

Translation from Ukrainian original

**PUBLIC JOINT STOCK COMPANY
“DEUTSCHE BANK DBU”**

Annual financial statements in accordance with IFRS

for the year ended 31 December 2016
and INDEPENDENT AUDITOR’S REPORT

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INDEPENDENT AUDITOR'S REPORT*To the Shareholders and Management Board of PJSC "DEUTSCHE BANK DBU"***REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of PUBLIC JOINT STOCK COMPANY "DEUTSCHE BANK DBU" (hereinafter referred to as "the Bank"), which comprise the statement of financial position as at 31 December 2016, the statement of profit or loss and other comprehensive income, the statement of changes in equity prepared under indirect method and cash flows statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. We have performed our audit in accordance with International Standards on Quality Control, Auditing, Reviewing, other Assurance, and Related Services (2014 Edition) as adopted as National Standards on Auditing based on the Resolution of Chamber of Auditors of Ukraine #320/1 dated 29 December 2015. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards.

Emphasis of Matter

We draw your attention to the information set out in Note 26 "Subsequent Events" and the existence of significant uncertainty, the outcome of which depends on future events, which are not under the direct control of the Bank but that might affect its financial statements in the future. The indicated significant uncertainty is the risks arising from domestic and foreign political and economic factors, which at the date of issuance of the Report cannot be reasonably predicted.

President of the firm



O. Bernatovych

Certified auditor
Auditor of Banks' Certificate №0021

April 05, 2017
37/19 Donetska Str., Kyiv, 03151, Ukraine

<i>(in thousands of UAH)</i>	Note	31 December 2016	31 December 2015
ASSETS			
Cash and cash equivalents	5	1 357 908	940 673
Due from other banks	6	885 196	143 075
Loans and advances to customers	7	210 789	557 393
Receivables on current income tax		2 467	-
Deferred tax asset	18	489	817
Property and equipment	8	8 039	3 028
Intangible assets	8	484	233
Other assets	9	768	3 145
Total assets		2 466 140	1 648 364
LIABILITIES			
Due to customers	10	2 096 646	1 227 582
Current income tax liability		-	24 712
Provision for credit related commitments	11	646	2 258
Dividends	20	2 588	-
Other liabilities	12	10 945	14 726
Total liabilities		2 110 825	1 269 277
EQUITY			
Share capital	13	228 666	228 666
Retained earnings and other reserves		126 649	150 420
Total equity		355 315	379 087
Total liabilities and equity		2 466 140	1 648 364

Authorised for issue and signed

5 April 2017



Boryslav Ivanov-Blankenburgh
Chairman of the Board



Alexey Rybenko
Chief Accountant

Prepared by Gnatyuk S. I.
Deputy Chief Accountant
Phone: (044) 495-92-31


Statement of financial position should be read in conjunction with the notes to, and forming part of, the financial statements

PJSC DEUTSCHE BANK DBU
Financial statements as at and for the year ended 31 December 2016
Statement of profit or loss and other comprehensive income for the year ended 31 December 2016

<i>(in thousands of UAH)</i>	<i>Note</i>	2016	2015
Interest income	15	267 704	222 100
Interest expense	15	(91 717)	(58 811)
Net interest income		175 987	163 289
Net (increase)/decrease of provisions for impairment of assets	6,7,9	(786)	(286)
Net (increase)/decrease of provision for credit related commitments	11	1 612	(2 258)
Net interest income after provisions for impairment of assets and credit related commitments		176 813	160 745
Net commissions and fee income	16	25 020	29 890
Gains less losses from dealing with foreign currencies		13 332	35 027
Foreign currency revaluation result		(444)	3 299
Other operating income		-	857
Total non-interest income		37 908	69 073
Compensation and benefits		(32 793)	(24 937)
Administrative and other operating expenses	17	(42 210)	(41 064)
Total non-interest expense		(75 003)	(66 001)
Profit before tax		139 718	163 817
Income tax expense	18	(26 922)	(31 716)
Profit for the year		112 796	132 101
Other comprehensive income		-	-
Total comprehensive income		112 796	132 101
Earnings per share from continuing operations:			
Basic and diluted earnings per share, UAH	19	0.49	0.58

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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

(in thousands of UAH)

	Note	Share capital	General reserves of the Bank	Retained earnings	Total
Balance as at 1 January 2015		228 666	5 926	12 396	246 988
Profit for the year				132 101	132 101
Total comprehensive income				132 101	132 101
Transfer of profit to general reserves of the Bank			1 322	(1 325)	(3)
Balance as at 31 December 2015		228 666	7 248	143 172	379 086
Balance as at 1 January 2016		228 666	7 248	143 172	379 086
Profit for the year				112 796	112 796
Total comprehensive income				112 796	112 796
Transfer of profit to general reserves of the Bank			6 605	(6 605)	-
Dividends	20			(136 567)	(136 567)
Balance as at 31 December 2016		228 666	13 853	112 796	355 315

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Alexey Rybenko
Chief Accountant

(in thousands of UAH)	Note	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		139 718	163 817
Adjustments for:			
Depreciation and amortization	8	1 236	352
Net increase/(decrease) of provisions for impairment of assets and credit related commitments	6,7,9,11	(1 013)	2 531
Amortisation of discount /(premium)		-	(5)
(Increase)/decrease of accrued income		375	(1 046)
(Decrease)/increase of accrued expenses		(533)	1 485
Unrealized exchange differences		444	(3 299)
Net monetary gain from operating activities before changes in operating assets and liabilities		140 227	163 835
Changes in operating assets and liabilities:			
Net decrease/(increase) in deposits in other banks	5	295 975	89 518
Net decrease/(increase) in loans and advances to customers	7	346 296	(314 780)
Net decrease/(increase) in other assets	9	2 331	(2 643)
Net increase /(decrease) in due to customers	10	850 323	597 142
Net increase /(decrease) in other liabilities	12	(5 053)	53
Net cash flows from (used in) operating activities before income tax		1 630 099	533 125
Income tax paid	16	(53 774)	(8 077)
Net cash flows from (used in) operating activities		1 576 324	525 047
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property and equipment	8	(6 123)	(2 757)
Acquisition of intangible assets	8	(375)	(195)
Net cash flows from investing activities		(6 498)	(2 952)
CASH FLOWS FROM FINANCIAL ACTIVITIES			
Dividends paid	20	(133 979)	-
Net cash flows from (used in) financial activities		(133 979)	-
Effect of the official exchange rate changes on cash and cash equivalents		19 851	33 769
Net increase (decrease) in cash and cash equivalents		1 455 698	555 864
Cash and cash equivalents at the beginning of the year ¹	5	702 450	146 586
Cash and cash equivalents at the end of the year ¹	5	2 158 148	702 450

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¹ Cash and cash equivalents do not include term deposit certificates of NBU
Statement of cash flows should be read in conjunction with the notes to, and forming part of, the financial statements

1 Background

a) Main activities

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 2016, the Bank is operating through its Head Office and has no branches. The Bank is registered at Lavrska Street 20, Kyiv, Ukraine.

b) Ultimate controlling party

Deutsche Bank AG, a corporation, created and acting according to the laws of the Federal Republic of Germany, owns 100 % of the Bank's 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 25.

2 Economic environment in which the Bank operates

Political and economic situation in Ukraine remains tense. Part of the Donetsk and Lugansk regions remain under the control of self-declared republics and Ukrainian authorities are not currently able to fully enforce Ukrainian laws on this territory. The risk of escalation of the conflict, slow progress of reforms, high level of corruption and delays in providing IMF tranches, create uncertainty and worsen the investment climate.

At the same time during the year a slow recovery of economy is observed. By the results of 2016 the GDP increased by 1.5% due to growth in most sectors of economy. Simultaneously, there was a significant reduction in inflation from 43.3% to 12.4%. Favorable actions of government for economy were the following: deregulation and simplification of taxes, reduction the number of permits and licenses, extension the moratorium on planned inspections of business by regulatory authorities.

Negative events in 2016 were decline in real exports by 5.3%, rising of unemployment, decline in mining industry. Although risks in the economy remain significant, the IMF and the rating agency Fitch, project GDP growth at 2.5% in 2017.

In banking sector during 2016 the NBU continued conducting diagnostic study and cleaning up of banking system, which in general had a positive impact on the financial sector. The dynamics of the devaluation of the hryvnia dropped compared to 2015 year and at the year end exchange rate of hryvnia remained within expectations. Because of the favorable conditions on the interbank foreign exchange market National Bank of Ukraine softened previously set temporary restrictions on the currency market at the end of the year.

There are significant changes in banking regulation. Since October 2016, banks made assessment of credit risk under the new rules in test mode (according to Regulation of NBU №351). NBU expects that the new approach will eliminate a number of shortcomings and provide a more adequate assessment of asset quality.

The Bank is consistently profitable. Income is allocated to the reserve funds of the Bank, the payment of dividends and the development of the Bank. The Bank meets regulatory requirements for capital

adequacy ratio, which greatly exceeds the norm. The Bank provides timely attraction and maintain sufficient level of capital, required to provide ongoing activities, to support the strategic goals of development and creation of protection against risks arising in banking. Pursuant to the requirements of the National Bank of Ukraine, The bank plans to convert part of the net profit from previous years to the share capital. Throughout 2016 the Bank maintained liquidity ratios in compliance with NBU requirements, in particular, the instant liquidity ratio at the end of 2016 amounted to 140.58% and exceeded the normative value 7 times.

One of the key activity directions remains expanding of customer base. Support of strategic development conditions of the Bank is carried out with the participation of the parent bank – Deutsche Bank AG.

Although the management believes it takes appropriate measures to support stable activity of Bank needed under current circumstances, further political instability and potential macroeconomic shocks can cause a negative impact on the results and financial position of the Bank, the nature and consequences of which currently cannot be determined. These financial statements, prepared under the going concern reflects management's current assessment of the impact of business environment in Ukraine on operations and financial position of the Bank. The future business environment may differ from management's assessment.

There are no the Bank's funds that would not have been recognized in the statement of financial position as at 31 December 2016 according to IFRS

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 2016	31 December 2015
USD	27.19	24.00
EURO	28.42	26.22

b) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with the NBU and deposit certificates issued by NBU (including mandatory reserves) and deposit certificates issued by NBU. For the purposes of the statement of cash flows cash and cash equivalents include notes and coins on hand, unrestricted balances held with the NBU and deposit certificates issued by NBU (including mandatory reserves) and deposit certificates issued by NBU (overnight), correspondent accounts with 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, due to the reasons other than because of credit deterioration.

Loans and receivables include cash and balances with the NBU, due from other 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 until their 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..

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.

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) Provision for 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 obtained under a lease that is not a finance lease are not recognized in the statement of financial position.

The Bank classifies lease transactions as operational leasing (rent) if none of following criteria, separately or in combination, are not fulfilled:

- at the end of the term of the lease (rent) property rights or other rights on the asset are transferred to the lessee;
- the lessee has the right to purchase the asset at a price that is much lower than the fair value at the date of realization of this right, and at the inception of the lease (rent) there is reasonable certainty that this right will be realized;
- the term of the lease (rent) is a bigger part of term of the useful life of the asset even if that title will not be not transferred;
- at the beginning of the term of the lease (rent) the present value of minimum lease (rent) payments must be not less than the fair value of the leased asset (rent);
- leased assets (rent) are specialized, i.e. only the lessee can use them without major modifications.

The object of operating lease is not recognized in the balance sheet of the lessee. Payments for leases are recognized as an expense on the straight line basis over the lease term.

The bank does not disclose financial leasing transactions due to absence of such operations.

(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	8.3-20%

(iv) Impairment

Recognition of impairment of fixed assets and intangible assets is carried out in accordance with Instruction for accounting of fixed assets and intangible assets of banks of Ukraine N 480 dated 20 December 2005. The decision on the recognition of impairment and / or revision of terms of useful life is taken by continuously-operating (inventory) commission on the basis of revision of fixed assets or intangible assets.

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 data for its ordinary shares. Basic earnings per share 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 21 (f).

p) Related parties transactions

According to IAS 24 "Related Party Disclosures" parties are considered to be related parties, when one of them has the ability to control the other party, is under common control, or can exercise significant influence in making financial and operating decisions.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely the legal form. Terms of transactions with related parties are set at the time of the transaction.

Relationships between related parties are in particular relationships: parent bank and its subsidiaries; bank-investor and his associates; bank and private individuals who have control or have significant influence over the bank and relationships of bank with close family members of each such individual; bank and its managers and other persons belonging to key management personnel and close family members of such persons.

Related parties to the Bank are members of the Supervisory Board, Management Board and their family members, other key management personnel, entities, that are under common control. Key management personnel are: Chairman and members of the Supervisory Board, the Management Board; Chairmen of the Credit Committee, Tariff Committee, ALCO; Chief Accountant; Head of the Department of Internal Audit. The Bank assesses credit risks of lending to related parties and manages them based on ratios established by the National Bank of Ukraine.

In the normal course of business, the Bank provides loans and advances to customers, attracts deposits and conducts other operations with related parties.

q) New and Revised Accounting Standards

For the preparation of these financial statements, the following new or amended standards are mandatory for the first time for the financial year beginning 1 January 2016 (the list does not include information about new or amended requirements that affect interim financial reporting or first-time adopters of IFRS – IFRS 14 Regulatory Deferral Accounts (issued in January 2014) - since they are not relevant to the Bank's financial statements).

- Amendments to IAS 1 titled Disclosure Initiative (issued in December 2014) – The amendments, applicable to annual periods beginning on or after 1 January 2016, clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. The amendments had no material effect on the Bank's financial statements.

- Amendments to IAS 16 and IAS 38 titled Clarification of Acceptable Methods of Depreciation and Amortisation (issued in May 2014) – The amendments, prospectively effective for annual periods beginning on or after 1 January 2016, add guidance and clarify that (i) the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset, and (ii) revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset; however, this presumption can be rebutted in certain limited circumstances. The amendments had no effect on the Bank's financial statements.
- Amendment to IAS 19 (Annual Improvements to IFRSs 2012–2014 Cycle, issued in September 2014) - The amendment, applicable to annual periods beginning on or after 1 January 2016, clarifies that, in determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important, and not the country where they arise. Thus, the assessment of whether there is a deep market in high quality corporate bonds is based on corporate bonds in that currency (not corporate bonds in a particular country), and in the absence of a deep market in high quality corporate bonds in that currency, government bonds in the relevant currency should be used. This amendment had no effect on the Bank's financial statements.
- Amendments to IAS 27 titled Equity Method in Separate Financial Statements (issued in August 2014) – The amendments, applicable to annual periods beginning on or after 1 January 2016, reinstate the equity method option allowing entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. This amendment has no effect on the Bank's financial statements.
- Amendment to IFRS 5 (Annual Improvements to IFRSs 2012–2014 Cycle, issued in September 2014) - The amendment, applicable prospectively to annual periods beginning on or after 1 January 2016, adds specific guidance when an entity reclassifies an asset (or a disposal group) from held for sale to held for distribution to owners, or vice versa, and for cases where held-for-distribution accounting is discontinued. This amendment had no effect on the Bank's financial statements.
- Amendment to IFRS 7 (Annual Improvements to IFRSs 2012–2014 Cycle, issued in September 2014) - The amendment, applicable to annual periods beginning on or after 1 January 2016, adds guidance to clarify whether a servicing contract is continuing involvement in a transferred asset. The amendment had no effect on the Bank's financial statements.
- Amendments to IFRS 10, IFRS 12 and IAS 28 titled Investment Entities: Applying the Consolidation Exception (issued in December 2014) – The amendments, applicable to annual periods beginning on or after 1 January 2016, clarify the application of the consolidation exception for investment entities and their subsidiaries. The amendments had no effect on the Bank's financial statements.
- Amendments to IFRS 11 titled Accounting for Acquisitions of Interests in Joint Operations (issued in May 2014) – The amendments, applicable prospectively to annual periods beginning on or after 1 January 2016, require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3) to apply all of the business combinations accounting principles and disclosure in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11. The amendments apply both to the initial acquisition of an interest in a joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not remeasured). This amendment had no effect on the Bank's financial statements.

New and amended standards in issue but not yet effective for the year beginning 1 January 2016

The Bank has not applied the following new or amended standards that have been issued by the IASB but are not yet effective for the financial year beginning 1 January 2016 (the list does not include information about new or amended requirements that affect interim financial reporting or first-time adopters of IFRS since they are not relevant to the Bank's financial statements).

The Bank anticipates that the new standards and amendments will be adopted in the Bank's financial statements when they become effective. The Bank has assessed, where practicable, the potential effect of all these new standards and amendments that will be effective in future periods.

- Amendments to IAS 7 titled Disclosure Initiative (issued in January 2016) – The amendments, applicable to annual periods beginning on or after 1 January 2017, require entities to provide information that enable users of financial statements to evaluate changes in liabilities arising from their financing activities. This is not expected to have a material effect on the Bank's financial statements.
- Amendments to IAS 12 titled Recognition of Deferred Tax Assets for Unrealised Losses (issued in January 2016) – The amendments, applicable to annual periods beginning on or after 1 January 2017, clarify the accounting for deferred tax assets related to unrealised losses on debt instruments measured at fair value, to address diversity in practice. This is not expected to have an effect on the Bank's financial statements.
- Amendments to IFRS 2 titled Classification and Measurement of Share-based Payment Transactions (issued in June 2016) - The amendments, applicable to annual periods beginning on or after 1 January 2018, clarify the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments (SBP), the accounting for SBP transactions with a net settlement feature for withholding tax obligations, and the effect of a modification to the terms and conditions of a SBP that changes the classification of the transaction from cash-settled to equity-settled. The amendments are not expected to have a material effect on the Bank's financial statements.

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

IFRS 9 requires all recognised financial assets to be subsequently measured at amortised cost or fair value (through profit or loss or through other comprehensive income), depending on their classification by reference to the business model within which they are held and their contractual cash flow characteristics.

For financial liabilities, the most significant effect of IFRS 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch.

For the impairment of financial assets, IFRS 9 introduces an “expected credit loss” model based on the concept of providing for expected losses at inception of a contract; it will no longer be necessary for there to be objective evidence of impairment before a credit loss is recognised.

For hedge accounting, IFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risk exposures.

The derecognition provisions are carried over almost unchanged from IAS 39.

The Bank anticipates that IFRS 9 will be adopted in its financial statements when it becomes mandatory and that the application of the new standard might have a significant effect on amounts reported in respect of the Bank's financial assets and financial liabilities. At present preparation work undergoes for the introduction of new processes, systems and control tool as well as for the analysis of business models and contractual cash flows in a transition period, the bank obtains IFRS experts' consultations. It is estimated that application of IFRS 9 will have effect on classification and measurement of the Bank's financial assets, however, it's not possible to provide reasonable estimation of such effect until a detailed review has been completed.

- IFRS 15 Revenue from Contracts with Customers (issued in May 2014 and amended for clarifications in April 2016) - The new standard, effective for annual periods beginning on or after 1 January 2018, replaces IAS 11, IAS 18 and their interpretations. It establishes a single and comprehensive framework for revenue recognition to apply consistently across transactions, industries and capital markets, with a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures, and new or improved guidance (eg the point at which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract, etc.). The Bank anticipates that IFRS 15 will be adopted in the Bank's financial statements when it becomes mandatory and that the application of the new standard might have an effect on amounts reported in respect of the Bank's revenue. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

r) Corresponding figures

In 2016, management decided to change the presentation of information in the financial statements in accordance with corporate standards.

The presentation of information in the statement of financial position was changed as follows:

"Cash and cash equivalents due from banks" was splitted into "Cash and cash equivalents" and "Due from other banks";

"Property, equipment and intangible assets" was splitted into "Property and equipment" and "Intangible assets";

"Other financial assets" and "Other assets" were combined into "Other assets";

payables on transactions with customers were reclassified from "Other liabilities" to "Due to customers";

"Provision for guarantees" was renamed into "Provision for credit related commitments";

"Retained earnings" and "Other reserves" were combined into "Retained earnings and other reserves".

The presentation of information in the statement of profit and loss and other comprehensive income was changed as follows:

"(Impairment loss)/recovery of impairment" was splitted into "Net (increase)/decrease of assets impairment provision" and "Net (increase)/decrease of provision for credit related commitments";

"Fee and commission income" and "Fee and commission expense" were combined into "Net fee and commission income"; while commission expenses in the amount of UAH 76 thousand were moved to "Administrative and other operating expenses";

The Bank allocated "Salaries and employee benefits" into a separate line in the amount of UAH 24 937 thousand from "Administrative and other operating expenses"; other administrative and other operating expenses were classified into "Administrative and other operating expenses" with changes shown in a table in a relevant note.

Bank changed its methodology of calculating the minimum lease payments. In previous financial statements the minimal lease payments included minimal expenses, which the Bank pledged to pay in the event of termination of the lease contracts. The Bank decided to include in the calculation of the minimal lease payments all minimal payments which are expected to be paid by the end of the existing operating lease contracts.

These changes affected the statement of financial position for 2015 as follows:

According to previous presentation		According to new presentation	
<i>(in thousands of UAH)</i>	31 December 2015 (previous reporting)	<i>(in thousands of UAH)</i>	31 December 2015 (reclassified)
Cash and cash equivalents	1 083 748	Cash and cash equivalents	940 673
		Due from other banks	143 075
Loans and advances to customers	557 393	Loans and advances to customers	557 393
Property, equipment and intangible assets	3 261	Property and equipment	3 028
		Intangible assets	233
Other financial assets	65	Other assets	3 145
Other assets	3 080		
Deferred tax asset	817	Deferred tax asset	817
Total assets	1 648 364	Total assets	1 648 364
Due to customers	1 225 412	Due to customers	1 227 582
Other liabilities	16 896	Other liabilities	14 726
Provision for guarantees	2 258	Provision for credit related commitments	2 258
Current income tax liability	24 712	Current income tax liability	24 712
Total liabilities	1 269 278	Total liabilities	1 269 278
Share capital	228 666	Share capital	228 666
Retained earnings	143 172	Retained earnings and other reserves	150 420
Other reserves	7 248		
Total equity	379 086	Total equity	379 086
Total liabilities and equity	1 648 364	Total liabilities and equity	1 648 424

The changes affected the statement of profit and loss and other comprehensive income for 2015 as follows:

<i>(in thousands of UAH)</i>	2015 (previous reporting)	<i>(in thousands of UAH)</i>	2015 (reclassified)
Interest income	222 100	Interest income	222 100
Interest expense	(58 811)	Interest expense	(58 811)
Net interest income	163 289	Net interest income	163 289
		Net (increase)/decrease of assets impairment provision	(286)
		Net (increase)/decrease of provision for credit related commitments	(2 258)
		Net interest income less impairment	160 745
Fee and commission income	35 446	Net fee and commission income	29 890
Fee and commission expense	(5 632)		
Gains less losses from dealing with foreign currencies	35 027	Gains less losses from dealing with foreign currencies	35 027
(Impairment loss)/recovery of impairment	(2 544)		
Foreign currency revaluation result	3 299	Foreign currency revaluation result	3 299
Other operating income	857	Other operating income	857
		Total non-interest income	69 073
Administrative and other operating expenses	(65 925)	Salaries and employee benefits	(24 937)
		Administrative and other operating expenses	(41 064)
		Total non-interest expense	(66 001)
Profit before tax	163 817	Profit before tax	163 817
Income tax expense	(31 716)	Income tax expense	(31 716)
Profit for the year	132 101	Profit for the year	132 101

The changes affected the note "Cash and cash equivalents" for 2015 as follows:

<i>(in thousands of UAH)</i>	31 December 2015 (previous reporting)	31 December 2015 (reclassified)
Cash	618	618
Balances with the NBU (except for restricted mandatory reserves)	50 191	50 191
Deposit certificates of the NBU	889 864	889 864
Cash and cash equivalents due from banks	143 075	
Total cash and cash equivalents	1 083 748	940 673

In connection with the change in presentation of information, additional note "Due to other banks" is provided for 2015:

<i>(in thousands of UAH)</i>	31 December 2015 (reclassified)
Correspondent accounts	
banks in OECD countries	123 942
banks in non OECD countries	19 175
Ukrainian banks	5
Total due to other banks	143 122
Impairment provision	(47)
Total due to other banks less impairment provision	143 075

Due to the change in presentation of information, notes "Other financial assets" and "Other assets" for 2015 were combined into "Other assets":

<i>(in thousands of UAH)</i>	31 December 2015 (previous reporting)
Other financial assets	181
Provision for impairment	(116)
Total other assets	65

<i>(in thousands of UAH)</i>	31 December 2015 (previous reporting)	31 December 2015 (reclassified)
Prepayments for goods and services	2 670	3 081
Deferred expenses	411	
Other financial assets		181
Other assets	10	10
Total other assets	3 091	3 272
Provision for impairment	(11)	(127)
Total other assets less provision for impairment	3 080	3 145

The changes affected the note "Due to customers" for 2015 as follows:

<i>(in thousands of UAH)</i>	31 December 2015 (previous reporting)	31 December 2015 (reclassified)
Entities		
Current accounts	481 317	483 452
Term deposits	744 095	744 130
Total due to customers	1 225 412	1 227 582

The changes affected the note "Other liabilities" for 2015 as follows:

<i>(in thousands of UAH)</i>	31 December 2015 (previous reporting)	<i>(in thousands of UAH)</i>	31 December 2015 (reclassified)
Accounts payable for consulting services	5 515	Accounts payable for administrative and IT services	7 700
Accounts payable at settlements with the Bank's employees	3 774	Accounts payable at settlements with the Bank's employees	3 774
Other accounts payable on operations with the bank's customers	2 169		
Accounts payable for taxes and mandatory payments other than income tax	1 503	Accounts payable for taxes and mandatory payments other than income tax	1 503
Accrued expenses for others services	3 892	Accrued expenses for others services	1 706
Deferred income	12	Deferred income	12
Other liabilities	31	Other liabilities	31
Total other liabilities	16 896	Total other liabilities	14 726

The changes affected the note "Administrative and other operating expenses" for 2015 as follows:

<i>(in thousands of UAH)</i>	31 December 2015 (previous reporting)	<i>(in thousands of UAH)</i>	31 December 2015 (reclassified)
Salaries and employee benefits	25 266		
Maintenance of property, equipment and intangible assets, telecommunication and other maintenance services	10 760	IT expenses	7 725
Operating leasing	8 694	Operating lease and maintenance of property and equipment	10 036
Depreciation of property and equipment	288		
Amortisation of software and other intangible assets	64		
Security expenses	25		
Consultancy services	8 922	Consultancy, legal and other professional services	14 897
Legal fees	2 194		
Professional services	1 625		
Operating expenses	345	Telecommunication expenses	2 260
		Operating expenses	183
		Other employee expenses except for salaries and benefits	490
Taxes and other mandatory payments other than corporate income tax	4 016	Taxes and other mandatory payments, other than income tax	4 250
Representative expenses	142	Representative expenses	767
Travel expenses	495		
Other	3 089	Other expenses	456
Total administrative and other operating expenses	65 925	Total administrative and other operating expenses	41 064

The changes affected the table "Future minimal lease payments under non-cancellable operating lease" as follows:

<i>(in thousands of UAH)</i>	31 December 2015 (previous reporting)	31 December 2015 (reclassified)
Less than 1 year	7 865	9 082
From 1 to 5 years	3 501	36 062
Total	11 366	45 145

The Bank didn't recalculate corresponding figures for the statement of financial position and relevant notes to it as at 31 December 2014 as the reclassification didn't effect the equity.

5 Cash and cash equivalents

Cash and cash equivalents are as follows:

<i>(in thousands of UAH)</i>	31 December 2016	31 December 2015
Cash	615	618
Balances with the NBU (except for restricted mandatory reserves)	92 311	50 191
Deposit certificates of the NBU	1 264 982	889 864
Total cash and cash equivalents	1 357 908	940 673

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 88 851 thousand as at 31 December 2016 (as at 31 December 2015 - UAH 48 007 thousand). The amount of mandatory reserves, which had to be kept every day on the correspondent account as at 31 December 2016 was UAH 35 540 thousand (as at 31 December 2015 – UAH 19 203 thousand). 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 2016 and as at 31 December 2015.

Cash and cash equivalents for statement of cash flows are as follows:

<i>(in thousands of UAH)</i>	31 December 2016	31 December 2015
Cash	615	618
Balances with the NBU	92 311	50 191
Correspondent accounts with other banks	856 222	122 641
Deposit certificates of NBU overnight	1 209 000	529 000
Total	2 158 148	702 450

Due to other banks in settlements and term deposit certificates of NBU are presented in the statement of cash flows as follows:

<i>(in thousands of UAH)</i>	31 December 2016	31 December 2015
Due to other banks in settlements	29 507	20 482
Term deposit certificates of NBU	55 000	360 000
Total	84 507	380 482

6 Due from other banks

Due from other banks are as follows:

<i>(in thousands of UAH)</i>	31 December 2016	31 December 2015
Correspondent accounts		
banks in OECD countries	883 711	123 942
banks in non OECD countries	1 994	19 175
Ukrainian banks	24	5
Total due from other banks	885 729	143 122
Provision for impairment	(532)	(47)
Total due from other banks less provision for impairment	885 196	143 075

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

<i>(in thousands of UAH)</i>	31 December 2016	31 December 2015
Correspondent accounts		
banks rated from BBB- to BBB+	883 711	123 942
unrated banks	2 017	19 180
Total due from other banks	885 729	143 122

The movement in provision for impairment as at 31 December 2016 and 31 December 2015 is as follows:

<i>(in thousands of UAH)</i>	Due from other banks	Total
Balance as at 01 January 2015	-	-
Increase/(decrease) of provision for impairment	47	47
Balance as at 31 December 2015	47	47
Increase/(decrease) of provision for impairment	485	485
Balance as at 31 December 2016	532	532

Corresponding account due from unrated bank is represented by balances due from related party as at 31 December 2016 and as at 31 December 2015.

As at 31 December 2016, cash and cash equivalents balances due from one bank amount to UAH 728 817 thousand or 83,5% of the total cash and cash equivalents (31 December 2015: UAH 76 372 thousand or 53.4% accordingly).

7 Loans and advances to customers

Loans and advances to customers are as follows:

<i>(in thousands of UAH)</i>	31 December 2016	31 December 2015
Corporate loans	210 815	557 545
Provision for impairment	(26)	(152)
Total loans less provisions	210 789	557 393

Analysis of changes in provisions for loans for 2016 and 2015 is as:

<i>(in thousands of UAH)</i>	Corporate loans
Balance as at 01 January 2015	52
Increase/(decrease) of provision for impairment	100
Balance as at 31 December 2015	152
Increase/(decrease) of provision for impairment	(126)
Balance as at 31 December 2016	26

Loan structure by sectors of economic activities is as follows:

<i>(in thousands of UAH)</i>	31 December 2016	%	31 December 2015	%
Trade	192 794	91.45%	510 005	91.47%
Production	18 021	8.55%	-	0.00%
Processing	-	0.00%	47 540	8.53%
Gross loans and advances to customers	210 815	100.00%	557 545	100.00%

Information on collateral as at 31 December 2016:

<i>(in thousands of UAH)</i>	Corporate loans
Unsecured loans	82 913
Loans collateralised by:	
investment banks guarantees	127 902
Gross loans and advances to customers	210 815

As collateral the Bank accepts guarantees issued by the parent bank.

Information on collateral as at 31 December 2015:

<i>(in thousands of UAH)</i>	<u>Corporate loans</u>
Unsecured loans	111 752
Loans collateralised by:	
investment banks guarantees	445 793
Gross loans and advances to customers	<u>557 545</u>

Analysis of credit quality of loans as at 31 December 2016 is as follows:

<i>(in thousands of UAH)</i>	<u>Corporate loans</u>
Not past due:	
Large borrowers	210 815
Provision for impairment	(26)
Net loans	<u>210 789</u>

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

<i>(in thousands of UAH)</i>	<u>Corporate loans</u>
Not past due:	
Large borrowers	557 545
Provision for impairment	(152)
Net loans	<u>557 393</u>

Effect of collateral value on credit quality as at 31 December 2016:

<i>(in thousands of UAH)</i>	<u>Carrying amount</u>	<u>Expected cash flow from collateral</u>	<u>Effect of collateral</u>
Corporate loans	210 815	127 902	82 913
Provision for impairment	(26)	-	(26)
Total loans less provisions	<u>210 789</u>	<u>127 902</u>	<u>82 887</u>

Effect of collateral value on credit quality as at 31 December 2015:

<i>(in thousands of UAH)</i>	<u>Carrying amount</u>	<u>Expected cash flow from collateral</u>	<u>Effect of collateral</u>
Corporate loans	557 545	460 216	97 329
Provision for impairment	(152)	-	(152)
Total loans less provisions	<u>557 393</u>	<u>460 216</u>	<u>97 177</u>

During the years ended 31 December 2016 and 31 December 2015, the Bank did not obtain any assets by taking possession of collateral held as security.

8 Property, equipment and intangible assets

A summary of movements in property, equipment and intangible assets for the years ended 31 December 2016 and 2015 is as follows:

<i>(in thousands of UAH)</i>	Machinery and equipment	Instruments, fixtures and furniture	Other non-current tangible assets	Intangible assets	Total
Historical cost					
01 January 2015	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
Additions	3 935	680	1 509	374	6 498
31 December 2016	<u>6 528</u>	<u>1 941</u>	<u>1 532</u>	<u>2 593</u>	<u>12 594</u>
Depreciation					
01 January 2015	(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)
Depreciation charge	(755)	(282)	(74)	(125)	(1 236)
31 December 2016	<u>(1 476)</u>	<u>(389)</u>	<u>(97)</u>	<u>(2 109)</u>	<u>(4 071)</u>
Net carrying value:					
01 January 2015	470	87	-	104	661
31 December 2015	1 872	1 154	-	235	3 261
31 December 2016	<u>5 052</u>	<u>1 552</u>	<u>1 435</u>	<u>484</u>	<u>8 523</u>

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.

Property, equipment and intangible assets are accounted for at the original (historical) cost.

As at 31 December 2015 historical cost of fully depreciated property and equipment amounts to UAH 427 thousand.

As at 31 December 2016 historical cost of fully depreciated property and equipment amounts to UAH 458 thousand.

9 Other assets

Other assets are as follows:

<i>(in thousands of UAH)</i>	31 December 2016	31 December 2015
Prepayments for goods and services	733	3 082
Accounts receivable from taxes and mandatory payments other than income tax	276	-
Accrued fee and commission income	125	181
Other assets	-	10
Total other assets	1 134	3 273
Provision for impairment	(366)	(127)
Total other assets less provision for impairment	768	3 145

Analysis of changes in provisions for other assets for 2016 and 2015 is as follows:

<i>(in thousands of UAH)</i>	Prepayments for services	Other assets	Total
Balance as at 01 January 2015	-	-	-
Increase/(decrease) of provision for impairment	11	129	140
Write-off of bad debts	-	(13)	(13)
Balance as at 31 December 2015	11	116	127
Increase/(decrease) of provision for impairment	290	137	427
Write-off of bad debts	-	(188)	(188)
Balance as at 31 December 2016	301	65	366

10 Due to customers

Due to customers are as follows:

<i>(in thousands of UAH)</i>	31 December 2016	31 December 2015
Entities		
Current accounts	1 618 592	483 452
Term deposits	478 054	744 130
Total due to customers	2 096 646	1 227 582

Current accounts include accounts payable on transactions with customers.

Due to customers are distributed by sectors of economic activities for 2016 as follows:

<i>(in thousands of UAH)</i>	31 December 2016	%
Trade	1 089 462	51.96%
Processing industry	806 694	38.48%
Transport	7 735	0.37%
Production of alcohol and beverages products	26 578	1.27%
Information and telecommunications	18 908	0.90%
Professional, scientific and technical activities	61 670	2.94%
Administrative and support services	81 440	3.88%
Other	4 159	0.20%
Total due to customers	2 096 646	100%

Due to customers are distributed by sectors of economic activities for 2015 as follows:

<i>(in thousands of UAH)</i>	31 December 2016	%
Trade	522 617	42.57%
Processing industry	424 671	34.59%
Transport	10 625	0.87%
Production of alcohol and beverages products	208 686	17.00%
Information and telecommunications	3 597	0.29%
Professional, scientific and technical activities	40 455	3.30%
Administrative and support services	19	0.00%
Other	16 912	1.38%
Total due to customers	1 227 582	100%

As at 31 December 2016 due to customers in the amount of UAH 449 367 thousand is pledged as security for import letters of credit.

As at 31 December 2016, accounts of the ten largest customers total UAH 1 836 827 thousand, or 87,6% of the total amounts due to customers (31 December 2015: UAH 1 013 711 thousand or 82,7%).

As at 31 December 2016, accounts of one largest customer total UAH 810 245 thousand, or 38,6% of the total amounts due to customers (31 December 2015: UAH 200 438 thousand, or 16,4%).

11 Provision for credit related commitments

Changes in provisions for credit related commitments for 2016 are as follows:

<i>(in thousands of UAH)</i>	Credit related commitments
Balance as at 01 January 2016	2 258
Increase/(decrease) of provision for impairment	(1 612)
Balance as at 31 December 2016	646

Changes in provisions for credit related commitments for 2015 are as follows:

<i>(in thousands of UAH)</i>	Credit related commitments
Balance as at 01 January 2015	-
Increase/(decrease) of provision for impairment	2 258
Balance as at 31 December 2015	2 258

Provisions for credit related commitments consist of provisions for issued guarantees and letters of credit and evaluated on portfolio basis.

12 Other liabilities

Other liabilities are as follows:

<i>(in thousands of UAH)</i>	31 December 2016	31 December 2015
Accounts payable for administrative and IT services	7 032	7 700
Accounts payable at settlements with the Bank's employees	2 131	3 774
Accounts payable for taxes and mandatory payments other than income tax	923	1 503
Accrued expenses for others services	789	1 706
Deferred income	35	12
Other liabilities	35	31
Total other liabilities	10 945	14 726

13 Share capital

<i>(in thousands of UAH)</i>	Number of shares outstanding	Incl., ordinary shares
Balance as at 01 January 2015	228 666	228 666
Balance as at 31 December 2015	228 666	228 666
Balance as at 31 December 2016	228 666	228 666

As at 31 December 2016 and 31 December 2015, authorised issued capital amounts to UAH 228,666,102 (two hundred twenty eight million six hundred sixty six thousand and one hundred two). The nominal value of ordinary shares is UAH 1 per share. The Bank did not issue shares in 2016 and 2015.

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 amount of reserves for distribution is determined with consideration of the balance of accumulated reserves recorded in accounts 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 2016 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	1 357 908	-	1 357 908
Due from other banks	6	885 196	-	885 196
Loans and advances to customers	7	210 789	-	210 789
Receivables on current income tax		2 467	-	2 467
Deferred tax asset	18	489	-	489
Property and equipment	8	-	8 039	8 039
Intangible assets	8	23	462	484
Other assets	9	768	-	768
Total assets		2 457 640	8 500	2 466 140
LIABILITIES				
Due to customers	10	2 096 646	-	2 096 646
Provision for credit related commitments	11	646	-	646
Dividends	20	2 588	-	2 588
Other liabilities	12	10 945	-	10 945
Total liabilities		2 110 825	-	2 110 825

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	940 673	-	940 673
Due from other banks	6	143 075	-	143 075
Loans and advances to customers	7	557 393	-	557 393
Deferred tax asset	18	817	-	817
Property and equipment	8	-	3 028	3 028
Intangible assets	8	6	227	233
Other assets	9	3 145	-	3 145
Total assets		1 645 109	3 255	1 648 364
LIABILITIES				
Due to customers	10	1 227 582	-	1 227 582
Current income tax liability		24 712	-	24 712
Provision for credit related commitments	11	2 258	-	2 258
Other liabilities	12	14 726	-	14 726
Total liabilities		1 269 278	-	1 269 278

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>	2016	2015
Interest income		
Deposits in other banks	1 637	178
NBU deposit certificates	165 843	73 624
Loans and advances to customers	100 224	148 298
Total interest income	267 704	222 100
Interest expense		
Term deposits of other banks	(60)	(600)
Corporate current accounts	(2 669)	(4 048)
Corporate term deposits	(88 988)	(54 163)
Total interest expenses	(91 717)	(58 811)
Net interest income	175 987	163 289

16 Net commissions and fee income

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

<i>(in thousands of UAH)</i>	<u>2016</u>	<u>2015</u>
Commissions and fee income	29 926	35 446
Commissions and fee expenses	(4 906)	(5 556)
Net commissions and fee income	<u>25 020</u>	<u>29 890</u>

<i>(in thousands of UAH)</i>	<u>2016</u>	<u>2015</u>
Net commissions and fee income:		
Cash and cash transactions	1 335	1 112
Foreign currency transactions for customers	26 783	30 336
Loans	144	-
Guarantees issued/received	(3 880)	(2 210)
Other	638	652
Net fee and commission income	<u>25 020</u>	<u>29 890</u>

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>	<u>2016</u>	<u>2015</u>
IT expenses	10 444	7 725
Operating lease and maintenance of property and equipment	11 849	10 036
Consultancy, legal and other professional services	11 665	14 897
Telecommunication expenses	1 872	2 260
Operating expenses	177	183
Other employee expenses except for salaries and benefits	390	490
Taxes and other mandatory payments, other than income tax	4 112	4 250
Representative expenses	1 365	767
Other expenses	336	456
Total administrative and other operating expenses	<u>42 210</u>	<u>41 064</u>

18 Taxation

The statutory income tax rate in 2016 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>	2016	2015
Current tax expense	(26 594)	(30 135)
Deferred tax expense	(328)	(1 581)
Total income tax expense	(26 922)	(31 716)

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>	31 December 2016	%	31 December 2015	%
Profit before tax	139 718	100%	163 817	100%
Income tax at the applicable tax rate	(25 149)	18%	(29 485)	18%
Non-deductible income and expenses	(1 773)	1.3%	(2 231)	1.4%
Total income tax expenses	(26 922)	19.3%	(31 716)	19.4%

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 2016 and as at 31 December 2015.

Movements in recognised deferred tax assets and liabilities during the year ended 31 December 2016 are as follows:

<i>(in thousands of UAH)</i>	Balance as at the beginning of the year	Recognised in profits/ losses	Recognised in other comprehens ive income	Balance as at the end of the year
Provisions for impairment of assets	(60)	30	-	(30)
Accrued income (expenses)	447	(110)	-	337
Provision for credit related commitments	406	(290)	-	116
Other assets	24	42	-	66
Net deferred tax asset (liability)	817	(328)	-	489

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

<i>(in thousands of UAH))</i>	Balance as at the beginning of the year	Recognised in profits/ losses	Recognised in other comprehens ive 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 assets	(2 555)	2 579	-	24
Tax losses carried forward	2 005	(2 005)	-	-
Net deferred tax asset (liability)	2 398	(1 581)	-	817

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 2016 and 2015. The Bank has no potential ordinary dilutive shares.

<i>(in thousands of UAH)</i>	2016	2015
Profit for the period owned by holders of the Bank's ordinary shares	112 796	132 101
Average number of outstanding shares for the period (thousand shares)	228 666	228 666
Basic and diluted earnings per ordinary share (UAH)	0.49	0.58

20 Dividends

In 2016 according to shareholders' decision the Bank directed the amount of UAH 136 567 thousand for distribution of dividends for 2014 and 2015

The movement in dividends is as follows:

<i>(in thousands of UAH)</i>	Ordinary shares
Dividends	
Balance as at 31 December 2014	-
Dividends on which the decision to pay during the year	-
Dividends paid	-
Balance as at 31 December 2015	-
Dividends on which the decision to pay was made during the year	136 567
Dividends paid	(127 151)
Tax paid on dividends	(6 828)
Balance as at 31 December 2016	2 588

21 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, which regulate credit transactions and credit risk management (both for on balance sheet and off balance sheet exposures), the main ones are the credit policy and the policy of credit risk management. 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 and the policy of credit risk management establishes:

- general credit limits, which are followed by the bank to reduce credit risk
- 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 collateral with adequate value.

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

During 2016 the Bank complied with the credit risk ratios. As at 31 December 2016 the ratios were as follows (according to the form 611): N7 = 18.47%; N8 = 18.47%; N9 = 0.11%

Analysis of changes in provisions for loans for the years ended 31 December 2016 and 2015 is as follows:

<i>(in thousands of UAH)</i>	Corporate loans	Due from other banks	Credit related commitme nts	Prepayme nts for services	Other assets	Total
Balance as at 1 January 2015	52	-	-	-	-	52
Increase/(decrease) of provision for impairment	100	47	2 258	11	129	2 545
Write off of bad debt	-	-	-	-	(13)	(13)
Balance as at 31 December 2015	152	47	2 258	11	116	2 584
Increase/(decrease) of provision for impairment	(126)	485	(1 612)	290	137	(826)
Write off of bad debt	-	-	-	-	(188)	(188)
Balance as at 31 December 2016	26	532	646	301	65	1 570

b) Market risk

Market risk is the risk that changes in the market prices, such as foreign exchange rates, interest rates, credit spreads, and prices for securities 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

The risk of financial losses and probability of lower cost of capital associated with changes in the exchange rates and prices for precious metals, which are unfavorable for existing open currency positions is an important type of risk, which arises in the course of banking activity.

Basic methods and models for currency risk management are defined in policy on currency risk management in PJSC "Deutsche Bank DBU."

The amount of potential financial losses depends on the size of open currency positions and the size of changes of corresponding foreign exchange rates. The analysis of the impact of projected changes in exchange rates on the financial result of the bank is made using VaR model (Value at Risk). The process of currency risk management at the Bank involves daily monitoring of compliance with the maximum possible amount of open currency positions based on a tolerable dimension of capital at risk to established limits of open currency positions, analysis of volatility of exchange rates and the value of the currency risk under normal and stressed conditions

The following table shows currency risk analysis:

(in thousands of UAH)

	31 December 2016			31 December 2015		
	Monetary assets	Monetary liabilities	Net position	Monetary assets	Monetary liabilities	Net position
USD	757 875	756 029	1 846	49 344	47 613	1 731
EURO	124 361	122 469	1 892	76 691	85 364	(8 673)
Total	882 236	878 498	3 738	126 035	132 977	(6 942)

As at 31 December, a 50% weakening of the Ukrainian hryvnia against the following currencies would have increased 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)

	2016		2015	
	Profit or loss	Equity	Profit or loss	Equity
50% appreciation of USD against UAH	757	757	710	710
50% appreciation of EUR against UAH	776	776	(3 556)	(3 556)

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 - the actual or potential risk to earnings or capital arising from adverse changes in interest rates. This risk affects both the Bank's profitability and economic value of its assets, liabilities and off-balance sheet instruments.

The main forms of interest rate risk are:

- risk of changing of interest rate in case of mismatch of maturity for assets and liabilities;
- yield curve risk – arise from unfavorable changes in inclination and shape of the yield curve.

Basic principles of interest rate risk management are defined in policy for interest rate risk management in PJSC "Deutsche Bank DBU."

Interest rate risk management includes management of both assets and liabilities of the Bank. A feature of this process is the limited administrative capacity. Asset management is limited by:

- the liquidity requirements and credit risk of portfolio of bank's assets;
- price competition from other banks, which limits freedom in choosing bank loan pricing.

On the other hand, the liabilities management is complicated by:

- limited choice and the amount of debt instruments that the Bank can successfully place among its depositors and other creditors at a certain time;
- price competition for existing funds from other banks and non-bank credit institutions.

Therefore, the main objective of interest rate risk management is to minimize this risk within the planned profitability considering its liquidity position.

The amount of potential financial losses depends on the amount of open interest positions - the gaps between assets and liabilities by terms.

Analysis of the impact of changes in interest rates with different maturities on the financial result of the Bank is made using a VaR model (Value at Risk) and sensitivity to interest rate risk.

The process of interest rate risk management involves daily monitoring of open gaps and Sensitivity limit

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:

	2016			2015		
	Average effective interest rate, %			Average effective interest rate, %		
	UAH	USD	EURO	UAH	USD	EURO
Interest bearing assets						
Cash and cash equivalents	-	0.20%	-	-	0.46%	-
NBU deposit certificates	16.60%	-	-	18.60%		
Loans and advances to customers	17.80%	-	-	21.33%	-	-
Interest bearing liabilities						
Due to customers:						
Current accounts	5.75%	-	-	7.57%	-	-
Term deposits	12.57%	-	-	15.43%	-	-

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) Other price risk

The Bank has no other price risks for disclosure in the financial statements.

f) Geographical risk

Geographical concentration of financial assets and liabilities as at 31 December 2016 is as follows:

(in thousands of UAH)

	Ukraine	OECD countries	Other countries	Total
ASSETS				
Cash and cash equivalents	1 357 908	-	-	1 357 908
Due from other banks	24	883 180	1 992	885 196
Loans and advances to customers	210 789	-	-	210 789
Other assets	11	-	49	60
Total financial assets	1 568 732	883 180	2 041	2 453 953
LIABILITIES				
Due to customers	2 096 646	-	-	2 096 646
Provision for credit related commitments	638	-	8	646
Dividends	-	2 588	-	2 588
Other liabilities	-	-	-	-
Total financial liabilities	2 097 284	2 588	8	2 099 880
Net balance sheet position on financial instruments	(528 552)	880 592	2 033	354 072

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

(in thousands of UAH)

	Ukraine	OECD countries	Other countries	Total
ASSETS				
Cash and cash equivalents	940 673	-	-	940 673
Due from other banks	5	123 942	19 128	143 075
Loans and advances to customers	557 393	-	-	557 393
Other assets	65	-	-	65
Total financial assets	1 498 136	123 942	19 128	1 641 206
LIABILITIES				
Due to customers	1 227 582	-	-	1 227 582
Provision for credit related commitments	2 258	-	-	2 258
Dividends	-	-	-	-
Other liabilities	1 229 840	-	-	1 229 840
Total financial liabilities	268 296	123 942	19 128	411 366

Other risk concentrations.

Concentration risk – is not an isolated form of banking risk, but the generalized, which includes elements of banking risks such as: credit risk, market risk, liquidity risk, operational and technological risk, geographical risk, as a result of focusing on separate types of transactions or certain sources of funding.

The common characteristic that identifies each concentration risk is the possibility of incurring potential losses that could significantly impair the Bank's financial position and result in the inability of current operations as a result of the concentration of business with certain persons in certain types of instruments, assets, liabilities, regions and countries.

g) Liquidity risk

Liquidity risk – existing or potential risk, which arises from the failure of the Bank to meet its obligations in due time, without incurring financial losses.

Basic principles of liquidity risk management are defined in policy on liquidity risk management of PJSC "Deutsche Bank DBU."

The Bank uses the following basic methods of liquidity management:

- asset management – the Bank defines ways of placing their own and borrowed funds so that at minimum risk to get the maximum possible income while remaining liquid;
- liability management – the Bank determines the policy of equity and borrowed funds management, determines their optimal structure for further effective use in active operations.
- balanced asset and liability management – this method is the use of portfolio approach to managing liquidity risk through the coordinated management of assets and liabilities.

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 one of major financial risks, 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.

During 2016 the Bank complied with requirements on liquidity ratios. As at 31 December 2016 the ratios were as follows (according to form 611): N4 = 140.58; N5 = 153.22; N6 = 153.22

The undiscounted cash flows from financial liabilities, including future interest payments, by maturity as at 31 December 2016 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	Carrying amount
Due to customers:						
Legal entities	2 092 544	3 003	1 099	-	2 096 646	2 096 646
Provision for credit related commitments	646	-	-	-	646	646
Total potential future payments under financial liabilities	2 093 190	3 003	1 099	-	2 097 292	2 097 292

The undiscounted cash flows from financial liabilities, including future 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	Carrying amount
Due to customers:						
Legal entities	1 218 951	8 631	-	-	1 227 582	1 227 582
Provision for credit related commitments	2 258	-	-	-	2 258	2 258
Total potential future payments under financial liabilities	1 221 209	8 631	-	-	1 229 840	1 229 840

22 Capital management

The Bank's primary 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 117% (31 December 2015: 152%) 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 120 000 thousand, and also it was higher than the share capital of the Bank.

Regulatory capital of the Bank is as follows (according to form 611):

<i>(in thousands of UAH)</i>	31 December 2016	31 December 2015
Primary capital		
Share capital actually paid	228 666	228 666
Disclosed reserves, formed or increased by retained earnings:	13 853	7 248
General reserves and reserve funds formed under the laws of Ukraine	13 853	7 248
Reduction of capital	(484)	(233)
Intangible assets less depreciation	484	233
Primary capital (1-tier capital)	242 035	235 681
Provision for standard exposure (other banks, loans, off balance accounts)	399	48
Calculated profit for current year	113 606	138 688
Profit of previous years	-	9 543
Uncovered credit risk	4 642	-
Additional capital (2-tier capital)	109 363	148 279
Total regulatory capital	351 398	383 960

23 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 2016	31 December 2015
Less than 1 year	9 832	9 082
From 1 to 5 years	16 906	36 062
Total	26 738	45 145

d) Credit related commitments

As at the reporting date the Bank has no pledged assets and assets for which there are restriction associated with the possession, using and managing them.

Structure of credit related commitments is as follows:

<i>(in thousands of UAH)</i>	31 December 2016	31 December 2015
Revocable:		
Undrawn credit lines	2 633 534	2 148 169
Total revocable liabilities	2 633 534	2 148 169
Irrevocable:		
Guarantees issued	11 757	60 618
Letters of Credit	23 795	38 104
Total irrevocable liabilities	35 552	98 722
Total	2 669 086	2 246 891

Credit related commitments by currency are as follows:

<i>(in thousands of UAH)</i>	31 December 2016	31 December 2015
UAH	155 000	57 164
USD	867 135	906 801
EURO	1 646 951	1 282 926
Total	2 669 086	2 246 891

24 Fair value of financial instruments

a) 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 2016:

	Loans and receivables	Other assets/liabilities at amortised cost	Carrying amount	Fair value
<i>(in thousands of UAH)</i>				
Cash and cash equivalents	1 357 908		1 357 908	1 357 908
Due from other banks	885 196		885 196	885 196
Loans and advances to customers	210 789		210 789	210 789
Other assets	60		60	60
Total assets	2 453 953	-	2 453 953	2 453 953
Due to customers		2 096 646	2 096 646	2 096 646
Provision for credit related commitments		646	646	646
Dividends		2 588	2 588	2 588
Total liabilities	-	2 099 880	2 099 880	2 099 880

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

	Loans and receivables	Other assets/liabilities at amortised cost	Carrying amount	Fair value
<i>(in thousands of UAH)</i>				
Cash and cash equivalents	940 673	-	940 673	940 673
Due from other banks	143 075	-	143 075	143 075
Loans and advances to customers	557 393	-	557 393	557 393
Other assets	65	-	65	65
Total assets	1 641 206	-	1 641 206	1 641 206
Due to customers	-	1 227 582	1 227 582	1 227 582
Provision for credit related commitments	-	2 258	2 258	2 258
Total liabilities	-	1 229 840	1 229 840	1 229 840

As at 31 December 2016 and 2015, 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.

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 2016:

<i>(in thousands of UAH)</i>	Level 1	Level 2	Level 3	Fair value	Carrying value
Cash and cash equivalents		1 357 673		1 357 673	1 357 908
Due from other banks		885 196		885 196	885 196
Loans and advances to customers			210 789	210 789	210 789
Other assets			60	60	60
Total assets	-	2 242 869	210 849	2 453 718	2 453 953
Due to customers		2 096 646		2 096 646	2 096 646
Provision for credit related commitments			646	646	646
Dividends			2 588	2 588	2 588
Total liabilities	-	2 096 646	3 234	2 099 880	2 099 880

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>	Level 1	Level 2	Level 3	Fair value	Carrying value
Cash and cash equivalents		940 673		940 673	940 673
Due from other banks		143 075		143 075	143 075
Loans and advances to customers			557 393	557 393	557 393
Other assets			65	65	65
Total assets	-	1 083 748	557 458	1 641 206	1 641 206
Due to customers		1 227 582		1 227 582	1 227 582
Provision for credit related commitments			2 258	2 258	2 258
Total liabilities	-	1 227 582	2 258	1 229 840	1 229 840

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 2016:

Type of instrument	Fair value	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	210 789	Discounted cash flow	Risk adjusted discount rate	Interest rates 16,00%-28,00%	The reduction in interest rates leads to an increase in fair value

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 value	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%	The reduction in interest rates leads to an increase in fair value

During the years ended 31 December 2016 and 2015, 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 2016 and 2015, there were no transfers into and out of Level 3 of the fair value hierarchy.

25 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) which holds 100% shares;
- 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 2016 and 31 December 2015, the Bank has no subsidiaries, associates, or joint ventures where the Bank has control relationship.

Balances with related parties as at 31 December 2016 are as follows:

<i>(in thousands of UAH)</i>	Parent company	Entities under common control
Due from other banks	154 894	730 811
Other liabilities (on demand, denominated in EUR)	3 912	5 742

As at 31 December 2016 balances due from banks related to transactions with related parties represent call deposits with interest rate 0.17%.

As at 31 December 2016, 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	29 507	728 817
EURO	124 061	0
RUB	0	1 994
Other	1 327	0
Total	154 895	730 811

Other rights and commitments on transactions with related parties as at 31 December 2016 are as follows:

<i>(in thousands of UAH)</i>	Parent company	Entities under common control
Guarantees issued	-	381
Guarantees received	-	127 902

Income and expenses on transactions with related parties for the year ended 31 December 2016 are as follows:

<i>(in thousands of UAH)</i>	Parent company	Key management personnel	Entities under common control
Interest income	0	0	788
Gains less losses from dealing in foreign currencies	0	0	415
Commission income	9	0	5
Commission expense	(204)	0	(4 660)
Administrative and other operating expenses	(2 243)	(10 053)	(7 582)

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

<i>(in thousands of UAH)</i>	<u>Parent company</u>	<u>Entities under common control</u>
Due from other 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 with interest rate 0.1%.

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

<i>(in thousands of UAH)</i>	<u>Parent company</u>	<u>Entities under common control</u>
USD	-	47 570
EURO	76 372	-
RUB	-	19 128
Total	76 372	66 698

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

<i>(in thousands of UAH)</i>	<u>Parent company</u>	<u>Key management personnel</u>	<u>Entities under common control</u>
Interest income	-	-	24
Interest expense	-	-	41
Gains less losses from dealing in foreign currencies	-	-	20
Commissions and fee income	49	-	7
Commissions and fee 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>	<u>Parent company</u>	<u>Entities under common control</u>
Guarantees issued	-	664
Guarantees received	-	445 793

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

	As at and for the year ended 31 December 2016		As at and for the year ended 31 December 2015	
<i>(in thousands of UAH)</i>	Expenses	Accrued liability	Expenses	Accrued liability
Payments to key management personnel	10 053	149	7 054	1 240

26 Subsequent events

On 1 February 2017 ended the test period for calculating credit risk according to NBU Resolution № 351 of 30 June 2016 “On approval of Regulation on the determination of credit risk of active banking operations for banks in Ukraine.” Credit risk calculated according to new Regulation as at 13 February 2017 effected on regulatory capital (decreased by UAH 22 million). However, as a result, regulatory capital continues to meet the capital adequacy requirements set by the National Bank of Ukraine.