AVANGARD BANK

PUBLIC JOINT-STOCK COMPANY «BANK AVANGARD»

PUBLIC JOINT–STOCK COMPANY
"BANK AVANGARD"
Financial Statements
for the year ended 31 December 2015

TRANSLATED FROM UKRAINIAN ORIGINAL

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TRANSLATED FROM UKRAINIAN ORIGINAL

INDEPENDENT AUDITOR'S REPORT

To the Stockholders and Board of PJSC 'BANK AVANGARD'

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

Management's Responsibility for the Financial Statements

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

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 whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 aspects the financial position of the Bank as at 31 December 2015, its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

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Emphasis of Matter

Without changing our opinion, we draw your attention to Note 2 'Economic Environment' to the financial statements, which describes the current political crisis in Ukraine. The impact of the ongoing crisis and political instability in Ukraine, and their final settlement, which may adversely affect the economy of Ukraine and the Bank's activity, are not possible to predict with reasonable certainty.

Furthermore, without changing our opinion, we draw your attention to Note 3 'Basis of Presentation', where the Bank's Management disclosed information regarding the assessment of going concern in respect of the Resolution of the National Bank of Ukraine on the increase of the authorized capital of banks and plans for the implementation of these requirements.

Partner



Gagik Nersesyan

4 April 2016

Kyiv, Ukraine

Registration No.16-057.2

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STATEMENT OF FINANCIAL POSITION PJSC "BANK AVANGARD" as at 31 December 2015

(UAH thousand)

Item	Notes	31 December 2015	31 December 2014
ASSETS			
Cash and cash equivalents	6	4 703	46 646
Due from other banks	7	388 466	340 227
Loans and advances to customers	8	4 409	-
Available-for-sale securities in trading portfolio	9	20 930	50 350
Held-to-maturity securities in trading portfolio	10	31 015	-
Current tax receivables		2 744	74
Deferred tax assets	26	112	271
Fixed and intangible assets	11	3 037	3 622
Other financial assets	12	8	1
Other assets	13	1 315	182
Total assets		**456 739**	**441 373**
LIABILITIES			
Due to banks	14	-	98 405
Due to customers	15	274 847	192 272
Current tax liabilities		5 877	3 197
Deferred tax liabilities		-	261
Other financial liabilities	16	8 210	6 854
Provisions for liabilities	17	157	-
Other liabilities	18	3 076	1 907
Total liabilities		**292 167**	**302 896**
EQUITY			
Share capital	19	136 518	122 000
Retained earnings (losses)		27 284	15 279
Reserves and other funds		770	9
Revaluation reserves	20	-	1 189
Total equity		**164 572**	**138 477**
Total liabilities		**456 739**	**441 373**

Authorized for issue and signed by:

Chairman of the Board _____ **/S. Korchynska /**

Chief Accountant _____ **/V. Chechotkina/**

April 1, 2016
Exec. M. Dmytrieva
t.: (044) 502–23–04

STATEMENT OF COMPREHENSIVE INCOME
PJSC "BANK AVANGARD" for
2015

(UAH thousand)

Item	Notes	2015	2014
Interest income	22	65 579	49 086
Interest expense	22	(20 920)	(13 739)
Net interest income/(Net interest expense)		**44 659**	**35 347**
Net (increase) decrease in provisions for impairment of loans and due from customers, other banks	7,8	(96 463)	(41 661)
Net interest income/(Net interest expense) *after creation of* provisions for impairment of loans and due from customers, other banks		**(51 804)**	**(6 314)**
Fee and commission income	23	1 529	1 120
Fee and commission expenses	23	(1 370)	(132)
Gains on revaluation of other financial instruments at fair value through profit or loss	25	7 942	6 037
Gains on foreign exchange transactions		91 944	34 001
Gains on securities trading transactions in trading portfolio		2 832	1 434
Net (increase) decrease in provisions for impairment of receivables and other financial assets	12	(1)	-
Net (increase) decrease in provisions for liabilities	17	(157)	-
Administrative and other operating expenses	24	(17 595)	(18 009)
Profit / (Loss) before tax		**33 320**	**18 137**
Income tax expenses	26	(6 036)	(3 037)
Profit for the year		**27 284**	**15 100**
Other comprehensive income			
Revaluation of available-for-sale securities in trading portfolio		-	1 515
Income tax related to other comprehensive income	26	-	(261)
Other comprehensive income after tax		-	1 254
Total comprehensive income for the year		**27 284**	**16 354**
Net profit/(loss) per an ordinary share (UAH)	27	223,64	134,05

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April 1, 2016
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STATEMENT OF CASH FLOWS
PJSC "BANK AVANGARD"
for 2015
(direct approach)

(UAH thousand)

Item	Notes	2015	2014
Cash flows from operating activities			
Interest received		61 924	48 750
Interest paid		(20 609)	(13 143)
Fee and commission income		1 520	1 121
Fee and commission expenses		(1 328)	(55)
Trading securities operating result		2 832	1 434
Financial derivative instruments operating result		14 511	10 456
Gains from foreign exchange transactions		48 166	22 822
Staff costs paid		(10 669)	(7 159)
Administrative and other operating expenses paid		(5 601)	(8 911)
Income tax paid		(5 818)	(246)
Cash flows from operating activities before changes in operating assets and liabilities received/ (paid)		**84 928**	**55 069**
Changes in operating assets and liabilities			
Net (increase)/decrease in due from other banks		35 747	(252 994)
Net (increase)/decrease in mandatory cash balances with the National Bank of Ukraine		-	1 173
Net (increase)/decrease in loans to customers and customers' debts		(8 000)	-
Net (increase)/decrease in other assets		6	(29)
Net increase/(decrease) in due to banks		(98 250)	98 250
Net increase/(decrease) in due to customers		82 096	(59 402)
Net increase /(decrease) in other financial liabilities		1 112	-
Net cash flows from operating activities received/ (paid)		**97 639**	**(157 933)**
Cash flows from investment activities:			
Purchase of available-for-sale securities in trading portfolio		(20 829)	(48 866)
Proceeds on sale of available-for-sale securities in trading portfolio		48 866	150 249
Purchase of held-to-maturity securities in trading portfolio		(31 000)	-
Acquisition of fixed assets		(60)	(200)
Acquisition of intangible assets		(568)	(880)
Net cash flows from investment activity received/(used)		**(3 591)**	**100 303**
Cash flows from financing activities			
Ordinary shares issue		–	–
Net cash flows from financing activities received/(used)		**–**	**–**
Effect of changes in official foreign exchange rate of the National Bank of Ukraine on cash and cash equivalents		**(39 899)**	**14 317**

Net increase /(decrease) in cash and cash equivalents	133 947	(43 313)
Cash and cash equivalents, at the beginning of the year	58 780	102 093
Cash and cash equivalents, at the end of the year	192 727	58 780

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April 1, 2016
Exec. M. Dmytrieva
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Statement of changes in equity PJSC "BANK AVANGARD" for 2015

(UAH thousand)

Item	Share capital	Reserves and other funds	Revaluation reserves	Retained earnings	Total
Balance as at 31 December 2013	**122 000**	**-**	**(65)**	**188**	**122 123**
Distribution of previous year's profit	-	9	-	(9)	-
Total comprehensive income	-	-	1 254	15 100	16 354
Balance as at 31 December 2014	**122 000**	**9**	**1 189**	**15 279**	**138 477**
Share denomination increase	14 518	-	-	(14 518)	-
Distribution of previous year's profit	-	761	-	(761)	-
Total comprehensive income	-	-	(1 189)	27 284	26 095
Balance as at 31 December 2015	**136 518**	**770**	**-**	**27 284**	**164 572**

Authorized for issue and signed by:

Chairman of the Board _____ **/S. Korchynska /**

Chief Accountant _____ **/V. Chechotkina/**

April 1, 2016
Exec. M. Dmytrieva
t.: (044) 502–23–04

NOTES TO THE FINANCIAL STATEMENTS

1. Corporate information

The financial statements have been prepared in accordance with International Financial Reporting Standards based on operating results of PUBLIC JOINT-STOCK COMPANY "BANK AVANGARD". The reporting year is 2015.

PUBLIC JOINT-STOCK COMPANY "BANK AVANGARD" (hereinafter "the Bank") was registered in the State Register of Banks of Ukraine on 5 July 2013 under the registration No.346.

The Bank is a resident of Ukraine, it is located at: 04116, Kyiv, 3 Sholudenko Street.

As at 1 January 2016, the Bank is classified as a bank of II group according to the new classification of the National Bank of Ukraine.

The Bank is a member of the Individual Deposit Guarantee Fund, a self-regulatory organization of professional participants of the securities market: the Association "Ukrainian Stock Traders", UkrSWIFT.

The Bank has correspondent banking relationships with DEUTSCHE BANK, the largest banks of Ukraine and settles accounts through leading international banks in all major currencies of the world by means of S.W.I.F.T. international payments. Since December 2013, the Bank has been cooperating with LLC "UKRAINIAN CREDIT HISTORY BUREAU" regarding data transfer on borrowers' credit histories.

In 2014 Westal Holdings Ltd. (location: Arch. Makarios III Avenue, 140, Raptopoulos Building, 3rd floor, office 301, 3021 Limassol, Cyprus) became the Shareholder of the Bank with a substantial holding in it. As at 1 January 2016, Westal Holdings Ltd. Directly holds 99.9902% of the Bank's share capital.

The following legal entities and individuals are indirect substantial share interest owners of the Bank:

- ICU Holdings Limited (location: Trident Chemberz, P.O. Box 146, Road Town, Tortola, British Virgin Islands), which indirectly owns:
    - 99,9902% of shares in the Bank through 100% stockholding in Westal Holdings Ltd; and
    - 0,0098% of shares in the Bank through other legal entities.
- A group of individuals wedded by common economic interests, namely:
    - individual Kostiantyn Stetsenko (residence: Ukraine, Kyiv) indirectly owing 41,7095% of shares in the Bank through ICU Holdings Limited, which indirectly owns:
        - 99,9902% of shares in the Bank through 100% stockholding in Westal Holdings Ltd; and
        - 0,0098% of shares in the Bank through other legal entities;
    - individual Makar Pasenyuk (residence: Ukraine, Kiev region, Vyshgorod) indirectly owing 41,7095% of shares in the Bank through ICU Holdings Limited, which indirectly owns:
        - 99,9902% of shares in the Bank through 100% stockholding in Westal Holdings Ltd; and
        - 0,0098% of shares in the Bank through other legal entities.

The Bank's Management does not hold shares of the Bank.

On 02/04/2016, an independent rating agency "Credit-Rating" updated the Bank's credit rating at uaAA level; a forecast is "stable". A rating report can be found by reference http://www.avgd.ua/topublish/CR_Avangard_ua_040216.pdf

1. Corporate information (continued)

The Bank operates as a multipurpose bank, whose activities are aimed at a comprehensive customer servicing and providing of high-quality services by offering a wide range of banking services and products, focusing its core business on the exchange, monetary and stock markets, conducting operations both by own resources and at the customers' expense.

The bank has no affiliates, branches and separate structural divisions. The services are rendered to customers at the Head Office.

As at the end of the year the Bank's customer base is formed by legal entities-businesses (55 customers), non-bank financial institutions (24 customers), private customers (17 customers) and individual entrepreneurs (2 customers). The bank maintains 228 accounts of 98 customers.

Strategic goal

The Bank was established according to a special concept focused on the use of a solid grounding in its business segment with maximum operating efficiency by means of price-related competition and high-tech solutions. At this stage the principal directions of the Bank's activities are securities trading, active participation in the interbank loans market, "Forex" market transactions.

Types of banking activities

The Bank performs banking operations in the money and foreign exchange markets in accordance with the Banking License No. 269 dated 5 July 2013, the General License for conducting currency transactions No. 269-2 and the Annex to the General License for conducting currency transactions No. 269-2 issued by the National Bank of Ukraine on 10 February 2014.

As at the reporting date, the Bank has the License of the State Commission for Securities and Stock Market for conducting professional activities in the securities market as a dealer.

The Bank's activities are based on the principles of reliability, transparency, well-balanced financial performance, compliance with requirements and best practices of banking activities in the following areas:

Treasury operations: operations in the monetary market, transactions in the foreign exchange market, securities transactions (both on behalf of customers and by own resources), relationships with professional financial market participants - banks, insurance companies, financial intermediaries of capital markets. Deposit attracting transactions from the Bank's customers are considered as transactions in the monetary market, since they represent the main source of the Bank's funding. In order to provide such funding the following measures have been organized: customer servicing, document management associated with all types of transactions and operations, payment and message processing in the "Client-Bank" system, opening and maintaining of current accounts of customers and correspondent banks, including transfer of funds using payment instruments and crediting of funds to accounts; management of customers' (both resident and non-resident) accounts in foreign currencies and non-resident customers' accounts in the currency of Ukraine; management of correspondent accounts of banks (resident) in foreign currencies; opening of correspondent accounts in the authorized banks of Ukraine in foreign currencies and transactions with them.

Note 1. Corporate information (continued)

In 2015, the National Bank of Ukraine has applied to the Bank no restrictions to limit activities performed by the Bank according to permits and licenses granted; there has been also no restrictions regarding the ownership of assets.

No decisions were made during the reporting year by the Bank's Management on the merger, consolidation, disintegration, separation or transformation of the Bank or on the termination of certain activities of the Bank.

There were no bankruptcy proceedings or arbitrations on the Bank's resolution; no decisions were made on the Bank's termination or bankruptcy by the highest governing body of the Bank or the court.

No borrowings or loans exceeding 25% of the Bank's total assets were received or provided.

Performance indicators in 2015

As at 31 December 2015, the Bank's assets amounted to UAH 456 739 thousand. The basic constituents of assets are highly liquid assets and interbank transactions.

The Bank invested in debt securities, mainly government bonds and deposit certificates of the National Bank of Ukraine, which provided an acceptable yield upon low risk exposure conditions. Funds in nostro accounts are deposited at non-resident and resident banks.

Instant, current and short-term liquidity ratios are significantly above the level set by the National Bank of Ukraine (N4 = 109,76%, N5 = 162,34%, N6 = 131,91%, while the standard values are at least 20%, 40% and 60 %, respectively).

As at 31 December 2015, the Bank's liabilities amounted to UAH 292 167 thousand. The resource base is formed by customer assets, including short-term funds of legal entities and individuals. As at 31 December 2015, the portfolio of customer deposits amounted to UAH 274 847 thousand.

As at 31 December 2015, the Bank's equity amounted to UAH 164 572 thousand. The main component is the share capital.

As at 31 December 2015 the Bank's regulatory capital amounted to UAH 214 165 thousand, including tier I capital in the amount of UAH 135 036 thousand and tier II capital in the amount of UAH 79 129 thousand.

Capital adequacy ratios are high (capital adequacy ratio N2 = 59,95%, while the standard value is not less than 12%).

During 2015, the Bank adhered to the economic standards of the National Bank of Ukraine, which as at 31 December 2015 had the following indicators:

Ratios	Normative	As at the end of the day 31 December 2015	As at the end of the day 31 December 2014
Regulatory capital ratio (N1)	122 000 th UAH	214 165 th UAH	145 309 th UAH
Capital adequacy ratio (N2)	not less <10%	59.99%	63.01%
Acid liquidity ratio (N4)	not less <20%	109.76%	30.35%
Current liquidity ratio (N5)	not less <40%	162.34%	139.73%
Short-term liquidity ratio (N6)	not less <60%	131.91%	136.59%

1. Corporate information (continued)

As at 31 December 2015, the Bank's activities are income-generating.

Following the results of 2015, the Bank received net profit amounting to UAH 27 284 thousand. The main items that influenced the financial result for 2015 are as follows:

net interest income – UAH 44 659 thousand;

net fee and commission income - UAH 159 thousand;

foreign exchange trading income - UAH 31 431 thousand;

foreign exchange transactions revaluation result - UAH 60 513 thousand;

other financial instruments revaluation result – UAH 7 942 thousand;

administrative expenses - UAH 17 595 thousand;

creation of provisions - UAH 96 621 thousand.

Corporate governance

The Bank's supreme governing body is the General Meeting of the Shareholders. In the periods between the General Meeting of the Shareholders, the Supervisory Board of the Bank protects the Shareholders' rights, as well as controls and regulates within its competence the activities of the Board of Directors.

The exclusive competence of the Supervisory Board includes the following: approving of the Provisions and other internal documents of the Bank, which regulate issues related to the Bank's activities, approval of which is within the jurisdiction of the Supervisory Board; decision-making in respect of holding of the General Meeting of the Shareholders, approving the agenda of the Meeting, electing a registration commission and deciding on the date of the Meeting; decision-making on repurchasing and placing by the Bank of other securities other than shares; approving of the market value of property in cases stipulated by law; electing and terminating of powers of the Chairman and members of the Board of Directors, monitoring the activities of the Board; decision-making on removal of the Chairman of the Board from his/her powers and electing a person temporarily exercising the powers of the Chairman of the Board; electing of an auditor; creating of

the Internal Audit Department and approval of the respective Provisions; appointing and dismissal of the Head of the Internal Audit Department; determining of the external auditor and the respective contractual terms; establishing audit procedures and controls over financial and economic activities of the Bank; decision-making on covering losses; addressing issues of the Bank's participation in corporations, establishment, reorganization and liquidation of other legal entities, branches and representative offices of the Bank, approval of their statutes and regulations; determining the probability of recognition of the Bank's insolvency caused by assumption or implementation of liabilities, including payment of dividends or redemption of shares; decision-making on the election of the Bank's property appraiser; decision-making on the election (substitution) of a registrar of inscribed stock holders of the Bank or a depository of securities and approving of respective contractual terms, remuneration determining; as well as other issues specified by applicable law or delegated to the Supervisory Board by the General Meeting of the Shareholders.

1. Corporate information (continued)

The executive body of the Bank is the Management Board, which manages the daily operations of the Bank, is responsible for formation of funds required for the Bank's statutory activities and efficiency of its operations in accordance with the principles and procedures established by the Bank's Charter, resolutions of the General Meeting of the Shareholders and the Supervisory Board. The Management Board is accountable to the General Meeting of the Shareholders and the Supervisory Board of the Bank and provides for the implementation of their decisions. The Management Board decides on the managing of the Bank's structural divisions, monitors the Bank's compliance with the current legislation of Ukraine; organizes deposit operations for the Bank's cash assets and valuables, accounting and reporting transactions, internal controls and other issues regarding the Bank's activities; reviews and approves the internal documents at the Bank within its competence, decides on the establishment, management and liquidation of the Bank's structural divisions other than those which fall within the exclusive competence of the Supervisory Board, and exercises other powers stipulated by the current legislation of Ukraine.

The Bank's organizational structure is based on the main directions, each of them being dependent to one of the members of the Management Board.

As at the year-end, the number of employees at the Bank is 23 persons.

Risk management system

The Bank's risk management system is aimed at ensuring the implementation of business goals defined under the Bank's development strategy and enhancing its value, optimizing the potential opportunities and risks ratio, capital stock and growth rates of the Bank.

The main instrument in implementation of these objectives is a comprehensive risk management system established at the Bank that provides action coordination across all the departments within a single strategy regarding risk management, approved by the Supervisory Board of the Bank. The formation of the integrated system is aimed at a maximum concentration of the Bank's risk management functions, ongoing analysis of the situation and environment where risks arise and executive decision-making regarding the influence over these risks and/or the level of the Bank's exposure to them.

The Bank's risk management system is based on the principles defined by the regulatory authorities and recommendations of the Basel Committee.

The distribution of functions and powers in the risk management covers all organizational levels and divisions of the Bank. The basic structure of the Bank's risk management stipulates for the involvement of the Supervisory Board, the Management Board, special-purpose committees, the Bank's risk management services and structural divisions in the risk management process.

The general supervision over the implementation of the Bank's risk management is carried out by the Bank's Supervisory Board; the implementation of the risk management system is carried out by the Management Board.

The Asset and Liability Management Committee determines the optimal balance sheet structure, plans the financial performance indices and monitors their implementation, considers the cost of funding sources, controls the liquidity risk, interest rate and foreign currency risks.

2. Economic environment

The Credit Committee manages credit and investment activities and monitors the credit risks associated with individual customers and credit-investment portfolio as a whole.

The Tariff Committee regulates commission income, analyzes the current tariff rate competitiveness.

The Risk Management Division provides for quantitative and qualitative assessment of risks faced by the Bank, or those which may arise as a result of future activities, monitors the status and amount of risks, namely:

credit risk;
liquidity risk;
interest rate risk;
market risk;
foreign currency risk;
operational and technological risks;
compliance-risk;
reputation risk;
legal risk;
strategic risk.

The Internal Audit Division evaluates the sufficiency of the risk management systems to the Bank's requirements.

The Bank's structural divisions perform the risk operational management associated with their activities according to the established risk tolerance levels and limits, and are responsible for the risk acceptance results. The Bank improves the risk management system on a regular basis and provides timely updating of the interbank statutory framework in case of changes in legal, regulatory or statutory requirements, the Bank's organizational structure and risk tolerance.

In 2015, negative trends were observed in the economy of Ukraine. Despite the fact that during 2015 a decrease in the main macroeconomic indicators was slowed down, economic development forecasts based on the results of 2015 and for 2016 remain quite pessimistic. A basic industries production index slowed down in September to (-)7,4% year on year compared to the same index (-)17,6% in June due to certain performance improvements in agriculture and industry. A decline rate in actual salaries and wages in the 3rd quarter of 2015 also slowed down to (-)18,6% on a year-on-year basis, but still remains significant. In general, according to the expectations of market participants, a decline in GDP at the end of 2015 is forecasted within (-)11% and (-)12%. The inflation rate was around 43% by the year end. In 2016 GDP growth is forecasted to a maximum of 2% and a significant slowdown is expected in domestic inflation (GDP deflator around 12%).

In 2015, the currency market remained relatively stable, despite certain easing of currency restrictions. Thus, the stability of the market was still achieved through administrative measures of the National Bank of Ukraine (alignment of demand by dropping out due to limitations). The National Bank of Ukraine held foreign currency purchase auctions in order to increase international reserves, which led to further market saturation with hryvnia. Following the results of October-November, there was a weakening of the national currency by 14% for a number of reasons, including: the traditional growth of the exchange rate after the elections, as well as pressure on the market of Individual Deposit Guarantee Fund payments.

2. Economic environment (continued)

Despite the slowdown in economic decline rates, not all banks have been able to cope with the economic situation. In 2015 the withdrawal from the market of insolvent banks continued.

Banking system liquidity. During 2015, there was an increasing liquidity surplus in the banking system. The banks significantly increased investments in deposit certificates of the National Bank of Ukraine being an alternative accommodation source of hryvnia. Among the factors forming a liquidity surplus were the following: the reduced demand for cash caused by weak economic activity, interventions of the National Bank of Ukraine on foreign currency purchases, repayment and servicing of refinancing loans by banks.

In 2015, there was some easing of the monetary policy of the National Bank of Ukraine. A discount rate of annual 30% was reduced to 22%. Accordingly, active transaction rates of the National Bank of Ukraine were lowered. The changes in rates of the National Bank of Ukraine, as well as the banking system liquidity surplus promoted the reduction of rates both at the interbank credit market in the national currency and on deposits of individuals and legal entities. At the same time, rates on loans to individuals and legal entities remained the same.

The credit capacity of banks still remains low. The dynamics of loan portfolios of the largest banking institutions - namely banks of I and II groups – is uneven. The efforts of a number of banks were directed to write off bad loans, especially in the corporate segment. A tendency remained where corporate customers with a state share in the ownership structure transfer from commercial to the state banks.

3. Basis of presentation

These financial statements have been prepared in accordance with the requirements of International Financial Reporting Standards ("IFRS") adopted by the International Accounting Standards Board ("IASB").

These financial statements have been prepared on a historical cost basis, except for the following items: available-for-sale securities in the Bank portfolio at fair value, loans to customers and customers' debts, due from other banks, due to customers, held-to-maturity securities in the Bank portfolio at amortized cost.

The financial statements are presented in UAH, and all amounts are rounded to thousands, except where otherwise indicated. The Bank's functional currency is UAH.

The Bank's accounting policy for the reporting period corresponds in all major aspects to the Bank's accounting policy for the previous period.

3. Basis of presentation (continued)

The Bank's accounting records and financial statements are based on the following principles:

full coverage - all banking transactions are to be registered on accounts without any exceptions. The financial statements must contain all information about actual and potential effects of the Bank's operations that may affect the decisions made according to it;

continuity - the Bank's assets are valued on the assumption that the Bank is a going concern and remains active in the boundless future. If the Bank plans to scale down its activities, such intention shall be recorded in the financial statements;

consistency - the Bank's permanent (year on year) application of accounting policies selected. Changes in the accounting method are possible only in cases stipulated by international standards and national regulations of accounting and require additional justification and disclosures in the financial statements.

accrual and correspondence of income and expenses – in order to determine the reporting period results, the income for the reporting period shall be reconciled with the expenses incurred to obtain such income. Income and expenses are disclosed in the accounting records and financial statements when incurred regardless of the date of receipt or payment of cash assets. Income represents increases in economic benefits during the accounting period in the form of inflows or enhancements of assets or decreases of liabilities that result in increases in equity, other than those relating to contributions from equity participants.

Expenses represent decreases in economic benefits during the accounting period in the form of outflows or depletions of assets or incurrences of liabilities that result in decreases in equity, other than those relating to distributions to equity participants;

autonomy - all asset and liability accounts of are measured separately and disclosed in detail;

prudence – prudence requires that accountants should exercise a degree of caution in the adoption of policies and significant estimates such that the assets and income of the entity are not overstated whereas liability and expenses are not under stated;

substance over form - is an accounting concept which requires transactions to be accounted for according to their substance and not merely their legal form.

Going concern

According to the Resolution of the Board of the National Bank of Ukraine No.464 dated 08/06/2014, the Bank is required to increase its share capital.

On 02/04/2016, the Board of the National Bank of Ukraine adopted the Resolution No.58, which amended the schedules of enhancement of share and regulatory capitals to the level stipulated by banking legislation. The aforementioned Resolution provides for the phasing in enhancement of banks' share capitals, namely: up to UAH 120 000 000,00 until 06/17/2016; up to UAH 300 000 000,00 until 01/11/2017.

The Bank plans to increase its share capital up to UAH 300 000 thousand in terms stipulated by the Resolution. The enhancement of the share capital up to UAH 300 000 thousand is planned through retained earnings, additional contributions of the Shareholders or raising funds from investors.

3. Basis of presentation (continued)

There are no plans regarding termination of the Bank's activities.

These financial statements have been prepared on the assumption of the Bank's ability to continue as a going concern.

4. Summary of significant accounting policies

4.1. Core activities

The Bank operates under the legislation of Ukraine, including the Laws of Ukraine "On Banks and Banking Activity", "On Accounting and Financial Reporting in Ukraine", "On Payment Systems and Money Transfer in Ukraine", the Tax Code of Ukraine. The Bank maintains accounting records in accordance with the statutory requirements for accounting and reporting in the banks of Ukraine set by the rules of the National Bank of Ukraine in accordance with International Accounting Standards, as well as the Bank's internal documents, the Charter, Regulations on the Supervisory Board of the Bank, Regulations on the Management Board, and other transaction regulations.

During 2015 the Bank's activities were focused on expanding the customer base, improving key business processes and customer service technologies, updating banking services in response to changes occurring in the country and society.

The Bank aims to maximize profits from treasury operations and fully meet the needs of customers in qualitative banking servicing on the monetary, foreign exchange and stock markets. The Bank's activities are based on the principles of reliability, transparency, well-balanced financial performance, compliance with banking regulations.

The nature of operations and principal activities of the Bank are set out in the Corporate information.

4.2. Basis of preparation

Key assessment indicators. Financial assets and liabilities are stated at fair value, historical cost or amortized cost depending on their classification.

Fair value – is the amount on which an asset can be exchanged, or a liability settled during the implementation of an agreement on general conditions between knowledgeable unrelated parties acting on a voluntary basis. Fair value is the current bid price for financial assets and financial liabilities for the bid listed on the active market. A financial instrument is considered so that is quoted in an active market, if the quotes for this financial instrument are readily and regularly available on the stock exchange or other institution and those prices represent actual and regularly occurring market transactions on general terms. To determine the fair value of certain financial instruments for which there is no information about market prices from external sources, the valuation techniques are used such as discounted cash flow, valuation models that are based on data about the latest agreement made between unrelated parties, or analysis of financial information on investment objects. The use of valuation techniques may require assumptions not supported by observable market data. The information in the financial statements is disclosed in cases when changing of any such assumptions by possible alternative may result in significantly different profit, income, total assets or total liabilities.

4. Summary of significant accounting policies (continued)

Historical cost is the amount of cash or cash equivalents paid or the fair value of other consideration given to acquire an asset at the acquisition date, which includes transaction costs. Historical cost valuation is applied to equity instruments that do not have a quoted market prices in an active market, and fair value of which cannot be reliably measured. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if an entity had not acquired, issued or disposed of a financial instrument. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs. In addition to assessment methods in recognition of assets, the Bank uses various methods to bring the value of financial instruments and assets to fair value through the accrual of income and expenses, including using the effective interest rate method, formation of special-purpose bank reserves, revaluation to fair value, depreciation of non-current assets, etc.

Amortized cost is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus interest accrued, plus (or minus) cumulative amortization of any difference between that initial amount and the maturity amount using effective interest method, and minus any reduction for impairment for the financial assets.

Effective interest rate method is the method of calculating the amortized cost of a financial asset or a financial liability and allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of a financial instrument or, where appropriate, a shorter period to the net balance sheet value of a financial asset or a financial liability.

The difference between the Bank's accounting policies from the requirements of IFRS is conditional and consistent with the difference between the regulatory framework of the National Bank of Ukraine and the requirements and provisions of IFRS.

4.3. Initial recognition of financial instruments

A financial asset or a financial liability is recognized when the Bank becomes a party to the agreement on this financial instrument. At initial recognition financial assets and financial liabilities are measured:

at fair value - trading securities;
at fair value plus transaction costs through profit or loss directly attributable to the acquisition or issue of a financial asset or financial liability - derivatives and all other financial instruments. The fair value of a financial instrument at initial recognition is normally the actual transaction price. Gains or losses at initial recognition are recognized only if there is a difference between the fair value and the contractual value proved by other current transactions with the same financial instrument observed in the market, or valuation techniques using only observable inputs as baseline data.

4. Summary of significant accounting policies (continued)

Purchases and sales of financial assets supply of which is carried out within the terms established by the laws or customs of business turnover for the particular market were stated on the transaction date. All other purchases and sales are recognized on the settlement date, where the change in the fair value of the assumption of obligations between a transaction date and settlement date is not recognized in respect of assets carried at cost or amortized cost.

4.4. Impairment of financial assets

Financial assets, other than financial assets at fair value through profit and loss, are assessed for impairment indicators at the end of each reporting period. Impairment losses are recognized in profit or loss when incurred. Financial assets are considered impaired when there is an objective evidence that as a result of one or more events occurred after the initial recognition of a financial asset there was a negative effect on the estimated future cash flows from investments.

The main events that indicate the impairment of a financial asset are as follows:

- significant financial difficulties of a customer;
- breach of a contract, such as default or delinquency in interest or principal payments;
- debt restructuring (for economic or legal reasons related to financial difficulties of a debtor), that would not otherwise be considered by the Bank;
- high probability of bankruptcy or financial reorganization of a borrower;
- extinction of an active market for a financial asset because of financial difficulties;
- credit operation claimed by the debtor (including through legal action);
- other events objectively evidencing the impairment of a financial assets.

For financial assets measured at amortized cost, the amount of the impairment loss represents the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate for the relevant financial asset.

For financial assets measured at cost, the amount of the impairment loss represents the difference between the asset's carrying amount and the present value of future cash flows discounted at the current market rate for a similar financial asset. Such impairment loss is not reversed in subsequent periods.

4.5. Derecognition of financial instruments

Financial assets. A financial asset (or, where applicable a part of a financial asset or group of similar financial assets) is derecognized when the assets are redeemed or the rights to receive cash flows from the assets have otherwise expired, or the Bank has transferred substantially all the risks and rewards of ownership or has not transferred and retained basically all the risks and rewards of ownership but has ceased to exercise control. Control is retained if a counterparty does not have the practical ability to sell the asset to an unrelated third party without additional restrictions on resale.

Financial liabilities. A financial liability is derecognized when it is discharged or canceled or expires. When one existing financial liability is replaced by another to the same lender on substantially different terms, or when the terms of existing liabilities change, the initial liability is withdrawn from the account with subsequent recognition of a new financial instrument, and the difference between the respective carrying amounts is recognized in the statement of comprehensive income.

4. Summary of significant accounting policies (continued)

4.6. Cash and cash equivalents

Cash and cash equivalents. Cash and cash equivalents are assets which can be converted into cash at short notice and which have low risk of change in value.
Cash and cash equivalents are unrestricted balances on correspondent accounts with the National Bank of Ukraine and other banks with maturity up to three months, which may be freely converted to the respective amount of cash in a short period of time, as well as deposits and overnight loans at banks, for which interest does not accrued and provisions for depreciation of possible losses under credit transactions are not formed.

Due from other banks. Amounts due from other banks are recorded when the Bank provides to banks-counterparties cash funds repayable on a fixed date; upon that the Bank has no intention of trading with the receivables arising. These receivables are not related to derivative financial instruments and have no quoted market prices. Due from other banks are stated at amortized cost.

4.7. Due from other banks

Due from other banks are short-term deposits and loans, as well as overnight loans and deposits, for which interest is accrued and provisions for depreciation of possible losses under credit transactions are formed.

4.8. Loans to customers and customers' debts

Loans to customers and customers' debts represent non-derivative financial assets with fixed or determined payments, which are not quoted (listed) in an active market, except for assets classified as other categories of financial assets.

Loans granted by the Bank are initially recognized at fair value plus related transaction costs. Subsequently, loans are carried out at amortized cost using the effective interest rate method. Loans to customers are recognized net of any allowance for impairment losses. Interest income and impairment losses are recognized in profit and loss. In case of uncertainty regarding the possibility of loans repayment, their value is reduced to the present value of the expected cash flows and interest income is thereafter recorded based on the effective interest rate on this instrument used to measure the impairment loss. In this case, the accrued interest on such instrument is calculated based on the cost of the instrument taking into account the provision for impairment.

Lending commitments. The Bank undertakes credit commitments including financial guarantees. A financial guarantee is an irrevocable undertaking of the Bank to pay a certain amount to the beneficiary of the guarantee within the specified limits of the guarantee if the Bank's customer who has requested the Bank to issue such guarantee - the principal - has failed to fulfil his obligations towards the beneficiary.

4.9. REPO contracts

The Bank recognizes REPO contracts as granted (received) loans backed by securities and accounts for at amortized cost.

The Bank continues to recognize the securities sold under REPO contracts with prohibition of sale or grant as collateral in the trading portfolio or securities portfolio available-for-sale. If a REPO contract gives a buyer the right to sell securities or pledge them as collateral, the Bank reclassifies such securities into receivables for securities.

4. Summary of significant accounting policies (continued)

4.10. Available-for-sale securities in the Bank portfolio

During the reporting year, the Bank portfolio of available-for-sale securities comprised treasury bonds, deposit certificates of the National Bank of Ukraine and the bonds of economic entities.

According to the Bank internal documents, the Bank may apply, depending on the intention of acquisition and retention capabilities, such types of securities valuation owned by the Bank: at fair value or at acquisition cost (cost).

Securities accounted for at cost: shares and other securities with variable income, for which fair value cannot be estimate reliably.

Purchased securities are initially measured and stated at fair value, plus the cost of acquisition of such securities. At each balance sheet date subsequent to initial recognition available for sale securities are stated at fair value.

The fair value of securities traded on organized markets is determined by their market value. If quoted market prices for securities are not available, the Bank uses the following methods to determine the fair value:

a reference to the market price of a similar instrument;
analysis of discounted cash flows using KIACR.

All available-for-sale securities at the reporting date are subject to review for impairment. The Bank recognizes impairment of securities in case of loss of economic benefits in the amount of excess of the carrying amount of securities over the recoverable amount. Provisions for impairment of securities are created monthly in accordance with the expectations approved by the decision of the Credit Committee. At the year-end, the Bank recognized no impairment of available-for-sale securities.

Debt securities recognized by the Bank as bad debts are written off against reserves according to the decision of the Management Board.

During 2015, the Bank carried out transactions under REPO contracts accounted for as credit transactions with the recognition of interest income and continued recognition of available-for-sale securities under REPO transactions.

4.11. Held-to-maturity securities in the Bank portfolio

Held-to-maturity securities in the Bank portfolio are initially recognized at fair value with the disclosure of income and expenses related to the acquisition at the discount/premium accounts. At each subsequent reporting date, the securities are measured at amortized cost using the effective interest rate and are subject to review for impairment (as the difference between the asset's carrying amount and the present value of estimated future cash flows).

The Bank does not form provisions for securities issued by the central executive authorities and the National Bank of Ukraine.

During 2015, the Bank's portfolio of held-to-maturity securities comprised only deposit certificates of the National Bank of Ukraine.

4. Summary of significant accounting policies (continued)

4.12. Fixed assets

Fixed assets and other non-current tangible assets are accounted for in accordance with the requirements of the Regulations on financial accounting of fixed assets and intangible assets. The fixed assets are recognized by the Bank at the historical cost. The cost of acquired fixed assets and other non-current tangible assets includes all expenses associated with the acquisition, delivery, installation and putting into operation. Administrative and other expenses not directly related to an acquired asset or its putting into operation were not included to the historical cost of an asset. Assets' current repair and maintenance expenses expensed as incurred and did not affect the carrying amount of non-current assets.

According to the Bank's accounting policies, non-current tangible assets with historical cost of up to UAH 2500.00 and a useful life exceeding one year were recognized as non-current tangible assets of low-value.

Depreciation of fixed assets and other non-current tangible assets is performed every month. For assets acquired depreciation is calculated from the 1st day of the month following the month of acquisition, and for assets disposed depreciation terminates from the 1st day of the month following the month of disposal.

Depreciation is calculated on a straight-line basis. The residual value of fixed assets is assumed to be zero.

In the estimation of the useful lives of the assets the following criteria were taken into account: prior experience operating with similar assets, current status of assets, asset repairs and maintenance issues, current trends in engineering. During the annual inventory of fixed assets, the Bank replaces the expected economic benefits from the use of fixed assets.

The Bank's accounting policies for 2015 provide for the following useful lives of fixed assets:

machinery and equipment - 5 years;
furniture and fixtures - 4 years;
other non-current tangible assets – 2,5 years (according to the term of the premises lease agreement).

The acquired non-current tangible assets of low value are depreciated in the first month of the asset's use in the amount of 100% of its value.

4.13. Intangible assets

Intangible assets are measured and accounted for at cost, which comprise the actual cost of acquisition (production) and bringing to a state in which they are suitable for use according to the intended purposes.

Depreciation is calculated monthly using a straight-line method under the norms set according to useful lives of corresponding assets. The useful life of an intangible asset is established by the Bank independently taking into account the following criteria: prior experience operating with similar assets, current trends in software development, performance characteristics.

Finite useful lives of intangible assets are approved by the commission of the Bank, but not more than 10 years. The largest share of intangible assets constitute assets with useful lives of 10 years.

4. Summary of significant accounting policies (continued)

In 2015 during conduction of the annual inventory of intangible assets, the Bank neither changed the expected economic benefits from the use of intangible assets and fixed assets, nor reviewed deadlines of useful lives for commissioned intangible assets.

4.14. Derivative financial instruments

A derivative is a financial instrument or other contract with the following characteristics:

its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable;

it requires no initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors;

it is settled at a future date.

A derivative instrument is recognized as a financial asset or financial liability on the date of obligation regarding purchase or the sale of a contract subject. Derivative financial instruments include currency swaps, forward transactions, foreign exchange spot transactions and combinations of these instruments.

Derivative financial instruments are recognized at fair value through profit or loss. Derivatives are carried as assets when their fair value is positive or as liabilities when their fair value is negative. The fair value of derivatives that are not sold and not acquired in an active market is determined using valuation techniques.

During 2015, the Bank performed no hedging transactions.

4.15. Funds raised

Due to other banks are recognized upon the receipt of funds by the Bank. Non-derivative financial liabilities are accounted for at amortized cost.

Due to customers comprise non-derivative financial liabilities to government and corporate customers, individuals, and are accounted for at amortized cost.

The Bank recognizes interest expenses on borrowed funds at least once a month in profit or loss and other comprehensive income (statement of comprehensive income).

4.16. Provisions for liabilities

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

4.17. Income tax

Current income tax and deferred income tax are determined and recognized in the financial statements separately.

Current income tax and deferred income tax are recognized as expenses or income in the statement of comprehensive income, except for income tax assessed in respect of the revaluation of assets to the fair value which is recorded as the Bank's' capital.

Income tax rate amounts to 18%.

4. Summary of significant accounting policies (continued)

Deferred tax was accrued at the rate of 18% for general transactions and securities trading operations.

Deferred tax assets were recognized in the amount of expenses to be included in taxation of subsequent periods:

in excess of the residual value of fixed assets and intangible assets in the tax records over the cost in financial accounting.

Deferred tax liabilities were recognized in the amount of income to be included in taxation of subsequent periods:

in excess of the available-for-sale securities portfolio value in the financial accounting over the purchase cost in tax accounting.

In 2015 the Bank recorded the taxable amount of UAH 32 649 thousand.

4.18. Share capital

The share capital represent liabilities regarding cash contributions paid by the Shareholders the amount of which is determined in the statutory manner.

According to the Laws of Ukraine "On Banks and Banking Activity" and "On Joint Stock Companies" and the Bank's Charter, the decision on equity issue is taken at the General Meeting of the Shareholders.

4.19. Dividends

Dividends represent a portion of the Bank's profit distributed between the Shareholders based on each of their shares to the extent determined by the General Meeting of the Shareholders within a period not later than six months after the end of the reporting year. Bank pays dividends entirely in cash.

4.20. Income and expense recognition

Income and expenses are recognized according to the principles of accrual, correspondence of income and expenses, prudence.

Income and expenses are recognized by the Bank, provided there is a high probability that the Bank will receive economic benefits.

As a result of operating activities the following income and expenses arise at the Bank:

interest income and expenses;
fee and commission income and expenses;
profits (losses) on trading transactions;
dividend yield;
cost of formation of special provision;
income from repayment of assets previously written off;
other operating income and expenses;
general administrative expenses;
income tax.

4. Summary of significant accounting policies (continued)

Interest income and expenses are operating income and expenses obtained (paid) by the Bank for the use of cash, cash equivalents or amounts owed to the Bank (raised by the Bank), amounts of which are calculated in proportion to time using the effective interest rate. They include:

- income (expenses) from operations with funds placed in other banks (attracted from other banks);
- income (expense) on loans and deposits granted (received) to legal entities and individuals, and on other financial instruments, including securities;
- income in the form of a discount (premium) amortization.

Interest and related commissions are charged at least once a month, irrespective of the actual frequency of settlements with a counterparty stipulated by an agreement.

Fee and commission income and expenses (hereinafter – "the commissions") - operating income and expenses for provided (received) services, the amount of which is calculated in proportion to the amount of an asset or liability, or is fixed. The commissions for provided (received) services depending on the purpose of evaluation and accounting base of an associated financial instrument are divided into:

- the commissions that are an essential part of income (expenses) of a financial instrument;
- the commissions received (paid) at the time of service provision are recognized as income (expenses);
- the commissions received (paid) after certain actions are recognized as income (loss) after completion of a certain operation.

Fee and commission income (expenses) for services provided continuously (cash management services) were accounted for during the whole contractual period.

Profits (losses) from trading operations – a result (profit or loss) from operations of purchase and sale of various financial instruments. The Bank recognizes profits and losses regarding securities transactions, foreign currency transactions, bullion (banking metals) transactions from:

- sale of financial investments;
- changes in valuation (revaluation) of investments to fair value;
- assets and liabilities revaluation result in foreign currency and banking metals in case of a change of the official UAH rate against foreign currencies (banking metals).

Dividend yield - income generated from the Bank's use of securities with variable income.

Expenses on the special provisions formation are expenses to cover possible losses from the Bank's assets impairment and bad assets write-off.

Income from repayment of assets previously written off are the funds obtained for debt repayment recognized by the Bank as a bad debt.

Other operating income and expenses are income and expenses from transactions not related to investing and financing activities, as well as those not included in the above groups of operating income and expenses, including:

- income (loss) from operating leasing;
- expenses for audit services;
- cash collection expenses;
- forfeit (penalties, fines) received (paid) for banking operations, others.

4. Summary of significant accounting policies (continued)

General administrative expenses are operating expenses incurred to ensure that the Bank will be able to continue as a going concern. These include staff costs (salaries, social security costs, mandatory charges, insurance, additional payments, bonuses, training, etc.); amortization of intangible assets; costs of maintenance and operation of fixed and intangible assets (repairs, insurance); other operating expenses (utilities, security, etc.); fees for professional services (legal, etc.); communication costs (postage, telephone, etc.); payment of taxes and other mandatory payments, other than income tax, and other expenses aimed at maintenance and management of the Bank.

Income tax – the Bank's operating expenses related to tax payment in accordance with the current legislation of Ukraine and the requirements of international accounting standards and national regulations (standards) of accounting regarding the recognition of deferred tax liabilities and tax assets.

Income and expenses recognized by the Bank are grouped according to their nature in the relevant items of the financial statements in the "statement of comprehensive income". In order to determine the financial result of the reporting period the income of the reporting period is reconciled with the expenses incurred to obtain this income. Income and expenses are accounted for as incurred, regardless of the date of receipt or payment of cash assets. Income and expenses of the Bank are accounted for using the basic accounting principles, in particular, accrual, matching and prudence concepts.

4.21. Foreign currency revaluation

Income and expenses in foreign currencies were disclosed in the statement of comprehensive income at the official foreign exchange rate set by the National Bank of Ukraine at the transaction date. Foreign exchange differences arising in respect of foreign currency transactions are recognized as income or expenses of the reporting period.

The Bank's assets and liabilities in foreign currencies are stated at the official foreign exchange rate as at the reporting date as follows:

840=USD=100=UAH 2400.0667

978=EUR=100=UAH 2622.3129

The official foreign exchange rates as at 31 December 2014 were as follows:

840=USD=100=UAH 1576.8556

978=EUR=100=UAH 1923.2908

Monetary balance sheet items in foreign currencies are accounted for using the current foreign exchange rate; non-monetary items stated at historical cost, deposit of which to the balance is related to a foreign currency transaction, are accounted for at the foreign exchange rate at a transaction date. All foreign currency accounts are revalued every time the official foreign currency rate of the National Bank of Ukraine changes.

The Bank's Management policy regarding the risk of losses due to changes in foreign exchange rates is disclosed in Corporate information and Financial risk management.

4. Summary of significant accounting policies (continued)

4.22. Mutual offset of assets and liabilities

Financial assets and liabilities with subsequent inclusion in the statement of financial position of only their net amount can be mutually offset only if there is a legally enforceable right to offset the recognized amounts, if there is an intention to settle a transaction on a net basis or to realize simultaneously an asset and settle a liability.

The Bank did not offset assets and liabilities during the reporting period.

4.23. Employee benefits and related charges

The Bank recognizes expenses for employee benefits at least once a month in profit and loss and other comprehensive income. These payments include principal and additional salaries, payment of annual principal and additional vacations, compensation for the first 5 days of temporary disability, bonuses and rewards, an allowance for unused vacations, costs for occupational pension scheme, payroll tax and social security tax costs.

4.24. Business segment reporting

The Bank primarily focuses on one business segment, namely treasury operations, which includes:

activities in the monetary market regarding attraction and investment of funds in the interbank market of Ukraine;

foreign exchange market services including foreign currency transactions at the customers' disposal and at the Bank's expense.

transactions with securities in the Bank's portfolio.

Other operations comprised assets (liabilities) not included in the main segment, such as cash, correspondent accounts in the National Bank of Ukraine, liabilities related to the administrative and economic activities of the Bank, settlements with employees, settlements in respect of taxes and levies to the state and local budgets, to the Pension Fund, other extra budgetary funds.

During 2015, the Bank did not apply transfer pricing methods in the preparation of financial statements by business segments, given the characteristics of the organizational structure.

4.25. Significant accounting estimates and assumptions

The Bank in its operational, financial, investment and economic activities makes estimates and assumptions that affect the amounts recognized in the financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and assumptions are continually revised and are based on the Management's experience and other factors, including expectations of future events that are considered to be reasonable for the circumstances. In addition to the judgments that provide for estimates, the Management also uses assumptions in applying the accounting policies. The results of review of estimates and assumptions are recognized in the review period and valid until the next revision of estimates and assumptions.

Assumptions that have the most significant effect on the amounts recognized in the financial statements and estimates that can cause significant adjustments to the carrying amount of assets and liabilities within subsequent financial periods include:

4. Summary of significant accounting policies (continued)

Related party transactions

In the normal course of business, the Bank enters into transactions with related parties. In the absence of an active market for such transactions, assumptions are used. The basis for assumptions is pricing for similar types of transactions with unrelated parties and effective interest rate analysis.

Initial value of financial instruments

The Bank shall account for financial instruments at fair value at initial recognition. In the absence of an active market for the relevant financial instruments to determine their market (non-market) rates, assumptions are used on the basis of agreements between independent, knowledgeable, and interested parties.

Going concern

The fundamental assumption of the financial statements' preparation is the going concern assumption - the Bank prepares its financial statements on the assumption that it is able to continue its activities in the foreseeable future as a going concern, has neither the intention nor the need for the elimination or significant reduction in the volume of transactions.

4.26. Related party transactions

During 2015, the Bank carried out transactions with related parties, detailed information regarding which is disclosed in the relevant note.

5. Standards issued but not yet effective

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

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments, which replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required, but comparative information is not compulsory. The requirements for hedge accounting are mainly applied prospectively, with some limited exceptions.

The Bank plans to adopt the new standard when it becomes effective. In 2015, the Bank made an overall assessment of the impact of all three parts of IFRS 9. This preliminary assessment is based on the currently available information, and may be changed as a result of a more detailed analysis or further substantiated and confirmed information that will be available for the Bank in the future. Overall, the Bank does not expect a significant impact of new requirements on its balance sheet and equity.

5. Standards issued but not yet effective (continued)

(a) Classification and Measurement

The classification and measurement under IFRS 9 are not expected to have a significant impact on the Bank's balance sheet and equity. The Bank plans to continue to measure at fair value all financial assets currently accounted for at fair value.

Loans to customers and customers' debts are preserved to receive contractual cash flows and they are expected to result in cash flows being solely principal and interest payments. Consequently, the Bank expects that they will continue to be accounted for at amortized cost under IFRS 9.

(b) Hedge Accounting

The Bank currently does not perform hedging transactions, accordingly a significant impact as a result of IFRS 9 adoption is not expected.

IFRS 14 Regulatory Deferral Accounts

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. IFRS 14

is effective for annual periods beginning on or after 1 January 2016. Since the Bank is an existing IFRS preparer, this standard would not apply.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. These amendments are not expected to have any impact to the Bank.

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

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

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

5. Standards issued but not yet effective (continued)

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

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

Amendments to IAS 16 and IAS 41: Agriculture: Bearer Plants

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

Amendments to IAS 27: Equity Method in Separate Financial Statements

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date

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

Amendments to IFRS 10 and IAS 28 Sales or Contributions of Assets Between an Investor and its Associate/Joint Venture

The amendments address a conflict between the requirements of IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures and clarify that that a full gain or loss should be recognized on the loss of control of a business, whether the business is housed in a subsidiary or not as defined in IFRS 3 Business Combinations. At the same time, the gain or loss resulting from the sale or contribution of a subsidiary that does not constitute a business to an associate or joint venture should only be recognized to the extent of unrelated investors' interests in the associate or joint venture.

5. Standards issued but not yet effective (continued)

These amendments are postponed indefinitely. These amendments are not expected to have any impact to the Bank's financial statements.

Amendments to IFRS 16 Leases

This standard replaces IAS 17 and establishes principles for the recognition, measurement, presentation and disclosure of leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases and, therefore, will lead to increase in the total assets and liabilities. In a similar economic environment, according to the newly issued standard, a larger trading transaction profit will be partially or fully offset by higher interest expenses. This amendment is effective for annual reporting periods beginning on or after 1 January 2019. These amendments are not expected to have any impact to the Bank's financial statements.

Amendments to IAS 7 Statement of Cash Flows - Disclosure Initiative

The amendments are intended to clarify IAS 7 to improve information provided to users of financial statements about an entity's financing activities. They are effective for annual reporting periods beginning on or after 1 January 2017, with earlier application being permitted. The Bank is currently assessing the impact of application of these standards on future financial statements of the Bank.

Amendments to IAS 12 Income Taxes - Recognition of Deferred Tax Assets for Unrealized Losses

Amendments to IAS 12 Income Taxes - Recognition of Deferred Tax Assets for Unrealized Losses clarify the following:

Unrealized loss on a debt instrument measured at fair value gives rise to a deductible temporary difference when the holder expects to recover the carrying amount of the asset by holding it to maturity and collecting all the contractual cash flows.

The carrying amount of an asset does not limit the estimates of the expectable future taxable income.

The estimates of future taxable income do not account for tax liabilities as a result of the reversal of temporary tax differences.

An entity measures a deferred tax asset in combination with other deferred tax assets. Where the tax law restricts the use of tax losses, an entity will assess the deferred tax asset in combination with other deferred tax assets of the same type.

The amendments are effective for annual reporting periods beginning on or after 1 January. The Bank is currently assessing the impact of application of these standards on future financial statements of the Bank.

Amendments to IAS 1 Disclosure Initiative

Amendments to IAS 1 Presentation of Financial Statements rather clarify, than modify the existing requirements of IAS 1. The amendments clarify the following:

IAS 1 materiality requirements;

Certain items in the statement(s) of comprehensive income and the statement of financial position may be disaggregated;

An entity is able to choose the order of presentation of notes to the financial statements;

A share of IA related entities and joint ventures accounted for using the equity method must be presented in conjunction in one item and classified as an item that will or will not be subsequently reclassified to profit or loss.

5. Standards issued but not yet effective (continued)

In addition, the amendments clarify the requirements applied when presenting additional interim total amounts in the statement of financial position and the statement(s) of comprehensive income and IA. These amendments are effective for annual reporting periods beginning on or after 1 January 1 2016, with earlier application being permitted. These amendments are not expected to have any impact to the Bank's financial statements.

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

The amendments deal with issues arising in the application of exceptions concerning investment organizations under IFRS 10. The amendment to IFRS 10 clarifies that an exception to the consolidation requirements apply to a parent company, which is a subsidiary of an investment organization that measures its subsidiaries at fair value.

In addition, the amendment to IFRS 10 clarifies that only a subsidiary of an investment organization is subject to consolidation, which is not an investment organization itself and provides support services to the investment organization. All other subsidiaries of the investment organization are accounted for at fair value. The amendments to IAS 28 allow investors when applying the equity method to preserve fair value, applied by a dependent entity or a joint venture, which is an investment entity, to its own.

These amendments shall be applied retrospectively and are effective for annual reporting periods beginning on or after 1 January 2016, with earlier application being permitted. These amendments are not expected to have any impact to the Bank's financial statements.

In January 2016 the IASB issued IFRS 16 Leases, the Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealized Losses, the Amendments to IFRS 7 Disclosure Initiative.

These amendment are effective for annual reporting periods beginning on or after 1 January 2017, with earlier application being permitted. These amendments are not expected to have any impact to the Bank's financial statements.

Annual IFRS improvements, 2012-2014 Cycle

These amendment are effective for annual reporting periods beginning on or after 1 January 2016. The document includes the following amendments:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

Disposals of assets (or disposal groups), as a rule, is achieved by sale or distribution to owners. The amendment clarifies that the transition from one disposal method to another shall not be considered as a new disposal plan, but as a continuation of an original plan. Thus, the application of the requirements of IFRS 5 is not being interrupted. This amendment shall be applied prospectively.

IFRS 7 Financial Instruments: Disclosures

(a) Servicing contracts

The amendment clarifies that a servicing contract that provides for remuneration payment may be a continuing involvement in a financial asset. To determine the necessity for disclosures an entity shall assess the nature of remuneration and a contract in accordance with the guidelines on further involvement in IFRS 7. The evaluation of the fact which servicing contracts constitute a continuing involvement shall be made retrospectively.

5. Standards issued but not yet effective (continued)

However, the disclosure is necessary for periods beginning before the annual period in which an entity applies this amendment for the first time.

(b) Applicability of the Amendments to IFRS 7 to condensed interim financial statements

The amendment clarifies that disclosure requirements for offsetting shall not be applied to condensed interim financial statements, except when such information represents a significant information updating disclosed in the latest annual report. This amendment shall be applied retrospectively.

IAS 19 Employee Benefits

The amendment clarifies that the development of a high quality corporate bonds market is estimated based on the currency in which a bond is denominated, rather than the country of its issuance. Where there is no deep market for high quality corporate bonds denominated in a particular currency, the market yields on government bonds shall be used. This amendment shall be applied prospectively.

IAS 34 Interim Financial Reporting

The amendment clarifies that the information for the interim reporting period shall be disclosed whether in the interim financial statements or elsewhere in the interim financial report (e.g., in the management's comments or the risk assessment report) with indication of appropriate cross-references to the interim financial statements. Other information in the interim financial report shall be available to users on the same conditions and within the same time limits as the interim financial statements. This amendment shall be applied retrospectively. These amendments are not expected to have any impact to the Bank's financial statements.

6. Cash and cash equivalents

6.1 Cash and cash equivalents

(UAH thousand)

Item	31 December 2015	31 December 2014
Cash with the National Bank of Ukraine (apart from the statutory provisions)	4 703	22 559
Due to other banks:	-	24 087
of Ukraine	-	94
of other countries	-	23 993
Total cash and cash equivalents	**4 703**	**46 646**

Cash and cash equivalents for the purposes of preparation of statement of cash flows

(UAH thousand)

Item	31 December 2015	31 December 2014
Cash with the National Bank of Ukraine (apart from the statutory provisions)	4 703	22 559
Due to other banks	188 024	36 221
Total cash and cash equivalents	**192 727**	**58 780**

7. Due from other banks

7.1. Due from other banks

(UAH thousand)

Item	31 December 2015	31 December 2014
Correspondent accounts at other banks	188 731	12 383
Purchase and reverse sale contracts	32 763	74 617
Due to other banks	301 042	295 242
Short-term loans	301 042	295 242
Provisions for impairment of due from other banks	(134 070)	(42 015)
Total due from other banks less provisions	**388 466**	**340 227**

Bank balances are placed at correspondent accounts with resident banks of Ukraine, not adjudged bankrupt or under liquidation, or forced into temporary administration.

The structure of due from other banks comprises interest in the amount of UAH 1 267 thousand as at 31 December 2015.

7. Due from other banks (continued)

7.2. Loan quality analysis related to due from other banks as at 31 December 2015

(UAH thousand)

Item	Correspondent accounts	Loans	Total
Undue and non-impaired (standard loan):	188 731	333 805	522 536
with 20 largest banks of Ukraine	182 526	40 047	222 573
with other banks of Ukraine	18	293 758	293 776
with large banks of OECD countries	6 187	-	6 187
Provisions for impairment of due from other banks	(32 903)	(101 167)	(134 070)
Total due from other banks less provisions	**155 828**	**232 638**	**388 466**

7.3. Analysis of changes in provisions for impairment of due from other banks

(UAH thousand)

Changes in provisions	2015	2014
Provisions for impairment as at the beginning of the period	(42 015)	(354)
(Increase)/decrease of the provisions for impairment during the year	(92 055)	(41 661)
Provisions for impairment as at the end of the period	**(134 070)**	**(42 015)**

8. Loans to customers and customers' debts

8.1. Loans to customers and customers' debts

(UAH thousand)

Item	2015	2014
Loans to legal entities	8 817	-
Provision for loan impairment	(4 408)	-
Total loans to customers less provisions	**4 409**	**-**

The structure of loans to legal entities comprises a loan to the Bank's related person in the amount of UAH 8 817 thousand.

8.2. Analysis of changes in loan loss provisions for the reporting period

(UAH thousand)

Item	Loans to legal entities	Total
Opening balance:	-	-
(Increase)/decrease of the provisions during the year	(4 408)	(4 408)
Closing balance	**(4 408)**	**(4 408)**

8. Loans to customers and customers' debts (continued)

8.3 Loan structure by types of economic activities

(UAH thousand)

Item	31 December 2015		31 December 2014	
	amount	%	amount	%
Health care	8 817	100	-	-
Total loans and customers' debts except for provisions	**8 817**	**100**	**-**	**-**

8.4. Information on loans within the type of collateral for the reporting period

(UAH thousand)

Item	Loans to legal entities	Total
Loans secured by:	8 817	8 817
real estate	7 198	7 198
including residential housing	6 737	6 737
other assets	1 619	1 619
Total loans and customers' debts except for provisions	**8 817**	**8 817**

Collateral value in this Note is indicated in the amount of future expected cash flows from collateral with regard to the collateral's liquidity ratio and implementation costs, according to the internal regulations of the Bank.

8.5. Analysis of loan quality for the reporting period

(UAH thousand)

Item	Loans to legal entities	Total
Undue and non-impaired	8 817	8 817
Loans to small-sized businesses	8 817	8 817
Total loan amount before deducting provisions	8 817	8 817
Provisions for loan impairment	(4 408)	(4 408)
Total loans less provisions	**4 409**	**4 409**

8.6. Impact of collateral value on loan quality as at the reporting date

(UAH thousand)

Item	Carrying amount	Expected cash flows from sale of collateralized provisions	Collateral impact
Loans to legal entities	8 817	-	8 817
Total loans	**8 817**	**-**	**8 817**

When calculating the allowance for impairment of financial instruments to comply with the principle of prudence, the Bank only considers highly liquid collateral, enforced collection of which is more reliable.

9. Available-for-sale securities in the Bank portfolio

9.1. Available-for-sale securities in the Bank portfolio

(UAH thousand)

Item	31 December 2015	31 December 2014
Debt securities	20 930	50 350
Deposit certificates of the National Bank of Ukraine	20 930	50 350
Provisions for impairment of available-for-sale securities in the Bank portfolio	-	-
Total available-for-sale securities less provisions	**20 930**	**50 350**

The structure of available-for-sale securities comprises accrued interest in the amount of UAH 933 thousand as at 31 December 2015.

9.2. Loan quality analysis related to debt securities available-for-sale in the Bank portfolio as at 31 December 2014

(UAH thousand)

Item	Government bonds	Total
Undue and non-impaired:	50 350	50 350
State institutions and enterprises	50 350	50 350
Provisions for impairment of available-for-sale securities in the Bank portfolio	-	-
Total debt securities available-for-sale in the Bank portfolio less provisions	**50 350**	**50 350**

9.3. Loan quality analysis related to debt securities available-for-sale in the Bank portfolio as at 31 December 2015

(UAH thousand)

Item	Government bonds	Total
Undue and non-impaired:	20 930	20 930
State institutions and enterprises	20 930	20 930
Provisions for impairment of available-for-sale securities in the Bank portfolio	-	-
Total debt securities available-for-sale in the Bank portfolio less provisions	**20 930**	**20 930**

10. Held-to-maturity securities in the bank portfolio

10.1. Held-to-maturity securities in the bank portfolio

(UAH thousand)

Item	31 December 2015	31 December 2014
Deposit certificates of the National Bank of Ukraine	31 015	-
Provisions for impairment of held-to-maturity securities in the Bank portfolio	-	-
Total held-to-maturity securities less provisions	**31 015**	-

The structure of held-to-maturity securities in the Bank portfolio comprises interest in the amount of UAH 15 thousand as at 31 December 2015.

10. Held-to-maturity securities in the bank portfolio (continued)

10.2. Loan quality analysis related to debt securities held-to-maturity in the Bank portfolio as at 31 December 2015

(UAH thousand)

Item	Government bonds	Total
Undue and non-impaired:	31 015	31 015
State institutions and enterprises	31 015	31 015
Provisions for impairment of held-to-maturity securities in the Bank portfolio	-	-
Total debt securities held-to-maturity in the Bank portfolio less provisions	**31 015**	**31 015**

11. Fixed and intangible assets

As at 31 December 2015, the Bank has no:

fixed assets, possession, use or disposal of which is restricted by the current legislation;
fixed assets pledged, withdrawn from service, temporarily not used or transferred to assets for sale;
intangible assets, ownership of which is restricted or property rights are not registered;
increase or decrease arising from revaluations and as a result of impairment losses recognized or created directly in equity.

Initial value of fully depreciated fixed tangible assets is UAH 139,8 thousand.

11. Fixed and intangible assets (continued)

(UAH thousand)

Item	Machinery and equipment	Instruments, fixtures and fittings	Other fixed tangible assets	Capital investments in progress	Intangible assets	Total
Carrying amount as at 1 January 2014	**546**	**241**	**501**	**289**	**1 031**	**2 608**
Historical cost	546	241	637	289	1 031	2 744
Depreciation	-	-	(136)	-	-	(136)
Proceeds	190	29	3	14	1 628	1 864
Capital investments into fixed assets completion and intangible assets improvement	25	3	-	(289)	20	(241)
Amortization charges	(141)	(64)	(191)	-	(213)	(609)
Carrying amount as at 1 January 2015	**620**	**209**	**313**	**14**	**2 466**	**3 622**
Historical cost	761	273	640	14	2 679	4 367
Depreciation	(141)	(64)	(327)	-	(213)	(745)
Proceeds		-	1	10	-	11
Capital investments into fixed assets completion and intangible assets improvement	55	-	-	(13)	62	104
Amortization charges	(159)	(69)	(189)	-	(283)	(700)
Carrying amount as at 31 December 2015	**516**	**140**	**125**	**11**	**2 245**	**3 037**
Historical cost	816	273	641	11	2 741	4 482
Depreciation	(141)	(64)	(327)	–	(213)	(745)

12. Other financial assets

12.1. Other financial assets

(UAH thousand)

Item	2015	2014
Other including:	9	1
Income for services accrued	9	1
Provisions for other financial assets impairment	(1)	-
Total other financial assets less provisions	**8**	**1**

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

(UAH thousand)

Item	*Other financial assets*	Total
Opening balance	-	-
(Increase)/decrease of the provisions during the period	1	1
Closing balance	**1**	**1**

12. Other financial assets (continued)

12.3. Analysis of other financial assets loan quality for 2015

(UAH thousand)

Item	*Other financial assets*	Total
Undue and non-impaired debt	9	**9**
Total other financial assets before deducting provisions	9	**9**
Provisions for loan impairment	(1)	**(1)**
Total other financial assets less provisions	**8**	**8**

12.4. Analysis of other financial assets loan quality for 2014

(UAH thousand)

Item	*Other financial assets*	Total
Undue and non-impaired debt	1	**1**
Total other financial assets before deducting provisions	1	**1**
Provisions for loan impairment	-	**-**
Total other financial assets less provisions	**1**	**1**

13. Other assets

(UAH thousand)

Item	31 December 2015	31 December 2014
VAT receivables	-	76
Prepayments for services	56	-
Deferred expenses	1 234	76
Other	25	30
Provisions for other assets	-	-
Total other assets less provisions	**1 315**	**182**

14. Due to other banks

4.1 Due to other banks

(UAH thousand)

Item	31 December 2015	31 December 2014
Sale and repurchase agreements with other banks	-	26 289
Loans received:	-	72 116
Short-term	-	72 116
Total due to other banks	**-**	**98 405**

15. Due to customers

15.1 Due to customers

(UAH thousand)

Item	31 December 2015	31 December 2014
State organizations:	**1 246**	**139**
Current accounts	144	139
Term deposits	1 102	-
Other legal entities:	**263 960**	**186 841**
Current accounts	187 861	184 690
Term deposits	76 099	2 151
Private individuals:	**9 641**	**5 292**
Current accounts	4 754	1 219
Term deposits	4 887	4 073
Total due to customers	**274 847**	**192 272**

15.2 Customer funds allocation by economic activities

(UAH thousand)

Item	31 December 2015		31 December 2014	
	amount	%	amount	%
Financial and insurance activities	113 398	41,26	118 859	61,82
Services (financial)	31 873	11,60	6 166	3,21
Information and telecommunications	7 406	2,70	21 011	10,93
Trading	23 986	8,73	18 431	9,59
Agriculture	35 208	12,81		
Fishery	5 500	2,00	4 777	2,48
Storage facilities and transportation supporting activities	1 940	0,70		
Consulting	5	0,00	1 117	0,58
Government organizations	1 246	0,45	139	0,07
Production	15	0,01	6	0,00
Property transactions	553	0,20	25	0,01
Private individuals, including non-residents	9 641	3,5	5 292	2,75
Investors-non-residents	44 076	16,04	16 449	8,56
Total	**274 847**	**100**	**192 272**	**100**

16. Other financial liabilities

(UAH thousand)

Item	31 December 2015	31 December 2014
Accounts payable for foreign currency transactions	1 020	2 358
Accounts payable for customer transactions	2 450	-
Accounts payable for accrued expenses	134	76
Derivative financial liabilities	4 605	4 420
Other financial liabilities	1	-
Total	**8 210**	**6 854**

17. Provisions for liabilities

17.1 Changes in provisions for liabilities for 2015

(UAH thousand)

Changes in provisions	Loan liabilities	Total
Opening balance	-	-
Creation and/ or increase of provisions	157	157
Fees and commissions received for guarantees issued	-	-
Depreciation of fees and commissions received for guarantees issued which is recognized in the Statement of comprehensive income	-	-
Closing balance	**157**	**157**

Provisions for liabilities consist of reserves for possible impairment losses on provided financial guarantees with maturity in 2016.

18. Other liabilities

(UAH thousand)

Item	31 December 2015	31 December 2014
Accounts payable for settlements with employees	2 967	1 297
Accounts payable for taxes and charges apart from income tax	37	17
Accounts payable for acquisition of assets	-	515
Expenses for telecommunication and operation services	72	78
Total	**3 076**	**1 907**

19. Share capital

(UAH thousand)

Item	Number of shares in circulation (thous. pcs.)	Ordinary shares	Preferred shares	Total
Balance as at 1 January 2015	122 000	122 000	-	122 000
Contributions on newly issued shares (unit shares, stocks)	-	-	-	-
Balance as at 31 December 2015	122 000	122 000	-	122 000
Balance as at 31 December 2015	**122 000**	**122 000**	**-**	**122 000**

19. Share capital (continued)

As at 31 December 2015, the share capital amounts to UAH 136 518 thousand. The share capital is divided into 122 000 ordinary registered shares paid in full. During the year the Bank registered an increase in ordinary registered share denomination by means of profits of previous years; an ordinary registered share denomination at the end of 2015 amounted to UAH 1119.

Ordinary registered shares entitle a shareholder to participate in the management of the Bank, receive dividends, use the preferential right to purchase additionally issued shares if such shares are privately placed, dispose own shares, receive in case of liquidation of the Bank a part of its assets or value of assets. One ordinary share gives the shareholder one voice to address every issue at the General Meeting, except in cases of cumulative voting. Payment of dividends to shareholders based on each of their shares of a certain type is made of net profit for the reporting year and/or retained earnings in the amount determined by the Decision of the General Meeting within a period not later than six months after the end of the year. The Bank pays dividends entirely in cash.

There was no repurchase of own stock during the reporting period. Dividends were not declared to be payable and were not paid accordingly.

20. Revaluation reserves (other comprehensive income components)

(UAH thousand)

Item	2015	2014
Revaluation of available-for-sale securities in the Bank portfolio:	-	1 450
Revaluation changes to fair value	-	1 450
Income tax related to:	**-**	**(261)**
Change in reserve for revaluation of available-for-sale securities in the bank portfolio	-	(261)
Total revaluation reserves (other comprehensive income)	**-**	**1 189**

21. Analysis of assets and liabilities by maturities

(UAH thousand)

Item	Notes	2015			2014		
		Less than 12 months	More than 12 months	Total	Less than 12 months	More than 12 months	Total
Assets							
Cash and cash equivalents	6	4 703	-	4 703	46 646	-	46 646
Due from other banks	7	388 466	-	388 466	340 227	-	340 227
Loans to customers and customer debts	8	-	4 409	4 409	-	-	-
Available-for-sale securities in the Bank portfolio	9	20 930		20 930	50 350		50 350
Held-to-maturity securities in the Bank portfolio	10	31 015	-	31 015	-	-	-
Accounts receivable	26	2 744	112	2 856	225	271	496
Fixed assets	11	-	3 037	3 037	-	3 622	3 622
Other accrued income	12	8	-	8	1	-	1
Other assets	13	602	713	1 315	31	-	31
Total assets		**448 468**	**8 271**	**456 739**	**437 480**	**3 893**	**441 373**
Liabilities							
Due to other banks	14	-	-	-	98 405		98 405
Due to customers	15	274 847	-	274 847	192 272		192 272
Accounts payable	17,26	8 953	-	8 953	5 104	261	5 365
Other financial liabilities	16	8 367		8 367	6 854		6 854
Total liabilities		**292 167**	**-**	**292 167**	**302 635**	**261**	**302 896**

22. Interest income and expenses

(UAH thousand)

Item	2015	2014
Interest income:		
Debt securities available for sale in the Bank portfolio	18 964	28 635
Debt securities held to maturity in the Bank portfolio	6 438	-
Due from other banks	23 595	17 649
Correspondent accounts in other banks	13 078	2 787
Loans to customers and customer debts	3 504	15
Total interest income	**65 579**	**49 086**
Interest expenses:		
Term deposits to other banks	(4 449)	(11 171)
Legal entities term deposits	(9 796)	(877)
Current accounts	(6 404)	(1 615)
Private individuals term deposits	(271)	(76)
Total interest expenses	**(20 920)**	**(13 739)**
Net interest income/(expenses)	**44 659**	**35 347**

23. Fee and commission income and expenses

(UAH thousand)

Item	2015	2014
Fee and commission income		
Settlement and cash transactions	513	240
Currency market trading	958	880
Guarantee transactions	52	-
Other	6	-
Total fee and commission income	**1 529**	**1 120**
Fee and commission expenses		
Settlement and cash transactions	(1 356)	(128)
Securities trading	(3)	(4)
Other	(11)	-
Total fee and commission expenses	**(1 370)**	**(132)**
Net fee and commission income/expense	**159**	**988**

24. Administrative and other operating expenses

(UAH thousand)

Item	2015	2014
Staff costs	(12 260)	(8 373)
Fixed and intangible assets maintenance	(599)	(373)
Operating leasing (rent)	(568)	(431)
Depreciation and amortization	(701)	(609)
Audit expenses	(185)	(51)
Communication expenses	(1 559)	(712)
Other taxes and mandatory fees, except for income tax	(219)	(6 466)
Operating and household services	(404)	(352)
Other	(1 100)	(642)
Total administrative and other operating expenses	**(17 595)**	**(18 009)**

Average number of the Bank's employees in 2015 amounted to 20 persons.
The structure of staff costs includes:

- salaries and wages amounting to UAH 10 191 thousand;
- formation of allowance for unused vacations - UAH 400 thousand;
- social security tax - UAH 1599 thousand;
- contributions to non-state pension provision - UAH 70 thousand.

25. Result from liability transactions at fair value through profit or loss

25.1 Result from liability transactions at fair value through profit or loss for 2015

(UAH thousand)

Item	Gains less losses for transactions with other financial liabilities
Derivative financial liabilities	7 942
Total result from liability transactions at fair value through profit or loss	**7 942**

25.2 Result from liability transactions at fair value through profit or loss for 2014

(UAH thousand)

Item	Gains less losses for transactions with other financial liabilities
Derivative financial liabilities	6 037
Total result from liability transactions at fair value through profit or loss	**6 037**

26. Income tax expenses

26.1 Income tax expenses

(UAH thousand)

Item	2015	2014
Current income tax	(5 877)	(3 293)
Change of deferred income tax	(159)	256
Total income tax expenses	**(6 036)**	**(3 037)**

26.2 Reconciliation of the amount of accounting income/loss and amount of taxable income/loss

(UAH thousand)

Item	2015	2014
Income before tax	33 320	18 137
Theoretical tax liabilities at the relevant tax rate	(5 997)	(3 265)
Expenses which are not included in the amount of taxable income, but recognized in accounting records aiming at calculation of:	(60)	(102)
Expenses for reserve formation	(29)	-
Administrative expenses	(31)	(11)
Foreign exchange differences on securities trading	-	(91)
Change in tax rate for securities trading	-	15
Expenses of prior periods recognized in current accounting records	180	-
Unrecognized tax loss carry forward	-	59
Change in deferred income tax	(159)	256
Amount of income tax expenses	**(6 036)**	**(3 037)**

26. Income tax expenses (continued)

26.3.1 Tax consequences related to recognition of deferred tax assets and deferred tax liabilities as at 31 December 2014

(UAH thousand)

Item	Balance as at 31 December 2013	Recognized in statement of comprehensive income	Recognized in equity	Balance as at 31 December 2014
Deferred tax asset due to:				
Excess of acquisition cost in tax accounting over cost of securities in the Bank portfolio	7	-	(7)	-
Depreciation allowance	-	38	-	38
Bonus allowance	-	180	-	180
Vacation allowance	15	38	-	53
Net deferred tax asset/(liability)	**22**	**256**	**(7)**	**271**

26.3.2 Tax consequences related to recognition of deferred tax assets and deferred tax liabilities as at 31 December 2015

(UAH thousand)

Item	Balance as at 31 December 2014	Recognized in statement of comprehensive income	Recognized in equity	Balance as at 31 December 2015
Deferred tax asset due to:				
Excess of acquisition cost in tax accounting over cost of securities in the Bank portfolio	-	-	-	-
Depreciation allowance	38	21	-	59
Bonus allowance	180	(180)	-	-
Vacation allowance	53	-	-	53
Net deferred tax asset/(liability)	**271**	**(159)**	**-**	**112**

27. Profit/(loss) per one ordinary and preferred share

27.1 Net and adjusted profit/ (loss) per one ordinary and preferred share

Item	2015	2014
Profit /(loss) attributable to Bank ordinary Shareholders (UAH thousand)	27 284	16 354
Annual profit/(loss) (UAH thousand)	27 284	16 354
Average annual number of ordinary shares outstanding (thousand, pcs)	122	122
Net profit/ (loss) per an ordinary share (UAH)	**223,64**	**134,05**
Adjusted net income/ (loss) per an ordinary share, UAH	223,64	134,05

27. Profit/(loss) per one ordinary and preferred share (continued)

27.2 Calculation of profit/(loss) attributable to the Bank ordinary and preference Shareholders

Item	2015	2014
Profit /(loss) for the year attributable to Bank Shareholders	27 284	16 354
Retained earnings/(losses) for the year	27 284	16 354
Retained earnings/(losses) for the year attributable to Bank ordinary Shareholders depending on terms of shares	27 284	16 354
Profit/ (loss) attributable to Bank ordinary Shareholders	27 284	16 354

28. Operating segments

28.1. Income, expenses and operating segments results for 2015

(UAH thousand)

Item	Operating segments		Total
	Treasury operations	Other	
Interest income	65 579		65 579
Fee and commission income	1 011	518	1 529
Gains on securities trading in the Bank trading portfolio	2 832	-	2 832
Gains on other financial instruments revaluation	7 942	-	7 942
Gains on foreign currency transactions	91 944	-	91 944
Total income	**169 308**	**518**	**169 826**
Interest expenses	(20 920)	-	(20 920)
Allocation to provision for loan impairment and due from other banks	(96 463)	-	(96 463)
Allocation to provision for trade receivables and other financial assets	(1)	-	(1)
Allocation to provision for liabilities	(157)	-	(157)
Fee and commission expenses	(3)	(1 367)	(1 370)
Administrative expenses	(17 595)	-	(17 595)
Total expenses	**(135 139)**	**(1 367)**	**(136 506)**
Income tax expenses	(6 036)	-	(6 036)

28.2 Assets and liabilities of operating segments for 2015

(UAH thousand)

Item	Operating segments		Total
	Treasury operations	Other	
Segment assets	443 454	13 285	456 739
Total assets	**443 454**	**13 285**	**456 739**
Segment liabilities	283 214	8 953	292 167
Total liabilities	**283 214**	**8 953**	**292 167**

28. Operating segments (continued)

28.3. Income, expenses and operating segments results for 2014

(UAH thousand)

Item	Operating segments		Total
	Treasury operations	Other	
Interest income	49 086	-	49 086
Fee and commission income	880	240	1 120
Gains on securities trading in the Bank trading portfolio	1 434	-	1 434
Gains on other financial instruments revaluation	6 037	-	6 037
Gains on foreign currency transactions	34 001	-	34 001
Total income	**91 438**	**240**	**91 678**
Interest expenses	(13 739)	-	(13 739)
Allocation to provision for loan impairment and due from other banks	(41 661)	-	(41 661)
Fee and commission expenses	(4)	(128)	(132)
Administrative expenses	(18 009)	-	(18 009)
Total expenses	**(73 413)**	**(128)**	**(73 541)**
Income tax expenses	(3 037)	-	(3 037)

28.4. Assets and liabilities of operating segments for 2014

(UAH thousand)

Item	Operating segments		Total
	Treasury operations	Other	
Segment assets	418 286	23 087	441 373
Total assets	**418 286**	**23 087**	**441 373**
Segment liabilities	297 531	5 365	302 896
Total liabilities	**297 531**	**5 365**	**302 896**

29. Financial risk management

The Bank developed and implemented the procedures for risk management and control. The risk management process is based on relevant regulations of the National Bank of Ukraine. The risk management process at the Bank consists of the prevention, identification, measurement, analysis, actions, control and monitoring, as well as reporting.

Credit risk

Credit risk management, limitation of its negative impact on the Bank's activities is one of the key tasks of strategic management. According to the recommendations of the Basel Committee on Banking Supervision, the Bank uses the standardized approach for credit risk assessment. In the process of credit risk management both quantitative risk assessment and qualitative (expert) risk assessment methods are used.

29. Financial risk management (continued)

In order to manage credit risk in transactions with legal entities and individuals the Bank adheres to the following principles of the credit policy:

- investments exclusively in profitable and high-quality credit assets;
- well-balanced approach to lending of corporate customers based on the analysis of financial indicators, activities of entities, markets, industry trends, etc.;
- application of the borrower's identification principle "Know Your Customer";
- a decision on credit provision is based on the qualitative analysis of the borrower's solvency, loan repayment sources and the entity's expected future development;
- diversification of loan portfolio with regard to industry risks, a tendency towards influence of global trends, export orientation, market volatility.

The ratio of maximum credit risk exposure per a borrower or a group of borrowers (hereinafter - H7) shall not exceed 25% of the Bank's regulatory capital. As at 31 December 2015, H7 amounted to 18,70%.

Market risk

The Bank's risk management system is aimed at ensuring the implementation of business goals defined under the Bank's development strategy and enhancing its value, optimization of the potential opportunities and risks ratio, the Bank's capital stock and growth rate.

The main instrument in implementation of these objectives is a comprehensive risk management system established at the Bank that provides action coordination across all the Bank's departments within a single risk management strategy, approved by the Supervisory Board. Formation of the integrated system is aimed at maximum concentration of risk management functions at the managing underwriter level. This approach is implemented through specified procedures and regulations of the Bank, providing a set of limits and transaction rules for regional institutions.

Foreign currency risk

29.1 Foreign currency risk analysis

(UAH thousand)

Currency	31 December 2015			31 December 2014		
	Monetary assets	Monetary liabilities	Net foreign exchange position	Monetary assets	Monetary liabilities	Net foreign exchange position
USD	202 818	100 697	102 121	109 406	29 403	80 003
EUR	1 754	4 826	(3 072)	7 147	3 376	3 771
RUR	277	317	(40)	24	-	24
Total	**204 849**	**105 840**	**99 009**	**116 577**	**32 779**	**83 798**

The risk of financial losses and the possibility of decrease in the cost of capital resulting from changes in foreign exchange rates and prices for precious metals, unfavorable (opposite) for existing open currency positions, is an important type of risk, which arises in the course of the Bank's activities. The amount of possible financial losses depends on the size of the open currency positions and changes in relevant foreign currencies. The analysis of the impact of a projected change in foreign exchange rates on the Bank's financial result is conducted by using VAR and GARCH models.

29. Financial risk management (continued)

Basic methods and models of currency risk management are determined in the "Regulations on currency risk management at PJSC "BANK AVANGARD".

The internal limits for total open foreign exchange position by types of currencies are established at the Bank. Currency risk limits are set based on the calculation of value at risk (VaR-method) as a percentage of the amount of the Bank's equity and based on the assessment of transaction efficiency. The methodology and mechanisms of foreign currency risk management are updated constantly.

The process of foreign currency risk management at the Bank provides for daily monitoring of the compliance of the maximum possible open foreign exchange positions on the basis of acceptable values of capital at risk to the established limits of open currency positions, analysis of volatility in exchange rates and the amount of the foreign currency risk under regular and stress conditions.

Parametric assessment methods based on the assumption of normal distribution of currency fluctuation disturbances (Value-at-Risk methodology, etc.) appeared to be unsuitable for predicting the foreign currency risk magnitude at the Bank. In this situation, based on the analysis of currency fluctuations, a risk magnitude was estimated for each open currency position, as well as an acceptable risk magnitude. Accordingly, the limits for open currency positions were set that represent a subject to daily control of the risk management department and an instrument of foreign currency risk exposure limitation.

29.2 Changes in profit or loss and shareholders' equity due to possible changes of UAH official exchange rate against foreign currencies determined as at the reporting date providing that all other variables remain fixed

(UAH thousand)

Item	31 December 2015		31 December 2014	
	Impact on profit/ (loss)	Impact on equity	Impact on profit/ (loss)	Impact on equity
USD strengthening by 50 %	657	657	(2 480)	(2 480)
USD weakening by 50 %	(657)	(657)	2 480	2 480
EUR strengthening by 50 %	(1 866)	(1 866)	(275)	(275)
EUR weakening by 50 %	1 866	1 866	275	275
RUR strengthening by 50 %	1	1	11	11
RUR weakening by 50 %	(1)	(1)	(11)	(11)

A model of control over capital adequacy level is established at the Bank in order to ensure the sustainability of the Bank's activities, the regulatory capital formation in accordance with the requirements of the National Bank of Ukraine and with regard to the minimum capital requirements set by the Basel Committee on Banking Supervision, as well as for the assessment and monitoring of capital adequacy taking into account all the risks regarding the Bank's continual activities in every direction.

The risk of financial losses and the possibility of decrease in the cost of capital resulting from changes in foreign exchange rates and prices for precious metals, unfavorable (opposite) for existing open currency positions, is an important type of risk, which arises in the course of the Bank's activities. The amount of possible financial losses depends on the size of the open currency positions and changes in relevant foreign currencies. The analysis of the impact of a projected change in foreign exchange rates on the Bank's financial result is conducted by using GARCH models.

29. Financial risk management (continued)

The Bank does not consider other risks to be significant for it's activities, therefore the Bank does not monitor them.

Interest rate risk

29.3 General analysis of interest rate risk

(UAH thousand)

Item	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than a year	Interest-free	Total
2015						
Total financial assets	394 536	-	-	4 403	50 592	449 531
Total financial liabilities	191 789	7 191	4 588	-	79 646	283 214
Net GAP on interest-bearing assets and liabilities as at 31 December	202 747	(7 191)	(4 588)	4 403	(29 054)	166 317

29.4 Monitoring of interest rates on financial instruments

(%)

Item	31 December 2015				31 December 2014			
	UAH	USD	EUR	other	UAH	USD	EUR	other
Assets								
Cash and cash equivalents	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Due from other banks	20.9	6.0	0.0	0.0	25.5	12.0	0.0	25.5
Loans to customers and customers' debts	26.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trading debt securities	20.0	0.0	0.0	0.0	5.5	8.0	0.0	5.5
Other assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Liabilities								
Due to other banks	19.0	0.0	0.0	0.0	28.0	0.0	0.0	28.0
Due to customers	9.4	0.22	0.5	0.0	0.1	0.01	0.0	0.1
Current accounts	0.02	0.01	0.0	0.0	0.02	0.01	0.0	0.02
Term deposits	0.96	5.34	0.0	0.0	14.22	0.0	0.0	14.22
Other liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

29. Financial risk management (continued)

Geographic risk

29.5 Financial assets and liabilities geographic concentration analysis for 2015

(UAH thousand)

Item	Ukraine	OECD	Other countries	Total
Assets				
Cash and cash equivalents	4 703	-	-	4 703
Due from other banks	382 341	6 125	-	388 466
Loans to customers and customers' debts	4 409	-	-	4 409
Available-for-sale securities in the Bank portfolio	20 930	-	-	20 930
Held-to-maturity securities in the Bank portfolio	31 015	-	-	31 015
Other financial assets	8	-	-	8
Total financial assets	**443 406**	**6 125**	**-**	**449 531**
Liabilities				
Due to other banks	-	-	-	-
Due to customers	227 872	2 899	44 076	274 847
Other financial liabilities	8 367	-	-	8 367
Total financial liabilities	**236 239**	**2 899**	**44 076**	**283 214**

29.6 Financial assets and liabilities geographic concentration analysis for 2014

(UAH thousand)

Item	Ukraine	OECD	Other countries	Total
Assets				
Cash and cash equivalents	22 653	23 993	-	46 646
Due from other banks	340 227	-	-	340 227
Available-for-sale securities in the Bank portfolio	50 350	-	-	50 350
Other financial assets	1	-	-	1
Total financial assets	**413 231**	**23 993**	**-**	**437 224**
Liabilities				
Due to other banks	98 405	-	-	98 405
Due to customers	175 262	561	16 449	192 272
Other financial liabilities	6 854	-	-	6 854
Total financial liabilities	**280 521**	**561**	**16 449**	**297 531**

Assets and liabilities were classified based on a counterparty's residence data.

29. Financial risk management (continued)

Liquidity risk

29.7 Analysis of financial liabilities by maturities for 2015

(UAH thousand)

Item	On demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years	More than 5 years	Total
Due to other banks	-	-	-	-	-	-
Due to customers	263 068	7 191	4 588	-	-	274 847
Other financial liabilities	8 367	-	-	-	-	8 367
Total potential future payments related to financial liabilities	**271 435**	**7 191**	**4 588**	**-**	**-**	**283 214**

To assess the level of liquidity risk the Bank uses the method of determining gaps between assets and liabilities in different time intervals (hereinafter – the "liquidity GAP"). The liquidity GAP is calculated as a difference between total assets and total liabilities in each time interval. The liquidity GAP is calculated in accordance with the methodology adopted by the parent company. The calculation of liquidity GAP is implemented both at each time interval and cumulatively (progressive total) and is conducted monthly by the Assets and Liabilities Management Department in respect of all major currencies. To calculate the discrepancies between assets and liabilities the Bank uses the balance sheet accounting rules (conventions) set by the Assets and Liabilities Committee (hereinafter – the "ALCO"), approved as agreed with the parent company. A ratio analysis is used to assess the dynamics of changes in the Bank's balance sheet structure and determine their impact on the liquidity risk. To measure liquidity risks the Bank uses a list of indicators calculated both in absolute and relative terms.

29.8 Analysis of financial liabilities by maturities for 2014

(UAH thousand)

Item	On demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years	More than 5 years	Total
Due to other banks	98 405	-	-	-	-	98 405
Due to customers	187 099	1 100	4 073	-	-	192 272
Other financial liabilities	6 854	-	-	-	-	6 854
Total potential future payments related to financial liabilities	**292 358**	**1 100**	**4 073**	**-**	**-**	**297 531**

29. Financial risk management (continued)

29.9 Analysis of financial assets and liabilities by maturities based on expected maturities for 2015

(UAH thousand)

Item	On demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years	More than 5 years	Total
Assets						
Cash and cash equivalents	4 703	-	-	-	-	4 703
Due from other banks	388 466	-	-	-	-	388 466
Loans to customers and customers' debts	-	-	-	4 409	-	4 409
Available-for-sale securities in the Bank portfolio	20 930	-	-	-	-	20 930
Held-to-maturity securities in the Bank portfolio	31 015	-	-	-	-	31 015
Other financial assets	8	-	-	-	-	8
Total financial assets	**445 122**	**-**	**-**	**4 409**	**-**	**449 531**
Liabilities						
Due to customers	263 068	7 191	4 588	-	-	274 847
Other financial liabilities	8 367	-	-	-	-	8 367
Total financial liabilities	**271 435**	**7 191**	**4 588**	**-**	**-**	**283 214**
Net liquidity GAP as at 31 December	173 687	(7 191)	(4 588)	4 409	-	166 317
Total liquidity GAP as at 31 December	173 687	166 496	161 908	166 317	166 317	-

29.10 Analysis of financial assets and liabilities by maturities based on expected maturities for 2014

(UAH thousand)

Item	On demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years	More than 5 years	Total
Assets						
Cash and cash equivalents	46 646	-	-	-	-	46 646
Due from other banks	340 227	-	-	-	-	340 227
Available-for-sale securities in the Bank portfolio	49 512	620	218	-	-	50 350
Other financial assets	1	-	-	-	-	1
Total financial assets	**436 386**	**620**	**218**	**-**	**-**	**437 224**
Liabilities						
Due to other banks	98 405	-	-	-	-	98 405
Due to customers	187 099	1 100	4 073	-	-	192 272
Other financial liabilities	6 854	-	-	-	-	6 854
Total financial liabilities	**292 358**	**1 100**	**4 073**	**-**	**-**	**297 531**
Net liquidity GAP as at 31 December	144 028	(480)	(3 855)	-	-	139 693
Total liquidity GAP as at 31 December	144 028	143 548	139 693	139 693	139 693	-

29. Financial risk management (continued)

Liquidity management in non-standard conditions is carried out in two regimes: pre-crisis and crisis liquidity positions. To overcome the liquidity crisis the ALCO determines the amount of deficit to be eliminated and the required time limits; an anti-crisis working group is formed; a specific anti-crisis action plan is developed. A situation may be defined as critical at the ALCO Meeting. An initiator of the definition of a crisis situation shall assess a current situation, propose on the definition of a crisis situation and the need for actions and procedures stipulated by the anti-crisis plan. A model of liquidity risk management is implemented at the Bank, which allows to monitor continuously over the level of liquidity risk, to control the flow of assets and liabilities to prevent the increase in liquidity risk. In addition, an action plan is developed to maintain a sufficient liquidity level in case of pre-crisis and crisis situations in the banking sector of Ukraine.

Other risks

The strategic, legal, operational and reputation risk management system includes:

- definition of the basic risk management principles;
- identification, registration and description of risks separately for each type of risk;
- risk assessment and risk level control (monitoring);
- measures to reduce (minimize) risks and eliminate the negative effects of risks, including the procedure and sources of funding for compensation of damages received;
- formation of the Bank's management structure, development of internal policies, procedures and technologies, taking into account the basic principles of risk management adopted by the Bank;
- control over the efficiency of risk management.

The strategic, legal, operational and reputation risk management focuses on the consistent development and improvement of the Bank's internal control system.

The process of strategic, legal, operational and reputation risk management provides for the effective management at all stages (from risk identification to minimization and control) and is implemented with the use of relevant parameters system.

A primary purpose of the implementation and functioning of the management parameters system in respect of strategic, legal, operational and reputation risk is to ensure the adoption of appropriate management decisions aimed at reducing the risk impact on the Bank as a whole, as well as on certain activity areas of the Bank.

30. Capital management

The Bank's objectives in capital management are: to ensure compliance with the capital requirements set by the National Bank of Ukraine and cover the negative crisis effects. To determine the level of equity the Bank assesses the amount of regulatory capital and capital adequacy ratios. The regulatory capital is one of the most important Bank's activity indicators, which purpose is to cover negative implications of different risks that Bank takes during its activity and to ensure the protection of deposits, financial firmness and the Bank stability.

30. Capital management (continued)

Regulatory capital structure

Item	31 December 2015	31 December 2014
Core capital		
Actually paid authorized capital stock	136 518	122 000
Reserves and other funds	770	9
Reduction of core capital		
Intangible assets less amortization	(2 245)	(2 466)
Capital contributions to intangible assets	(7)	(14)
Core capital (tier 1 capital)	135 036	119 529
Additional capital		
Provisions for standard liabilities	51 873	10 501
Estimated current year profit	27 284	15 100
Unreceived accrued income less provisions	(28)	-
Retained earnings from prior years	-	179
Additional capital (tier 2 capital)	79 129	25 780
Total regulatory capital	**214 165**	**145 309**

The data in the Table above consider the adjusting entries as at 01/01/2016. A regulatory capital adequacy ratio (solvency ratio) reflects the Bank's ability to timely and fully cover its liabilities arising from trade, credit and other monetary operations. The higher the value of the regulatory capital adequacy ratio, the greater the risk portion assumed by the Bank's owners. Alternatively, the lower the ratio value, the greater the risk portion assumed by the Bank's creditors/depositors. A regulatory capital adequacy ratio is set to prevent the excessive shifting of the credit risk and the banking assets default risk from the Bank to the Bank's creditors/depositors.

Each year, the ALCO oversees the preparation of a capitalization plan, which is a part of the Bank's budget and which is aimed at ensuring that the Bank will comply with the minimum capital requirements. It details a projected growth of capital and assets, dividend distributions, future business expansion, losses on bad loans and projected revenues. The plan also aims to support capital adequacy according to regulatory requirements of the National Bank of Ukraine. Due to the Bank's effective policy regarding capital management, the Bank adhered to the regulatory capital adequacy ratio during 2015.

31. Potential liabilities

31.1. Structure of lending commitments

(UAH thousand)

Item	31 December 2015	31 December 2014
Guarantees issued	2 622	-
Provisions for lending commitments	(157)	-
Total lending commitments less provisions	**2 465**	**-**

31.2. Structure of lending commitments by currencies

(UAH thousand)

Item	31 December 2015	31 December 2014
EUR	2 465	-
Total	**2 465**	**-**

31. Potential liabilities (continued)

As at 31 December 2015 the Bank had no:

signed agreements of non-cancellable leases;

cases pending in courts.

32. Fair value of financial instruments

According to the Regulation on the accounting policies, a fair value is the amount for which an asset can be exchanged or a liability settled in a transaction between knowledgeable, willing and independent parties, namely:

fair value of an asset is the amount to be paid for the purchase (exchange) of the asset;

fair value of a liability is the amount required to repay the liability.

The fair value of financial assets freely traded in the market is their quoted prices in an active market. Where the active market is unavailable, or no information on current prices available at the market, or similar items subject to valuation are unavailable, to determine the estimated fair value the Bank uses a method of valuation and assumption in respect of each class of financial assets or financial liabilities.

As at 31 December 2015, available-for-sale securities in the Bank portfolio are accounted for at fair value. Furthermore, the Bank considers that as at 31 December 2015 the value of such high-liquid assets/liabilities as cash and cash equivalents; short-term funds attracted/placed may be equated to the fair value.

(UAH thousand)

Item	Fair value by various valuation methods			Total fair value	Total carrying amount
	Market quotations (level I)	Valuation method using observable data (level II)	Valuation method using indicators not supported by observable market data (level III)		
Securities in the Bank portfolio available for sale	20 930	-	-	20 930	20 930
Total assets	**-**	**-**	**-**	**-**	**456 739**
Total liabilities	**-**	**-**	**-**	**-**	**292 167**

33. Presentation of financial instruments by valuation categories

33.1. Financial assets by valuation categories for 2015

(UAH thousand)

Item	Loans and receivables	Available for sale assets	Held to maturity investments	Total
Cash and cash equivalents	4 703	-	-	4 703
Due from other banks	522 536	-	-	522 536
Corresponding accounts at other banks	188 731	-	-	188 731
Sale and repurchase agreements with other banks	32 763	-	-	32 763
Loans to other banks	301 042	-	-	301 042
Loans to customers and customers debts	8 817	-	-	8 817
Loans to legal entities	8 817	-	-	8 817
Securities in the Bank portfolio available for sale	-	20 930	-	20 930
Securities in the Bank portfolio held to maturity	-	-	31 015	31 015
Other financial assets	9	-	-	9
Income from services accrued	9	-	-	9
Total financial assets	**536 065**	**20 930**	**31 015**	**588 010**

33.2. Financial assets by valuation categories for 2014

(UAH thousand)

Item	Loans and receivables	Available for sale assets	Total
Cash and cash equivalents	46 646	-	46 646
Due from other banks	382 242	-	382 242
Corresponding accounts at other banks	12 383	-	12 383
Sale and repurchase agreements with other banks	74 617	-	74 617
Loans to other banks	295 242	-	295 242
Securities in the Bank portfolio available for sale	-	50 350	50 350
Other financial assets	1	-	1
Income from services accrued	1	-	1
Total financial assets	**428 889**	**50 350**	**479 239**

34. Related party transactions

34.1 Balances of related party transactions for 2015

(UAH thousand)

Item	Parent company	Jointly controlled companies	Key Management Personnel	Other related parties
Loans to customers and customers' debts (contract interest rate 30 %)	-	-	-	8 817
Provisions for loan debts as at 31 December	-	-	-	(4 408)
Due to customers (contract interest rate 0,1- 23%, depending on currency and product)	105	90 634	1 460	533
Other liabilities	–	-	1 193	14

During 2015, the Bank carried out related party transactions on standard terms.

34.2. Income and expenses for related party transactions for 2015

(UAH thousand)

Item	Parent company	Jointly controlled companies	Key Management Personnel	Other related parties
Interest income	-	-	-	1 095
Interest expenses		(8 261)	(71)	(23)
Fee and commission income	8	35	-	-
Administrative and other expenses	-	(125)	(4 736)	-
Total	**8**	**(8 351)**	**(4 807)**	**1 072**

34.3. Loans granted to and repaid by related parties in 2015

(UAH thousand)

Item	Parent company	Jointly controlled companies	Top management	Other related parties
Loans granted to related parties during the period	-	-	-	8 817
Loans repaid by related parties during the period	-	-	-	-
Total	**-**	**-**	**-**	**8 817**

34.4 Balances of related party transactions for 2014

(UAH thousand)

Item	Parent company	Jointly controlled companies	Top management	Other related parties
Due to customers	16 449	115 813	822	395
Other liabilities	–	24	649	-

34. Related party transactions (continued)

34.5. Income and expenses for related party transactions for 2014

(UAH thousand)

Item	Parent company	Jointly controlled companies	Top management	Other related parties
Interest expenses	-	(4)	(2)	(1)
Fee and commission income	60	70	1	-
Fee and commission expenses	-	(6)	-	-
Administrative and other expenses	-	(73)	(2 739)	-
Total	**60**	**(13)**	**(2 740)**	**(1)**

34.8. Top management benefits

(UAH thousand)

Item	2015		2014	
	Expenses	Accrued liabilities	Expenses	Accrued liabilities
Current employee benefits	4 736	1 193	2 739	649

35. Events after the reporting period

There have been no other events after the reporting period that may be significant for users of the financial statements. In particular, there have been no:

Business combinations;
Termination of business or decision on termination of business;
Significant acquisition of assets;
Restructuring;
Significant changes in exchange rates or the value of the Bank's assets;
Court decisions in favor of plaintiffs, which might cause significant financial obligations for the Bank.

NOTES TO THE FINANCIAL STATEMENTS

36. Information on the Auditor (Audit Firm)

Limited Liability Partnership "BAKER TILLY UKRAINE" has audited the financial statements of PJSC "BANK AVANGARD" prepared in accordance with International Financial Reporting Standards and the requirements of regulations of the National Bank of Ukraine for the financial year ended 31 December 2015.

LLP "BAKER TILLY UKRAINE" acts on the basis of the Certificate of inclusion into the Registry of Audit Firms and Auditors rendering audit services No. 2091 issued on 11/03/2011, valid to 07/30/2020 (according to the Decision of the Audit Chamber of Ukraine No.313/3 dated 07/30/2015).

The Independent Auditor's Report (Conclusion) is signed by Gagik Nersesyan, the Certificate of Bank Auditor No.0171 valid until 12/22/2016 (according to the Resolution of the Audit Chamber of Ukraine No.244/3 dated 12/22/2011) and Certificate of inclusion into the Registry of Bank Auditors No.0000168 of the National Bank of Ukraine, valid until 12/22/2016 (according to the Decision of the Bank Audit Committee No.38 dated 02/01/2012).

Chairman of the Board _____ **/ S. Korchynska /**

Chief Accountant _____ **/ V. Chechotkina /**