

PJSC DEUTSCHE BANK DBU

Financial statements as at and for the year ended
31 December 2015

These financial statements contain 38 pages

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Independent Auditors' Report

To the Board of Directors
Public Joint-Stock Company DEUTSCHE BANK DBU

We have audited the accompanying financial statements of Public Joint-Stock Company DEUTSCHE BANK DBU (the "Bank"), which comprise the statement of financial position as at 31 December 2015, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing adopted as Ukraine's National Standards on Auditing pursuant to Resolution of the Audit Chamber of Ukraine No.320/1 dated 29 December 2015. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

We draw attention to Note 2 to the financial statements, which describes the political and social unrest and regional tensions in Ukraine that started in November 2013 and escalated in 2014 and afterwards. The events referred to in Note 2 have adversely affected the Bank and could continue to adversely affect the Bank's results and financial position in a manner not currently determinable. Our opinion is not qualified in respect of this matter.



JSC "KPMG Audit"

Certificate No. 2397 of 26 January 2001
issued by the Audit Chamber of Ukraine

EDRPOU Code: 31032100

NBU Banking Auditor's Registration

Certificate No. 0000012 of 17 September
2012, Resolution No. 39

Parkhomenko Anna
Deputy Director

Certified Auditor

ACU Certificate: 0085 dated 29 October 2009



25 April 2016

(in thousands of UAH)

	Note	31 December 2015	31 December 2014
ASSETS			
Cash and cash equivalents	5	1,083,748	616,837
Loans and advances to customers	6	557,393	242,281
Deferred tax asset	18	817	2,398
Property, equipment and intangible assets	7	3,261	661
Other financial assets	8	65	14,370
Other assets	9	3,080	448
Total assets		1,648,364	876,995
LIABILITIES			
Due to customers	10	1,225,412	601,115
Current income tax liability		24,712	2,654
Provision for credit related commitments	12	2,258	14,192
Other liabilities	11	16,896	12,046
Total liabilities		1,269,278	630,007
EQUITY			
Share capital	13	228,666	228,666
Retained earnings		143,172	12,396
Other reserves		7,248	5,926
Total equity		379,086	246,988
Total liabilities and equity		1,648,364	876,995

Authorised for issue and signed:

25 April 2016



Boryslav Ivanov-Blankenburh
Chairman of the Board




Alexey Rybenko
Chief Accountant

Prepared by: Mamedova M.M.
Economist
Phone: (044) 495-92-32

Statement of financial position should be read in conjunction with the notes to, and forming part of, the financial statements set out on pages 7 to 38.

PJSC DEUTSCHE BANK DBU
Financial statements as at and for the year ended 31 December 2015
Statement of profit or loss and other comprehensive income for the year ended 31 December 2015

<i>(in thousands of UAH)</i>	<i>Note</i>	2015	2014
Interest income	15	222,100	48,945
Interest expense	15	(58,811)	(3,456)
Net interest income	15	163,289	45,489
Fee and commission income	16	35,446	23,305
Fee and commission expense	16	(5,632)	(3,956)
Gains less losses from dealing with foreign currencies		35,027	6,959
(Impairment loss)/ recovery of impairment	6,20	(2,544)	72
Foreign currency revaluation result		3,299	7,071
Other operating income		857	2,036
Administrative and other operating expenses	17	(65,925)	(52,889)
Profit before tax		163,817	28,087
Income tax expense	18	(31,716)	(6,243)
Profit for the year		132,101	21,844


Other comprehensive income:

Items that are or may be reclassified subsequently to profit or loss

Revaluation of securities available-for-sale			232
Income tax attributable to other comprehensive income			(23)
Other comprehensive income after tax for the year			209
Total comprehensive income for the year		132,101	22,053
Earnings per share from continuing operations:			
Basic and diluted earnings per share, UAH	19	0.58	0.10

Authorised for issue and signed:

25 April 2016


 Boryslav Ivanov-Blankenburgh
 Chairman of the Board




 Alexey Rybenko
 Chief Accountant

Prepared by: Mamedova M.M.
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 Phone: (044) 495-92-32

Statement of profit or loss and other comprehensive income should be read in conjunction with the notes to, and forming part of, the financial statements set out on pages 7 to 38.

(in thousands of UAH)

		Attributable to the shareholders of the Bank			
	Note	Share capital	Other reserves	Revaluation reserves	Retained earnings
Balance as at 1 January 2014		228,666	3,682	(209)	(7,204)
Profit for the year		-	-	-	21,844
Other comprehensive income		-	-	209	-
Total comprehensive income for the year		-	-	209	21,844
Transfer to general banking reserve		-	2,244	-	(2,244)
Balance as at 31 December 2014		228,666	5,926	-	12,396
Balance as at 1 January 2015		228,666	5,926	-	12,396
Profit for the year		-	-	-	132,101
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		-	-	-	132,101
Transfer to general banking reserve		-	1,322	-	(1,325)
Balance as at 31 December 2015		228,666	7,248	-	143,172

Authorised for issue and signed:

25 April 2016



Boryslav Ivanov-Blankenburgh
Chairman of the Board




Alexey Rybenko
Chief Accountant

Prepared by: Mamedova M.M.
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Phone: (044) 495-92-32

Statement of changes in equity should be read in conjunction with the notes to, and forming part of, the financial statements set out on pages 7 to 38.

(in thousands of UAH)	Note	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		163,817	28,087
Adjustments for:			
Depreciation and amortization	7	352	258
Net increase/(decrease) of provisions for impairment	20	2,544	(72)
Amortisation of discount /(premium)		(6)	-
Accrued income		(430)	(16)
Increase of accrued expenses		1,486	2
Net (gain)/loss from investing activities		-	-
Unrealised foreign exchange result		(3,299)	(7,070)
Net monetary gain from operating activities before changes in operating assets and liabilities		164,464	21,189
Changes in operating assets and liabilities:			
Net decrease in mandatory balances in the National Bank of Ukraine		-	43,965
Net decrease in loans and advances to customers		(314,780)	(109,541)
Net decrease/(increase) in other financial assets		14,189	(14,347)
Net increase /(decrease) in other assets		(2,643)	24
Net increase /(decrease) in due to customers		594,533	(1,551,259)
Net decrease/(increase) in other liabilities		(11,589)	16,249
Net cash flows from (used in) operating activities before income tax		444,174	(1,593,720)
Income tax paid		(8,079)	(6,726)
Net cash flows from (used in) operating activities		436,095	(1,600,446)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of securities available-for-sale		-	-
Proceeds from the sale of securities available-for-sale		-	42,876
Acquisition of property and equipment	7	(2,757)	(140)
Acquisition of intangible assets	7	(195)	(84)
Net cash flows from investing activities		(2,952)	42,652
Effect of the official exchange rate changes on cash and cash equivalents		33,768	35,980
Net increase (decrease) in cash and cash equivalents		466,911	(1,521,814)
Cash and cash equivalents at the beginning of the year	5	616,837	2,138,651
Cash and cash equivalents at the end of the year	5	1,083,748	616,837

Authorised for issue and signed:

25 April 2016


Boryslav Ivanov-Blankenburh
Chairman of the Board




Alexey Rybenko
Chief Accountant

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Statement of cash flows should be read in conjunction with the notes to, and forming part of, the financial statements set out on pages 7 to 38.

1 Background

a) Organisation and operations

Public Joint Stock Company DEUTSCHE BANK DBU (hereinafter – the Bank) was registered as an open joint stock company in 2009. In 2010, the Bank was re-registered as a public joint stock company.

The Bank operates based on the license issued by the National Bank of Ukraine on 18 November 2011. The Bank specializes in attraction of deposits and maintenance of customers' accounts, granting loans and providing guarantees, cash and settlement transactions, transactions with securities, and foreign exchange operations. The Bank's operations are regulated by the National Bank of Ukraine. The Bank is a member of Individuals' Deposits Guarantee Fund (certificate № 207 dated 12 October 2009).

As at 31 December 2015 and 2014, the Bank is operating through its Head Office and has no branches.

The Bank's registered address is: Lavrska Street, 20, Kyiv, Ukraine.

b) Ultimate controlling party

Deutsche Bank AG, a German corporation, owns 100 % of the share capital. Deutsche Bank AG is a direct parent company of the Bank and its ultimate controlling party. Deutsche Bank AG prepares and publishes its consolidated financial statements prepared in accordance with IFRS.

The Bank's management does not own any shares in the Bank. Details of transactions with related parties are disclosed in note 24.

These financial statements were approved for issue by the Board of Directors on 12 April 2016.

2 Ukrainian business environment

Ukraine's political and economic situation has deteriorated significantly since 2014. Following political and social unrest, which started in November 2013, in March 2014, various events in Crimea led to the accession of the Republic of Crimea to the Russian Federation, which was not recognised by Ukraine and many other countries. This event resulted in a significant deterioration of the relationship between Ukraine and the Russian Federation. Following the instability in Crimea, regional tensions have spread to the Eastern regions of Ukraine, primarily Donetsk and Lugansk regions. In May 2014, protests in those regions escalated into military clashes and armed conflict between supporters of the self-declared republics of the Donetsk and Lugansk regions and the Ukrainian forces, which continued throughout the date of these financial statements. As a result of this conflict, part of the Donetsk and Lugansk regions remains under control of the self-proclaimed republics, and Ukrainian authorities are not currently able to fully enforce Ukrainian laws on this territory.

Political and social unrest combined with the military conflict in the Donetsk and Lugansk regions has deepened the ongoing economic crisis, caused a fall in the country's gross domestic product and foreign trade, deterioration in state finances, depletion of the National Bank of Ukraine's foreign currency reserves, significant devaluation of the national currency and a further downgrading of the Ukrainian sovereign debt credit ratings. Following the devaluation of the national currency, the National Bank of Ukraine introduced certain administrative restrictions on currency conversion transactions, which among others included restrictions on purchases of foreign currency by individuals and companies, the requirement to convert 75% of foreign currency proceeds to local currency, a ban on payment of dividends abroad, a ban on early repayment of foreign loans and restrictions on cash withdrawals from banks. These events had a negative effect on Ukrainian companies and banks, significantly limiting their ability to obtain financing on domestic and international markets.

The final resolution and the effects of the political and economic crisis are difficult to predict but may have further severe effects on the Ukrainian economy.

Whilst management believes it is taking appropriate measures to support the sustainability of the Bank's business in the current circumstances, a continuation of the current unstable business environment could negatively affect the Bank's results and financial position in a manner not currently determinable. These financial statements reflect management's current assessment of the impact of the Ukrainian business environment on the operations and the financial position of the Bank. The future business environment may differ from management's assessment.

3 Basis of preparation

a) Statement of compliance

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS).

b) Basis of measurement

These financial statements are prepared on the historical cost basis, except for securities held for sale, which are measured at fair value.

c) Functional and presentation currency

The functional and presentation currency is the Ukrainian hryvnia (UAH).

Unless stated otherwise, these financial statements are presented in UAH, rounded to the nearest thousand.

d) Use of estimates and judgments

The preparation of the financial statements in conformity with IFRSs requires management to make a number of judgements, estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with IFRS. Actual results could differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future period affected.

4 Significant accounting policies

The accounting policies set out below are consistently applied to all periods presented in these financial statements, except as stated otherwise.

a) Foreign currency transactions

Transactions in foreign currencies are translated to hryvnias at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to hryvnias at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Foreign currency differences arising on retranslation are recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

The UAH is not a convertible currency outside Ukraine and, accordingly, any conversion of UAH amounts to USD should not be construed as a representation that UAH amounts have been, could be, or will be in the future, convertible into USD at the exchange rate shown, or any other exchange rate.

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

Currency	31 December 2015	31 December 2014
US dollar	24.00	15.77
EUR	26.22	19.23

b) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances (nostro accounts) held with the NBU and deposit certificates issued by NBU with original maturities less than three months, other banks and deposits due from banks with original maturities less than three months, which are subject to insignificant risk of changes in their fair value.

c) Financial instruments

(i) Classification

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

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

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

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

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

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

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

Loans and receivables include cash and balances with the NBU, due from banks and loans to customers.

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

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

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

Available-for-sale assets include securities available-for-sale.

Financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity or to exchange financial instruments with another entity under conditions that are potentially unfavourable.

(ii) Recognition

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

(iii) Measurement

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

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

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

All financial liabilities, other than those designated at fair value through profit or loss and financial liabilities that arise when a transfer of a financial asset carried at fair value does not qualify for derecognition, are measured at amortised cost. Amortised cost is calculated using the effective interest method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument. Where a valuation based on observable market data indicates a fair value gain or loss on initial recognition of an asset or liability, the gain or loss is recognised immediately in profit or loss. Where an initial gain or loss is not based entirely on observable market data, it is deferred and recognised over the life of the asset or liability on an appropriate basis, or when prices become observable, or on disposal of the asset or liability.

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

(iv) Fair value measurement principles

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

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

When there is no quoted price in an active market, the Bank uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in pricing transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price, i.e., the fair value of the consideration given or received. If the Bank determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is supported wholly by observable market data or the transaction is closed out.

(v) Gains and losses on subsequent measurement

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

- a gain or loss on a financial instrument classified as at fair value through profit or loss is recognised in profit or loss
- a gain or loss on an available-for-sale asset is recognised as other comprehensive income in equity (except for impairment losses and foreign exchange gains and losses) until the asset is derecognised, at which time the cumulative gain or loss previously recognised in equity is recognised in profit or loss. Interest in relation to an available-for-sale asset is recognised as earned in profit or loss using the effective interest method.

For financial assets and liabilities carried at amortised cost, a gain or loss is recognised in profit or loss when the financial asset or liability is derecognised or impaired, and through the amortisation process.

(vi) Derecognition

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

The Bank enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised.

In transactions where the Bank neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognises the asset if control over the asset is lost.

In transfers where control over the asset is retained, the Bank continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred assets.

If the Bank purchases its own debt, it is removed from the statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in gains or losses arising from early retirement of debt.

The Bank writes off assets deemed to be uncollectible.

(vii) Derivative financial instruments

Derivative financial instruments include swap, forward, futures, spot transactions and options in interest rate, foreign exchange, precious metals and stock markets, and any combinations of these instruments.

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

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

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

d) Impairment

(i) *Financial assets carried at amortised cost*

Financial assets carried at amortised cost consist principally of loans and other receivables (loans and receivables). The Bank reviews its loans and receivables to assess impairment on a regular basis. A loan or receivable is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the loan or receivable and that event (or events) has had an impact on the estimated future cash flows of the loan that can be reliably estimated.

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, breach of loan covenants or conditions, restructuring of a loan or advance on terms that the Bank would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, deterioration in the value of collateral, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers in the group, or economic conditions that correlate with defaults in the group.

Management reviews loan portfolio to assess impairment on a regular basis. The Bank first assesses whether objective evidence of impairment exists individually for loans to customers that are individually significant and for those where specific indications of impairment were identified as at the assessment date. Other loans and advances to customers, that are not individually significant and for which no specific indications of impairment were identified at individual level, are assessed on portfolio basis.

For all loans that are considered individually significant, the Bank assesses on a case-by-case basis at each reporting date whether there is any objective evidence that the loan is impaired.

Objective evidence of impairment exists when a loss event has occurred. Identification of loss event for individual assessment involves analysis of the following aspects of the borrower's financial position.

For those loans where objective evidence of impairment exists, impairment losses are determined considering the following aspects:

- the aggregate exposure to the customer
- the amount and timing of expected loan receipts and recoveries
- the realisable value of collateral and likelihood of successful foreclosure.

The amount of impairment loss is measured as the difference between the carrying amount of the loan or receivable and the present value of estimated future cash flows including amounts recoverable from guarantees and collateral discounted at the loan or receivable's original effective interest rate. Contractual cash flows and historical loss experience adjusted on the basis of relevant observable data that reflect current economic conditions provide the basis for estimating expected cash flows.

If the Bank determines that no objective evidence of impairment exists for an individually assessed loan or receivable, whether significant or not, it includes the loan in a group of loans and receivables with

similar credit risk characteristics and collectively assesses them for impairment. Loans and receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

The collective assessment is based on appropriate historical trends of default and a migration matrix approach. For collective assessment purposes, exposures are divided into homogeneous groups with similar risks and characteristics. The loss amount for collectively assessed loans is determined based on the following aspects:

- the probability of default by the client or counterparty on its contractual obligations
- current exposures to the counterparty
- estimated receipts from collateral realisation (where applicable)

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

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

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

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

(ii) Financial assets carried at cost

If there is objective evidence that such assets are impaired, the impairment loss is calculated as the difference between the carrying amount of the investment and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

(iii) Available-for-sale assets

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

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss.

(iv) Non-financial assets

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

to which the asset belongs. An impairment loss is recognised when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

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

e) Credit related commitments

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

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

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

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

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the Bank settles the obligation. The reimbursement in the amount not exceeding the amount of provision is recognised in other financial assets.

In the statement of profit or loss and other comprehensive income, the expense relating to a provision is presented net of the amount recognised for a reimbursement.

f) Property and equipment

(i) Owned assets

Property and equipment comprise additions of property and equipment and repairs of property and equipment, furniture and office equipment. Property and equipment are initially recognised at cost less accumulated depreciation and impairment losses.

Expenses incurred in connection with repairs of property and equipment are recognised in profit or loss in the period when they are incurred unless they meet the capitalisation recognition criteria.

Where an item of property, equipment assets comprises major components having different useful lives, they are accounted for as separate items of property and equipment.

Gains less losses from disposal of property and equipment are recognised in profit or loss.

(ii) Leased assets

Leases under which the Bank assumes substantially all the risks and rewards of ownership are classified as finance leases. Equipment acquired by way of finance lease is stated at the amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

Assets acquired under lease other than financial lease are not recognised in the statement of financial position.

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of specific assets. Depreciation commences from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. The estimated annual depreciation rates are as follows:

Machinery and equipment	10-25%
Fixtures and fittings (furniture)	10-20%
Other non-current tangible assets	20%

g) Intangible assets

Intangible assets, acquired by the Bank, are stated at cost less accumulated amortisation and impairment losses.

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Estimated annual amortisation rate is 33%.

h) Share capital

Contributions to share capital are recognised at historical cost. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

i) Dividends

The ability of the Bank to declare and pay dividends is subject to the rules and requirements of the Ukrainian legislation.

Dividends in relation to ordinary shares are reflected as a reduction to retained earnings as and when declared.

j) Taxation

Income tax comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items of other comprehensive income or transactions with shareholders recognised directly in equity, in which case it is recognised within other comprehensive income or directly within equity.

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and temporary differences related to investments in subsidiaries where the parent is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Bank expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences, unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

k) Earnings per share

The Bank presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

l) Income and expenses recognition

Income and expenses are recognised in profit or loss using the effective interest method.

Accrued discounts and premiums on financial instruments at fair value through profit or loss are recognised in profit less losses on financial instruments at fair value through profit or loss.

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

Other commissions and other income and expenses are recognised in profit or loss in the period when underlying services were performed.

Dividend income is recognised in profit or loss on the date of dividends declaration.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease payments made.

m) Employee benefits

Pensions are provided by the State through the mandatory contributions, which are made by the Bank and employees based on the earnings of the employees. The expenditure on these contributions is recognised in the profit or loss when contributions are due and is included in salaries and employee benefits.

n) Offsetting

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

o) Segment reporting

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

The Bank represents one reportable segment that has central management and follows common lending policy and marketing strategy.

For geographical allocation of assets and liabilities refer to note 20 (e).

None of the Bank's customers accounted for more than 10% of the total revenues of the Bank generated during the years ended 31 December 2014. During the year ended 31 December 2015 one Bank's customer generated 41.8% of the total revenues of the Bank for the year 2015.

Substantially all revenues from external customers are generated from services to customers that are Ukrainian residents.

p) New standards and interpretations not yet adopted

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2016, which the Bank has not early adopted.

IFRS 9 “Financial Instruments: Classification and Measurement” (amended in July 2014 and effective for annual periods beginning on or after 1 January 2018). The key features of the new standard are:

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).
- Classification for debt instruments is driven by the entity’s business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets’ cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.
- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.
- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a ‘three stage’ approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL.
- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

The bank is currently assessing the impact of the new standard on its financial statements.

IFRS 15, Revenue from Contracts with Customers (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2017). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed. The Bank is currently assessing the impact of the new standard on its financial statements.

Annual Improvements to IFRSs 2014 (issued on 25 September 2014 and effective for annual periods beginning on or after 1 January 2016). The amendments impact 4 standards. IFRS 5 was amended to clarify that change in the manner of disposal (reclassification from "held for sale" to "held for distribution" or vice versa) does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such. The amendment to IFRS 7 adds guidance to help management determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement, for the purposes of disclosures required by IFRS 7. The amendment also clarifies that the offsetting disclosures of IFRS 7 are not specifically required for all interim periods, unless required by IAS 34. The amendment to IAS 19 clarifies that for post-employment benefit obligations, the decisions regarding discount rate, existence of deep market in high-quality corporate bonds, or which government bonds to use as a basis, should be based on the currency that the liabilities are denominated in, and not the country where they arise. IAS 34 will require a cross reference from the interim financial statements to the location of "information disclosed elsewhere in the interim financial report". The Bank is currently assessing the impact of the new standard on its financial statements.

Disclosure Initiative Amendments to IAS 1 (issued in December 2014 and effective for annual periods beginning on or after 1 January 2016). The Standard was amended to clarify the concept of materiality and explains that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, even if the IFRS contains a list of specific requirements or describes them as minimum requirements. The Standard also provides new guidance on subtotals in financial statements, in particular, such subtotals (a) should be comprised of line items made up of amounts recognised and measured in accordance with IFRS; (b) be presented and labelled in a manner that makes the line items that constitute the subtotal clear and understandable; (c) be consistent from period to period; and (d) not be displayed with more prominence than the subtotals and totals required by IFRS standards. The Bank is currently assessing the impact of the amendments on its financial statements.

The following other new standards and interpretations are not expected to have any impact on the Bank's financial statements when adopted:

- IFRS 14, Regulatory deferral accounts (issued in January 2014 and effective for annual periods beginning on or after 1 January 2016).
- Accounting for Acquisitions of Interests in Joint Operations - Amendments to IFRS 11 (issued on 6 May 2014 and effective for the periods beginning on or after 1 January 2016).
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after 1 January 2016).

q) Corresponding figures

During 2015, management decided to present separately the effect of the official exchange rate changes on cash and cash equivalents in the statement of cash flows for the year ended 31 December 2014. Previously it was shown in lines "Net increase /(decrease) in due to customers" and "Net decrease/(increase) in other liabilities".

The amendment resulted in the following impact on the Bank's statement of cash flows for the year ended 31 December 2014:

(in thousands of UAH)

	2014 (previously reported)	2014 (reclassified)
Net increase /(decrease) in due to customers	(1,517,298)	(1,551,259)
Net decrease/(increase) in other liabilities	18,268	16,249
Net cash flows from (used in) operating activities before income tax	(1,557,740)	(1,593,720)
Effect of the official exchange rate changes on cash and cash equivalents	-	35,980

5 Cash and cash equivalents

Cash and cash equivalents are as follows:

(in thousands of UAH)

	31 December 2015	31 December 2014
Cash	618	569
Balances with the NBU	50,191	15,171
Deposit certificates of the NBU	889,864	510,251
Cash and cash equivalents due from banks	143,075	90,846
Total cash and cash equivalents	1,083,748	616,837

Cash and cash equivalents due from banks are as follows:

(in thousands of UAH)

	31 December 2015	31 December 2014
Corresponding accounts		
OECD countries	123,942	90,675
Non OECD countries	19,128	163
Ukraine	5	8
Total cash and cash equivalents due from banks	143,075	90,846

The following table represents an analysis of total cash and cash equivalents due from banks by rating agency designation based on Standard and Poor's ratings (S&P) or their equivalent:

(in thousands of UAH)

	31 December 2015	31 December 2014
Corresponding accounts		
rated from A- to A+	-	90,675
rated BBB- to BBB+	123,942	-
unrated	19,133	171
Total cash and cash equivalents due from banks	143,075	90,846

Corresponding account due from unrated Bank represented by balances due from related party as at 31 December 2015 and as at 31 December 2014.

As at 31 December 2015, cash and cash equivalents balances due from one bank amount to UAH 76,372 thousand or 53.4% of the total cash and cash equivalents due from banks (31 December 2014: UAH 61,921 thousand or 68.2%, accordingly).

In accordance with Resolution No. 820 "On amending the procedure for establishment and maintenance of mandatory reserves" of the Management Board of the National Bank of Ukraine dated 18 December 2014, the Bank puts aside and maintains mandatory reserves on its correspondent account with the National Bank of Ukraine in compliance with statutory ratios in effect in respective periods. The amount of the mandatory reserve comprised UAH 48,007 thousand as at 31 December 2015. As the Bank had the right to use mandatory reserve balances with the National Bank of Ukraine in full and, therefore, they were classified as cash and cash equivalents as at 31 December 2015 and as at 31 December 2014.

In accordance with the NBU Board Resolution “On Certain Issues of Banking Activities” No. 529 of 26 August 2014, as a result of significant deterioration of the economic situation due to the annexation of the Crimea and military clashes in Donetsk and Lugansk regions, the NBU allowed banks not to maintain the mandatory reserve balance on the correspondent account with the NBU to the extent that the banks comply with certain requirements set out in the Resolution. The Bank complied with the mandatory reserve requirements as at 31 December 2015 and as at 31 December 2014.

6 Loans and advances to customers

Loans and advances to customers are as follows:

<i>(in thousands of UAH)</i>	31 December 2015	31 December 2014
Corporate loans	557,545	242,333
Impairment provision	(152)	(52)
Total loans less provisions	557,393	242,281

Analysis of changes in provisions for loans for the years ended 31 December 2015 and 2014 is as follows:

<i>(in thousands of UAH)</i>	<i>Note</i>	Corporate loans	Total
Balance as at 31 December 2013		124	124
Recovery of impairment	20	(72)	(72)
Balance as at 31 December 2014		52	52
Impairment loss	20	100	100
Balance as at 31 December 2015		152	152

Loan structure by types of economic activities is as follows:

<i>(in thousands of UAH)</i>	31 December 2015	% loan portfolio	31 December 2014	% loan portfolio
Trade	510,005	91.47%	242,218	99.95%
Production	47,540	8.53%	-	-
Other	-	-	115	0.05%
Gross loans and advances to customers	557,545	100.00%	242,333	100.00%

As at 31 December 2015 and 31 December 2014, loans are unsecured.

Analysis of credit quality of loans as at 31 December 2015 is as follows:

<i>(in thousands of UAH)</i>	Corporate loans	Total
Not past due:		
Large borrowers	557,545	557,545
Loan impairment provision	(152)	(152)
Net loans	557,393	557,393

Analysis of credit quality of loans as at 31 December 2014 is as follows:

(in thousands of UAH)

	Corporate loans	Total
Not past due:		
Large borrowers	242,333	242,333
Loan impairment provision	(52)	(52)
Net loans	242,281	242,281

7 Property, equipment and intangible assets

A summary of movements in property, equipment and intangible assets for the years ended 31 December 2015 and 2014 is as follows:

(in thousands of UAH)

	Machinery and equipment	Instruments, fixtures and furniture	Other non- current tangible assets	Intangible assets	Total
Historical cost					
1 January 2014	892	106	23	1,940	2,961
Additions	102	38	-	84	224
31 December 2014	994	144	23	2,024	3,185
Additions	1,628	1,129	-	195	2,952
Disposals	(29)	(12)	-	-	(41)
31 December 2015	2,593	1,261	23	2,219	6,096
Depreciation					
1 January 2014	(328)	(37)	(18)	(1,883)	(2,266)
Depreciation charge	(196)	(20)	(5)	(37)	(258)
31 December 2014	(524)	(57)	(23)	(1,920)	(2,524)
Depreciation charge	(226)	(62)	-	(64)	(352)
Disposals	29	12	-	-	41
31 December 2015	(721)	(107)	(23)	(1,984)	(2,835)
Net book value:					
1 January 2014	564	69	5	57	695
31 December 2014	470	87	-	104	661
31 December 2015	1,872	1,154	-	235	3,261

The Bank has no property and equipment restricted by law as to their ownership, use and disposal, pledged property, equipment and intangible assets, temporarily unused property and equipment, as well as property and equipment withdrawn from use. There are no intangible assets subject to restrictions of ownership rights, and there are no self-constructed intangible assets. During the reporting period there are no increases or decreases resulted from revaluations, as well as from impairment losses recognised or reversed directly in equity.

As at 31 December 2015, historical cost of fully depreciated property and equipment and fully amortised intangible assets amounts to UAH 2,318 thousand (31 December 2014: UAH 2,162 thousand).

8 Other financial assets

Other financial assets are as follows:

<i>(in thousands of UAH)</i>	<i>Note</i>	31 December 2015	31 December 2014
Reimbursement receivable from Deutsche Bank AG		-	14,192
Other financial assets		181	178
Provision for impairment	20	(116)	-
Total other assets		65	14,370

As at 31 December 2015 and 31 December 2014 other financial assets comprise accrued income related to cash and settlement servicing and other accrued income.

For description of reimbursement receivable from Deutsche Bank AG please refer to note 12.

9 Other assets

Other assets are as follows:

<i>(in thousands of UAH)</i>	31 December 2015	31 December 2014
Prepayments for services	2,670	284
Deferred expenses	411	155
Other assets	10	9
Provision for impairment	(11)	-
Total other assets	3,080	448

10 Due to customers

Due to customers are as follows:

<i>(in thousands of UAH)</i>	31 December 2015	31 December 2014
Current accounts	481,282	471,807
Term deposits	744,130	129,308
Total due to customers	1,225,412	601,115

Due to customers are distributed by types of economic activities as follows:

<i>(in thousands of UAH)</i>	31 December 2015	%	31 December 2014	%
Trade	522,616	42.65%	455,263	75.74%
Processing industry	424,671	34.65%	60,432	10.05%
Transport	208,686	17.03%	-	-
Production of alcohol and beverages products	-	0.00%	1,048	0.17%
Production and distribution of electric energy, gas and water	228	0.02%	272	0.05%
Extracting industry	-	0.00%	139	0.02%
Agriculture, hunting and forestry	3	0.00%	2	0.00%
Other	69,208	5.65%	83,959	13.97%
Total due to customers	1,225,412	100.00%	601,115	100.00%

As at 31 December 2015 and 31 December 2014 due to customers are not pledged as security for the loans granted by the Bank, irrevocable commitments on imports letters of credit, guarantees, etc.

As at 31 December 2015, accounts of the ten largest customers total UAH 1,013,711 thousand, or 82.7% of the total amounts due to customers (31 December 2014: UAH 471,627 thousand, or 78.5%).

As at 31 December 2015, accounts of one largest customer total UAH 200,438 thousand, or 16.4% of the total amounts due to customers (31 December 2014: UAH 203,028 thousand, or 33.8%).

11 Other liabilities

Other liabilities are as follows:

(in thousands of UAH)

	31 December 2015	31 December 2014
Accounts payable for consultancy services	5,515	4,741
Accrued expenses and other services	3,892	3,043
Accounts payable at settlements with the Bank's employees	3,774	3,949
Other accounts payable on operations with the bank's customers	2,169	-
Taxes and duties payable, except corporate income tax	1,503	81
Other accrued expenses for office equipment lease	31	231
Deferred income	12	1
Total other liabilities	16,896	12,046

12 Provision for credit related commitments

During the year ended 31 December 2014, the Bank's corporate customer, to which the Bank had previously granted a guarantee secured by a counter-guarantee issued by the Parent company to the Bank, defaulted on its obligations to its supplier. As a result, the Bank was requested to pay to its defaulted customer's supplier a sum of USD 2,900 thousand, of which USD 2,000 thousand was paid in December 2014 and USD 900 thousand was paid in June 2015. Accordingly, the Bank requested and received from the Parent company reimbursement for payments under a guarantee issued to that defaulted corporate customer amounting to UAH 25,908 thousand (or USD 2,000 thousand), and, as at 31 December 2014, management recognised reimbursement receivable from Deutsche Bank AG in the amount of UAH 14,192 thousand (or USD 900 thousand) for an outstanding amount of a guarantee to that defaulted corporate customer. The amount was settled in 2015.

As at 31 December 2014, other financial assets comprised reimbursement receivable for the guarantee issued by the Bank to a defaulted corporate customer receivable from Deutsche Bank AG and denominated in USD.

In the statement of profit or loss and other comprehensive income for the year ended 31 December 2014, the expense of UAH 40,100 thousand relating to the provision for the guarantee was presented net of the amount of UAH 40,100 thousand recognised for the reimbursement.

The provision for credit related commitments in the amount of UAH 2,258 thousand as at 31 December 2015 was assessed on portfolio basis.

13 Share capital

As at 31 December 2015 and 31 December 2014, authorised issued capital consists of 228,666 thousand ordinary shares. The nominal value of ordinary shares is UAH 1 per share. The Bank did not issue shares in 2015 and 2014.

The holders of ordinary shares are entitled to receive dividends as declared, and are entitled to one vote per share at annual and general meetings of the Bank.

In accordance with Ukrainian legislation, the distributable reserves are limited to the balance of accumulated reserves recorded in financial statements which is prepared in accordance with the NBU regulatory requirements.

14 Maturity analysis of assets and liabilities

Maturity analysis of assets and liabilities as at 31 December 2015 is as follows:

<i>(in thousands of UAH)</i>	<i>Note</i>	Less than 12 months	Over 12 months	Total
ASSETS				
Cash and cash equivalents	5	1,083,748	-	1,083,748
Loans and advances to customers	6	557,393	-	557,393
Deferred tax asset	18	817	-	817
Property, equipment and intangible assets	7	9	3,252	3,261
Other financial assets	8	65	-	65
Other assets	9	3,080	-	3,080
Total assets		1,645,112	3,252	1,648,364
LIABILITIES				
Due to customers	10	1,225,412	-	1,225,412
Current tax liability		24,712	-	24,712
Provision for credit related commitments	12	2,258	-	2,258
Other liabilities	11	16,896	-	16,896
Total liabilities		1,269,278	-	1,269,278

Maturity analysis of assets and liabilities as at 31 December 2014 is as follows:

<i>(in thousands of UAH)</i>	<i>Note</i>	Less than 12 months	Over 12 months	Total
ASSETS				
Cash and cash equivalents	5	616,837	-	616,837
Loans and advances to customers	6	242,281	-	242,281
Deferred tax asset	18	2,398	-	2,398
Property, equipment and intangible assets	7	8	653	661
Other financial assets	8	14,370	-	14,370
Other assets	9	448	-	448
Total assets		876,342	653	876,995
LIABILITIES				
Due to customers	10	601,115	-	601,115
Current tax liability		2,654	-	2,654
Provision for credit related commitments	12	14,192	-	14,192
Other liabilities	11	12,046	-	12,046
Total liabilities		630,007	-	630,007

Due to the fact that substantially all financial instruments are fixed rated contracts, these remaining contractual maturity dates also represent the interest rate repricing dates.

The above amounts represent the carrying amounts of the assets and liabilities as at the reporting date and do not include future interest payments.

15 Interest income and expenses

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

<i>(in thousands of UAH)</i>	2015	2014
Interest income		
Loans and advances to customers	148,298	41,859
NBU deposit certificates	73,624	6,320
Overnight deposits in other banks	154	143
Corresponding accounts in other banks	24	623
Total interest income	222,100	48,945
Interest expense		
Corporate term deposits	(54,163)	(1,874)
Current accounts	(4,048)	(104)
Term deposits of other banks	(485)	(1,140)
Overnight deposits of other banks	(115)	(338)
Total interest expenses	(58,811)	(3,456)
Net interest income	163,289	45,489

16 Fee and commission income and expenses

Fee and commission income and expenses for the year ended 31 December are as follows:

<i>(in thousands of UAH)</i>	2015	2014
Fee and commission income		
Foreign currency transactions for customers	24,559	10,309
Guarantees issued	6,230	10,843
Cash and settlement transactions	4,657	2,153
Total fee and commission income	35,446	23,305
Fee and commission expense		
Guarantees received	(4,952)	(3,666)
Cash and settlement transactions	(667)	(265)
Dealing with securities	(12)	(24)
Other	(1)	(1)
Total fee and commission expenses	(5,632)	(3,956)

17 Administrative and other operating expenses

Administrative and other operating expenses for years ended 31 December, are as follows:

<i>(in thousands of UAH)</i>	2015	2014
Salaries and employee benefits	(25,266)	(20,382)
Maintenance of property, equipment and intangible assets, telecommunication and other maintenance services	(10,760)	(8,089)
Consultancy services	(8,922)	(2,550)
Operating leasing	(8,694)	(6,392)
Taxes and other mandatory payments other than corporate income tax	(4,016)	(8,861)
Legal fees	(2,194)	(970)
Professional services	(1,625)	(608)
Travel expenses	(495)	(454)
Operating expenses	(345)	(209)
Depreciation of property and equipment	(288)	(221)
Representative expenses	(142)	(131)
Amortisation of software and other intangible assets	(64)	(37)
Security expenses	(25)	(25)
Other	(3,089)	(3,960)
Total administrative and other operating expenses	(65,925)	(52,889)

18 Income tax expense

The statutory income tax rate in 2014 and in 2015 and thereafter is 18 %.

The components of income tax expense for the year ended 31 December are as follows:

<i>(in thousands of UAH)</i>	2015	2014
Current tax expense	(30,135)	(5,747)
Deferred tax expense	(1,581)	(496)
Total income tax expense	(31,716)	(6,243)

a) Reconciliation of effective tax rate

Reconciliation of accounting profit and income tax for the year ended 31 December is as follows:

<i>(in thousands of UAH)</i>	2015	%	2014	%
Profit before tax	163,817	100%	28,087	100%
Income tax at the applicable tax rate	(29,485)	18.0%	(5,056)	18.0%
Non-deductible income and expenses	(2,231)	1.4%	(1,187)	4.2%
Total income tax expenses	(31,716)	19.4%	(6,243)	22.2%

b) Deferred income tax asset

The temporary difference between the carrying amounts of assets and liabilities for the financial reporting purposes and the amounts used for taxation purposes give rise to a net deferred tax asset as at 31 December 2014 and as at 31 December 2015.

Movements in recognised deferred tax assets and liabilities during the year ended 31 December 2015 are as follows:

(in thousands of UAH)

	Balance as at the beginning of the year	Recognised in profits/ losses	Recognised in other comprehensive income	Balance as at the end of the year
Provisions for impairment of assets	(77)	17	-	(60)
Accrued income (expenses)	707	(260)	-	447
Provision for credit related commitments	2,318	(1,912)	-	406
Other financial assets	(2,555)	2,579	-	24
Tax losses carried forward	2,005	(2,005)	-	-
Net deferred tax asset (liability)	2,398	(1,581)	-	817

In accordance with Ukrainian legislation, for the years from 2012 to 2015, inclusively, the Bank is entitled to claim 25% of tax losses accumulated as at 31 December 2011 against corresponding taxable profits, if any, in each year from 2012 to 2015, inclusively. Tax losses not claimed against corresponding taxable profits, if any, until 31 December 2015 may be claimed against corresponding taxable profits, if any, starting from 1 January 2016 without limitations.

Movements in recognised deferred tax assets and liabilities during the year ended 31 December 2014 are as follows:

(in thousands of UAH)

	Balance as at the beginning of the year	Recognised in profits/ losses	Recognised in other comprehensive income	Balance as at the end of the year
Provisions for impairment of assets	(1,011)	934	-	(77)
Securities available-for-sale	23	-	(23)	-
Accrued income (expenses)	341	366	-	707
Provision for credit related commitments	(336)	2,654	-	2,318
Other financial assets	-	(2,555)	-	(2,555)
Tax losses carried forward	3,900	(1,895)	-	2,005
Net deferred tax asset (liability)	2,917	(496)	(23)	2,398

19 Earnings per share

Calculation of basic earnings per one share, as presented below, is based on profit for the year, owned by holders of ordinary shares and the average weighted number of outstanding shares totaling to 228,666 thousand for years ended as at 31 December 2015 and 2014. The Bank has no potential ordinary dilutive shares.

(in thousands of UAH)

	2015	2014
Profit for the period owned by holders of the Bank's ordinary shares	132,101	21,844
Average number of outstanding shares for the period (thousand shares)	228,666	228,666
Basic and diluted earnings per ordinary share (UAH)	0.58	0.10

20 Financial risk management

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

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

Risks are managed in an integrated manner and are evaluated in terms of the policy of the Bank, which is reviewed and approved by the Board on an annual basis. Risk limits are established for credit, market and liquidity risks and the level of exposure is then maintained within these limits.

a) Credit risk

Credit risk is the risk of a financial loss if a customer or counterparty fails to meet its contractual obligations. The Bank developed policies and procedures in order to manage credit exposures (both for on balance sheet and off balance sheet exposures). The credit policies are reviewed and approved by the Board.

For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure (such as individual customer and counterparty default risk, country risk, and industry risk).

The credit policy establishes:

- procedures for review and approval of loan applications
- methodology for assessment of borrowers' solvency
- methodology for evaluation of collateral value
- requirements to loan documentation
- procedures for continuous monitoring of credit-related risks and other credit risks.

To manage credit risk, the Bank deals with counterparties with good credit standing and obtains adequate collateral.

Due to current market conditions and in order to mitigate credit risks, the Bank implemented several debt restructuring techniques for borrowers who suffered difficulties in repaying their loans.

The maximum exposure to balance sheet credit risk is generally represented by carrying amounts of financial assets in the statement of financial position.

The maximum exposure to off-balance sheet credit risk as at the reporting date is presented in note 22(d).

Analysis of changes in provisions for loans for the years ended 31 December 2015 and 2014 is as follows:

<i>(in thousands of UAH)</i>	Corporate loans	Credit related commitments	Other financial assets	Other	Total
Balance as at 31 December 2013	124	-	-	-	124
Recovery of impairment	(72)	-	-	-	(72)
Balance as at 31 December 2014	52	-	-	-	52
Impairment loss	100	2,258	116	70	2,544
Balance as at 31 December 2015	152	2,258	116	70	2,596

b) Market risk

Market risk is the risk that changes in the market prices, such as foreign exchange rates, interest rates, credit spreads, and equity prices will affect income or the value of financial instruments. Market risk arises

from open interest rate, currency, and equity financial instruments positions influenced by general and specific market movements and changes in the level of volatility of market prices.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

The Bank manages its market risk by setting open position limits in relation to certain portfolios of financial instruments, interest rate repricing, and currency positions. Such limits are monitored on a regular basis and reviewed and approved by the Board.

c) Currency risk

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

The Bank has assets and liabilities denominated in several foreign currencies. Foreign currency risk arises when the actual or forecasted assets in a foreign currency are either greater or less than the liabilities in that currency. Management establishes limits and constantly monitors foreign currency positions in accordance with the regulations of the NBU and internally developed methodology.

The following table shows currency risk analysis:

(in thousands of UAH)	31 December 2015			31 December 2014		
	Monetary assets	Monetary liabilities	Net position	Monetary assets	Monetary liabilities	Net position
USD	49,344	47,613	1,731	42,898	39,591	3,307
EUR	76,691	85,364	(8,673)	62,324	60,417	1,907
Total	126,035	132,997	6,942	105,222	100,008	5,214

As at 31 December, a 50% weakening of the Ukrainian hryvnia against the following currencies would have increased (decreased) post-tax profit and equity by the amount shown below. This analysis is based on the year-end position and assumes that all other variables, in particular interest rates, remain constant.

(in thousands of UAH)	2015		2014	
	Profit or loss	Equity	Profit or loss	Equity
50% appreciation of USD against UAH	710	710	1,356	1,356
50% appreciation of EUR against UAH	(3,556)	(3,556)	782	782

As at 31 December, a 50% strengthening of the Ukrainian hryvnia against the above currencies would have had an equal but opposite effect on the post-tax profit and equity to the amount shown above, on the basis that all other variables remain constant.

d) Interest rate risk

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

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

Interest margins on assets and liabilities having different maturities may increase because of changes in market interest rates. In practice, management reprices interest rates on certain financial assets and

liabilities based on current market conditions and mutual arrangements, which are documented in an addendum to the original agreement that sets forth the new interest rate.

The Bank has no floating interest rate instruments. The Bank does not account for fixed rate financial instruments at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

The table below displays average effective interest rates for interest bearing assets and liabilities as at 31 December:

	2015			2014		
	Average effective interest rate, %			Average effective interest rate, %		
	UAH	USD	EUR	UAH	USD	EUR
Interest bearing assets						
Cash and cash equivalents	18.60%	-	-	9.28%	0.03%	-
Loans and advances to customers	21.33%	-	-	18.05%	-	3.00%
Interest bearing liabilities						
Due to customers:						
Current accounts	7.57%	-	-	4.50%	-	-
Term deposits	15.43%	-	-	5.69%	-	-

The Bank does not have any floating rate instruments. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

e) Geographical risk

Geographical concentration of financial assets and liabilities as at 31 December 2015 is as follows:

(in thousands of UAH)	Ukraine	OECD countries	Other	Total
Assets				
Cash and cash equivalents	940,678	123,942	19,128	1,083,748
Loans and advances to customers	557,393	-	-	557,393
Other financial assets	65	-	-	65
Total financial assets	1,498,136	123,942	19,128	1,641,206
Liabilities				
Due to customers	1,225,412	-	-	1,225,412
Provision for credit related commitments	2,258	-	-	2,258
Other liabilities	9,196	7,700	-	16,896
Total financial liabilities	1,236,866	7,700	-	1,244,566
Net balance sheet position	261,270	116,242	19,128	396,640

Geographical concentration of financial assets and liabilities as at 31 December 2014 is as follows:

(in thousands of UAH)	Ukraine	OECD countries	Other	Total
Assets				
Cash and cash equivalents	526,000	90,674	163	616,837
Mandatory reserve balances with the National Bank of Ukraine	-	-	-	-
Loans and advances to customers	242,281	-	-	242,281
Securities available-for-sale	-	-	-	-

Other financial assets	148	14,192	30	14,370
Total financial assets	768,429	104,866	193	873,488
Liabilities				
Due to customers	601,115	-	-	601,115
Provision for credit related commitments	14,192	-	-	14,192
Other liabilities	4,793	7,253	-	12,046
Total financial liabilities	620,100	7,253	-	627,353
Net balance sheet position	148,329	97,613	193	246,135

f) Liquidity risk

Liquidity risk, existing or potential, is the risk that the Bank will be unable to meet its obligations when they fall due without unacceptable losses being incurred.

Assets and liabilities and liquidity are managed by Asset and Liability Committee (ALCO), which analyses assets and liabilities by maturity and provide recommendations on how to avoid liquidity gaps. In addition, ALCO analyses liability cost and return on assets, controls compliance with NBU's regulations and provisioning requirements, and prepares recommendations on proper asset and liability management. ALCO is responsible for cash flow optimisation and payment discipline, coordinates corporate forecast system, etc.

Liquidity risk is a major financial risk, and Bank's stable financial position depends on the efficiency of liquidity risk management. To manage liquidity risk, the Bank analyses asset and liability structure, liquidity status, both for all currencies collectively and for individual currencies of Bank's transactions. In addition, the Bank controls its compliance with the NBU's requirements to provisioning of amounts due from banks (N4 - immediate liquidity ratio, N5 - current liquidity ratio, N6 – short-term liquidity ratio), and internally developed requirements. Efficient liquidity management is performed using special techniques, such as analysis of assets and liabilities by maturities and cash flow projections.

Monitoring of adherence to limit is performed daily based on limit adherence reports.

The undiscounted cash flows from financial liabilities, including interest payments, by maturity as at 31 December 2015 are as follows:

<i>(in thousands of UAH)</i>	On demand and less than 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Total	Total carrying amount
Due to customers:						
Legal entities	1,220,524	8,717	-	-	1,229,241	1,225,412
Provision for credit related commitments	2,258	-	-	-	2,258	2,258
Other liabilities	16,896	-	-	-	16,896	16,896
Other credit related commitments	48,472	13,729	36,521	-	98,722	98,722
Total potential future payments under financial liabilities	1,288,150	22,446	36,521	-	1,347,117	1,343,288

The undiscounted cash flows from financial liabilities, including interest payments, by maturity as at 31 December 2014 are as follows:

<i>(in thousands of UAH)</i>	On demand and less than 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Total	Total carrying amount
Due to customers:						
Legal entities	596,992	4,404	-	-	601,396	601,115
Provision for credit related commitments	14,192	-	-	-	14,192	14,192
Other liabilities	12,046	-	-	-	12,046	12,046
Other credit related commitments	11,789	22,621	35,548	-	69,958	69,958
Total potential future payments under financial liabilities	635,019	27,025	35,548	-	697,592	697,311

21 Capital management

The Bank's principal objective in capital management is to maintain a strong capital base so as to perform efficient operations and ensure strategic development of the banking business while complying with NBU's requirements to capital management. Capital management is an integral part of Bank's assets and liabilities management. The Bank ensures that its capital adequacy is maintained on a required level through planning and control mechanisms. The Bank monitors capital adequacy ratio on a daily basis.

Regulatory capital adequacy ratio calculated in accordance with the NBU requirements is 152% (31 December 2014: 226%), while the minimum requirement for capital adequacy ratio is 10%. As at 31 December 2015 and as at 31 December 2014, regulatory capital of the Bank was higher than established minimum level of the required capital in the amount of UAH 120,00 thousand, and also it was higher than the share capital of the Bank.

22 Contingencies

a) Litigations

The Bank is not involved in significant litigation against the Bank. The Bank initiated no litigation as a plaintiff during the reporting period.

The Bank recognised no provisions for potential losses in respect of litigation.

b) Taxation contingencies

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

Management believes that it has complied with all existing tax legislation and has provided adequately for tax liabilities based on its interpretations of applicable Ukrainian tax legislation, official pronouncements and court decisions. However, there can be no assurance that the tax authorities will not have a different interpretation of the Bank's compliance with existing legislation and assess fines and penalties. No provision for potential tax assessments has been made in these financial statements.

c) Operating lease commitments

The future minimum lease payments under non-cancellable operating leases are presented as follows:

<i>(in thousands of UAH)</i>	31 December 2015	31 December 2014
Less than 1 year	7,865	5,678
From 1 to 5 years	3,501	420
Total	11,366	6,098

d) Credit related commitments

Structure of credit related commitments is as follows:

<i>(in thousands of UAH)</i>	31 December 2015	31 December 2014
Revocable:		
Undrawn credit lines	2,148,169	2,230,004
Total revocable commitments	2,148,169	2,230,004
Irrevocable:		
Guarantees issued	60,618	61,767
Imports letters of credit	38,104	17,808
Total irrevocable commitments	98,722	79,575
Total	2,246,891	2,309,579

Credit related commitments by currency are as follows:

<i>(in thousands of UAH)</i>	31 December 2015	31 December 2014
UAH	57,164	39,558
USD	906,801	901,814
EUR	1,282,926	1,368,207
Total	2,246,891	2,309,579

As at the reporting date, the Bank has no pledged assets or encumbrances over assets.

23 Fair value of financial instruments

a) Accounting classifications and fair values

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 31 December 2015:

<i>(in thousands of UAH)</i>	Loans and receivables	Other amortised cost	Total carrying amount	Fair value
Cash and cash equivalents	1,083,748	-	1,083,748	1,083,748
Loans and advances to customers	557,393	-	557,393	557,393
Other financial assets	65	-	65	65
Total assets	1,641,206		1,641,206	1,641,206
Due to customers	-	1,225,412	1,225,412	1,225,412
Provision for credit related commitments	-	2,258	2,258	2,258
Other liabilities	-	16,896	16,896	16,896
Total liabilities	-	1,244,566	1,244,566	1,244,566

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 31 December 2014:

<i>(in thousands of UAH)</i>	Loans and receivables	Other amortised cost	Total carrying amount	Fair value
Cash and cash equivalents	616,837	-	616,837	616,837
Loans and advances to customers	242,281	-	242,281	242,040
Other financial assets	14,370	-	14,370	14,370
Total assets	873,488	-	873,488	873,247
Due to customers	-	601,115	601,115	601,115
Provision for credit related commitments	-	14,192	14,192	14,192
Other liabilities	-	12,046	12,046	12,046
Total liabilities	-	627,353	627,353	627,353

As at 31 December 2015 and 2014, the fair values of all financial assets and liabilities are estimated to approximate their carrying values due to their short-term nature and/or market interest rates at period end.

The estimates of fair value are intended to approximate the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. However, given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realisable in an immediate sale of the assets or transfer of liabilities.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Bank determines fair values using other valuation techniques.

The objective of valuation techniques is to arrive at a fair value determination that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

b) Fair value hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Bank's market assumptions.

These two types of inputs have created the following three-level fair value hierarchy:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments and traded derivatives, such as futures.

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices).

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

This hierarchy requires the use of observable market data when available.

The following table analyses the fair value of financial instruments not measured at fair value, by the level in the fair value hierarchy into which each fair value measurement is categorised as at 31 December 2015:

<i>(in thousands of UAH)</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total fair values</i>	<i>Total carrying amount</i>
Financial assets	-	-	-	-	-
Cash and cash equivalents	-	1,083,748	-	1,083,748	1,083,748
Loans and advances to customers	-	-	557,393	557,393	557,393
Other financial assets	-	-	65	65	65
Total	-	1,083,748	557,458	1,641,206	1,641,206
Financial liabilities	-	-	-	-	-
Due to customers	-	1,225,412	-	1,225,412	1,225,412
Provision for credit related commitments	-	-	2,258	2,258	2,258
Other liabilities	-	-	16,896	16,896	16,896
Total	-	1,225,412	19,154	1,244,566	1,244,566

The following table analyses the fair value of financial instruments not measured at fair value, by the level in the fair value hierarchy into which each fair value measurement is categorised as at 31 December 2014:

<i>(in thousands of UAH)</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total fair values</i>	<i>Total carrying amount</i>
Financial assets	-	-	-	-	-
Cash and cash equivalents	-	616,837	-	616,837	616,837
Loans and advances to customers	-	-	242,040	242,040	242,281
Other financial assets	-	14,370	-	14,370	14,370
Total	-	631,207	242,040	873,247	873,488
Financial liabilities	-	-	-	-	-
Due to customers	-	601,115	-	601,115	601,115
Provision for credit related commitments	-	-	14,192	14,192	14,192
Other liabilities	-	-	12,046	12,046	12,046
Total	-	601,115	26,238	627,353	627,353

Fixed rate financial instruments

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates offered for similar financial instruments. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and maturity. For quoted debt issued, the fair values are calculated based on quoted market prices. For those notes issued where quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity.

The table below sets out information about significant unobservable inputs used at year end in the measuring financial instruments categorised as Level 3 in the fair value hierarchy as at 31 December 2015:

Type of instrument	Fair values	Valuation technique	Significant unobservable input	Range of estimates (weighted average) for unobservable input	Fair value measurement sensitivity to unobservable inputs
Loans and advances to customers	557,393	Discounted cash flow	Risk adjusted discount rate	Interest rates 21.00%-28.00%	Significant increase in the interest rate would result in a lower fair values.

The table below sets out information about significant unobservable inputs used at year end in the measuring financial instruments categorised as Level 3 in the fair value hierarchy as at 31 December 2014:

Type of instrument	Fair values	Valuation technique	Significant unobservable input	Range of estimates (weighted average) for unobservable input	Fair value measurement sensitivity to unobservable inputs
Loans and advances to customers	242,040	Discounted cash flow	Risk adjusted discount rate	Interest rates 16.13%-20.77%	Significant increase in the interest rate would result in a lower fair values.

During the years ended 31 December 2015 and 2014, no fair value gains or fair value losses were recognised in profit or loss or other comprehensive income on loans to customers.

During the years ended 31 December 2015 and 2014, there were no transfers into and out of Level 3 of the fair value hierarchy.

24 Transactions with related parties

The Bank grants loans and advances, attracts deposits and performs other transactions with related parties in the ordinary course of business. Parties are considered to be related if one party has the ability to control the other party or exercises significant influence over the other party when making financial and operational decisions.

The Bank assesses credit risks associated with loans to related parties and manages these credit risks in accordance with the normative requirements of the NBU.

Terms of transactions with related parties are established at the time of the transaction. In accordance with IAS 24 *Related Party Disclosures*, related parties comprise:

- the parent company – the ultimate controlling party of the Bank is Deutsche Bank AG (Germany)
- entities under common control of Deutsche Bank AG
- key management personnel and their immediate family members, members of the Supervisory Board, the Board, and their immediate family members.

As at 31 December 2015 and 31 December 2014, the Bank has no subsidiaries, associates, or joint ventures where the Bank has control relationship.

Balances with related parties as at 31 December 2015 are as follows:

(in thousands of UAH)	Parent company	Entities under common control
Due from banks	76,372	66,698
Other liabilities (on demand, denominated in EUR)	7,700	-

As at 31 December 2015, balances due from banks related to transactions with related parties represent call deposits.

As at 31 December 2015, balances due from banks related to transactions with related parties by currency are as follows:

(in thousands of UAH)	Parent company	Entities under common control
USD	-	47,570
EUR	76,372	-
RUB	-	19,128
Total	76,372	66,698

Revenue and expenses on transactions with related parties for the year ended 31 December 2015 are as follows:

<i>(in thousands of UAH)</i>	Parent company	Key management personnel	Entities under common control
Interest income	-	-	24
Interest expense	-	-	41
Gains less losses from dealing in foreign currencies	-	-	20
Commission income	49	-	7
Commission expense	157	-	5,363
Administrative and other operating expenses	14,214	6,471	-
Other operating income	857	-	-

Other rights and commitments on transactions with related parties as at 31 December 2015 are as follows:

<i>(in thousands of UAH)</i>	Parent company	Entities under common control
Guarantees issued	-	664

Balances with related parties as at 31 December 2014 are as follows:

<i>(in thousands of UAH)</i>	Parent company	Entities under common control
Due from banks	62,034	28,812
Other financial assets (from 3 to 12 months, denominated in USD)	14,192	-
Other liabilities (on demand, denominated in EUR)	(7,253)	-

As at 31 December 2014, balances due from banks related to transactions with related parties represent call deposits and bear interest of 0.1%.

As at 31 December 2014, balances due from banks related to transactions with related parties by currency are as follows:

<i>(in thousands of UAH)</i>	Parent company	Entities under common control
USD	-	28,649
EUR	62,034	-
RUB	-	163
Total	62,034	28,812

Revenue and expenses on transactions with related parties for the year ended 31 December 2014 are as follows:

<i>(in thousands of UAH)</i>	Parent company	Key management personnel	Entities under common control
Interest income	362	-	20
Interest expense	-	-	(142)
Gains less losses from dealing in foreign currencies	(900)	-	-
Commission income	65	-	4
Commission expense	(3,385)	-	(448)
Administrative and other operating expenses	(9,332)	(8,149)	-
Other operating income	1,946	-	-

Other rights and commitments on transactions with related parties as at 31 December 2014 are as follows:

<i>(in thousands of UAH)</i>	Parent company	Entities under common control
Guarantees issued	66	-

As at 31 December 2014 the Bank was requested to pay to its defaulted customer's supplier a sum of USD 2,900 thousand, of which USD 2,000 thousand was paid in December 2014 and USD 900 thousand was paid in June 2015. Accordingly, during the year ended 31 December 2014, the Bank requested and received from the Parent company reimbursement for payments under a guarantee issued to a defaulted corporate customer amounting to UAH 25,908 thousand (or USD 2,000 thousand), and, as at 31 December 2014, management recognised reimbursement receivable from Deutsche Bank AG in the amount of UAH 14,192 thousand (or USD 900 thousand) for an outstanding amount of a guarantee to that defaulted corporate customer, which was subsequently settled in 2015.

Payments to key management personnel for the years ended 31 December are as follows:

	As at and for the year ended 31 December 2015		As at and for the year ended 31 December 2014	
<i>(in thousands of UAH)</i>	Expenses	Accrued liability	Expenses	Accrued liability
Payments to key management personnel	6,471	1,030	8,149	1,481

25 Subsequent events

Subsequent to 31 December 2015, the National Bank of Ukraine officially devalued Ukrainian hryvnia and decreased exchange rate to UAH 25.34 for USD 1 as at the date of these financial statements.