).

While calculating allowances, the Bank divides financial assets into individually significant and not.

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

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

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

4.4 De-recognition of financial instruments

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

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

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

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

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

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

4.5 Cash and cash equivalents

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

4.6 Financial assets at fair value through profit or loss

The Bank includes financial assets in its trading portfolio if they:

- were acquired primarily for the purpose of resale within a short period of time;
- at their initial recognition were part of a portfolio of identified financial instruments managed in a pool and present evidence of a recent actual pattern of the short-term profit-bringing; or
- are derivatives (except for derivatives that are financial guarantee contracts or designated and effective hedging instruments).

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

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

4.7 Securities carried at fair value with revaluation through profit or loss

Securities designated as at fair value with recognition of revaluation through profit or loss are measured at fair value.

The fair value of investment securities, traded in the organized markets, is defined by their market value. Investment securities market value is a value, defined by its bid price at the closure time of the last trading day of the reporting period. In determining the fair value, the Bank uses bidding information from info-trading systems Reuters and Bloomberg along with the biddings of the First Financial Trading System.

The Bank may accept available trade biddings as fair value, if there is an active securities market. An active market - is a market, in which transactions for the assets or liabilities take place with sufficient frequency and volumes to provide pricing information on the on-going basis. Characteristics of an inactive market, usually, include significant decrease in volumes or activity level for the asset or liability; price quotations vary substantially either over time or among market-makers; indices that previously were highly correlated with the fair value of the asset or liability are demonstrably uncorrelated with recent indications of fair value for that asset or liability. For an active market to exist, free access to price quotations and regular transactions conducted on commercial basis are necessary.

In case if there is no active market, the Bank may accept as investment securities' fair value the value, determined on the basis of market data taking into account all available appropriate information on the securities, which would reflect the fair value of securities reliably. The decision on measurement of fair value of investment securities in such cases is taken by the Bank's Management.

4.8 Loans and receivables

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

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

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

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

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

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

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

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

Debt restructuring

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

This type of debt restructuring is recorded as follows:

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

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

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

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

4.9 Investment securities available for sale

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

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

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

4.10 Securities repurchase (resale) agreements

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

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

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

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

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

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

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

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

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

4.12 Premises and equipment

The Bank recognizes items of premises and equipment when:

- it is probable that future economic benefits associated with an asset will flow to the Bank, and
- the cost of an asset can be measured reliably.

Premises and equipment are recognized at historical cost. As an item of premises and equipment is initially recognized, it is further recorded at historical cost less accumulated depreciation and accrued impairment loss.

The initial measurement of the acquisition cost of an item of premises and equipment comprises expenses as follows:

- amounts paid to suppliers of an asset (less trade discounts) and contractors for constructing-and-installation works (without indirect taxes);
- registration fees, stamp duties and similar levies paid related to acquisition (reception) of ownership rights of an item of premises and equipment;
- amounts of the customs duty;
- amounts of indirect taxes related to the acquisition (creation) of premises and equipment (provided they are not refunded to the Bank);
- expenses on insurance of risks related to the assets' delivery;
- transportation costs, installation, assemblage, customization of the premises and equipment;
- other direct expenses related to bringing the asset to working condition for its intended use.

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

Premises and equipment are carried at historical cost less accumulated depreciation and any recognized impairment loss.

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

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

The historical cost of an item of premises and equipment less its residual value is subject to the depreciation charges. The residual value of items of premises and equipment and their components is reviewed at least at each balance-sheet date.

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

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

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

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

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

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

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

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

4.13 Intangible assets

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

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

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

Intangible assets have limited and undefined periods of useful life.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4.15 Derivative financial instruments

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

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

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

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

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

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

Over 2014 and 2013 the Bank carried out forward currency-exchange transactions which were recorded in the trading portfolio.

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

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

4.16 Borrowed funds

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

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

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

The Bank did not issue own debt securities.

4.17 Provisions for liabilities

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

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

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

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

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

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

4.18 Income tax

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

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

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

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

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

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

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

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

Income tax and deferred tax are calculated based on the following tax rates:

- current tax (other than operations with securities) – 18%, for operations with securities - since 01 January 2014 to 02 August 2014 - 10%, since 03 August to 31 December 2014 – 18%;
- deferred tax – 18%.

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

Deferred tax assets and liabilities are not discounted.

4.19 Share capital and share premium

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

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

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

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

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

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

4.20 Recognition of income and expenses

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

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

Income and expenses are recognized under the following conditions:

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

Income and expenses resulting from operations are established by a contract between counterparts or by other documents signed in conformity with current legislation of Ukraine. Income and expenses are recognized as per each type of the Bank's activities (operational, investment and financial). Recognition criteria of income and expenses are applied separately to each of the Bank's transactions.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Interest income and expense

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

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

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

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

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

Commission income and expense

Commission income is divided into two categories as follows:

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

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

- *Commission income for rendered services in processed transactions*

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

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

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

Staff costs

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

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

4.21 Revaluation of foreign currency

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

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

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

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

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

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

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

In the statement of financial position the assets and liabilities in foreign currency are recognized at the NBU exchange rate as at the balance-sheet date.

The following exchange rates (per unit) were put at the basis for these financial statements:

Currency	31 December 2014	31 December 2013
US Dollar	15.768556	7.993
Euro	19.232908	11.04153

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

4.22 Information on operating segments

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

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

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

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

4.23 Share-based payments

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

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

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

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

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

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

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

4.24 The effect of changes in the accounting policy, accounting estimates, and correction of significant errors

For the purposes of preparation of the financial statements for 2014, commission income for currency exchange transactions was reflected in Statement of Comprehensive Income in the row «Gains less losses from foreign currency transactions». The data for the previous period, in which commission income for currency exchange transactions was reflected in the row «Fee and commission income», have been restated to provide comparability of information. As a result commission income for currency exchange transactions for 2013 also was included in Statement of Comprehensive Income in the row «Gains less losses from foreign currency transactions».

The Bank also changed the presentation of information on the credit quality of loans and advances to customers in 2013 through additional disclosures regarding the established by the Bank ratings to borrowers.

4.25 Critical accounting estimates and judgments in applying of accounting policy

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

Classification of securities

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

Estimation uncertainties

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

Going concern assumption

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

Fair value of financial instruments

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

Loan-and-receivables impairment loss provision

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

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

Deferred tax

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

Note 5 New and Revised Accounting Standards

The following standards and interpretations became effective for the Bank from 01 January 2014

- *Amendments to IAS 32 titled "Offsetting Financial Assets and Financial Liabilities" (issued in December 2011)* – the amendments, that are effective retrospectively, do not change the existing offsetting model for financial instruments but clarify the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement. As the Bank does not have offsetting arrangements in place, there was no effect on its consolidated financial statements.

- *Amendments to IAS 36 titled "Recoverable Amount Disclosure for Non-Financial Assets" (issued in May 2013)*– the amendments reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount based on fair value less costs of disposal is determined using a present value technique.

- *Amendments to IAS 39 titled "Novation of Derivatives and Continuation of Hedge Accounting" (issued in June 2013)* - the amendments permit the continuation of hedge accounting in a situation where the counterparty to a derivative designated as a hedging instrument is replaced by a new central counterparty (known as "novation of derivatives"), as a consequence of laws or regulations, if specific conditions are met. In the absence of such transactions, the amendments had no effect on the Bank's financial statements.

- *Amendment to IFRS 2 (Annual Improvements to IFRSs 2010–2012 Cycle, issued in December 2013)* - the amendment clarifies the definitions of "vesting condition" and "market condition" and adds definitions for "performance condition" and "service condition". The amendment is applicable prospectively to share-based payment transactions for which the grant date is on or after 1 July 2014 and had no effect on the Banks's financial statements.

- *Amendment to IFRS 3 (Annual Improvements to IFRSs 2010–2012 Cycle, issued in December 2013)* – the amendment, applicable prospectively to business combinations for which the acquisition date is on or after 1 July 2014, requires any contingent consideration that is classified as an asset or a liability (ie non-equity) to be measured at fair value at each reporting date with changes in fair value recognised in profit or loss. It had no effect on the Bank's financial statements.

- *Amendments to IFRS 10, IFRS 12, and IAS 27 titled "Investment entities" (issued in October 2012)* – the amendments define "investment entities" and provide them an exemption from the consolidation of subsidiaries (except those which provide services relating to the investment entity's investment activities); instead, an investment entity is required to measure the investment in each eligible subsidiary at fair value through profit or loss in accordance with IFRS 9 / IAS 39, and to account for its investment in the same way in its consolidated and separate financial statements; additional disclosures are introduced. The amendments apply retrospectively with transitional provisions. The amendments had no effect on the Bank's financial statements as the Bank is not an investment entity.

- Amendment to IFRS 13 (*Annual Improvements to IFRSs 2010–2012 Cycle*, issued in December 2013) - this amendment to the standard's basis for conclusions only clarifies that the ability to measure certain short-term receivables and payables on an undiscounted basis is retained.

- *Interpretation IFRIC 21 "Payments and Dues" (issued in May 2013)* - The interpretation provides guidance on when to recognise a liability for a levy imposed by a government. The obligating event for the recognition of a liability is the activity that triggers the payment of the levy in accordance with the relevant legislation. It also provides guidance on recognition of a liability to pay levies: the liability is recognised either progressively if the obligating event occurs over a period of time, or when the minimum threshold is reached if an obligation is triggered on reaching that minimum threshold. IFRIC 21 has had no effect on the Bank's financial statements.

The changes stated above had not had any significant effect on the Bank's annual financial statements.

New standards, amendments and interpretations that have been issued by IASB but not yet effective for the financial year ended on 31 December 2014 and have not been implemented by the Bank.

The Bank has not applied the following new, revised or amended standards that have been issued by the IASB, but are not yet effective for the year beginning 1 January 2015

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

- *Amendments to IAS 16 and IAS 38 titled Clarification of Acceptable Methods of Depreciation and Amortisation (issued in May 2014)* – the amendments add guidance and clarify that (i) the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset, and (ii) revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset; however, this presumption can be rebutted in certain limited circumstances. They are prospectively effective for annual periods beginning on or after 1 January 2016. The Management do not anticipate any effect on the Banks's financial statements.

- *Amendment to IAS 16 and IAS 38 (Annual Improvements to IFRSs 2010–2012 Cycle, issued in December 2013)* – the amendment, applicable to annual periods beginning on or after 1 July 2014, clarifies how the gross carrying amount and the accumulated depreciation / amortisation are treated where an entity uses the revaluation model. The Management do not anticipate any effect on the financial statements as the Bank does not use the revaluation model.

- *Amendments to IAS 19 titled Defined Benefit Plans: Employee Contributions (issued in November 2013)* – the amendments, applicable retrospectively to annual periods beginning on or after 1 July 2014, clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In particular, contributions that are independent of the number of years of service can be recognised as a reduction in the service cost in the period in which the related service is rendered (instead of attributing them to the periods of service). As the Bank has no post-employment benefit plans requiring employees or third parties to meet some of the cost of the plan, the application of the amendments are not expected to have any effect on the financial statements.

- *Amendment to IAS 19 (Annual Improvements to IFRSs 2012–2014 Cycle, issued in September 2014)* - the amendment, applicable to annual periods beginning on or after 1 January 2016, clarifies that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid. This is not expected to have an effect on the Bank's financial statements.

- *Amendment to IAS 24 (Annual Improvements to IFRSs 2010–2012 Cycle, issued in December 2013)* - the amendment, applicable to annual periods beginning on or after 1 July 2014, clarifies how payments to entities providing key management personnel services are to be disclosed. This is not expected to have any effect on the Banks's financial statements.

- *Amendments to IAS 27 titled Equity Method in Separate Financial Statements (issued in August 2014)* – the amendments, applicable to annual periods beginning on or after 1 July 2016, reinstate the equity method option allowing entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. It is not applicable to the Bank as it deals only with separate financial statements.

- *Amendment to IAS 40 (Annual Improvements to IFRSs 2011–2013 Cycle, issued in December 2013)* - the amendment, applicable to annual periods beginning on or after 1 July 2014, clarifies that IFRS 3 and IAS 40 are not mutually exclusive: while IAS 40 assists preparers to distinguish between investment property and owner-occupied property, IFRS 3 helps them to determine whether the acquisition of an investment property is a business combination. This is not expected to have any effect on the Bank's financial statements.

- *Amendment to IFRS 3 (Annual Improvements to IFRSs 2011–2013 Cycle, issued in December 2013)* - the amendment, applicable prospectively to annual periods beginning on or after 1 July 2014, clarifies that IFRS 3 excludes from its scope the accounting for the formation of any joint arrangement in the financial statements of the joint arrangement itself. This is not expected to have an effect on the Bank's financial statements.

- *Amendment to IFRS 5 (Annual Improvements to IFRSs 2012–2014 Cycle, issued in September 2014)* - the amendment, applicable prospectively to annual periods beginning on or after 1 January 2016, adds specific guidance when an entity reclassifies an asset (or a disposal group) from held for sale to held for distribution to owners, or vice versa, and for cases where held-for-distribution accounting is discontinued. This is not expected to have an effect on the Bank's financial statements.

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

- *Amendment to IFRS 8 (Annual Improvements to IFRSs 2010–2012 Cycle, issued in December 2013)* - the amendment, applicable to annual periods beginning on or after 1 July 2014, requires disclosure of the judgements made by management in applying the aggregation criteria to operating segments, and clarifies that reconciliations of the total of the reportable segments' assets to the entity's assets are required only if the segment assets are reported regularly.

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

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

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

- *Amendments to IFRS 10 and IAS 28 titled Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (issued in September 2014)* – the amendments, applicable prospectively to annual periods beginning on or after 1 January 2016, address a current conflict between the two standards and clarify that gain or loss should be recognised fully when the transaction involves a business, and partially if it involves assets that do not constitute a business. This is not expected to have an effect on the Bank's financial statements.

- *Amendments to IFRS 11 titled Accounting for Acquisitions of Interests in Joint Operations (issued in May 2014)* – The amendments, applicable prospectively to annual periods beginning on or after 1 July 2016, require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3) to apply all of the business combinations accounting principles and disclosure in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11. The amendments apply both to the initial acquisition of an interest in a joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not remeasured). This is not expected to have an effect on the Bank's financial statements.

- *Amendment to IFRS 13 (Annual Improvements to IFRSs 2011–2013 Cycle, issued in December 2013)* - the amendment, applicable to annual periods beginning on or after 1 July 2014, clarifies that the portfolio exception in IFRS 13 - allowing an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis - applies to all contracts (including non-financial) within the scope of IAS 39 / IFRS 9. This is not expected to have an effect on the Bank's financial statements.

- *IFRS 15 Revenue from Contracts with Customers (issued in May 2014)* - the new standard, effective for annual periods beginning on or after 1 January 2017, replaces IAS 11, IAS 18 and their interpretations (SIC-31 and IFRIC 13, 15 and 18). It establishes a single and comprehensive framework for revenue recognition to apply consistently across transactions, industries and capital markets, with a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures, and new or improved guidance (eg the point at which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract, etc.). The Management anticipate that IFRS 15 will be adopted in the Bank's financial statements when it becomes mandatory and that the application of the new standard might have a significant effect on amounts reported in respect of the Bank's revenue. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

Note 6 Cash and Cash Equivalents

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

(in thousands of UAH)

Item	2014	2013
Cash on hand	25 498	14 938
Cash balances with the National Bank of Ukraine (other than mandatory reserve deposits)	522 594	673 178
Correspondent accounts, deposits and overnight placements with the banks of:	982 158	671 396
- Ukraine	7 548	5 009
- other countries	974 610	666 387
Total cash and cash equivalents	**1 530 250**	**1 359 512**

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

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

For the purposes of the Statement of Cash Flows for 2014 and 2013 the banking overdrafts in the amount of UAH 16 thousands and UAH 119 165 thousands respectively were included into the cash and cash equivalents as far as the Bank overdraft from the parent forms an integral part of the Bank's cash management.

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

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

(in thousands of UAH)

Item	2014	2013
Cash on hand	25 498	14 938
Cash balances with the National Bank of Ukraine (other than mandatory reserve deposits)	522 594	673 079
Correspondent accounts, deposits and overnight placements with the banks of:	982 142	552 218
- Ukraine	7 548	5 009
- other countries	974 594	547 209
Total cash and cash equivalents	**1 530 234**	**1 240 235**

Note 7 Securities at Fair Value Through Profit or Loss

Table 7.1 Securities at fair value through profit or loss

(in thousands of UAH)

Items	2014	2013
Trading securities	-	185 691
Other securities at fair value through profit or loss	398 764	1 038 378
Total securities at fair value through profit or loss	**398 764**	**1 224 069**

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

As at 31 December 2013 securities carried out at fair value with recognition of revaluation through profit or loss are presented by trade securities, specifically VAT – Ukrainian state bonds in the amount of UAH 185 691 thousands and other securities at fair value through profit or loss, specifically - Ukrainian state bonds with an embedded option in the amount of UAH 1 038 378 thousands. The terms of repayment of trade securities – August, 2015, other securities at fair value through profit or loss – from September, 2014 to September, 2016. Nominal interest rates on trade securities are 5.50%, on other securities at fair value through profit or loss – 8.22%-8.75%.

Table 7.2 Analysis of securities at fair value through profit or loss by credit quality for 2014

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

Table 7.3 Analysis of securities at fair value through profit or loss by credit quality for 2013

(in thousands of UAH)

Items	Ukrainian state bonds	Total
Debt securities (at fair value) which are not past due:	1 224 069	1 224 069
government institutions and government-financed entities	1 224 069	1 224 069
Total securities at fair value through profit or loss	**1 224 069**	**1 224 069**

Note 8 Due from Other Banks

Table 8.1 Due from other banks

(in thousands of UAH)

Items	2014	2013
Deposits with other banks:	17 899	7 850
long-term deposits	17 899	7 850
Loans to other banks:	-	45 017
short-term	-	45 017
Total due from other banks	**17 899**	**52 867**

As at 31 December 2014 and 2013 the deposits with other banks included a long-term deposit that is used as a security for card transactions. Accrued interests, included to deposits with other banks, as at 31 December 2014 and 31 December 2013 amount to UAH 2 thousand and UAH 1 thousand respectively.

Loans to other banks include accrued interests, which as at 31 December 2013 amount to UAH 17 thousands.

The maximum credit risk rate per one contractor on funds in other banks as at 31 December 2014 and 31 December 2013 amount to UAH 17 899 thousands and UAH 45 017 thousands respectively.

Table 8.2 Analysis of due from other banks by credit quality for 2014

(in thousands of UAH)

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

Table 8.3 Analysis of due from other banks by credit quality for 2013

(in thousands of UAH)

Items	Deposits	Loans	Total
Neither past due nor impaired:	7 850	45 017	52 867
with 20 the biggest banks	7 850	45 017	52 867
Total due from other banks	**7 850**	**45 017**	**52 867**

Note 9 Loans and Advances to Customers

Table 9.1 Loans and Advances to Customers

(in thousands of UAH)

Items	2014	2013
Corporate loans	2 558 067	2 315 648
Mortgage loans to individuals	80 253	60 161
Loans to individuals – consumer loans	6 723	3 783
Allowance for loan impairment	(38 279)	(43 231)
Total loans and advances to customers less allowance for impairment	**2 606 764**	**2 336 361**

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

As at 31 December 2013 the credit concentration as to ten biggest third-party borrowers amounts to UAH 1 397 796 thousands or 58.7% of the Bank's credit portfolio outstanding. The amount of created impairment allowance for these loans is UAH 31 205 thousands.

Table 9.2 Analysis of changes in allowance for loan impairment for 2014

(in thousands of UAH)

Movement in allowance for loan impairment	Corporate loans	Mortgage loans to individuals	Loans to individuals – consumer loans	Total
Balance at 1 January 2014	**(43 123)**	**(108)**	**(1)**	**(43 231)**
(Increase)/ decrease in allowance for loan impairment for the year	4 989	(36)	-	4 953
Balance at 31 December 2014	**(38 134)**	**(144)**	**(1)**	**(38 279)**

Table 9.3 Analysis of changes in allowance for loan impairment for 2013

(in thousands of UAH)

Movement in allowance for loan impairment	Corporate loans	Mortgage loans to individuals	Loans to individuals – consumer loans	Total
Balance at 1 January 2013	**(45 942)**	**(116)**	**(1)**	**(46 059)**
(Increase)/ decrease in allowance for loan impairment for the year	2 819	8	0	2 828
Balance at 31 December 2013	**(43 123)**	**(108)**	**(1)**	**(43 231)**

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

(in thousands of UAH)

Economic activity	2014		2013	
	Amount	%	Amount	%
Trade, repair of motor vehicles, household and consumer goods	1 711 014	64.69	1 641 843	69.00
Processing	562 809	21.28	489 308	20.56
Science and engineering	282 421	10.68	110 293	4.63
Loans to individuals	86 976	3.28	63 944	2.69
Warehousing	777	0.03	-	-
Agriculture, forestry and fishing	520	0.02	40 425	1.70
Extracting and development, mining activities	-	-	33 702	1.42
Other	526	0.02	78	0.00
Total loans and advances to customers before impairment	**2 645 043**	**100.00**	**2 379 593**	**100.00**

Table 9.5 Information on collateral as at 31 December 2014

(in thousands of UAH)

Items	Corporate loans	Mortgage loans to individuals	Loans to individuals – consumer loans	Total
Unsecured loans	1 037 244	597	6 723	1 044 564
Loans collateralised by:				
real estate,	-	79 656	-	79 656
including residential property	-	79 656	-	79 656
investment banks guarantees	1 296 077	-	-	1 296 077
other assets	224 746	-	-	224 746
Total loans and advances to customers before impairment	**2 558 067**	**80 253**	**6 723**	**2 645 043**

Table 9.6 Information on collateral as at 31 December 2013

(in thousands of UAH)

Items	Corporate loans	Mortgage loans to individuals	Loans to individuals – consumer loans	Total
Unsecured loans	1 413 698	1 186	3 783	1 418 667
Loans collateralised by:				
real estate,	-	58 975	-	58 975
including residential property	-	58 975	-	58 975
investment banks guarantees	796 694	-	-	796 694
other assets	105 257	-	-	105 257
Total loans and advances to customers before impairment	**2 315 648**	**60 161**	**3 783**	**2 379 593**

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

Table 9.7 Analysis of loans by credit quality as at 31 December 2014

(in thousands of UAH)

Items	Neither past due nor impaired				Not past due and individually impaired	Total
	High rating	Standard rating	Below standard	No rating		
Corporate loans, including:	843 398	1 517 537	113 014		84 118	2 558 067
large borrowers with credit history over 2 years	521 315	1 018 153	18	-	84 118	1 623 604
new large borrowers	19	20 314	112 494			132 827
loans to medium-size business entities	322 065	476 832	502	-	-	799 399
loans to small-size business entities	-	2 237	-	-	-	2 238
Mortgage loans to individuals	-	-	-	80 253	-	80 253
Loans to individuals – consumer loans	-	-	-	6 723	-	6 723
Allowance for loan impairment	(185)	(2 635)	(10 660)	(145)	(24 654)	(38 279)
Total loans to customers less allowance for impairment	**843 213**	**1 514 902**	**102 354**	**86 831**	**59 464**	**2 606 764**

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

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

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

All other enterprises are categorized as medium.

Table 9.8 Analysis of loans by credit quality as at 31 December 2013

(in thousands of UAH)

Items	Neither past due nor impaired				Not past due and individually impaired	Total
	High rating	Standard rating	Below standard	No rating		
Corporate loans, including:	380 347	1 473 460	461 841	-	-	2 315 648
large borrowers with credit history over 2 years	152 532	849 367	185 429	-	-	1 187 328
new large borrowers	68 012	372 954	40 299	-	-	481 265
loans to medium-size business entities	139 633	176 912	-	-	-	316 545
loans to small-size business entities	20 170	74 227	236 113	-	-	330 510
Mortgage loans to individuals	-	-	-	60 161	-	60 161
Loans to individuals – consumer loans	-	-	-	3 783	-	3 783
Allowance for loan impairment	(90)	(2 266)	(40 766)	(109)	-	(43 231)
Total loans to customers less allowance for impairment	**380 257**	**1 471 194**	**421 075**	**63 835**	**-**	**2 336 361**

Table 9.9 Effect of collateral value on credit quality as at 31 December 2014

(in thousands of UAH)

Items	Carrying amount	Collateral value	Effect of collateral
Corporate loans	2 558 067	1 520 823	1 037 244
Mortgage loans to individuals	80 253	79 656	596
Loans to individuals – consumer loans	6 723	-	6 723
Total	**2 645 043**	**1 600 479**	**1 044 564**

Table 9.10 Effect of collateral value on credit quality as at 31 December 2013

(in thousands of UAH)

Items	Carrying amount	Collateral value	Effect of collateral
Corporate loans	2 315 648	901 951	1 413 698
Mortgage loans to individuals	60 161	58 975	1 186
Loans to individuals – consumer loans	3 783	-	3 783
Total	**2 379 593**	**960 926**	**1 418 667**

Tables 9.9 and 9.10 provide information on all kinds of collateral, received by the Bank, including collateral that is not taken into calculation of the allowance for impairment loss. The receipt of collateral is considered

by the Bank as an additional instrument of decreasing the credit risk, with regard to the level of its liquidity. In the Tables above the value of security does not exceed the value of the secured liability.

Note 10 Investment Securities Available for Sale

Table 10.1 Investment securities available for sale

(in thousands of UAH)

Items	2014	2013
Debt securities:	5 810 066	583 861
deposit certificates of NBU	5 251 266	-
Ukrainian state bonds	558 800	583 861
Total investment securities available for sale	**5 810 066**	583 861

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

As at 31 December 2013 the Bank’s investment securities available for sale are represented by Ukrainian state bonds with maturities from January 2014 till May 2018. The nominal interest rates on Ukrainian state bonds vary from 5.50% to 14.25%. Over 2013 there was partial redemption of nominal value of VAT – Ukrainian state bonds in the amount of UAH 163 823 thousands.

Table 10.2 Analysis of debt securities available for sale by credit quality as at 31 December 2014

(in thousands of UAH)

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

Table 10.3 Analysis of debt securities available for sale by credit quality as at 31 December 2013

(in thousands of UAH)

Items	Ukrainian state bonds	Total
Neither past due nor impaired:	583 861	583 861
issued by government institutions and enterprises	583 861	583 861
Total debt securities available for sale	**583 861**	**583 861**

Note 11 Premises, Equipment and Intangible Assets

(in thousands of UAH)

Items	Proper-ties	Machines and equipment	Motor vehicles	Equip-ment, tools, furniture	Other property, and equip-ment	Other non-current tangible assets	Capital expendi-tures in property, equipment and intangible assets	Intangible assets	Total
Carrying amount at the beginning of the previous period:	**30 982**	**1 203**	**946**	**123**	**972**	**-**	**56**	**283**	**34 565**
Initial (revalued) cost	38 534	7 446	3 313	3 981	3 224	109	56	6 497	63 160
Accumulated depreciation at the beginning of the previous year	(7 552)	(6 243)	(2 367)	(3 858)	(2 252)	(109)	-	(6 214)	(28 595)
Additions	-	2 008	48	-	72	-	4 228	710	7 065
Improvement of Premises and Equipment and Intangible Assets	167	-	-	-	-	-	-	-	167
Disposals	(32)	-	-	-	-	-	(3 016)	-	(3 048)
Depreciation	(785)	(866)	(723)	(48)	(242)	-	-	(268)	(2 931)
Impairment	(709)	-	-	-	-	-	-	-	(709)
Carrying amount at the end of the previous period:	**29 622**	**2 345**	**272**	**75**	**802**	**-**	**1 268**	**725**	**35 107**
Initial (revalued) cost	37 742	9 454	3 361	3 981	3 296	109	1 267	7 207	66 417
Accumulated depreciation at the end of the previous period (at the beginning of the current period)	(8 120)	(7 109)	(3 090)	(3 906)	(2 494)	(109)	-	(6 482)	(31 310)
Additions	-	270	752	14	1 704	3 685	8 434	9	14 868
Improvement of Premises and Equipment and Intangible Assets	132	-	-	-	-	-	-	318	450
Disposals	-	-	(8)	-	-	-	(8 480)	-	(8 488)
Depreciation	(775)	(822)	(287)	(42)	(279)	(409)	-	(431)	(3 045)
Impairment	-	-	-	-	-	-	(1 192)	-	(1 192)
Carrying amount at the end of the current period	**28 979**	**1 793**	**728**	**47**	**2 227**	**3 276**	**29**	**621**	**37 700**
Initial (revalued) cost	37 874	9 724	3 676	3 995	5 000	3 703	29	7 534	71 535
Accumulated depreciation at the end of the current period	(8 895)	(7 931)	(2 948)	(3 948)	(2 773)	(427)	-	(6 913)	(33 835)

As at 31 December 2014 the Bank does not have premises and equipment or intangible assets with legal restrictions on their title, use and disposal; fixed or intangible assets under encumbrance; fixed assets that are temporarily out of use (conservation, renovation, etc); or premises and equipment withdrawn from use and held for sale.

The initial cost of fully depreciated property and equipment as at 31 December 2014 amounts to UAH 15 165 thousand. (as at 31 December 2013 - UAH 14 343 thousand.)

Property and equipment impairment recognised by the Bank over 2014 amounts to UAH 1 192 thousand. (over 2013 - UAH 709 thousand.)

Carrying amount of premises and equipment, temporary out of usage (conservation, renovation, etc) as at 31 December 2014 and 31 December 2013 amounted to UAH 11 thousand.

As at 31 December 2014 contractual obligations related to reconstructing of premises, acquisition of equipment and intangible assets amount to UAH 1 433 thousand.

Note 12 Other Financial Assets

Table 12.1 Other financial assets

(in thousands of UAH)

Items	2014	2013
Receivables on foreign currency transactions	-	1 049
Derivative financial assets	-	13 942
Receivables on settlements	11 028	-
Receivables on payment cards transactions	31	-
Other financial assets	815	300
Allowance for impairment losses of other financial assets	(11 033)	(6)
Total other financial assets less allowance for impairment	**841**	**15 286**

Table 12.2 Analysis of changes in allowance for impairment losses of other financial assets for 2014

(in thousands of UAH)

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

Table 12.3 Analysis of changes in allowance for impairment losses of other financial assets for 2013

(in thousands of UAH)

Movement in allowances	Other financial assets	Total
Balance as at 1 January 2013	**(4)**	**(4)**
(Increase)/decrease in allowance for impairment for the period	(30)	(30)
Write-off of bad debt	28	28
Balance as at 31 December 2013	**(6)**	**(6)**

Table 12.4 Analysis of credit quality of other financial assets as at 31 December 2014

(in thousands of UAH)

Items	Receivables on settlements	Receivables on payment cards transactions	Other financial assets	Total
Neither past due nor impaired:	5 576	31	628	6 235
large borrowers with credit history over 2 years	5 576	-	555	6 131
new large customers	-	-	-	-
individuals	-	31	73	105
Past due but not impaired:	-	-	2	2
up to 31 days past due	-	-	2	2
Impaired, individually assessed:	5 452	-	184	5 636
up to 31 days past due	-	-	125	125
32 to 92 days past due	884	-	53	937

93 to 183 days past due	1 976	-	7	1 983
184 to 365 days past due	2 592	-	-	2 592
Total other financial assets before allowance	11 028	31	815	11 874
Allowance for impairment of other financial assets	(11 028)	-	(5)	(11 033)
Total other financial assets less allowance for impairment	**-**	**31**	**810**	**841**

Table 12.5 Analysis of credit quality of other financial assets as at 31 December 2013

(in thousands of UAH)

Items	Derivative financial assets	Receivables on foreign currency transactions	Other financial assets	Total
Neither past due nor impaired:	13 942	1 049	214	15 206
large borrowers with credit history over 2 years	13 942	1 049	81	15 072
new large customers	-	-	87	87
individuals	-	-	47	47
Past due but not impaired:	-	-	1	1
up to 31 days past due	-	-	1	1
Impaired, individually assessed:	-	-	85	85
up to 31 days past due	-	-	11	11
32 to 92 days past due	-	-	52	52
93 to 183 days past due	-	-	13	13
184 to 365 days past due	-	-	9	9
Total other financial assets before allowance	13 942	1 049	300	15 292
Allowance for impairment of other financial assets	-	-	(6)	(6)
Total other financial assets less allowance for impairment	**13 942**	**1 049**	**294**	**15 286**

Note 13 Other Assets

(in thousands of UAH)

Items	2014	2013
Receivables on purchase of assets	2 501	128
Pre-paid services	497	1 612
Deferred expenses	4 544	3 150
Other assets	136	58
Total other assets	**7 678**	**4 948**

Note 14 Due to Other Banks

(in thousands of UAH)

Items	2014	2013
Correspondent accounts and overnight placements of other banks	150 899	321 314
Liabilities on repo-transactions with other banks	-	-
Loans received:	-	129 992
short-term loans	-	129 992
Total due to other banks	**150 899**	**451 306**

As at 31 December 2014 and 31 December 2013 the Bank has no funds received on terms of repurchase agreement.

Over 2014 the Bank has borrowed and repaid a loan to National Bank of Ukraine under repo agreement in the amount of UAH 250 000 thousand.

Over 2013 the Bank has bought back the Ukrainian state bonds and repaid a loan to the National Bank of Ukraine in the amount of UAH 150 585 thousand.

Note 15 Customer Accounts

Table 15.1 Customer Accounts

(in thousands of UAH)

Items	2014	2013
Government and public organisations:	**2 899**	**821**
current accounts	2 899	821
Other legal entities:	**7 203 581**	**4 337 747**
current accounts	7 203 581	4 122 951
term deposits	-	214 796
Individuals:	**16 760**	**21 502**
current accounts	16 760	21 502
Total customer accounts	**7 223 239**	**4 360 070**

As at 31 December 2014 the customer accounts of ten biggest customers of the Bank amounts to UAH 2 647 234 thousand or 36.65% of total customer accounts. As at 31 December 2013 – UAH 1 425 146 thousand or 32.69% of total customer accounts.

Table 15.2 Customer accounts by sector structure

(in thousands of UAH)

Sector type	2014		2013	
	Amount	**%**	**Amount**	**%**
Trade	3 061 476	42.38	1 401 157	32.14
Processing	1 542 729	21.36	953 196	21.86
Professional, science, and technical activity	1 349 725	18.69	772 163	17.71
Other – for individuals and non-residents	378 899	5.25	89 722	2.06
Information and telecommunication	272 229	3.77	319 549	7.33
Mining	251 569	3.48	368 689	8.46
Finance	150 060	2.08	135 695	3.11
Transport and communication	126 159	1.75	94 143	2.16
Construction	28 779	0.40	178 646	4.10
Healthcare and social assistance	28 004	0.39	17 521	0.40
Manufacturing and distribution of electricity, gas and water	19 546	0.27	5 468	0.13
Hotels and restaurants	7 577	0.10	16 299	0.37
Real estate	3 489	0.05	6 934	0.16
Governance and activity of public organisations	2 899	0.04	821	0.02
Agriculture	96	0.00	0	0.00
Other	2	0.00	65	0.00
Total customer accounts	**7 223 239**	**100.00**	**4 360 070**	**100.00**

Note 16 Provisions for Liabilities

Table 16.1 Changes in provisions for liabilities for 2014

(in thousands of UAH)

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

Table 16.2 Changes in provisions for liabilities for 2013

(in thousands of UAH)

Movement in provisions	Credit-related commitments	Total
Balance at 01 January 2013	**1 409**	**1 409**
Increase in provision	2 611	2 611
Balance at 31 December 2013	**4 020**	**4 020**

Note 17 Other Financial Liabilities

(in thousands of UAH)

Items	2014	2013
payables on trading operations of foreign currencies and banking metals for customers	1 325 527	-
Derivative financial liabilities in trade portfolio	-	7 891
Payables on customer accounts and settlements	8 827	1 530
Other financial liabilities	5 617	713
Total other financial liabilities	**1 338 971**	**10 134**

Note 18 Other Liabilities

(in thousands of UAH)

Items	2014	2013
Taxes payable, other than income tax	412	140
Payables to employees	25 550	10 193
Deferred income	282	27
Accrued expenses for professional services	635	805
Other liabilities	1 050	1 145
Total other liabilities	**27 930**	**12 310**

Note 19 Share Capital and Share Premium

(in thousands of UAH)

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

The Bank's share capital is divided into 10 000 ordinary shares and 3 300 preference shares of the same face value of UAH 5 thousand. All outstanding shares have been paid in cash.
Holders of the preference shares have the rights under the Ukrainian laws, in particular, to receive dividends in size and terms stipulated in the Bank's Charter.

There is no restrictions on holding shares as at 31 December 2014 and 31 December 2013.

Note 20 Revaluation Reserves (Component of Other Comprehensive Income)

(in thousands of UAH)

Items	2014	2013
Revaluation of investment securities available for sale:	(57 350)	55 713
changes in fair value	(57 350)	62 449
losses as a result of disposals reclassified into profit or loss for the year	-	(6 736)
Income tax relating to:	9 040	(5 571)
changes in revaluation reserve for investment securities available for sale	9 040	(5 571)
Total revaluation reserves (component of other comprehensive income) less income tax	**(48 310)**	**50 142**

Note 21 Assets and Liabilities Maturity Analysis

(in thousands of UAH)

Items	Notes	2014 Up to 12 months	2014 Over 12 months	2014 Total	2013 Up to 12 months	2013 Over 12 months	2013 Total
ASSETS							
Cash and cash equivalents	6	1 530 250	-	1 530 250	1 359 512	-	1 359 512
Mandatory reserve deposits in the National Bank of Ukraine		71 759	-	71 759	59 723	-	59 723
Securities at fair value through profit or loss	7	4 424	394 340	398 764	1 224 069	-	1 224 069
Due from other banks	8	17 899	-	17 899	52 867	-	52 867
Loans and receivables	9	2 520 105	86 660	2 606 764	2 274 111	62 250	2 336 361
Investment securities available for sale	10	5 726 959	83 107	5 810 066	308 209	275 652	583 861
Receivables on current income tax		18 599	-	18 599	118 009	-	118 009
Premises, equipment and intangible assets	11	-	37 700	37 700		35 107	35 107
Other financial assets	12	841	-	841	15 286	-	15 286
Other assets	13	7 679	-	7 679	4 948	-	4 948
Total assets		**9 898 514**	**601 806**	**10 500 320**	**5 416 734**	**373 009**	**5 789 743**
LIABILITIES							
Due to other banks	14	150 899	-	150 899	451 306	-	451 306
Customer accounts	15	7 223 239	-	7 223 239	4 360 070	-	4 360 070
Deferred tax liabilities		29 819	-	29 819	5 530	-	5 530
Provisions for liabilities	16	7 985	-	7 985	4 020	-	4 020
Other financial liabilities	17	1 338 971	-	1 338 971	10 134	-	10 134
Other liabilities	18	27 930	-	27 930	12 310	-	12 310
Total liabilities		**8 778 842**	**-**	**8 778 842**	**4 843 370**	**-**	**4 843 370**

Note 22 Interest Income and Expense

(in thousands of UAH)

Items	2014	2013
Interest income:		
Loans and advances to customers	373 018	242 145
Securities at fair value through profit or loss	72 598	86 462
Debt securities available for sale	144 753	73 976
Due from other banks	1 961	1 481
Correspondent accounts with other banks	1 603	3 136
Other	20	73
Total interest income	**593 954**	**407 273**
Interest expense:		
Current accounts	(65 528)	(41 841)
Term-deposits of legal entities	(1 098)	(7 251)
Term-deposits of other banks	(4 114)	(2 208)
Correspondent accounts of other banks	(152)	(221)
Other	(49)	(1)
Total interest expense	**(70 940)**	**(51 522)**
Net interest income	**523 014**	**355 751**

Note 23 Fee and Commission Income and Expense

(in thousands of UAH)

Items	2014	2013
Fee and commission income:		
Cash and settlement transactions	31 256	16 997
Guarantees and letter of credits issued	4 475	9 985
Payment cards transactions	4 334	3 494
Credit services to customers	1 058	703
Other	2 203	898
Total fee and commission income	**43 325**	**32 077**
Fee and commission expense:		
Guarantees and letter of credits	(7 676)	(6 579)
Cash and settlement transactions	(7 467)	(2 634)
Payment cards transactions	(3 856)	(2 818)
Credit services	(1)	(3)
Other	(100)	(56)
Total fee and commission expense	**(19 099)**	**(12 090)**
Net fee and commission income	**24 226**	**19 987**

Note 24 Other Operating Income

(in thousands of UAH)

Items	2014	2013
Income from financial consulting services	2 635	4 263
Operating lease income	1 366	1 126
Income from disposal of premises, equipment and intangible assets	198	-
Other	-	24
Total other operating income	**4 199**	**5 412**

Note 25 Administrative and Other Operating Expenses

(in thousands of UAH)

Items	2014	2013
Taxes other than income tax	(165 025)	(176)
Staff costs	(93 093)	(63 396)
Maintenance of property, plant and equipment and intangible assets, telecommunication and other maintenance costs	(13 377)	(9 146)
Operating expenses related to customer attraction	(9 642)	-
Outsourced services	(5 561)	(3 895)
Business trip expenses	(3 972)	(2 180)
Corporate operational and technical support	(2 822)	(1 472)
Depreciation of property, plant and equipment	(2 614)	(2 664)
Operating lease expenses	(2 527)	(1 856)
Professional and consulting services	(2 307)	(1 949)
Hospitality expenses	(1 882)	(1 767)
Household expenses	(1 400)	(1 070)
Impairment of property and equipment	(1 192)	(709)
Utilities	(1 142)	(1 052)
Staff costs relating to business support	(840)	(664)
Security expenses	(492)	(410)
Amortisation of software and other intangible assets	(431)	(268)

Insurance	(142)	(386)
Marketing and advertising expenses	-	(44)
Other	(2 462)	(1 503)
Total administrative and other operating expenses	**(310 923)**	**(94 606)**

Staff costs in 2014 and 2013 include share-based payments recorded under IFRS 2 in the amount of UAH 1 690 thousand and UAH 190 thousand respectively.

Note 26 Income Tax Expense

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

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

Deferred taxes reflect the effect of temporary tax differences between the carrying amount of assets and liabilities for accounting purposes and taxable amounts. The temporary differences as at 31 December 2014 and 2013 were basically related to different methods of income and expense recognition, and also to the value of certain assets recognized in the financial statements.

Table 26.1 Income tax expense

(in thousands of UAH)

Items	2014	2013
Current income tax expense	(293 108)	(86 324)
Change in deferred income tax, relating to:	(33 329)	3 794
the origination and reversal of temporary differences	(33 329)	1 230
increase or reduction in tax rate	-	2 564
Total income tax expense	**(323 637)**	**(82 530)**

Deferred tax assets and liabilities as at 31 December 2014 were calculated based on the income tax rate 18%; as at 31 December 2013 - based on the income tax rate for temporary differences from operations with securities - 10% and for other temporary differences – 18%.

Table 26.2 Reconciliation of accounting and tax profit

(in thousands of UAH)

Items	2014	2013
Income before tax	1 604 512	567 001
Theoretical tax charge at the applicable tax rate	(288 812)	(107 730)
Adjustments to accounting profit (loss):		
income/expenses that are not taxable/tax deductible in determining taxable profit but are recognized in accounting profit or loss	(16 298)	(4 612)
the effect of change in tax rate	-	2 564
Other	(18 527)	27 248
Total income tax expense	**(323 637)**	**(82 530)**

Table 26.3 Tax effect relating to the recognition of deferred tax assets and deferred tax liabilities as at 31 December 2014

(in thousands of UAH)

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

Table 26.4 Tax effect relating to the recognition of deferred tax assets and deferred tax liabilities as at 31 December 2013

(in thousands of UAH)

Deferred assets and deferred liabilities	**Balance at 31 December 2012**	**Recognised in profit or loss**	**Recognised in other comprehensive income**	**Balance at 31 December 2013**
Tax effect of temporary differences that are decreasing (increasing) taxable profit and tax losses carried forward				
Securities at fair value through profit or loss	(6 208)	3 638	-	(2 570)
Allowance for impairment of loans, past due receivables on accrued income and other receivables	(2 014)	(83)	-	(2 097)
Premises, equipment and intangible assets	(1 463)	133	-	(1 330)
Interest expense on repo-transactions	111	(111)	-	-
Investment securities available for sale	3 968	-	(5 571)	(1 603)
Other liabilities	1 853	217	-	2 070
Net deferred tax assets/(liability)	**(3 753)**	**3 794**	**(5 571)**	**(5 530)**
Recognised deferred tax asset	**1 853**	**217**	**-**	**2 070**
Recognised deferred tax liability	**(5 606)**	**3 577**	**(5 571)**	**(7 600)**

Note 27 Earnings per Ordinary and Preference Share

(in thousands of UAH)

Items	**2014**	**2013**
Profit attributable to ordinary equity holders	1 280 875	484 471
Profit for the year	1 280 875	484 471
Weighted-average number of ordinary shares (in thousands)	10	10
Weighted-average number of preference shares (in thousands)	3	3
Basic and diluted earnings per ordinary share (UAH)	**128 087**	**48 447**

Note 28 Dividends

(in thousands of UAH)

Items	2014		2013	
	On ordinary shares	On preference shares	On ordinary shares	On preference shares
Balance at beginning of year				
Dividends declared over the year	459 150	-	453 526	-
Dividends paid for the year	(459 150)		(453 526)	
Balance at year-end	-			
Dividends per share declared over the year (UAH)	45 915	-	45 353	-

Decision on the ways and terms of paying dividends is taken by the General Meeting of the Bank's shareholders. Dividend payment on ordinary shares in 2014 and 2013 was made exclusively in cash. Subject to the Bank's Charter the decision on the amount of dividend payments on preference shares is taken by the General Meeting of Bank's shareholders. In 2014 and 2013 dividend payments on preference shares were not conducted.

Note 29 Operating Segments

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

Table 29.1 Reportable segment revenues, expenses and profit or loss for 2014

(in thousands of UAH)

Items	Reportable segments			Elimination of interseg-ment items	Total
	Corporate loans business	Treasury business	Transactional business		
Revenues from external customers:					
Interest revenue	37 317	220 831	335 806		593 954
Interest expense	(1)	(5 153)	(65 787)		(70 940)
Fee and commission income	50	-	43 276		43 325
Fee and commission expense	(7 678)	(3 018)	(8 403)		(19 099)
Losses less gains from trading in other financial instruments			(6 051)		(6 051)
Gains less losses from transactions with securities	-	669 962	-		669 962
Gains less losses from foreign currency transactions	250	709 897	-		710 147
Other revenue	438	1 921	1 840		4 199
Other expenses	(412)	(15 137)	(5 696)		(21 245)
Intersegment revenue	**45**	**36 702**	**364 591**	**(401 338)**	**-**
Total profit for reportable segments before allowance and administrative expenses	**30 009**	**1 616 006**	**659 576**	**(401 338)**	**1 904 253**
Other material non-cash items– Impairment of financial assets	4 953		(15 015)		(10 063)

Administrative expenses	(3 810)	(140 070)	(52 705)		(196 585)
Staff costs	(1 804)	(66 330)	(24 958)		(93 093)
Intersegment expenses	(19 432)	(136 160)	(245 746)	401 338	-
Profit for reportable segments before tax	**9 915**	**1 273 445**	**321 151**	**-**	**1 604 512**
Income tax	-	-	-	-	(323 637)
Net profit for the year	**-**	**-**	**-**	**-**	**1 280 875**

Table 29.2 Reportable segment revenues, expenses and profit or loss for 2013

(in thousands of UAH)

Items	Reportable segments			Elimination of interseg-ment items	Total
	Corporate loans business	Treasury business	Transactional business		
Revenues from external customers:					
Interest revenue	37 399	165 087	204 787	-	407 273
Interest expense	(7)	(7 365)	(44 149)	-	(51 522)
Fee and commission income	904		31 173	-	32 077
Fee and commission expense	(4 826)	(1 326)	(5 937)	-	(12 090)
Losses less gains from trading in other financial instruments	-	-	3 485	-	3 485
Gains less losses from transactions with securities	-	40 745	-	-	40 745
Gains less losses from foreign currency transactions	-	236 038	-	-	236 038
Other revenue	1 273	1 793	2 347	-	5 413
Other expenses	(1 887)	(5 090)	(8 014)	-	(14 990)
Intersegment revenue	**53**	**25 671**	**177 106**	**(202 830)**	**-**
Total profit for reportable segments before allowance and administrative expenses	**32 909**	**455 553**	**360 798**	**(202 830)**	**646 429**
Other material non-cash items– Impairment of financial assets	2 828	-	(2 641)	-	187
Administrative expenses	(2 041)	(5 508)	(8 671)	-	(16 219)
Staff costs	(7 978)	(21 527)	(33 891)	-	(63 396)
Intersegment expenses	(19 782)	(39 734)	(143 314)	202 830	-
Profit for reportable segments before tax	**5 936**	**388 244**	**172 821**	**-**	**567 001**
Income tax	-	-	-	-	(82 530)
Net profit for the year	**-**	**-**	**-**	**-**	**484 471**

Table 29.3 Reportable assets and liabilities for 2014

(in thousands of UAH)

Items	Reportable segments			Total
	Corporate loans business	Treasury business	Transactional business	
Reportable segment assets	449 677	7 828 737	2 157 087	10 435 502
Reportable segment liabilities	-	1 476 425	7 240 051	8 716 476

Table 29.4 Reportable assets and liabilities for 2013

(in thousands of UAH)

Items	Reportable segments			Total
	Corporate loans business	Treasury business	Transactional business	
Reportable segment assets	688 387	3 281 081	1 661 917	5 631 385
Reportable segment liabilities	-	666 102	4 158 715	4 824 817

Table 29.5 Reconciliation of assets and liabilities for 2014

(in thousands of UAH)

Items	Reportable segments			Total
	Corporate loans business	Treasury business	Transactional business	
Total assets for reportable segments	449 677	7 828 737	2 157 087	10 435 502
Unallocated assets	-	-	-	64 818
Total assets	-	-	-	10 500 320
Total liabilities for reportable segments	-	1 476 425	7 240 051	8 716 476
Unallocated liabilities	-	-	-	62 366
Total liabilities	-	-	-	8 778 842

Table 29.6 Reconciliation of assets and liabilities for 2013

(in thousands of UAH)

Items	Reportable segments			Total
	Corporate loans business	Treasury business	Transactional business	
Total assets for reportable segments	688 387	3 281 081	1 661 917	5 631 385
Unallocated assets	-	-	-	158 358
Total assets	**-**	**-**	**-**	**5 789 743**
Total liabilities for reportable segments	-	666 102	4 158 715	4 824 817
Unallocated liabilities	-	-	-	18 553
Total liabilities	**-**	**-**	**-**	**4 843 370**

Note 30 Financial Risk Management

Credit risk

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

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

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

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

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

Credit Risk Ratios	**2014**	**2013**
Maximum credit risk exposure per counterparty Ratio (N7) Required ratio - not more than 25%	11.93%	12.05%
Large credit risks Ratio (N8) Required ratio - not more than 800% of bank's regulatory capital	172.97%	167.50%
Maximum amount of loans and guarantees to one insider Ratio (N9) Required ratio - not more than 5%	4.69%	3.87%
Maximum aggregate amount of loans and guarantees granted to insiders Ratio (N10) Required ratio - not more than 30%	16.74%	10.85%

Market risk

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

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

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

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

Currency risk

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

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

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

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

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

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

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

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

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

Open currency position limits	**As at 31 December 2014**	**Currency risk Ratios**	**As at 31 December 2013**
Total long open currency position limit (L13-1) Required limit – not more than 1%	0.0171%	Total long open currency position limit (L13-1) Required limit – not more than 5%	0.0007%
Total short open currency position limit (L13-2) Required limit – not more than 10%	1.24%	Total short open currency position limit (L13-2) Required limit – not more than 10%	6.33%

Table 30.1 Currency risk analysis

(in thousands of UAH)

Item	**As at 31 December 2014**			**As at 31 December 2013**			
	Monetary Assets	**Monetary liabilities**	**Net position**	**Monetary Assets**	**Monetary liabilities**	**Derivatives**	**Net position**
US Dollar	780 529	(1 180 155)	(399 626)	1 384 754	(1 438 631)	7 081	(46 796)
Euro	357 660	(369 574)	(11 914)	432 765	(434 287)	(1 456)	(2 978)
GB Pound	30 144	(30 025)	119	26 225	(26 220)	-	5

Russian Ruble	22 210	(22 207)	3	12 694	(12 717)	-	(23)
Other	236	(192)	44	30	(40)	-	(10)
Total	**1 190 779**	**(1 602 153)**	**(411 373)**	**1 856 469**	**(1 911 895)**	**5 625**	**(49 802)**

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

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

(in thousands of UAH)

Items	**As at 31 December 2014**		**As at 31 December 2013**	
	Impact on profit or loss	**Impact on equity**	**Impact on profit or loss**	**Impact on equity**
US Dollar strengthening by 25%	(81 923)	(81 923)	(9 242)	(9 242)
US Dollar weakening by 25%	81 923	81 923	9 242	9 242
Euro strengthening by 25%	(2 442)	(2 442)	(588)	(588)
Euro weakening by 25%	2 442	2 442	588	588
GB Pound strengthening by 25%	24	24	1	1
GB Pound weakening by 25%	(24)	(24)	(1)	(1)
Russian Ruble strengthening by 25%	1	1	(5)	(5)
Russian Ruble weakening by 25%	(1)	(1)	5	5
Other strengthening by 25%	9	9	(2)	(2)
Other weakening by 25%	(9)	(9)	2	2

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

(in thousands of UAH)

Items	**Weighted average currency exchange rate for 2014**		**Weighted average currency exchange rate for 2013**	
	Impact on profit or loss	**Impact on equity**	**Impact on profit or loss**	**Impact on equity**
US Dollar strengthening by 25%	(61 794)	(61 794)	(9 242)	(9 242)
US Dollar weakening by 25%	61 794	61 794	9 242	9 242
Euro strengthening by 25%	1 996	1 996	778	778
Euro weakening by 25%	(1 996)	(1 996)	(778)	(778)
GB Pound strengthening by 25%	19	19	1	1
GB Pound weakening by 25%	(19)	(19)	(1)	(1)
Russian Ruble strengthening by 25%	1	1	(12)	(12)
Russian Ruble weakening by 25%	(1)	(1)	12	12

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

Interest rate risk

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

The procedure of interest rate risk management stipulates fulfilment of such stages as interest asset and interest liability gaps, valuation of assets and liabilities, establishment of interest rate risk limit.

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

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

Table 30.4 Interest rate risk analysis

(in thousands of UAH)

Items	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	Total
2014					
Total financial assets	8 157 449	826 738	881 376	570 779	10 436 343
Total financial liabilities	8 721 026	-	67	-	8 721 094
Net interest sensitivity gap at 31 December 2014	**(563 577)**	**826 738**	**881 309**	**570 779**	**1 715 249**
2013					
Total financial assets	4 186 800	1 110 983	275 857	58 040	5 631 679
Total financial liabilities	4 823 602	1 905	23	-	4 825 530
Net interest sensitivity gap at 31 December 2013	**(636 802)**	**1 109 078**	**275 834**	**58 040**	**806 149**

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

Table 30.5 Monitoring of interest rates by financial instruments

Items	As at 31 December 2014				As at 31 December 2013			
	UAH	**USD**	**EUR**	**Other**	**UAH**	**USD**	**EUR**	**Other**
Assets								
Cash and cash equivalents	3.0%	0.1%	0.0%	0.3%	0.7%	0.1%	0.0%	0.0%
Securities at fair value through profit or loss	7.9%	0.0%	0.0%	0.0%	7.6%	0.0%	0.0%	0.0%
Due from other banks	12.6%	0.1%	0.0%	0.0%	2.8%	0.2%	0.0%	0.0%
Loans and advances to customers	14.8%	3.4%	2.0%	0.0%	12.6%	5.4%	1.7%	0.0%
Investment securities available for sale	8.1%	0.0%	0.0%	0.0%	9.7%	0.0%	0.0%	0.0%
Liabilities								
Correspondent accounts	0.1%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%

Due to other banks	1.9%	0.2%	0.0%	0.0%	4.2%	0.2%	0.0%	0.0%
Customer accounts:								
current accounts	1.8%	0.0%	0.0%	0.0%	1.3%	0.0%	0.0%	0.2%
term deposits	15.1%	0.0%	0.0%	0.0%	4.2%	0.0%	0.0%	0.0%

Table 30.6. Interest rate risk sensitivity analysis

(in thousands of UAH)

Currency	Interest assets/liabilities	Weighted average balance per year	Interest rate change, %	Net interest profit change	Sensitivity to net interest profit change, %
2014					
UAH	Assets	5 774 055	(2)	(115 481)	(22)
			2	115 481	22
	Liabilities	4 122 982	(1)	41 230	8
			1	(41 230)	(8)
USD	Assets	1 331 582	(2)	(26 632)	(5)
			2	26 632	5
	Liabilities	1 112 710	(1)	11 127	2
			1	(11 127)	(2)
EUR	Assets	411 852	(2)	(8 237)	(2)
			2	8 237	2
	Liabilities	426 118	(1)	4 261	1
			1	(4 261)	(1)
2013					
UAH	Assets	4 222 174	(2)	(84 443)	(24)
			2	84 443	24
	Liabilities	3 704 780	(1)	37 048	10
			1	(37 048)	(10)
USD	Assets	1 492 899	(2)	(29 858)	(8)
			2	29 858	8
	Liabilities	1 070 286	(1)	10 703	3
			1	(10 703)	(3)
EUR	Assets	299 394	(2)	(5 988)	(2)
			2	5 988	2
	Liabilities	300 757	(1)	3 008	1
			1	(3 008)	(1)

Geographical risk

Table 30.7 Geographical risk concentration analysis of the Bank's financial assets and liabilities in 2014

(in thousands of UAH)

Items	Ukraine	OECD	Other countries	Total
Assets				
Cash and cash equivalents	555 640	952 400	22 210	1 530 250
Mandatory reserve deposits with the National Bank of Ukraine	71 759	-	-	71 759
Securities at fair value through profit or loss	398 764	-	-	398 764
Due from other banks	17 899	-	-	17 899
Loans and advances to customers	2 606 764	-	-	2 606 764
Investment securities available for sale	5 810 065	-	-	5 810 065

Other financial assets	841	-	-	841
Total financial assets	**9 461 733**	**952 400**	**22 210**	**10 436 343**
Liabilities				
Due to other banks	150 883	16		150 899
Customer accounts	6 860 760	340 024	22 456	7 223 239
Other financial liabilities	1 330 837	7 516	618	1 338 971
Provisions for liabilities	7 985	-	-	7 985
Total financial liabilities	**8 350 464**	**347 556**	**23 074**	**8 721 094**
Net position in on-balance sheet financial Instruments	1 111 269	604 845	(864)	1 715 249
Credit-related commitments	11 586 631	-	400	11 587 031

Table 30.8 Geographical risk concentration analysis of the Bank's financial assets and liabilities in 2013

(in thousands of UAH)

Items	**Ukraine**	**OECD**	**Other countries**	**Total**
Assets				
Cash and cash equivalents	693 125	652 401	13 987	1 359 512
Mandatory reserve deposits with the National Bank of Ukraine	59 723	-	-	59 723
Securities at fair value through profit or loss	1 224 069	-	-	1 224 069
Due from other banks	52 867	-	-	52 867
Loans and advances to customers	2 336 361	-	-	2 336 361
Investment securities available for sale	583 861	-	-	583 861
Other financial assets	15 286	-	-	15 286
Total financial assets	**4 965 292**	**652 401**	**13 987**	**5 631 679**
Liabilities				
Due to other banks	252 210	199 097	-	451 306
Customer accounts	4 287 495	61 101	11 474	4 360 070
Other financial liabilities	9 124	468	542	10 134
Provisions for liabilities	4 020	-	-	4 020
Total financial liabilities	**4 552 848**	**260 667**	**12 015**	**4 825 530**
Net position in on-balance sheet financial Instruments	412 444	391 734	1 971	806 149
Credit-related commitments	5 220 122	4 427	8 990	5 233 539

Liquidity risk

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

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

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

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

Liquidity ratios	31 December 2014	31 December 2013
Instant liquidity ratio (N4) Required ratio - not less than 20%	92.60%	27.09%
Current liquidity ratio (N5) Required ratio - not less than 40%	128.98%	80.35%
Short-term liquidity ratio (N6) Required ratio - not less than 60%	139.36%	119.96%

Table 30.9 Analysis of financial liabilities by maturity for 2014

(in thousands of UAH)

Items	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years	Total
Due to other banks	150 899	-	-	-	150 899
Customer accounts	7 223 239	-		-	7 223 239
Other financial liabilities	1 338 904	-	67	-	1 338 971
Guarantees	172	922	6 772	1 751	9 617
Import letters of credit		-	103 685	-	103 685
Provisions for liabilities	7 985	-	-	-	7 985
Total potential future payments for financial liabilities	**8 721 198**	**922**	**110 525**	**1 751**	**8 834 396**

Table 30.10 Analysis of financial liabilities by maturity for 2013

(in thousands of UAH)

Items	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years	Total
Due to other banks	451 306	-	-	-	451 306
Customer accounts	4 337 222	22 481	367	-	4 360 070
Other financial liabilities	10 081	52	1	-	10 134
Delivery forward contracts, total amount	333 367	135 427	37 640	-	506 434
Delivery forward contracts, net amount	3 879	(8 147)	(1 783)	-	(6 051)
Guarantees	6 274	26 778	8 801	-	41 853
Import letters of credit	2 610	47 068	2 520	56 786	108 984
Provisions for liabilities	4 020	-	-	-	4 020
Total potential future payments for financial liabilities	**5 148 759**	**223 659**	**47 546**	**56 786**	**5 476 750**

Related to the structure of financial liabilities in 2014 and 2013 contractual undiscounted cash flows to discharge liabilities did not significantly differ from expected cash flows to discharge liabilities.

Table 30.11 Maturity analysis of financial assets and liabilities based on the expected maturity date for 2014

(in thousands of UAH)

Items	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years	Over 5 years	Total
Assets						
Cash and cash equivalents	1 530 250	-	-	-	-	1 530 250
Mandatory reserve deposits with the National Bank of Ukraine	71 759	-	-	-	-	71 759
Securities at fair value through profit or loss	-	4 424	-	394 340	-	398 764
Due from other banks	-	-	17 899	-	-	17 899
Loans and advances to customers	1 303 334	581 813	628 286	14 236	79 095	2 606 764
Investment securities available for sale	5 251 265	-	475 693	83 107	-	5 810 065
Other financial assets	841	-	-	-	-	841
Total financial assets	**8 157 449**	**586 237**	**1 121 878**	**491 684**	**79 095**	**10 436 343**
Liabilities						
Due to other banks	150 899	-	-	-	-	150 899
Customer accounts	7 223 239	-	-	-	-	7 223 239
Other financial liabilities	1 338 904	-	67	-	-	1 338 971
Provisions for liabilities	7 985	-	-	-	-	7 985
Total financial liabilities	**8 721 026**	**-**	**67**	**-**	**-**	**8 721 094**
Net liquidity gap at 31 December	**(563 577)**	**586 237**	**1 121 810**	**491 684**	**79 095**	**1 715 249**
Accumulated liquidity gap as at 31 December	**(563 577)**	**22 660**	**1 144 470**	**1 636 154**	**1 715 249**	**-**

Table 30.12 Maturity analysis of financial assets and liabilities based on the expected maturity date for 2013

(in thousands of UAH)

Items	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years	Over 5 years	Total
Assets						
Cash and cash equivalents	1 359 512	-	-	-	-	1 359 512
Mandatory reserve deposits with the National Bank of Ukraine	59 723	-	-	-	-	59 723
Securities at fair value through profit or loss	1 224 069	-	-	-	-	1 224 069
Due from other banks	52 293	574	-	-	-	52 867
Loans and advances to customers	794 372	916 581	563 158	6 535	55 715	2 336 361
Investment securities available for sale	78 256	142 405	87 548	275 652	-	583 861
Other financial assets	15 286	-	-	-	-	15 286
Total financial assets	**3 583 511**	**1 059 560**	**650 706**	**282 186**	**55 715**	**5 631 679**
Liabilities						0
Due to other banks	451 306	-	-	-	-	451 306
Customer accounts	4 359 935	135	-	-	-	4 360 070
Other financial liabilities	10 082	51	1	-	-	10 134
Provisions for liabilities	4 020	-	-	-	-	4 020
Total financial liabilities	**4 825 343**	**186**	**1**	**-**	**-**	**4 825 530**
Net liquidity gap at 31 December	**(1 241 832)**	**1 059 374**	**650 705**	**282 186**	**55 715**	**806 149**
Accumulated liquidity gap as at 31 December	**(1 241 832)**	**(182 458)**	**468 247**	**750 433**	**806 149**	**-**

Note 31 Capital Management

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

In accordance with the existent requirements to the level of capital, set by the National Bank of Ukraine, all Ukraine-based banks are obliged to sustain the capital adequacy level (regulatory capital to risk weighted assets ratio) above an established minimum. As of 31 December 2014 and 2013 the minimal capital adequacy level, set by the NBU, accounted for 10%. The Bank complies with the regulatory requirement as to the capital adequacy level as at 31 December 2014 and 2013. The Bank’s minimal capital adequacy level as at 31 December 2014 and 2013 significantly exceeded the NBU requirement and amounted to 42.85% and 39.67% respectively.

(in thousands of UAH)

Components of regulatory capital	2014	2013
Share capital actually paid	66 500	66 500
Share premium	253 091	253 091
Disclosed reserves	143 557	119 334
Reduction of capital in the amount of intangible assets less depreciation	(621)	(725)
Primary capital (1-tier capital)	**462 527**	**438 200**
Standard loan provisions	13 724	16 415
Calculated profit	1 342 242	483 374
Additional capital (2-tier capital)	**1 355 966**	**499 789**
Additional capital for the calculation	**462 527**	**438 200**
Total regulatory capital	**925 055**	**876 400**

Note 32 Bank’s Contingent Liabilities

Contingent tax liabilities

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

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

Lawsuits

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

Capital investment liabilities

As disclosed in Note 11, as at 31 December 2014 contractual obligations related to reconstructing of premises, acquisition of equipment and intangible assets amount to UAH 1 433 thousand.

Operating lease liabilities

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

(in thousands of UAH)

Items	2014	2013
Not later than 1 year	967	658
Later than 1 year and not later than 5 years	1 412	1 412
Later than 5 years	2 588	3 292
Total	**4 967**	**5 362**

Table 32.2 Structure of credit-related commitments

(in thousands of UAH)

Items	2014	2013
Undrawn credit lines	11 481 313	5 082 726
Import letters of credit	103 685	108 984
Guarantees issued	9 617	41 853
Other	400	3 997
Provision for credit-related commitments	(7 985)	(4 020)
Total credit-related commitments less provisions	**11 587 031**	**5 233 539**

As at 31 December 2014 and 31 December 2013 there are no funds received in provision of guarantees.

Table 32.3 Credit-related commitments by currency

(in thousands of UAH)

Items	2014	2013
Ukrainian Hryvnia	2 482 290	1 142 009
US Dollar	8 383 630	3 681 895
Euro	701 325	393 665
Other	19 787	15 971
Total	**11 587 031**	**5 233 539**

Note 33 Derivative Financial Instruments

(in thousands of UAH)

Items	2014		2013	
	Positive fair value	**Negative fair value**	**Positive fair value**	**Negative fair value**
Foreign exchange forward contracts	**-**	**-**	**-**	**-**
Receivables in UAH on settlement (+)	-	-	(16 997)	-
Payables in EURO on settlements (-)	-	-	18 163	-
Net fair value	**-**	**-**	**1 166**	**-**
Receivables in UAH on settlement (+)	-	-	(211 384)	(247 676)
Payables in USD on settlement (-)	-	-	223 888	239 980
Net fair value	**-**	**-**	**12 503**	**(7 696)**
Receivables in EURO on settlements (+)	-	-	(16 434)	(16 707)
Payables in USD on settlements (-)	-	-	16 707	16 512
Net fair value	**-**	**-**	**273**	**(195)**
Total fair value of derivative financial instruments	**-**	**-**	**13 942**	**(7 891)**

Derivative financial instruments are not traded in an active market, and as a result, their fair value is based on valuation techniques that are consistent with generally accepted valuation methodologies for pricing financial instruments and they incorporate all factors and assumptions that market participants would consider in setting the price. The fair value of forward currency contracts is determined on the basis of the forward rate, which is a reflection of the currency rates and interest rates as at the date of assessment.

Note 34 Fair Value of Financial Instruments

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

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

Table 34.1 Analysis of financial instruments carried at amortized cost

(in thousands of UAH)

Items	2014		2013	
	Fair value	Carrying amount	Fair value	Carrying amount
Cash and cash equivalents:	1 530 250	1 530 250	1 359 512	1 359 512
cash on hand	25 498	25 498	14 938	14 938
cash balances with the National Bank of Ukraine (other than mandatory reserve deposits)	522 594	522 594	673 178	673 178
correspondent accounts, deposits and overnight placements with the banks	982 158	982 158	671 396	671 396
Mandatory reserve deposit with the National Bank of Ukraine	71 759	71 759	59 723	59 723
Due from other banks:	17 899	17 899	52 867	52 867
term deposits	17 899	17 899	7 850	7 850
loans to other banks	-	-	45 017	45 017
Loans and advances to customers:	2 606 764	2 606 764	2 336 361	2 336 361
corporate loans	2 519 934	2 519 934	2 272 526	2 272 526
mortgage loans to individuals	80 108	80 108	60 053	60 053
loans to individuals – consumer loans	6 722	6 722	3 783	3 783
Other financial assets:	841	841	1 343	1 343
receivables on foreign currency transactions	-	-	1 049	1 049
receivables on payment card transactions	31	31	-	-
other financial assets	810	810	294	294
Total financial assets carried at amortized cost	**4 227 513**	**4 227 513**	**3 809 807**	**3 809 807**
Due to other banks:	150 899	150 899	451 306	451 306
correspondent accounts and overnight placements of other banks	150 899	150 899	321 314	321 314
term loans received	-	-	129 992	129 992
Customer accounts:	7 223 239	7 223 239	4 360 070	4 360 070
state and public organisations	2 899	2 899	821	821
other legal entities	7 203 581	7 203 581	4 337 747	4 337 747
individuals	16 760	16 760	21 502	21 502

Provisions for liabilities	7 985	7 985	4 020	4 020
Other financial liabilities:	1 338 971	1 338 971	2 243	2 243
payables on trading operations of foreign currencies and banking metals for customers	1 325 527	1 325 527	-	-
payables on customer accounts and settlements	8 827	8 827	1 530	1 530
other financial liabilities	4 617	4 617	713	713
Total financial liabilities carried at amortized cost	**8 721 094**	**8 721 094**	**4 817 639**	**4 817 639**

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

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

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

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

Transfer between levels of hierarchy

Transfer between levels of hierarchy is carried out in connection with changes in an active market and availability of market data. During the year ended 31 December 2014 the Bank made the transfer of securities available for sale from Level 1 to Level 2 in the amount of UAH 558 800 thousand. The transfer between levels of hierarchy was made due to the changes in market data sources.

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

Table 34.2 Fair value hierarchy of financial instruments carried at fair value for 2014

(in thousands of UAH)

Items	**Fair value hierarchy**			**Total fair value**	**Total carrying amount**
	Level 1	**Level 2**	**Level 3**		
Securities at fair value through profit or loss:	398 764	-	-	398 764	398 764
trading securities	-	-	-	-	-
other securities at fair value through profit or loss	398 764	-	-	398 764	398 764
Investment securities available for sale:	-	5 810 066	-	5 810 066	5 810 066
deposit certificates of NBU	-	5 251 266	-	5 251 266	5 251 266
Ukrainian state bonds	-	558 800	-	558 800	558 800
Other financial assets:	-	-	-	-	-
derivative financial assets	-	-	-	-	-
Total financial assets carried at fair value	**398 764**	**5 810 066**	**-**	**6 208 830**	**6 208 830**

Table 34.3 Fair value hierarchy of financial instruments carried at fair value for 2013

(in thousands of UAH)

Items	Fair value hierarchy			Total fair value	Total carrying amount
	Level 1	Level 2	Level 3		
Securities at fair value through profit or loss:	1 224 069	-	-	1 224 069	1 224 069
trading securities	185 691	-	-	185 691	185 691
other securities at fair value through profit or loss	1 038 378	-	-	1 038 378	1 038 378
Investment securities available for sale:	583 861	-	-	583 861	583 861
Ukrainian state bonds	583 861	-	-	583 861	583 861
Other financial assets:	-	13 942	-	13 942	13 942
derivative financial assets	-	13 942	-	13 942	13 942
Total financial assets carried at fair value	**1 807 930**	**13 942**	**-**	**1 821 872**	**1 821 872**
Other financial liabilities:	-	7 891	-	7 891	7 891
derivative financial liabilities	-	7 891	-	7 891	7 891
Total financial liabilities carried at fair value	**-**	**7 891**	**-**	**7 891**	**7 891**

Note 35 Presentation of Financial Instruments by Measurement Categories

Table 35.1 Financial assets by measurement categories for 2014

(in thousands of UAH)

Items	Loans and advances to customers	Assets available for sale	Financial assets carried at fair value with recognition of revaluation through profit or loss		Total
			trade securities	assets carried at fair value with recognition of revaluation through profit or loss	
Cash and cash equivalents	1 530 250	-	-	-	1 530 250
Mandatory reserve deposits in the National Bank of Ukraine	71 759	-	-	-	71 759
Securities at fair value through profit or loss:	-	-	-	398 764	398 764
trading securities	-	-	-	-	-
other securities at fair value through profit or loss	-	-	-	398 764	398 764
Due from other banks:	17 899	-	-	-	17 899
term deposits	17 899	-	-	-	17 899
loans to other banks	-	-	-	-	-
Loans and advances to customers:	2 606 764	-	-	-	2 606 764
corporate loans	2 519 934	-	-	-	2 519 934
mortgage loans to individuals	80 108	-	-	-	80 108
loans to individuals – consumer loans	6 722	-	-	-	6 722

Investment securities available for sale	-	5 810 066	-	-	5 810 066
Other financial assets:	841	-	-	-	841
receivables on foreign currency transactions	-	-	-	-	-
receivables on payment cards transactions	31	-	-	-	31
other financial assets	810	-	-	-	810
Total financial assets	**4 227 513**	**5 810 066**	**-**	**398 764**	**10 436 342**

Table 35.2 Financial assets by measurement categories for 2013

(in thousands of UAH)

Items	Loans and advances to customers	Assets available for sale	Financial assets carried at fair value with recognition of revaluation through profit or loss		Total
			trade securities	assets carried at fair value with recognition of revaluation through profit or loss	
Cash and cash equivalents	1 359 512	-	-	-	1 359 512
Mandatory reserve deposits in the National Bank of Ukraine	59 723	-	-	-	59 723
Securities at fair value through profit or loss:	-	-	185 691	1 038 378	1 224 069
trading securities	-	-	185 691	-	185 691
other securities at fair value through profit or loss	-	-	-	1 038 378	1 038 378
Due from other banks:	52 867	-	-	-	52 867
term deposits	7 850	-	-	-	7 850
loans to other banks	45 017	-	-	-	45 017
Loans and advances to customers:	2 336 361	-	-	-	2 336 361
corporate loans	2 272 526	-	-	-	2 272 526
mortgage loans to individuals	60 053	-	-	-	60 053
loans to individuals – consumer loans	3 783	-	-	-	3 783
Investment securities available for sale	-	583 861	-	-	583 861
Other financial assets:	1 343	-	-	13 942	15 286
receivables on foreign currency transactions	1 049	-	-	-	1 049
other financial assets	294	-	-	13 942	14 237
Total financial assets	**3 809 807**	**583 861**	**185 691**	**1 052 320**	**5 631 679**

Note 36 Related Party Transactions

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

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

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

The key management personnel are: the Chairman and members of the Board of the Bank; heads of Credit and Tariff committees of the Bank.

Table 36.1 Outstanding balances with related parties as at 31 December 2014

(in thousands of UAH)

Items	Key management personnel	Other related parties
Cash and cash equivalents	-	974 610
Loans and advances to customers (contractual interest rate: 3%)	11 133	-
Provision for loan impairment as at 31 December	(19)	-
Due to banks	-	-
Customer accounts	322	3 519
Other liabilities	9 610	554

Table 36.2 Income and expense items with related parties for 2014

(in thousands of UAH)

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

Table 36.3 Other rights and obligations with related parties as at 31 December 2014

(in thousands of UAH)

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

Table 36.4 Amounts lent to and repaid by related parties during 2014

(in thousands of UAH)

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

Table 36.5 Outstanding balances with related parties as at 31 December 2013

(in thousands of UAH)

Items	Key management personnel	Other related parties
Cash and cash equivalents	-	665 095
Loans and advances to customers (contractual interest rate: 3%)	6 788	-
Provision for loan impairment as at 31 December	(12)	-
Due to banks	-	79 930
Customer accounts	23	8 520
Other liabilities	-	542

Table 36.6 Income and expense items with related parties for 2013

(in thousands of UAH)

Items	Key management personnel	Other related parties
Interest income	206	2 884
Interest expense	-	101
Gains less losses from trading in foreign currencies	(79)	(638 039)
Gains less losses from other trade operations	-	(21 032)
Other operating income	-	55
Fee and commission income	2	454
Fee and commission expense	-	1 670
Other operating income	-	1
Administrative and other operating expenses	18 877	1 843

Table 36.7 Other rights and obligations with related parties as at 31 December 2013

(in thousands of UAH)

Items	Other related parties
Guarantees issued	430
Guarantees received	2 235 073

Table 36.8 Amounts lent to and repaid by related parties during 2013

(in thousands of UAH)

Items	Key management personnel
Amounts repaid by related parties during the year	3 774

Table 36.9 Key management compensation

(in thousands of UAH)

Items	2014		2013	
	Expenses	Accrued liabilities	Expenses	Accrued liabilities
Salaries	(14 242)	-	(9 365)	-
Dismissal payments	-	-	(1 200)	-
Share-based payments	(1 690)	-	(190)	-
Medical Insurance	(143)	-	(93)	-
Additional payments under contracts	(4 495)	-	(6 659)	-
Vacation provision	(349)	-	(515)	-
Other compensation payments	(5 479)	(9 610)	(855)	-

Note 37 Events After the End of the Reporting Period

Unstable political and economic conditions have a negative effect on the banking system. From the beginning of 2015 Ukraine's economy remained in negative trend of the previous year due to suspension and destruction of infrastructure and enterprises as a result of warfare; decline of external demand, decline of consumer and investment domestic demand. Devaluation of hryvnia has reached 33-50% compared to the beginning of the year. As at 06 March 2015 the official currency exchange rate of hryvnia set by the National Bank of Ukraine constituted UAH 23.090564 for USD 1 and UAH 25.685943 for EUR 1.

In order to influence the currency market National Bank of Ukraine has introduced a number of administrative measures, in particular, according to the Regulation of the National Bank of Ukraine N160 from 3 March 2015, which is valid until 3 June 2015, the terms of payments for export-import operations were reduced up to 90 days; established mandatory sale of 75% of foreign currency earnings; banned buying of foreign currency by customers if they have foreign currency on their own accounts; prohibited lending in national currency secured by funds in foreign currency etc. Moreover, additional measures to the activities of banks and financial institutions were imposed, namely, the amount of purchases of cashless foreign currency by banks for their own operations was limited to the amount that is 0.1% of regulatory capital (except for SWAP transactions).

In preparation for the introduction of inflation targeting regime the National Bank has changed operational approaches of monetary policy, in particular it has increased efficiency of the Key interest rate and has terminated carrying daily FX auctions beginning from 5 February 2015 and abandoned indicative rate of the hryvnya. At the same time, in order to reduce inflation risks, the Key interest rate was increased to 19.5% per annum beginning from 6 February 2015, and beginning from 4 March 2015 - 30% per annum

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

After the end of the reporting period the following events did not occur:

- business combination;
- termination of, or the decision made to discontinue an operation;
- restructuring;
- court decisions in favour of claimants against the Bank which could cause any significant liabilities for the Bank.