SSB No. 1 PLC
(the "**Issuer**" or the "**Lender**")
(*incorporated in the United Kingdom*)

acting in conjunction with

OSCHADBANK

MY BANK. MY COUNTRY

PUBLIC JOINT STOCK COMPANY "STATE SAVINGS BANK OF UKRAINE"
(the "**Bank**" or the "**Borrower**")
(*incorporated in Ukraine*)

U.S.$100,000,000 Floating Rate Amortising Loan Participation Notes due 2024 issued by, but with limited recourse to, the Issuer for the sole purpose of financing a loan made to the Borrower

ISIN: XS1278856569
Common Code: 127885656

(the "**Notes**")

Terms used herein and not otherwise defined have the meaning ascribed to them in "*Definitions"*.

The Notes are limited recourse obligations of the Issuer and were issued in connection with a loan extended pursuant to the amended and restated loan agreement dated 9 November 2015 (the "**Amended and Restated Loan Agreement**") entered into between the Issuer and the Bank. The Notes were issued pursuant to the Trust Deed (as defined herein) between the Bank and BNY Mellon Corporate Trustee Services Limited as trustee (the "**Trustee**", which expression includes all persons for the time being appointed as trustee for the holders of the Notes under the Trust Deed). In the Trust Deed, the Issuer has charged, in favour of the Trustee, by way of a first fixed charge as security for its payment obligations in respect of the Notes and under the Trust Deed, certain of its rights and interests under the Amended and Restated Loan Agreement and the Account (as defined in the Trust Deed). In addition, the Issuer has assigned absolutely certain of its administrative rights under the Amended and Restated Loan Agreement to the Trustee.

In each case where amounts of principal, interest and additional amounts (if any) are stated to be payable in respect of the Notes, the obligation of the Issuer to make any such payment shall constitute an obligation only to account to the Noteholders, on each date upon which such amounts of principal, interest and additional amounts (if any) are due in respect of the Notes, for an amount equivalent to all principal, interest and additional amounts (if any) actually received and retained (net of tax) from the Bank by, or for the account of, the Issuer pursuant to the Amended and Restated Loan Agreement excluding, however, any amounts paid in respect of Reserved Rights (as defined in the New Trust Deed). The Issuer will have no other financial obligations under the Notes.

Subject to the terms of the Trust Deed, no Noteholder will have any entitlement to enforce any provisions in the Amended and Restated Loan Agreements or have direct recourse to the Bank except through action by the Trustee under any of the Security Interests (as defined in the "*Schedule 1 - Terms and Conditions of the Notes*"). On each Interest Payment Date (as defined herein), the Issuer shall account to the Noteholders for an amount equivalent to amounts of interest actually received and retained by or for the account of the Issuer pursuant to the Amended and Restated Loan Agreement.

The Terms and Conditions of the Notes are set out in Schedule 1 (*Terms and Conditions of the Notes*). The forms of the Amended and Restated Loan Agreement is set out in Schedule 2 (*Amended and Restated Loan Agreement*).

Noteholders will be deemed to have accepted and agreed that they will be relying solely and exclusively on the credit and financial standing of the Bank in respect of the payment obligations of the Bank under the Amended and Restated Loan Agreement and the Issuer under the Notes.

The Notes involve a high degree of risk. See "*Risk Factors*".

The Prospectus has been approved by the Central Bank of Ireland (the "**Central Bank**") as the competent authority under Directive 2003/71/EC, as amended (the "**Prospectus Directive**"). The Central Bank only approves this Prospectus as meeting the requirements imposed under Irish and European Union law pursuant to the Prospectus Directive. Application has been made to The Irish Stock Exchange plc (the "**Irish Stock Exchange**") for the Notes to be admitted to the Official List and trading on its regulated market (the "**Main Securities Market**"). This Prospectus constitutes a "Prospectus" for purposes of the Prospectus Directive as implemented in Ireland by the Prospectus (Directive 2003/71/EC) Regulations 2005 (the "**Prospectus Regulations**"). References in this Prospectus to the Notes being "listed" (and all related references) shall mean that the Notes have been admitted to the Official List and have been admitted to trading on the Main Securities Market. The Main Securities Market is a regulated market for the purposes of Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments. There is no assurance that a trading market in the Notes will develop or be maintained.

Delivery of the Notes was made on 25 November 2015 (the "**Closing Date**"). The Notes were delivered in book-entry form through the facilities of Euroclear and Clearstream, Luxembourg and each series is represented by one or more global notes in registered form registered in the name of a common depositary for Euroclear and Clearstream, Luxembourg, or a nominee thereof.

Notes distributed outside the United States in reliance on Regulation S to persons who are not U.S. Persons are represented by interests in an Regulation S Global Note, in definitive fully registered form, without interest coupons attached, which was registered in the name of a nominee of, and deposited with, a common depositary for Euroclear and Clearstream, Luxembourg. Notes allocated to Eligible Investors (who are U.S. Persons) are represented by interests in a Rule 144A Global Note, in fully registered form, without interest coupons attached, which was registered in the name of a nominee of, and deposited with, a common depositary for Euroclear and Clearstream, Luxembourg. Each Rule 144A Global Note (and any Note Certificates issued in exchange therefor) is subject to certain restrictions on transfer contained in a legend appearing on the face of such Note as set forth under paragraph (4) in "*Issuance and Transfer Restrictions*". The Notes have not been and will not be registered under the Securities Act of 1933, as amended (the "**Securities Act"**).

No person has been authorised by the Bank to give any information or make any representation other than those contained in this Prospectus and the accompanying documents and, if given or made, such information or representation must not be relied upon as having been so authorised. This Prospectus will be published on the website of the Central Bank of Ireland (www.centralbank.ie).

18 January 2016

IMPORTANT NOTICE

THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY SECURITY. NONE OF THE NOTES SHALL BE SOLD, ISSUED OR TRANSFERRED IN ANY JURISDICTION IN CONTRAVENTION OF APPLICABLE LAW.

THE ISSUER AND THE BANK ACCEPT RESPONSIBILITY FOR THE INFORMATION CONTAINED IN THIS PROSPECTUS. TO THE BEST OF THE KNOWLEDGE OF THE ISSUER AND THE BANK, HAVING TAKEN ALL REASONABLE CARE TO ENSURE THAT SUCH IS THE CASE, THE INFORMATION CONTAINED IN THIS PROSPECTUS IS IN ACCORDANCE WITH THE FACTS AND CONTAINS NO OMISSION LIKELY TO AFFECT ITS IMPORT.

THIS PROSPECTUS CONSTITUTES A PROSPECTUS FOR THE PURPOSE OF THE PROSPECTUS DIRECTIVE AND FOR THE PURPOSE OF GIVING INFORMATION WITH REGARD TO THE BANK, THE ISSUER AND THE NOTES. THE BANK AND THE ISSUER CONFIRM THAT THIS PROSPECTUS CONTAINS ALL INFORMATION WHICH, ACCORDING TO THE PARTICULAR NATURE OF THE BANK, THE ISSUER AND THE NOTES, IS NECESSARY TO ENABLE INVESTORS TO MAKE AN INFORMED ASSESSMENT OF THE ASSETS AND LIABILITIES, FINANCIAL POSITION, PROFITS AND LOSSES AND PROSPECTS OF THE BANK AND THE ISSUER AND OF THE RIGHTS ATTACHING TO THE NOTES.

The Notes are subject to restrictions on transferability and resale and may not be transferred or resold except in accordance with the Securities Act and other applicable securities laws, pursuant to registration or an exemption therefrom. See "*Issuance and Transfer Restrictions*".

This Prospectus does not constitute an offer of securities to the public in the United Kingdom. No prospectus has been or will be approved in the United Kingdom in respect of the Notes. Consequently this document is being distributed only to, and is directed at (a) persons who have professional experience in matters relating to investments falling within article 19(1) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Order**") or (b) high net worth entities falling within article 49(2)(a) to (d) of the Order, and other persons to whom it may be lawfully communicated, falling within article 49(1) of the Order (all such persons together being referred to as "**relevant persons**"). Any person who is not a relevant person should not act or rely on this document or any of its contents. Persons into whose possession this Prospectus may come are required by the Bank to inform themselves about and to observe such restrictions.

The Notes are only available to persons in member states of the European Economic Area (the "**EEA**") who are "Qualified Investors" within the meaning of Article 2(1)(e) of the Prospectus Directive, unless in any instance the Bank otherwise agrees. This Prospectus and its contents should not be acted upon or relied upon in any member state of the EEA by persons who are not Qualified Investors. The expression "**Prospectus Directive**" means Directive 2003/71/EC, as amended.

The distribution of this Prospectus and the distribution of Notes may be restricted by law in certain jurisdictions. The Bank makes no representation that this Prospectus or the Notes may be lawfully distributed in any jurisdiction or assumes any responsibility for facilitating any such distribution. Accordingly, neither this Prospectus nor any other offering material may be distributed or published, and none of the Notes may be distributed, in any jurisdiction, except under circumstances that will result in compliance with all applicable laws and regulations. Persons into whose possession this Prospectus may come must inform themselves about, and observe, any such restrictions on the distribution of this Prospectus and the distribution of the Notes. Further information with regard to restrictions on offers, sales and deliveries of the Notes and the distribution of this Prospectus and other material relating to the Notes is set out under "*Issuance and Transfer Restrictions*" and "*Summary of Provisions Relating to the Notes in Global Form*".

The information contained in this Prospectus has been prepared based upon information available to the Issuer and the Bank. To the best of the Issuer's and the Bank's knowledge, information and belief, the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information. The Issuer and the Bank have taken all reasonable steps to ensure that this Prospectus contains the information reasonably necessary in the context of the issue of Notes. None of the Issuer's or the Bank's legal, financial or tax advisers, the Trustee or the Trustee's legal advisors have authorised the contents of this Prospectus or any part of it, nor do they accept any responsibility for the accuracy, completeness or reasonableness of the statements contained within it.

None of the Issuer's or the Bank's legal, financial or tax advisers, the Trustee or the Trustee's legal advisors have verified that the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information and each of those persons expressly disclaims any responsibility for such information.

Nothing contained in this Prospectus shall be deemed to be a forecast, projection or estimate of the Issuer's or the Bank's future financial performance except where otherwise specifically stated. This Prospectus contains certain statements, statistics and projections that are, or may be, forward-looking. The accuracy and completeness of all such statements, including, without limitation, statements regarding the Issuer's and the Bank's future financial position, strategy, plans and objectives for the management of future operations, is not warranted or guaranteed. These statements typically contain words such as "intends", "expects", "anticipates", "estimates" and words of similar import. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. Although the Issuer and the Bank believe that the expectations reflected in such statements are reasonable, no assurance can be given that such expectations will prove to be correct. There are a number of factors which could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements. These factors include, but are not limited to, future revenues being lower than expected; increasing competitive pressures in the industry; general economic conditions or conditions affecting demand for the products offered by the Issuer or the Bank in the markets in which they operate being less favourable than expected.

The statistical information and other data contained in this Prospectus has been extracted from publicly available data (such as information contained on official websites and in publications of governmental agencies of Ukraine, including the NBU and other governmental or mass media sources). Each of the Issuer and the Bank confirms that such information has been accurately reproduced and that, as far as the Issuer and the Bank are aware and are able to ascertain from information published by the relevant source, no facts have been omitted which would render the reproduced information inaccurate or misleading. Where such third-party information is used in this Prospectus, the relevant source is stated.

DEFINITIONS

In this Prospectus, the following capitalised terms shall, unless otherwise defined or the context otherwise requires, have the meanings ascribed to them below:

"**Accountholder**"	A direct accountholder with the Clearing Systems.
"**Accredited Investor**"	An accredited investor, as defined in Rule 501(a) of Regulation D.
"**Agency Agreement**"	The agency agreement between the Issuer, the Trustee, the Registrar and the Principal Paying Agent named therein in relation to the Notes.
"Amended and Restated Loan Agreement"	The amended and restated loan agreement dated 9 November 2015 between the Issuer and the Bank in the form set out in Schedule 2 hereto.
"**Bank**" or "**Borrower**"	Public Joint Stock Company "State Savings Bank of Ukraine".
"**Beneficial Owner**"	Has the meaning set out in "*Summary of Provisions Relating to the Notes in Global Form*".
"**Business Day**"	Any day (other than a Saturday, Sunday or public holiday) on which commercial banks and foreign exchange markets settle payments (including dealings in foreign currencies) in the principal financial centre for such currency.
"**Clearing Systems**"	The clearing and settlement systems operated by Euroclear and Clearstream, Luxembourg, respectively.
"**Clearstream, Luxembourg**"	Clearstream Banking, *société anonyme*, Luxembourg.
"**Conditions**"	The terms and conditions of the Notes and the term "Condition" shall be construed accordingly.
"**Eligible Investor**"	A Noteholder residing in the United States who is a QIB that is also a QP (or a person acting on behalf of a Noteholder who is residing in the United States and is a QIB and a QP), a Noteholder residing in the United States who is an Accredited Investor that is also a QP (or a person acting on behalf of a Noteholder who is residing in the United States and is an Accredited Investor and a QP) or a Noteholder who is residing outside the United States and is not a U.S. Person (or a person acting on behalf of a Noteholder residing outside the United States who is not a U.S. Person).
"**Euroclear**"	Euroclear Bank SA/NV.
"**Government**"	The government of Ukraine.
"**Issuer**"	SSB No.1 PLC.
"**Loan**"	U.S.$100,000,000 loan due 2024 between the Issuer and the Bank made under the Amended and Restated Loan Agreement.
"**NBU**"	National Bank of Ukraine.
"**New Lender**"	SSB No.1 PLC.
"**Noteholders**"	Persons with ultimate economic beneficial interest in any of the Notes and holding such interest through one of the Clearing Systems from time to time, unless specifically stated otherwise.

"**Notes Trustee**"	The trustee appointed under the provisions of the relevant New Trust Deed.
"**Notes**"	The notes having the terms and conditions set out in Schedule 1 hereto.
"**Principal Paying Agent**"	The Bank of New York Mellon, London Branch.
"**Prospectus**"	This prospectus dated 18 January 2016.
"**QIB**"	A qualified institutional buyer, as defined in Rule 144A under the Securities Act.
"**QP**"	A qualified purchaser, as defined in Section 2(a)(51) of the U.S. Investment Company Act of 1940, as amended.
"**Registrar**"	The Bank of New York Mellon (Luxembourg) S.A.
"**Tabulation Agent**"	The Bank of New York Mellon, London Branch.
"**Trust Deed**"	The trust deed between the Issuer and the Notes Trustee constituting the Notes.
"**Trustee**"	BNY Mellon Corporate Trustee Services Limited acting in its capacity as trustee under the Trust Deed.
"**U.S. Person**"	A U.S. person as defined in Regulation S.
"**U.S.$**"	The U.S. dollar, the legal tender of the United States.
"**UAH**"	The Ukrainian hryvnia, the legal tender of Ukraine.
"**UAS**"	Accounting principles generally accepted and consistently applied in Ukraine.

PRESENTATION OF FINANCIAL INFORMATION

Financial Information

The financial information of the Bank set forth herein has been derived, unless otherwise indicated, from its audited consolidated financial statements and the notes thereto as at and for the years ended 31 December 2014 and 31 December 2013 (the "**Annual Consolidated Financial Statements**"**)** and the audited interim condensed consolidated financial information as at and for the six-month period ended 30 June 2015 (the "**Interim Consolidated Financial Statements**" and, together with the Annual Consolidated Financial Statements, the "**Consolidated Financial Statements**"). The Annual Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board and the Interim Consolidated Financial Statements have been prepared in accordance with IAS, subject to the matters stated under "Basis for qualified opinion" and "Qualified opinion" in the auditor's report relating to the Interim Consolidated Financial Statements.

The Bank's Consolidated Financial Statements have been audited in accordance with International Standards on Auditing by the Bank's independent auditors, JSC "Deloitte & Touche USC", who have expressed an unqualified opinion on the Annual Consolidated Financial Statements and a qualified opinion on the Interim Consolidated Financial Statements (qualified as to the matters stated in "Basis for qualified opinion" in the auditor's report relating to the Interim Consolidated Financial Statements).

The address of JSC "Deloitte & Touche USC" is 48, 50a, Zhylianska St., Kyiv 01033, Ukraine. JSC "Deloitte & Touche USC" is registered in the register of audit firms of the Audit Chamber of Ukraine.

Currency

In this Prospectus, all references to "**hryvnia**" and "**UAH**" are to the currency of Ukraine, all references to "**dollars**", "**U.S. Dollars**" and "**U.S.$**" are to the currency of the United States of America and all references to "**Euro**", "**EUR**" or "**€**" are to the currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No. 974/98 of 3 May 1998 on the introduction of the euro as amended.

Translations of amounts from hryvnia to dollars are solely for the convenience of the reader and are made at exchange rates established by the NBU and effective as at the dates of the respective financial information presented elsewhere in this Prospectus in respect of both statements of financial position and income statement items. No representation is made that the hryvnia or dollar amounts referred to herein could have been converted into dollars or hryvnia, as the case may be, at any particular exchange rate or at all. The official hryvnia/U.S. dollar exchange rate of the NBU was UAH 24.0007 to U.S.$1 as at 31 December 2015, UAH 15.7686 to U.S.$1 as at 31 December 2014 and UAH 7.9930 to U.S.$1 as at 31 December 2013. As of 18 January 2016, the official hryvnia/U.S. dollar exchange rate of the NBU was UAH 24.3830 to U.S.$1.

Rounding

Some numerical figures included in this Prospectus have been subject to rounding adjustments. Accordingly, numerical figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that preceded them. Unless otherwise specified, all percentages have been rounded to the nearest one-tenth of one per cent.

EXCHANGE RATES

The following table sets forth, for the periods indicated, the highest, lowest, average and period-end official rates set by the NBU, in each case for the purchase of Ukrainian hryvnia, all expressed in Ukrainian hryvnia per U.S. Dollar.

	High	Low	Average	As at 31 December in each year (unless indicated otherwise)
	(Ukrainian hryvnia per U.S. Dollar)			
2006	5.05	5.05	5.05	5.05
2007	5.05	5.05	5.05	5.05
2008	7.88	4.84	5.27	7.70
2009	8.01	7.61	7.79	7.99
2010	8.01	7.8861	7.9357	7.9617
2011	7.9899	7.9300	7.9676	7.9898
2012	7.9930	7.9840	7.9910	7.9930
2013	7.9930	7.9930	7.9930	7.9930
2014	15.8544	7.9930	11.8867	15.7686
2015	30.0102	15.7496	21.8123	24.0007
1 January 2016 to 18 January 2016	24.3830	23.2668	23.7776	-

The Bank has translated certain financial data from hryvnia into U.S. Dollars at the rates of UAH 7.9930, UAH 15.7686 and UAH 24.0007 to U.S.$1.00, the official rates set by the NBU on 31 December 2013, 31 December 2014 and 31 December 2015, respectively. These translations should not be construed as representations that Ukrainian hryvnia amounts actually represent such U.S. Dollar amounts or could be converted into U.S. Dollars at the rate indicated as of any at the dates mentioned in this Prospectus or at all. The NBU's hryvnia/dollar exchange rate reported on 18 January 2016 was UAH 24.3830 to U.S.$1.00.

FORWARD-LOOKING STATEMENTS

Certain statements included herein may constitute forward-looking statements that involve a number of risks and uncertainties. Such forward-looking statements can be identified by the use of forward-looking terminology such as "believes", "expects", "may", "are expected to", "intends", "will", "will continue", "should", "would be", "seeks", "approximately" or "anticipates" or similar expressions or the negative thereof or other variations thereof or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Prospectus and include statements regarding the Bank's intentions, beliefs or current expectations concerning, amongst other things, the Bank's results of operations, financial condition, liquidity, prospects, growth, strategies and the industry in which it operates. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future.

Noteholders should be aware that forward-looking statements are not guarantees of future performance and that the Bank's actual results of operations, financial condition and liquidity, and the development of the industry in which it operates may differ materially from those statements made in or suggested by the forward-looking statements contained in this Prospectus. In addition, even if the Bank's results of operations, financial condition and liquidity and the development of the industry in which it operates are consistent with the forward-looking statements contained in this Prospectus, those results or developments may not be indicative of results or developments in subsequent periods. Important factors that could cause those differences include, but are not limited to:

- the Bank's ability to successfully reprofile its indebtedness;
- the stability of the banking sector in Ukraine;
- the state of the Bank's retail, corporate and SME businesses;
- the quality and stability of its deposit base;
- future credit losses that the Bank may incur;
- expectations as to the impact of projects undertaken to improve cost efficiencies and enhance liquidity and revenues; and
- estimates and financial targets for increasing and diversifying the composition, as well as the quality, of the Bank's loan portfolio.

Factors that could cause actual results to differ materially from the Bank's expectations include, among other things, the following:

- overall economic and business conditions;
- the level of demand for the Bank's services;
- deposit outflows;
- competitive factors in the industries in which the Bank and its customers operate;
- changes in Government regulations and in the Government's, the NBU's policies regarding support for the banking sector in Ukraine;
- the timing, impact and other uncertainties of unrecognised guarantees and pledges, if any;
- the timing, impact and other uncertainties of unidentified related party transactions, if any;
- changes in tax requirements, including tax rate changes, new tax laws and revised tax law interpretations;
- interest rate fluctuations and other changing conditions in the capital markets;
- exchange rate fluctuations;

- economic and political changes in international markets, including governmental changes;
- hostilities and restrictions on the ability to transfer capital across borders; and
- the impact of valuation of derivatives and property and equipment.

The sections of this Prospectus entitled "*Risk Factors*" and "*The Ukrainian Banking Sector*" contain a more complete discussion of the factors that could affect the Bank's future performance and the industry in which it operates. In light of these risks, uncertainties and assumptions, the forward-looking statements described in this Prospectus may not occur.

The Bank is not obliged to, and does not undertake any obligation to, update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to the Bank or to persons acting on its behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this Prospectus.

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RISK FACTORS

Noteholders should carefully consider the risks described below as well as the other information set out in this document. The Bank's business, financial condition or results of operations could be materially adversely affected by any or all of these considerations. Additionally, some considerations may be unknown to the Bank and other considerations, currently believed to be immaterial, could turn out to be material.

Risk Factors Relating to Ukraine

***The ongoing crisis in Eastern Ukraine has had, and may continue to have, negative humanitarian, economic and political consequences for Ukraine*.**

Humanitarian consequences

Following the Euro-Maidan Revolution which led to the removal from power of President Yanukovych in February 2014, demonstrations by pro-Russian separatists and anti-Government groups took place in several major cities across eastern and southern Ukraine. Armed groups took over government buildings, seized military and other state assets and prevented the exercise of lawful government authority in parts of the Donetsk and Luhansk regions (in Ukrainian, *oblasts*). The breakdown of law and order in the affected regions prompted the Ukrainian authorities to launch anti-terrorist operations against the armed groups.

According to the United Nations, over 6,300 people have been killed and over 15,700 people wounded in Eastern Ukraine since the beginning of military operations in April 2014. The Ministry of Social Policy of Ukraine has registered more than 1.3 million internally displaced persons, or IDPs, as a result of the violence in eastern Ukraine, placing a great strain on government resources. According to the UN, 60 per cent. of IDPs are pensioners. The IDPs commonly flee their homes with very few possessions and few financial resources and thus remain constantly reliant on the assistance provided by the government, international and national humanitarian agencies and volunteers. The UN has also estimated that more than 850,000 Ukrainian have sought asylum, residence permits or other forms of legal stay in neighbouring countries due to the ongoing crisis.

The humanitarian crisis in the affected regions shows no signs of abating. Heavy civilian tolls of dead and wounded have resulted from shelling of residential areas in both Government- and terrorist-controlled areas. The fighting and shelling have caused heavy damage to civilian property and vital infrastructure, leaving civilians in highly precarious situations, often in the underground shelters and often without electricity, gas, heating water, food or medical care. Hospitals, schools and kindergartens have been hit by shelling in residential areas, including in Avdiivka, Donetsk, Horlivka, Luhansk and Mariupol. Many civilians, especially the elderly and those with movement difficulties have been trapped in conflict zones lacking the capacity, resources or assistance to leave such areas voluntarily.

According to the UN, the arbitrary detention of civilians remains a feature of the conflict. In areas controlled by the armed groups, "parallel structures" have been established and the breakdown in law and order in these areas accommodated persistent violations of the rights of civilians, including abductions, arbitrary detention, beatings and alleged torture. Access to education in conflict-affected areas has been severely curtailed. The conflict has also caused significant destruction of infrastructure and housing, leading to the almost total economic and infrastructure breakdown in some of the worst affected localities.

Increased defence costs, industrial decline and effect on the FDI

The Government's attempts to retake control of Eastern Ukraine have resulted in a significant increase in Ukraine's defence expenditure. If the conflict re-escalates, such expenditure will continue to strain the general resources of the Government and the Government's finances and negatively affect Ukraine's economy. Furthermore, the conflict has led to a significant loss of industrial production in the industrial heartland of Ukraine, with industrial output declining 31.5 per cent. in Donetsk and 42 per cent. in Luhansk regions in 2014. The conflict has also had far-reaching adverse effects on foreign direct investment in these regions in particular and Ukraine in general, as well as the Government's economic reform programmes.

Political consequences

Although an agreement calling for an immediate ceasefire was reached on 5 September 2014 between delegates from Ukraine, the Russian Federation and the OSCE as well as separatist representatives from the self-proclaimed Donetsk People's Republic and Luhansk People's Republic, the sporadic heavy fighting continued and conflict again escalated in January 2015 as the fighting intensified over the control of the Donetsk International Airport. By the end of January 2015, the ceasefire collapsed entirely with renewed fighting across the conflict zone with the armed Russian-backed separatists and Russian forces mounting a new offensive against Ukraine forces along the line of control in the Donetsk and Luhansk regions. On 12 February 2015, the Minsk Protocol, a new ceasefire agreement brokered by France and Germany with Russia's participation was agreed in Minsk by Ukrainian President Poroshenko and separatist representatives from the Donetsk and Luhansk regions. The parties agreed (amongst other things) to: a bilateral ceasefire with effect from 15 February 2015; monitoring and verification by the OSCE of the withdrawal of heavy weapons; withdrawal of illegal armed groups, military equipment, militants and mercenaries from Ukraine; a general amnesty and release of prisoners; and constitutional reforms which will grant special status to the Donetsk and Luhansk regions within Ukraine. Russian-supported armed groups operating in eastern Ukraine, supported by Russian forces, have violated the ceasefire regularly since the date of the agreement, seizing additional territory and threatening further escalation of violence.

There can be no assurance that the Minsk Protocol will lead to a long term solution to the crisis in Eastern Ukraine, which may result in a risk of a "frozen conflict" in this area, a situation in which active armed conflict has been brought to an end, but no peace treaty or other political framework resolves the conflict to the satisfaction of the combatants. Similar situations exist in other areas of former Soviet influence, including in South Ossetia and Abkhazia (separatist-controlled territories of Georgia, which were recognised by the Russian Federation as independent states, but are not recognised internationally), Nagorno-Karabakh (a region of Azerbaijan occupied by Armenia, governed by the Nagorno-Karabakh Republic, a de facto independent but internationally unrecognized state) and Trans-Dniester (the separatist region in Moldova, which proclaimed independence in 1990 with a view to joining the Russian Federation, but remains unrecognised internationally). If a "frozen conflict" situation were to occur in Eastern Ukraine, it would have a long-term military and economic effect, as well as unpredictable political consequences in Ukraine, any or all of which could have a material adverse effect on Ukraine's economy. In particular, this situation would be likely to compound the current contraction in the Ukrainian economy, discourage further inbound investment in Ukraine and increase capital flight, restrict the Government's access to the international capital markets and borrowing from multilateral organisations and put pressure upon the stability of the hryvnia, any or all of which could have a material adverse effect on Ukraine's economy which could in turn adversely impact the business of the Bank, its results of operations and financial condition.

Additionally, as at the date of this Prospectus, there is no clarity as to how the 16 September 2014 Law of Ukraine "On Special Regime of Local Self-Government in Certain Regions of Donetsk and Luhansk Oblasts" will be implemented. On 17 March 2015, the Parliament of Ukraine amended the above law to provide that the special regime for self-government in certain regions of Donetsk and Luhansk Oblasts is conditional upon successful elections of local self-government authorities in such regions. Such elections are required to be held in accordance with Ukrainian law, democratic principles and subject to certain other conditions, including, *inter alia*, withdrawal of all illegal military groups and weaponry from Ukraine. As such, any adverse political and economic consequences of the granting of special status to these regions remain unknown, as does whether the new status in the future may present a threat to Ukraine's sovereignty or territorial integrity, any or all of which could have a material adverse effect on Ukraine's economy which could in turn adversely impact the business of the Bank, its results of operations and its financial condition. See "*Recent Developments in Ukraine— Geopolitical Developments - Eastern Ukraine*".

The occupation of Crimea has created significant political and economic uncertainty in Ukraine and put further strains on Ukraine's relationship with the Russian Federation.

In late February 2014, following the Euro-Maidan Revolution which led to the removal from power of President Yanukovych, masked Russian soldiers without insignias appeared at strategic military and governmental locations across Crimea and the City of Sevastopol. On 27 February 2014 these Russian forces occupied the Crimean parliament and other government buildings, under which conditions a vote was held in the Crimean parliament replacing the lawful Crimean government with a pro-Russian regime. On 6

March 2014, the Crimean parliament, in violation of Ukrainian law, voted in favour of joining the Russian Federation and holding an all-Crimean referendum to approve this decision. Based on the reported results of the referendum that took place on 16 March 2014, the President of the Russian Federation, Mr Vladimir Putin, and representatives of the de facto government of Crimea executed an agreement on the annexation of Crimea to the Russian Federation. On 21 March 2014, Mr Putin signed legislation to annex Crimea and the City of Sevastopol to the Russian Federation.

The legitimacy and results of the referendum have been widely questioned around the world. The Ukrainian Parliament declared the referendum unconstitutional. The referendum has been declared illegitimate by many countries, including all EU members, the United States and Canada. On 15 March 2014, 13 members of the UN Security Council voted in favour of a resolution declaring the referendum invalid, however the resolution was vetoed by the Russian Federation. On 27 March 2014, a UN General Assembly resolution was adopted, which declared the referendum invalid and affirmed Ukraine's territorial integrity. On 10 April 2014, the Council of Europe also adopted a resolution condemning the Russian military aggression and annexation of Crimea as being in violation of international law.

Ukraine does not recognise the results of the illegal referendum conducted on 16 March 2014, does not recognise Crimea as a sovereign state or as part of the Russian Federation and considers Crimea to form an indivisible part of Ukraine as an autonomous region in accordance with the 2004 Constitution of Ukraine. In April 2015, the Ukrainian Parliament reaffirmed the status of Crimea as part of Ukraine's sovereign territory by adopting the Occupied Territory Law which, among other things, includes a provision that Ukraine treat Crimea as an integral part of its territory. Ukraine considers Crimea to be, as at the date of this Prospectus, under occupation by Russia. While Ukraine is committed to reaching a peaceful settlement of the Crimean crisis, currently there is no indication as to when or if the Russian occupation will end.

The occupation of Crimea may continue to adversely affect Ukraine's economic and political stability, including through its impact on the following:

- Ukraine's domestic trading market, as the loss of trade with Crimea reduces the overall volume of trade significantly;
- Ukraine's finances, as the anticipated costs of reconstruction and resettlement as well as the loss of tax revenue from the region are significant;
- the Ukrainian economy, which has lost the benefit of a large number of private and state-owned assets and property (including Sevastopol Naval Base and local oil and gas assets) in the region, with losses reportedly estimated at UAH 1,180 billion;
- Ukraine's GDP;
- reducing domestic gas supply, as Ukraine currently has no access to gas production assets located in Crimea or gas stored there, as well as oil reserves onshore and in the Black Sea; and
- Ukraine's relations with Russia, as Russia's occupation of Crimea has been a source of conflict between Russia and Ukraine since the crisis began, further complicating their relationship (see "*— Ukraine's economy has traditionally been heavily dependent on trade with Russia and certain other CIS countries and any significant prolongation of the crisis in relations with Russia, absent a material increase in financial support and long term trade with the European Union and other Western economies, would be likely to have adverse effects on the economy as well as the political stability of the country.*")

At the date of this Prospectus the occupation continues and could further strain the general resources of Ukraine and so have a material adverse effect on Ukraine's economy which could in turn adversely impact the business of the Bank, its results of operations and its financial condition. See "*Recent Developments in Ukraine—Geopolitical Developments—Crimea*".

Ukraine's economy is vulnerable to fluctuations in the global economy and is contracting.

Ukraine's economy is dependent to a large extent on the fluctuations of the global economy, in particular in relation to Ukraine's ability to rely on revenues of foreign currency from the export of goods and raw materials to counteract its dependence on foreign imports as well as its reliance on financing in the international markets.

Exports form a large part of the GDP of Ukraine, accounting for 50.9 per cent., 46.9 per cent. and 49.2 per cent. of GDP in 2012, 2013 and 2014, respectively. Ukraine's ability to export goods and raw materials is dependent on global demand and prices and therefore any decrease or fluctuations in such demand or prices may have a significant adverse effect on Ukraine's economy and finances. Exports of metals and metal products form a significant part of all exports from Ukraine (27.5, 27.8, and 28.3 in 2012, 2013 and 2014, respectively) and recent decreases in global demand and prices in this sector and in particular iron ore alone have had a significant effect on Ukraine's economy. In 2014, the export of steel and metals from Ukraine decreased by 13.1 per cent. (7 per cent. in 2013), machines and equipment by 17.1 per cent. (0.7 per cent. in 2013), chemical products by 23.8 per cent. (14.5 per cent. in 2013) and mineral products by 15.1 per cent. (2.0 per cent. in 2013). Total exports of goods and services from Ukraine decreased by 19.5 per cent. in 2014 (5.1 per cent. in 2013), while imports decreased by 26.6 per cent. (3.1 per cent. in 2013). During the January-March 2015 period, the decrease in exports of goods and services reached 32.6 per cent. on a year-on-year basis, and the decrease in imports of goods and services reached 35.6 per cent. on a year-on-year basis.

Additionally, the global economy has an important effect on Ukraine's state budget deficit and inflation levels. Domestic inflation is affected by world prices for metal products and grain as well as natural gas and oil. This causal relationship has led to significant fluctuations in the budget deficit and domestic inflation over recent years and continued pressure on global energy and food prices and prices of industrial products may lead to higher deficits and/or an increase in the levels of inflation in the future. Furthermore, inflation levels can directly impact Ukraine's state budget performance as Ukraine subsidises the cost of certain basic food items, electricity and gas and any increase in the real costs of these items would be likely to increase Ukraine's state budget expenditure and decrease its revenues.

Many of the key sectors of Ukraine's economy have contracted in recent years. In 2014, Ukraine's GDP declined by an estimated 6.8 per cent., with a similar annual rate of decline expected by the IMF for 2015. In the first quarter of 2015, Ukraine's GDP declined by 17.2 per cent. compared to the same period in 2014. (see — "*Positive developments in the economy may not be achieved if certain important economic and financial structural reforms are not made*.")

The recent volatility in the Ukrainian economic and geopolitical situation has significantly limited Ukrainian corporate borrowers' (including key clients of the Bank) access to funding in the international capital and syndicated loan markets. In 2012 and 2013 after the effects of the global financial crisis had subsided, relatively easy access to liquidity, both from within Ukraine and internationally, was a significant factor facilitating growth in Ukraine's GDP. The reduced availability of external financing for Ukrainian companies (including key clients of the Bank) in 2014 and 2015 has contributed to a decrease in industrial production (as described above), investment projects and capital expenditure generally. Any further deterioration of the current economic and geopolitical crisis may lead to a worsening of the economic and financial condition of Ukraine. Changing external or internal conditions could intensify and widen any external funding gap. Continued widening of the current account deficit or significant net capital outflows could cause the stock of international reserves to continue to fall or prompt a further devaluation of the hryvnia. Any such developments, including any prolonged unavailability of external funding and increases in world prices for goods imported to Ukraine or decreases in world prices for goods exported from Ukraine, may put pressure on the hryvnia exchange rate and may have or continue to have a material adverse effect on the economy, which could in turn adversely impact the business of the Bank, its results of operations and its financial condition.

Ukraine's Government may be unable to sustain political consensus, which may result in political instability.

Historically, a lack of political consensus in the Verkhovna Rada, or Parliament, of Ukraine has made it difficult for the government of Ukraine (the "**Government**") to secure the necessary support to implement policies intended to foster liberalisation, privatisation and financial stability. As at the date of this Prospectus, as a result of the rapid political developments in Ukraine in recent years, the procedures and rules governing the political process in Ukraine may be subject to change through the normal process of political alliance building or through constitutional amendments and decisions of the Constitutional Court of Ukraine. Recent political developments have also highlighted potential inconsistencies between the Constitution and various laws and presidential decrees. Furthermore, such developments have raised questions regarding the judicial system's independence from economic and political influences. See "*Recent Developments in Ukraine—Recent Political Developments*".

The political landscape of Ukraine remains uncertain; see "*Recent Developments in Ukraine—Recent Political Developments*". It remains to be seen if the coalition government has the political support necessary to follow the challenging policies required to address the serious issues facing Ukraine (including the constitutional reforms guaranteed by the 12 February 2015 ceasefire agreement) and to meet the IMF and other multilateral organisations' criteria for further financial support. If these criteria are not met, the Ukrainian economy would potentially lose its prime source of liquidity and would be unlikely to be able to cope with its significant debt service requirements leading to a possible sovereign default. Such a default would be likely to have very severe effects on the economy which could in turn adversely impact the business of the Bank, its results of operations and its financial condition. See "*—Changes in relations with Western governments, the EU and multinational institutions may adversely affect the development of the Ukrainian economy*; *Positive developments in the economy may not be achieved if certain important economic and financial structural reforms are not made*; and "*—The Ukrainian banking system may be vulnerable to stress due to fragmentation, undercapitalisation and a potential increase in non-performing loans, all of which could have a material adverse effect on the real economy*".

A number of additional factors could adversely affect political stability in Ukraine, including:

- lack of agreement within the factions and between individual deputies;
- disputes between factions within the parliamentary majority coalition and opposition factions on major policy issues, including Ukraine's foreign, energy policy and over the issue of the timing and implementation of closer political and economic ties with the EU;
- court action taken by opposition politicians against decrees and other actions of the President and Government; and
- court action taken by the President against parliamentary or governmental resolutions or actions.

Any continued or increased political instability due to the factors listed above or for any other reason could have a material adverse effect on the Ukrainian economy which could in turn adversely impact the business of the Bank, its results of operations and its financial condition.

Ukraine's economy has traditionally been heavily dependent on trade with Russia and certain other CIS countries and any significant prolongation of the crisis in relations with Russia, absent a material increase in financial support and long term trade with the European Union and other Western economies, would be likely to have adverse effects on the economy as well as the political stability of the country.

Ukraine's economy has traditionally been heavily dependent on trade with Russia and other Commonwealth of Independent States ("**CIS**") countries, largely because Ukraine imports a large proportion of its energy requirements, especially from Russia (or from countries that transport energy related exports through Russia), and as a result of its geographic proximity to and historical relationship with Russia. In addition, a large share of Ukraine's services receipts comprises transit charges for oil, gas and ammonia from Russia, which are delivered to the EU via Ukraine.

The Russian involvement in the conflict in Eastern Ukraine (see "*Recent Developments in Ukraine—Geopolitical Developments*") represents the culmination of the deterioration of Russian-Ukrainian relations. Russian support for the separatists has had a significant effect on the current situation in that conflict. The Government reportedly estimates that Russian activities during the conflict to date have decreased Ukraine's economic potential by 20 per cent. The export of goods and services to Russia from Ukraine declined by 33.7 per cent. in 2014 and by 61.3 per cent. in the first quarter of 2015. It is likely that Russian support for the separatists will continue for the foreseeable future, thereby improving the likelihood of resumed hostilities or at the very least a standstill whereby the separatists retain control of the disputed areas. See "*Recent Developments in Ukraine—Economy—Relationship with Russia*".

Despite Western financial support designed to cushion Ukraine from the economic effects of current events, the existing situation is currently having a material adverse effect on Ukraine's economy, and unless the situation is resolved amicably between Ukraine and Russia in the near future, is likely to continue to have an increasingly adverse effect on the Ukrainian economy which could in turn adversely impact the business of the Bank, its results of operations and its financial condition.

Large-scale economic sanctions by the EU and US against Russia over its actions in Ukraine and reciprocal sanctions by Russia against the Ukraine, EU and US may have a material adverse effect on Ukraine's economy.

As a result of the ongoing tension between Russia and Ukraine, the EU and the United States have each authorised and imposed sanctions, targeting parties responsible for pro-separatist activities in Eastern Ukraine, misuse of Ukraine state funds and human rights violations in relation to the crisis in Ukraine, including "asset-freezes" targeting these individuals imposed by the EU, the implementation of visa bans and the blocking of property and interests in property that are in the United States or that come within the possession or control of any United States person (including any foreign branch), of individuals and entities who the United States government considers to have misappropriated funds and threatened or undermined the peace, security, stability and sovereignty or territorial integrity of Ukraine. In addition, the United States has imposed sectoral sanctions targeting persons and entities operating within the defence, energy and financial sectors of the Russian economy. The United States has also restricted the provision, exportation or re-expropriation, directly or indirectly, of goods, services (except for financial services), or technology in support of exploration or production for deepwater, Arctic offshore, or shale projects that have the potential to produce oil in the Russian Federation, for entities designated on the Sectoral Sanctions Identifications List. Additionally, the US has imposed export sanctions with respect to Russia and Crimea and has suspended the issuance of US export credit and financing for economic development projects in Russia. Executive Order 13685 broadly prohibits transactions involving persons located within the "Crimea region of Ukraine", unless authorised by the US Department of the Treasury's Office of Foreign Assets Control (OFAC).

The EU also introduced a number of trade and investment restrictions on Crimea, which involve an EU ban on most new investments by EU parties relating to entities in Crimea and Sevastopol, including: acquisition, or extension of participation in ownership, or real estate or any entity located in Crimea and Sevastopol; providing financing to any entity in Crimea and Sevastopol; the creation of joint ventures in these territories or with any entity in these territories, or the provision of investment services related to such transactions. The EU also bans the direct or indirect sale, supply, transfer or export of specified key equipment and technology suited for use in the sectors of transport, telecommunications and energy, as well as the exploitation of oil, gas or mineral resources in Crimea and Sevastopol. The EU has further imposed sectorial sanctions targeting Russia including: restriction of access to the EU capital markets for five major Russian state-owned banks and six Russian defence/energy companies; suspension of services for deep water and arctic oil exploration and production and shale oil projects in Russia and a ban or authorisation requirement on supply (and related financing, technical assistance etc.) for key listed items used in the oil sector; as well as, ban on exporting dual use goods and technology for military use in Russia.

Such large-scale economic sanctions imposed on Russia by the EU and United States combined with the effect of the sharp fall in oil prices in 2014-2015 have had a negative impact on Russia's economy, which contracted by 2.0 per cent. between January and March 2015 compared with the same period in 2014. The International Monetary Fund expects the Russian economy to contract by 3.8 per cent. in 2015 and by 1.1 per cent. in 2016. A recession in Russia, as Ukraine's largest trading partner, could have a negative impact on Ukraine's export industries and economy.

In 2014, in response to the sanctions imposed on it, Russia has imposed reciprocal sanctions on the EU, US, Canada, Australia, Norway and Ukraine banning the import of various agricultural and other food products. In particular, in the period from July to August 2014, Russia introduced restrictions on imports of Ukrainian confectionery, dairy, meat, canned vegetables and other agricultural products. Ukraine estimates that restrictions introduced by Russia have, as of the date of this Prospectus, lead to a 44.5 per cent. decline in trade with Russia and further expected sanctions are anticipated to further reduce the levels of trade. For the year ended 31 December 2014, exports of goods from Ukraine to Russia decreased by 33.7 per cent. compared to the year ended 31 December 2013 due to decreases in exports of food products (decreased by 52.8 per cent.), machinery (decreased by 40.3 per. cent), articles of stone, plaster and cement (decreased by 32.0 per cent.) and metallurgical products (decreased by 30.9 per cent.). In the first quarter of 2015, exports of goods from Ukraine to Russia decreased by 61.3 per cent.

It is not yet possible to accurately predict the political and diplomatic consequences of the sanctions imposed by the EU and the United States and the reciprocal sanctions imposed by Russia in the context of the current crisis, or the potential impact of the imposition of sanctions on FDI and other inbound capital flows. It is also not possible to predict whether or to what extent the imposition of sanctions could adversely affect the market price or liquidity of Ukrainian sovereign debt. It is possible that further sanctions may be imposed on Russia by the EU and the United States in the future and that Russia may respond with retaliatory sanctions against the EU, the United States and Ukraine. Investors in the Notes should be cognizant of these risks and uncertainties at the time they invest.

Changes in relations with Western governments, the EU and multinational institutions may adversely affect the development of the Ukrainian economy.

Ukraine's relationship with governments in the EU and with multinational institutions is of great importance, particularly given the current significant reduction in trading volumes with Russia. For the year ended 31 December 2014, the EU became Ukraine's largest external trade partner, accounting for 31.5 per cent. of all Ukrainian exports. In the same period exports of Ukrainian goods to Russia decreased by 33.7 per cent. In the first quarter of 2015, the EU accounted for 34.6 per cent. of all Ukrainian exports. The perception of the EU and multinational institutions of the commitment to and nature of legislative and regulatory reform programmes in Ukraine, the improvement and continued independence of the judicial system and political developments in Ukraine could significantly impact those relations.

In addition, following recent events and statements of intention to reform on behalf of the Government, Ukraine is also currently benefitting from vital financial support from international financial institutions such as the IMF and the World Bank as well as Western nations such as the United States and Canada. Ukraine also benefits from significant practical and diplomatic support from the international community particularly in relation to events in Eastern Ukraine and Russia's involvement therein. This financial and political support is crucial to the economic and political survival of Ukraine and is built on the promises of deep-seated and systemic reform of the country's economic and political systems. See also "*Recent Developments in Ukraine - IMF and other Multilateral Assistance*".

Any negative effects on relations with Western countries and organisations as a result of internal political changes, events or failure to comply with foreign requirements would be likely to have a significant negative effect on the successful implementation of the Ukraine–European Union Association Agreement that established a political and economic association between the two parties signed on 21 March 2014 (the "**Association Agreement**") and may lead to a suspension of financial support/aid packages. On 16 September 2014, the Parliament of Ukraine ratified the Association Agreement, with bilateral implementation of free trade with the EU scheduled for 1 January 2016. Any negative change in the perceptions of Ukraine's commitment to the implementation of the Association Agreement could have a material adverse effect on trade and other economic relations (including access to financial support) with the EU and its members, which, in turn, could have a material adverse effect on the Ukrainian economy which could in turn adversely impact the business of the Bank, its results of operations and its financial condition.

The Ukrainian Government has declared a moratorium on payments on certain state and state-guaranteed debt owed to international commercial creditors and the consequences of a declaration of any such moratorium and actions which the relevant creditors may take as a result are difficult to predict.

On 19 May 2015, Parliament adopted the Law of Ukraine "On Certain Aspects of Transactions with State, State-Guaranteed Debt and Local Debt". The Law is aimed at ensuring economic security of the state, protection of public interests and interests of the state in connection with repayment and servicing of state, state-guaranteed debt and local debt. It gives a right to the Cabinet of Ministers of Ukraine to adopt a decision on suspension of payments under state foreign borrowings and state-guaranteed debt described in the schedule to the law and a right to the local council to adopt a decision on suspension of payments under relevant debt obligations described in the schedule to the law in connection with entering into transactions with such debt by means of exchange (change of terms and conditions of existing loans) and issue and sale of relevant debt obligations. Suspension of payments is introduced under each debt obligation for a period prior to execution of such transaction (transactions) and change of terms and conditions of relevant borrowing with respect to all creditors. The law became effective on 13 June 2015.

On 27 August 2015, it was announced that the Government reached an agreement in principle with the ad hoc committee of creditors on restructuring the Government's Eurobonds and state-guaranteed Eurobonds of the State Enterprise "Financing of Infrastructural Projects". See also "*Recent Developments in Ukraine - IMF and other Multilateral Assistance*".

On 12 November 2015, the Ministry of Finance of Ukraine announced the settlement of Ukraine's debt restructuring operation in respect of thirteen series of the Government's Eurobonds and state-guaranteed Eurobonds. Following the successful passing of extraordinary resolutions for each of those series of Eurobonds at bondholder meetings held on 14 October 2015, the holders of such Eurobonds who submitted valid and timely participation instructions received distributions of new Ukrainian securities on 12 November 2015 in accordance with the terms of the exchange offer. Only one series of eligible debt instruments did not participate in the exchange offer, being the U.S.$3 billion 5 per cent. notes due 20 December 2015 (the "**2015 Ukraine Bonds**"). In November 2015, the Ministry of Finance of Ukraine stated that the Government of Ukraine remained open to finding a solution with the holders of the aforesaid 2015 Ukraine Bonds. On 18 December 2015, the Cabinet of Ministers of Ukraine declared a moratorium on the payments under the 2015 Ukraine Bonds. As a result, no payment was made in respect of the 2015 Ukraine Bonds on 20 December 2015. The moratorium also applies to certain state-guaranteed loans provided to Ukravtodor and Yuzhnoye by third-party lenders.

The consequences of a declaration of any such moratorium and actions which the relevant creditors may take as a result are difficult to predict.

Official statistics and other data published by Ukrainian State authorities may not be reliable

Official statistics and other data published by Ukrainian State authorities (including the NBU and the State Statistics Service of Ukraine) may not be as complete or reliable as those of more developed countries. Official statistics and other data may also be produced on a different basis than those criteria used in more developed countries. The Bank has not independently verified such official statistics and other data, and prospective investors should be aware that any discussion of matters relating to Ukraine in this Prospectus is, therefore, subject to uncertainty due to questions regarding the completeness or reliability of such information and may not be fully in accordance with international standards. Furthermore, standards of accuracy of statistical data may vary from agency to agency and from period to period due to application of different methodologies. Since the first quarter of 2003, Ukraine has produced data in accordance with the IMF Special Data Dissemination Standard. It is possible, however, that this IMF standard has not been fully implemented or correctly applied. The existence of a sizeable unofficial or shadow economy may also affect the accuracy and reliability of statistical information. In addition, Ukraine has experienced variable rates of inflation, including periods of hyperinflation. Unless indicated otherwise, the macroeconomic data presented in this Prospectus has not been restated to reflect such inflation and, as a result, period-to-period comparisons may not be meaningful. As a result of recent events since February 2014, there has been significant additional difficulty in obtaining reliable statistical information, particularly in relation to Crimea and Eastern Ukraine. Therefore, certain statistics for 2014 may include unverifiable information or may not include any data at all from those areas of Ukraine; this may make a comparison of recent data to previous periods much less meaningful. For example, the Crimean contribution to GDP has been frozen as at February 2014 and included at that level in statistical data used throughout this Prospectus. If Crimea were to be removed from the State Budget the figures shown therein would be materially different. Prospective investors should also be aware that certain statistical information and other data contained in this Prospectus have been extracted from official governmental sources in Ukraine and were not prepared or independently verified by any person in connection with the preparation of this Prospectus. The Bank only accepts responsibility for the correct extraction and reproduction of such information.

Inability to obtain financing from external sources (or obtaining them at a significant cost) could affect Ukraine's ability to meet financing expectations in its budget.

Ukraine's domestic debt market remains illiquid and underdeveloped compared with markets in most Western countries. Accordingly, Ukraine is highly reliant on external sources for financing its state budget and is becoming more and more dependent as a consequence of the current ongoing crisis in Crimea and Eastern Ukraine. As a result of the current critical status of the Ukrainian economy, the international capital markets are shut to the sovereign as well as corporate and quasi-corporate borrowers. Accordingly, Ukraine's reliance on official creditors and multilateral organisations has increased significantly. See "*Recent Developments in Ukraine—IMF and other Multilateral Assistance*".

If Ukraine is unable to meet stringent criteria set out in the various support programmes provided by multilateral organisations such as the IMF, the World Bank and the EU, the multilateral organisations may withhold or suspend funding. In the current circumstances, a failure by official creditors and multilateral organisations to grant adequate financing would put severe pressure on Ukraine's budget and foreign exchange reserves and have a material adverse effect on the Ukrainian economy which could in turn adversely impact the business of the Bank, its results of operations and its financial condition.

Ukraine has experienced liquidity difficulties in the past and continues to be subject to a significant liquidity risk, which may be exacerbated by Ukraine's higher debt service obligations and higher cost of funding over the next several years compared to the recent past.

According to the Budget Code of Ukraine (the "**Budget Code**") the volume of total State debt and State guaranteed debt at the end of the budget period (31 December of each year) should not exceed 60 per cent. of the annual nominal gross domestic product of Ukraine. Pursuant to recent amendments to the Budget Code, if the ratio of total State debt to GDP is expected to exceed 60 per cent. as of any year end, the Government is required to apply to Parliament for approval of such excess and submit an action plan on how the ratio will be returned to the required level. On 17 September 2015, upon application of the Government of Ukraine, the Parliament of Ukraine approved the temporary excess of the aforesaid ratio and required the Government of Ukraine to submit not later than on 1 March 2016 an action plan on how the said ratio would be returned to the required level.

Ukraine's external debt service has been rising over the past several years. The amount of State external debt service payments (including principal and interest payments but excluding debt owed to the IMF by the NBU) is expected to continue to increase throughout 2015 and 2016. Additionally, while debt service on contingent liabilities is difficult to anticipate, debt guaranteed by the State is also significant. The total outstanding State debt of Ukraine as at 31 December 2014 amounted to approximately U.S.$69.8 billion (including the IMF debt owed by the NBU). Furthermore, the substantial payment obligations of some State-owned companies falling due from 2014 to 2016 (including debt repayments and payments for natural gas supplied for domestic consumption to Ukraine) are likely to exert additional pressure on Ukraine's liquidity. Furthermore, on 19 May 2015 the Parliament of Ukraine approved the Law of Ukraine "*On Amendments to the Budget Code of Ukraine*" and the Law of Ukraine "*On Certain Aspects of Transactions with State, State-Guaranteed and Local Debt*", authorising the Government of Ukraine to suspend payments to creditors on designated foreign sovereign, guaranteed by the State and local debts for the purposes of debt restructuring. The laws took effect on 31 May 2015 and 13 June 2015. It remains uncertain whether the Government of Ukraine would exercise the aforesaid authorities.

In addition to these factors, Ukraine is vulnerable to the effect of any potential increases in interest rates in the Eurozone and the United States, as and when the monetary authorities in those jurisdictions decide to pursue more restrictive monetary policies, as Ukraine's reliance on external financing to fund its current account deficit and refinance existing external debt stocks means that any such increases may result in a higher cost of funding and could put further pressure on the hryvnia.

The devaluation of the hryvnia has made foreign debt service considerably more expensive for the Government, and any failure to stabilise the currency and stop the devaluation will put significant additional pressure on Ukraine's ability to service national and international debt.

The external pressure on Ukraine's liquidity is intensified by the State's regular failure to meet its budgeted revenue targets or stay within its expenditure targets. Given the current economic and political upheaval in Ukraine, it is very likely that the budget deficit will be significant for 2015 and 2016, and, unless covered by international financial support, this is likely to put severe pressure on Ukraine's budget and foreign exchange reserves.

In addition, it should be noted that many Ukrainian companies (including key clients of the Bank) have significant levels of indebtedness and as a result of the financial crisis have and may continue to experience difficulty accessing new financing. Although private sector debt, unlike State debt, does not have a direct negative effect on the Government's foreign exchange liquidity, high levels of indebtedness of, and limited availability of new credit to, the private sector may complicate economic recovery and pose a significant risk in an already challenging economic environment.

Continued adverse changes in global or domestic political or economic conditions or in the international capital markets may place renewed pressure on Ukraine's foreign exchange reserves which would be likely to have a material adverse effect on the Ukrainian economy, which could in turn adversely impact the business of the Bank, its results of operations and its financial condition.

The downgrades of Ukraine's sovereign credit rating may negatively affect the economy.

As Ukraine's economic performance deteriorated amid the global recession and worsening domestic conditions, the ability of the state to meet its external debt obligations was increasingly being called into question. Credit default swaps on Ukrainian Government-issued Eurobonds at one stage made Ukraine's debt the most expensive sovereign debt in the world to insure. On 28 January 2014, Standard & Poor's Credit Market Services Europe Limited ("**Standard & Poor's**")[1] downgraded the long-term foreign currency sovereign credit rating of Ukraine to CCC+ (with negative outlook). According to Standard & Poor's press release, this was due primarily to the increased political instability in the country as evidenced by current events described above. On 21 February 2014, Standard & Poor's further downgraded the long-term foreign currency sovereign credit rating of Ukraine to CCC due to the substantial deterioration of the political situation. On 19 December 2014, Standard & Poor's further downgraded the rating to CCC-, citing a delay in IMF disbursements in 2014 coupled with significantly reduced foreign currency official reserves increasing the risk that the Ukrainian Government might not be able to meet its obligations. On 10 April 2015, Standard & Poor's downgraded Ukraine's long-term foreign currency sovereign credit rating from CCC- to CC. On 25 September 2015, Standard & Poor's further lowered the long-term foreign currency sovereign credit rating on Ukraine to SD (selective default) from CC, and short-term foreign currency sovereign credit rating on Ukraine to D (default) from C.

According to Standard & Poor's, following the completion of Ukraine's distressed debt exchange on 14 October 2015, Standard & Poor's decided to raise its long- and short-term foreign currency sovereign credit ratings on Ukraine to B-/B from SD/D on 19 October 2015.

On 7 February 2014, Fitch Ratings Limited ("**Fitch**")[2] downgraded the long-term foreign currency sovereign credit rating of Ukraine to CCC. According to the Fitch press release, this was due primarily to the ongoing political instability and fears over Ukraine's ability to refinance a heavy external debt repayment schedule; in addition, according to Fitch, the political uncertainty has contributed to a weakening in confidence in the UAH and in the exchange rate policy. On 13 February 2015, Fitch downgraded Ukraine's long-term foreign currency sovereign credit rating to CC from CCC. According to the Fitch press release, this was due primarily to deterioration of the sovereign's creditworthiness, increase of the fiscal deficit and escalation of the conflict in the Donetsk and Luhansk regions. On 27 August 2015, Fitch downgraded Ukraine's long-term foreign currency sovereign credit rating to C on external debt restructuring announcement of Ukraine.

On 6 October 2015, Fitch downgraded Ukraine's long-term foreign currency issuer default rating to RD (restricted default) from C, and on 18 November 2015, the rating was upgraded to CCC. According to Fitch,

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[1] Standard & Poor's is established in the European Union and registered under Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies (the "**CRA Regulation**").
[2] Fitch is established in the European Union and registered under the CRA Regulation.

reasons for the rating upgrade include, *inter alia*, that (i) Ukraine has emerged from default on commercial external debt, issuing new bonds on 12 November 2015 to holders of U.S.$15 billion in defaulted Eurobonds, and (ii) Ukraine's public debt sustainability has improved.

On 31 January 2014, Moody's Investors Service, Inc. ("**Moody's**")[3] downgraded the long-term foreign currency sovereign credit rating of Ukraine to Caa2 (with negative outlook). On 4 April 2014, Moody's further downgraded the long-term foreign currency sovereign credit rating of Ukraine to Caa3 (negative outlook). According to the Moody's press release, this decision was driven by the following factors: the escalation of Ukraine's political crisis, which led to a regime change in late February, followed by the annexation of Crimea by Russia; a risk of political instability, given upcoming presidential elections in May and the risk of early parliamentary elections later in the year, as well as a significant risk of destabilization in eastern and southern Ukraine, which have large ethnic Russian populations; Ukraine's stressed external liquidity position, in light of a continued decline in foreign-currency reserves, the withdrawal of Russian financial support and a rise in gas import prices; the decline in Ukraine's fiscal strength and an expected increase in the debt-to-GDP ratio to 55-60 per cent. by the end of 2014 (from 40.5 per cent. at year-end 2013) due to a sizable fiscal deficit, a significant GDP contraction and sharp currency depreciation. Furthermore, Moody's expressed concern that Ukraine may be required to repay its outstanding Eurobonds early. The terms and conditions of the 2015 Bonds include a covenant to maintain the debt-to-GDP ratio (state and state-guaranteed debt) below 60 per cent. Moody's based that rating on the probability of Ukraine's debt-to-GDP ratio increasing to 60 per cent. and thereby triggering an acceleration of the 2015 Bonds, which in turn could trigger a cross–default in all other Eurobonds and ultimately lead to a liquidity crisis and a payment default by Ukraine.

On 24 March 2015, Moody's downgraded Ukraine's long-term issuer and government debt ratings to Ca from Caa3 (outlook negative). The key driver of the downgrade was the likelihood of external private creditors incurring substantial losses as a result of the government's plan to restructure the majority of its outstanding Eurobonds. Also included in the restructuring is the external debt of state-guaranteed entities and selected other state-owned enterprises, and the Eurobonds issued by the capital city of Kyiv. The negative outlook reflected Moody's expectation that Ukraine's government and external debt levels would remain very high, in spite of the debt restructuring and plans to introduce reforms. Moody's also lowered Ukraine's country ceiling for long-term foreign currency debt to Caa3 from Caa2, and its country ceiling for long-term domestic currency debt and deposits to Caa2 from Caa1. Ukraine's country ceiling for foreign-currency bank deposits remained unchanged at Ca. All short-term country ceilings also remained unchanged at Not Prime (NP).

On 19 November 2015, Moody's upgraded Ukraine's Government issuer rating to Caa3 from Ca. The rating outlook was changed to stable from negative. According to Moody's, the decision to upgrade the sovereign rating of Ukraine's Government to Caa3 is based on the following key drivers: (i) settlement of the restructuring of U.S.$15 billion in privately-held Eurobonds issued or guaranteed by the Government of Ukraine, which eases Ukraine's debt-service requirements and strengthens the country's external liquidity, and (ii) progress in political and economic reform under the auspices of the IMF-led programme, supporting a rebalancing of the economy and a meaningful reduction in public and external financial deficits.

Furthermore, any downgrading of Ukraine's sovereign credit rating will likely result in a deterioration of the condition of the banking sector through an increase in borrowing costs for Ukrainian financial institutions. Any default by Ukraine on its debt obligations would be likely to have a negative effect on the ability of Ukrainian entities to raise funds as well as potentially triggering, *inter alia*, a damaging currency crisis. Such events may in turn have a material adverse effect on the business of the Bank and its results of operations and financial condition.

Positive developments in the Ukrainian economy may not be achieved if certain important economic and financial structural reforms are not made.

[3] Moody's is not established in the European Union and has not applied for registration under the CRA Regulation. However, Moody's Investors Service Ltd. (an entity which is established in the European Union and registered under the CRA Regulation) has endorsed the ratings of Moody's, in accordance with the CRA Regulation.

The negative impact of the global economic and financial downturn has been compounded by weaknesses in the Ukrainian economy. The negative trends in the Ukrainian economy may continue unless Ukraine undertakes certain important economic and financial structural reforms, including those required by the IMF as conditions to the release of funding to the country under the four-year U.S.$17.5 billion Extended Fund Facility for Ukraine approved by the IMF Executive Board on 11 March 2015 (the "**2015 EFF**"), which replaced the earlier U.S.$17 billion stand-by agreement with the IMF dated 30 April 2014 (the "**2014 SBA**").

The 2015 EFF requires, amongst other things, that Ukraine conduct a debt operation that will achieve three targets: (i) generate $15 billion in public sector financing over the program period (2015-2018); (ii) bring the public and publicly guaranteed debt/GDP ratio under 71 per cent. by 2020 and (iii) keep the budget's gross financing needs at an average of 10 per cent. of GDP (maximum of 12 per cent. annually) in the period 2019-2025. The successful restructuring of certain debt obligations of the Bank contributed toward the satisfaction of the first target described above.

The 2015 EFF is premised on implementation by Ukraine of an ambitious, deep and comprehensive economic reform program aimed at restoring macroeconomic and financial stability, achieving and sustaining fiscal and external sustainability and laying the foundation for robust medium-term growth. Specifically, policies will be geared towards:

(i) a flexible and sustainable exchange rate policy to support adjustment and a gradual restoration of adequate reserves accompanied by a prudent monetary policy aiming to bring inflation to single digits;

(ii) financial sector policies to support the rehabilitation of the Ukrainian banking system, and strengthen its ability to intermediate and support economic activity;

(iii) fiscal adjustment based on expenditure consolidation to place public finances on a sound footing and restore debt sustainability with high probability, supported also by donor financing and a debt operation that would help alleviate the debt servicing burden in the coming years; and

(iv) deep and broad structural reforms to improve Ukraine's business climate, attract sizable domestic and foreign investment, and boost Ukraine's growth potential through deregulation, governance, and state-owned enterprise reforms, including of Naftogaz.

In particular, certain critical structural reforms that may need to be implemented or continued include: (i) further reform of the Ukrainian tax legislation (including the development and approval of legislation implementing the Tax Code as defined below) with a view to broadening the tax base by bringing a substantial portion of the shadow economy into the reporting economy; (ii) reform of the energy sector through the introduction of uniform market-based energy prices and improvement in collection rates (and, consequently, the elimination of the persistent deficits in that sector); and (iii) reform of social benefits and pensions.

If Ukraine is unable to meet the conditions under the 2015 EFF, the IMF and other multilateral organisations may withhold or suspend their funding. A failure by official creditors and multilateral organisations such as the EBRD, the World Bank or the IMF to grant adequate financing combined with any inability to access the international capital markets and syndicated loan markets will put pressure on Ukraine's budget and foreign exchange reserves.

If the political initiatives necessary to achieve these reforms or any other reforms do not continue, are reversed or fail to achieve their intended aims, then Ukraine's economy may suffer. Rejection or reversal of reform policies favouring privatisation, industrial restructuring and administrative reform may have negative effects on the Ukrainian economy which could in turn adversely impact the business of the Bank, its results of operations and its financial condition.

Ukraine's achievement of the above targets is subject to exceptional risks, especially those arising from the conflict in Eastern Ukraine, which may affect Ukraine's ability to sustain the stabilisation efforts and deliver the structural overhaul needed to resume growth. Other factors, which may heavily impact the current macro-economic framework for Ukraine include:

- potential social resistance to austerity measures;
- economic recovery proving more difficult than initially expected;
- real exchange rate shocks;
- a larger than expected financial burden emanating from either the banking and/or the energy sectors;
- crisis of confidence in the banking system; and
- external factors.

Any of the above events would in turn adversely impact the business of the Bank, its results of operations and its financial condition.

The Ukrainian banking system may be vulnerable to stress due to fragmentation, undercapitalisation and a potential increase in non-performing loans, all of which could have a material adverse effect on the real economy.

The recent global financial crisis led to the collapse or bailout of some Ukrainian banks and to significant liquidity constraints for others. The floating of the hryvnia which commenced in February 2014 puts additional strain on the Ukrainian banking system, as the high dollarisation in the Ukrainian financial system could contribute to a worsening in bank asset quality. Non-performing loans are another factor affecting the asset quality of Ukrainian banks. See "*The Ukrainian Banking Sector*". A failure by the government and the NBU to address this situation sufficiently will put significant additional pressure on the Ukrainian banking system as a whole, including the Bank.

The fragile condition of the Ukrainian banking system has also been the main factor in restricting the availability of domestic credit required by domestic businesses to continue to grow their operations. Troubled domestic banks are in many cases unwilling or unable to lend to domestic businesses in need of renewed or increased funding. A continuing stagnation of credit conditions within Ukraine, resulting from bank profitability remaining low and the anticipated recovery being slow to materialise, is likely to continue to have a negative effect on Ukraine's GDP growth. Furthermore, increased domestic borrowing by the Government is likely to reduce the availability of domestic credit for Ukrainian businesses, exacerbating the effect on GDP levels. In addition, the recent significant depreciation of the hryvnia is likely to have a material adverse effect on the balance sheet of the banking system, including the Bank.

Other recent factors which have had exacerbated the weak position of the Ukrainian banking sector include (i) significant outflows of deposits from accounts held with Ukrainian banks in recent months; (ii) the effect on the banking sector of the loss of income and branches in Crimea following the occupation; and (iii) the effect on revenues and banking business as a result of the disturbances in Eastern Ukraine.

Failure by the Government to implement reforms required for future funding from the IMF may call into question future drawdowns under the 2015 EFF, which would be likely to also have a material adverse effect on the Ukrainian economy, and the Ukrainian banking sector would remain fragile and highly susceptible to external shocks.

Further insolvencies of Ukrainian banks, increased liquidity constraints, growth in the proportion of "high risk" and "default" loans, the need for the Government to inject more capital into the banking system and the failure to adopt and implement a system of banking regulation that achieves an increased degree of soundness and stability in the nation's banks could all have a material adverse effect on the Ukrainian economy.

The Ukrainian currency is subject to volatility and depreciation.

As a result of the high dollarisation of the Ukrainian economy and the reliance of Ukrainian borrowers on external markets, Ukraine has become increasingly exposed to the risk of the hryvnia exchange rate fluctuations. As at 31 December 2013, immediately prior to the Euro-Maidan Revolution, the NBU official UAH/ U.S.$ exchange rate was pegged at UAH 7.9930 per 1.00 U.S. Dollar. In February 2014 the NBU allowed the exchange rate to float, and as at 31 December 2014, the NBU official UAH/U.S.$ exchange rate was UAH 15.7686 per 1.00 U.S. Dollar. As of 14 December 2015, the NBU official UAH/U.S.$ exchange rate was UAH 23.8601 per 1.00 U.S. Dollar. See also "*Recent Developments in Ukraine —Currency Depreciation*".

The NBU has recently modified its discount rate to stabilise the currency. Any abnormally high discount rate of the NBU may lead to lower liquidity and instability of the money markets, volatility in the local financial system, an increase in borrowing costs, deterioration in corporate creditworthiness and consumer confidence, as well as other negative impacts on the economic environment.

Government borrowing in the international markets has increased markedly over the last several years. The increases in both external debt and U.S. dollar and euro-denominated domestic debt, as well as the declining level of Ukrainian foreign exchange reserves, expose the Government to heightened foreign exchange risk.

Expected future beneficial effects of the flexible exchange rate regime may not occur, or interim support for banks to protect themselves from this depreciation may not have the desired effect. In addition, the current depreciation may affect the Government's ability to continue to service its external debt if support from the international community is not sufficiently extensive. Any attempt to restructure or refinance such external debt would also be made more difficult by the increased size of the debt and the larger number of lenders and sources of credit involved. While the NBU has started preparations to adopt inflation targeting, the ability of the NBU to stabilise the currency is dependent on many factors (including political stability and the crisis in Eastern Ukraine) which cannot be predicted with any degree of certainty.

It is possible that the current crisis in Ukraine may put pressure on the UAH exchange rate to the extent that the population loses confidence in the local currency and seeks to acquire foreign currencies as a hedge against political and economic risk.

Any failure to stabilise current currency fluctuations and to rebuild the value of the hryvnia to a viable level may negatively affect the Ukrainian economy in general which could in turn adversely impact the business of the Bank, its results of operations and its financial condition.

Recent currency control restrictions may negatively impact Ukrainian entities.

During 2014 and 2015, the NBU has introduced a number of currency control restrictions aimed at stabilising the foreign exchange market and preventing foreign currency outflow from Ukraine.

In August 2014, the NBU increased the share of foreign currency proceeds subject to compulsory sale by legal entities and individual entrepreneurs (excluding banks and certain other entities) from 50 per cent. to 100 per cent. Subsequently, in September 2014 this requirement was decreased to 75 per cent. The period of its effectiveness was extended several times with the most recent extension being until 4 March 2016. Notwithstanding the temporary nature of the mandatory sale requirement, given its regular extensions in the past, there can be no assurance that the NBU will not extend the period of effectiveness of this requirement beyond the current date of its expiration.

Starting from 23 September 2014, the NBU has introduced a temporary restriction on cross-border payments of dividends by Ukrainian, currently expressed to expire on 4 March 2016. Further restrictions on the payment of dividends to foreign shareholders may be applied in the future, particularly in the light of the current shortage of foreign currency in Ukraine. It is not possible to predict the nature of such additional restrictions, but there can be no assurance that they would not affect the ability of Ukrainian entities to remit funds to foreign affiliates or shareholders, which may have an adverse effect on their ability to effectively meet their obligations or conduct their operations.

Additionally, in February 2015, the NBU adopted a resolution which, with some exceptions, imposed restrictions on advance import payments and prohibited purchase of foreign currency with borrowed funds. Importers which structured their operations through borrowing in UAH and purchasing foreign currency to make payments under their import contracts and then repaying the UAH loan with goods sale proceeds in Ukraine will currently not be able to use this structure. As a result, importers relying on such structures will now become subject to currency risk.

Such NBU restrictions may make it more difficult for Ukrainian corporations (including key clients of the Bank) to obtain necessary financing and conduct their operations, which could lead to a decline in their credit quality and in turn adversely impact the business of the Bank, its results of operations and its financial condition.

The Ukrainian tax system is undeveloped and subject to frequent change, which may create an uncertain environment for investment and business activity.

Historically, Ukraine has had a number of laws related to various taxes imposed by both central and regional governmental authorities. These taxes include value added tax, corporate income tax (profits tax), personal income tax, customs duties and payroll (social) taxes. The tax legislation in Ukraine is not always clearly written or explained and is subject to the interpretation of the tax authorities and other government bodies. Unlike the tax laws of more developed market economies, Ukraine's tax laws have not been in force for a significant period of time, often resulting in unclear or non-existent implementing regulations. See also "*Recent Developments in Ukraine —Tax*".

Although the Tax Code (as defined below) was viewed by the Government as substantial progress in the implementation of the tax reform aimed at modernising and simplifying the Ukrainian tax system, the Tax Code attracted wide public criticism and protests from private entrepreneurs throughout Ukraine. The Tax Code was significantly amended by Parliament on 28 December 2014 (the majority of such amendments becoming effective on 1 January 2015) as a part of the tax reforms announced by the Government. The amendments provide for a decrease in the total number of taxes from 22 to 11, some increases in personal income tax rates, significantly revise the corporate income tax calculation rules and broaden the tax base of certain taxes.

Differing opinions regarding legal interpretations often exist among and within governmental ministries and organisations, including tax authorities, creating uncertainties and areas of conflict in relation to taxation. Tax declarations or returns, together with other matters of legal compliance (for example, customs and currency control matters), are subject to review and investigation by a number of authorities, which may impose fines, penalties and interest charges for non-compliance. These circumstances generally create tax risks in Ukraine that are more significant than those typically found in countries with more developed tax systems. Generally, the Ukrainian tax authorities may only re-assess tax liabilities of taxpayers within three years after the filing of the relevant tax declarations. Re-assessment of tax liabilities in connection with violation of transfer pricing rules may be carried out within seven years.

The Ukrainian transfer pricing rules were significantly amended with effect from September 1, 2013, and established new methods and procedures for determining arm's length prices, based on Transfer Pricing Guidelines of Organization for Economic Cooperation and Development, introduced the significant reporting obligations and additional compliance burdens in order to facilitate implementation of the rules by tax authorities. Ukrainian transfer pricing rules apply to a wide range of cross-border transactions, most typically regulating pricing for goods and services sold or purchased to or from related parties and, in certain cases, unrelated parties. Further, effective as of January 1, 2015, the transfer pricing rules envisaged by the Tax Code of Ukraine were amended, in particular with regard to the list of transactions which are subject to transfer pricing regulation. Based on taxpayer's reporting, as well as their own monitoring and tax audits, the Ukrainian tax authorities can make transfer pricing adjustments and impose additional tax liabilities in respect of transactions subject to transfer pricing regulations if the conditions of such transactions are not at the arm's length. Since the practice of implementation of the new transfer pricing rules has not been yet developed, the legal implications on the transfer pricing rules application to some of the transactions of the Bank cannot be reliably estimated.

The Bank believes that its interpretation of relevant tax legislation is appropriate and that the Bank has complied with all regulations and paid or accrued all taxes and withholdings that are applicable. However, if the Bank is incorrect in this belief, the Bank could be liable to pay taxes and penalties, which could adversely impact the business of the Bank, its results of operations and its financial condition.

These factors negatively impact the predictability of Ukraine's taxation system and therefore have an adverse effect on business activity, reducing the attractiveness of the national economy for foreign investors.

Risks Relating to the Bank

The Bank may be unable to comply with all NBU and other regulatory ratios.

The Bank, in line with other systemically important banks in Ukraine, has recently experienced an unprecedented combination of adverse factors, which has resulted in a sharp decline in the credit quality of its loan portfolio and consequently a substantial increase in its loan loss provisions. In addition, due to changes in the regulatory environment, the Bank was unable to eliminate its exposure to losses resulting from depreciation in the foreign exchange rate of the hryvnia. These two factors have resulted in realised and unrealised losses, and consequently adversely affected a number of key financial ratios, of the Bank.

The Bank's capital adequacy ratio calculated in accordance with the Basel Capital Accord 1988 and IFRS declined from 24.69 per cent. as of 31 December 2013 to 18.57 per cent. as of 31 December 2014 and 9.23 per cent. as of 30 June 2015. Between 31 December 2014 and the date of this Prospectus, certain of the Bank's financial ratios have fluctuated substantially.

In the light of challenges the banking system in Ukraine is experiencing, the NBU has temporarily waived any sanctions or other regulatory consequences of non-compliance with certain reported financial ratios. In addition, in accordance with the current IMF Memorandum of Economic and Financial Policies and subsequent IMF report, solvent banks are allowed to meet the minimum capital adequacy ratio of 5 per cent. as of the end of January 2016 and gradually reach 10 per cent. no later than the end of December 2018 (for these purposes, the NBU has required the banks to present credible recapitalisation plans and specific plans for asset deleveraging). Additionally, as of 11 January 2016, which was the last date prior to the date of this Prospectus when the relevant regulatory filing was made with the NBU, the Bank was compliant with NBU requirements on capital adequacy ratios. However, any failure by the Bank to maintain to comply with the applicable capital adequacy ratios may cause the NBU to impose certain sanction on the Bank (including the revocation of its banking license), which would have an adverse impact on the Bank, its results of operations and financial condition.

Developments in Crimea and eastern Ukraine have significantly affected and may continue to affect the Bank.

In response to geopolitical developments in Crimea and parts of Eastern Ukraine, the Bank has closed branches and outlets in these regions. There is substantial uncertainty about the ability of the Bank to enforce and collect loans made to customers in such region in the future. See "*Recent Developments in Ukraine – Geopolitical Developments*". While the Bank does not believe that the closure of these branches has itself had a material adverse effect on its operations, the negative effects of these geopolitical developments on the infrastructure and economy of Ukraine and on key clients of the Bank located in the disputed regions have been severe, which has in turn had material adverse effect on the Bank's financial condition. See "*—The ongoing crisis in Eastern Ukraine has had, and may continue to have, negative humanitarian, economic and political consequences for Ukraine*" and "*—The occupation of Crimea has created significant political and economic uncertainty in Ukraine and put further strains on Ukraine's relationship with the Russian Federation*".

There is no assurance that the Bank will not incur further costs or liabilities with respect to these events or potential further actions by Russian or Ukrainian authorities or other armed combatants in the disputed regions. Although the signing of the 12 February 2015 ceasefire agreement had positive effects on the Bank's activities in the eastern regions controlled by Ukraine (i.e. increase in the number of clients and banking services), the Bank may experience further disruptions to its operations in these regions or may have to restrict or close more or all of its operations in all or some of those regions, should the geopolitical situation deteriorate or large-scale hostilities resume. Additionally, any such hostilities could continue to have an indirect effect on the Bank's operations through the destruction of infrastructure and industry, negative effects on clients of the Bank and a further decline in the level of foreign investment in Ukraine. Such events would have material adverse effect on the operations and financial condition of the Bank.

The quality of the Bank's loan portfolio has deteriorated and may suffer further deterioration.

Since the beginning of 2014, the Bank has experienced substantial deterioration in the quality of its loan portfolio. The allowance for loan impairment as a percentage of total gross loans increased to 25.5 per cent. as at 31 December 2014 from 18.8 per cent. as at 31 December 2013 and further increased to 35.3 per cent. as of 30 June 2015.

Unless there is a material improvement in Ukraine's political and economic situation, the deterioration is likely to continue further.

Any further deterioration in the quality of the Bank's loan portfolio may have material adverse effect on the operations and financial condition of the Bank.

The Bank is facing substantial liquidity risks.

The access of Ukrainian banks (including the Bank) to foreign capital markets has been severely restricted as foreign investors have significantly reduced their exposure to Ukraine. Furthermore, with the onset of the crisis, liquidity in the Ukrainian interbank market has substantially decreased. As a result, the Bank's ability to manage its liquidity in foreign currency has been substantially restricted. In addition it should be noted that following the Minister of Finance's announcement of 13 March 2015 that the international debt of quasi-sovereign institutions will be subject to potential restructuring, the Bank's access to new international financing has practically been closed.

Cash and cash equivalents held by the Bank decreased to UAH 4,532,863 thousand as at 31 December 2014 and increased to UAH 4,907,855 thousand as at 30 June 2015 from UAH 4,816,954 thousand as at 31 December 2013. However, the Bank is suffering from an outflow of customer deposits denominated in U.S. dollars. Individual term deposits denominated in U.S.$ decreased by approximately U.S.$206 million to U.S.$555 million as at 31 December 2014 and U.S.$525 million as at 30 June 2015 compared to U.S.$760 million as at 31 December 2013 (each in U.S. dollar equivalent). The outflows continue at a substantial rate despite the imposition of UAH 15,000 daily withdrawal limit on foreign currency deposits in February 2014.

Furthermore, the Bank may also be exposed to maturity mismatches between its assets and liabilities (including currency mismatch), which have been aggregated by mass withdrawals which affected the Ukrainian banking system as a whole since the beginning of 2014 despite withdrawal restrictions imposed by the NBU, which may lead to a lack of liquidity at certain times.

As a result of the aforementioned developments that restricted the banks' liquidity and the recent economic and political developments in Ukraine, many banking institutions in Ukraine have become substantially dependent on the NBU's Liquidity Support Programme. As at 30 June 2015, the total indebtedness of the Bank under NBU refinancing loans, which includes loans received by the Bank from the NBU and collateralised with, among others, the Bank's loans to Naftogaz, was UAH 18,506,756 thousand. Failure by the Bank to secure renewal or extension of these loans or imposition of restrictions on availability of the support from the NBU could have a negative effect on the Bank's business and its results of operations and financial condition.

The Bank is exposed to exchange rate risk.

As at 31 December 2014, 44.5 per cent. and as at 30 June 2015 52.7 per cent. of the Bank's total liabilities were denominated in foreign currency. The hryvnia/U.S. dollar official exchange rate of the NBU increased to UAH 15.7686 to U.S.$1 as at 31 December 2014 and UAH 21.0154 to U.S.$1 as at 30 June 2015 from UAH 7.9930 to U.S.$1 as at 31 December 2013.

As a result of the devaluation in the currency, the liabilities of the Bank denominated in foreign currency have substantially increased in terms of Ukrainian hryvnia. The fluctuations in the hryvnia/U.S. dollar exchange rate also have a substantial effect on the Bank's compliance with the applicable capital adequacy ratios. See "*—The Bank may be unable to comply with all NBU and other regulatory ratios*".

Furthermore, devaluation also had substantial negative impact on some of the Bank's customers and contributed to the deterioration in defaults in the Bank's loan portfolio.

In addition, the NBU currently restricts Ukrainian banks from entering into forward foreign exchange contracts with international counterparties. This limits the Bank's ability to conduct foreign exchange hedging operations, and as a result Ukrainian banks manage their foreign exchange exposures by matching assets and liabilities in each currency. Should substantial new currency regulations be introduced, or the currency regulations remain subject to frequent change or uncertain application, it may affect the Bank's ability to manage its liquidity and currency risks. See "*Recent Developments in Ukraine – Currency Depreciation*" and "*—The Ukrainian currency is subject to volatility and depreciation*" above.

Any further fluctuations in foreign exchange rates or regulations relating thereto may have a material adverse effect on the Bank's business, results of operations, financial condition and prospects.

The Bank may fail to comply with certain covenants in its financing agreements.

The Bank is subject to certain capital adequacy requirements in accordance with the applicable provisions of Ukrainian law and regulations of the NBU. See "*—The Bank may be unable to comply with all NBU and other regulatory ratios*" above. Non-compliance with such capital adequacy requirements may cause the Bank to be in breach of covenants under certain of its financing agreements, including the Amended and Restated Loan Agreements. Breach of such covenants may entitle the lenders under the relevant loan agreements to cancel commitments under such loan agreements, suspend any further disbursement and/or to declare any amounts outstanding under such loan agreements to be immediately payable.

Certain of the loan agreements to which the Bank is a party also contain covenants that require the Bank (in the event its ratings have declined below certain specified level) to comply with higher capital adequacy ratios than those imposed by the NBU. There can be no assurance that the relevant lenders will consent to any required waivers or amendments for any such breaches of covenants.

As a result, non-compliance of the Bank with applicable capital adequacy ratio or other covenants in its financing agreements or its failure to obtain relevant waivers in respect thereof may have a material adverse effect on the Bank's business, results of operations, financial condition and prospects.

There can be no assurance that the Bank will be recapitalised by its shareholder.

The Bank's shareholder has no contractual or other obligation to make any capital contribution to the Bank or to otherwise advance any form of financing to the Bank. Unless the terms of the relevant indebtedness expressly so provide, neither Ukraine nor any governmental institution of Ukraine guarantee any indebtedness of the Bank. Accordingly, Noteholders have no recourse against Ukraine or any governmental institution of Ukraine.

Failure by the Bank to obtain further capital, whether by engaging in transactions with its shareholder or otherwise, may have a material adverse effect on the Bank's business, results of operations, financial condition and prospects.

Changes to the State ownership of the Bank and the State guarantee of retail deposits in the Bank

The Bank is currently the only financial institution in Ukraine which benefits from a State-backed, full guarantee to individual customers of their deposits. This State guarantee makes the Bank attractive to individual customers for their deposits. Should the State cease to be a 100 per cent. shareholder in the Bank, the Bank may lose the benefit of the State guarantee which applies to its retail deposits. Such withdrawal of the State guarantee may have a negative impact on the way in which retail customers regard the Bank, leading to a possible decrease in retail deposits or making it difficult to attract new retail deposits, factors which may in turn have a negative impact on the Bank's liquidity and funding position.

Substantial levels of concentration in the Bank's current accounts and loan portfolio.

There is a high level of concentration in both the Bank's current accounts and in its lending portfolio. See Note 29 and Note 34 to the annual consolidated financial statements of the Bank for the year ended 31 December 2014, and Note 28 and Note 33 to the audited interim condensed consolidated financial statements of the Bank for the six months ended 30 June 2015.

As at 30 June 2015, the aggregate amount of deposits from the Bank's ten largest customers was UAH 14,806,739 thousand, or 21 per cent. of the Bank's total deposits, compared to UAH 8,665,071 thousand, or 15 per cent. of the Bank's total deposits, as at 31 December 2014 and to UAH 5,971,806 thousand, or 13 per cent. of total deposits as at 31 December 2013. At the same time, the level of concentration in the Bank's lending portfolio remains high. As at 30 June 2015, the aggregate amount of loans provided to the ten largest borrowers or groups of borrowers was UAH 57,246,017 thousand, or 57 per cent. of the Bank's total gross loan portfolio, compared to UAH 54,249,325 thousand, or 58 per cent. of the Bank's total gross loan portfolio, as at 31 December 2014 and to UAH 37,137,940 thousand, or 58 per cent. of the Bank's total gross loan portfolio, as at 31 December 2013. These amounts included loans to Naftogaz in the aggregate gross amount of UAH 15,199,315 thousand, or 15.1 per cent. of total gross loan portfolio, as at 30 June 2015, compared to UAH 15,104,192 thousand, or 16.0 per cent. of total gross loan portfolio, as at 31 December 2014 and to UAH 15,261,700 thousand, or 23.7 per cent. of total gross loan portfolio, as at 31 December

2013. Accordingly, even discounting the exposure to Naftogaz, the Bank's exposure to the rest of the ten largest borrowers comprises 44.1 per cent. of the gross loan portfolio as at 30 June 2015. Furthermore, the Bank's loan portfolio shows a concentration in certain industry sectors with two groups of energy companies and two State-related entities being among the top ten borrowers as at 30 June 2015.

In view of the significant lending to Naftogaz as part of the State financing programme, the NBU, by special decision, raised the Bank's permitted maximum single customer concentration exposure threshold in respect of Naftogaz to a level in excess of that which is generally applicable to all Ukrainian banks (20 per cent. of the regulatory capital of a bank for specialised banks and 25 per cent. of the regulatory capital of a bank for other banks) and exempted the Bank from the requirement to make provisions with respect to lending to Naftogaz as required by Ukrainian Accounting Standards ("**UAS**"). The Bank chose not to rely on such provision exemption and has made provisions for Naftogaz in order to bring the level of its statutory impairment reserves under UAS in statutory accounts and under IFRS in financial statements. As at 30 June 2015, such IFRS provisions stood at UAH 2,811,873 thousand which comprised 18.5 per cent. of the entire gross exposure to Naftogaz as at 30 June 2015. The Bank's compliance with the above individual ratio is monitored by the NBU on a daily basis.

The Bank is currently unlikely to be able to significantly diversify its loan portfolio by lending to new customers due to the decrease in the number of potential borrowers with a high level of creditworthiness as a result of the impact of the global financial crisis and the political and military crisis in Ukraine since 2014 discussed above in these risk factors. In adverse economic conditions and in an uncertain political environment, the high levels of concentration in the Bank's customer deposits and in the Bank's loan portfolio (even disregarding exposure to Naftogaz) may have a material adverse effect on the Bank's business, results of operations, financial condition and prospects.

Exposure to Naftogaz

In 2008, the liquidity position of Naftogaz, one of Ukraine's largest and most strategically important companies, was severely diminished by an increase in gas supply prices and a reduction in revenues. As a result, Naftogaz required substantial financing in order to secure sufficient gas supplies from Russia during the winter of 2008-2009. At the time, the State was unable to assist Naftogaz directly by providing financial support, due to constraints in the budget and external financings limiting the ability of the State to provide such support, and so the then management of the Bank worked with Naftogaz, the State and the NBU to provide financial support to Naftogaz on terms agreeable to the Bank. Most of such financing was provided by the Bank through direct loans or under reverse repurchase transactions between the Bank and Naftogaz in respect of Ukrainian Government debt securities (treasury bills) held by Naftogaz, which was in part supported by capital injections by the State into the Bank of UAH 11,770,000 thousand and additional loan financing from the NBU. See "- *The Bank relies on maintaining good relations with its shareholder and related party transactions*" below.

As at 30 June 2015, the gross amounts of the Bank's outstanding loans to Naftogaz was UAH 15,199,315 thousand, comprising 15.1 per cent. of the Bank's gross loan portfolio. This makes Naftogaz the largest borrower of the Bank at the date of this Prospectus. The interest income attributable to the Bank's financing of Naftogaz amounted to UAH 1,486,710 thousand for the six months ended 30 June 2015 (being 17.2 per cent. of the Bank's total interest income as at that date), UAH 2,027,691 thousand for the year ended 31 December 2014 (being 14.8 per cent. of the Bank's total interest income as at that date) and UAH 2,442,283 thousand for the year ended 31 December 2013 (being 21.8 per cent. of the Bank's total interest income as at that date).

As at 11 February 2015, Fitch affirmed the long-term credit rating of Naftogaz of CCC. Net loss of Naftogaz amounted to UAH 85 billion as at 31 December 2014 compared to UAH 19 billion net loss as at 31 December 2013.

Naftogaz is exposed to risks related to the decline in relations between Ukraine and Russia over the last several years. In June 2014, Russia's state oil and gas company, Gazprom, brought arbitration proceedings against Naftogaz, to collect an alleged unpaid debt for natural gas and accrued interest amounting to over U.S.$4.5 billion. Naftogaz has filed its own arbitration proceedings against Gazprom in June and October 2014 to oblige Gazprom to pay a compensation of U.S.$3.2 billion (U.S.$6.2 billion including related interest) to Naftogaz for alleged failure to provide gas for transit. . In the course of 2015, each of Gazprom and Naftogaz has increased the amount of its claim. Arbitration proceedings in respect of these matters between Gazprom and Naftogaz remain pending, with hearings scheduled to commence in Stockholm in early 2016.

Given the size of the Bank's exposure to Naftogaz, any reduction in exposure due to early repayment of loans by Naftogaz may materially impact the Bank's interest income, and the Bank may be unable to apply all of the proceeds towards the repayment of NBU financing on the commercial terms which are as attractive as the terms of the existing Naftogaz loans. If such proceeds cannot be reinvested quickly, this may have an adverse effect on the Bank's business, financial condition and results of operations.

The Bank is dependent on key management and qualified personnel.

The Bank is dependent on members of its Board for the implementation of its strategy. Moreover, the Bank's continued success will depend, in part, on its ability to continue to retain, motivate and attract, in cases where needed, qualified and experienced personnel. Competition in the Ukrainian banking sector for such personnel is considerable, and attracting qualified personnel from outside of Ukraine has been rendered increasingly difficult by the recent conflicts in Ukraine described elsewhere in these risk factors. While the Bank believes it has effective staff recruitment, training and incentive programmes in place, a failure to recruit, train and/or retain necessary personnel could have a material adverse effect on the Bank's business, results of operations, financial condition and prospects.

The Bank relies on maintaining good relations with its shareholder and related party transactions.

As a state-owned Bank, all the issued share capital of the Bank is currently owned by the State of Ukraine and controlled by the Government. Moreover, the Charter of the Bank lists among its objectives, in addition to the Bank's purely commercial aims, the furtherance of some wider, macroeconomic goals.

According to the Bank's Charter and relevant Ukrainian legislation, the Bank has been constituted as an autonomous entity, and is fully independent of the State in making of day-to-day decisions and performance of its normal business activities. The Government exercises its rights as sole shareholder through the Bank's Supervisory Council, which determines priority areas, strategy and objectives of the Bank to protect the interest of the State, as the Bank's sole shareholder. Accordingly, while the State has respected the Bank's operational independence, the strategies of the Bank are also closely aligned with the State's priorities, such as improving energy efficiency of Ukrainian enterprises. There can be no assurance that the coalition government formed in 2014 or any future government will continue to respect the Bank's operational independence.

All State-related entities are considered as related parties of the Bank. The Bank has many State-related entities among its customers and provides banking services and loan financing for such clients on the same commercial terms and conditions applicable to its private corporate clients. As at 30 June 2015, gross loans to State-related entities comprised 26.3 per cent. of the Bank's gross loan portfolio (equivalent to UAH 26,426,468 thousand) compared to 33.4 per cent. as at 31 December 2014 (equivalent to UAH 31,477,253 thousand) and to 37.1 per cent. as at 31 December 2013 (equivalent of UAH 23,858,640 thousand) (in each case, including Naftogaz).

From time to time, certain transactions have been entered into by the Bank taking into account priorities of the Ukrainian Government or its agencies. For this reason, the Bank may have extended financing to financially fragile borrowers (including, as the case may be, certain State and municipal enterprises) which it would not have done had decision-making been based on purely commercial criteria, including the Bank's own consideration of the relevant business risks and benefits. Such transactions, including transactions that may not be in the interests of the Noteholders, may be entered into in the future. For example, when the liquidity position of Naftogaz was severely affected by rising gas import prices and reduced revenues following the onset of the global financial crisis, the Bank implemented an extensive financing programme for Naftogaz in December 2008 due to the fact that no other sources of funding were available for Naftogaz at that time and taking into account the strategic importance of Naftogaz to Ukraine's economy. See "*Exposure to Naftogaz*" above. There can be no assurance that the Bank will not enter into similar transactions in relation to the ongoing Ukrainian economic crisis or the 2015 EFF.

The Bank's second largest exposure to a State-related entity represented 3.2 per cent. of the Bank's gross loan portfolio, and the Bank's third largest exposure represented 1.6 per cent. of the Bank's gross loan portfolio. All of the loans to the other State-related entities comprised 6.4 per cent. of the Bank's gross loan portfolio as at 30 June 2015. See "*Substantial levels of concentration in the Bank's current accounts and loan portfolio*" above.

There can be no assurance that possible changes in Ukrainian legislation would not create conflicts with the Government. Any such conflicts could impact the profitability of the Bank and have a material adverse effect on the Bank's business, results of operations, financial condition and prospects.

Interest rates to which the Bank is exposed may be volatile.

In the last few years, the Bank's results of operations have depended to a great extent on its net interest income/(expense). Net interest income/(expense) (after provisions for impairment of interest earning assets) represents a significant portion of the Bank's operating profit/(loss). In the year ending 31 December 2014, net interest income declined by 241.4 per cent. to net interest expense of UAH 4,344,103 thousand from net interest income of UAH 3,073,268 thousand for the same period in 2013. Net interest expense was UAH 5,503,992 thousand in the six month period ending 30 June 2015.

The Bank's high dependence on net interest income may challenge the stability of its earnings. Fluctuations in interest rates could adversely affect the Bank's net interest income in a number of different ways. An increase in interest rates may generally decrease the value of the Bank's fixed rate loans and raise the Bank's funding costs. Such an increase could also generally decrease the value of fixed rate debt securities in the Bank's securities portfolio. In addition, an increase in interest rates may increase the risk of customer default, while general volatility in interest rates may result in a gap between the Bank's interest-rate sensitive assets and liabilities. As a result, the Bank may incur additional costs and expose itself to other risks by adjusting such asset and liability positions. Interest rates are highly sensitive to many factors beyond the Bank's control, including the reserve policies of the NBU, domestic and international economic and political conditions and other factors. There can be no assurance that the Bank will be able to protect itself from the negative effects of future interest rate fluctuations. Further changes in market interest rates could affect the interest rates earned on interest-earning assets differently, leading to a reduction in the Bank's net interest income and having a material adverse effect on its business, results of operations, financial condition and prospects.

There is a risk of further instability of the Ukrainian banking sector.

The banking sector in Ukraine has in recent years suffered from mass withdrawals, currency depreciation, lack of access to international capital markets and other effects due to the decline in Ukraine's economy, which has led to many Ukrainian banks being put into administration or liquidated. In July 2015, the capital adequacy ratio of the Ukrainian banking system as a whole was 8.03 per cent. (which is below the minimum NBU threshold of 10 per cent.). See "*— The Ukrainian banking system may be vulnerable to stress due to fragmentation, undercapitalisation and a potential increase in non-performing loans, all of which could have a material adverse effect on the real economy*". The Bank is subject to the risk of further deterioration of the stability of the banking sector in Ukraine. Financial institutions that transact with each other are interrelated as a result of trading, investment, clearing, counterparty and other relationships. This risk is sometimes referred to as "systemic risk" and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges with which the Bank interacts on a daily basis, all of which could have an adverse effect on the Bank.

The Bank routinely executes a high volume of transactions with counterparties in the financial services industry, including brokers and dealers, commercial banks and other financial institutions. As a result, the Bank is exposed to counterparty risk, and this counterparty risk is heightened due to the impact of the global financial crisis, notwithstanding the anti-crisis measures taken by the Bank in this regard. A default by, or concerns about the stability of, one or more financial institutions (whether or not a counterparty of the Bank) could lead to further significant systemic liquidity problems, or losses or defaults by other financial institutions, which could have a material adverse effect on the Bank's business, result of operations, financial condition and prospects.

The Bank is exposed to prices of investment securities.

The Bank's financial condition and operating results are also affected by changes in market values in the Bank's securities portfolio. As at 31 December 2014, the carrying value of the Bank's investment securities (designated at available-for-sale and held-to-maturity) was UAH 33,209,541 thousand, which represented 26.7 per cent. of the Bank's total assets, compared to UAH 33,251,576 thousand, or 32.7 per cent. of the Bank's total assets as at 31 December 2013. The Bank's income from securities operations depends on numerous factors, some of which are beyond its control, including overall market trading activity, interest rate levels, fluctuations in currency exchange rates and general market volatility. Although the Bank has put in place limits for its securities portfolio, securities transactions, including specific limits on transactions with or by certain individual issuers, market price fluctuations, particularly affecting the Bank's Ukrainian Government and corporate debt securities and Ukrainian equity securities, may adversely affect the value of the Bank's securities portfolio.

Additionally, as at 31 December 2014, the amount of Government securities in the Bank's portfolio was approximately UAH 18,787,374 thousand. While the 2015 EFF does not specify whether domestic public debt will be subject to restructuring, according to statements of the Government, the current intention of the Government is to restructure external public debt only with no intention to restructure the Government's domestic debt. No assurance can be given that the Government will not decide in future to include domestic debt in the restructuring exercise related to the 2015 EFF. Any such restructuring of domestic debt which may include Government securities held by the Bank may adversely affect the value of the Bank's securities portfolio and financial condition and operating results of the Bank.

In the event of the Bank's bankruptcy, Ukrainian bankruptcy law may materially adversely affect its ability to make payments to the Issuer or the Trustee

Effective as of 18 January 2013, the restated Law of Ukraine "On Restoration of a Debtor's Solvency or Declaration of its Bankruptcy" (the "**Bankruptcy Law**") provides that the general bankruptcy procedures apply to Ukrainian banks subject to any conditions set forth by Ukrainian banking laws and regulations. The Law of Ukraine "On the System for Guaranteeing of Deposits of Individuals" (the "**Deposits Securing Law**"), which came into force on 21 September 2012, introduced substantial amendments to the regulatory framework for carrying out bankruptcy procedures with regard to Ukrainian banks. At the same time, the Deposits Securing Law is expressed not to apply to the Bank until a separate law on participation of the Bank in the Fund for Guaranteeing of Deposits of Individuals (the "**Deposits Guaranteeing Fund**") is adopted. As at the date of this Prospectus, no such law has been enacted, neither has any draft law to this effect been submitted for consideration by the Parliament of Ukraine. In the absence of such law or any official clarification to this end, a fair reading of the Ukrainian legislation suggests that the Bank, in case of its insolvency, would be subject to general bankruptcy or liquidation procedures applicable to Ukrainian corporate entities, even though such procedures do not take into account any specifics of Ukrainian banks or the nature of their operations.

If the general insolvency rules set forth in the Bankruptcy Law are applied to the Bank, creditors of the Bank or the Bank itself would be able to apply to the court for initiation of bankruptcy proceedings against the Bank (in contrast to the specific rules governing insolvency of other banks where insolvency and liquidation proceedings are initiated by the NBU or the relevant bank's shareholders and are handled by the Deposits Guaranteeing Fund out of court in an administrative procedure). A receiver appointed by the court during the financial rehabilitation stage of the bankruptcy proceedings would be authorised to terminate, within three months of the date of the court decision on commencement of a financial rehabilitation of the Bank, an agreement entered into by the Bank prior to commencement of bankruptcy proceedings, which has not been performed in full, provided that: (i) the Bank incurs losses as a result of performance of such agreement; (ii) the term of such agreement is longer than one year or it provides benefits to the Bank only in the long-term perspective; or (iii) the performance of such agreement hampers the restoration of the Bank's solvency.

This may apply only to an agreement which contains outstanding obligations of any party. The appointed receiver would hold full discretion in determining whether a particular agreement is loss-making or otherwise falls under any of the above grounds for termination, given that Ukrainian legislation provides no criteria for making such determination. A counterparty to a terminated agreement is entitled, within 30 days following the termination by the receiver, to demand reimbursement of losses incurred as a result of such termination within the bankruptcy proceedings.

Concurrently with the commencement of bankruptcy proceedings, the Ukrainian court would impose a moratorium on the satisfaction of claims of the Bank's creditors which became due prior to the date of introduction of the moratorium. During the term of such moratorium, the Bank may be unable to make payments to the Issuer and/or the Trustee and the Issuer's and/or the Trustee's claims against the Bank would not be enforceable. The Bank may not be held liable for the non-performance of its obligations to the Issuer and/or the Trustee resulting from the imposition of the moratorium. The moratorium is terminated on the date of termination of the bankruptcy proceedings. Upon the termination of the moratorium (other than as a result of the Bank entering liquidation proceedings), the Issuer and/or the Trustee would be entitled to make, and to enforce, claims against the Bank in the amounts existing as of the date when the moratorium was imposed.

In addition, Ukrainian bankruptcy legislation permits a receiver or a competitive (and unsecured) creditor to request a Ukrainian court to declare invalid, among others, agreements entered into by the respective debtor or to reverse an asset-related action made by the debtor, following, or within one year before commencement of, bankruptcy proceedings, provided that such agreement or action involves any of the following: (i) the debtor disposed of its property without consideration, assumed an obligation without imposing any asset-related obligations on the other party, or waived its property claims; (ii) the debtor performed its property obligations before their scheduled maturity, (iii) an undertaking assumed by the debtor before the commencement of the bankruptcy proceedings resulted in the insolvency of the debtor or its inability to perform monetary obligations to its other creditors in whole or in part; (iv) the debtor disposed of, or purchased, an asset at a price that is lower or higher, respectively, than the market prices, provided that at the time when the relevant obligation was assumed the debtor did not have sufficient assets to satisfy the claims of its creditors, or its assets ceased to be sufficient for such purpose as a result of performance of such obligation; (v) the debtor made a payment to a creditor or has accepted property in lieu of repayment of monetary claims at the time when the amount of claims of its creditors exceeded the value of its assets; or (vi) the debtor has granted a pledge/mortgage to secure the performance of monetary claims. If any Amended and Restated Loan Agreement was to be declared invalid on such a basis, the Issuer would be required to repay to the Bank all funds received from the Bank pursuant to the relevant Amended and Restated Loan Agreement. The Issuer in its turn could either request the Bank to pay the debt under the relevant Amended and Restated Loan Agreement together with other first-ranking claims in the course of the bankruptcy proceedings or request specific performance of the Bank's obligations under the relevant Amended and Restated Loan Agreement after the termination of the bankruptcy proceedings. There is also a lack of certainty as to whether, in such event, the court might also apply any other consequences of the invalidation of the relevant Amended and Restated Loan Agreement (this would depend on the facts of the relevant case as well as on official clarifications or court practice available at that time).

Furthermore, the current general bankruptcy legislation and legislation governing insolvency proceedings applicable to banks are, in many cases, controversial. Lack of clarity as to their application leaves room for broad interpretation by Ukrainian courts and other competent authorities, including general uncertainty with respect to bankruptcy rules and procedures applicable to the Bank. As a result, it is impracticable to predict how claims of the Issuer, the Trustee or the Noteholders against the Bank would be resolved in the event of the Bank's bankruptcy.

The claims of Noteholders may be limited in the event that the Bank is declared bankrupt

In case of application of general bankruptcy proceedings to the Bank under the Bankruptcy Law (see "*Risks Relating to the Bank – In the event of the Bank's bankruptcy, Ukrainian bankruptcy law may materially adversely affect its ability to make payments to the Issuer or the Trustee*"), the Bank's obligations to the Issuer, the Trustee or the Noteholders would generally be subordinated to the following obligations:

- obligations secured by pledges/mortgages of the Bank's assets;
- payment of wages to the Bank's employees, severance pay and other employment-related obligations of the Bank;
- expenditures associated with conduct of the bankruptcy proceedings;
- obligations arising as a result of inflicting harm to the life or health of individuals and mandatory pension and social security payments; and
- taxes and other mandatory payments.

Risks Relating to the Notes

Cabinet of Ministers Letter of Support

The letter of support issued by the Cabinet of Ministers of Ukraine on 21 August 2015 in connection with the Amended and Restated Loan Agreements is not a guarantee in relation to the Notes or the underlying loans and is not legally binding obligation of the Cabinet of Ministers. Accordingly, neither the Trustee nor the holders of the Notes will be able to bring any action to enforce the terms of the letter of support.

Future ratings of the Notes not assured and limited in scope.

A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal by any rating agency at any time. Credit ratings represent a rating agency's opinion regarding the credit quality of an asset but are not a guarantee of such quality.

There is no assurance that any rating that may be accorded to the Notes will not be lowered or withdrawn entirely by a rating agency if, in its judgment, circumstances so warrant. There can be no assurance that the ratings anticipated to be accorded to the Notes will be given by the rating agencies and, should they be so accorded, that such rating will not be lowered or withdrawn entirely by a rating agency if, in its judgment, circumstances in the future so warrant. In the event that a rating assigned to the Notes is subsequently lowered for any reason, no person or entity is required to provide any additional support or credit enhancement with respect to the Notes and the market value of the Notes is likely to be adversely affected.

Temporary currency control restrictions introduced by the NBU limit the Bank's ability to make prepayment of principal, interest and other amounts under the Amended and Restated Loan Agreement, and any future restrictions may further affect the Bank's ability to make payments under the Amended and Restated Loan Agreement.

During 2014 and 2015, the NBU introduced a number of interim measures aimed at stabilising the foreign exchange market and preventing foreign currency outflow from the country. In particular, on 28 March 2014, the NBU prohibited early repayment of principal and prepayment of interest and other amounts (including upon acceleration in case of default) by Ukrainian borrowers on foreign currency loans from non-resident lenders (currently subject to limited exceptions). Originally, such restriction was to remain in effect until 1 May 2014. However, the NBU has extended the period of effectiveness multiple times and currently the restriction is expressed to remain in effect until 4 March 2016. No assurance can be given that the NBU will not extend the term of the restriction beyond the currently established termination date. Any such restrictions may constrain the Bank's ability to make prepayment of principal, interest and other amounts under the Amended and Restated Loan Agreement.

The Issuer is an orphan special purpose vehicle, incorporated under the laws of England and Wales as an English public limited company that has no revenue-generating operations or business of its own and will depend solely on cash received from the Borrower in order to make payments on the Notes.

The Issuer is an orphan special purpose vehicle, incorporated under the laws of England and Wales as an English public limited company. The Issuer conducts no revenue-generating operations. The ability of the Issuer to make interest and principal payments on the Notes is therefore entirely dependent on its rights to receive such payments under the Amended and Restated Loan Agreements. The Notes are issued on a limited recourse basis. Under the Conditions, the Issuer will be obliged to make payments to Noteholders only to the extent of the amount of principal interest, Additional Amounts (as defined in the Amended and Restated Loan Agreements), if any, and Indemnity Amounts (as defined in the Amended and Restated Loan Agreements), if any, actually received by or for the account of the Issuer in its capacity as Lender under the Amended and Restated Loan Agreements, less any amount in respect of Reserved Rights (as defined in the Amended and Restated Loan Agreements). If these payments are not made by the Bank, for whatever reason, the Issuer will not have any other sources of funds available to it that would permit it to make payments on the Notes and under the New Trust Deeds and, to the extent no amounts are received from the Bank, has no obligation to make any payment to Noteholders. In such circumstances, Noteholders would have to rely upon claims for payment as a result of enforcing the security under the New Trust Deeds, which is subject to conditions on enforcement as well as the risks and limitations thereon.

RECENT DEVELOPMENTS IN UKRAINE

Geopolitical Developments

Crimea

In late February 2014, following the Euro-Maidan Revolution which led to the removal from power of President Yanukovych, masked Russian soldiers without insignias appeared at strategic military and governmental locations across Crimea and the City of Sevastopol. On 27 February 2014 these Russian forces occupied the Crimean parliament and other government buildings, under which conditions a vote was held in the Crimean parliament replacing the lawful Crimean government with a pro-Russian regime. On 6 March 2014, the Crimean parliament, in violation of Ukrainian law, voted in favour of joining the Russian Federation and holding an all-Crimean referendum to approve this decision. Based on the reported results of the referendum that took place on 16 March 2014, the President of the Russian Federation, Mr Vladimir Putin, and representatives of the de facto government of Crimea executed an agreement on the annexation of Crimea to the Russian Federation. On 21 March 2014, Mr Putin signed legislation to annex Crimea and the City of Sevastopol to the Russian Federation.

The Ukrainian Parliament declared the aforementioned referendum unconstitutional. It has also been declared illegitimate by many other countries, including all EU members, the United States and Canada. On 15 March 2014, 13 members of the UN Security Council voted in favour of a resolution declaring the referendum invalid. However, the resolution was vetoed by the Russian Federation. On 27 March 2014, the UN General Assembly passed a non-binding Resolution 68/262 that declared the Crimean referendum invalid and the incorporation of Crimea into Russia as illegal. On 10 April 2014, the Council of Europe also adopted a resolution condemning the Russian military aggression and annexation of Crimea as being in violation of international law.

Ukraine does not recognise the results of the illegal referendum conducted on 16 March 2014, does not recognise Crimea as a sovereign state or as part of the Russian Federation and considers Crimea to form an indivisible part of Ukraine as an autonomous region in accordance with the 2004 Constitution of Ukraine. On 15 April 2014, the Ukrainian Parliament reaffirmed the status of Crimea as part of Ukraine's sovereign territory by adopting a law governing certain aspects of the legal status of Crimea as an occupied territory (the "**Occupied Territory Law**"). The Occupied Territory Law includes the provision that Ukraine treat Crimea as an integral part of its territory. The law further established a restricted regime for visiting the territory of Crimea and provided for recognition by Ukrainian authorities of transactions with real estate located in Crimea only in cases where they are executed in accordance with the requirements of Ukrainian law. The Occupied Territory Law entered into effect on 27 April 2014.

While Ukraine is committed to reaching a peaceful settlement of the Crimean crisis, there is no indication as to when or if the Russian occupation will end. See also "*Risk Factors - The occupation of Crimea has created significant political and economic uncertainty in Ukraine and put further strains on Ukraine's relationship with the Russian Federation*".

Since September 2015, groups of activists have been carrying out a blockade of deliveries to Crimea by preventing trucks from entering the peninsula. Those groups are demanding an economic boycott of Crimea as a protest against Russia's persecution of pro-Ukrainian Crimean ethnic Tatars in Russia-annexed Crimea. Furthermore, at the end of November 2015, unknown attackers undermined power transmission towers in southern Ukraine at the border with the Crimean peninsula. As a result, Crimea's population has been hit by widespread blackouts. Power supplies from Ukraine to Crimea were partially restored on 8 December 2015.

Eastern Ukraine

Following the Euro-Maidan Revolution which led to the removal from power of President Yanukovych in February 2014 (see "—*Recent Political Developments*" below), demonstrations by pro-Russian separatists and anti-Government groups took place in several major cities across eastern and southern Ukraine. Armed groups took over government buildings, seized military and other state assets and prevented the exercise of lawful government authority in parts of the Donetsk and Luhansk regions (in Ukrainian, *oblasts*). The breakdown of law and order in the affected regions prompted the Ukrainian authorities to launch anti-terrorist operations against the armed groups.

On 7 April 2014, armed groups occupying public buildings in Donetsk announced the creation of the so-called Donetsk People's Republic and stated their intention to hold a referendum on independence by 11 May 2014. On 27 April 2014, other armed groups occupying the building of the Security Service of Ukraine in the Luhansk region declared the formation of the so-called Luhansk People's Republic. On 11 April 2014, the Ukrainian Prime Minister Arseniy Yatsenyuk offered to devolve more powers to the eastern regions, as pro-Russia occupations in Donetsk and Luhansk regions continued. On 17 April 2014, pursuant to talks in Geneva between the foreign ministers of Ukraine, Russia, the United States and the European Union, further steps were agreed in order to de-escalate tensions and restore the security situation in Ukraine. In particular, it was agreed that all sides will refrain from any violence, intimidation or provocative actions, all illegal armed groups in Ukraine shall be disarmed, illegally occupied buildings, streets and other public places shall be vacated, with amnesty to be granted to the protestors. An OSCE Special Monitoring Mission was to play a leading role in assisting with the implementation of the agreed de-escalation measures. However, pro-Russian separatists refused to leave the occupied buildings in the two regions, and violent clashes continued in May (including in Odessa, where more than 40 people were killed in violent street clashes and a fire at a trade union building on 2 May 2014) Based on the results of the referenda held on 11 May 2014, the self-proclaimed Donetsk People's Republic and Luhansk People's Republic declared themselves independent from Ukraine. However the referenda have no validity or legal effect under the Ukrainian Constitution and the independence of the two regions from Ukraine has not been recognised internationally (including by Russia).

On 28 August 2014, following a marked escalation of violence in response to anti-terrorist operations being conducted by Ukrainian armed forces in eastern Ukraine, President Poroshenko called an emergency session of Ukraine's National Security and Defence Council on the basis that Russian military, including tanks and heavy weaponry had directly entered Ukraine. Russian officials denied this and have stated repeatedly, both at that time and subsequently and despite extensive evidence to the contrary, that no Russian troops have crossed the Ukrainian border.

On 5 September 2014, in Minsk, Belarus, delegates from Ukraine, the Russian Federation and the OSCE as well as separatist representatives from the Donetsk and Luhansk regions signed an agreement, providing, *inter alia*, for an immediate ceasefire. However, the ceasefire broke down days after signing of this agreement, with anti-terrorist activities continuing into early 2015 fuelled by the provision of large quantities of armaments and sophisticated military assistance from Russia to the armed groups operating in the region.

On 16 September 2014, during a closed session Parliament passed Law of Ukraine "On Special Regime of Local Self-Government in Certain Regions of Donetsk and Luhansk Oblasts" (the "**Regional Governance Law**") establishing, for a three-year period, a special regime of local self-government in certain districts, towns and villages of Donetsk and Luhansk regions, determined by the decision of Parliament. On 17 March 2015, Parliament amended the above law to provide that the special regime for self-government in certain regions of Donetsk and Luhansk Oblasts is conditional upon successful elections of local self-government authorities in such regions. Such elections are required to be held in accordance with Ukrainian law, democratic principles and subject to certain other conditions, including, *inter alia*, withdrawal of all illegal military groups and weaponry from Ukraine. The law entered into force on 21 March 2015. Along with the amendments to the Regional Governance Law, the Parliament also adopted a resolution identifying the relevant territories within the Donetsk and Luhansk regions to which the Regional Governance Law would apply.

On 12 February 2015, a new ceasefire agreement (the "**Minsk Protocol**") brokered by France and Germany with Russia's participation was agreed in Minsk by Ukrainian President Poroshenko and separatist representatives from the Donetsk and Luhansk regions. The parties agreed (amongst other things) to: a bilateral ceasefire with effect from 15 February 2015; monitoring and verification by the OSCE of the withdrawal of heavy weapons; withdrawal of illegal armed groups, military equipment, militants and mercenaries from Ukraine; a general amnesty and release of prisoners; and constitutional reforms which will grant special status to the Donetsk and Luhansk regions within Ukraine. Russian-supported armed groups operating in eastern Ukraine, supported by Russian forces, have violated the ceasefire regularly since the date of the agreement, seizing additional territory and threatening further escalation of violence.

According to the United Nations, over 6,300 people have been killed and over 15,700 people wounded in eastern Ukraine since the beginning of military operations in April 2014. The Ministry of Social Policy of Ukraine has registered more than 1.3 million internally displaced persons ("**IDPs**") as a result of the violence in eastern Ukraine, placing a great strain on government resources. According to the UN, 60 per cent. of IDPs are pensioners. The IDPs commonly flee their homes with very few possessions and few financial resources and thus remain constantly reliant on the assistance provided by the government, international and national humanitarian agencies and volunteers. The UN has also estimated that more than 850,000 Ukrainians have sought asylum, residence permits or other forms of legal stay in neighbouring countries due to the ongoing crisis.

The humanitarian crisis in the affected regions shows no signs of abating. Heavy civilian tolls of dead and wounded have resulted from shelling of residential areas in both Government- and terrorist-controlled areas. The fighting and shelling have caused heavy damage to civilian property and vital infrastructure, leaving civilians in highly precarious situations, often in the underground shelters and often without electricity, gas, heating water, food or medical care. Hospitals, schools and kindergartens have been hit by shelling in residential areas, including in Avdiivka, Donetsk, Horlivka, Luhansk and Mariupol. Many civilians, especially the elderly and those with movement difficulties have been trapped in conflict zones lacking the capacity, resources or assistance to leave such areas voluntarily.

According to the UN, the arbitrary detention of civilians remains a feature of the conflict. In areas controlled by the armed groups, "parallel structures" have been established and the breakdown in law and order in these areas accommodated persistent violations of the rights of civilians, including abductions, arbitrary detention, beatings and alleged torture. Access to education in conflict-affected areas has been severely curtailed. The conflict has also caused significant destruction of infrastructure and housing, leading to the almost total economic and infrastructure breakdown in some of the worst affected localities.

Recent Political Developments

Following the election of Viktor Yanukovych as President in 2010, the Constitutional Court of Ukraine (the "**CCU**") declared the amendments to the Constitution of Ukraine passed in 2004 which removed the President's ability to exercise direct executive powers over the decisions and actions of the Government (the "**2004 Constitutional Amendments**") to be unconstitutional. Following the "Euro-Maidan" protests in late 2013 and early 2014 in favour of closer integration with Europe, the removal from power of former President Yanukovych and the appointment of the interim Government on 21 February 2014, Ukraine's Parliament passed a law which reinstated the 2004 Constitutional Amendments, returning the country to a more democratic, parliamentary form of government.

On 22 February 2014, following mass protests and civil unrest in Kyiv and throughout Ukraine (including the death of more than 80 protesters in Kyiv at the hands of elements of the securities forces loyal to President Yanukovych), it was reported that President Yanukovych had fled from Kyiv and that his location was unknown. On the same day, Parliament adopted a resolution declaring that President Yanukovych had removed himself from discharging his constitutional powers and duties and scheduled a new presidential election for 25 May 2014.

In accordance with the provisions of the 2004 Constitution, on 23 February 2014, Parliament appointed its speaker Mr Oleksandr Turchynov as acting President of Ukraine, and, on 27 February 2014, Mr Arseniy Yatsenyuk was appointed as Prime Minister of Ukraine and a new Cabinet of Ministers of Ukraine was formed. Presidential elections were held on 25 May 2014 resulting in the election of Mr. Petro Poroshenko as President.

In July 2014, deputies from the Svoboda and UDAR parties and 19 independent Members of Parliament announced their departure from the ruling coalition "European Choice". This coalition, comprising 250 deputies, was formed in Parliament on 27 February 2014 by the factions of Batkivschyna, UDAR, Svoboda, Economic Development, Sovereign European Ukraine parties, as well as independent Members of Parliament. According to Ukrainian law, if a new coalition comprising at least 226 Members of Parliament is not formed within 30 days following the dissolution of the previous coalition, the President is entitled to dissolve Parliament and call early parliamentary elections. On 27 August 2014, President Poroshenko adopted a decree on the early dissolution of Parliament and the holding of Parliamentary elections which took place on 26 October 2014. The Petro Poroshenko Bloc gathered more total seats than any party (132), though it did not obtain the 226 seats required for a Parliamentary majority. The Petro Poroshenko Bloc subsequently entered into a coalition agreement with four other political parties (People's Front (*Narodnyi Front*), Self-Reliance (*Samopomich*), Fatherland (*Batkivshchyna*) and the Radical Party of Ukraine), amounting to a total of 302 seats. The coalition re-appointed the sitting Prime Minister, Arseniy Yatsenyuk (head of the People's Front) as Prime Minister of Ukraine on 27 November 2014.

The Minsk Protocol provided for constitutional reform with the adoption of a new constitution of Ukraine by the end of 2015.

On 16 July 2015, the Parliament voted in favour of sending a draft law on amendments to the Constitution of Ukraine regarding power decentralisation (the "**Draft Law**") to the CCU. The number of votes in favour of sending the Draft Law to the Constitutional Court was 288, with 226 votes being the required minimum. In accordance with the parliamentary procedures, members of the Parliament are first required to send a draft law on the proposed amendments to the Constitution of Ukraine for review by the CCU. According to the conclusion of the CCU No.2-B/2015, dated 30 July 2015, the Draft Law is in compliance with the Constitution of Ukraine. The Draft Law was preliminarily approved by the Parliament on 31 August 2015 and requires a minimum of 300 votes in favour to be passed into law during the current parliamentary session commencing on 1 September 2015 and ending in January 2016.

The Draft Law envisages granting local communities powers to collect taxes and allocate budgets themselves. The oblast (region) and raion (district) state administrations would be dissolved and prefects representing the state on a local level would be appointed. Powers of the dissolved regional and district state administrations would be transferred to the level of village, town, and city authorities. The Draft Law also provides that prefects will oversee compliance by the local self-governing authorities with the Constitution of Ukraine and laws of Ukraine.

Along with the reform of the status of local government, the Draft Law restates certain provisions of the Constitution of Ukraine on administrative and territorial structures. In particular, the Draft Law contains a requirement according to which the terms and procedures for the creation, liquidation, changes in boundaries of and the naming and re-naming of administrative units must be regulated by law. Additionally, the proposed amendments provide for a specific procedure for the implementation of local self-government in several districts of the Donetsk and Luhansk regions, which will be regulated by a separate law.

Economy

The political and geopolitical events discussed above have had a severe negative impact on Ukraine's economy. Industrial production declined by 10.1 per cent. in 2014 (4.3 per cent. in 2013). The machine-building industry declined by 20.6 per cent. in 2014 (13.6 per cent. in 2013), the metallurgy industry by 14.5 per cent. (5.3 per cent. in 2013) and the chemical industry by 14.2 per cent. (19.3 per cent. in 2013). Industrial output declined 31.5 per cent. in Donetsk and 42 per cent. in the Luhansk region in 2014. During January-July 2015, industrial production in Ukraine decreased by 19.5 per cent. on a year-on year basis.

The total value of construction activities in Ukraine decreased by 21.7 per cent. in 2014. During January-July 2015, construction in Ukraine decreased by 26.7 per cent. on a year-on-year basis. Retail trade declined by 8.6 per cent. in 2014. During January-July 2015, retail trade in Ukraine decreased by 23.6 per cent. on a year-on-year basis. Agricultural output increased by 2.8 per cent. in 2014 and by 13.6 per in 2013. However, during January-July 2015 agricultural output decreased by 3.5 per cent. year-on-year.

In 2012 and 2013 the GDP of Ukraine increased by 0.2 per cent. and 0.0 per cent. respectively, and in 2014 it decreased by 6.8 per cent. as compared to the previous year. According to the Ministry of Economic Development and Trade of Ukraine, the GDP of Ukraine for the first nine months of 2015 declined by 12.6 per cent. compared to the same period in 2014. In 2014, the manufacturing, wholesale and retail trade and agricultural, forestry and fishing sectors comprised 11.4 per cent., 14.2 per cent. and 10.2 per cent. of GDP, respectively.

Exports form a large part of the GDP of Ukraine (accounting for 50.9 per cent., 46.9 per cent. and 49.2 per cent. of GDP in 2012, 2013 and 2014, respectively). In 2014, the export of steel and metals from Ukraine decreased by 13.1 per cent. (7 per cent. in 2013), machines and equipment by 17.1 per cent. (0.7 per cent. in 2013), chemical products by 23.8 per cent. (14.5 per cent. in 2013) and mineral products by 15.1 per cent. (2.0 per cent. in 2013). Total exports of goods and services from Ukraine decreased by 19.5 per cent. in 2014 (5.1 per cent. in 2013), while imports decreased by 26.6 per cent. (3.1 per cent. in 2013). During

January-September 2015, the decrease in exports of goods and services reached 30.8 per cent. on a year-on-year basis and the decrease in imports of goods and services reached 32.3 per cent. on a year-on-year basis.

The deterioration of the Ukrainian economy has significantly impacted the Bank's business.

Relationship with Russia

Due to factors discussed elsewhere in this "*Recent Developments in Ukraine*" section, the export of goods and services to Russia from Ukraine declined by 33.7 per cent. in 2014. The relationship between the two countries was complicated by the removal from power of former President Yanukovych in February 2014 and the establishment of the interim Government in Ukraine, developments which the government of the Russian Federation stated to be illegal. This development led to the suspension of a proposed U.S.$15 billion support package from Russia of which U.S.$3 billion had already been provided in December 2013.

In addition, the finalisation and signing of the Ukraine–European Union Association Agreement (the "**Association Agreement**") following the Euro-Maidan Revolution triggered a further set of economic, gas and trade issues between Ukraine and Russia. In particular, in 2014 and 2015 Russia introduced restrictions on imports of Ukrainian confectionery, agricultural products (such as dairy, meat, canned vegetables) as well as railcars and machinery, which has reduced trade between Russia and Ukraine. On 16 September 2014, the Parliament of Ukraine ratified the Association Agreement, with bilateral implementation of free trade with the EU scheduled for 1 January 2016.

Following the annexation of Crimea and the City of Sevastopol by Russia, in April 2014 Russia unilaterally terminated the lease arrangements that had previously existed between the two countries pursuant to which Russia leased the naval base at Sevastopol in return for, amongst other things, concessions on the price of natural gas sold by Gazprom to Naftogaz. Consequently, as a result of such termination, Russia cancelled Ukraine's gas price concessions and refused to renegotiate gas prices. These actions culminated in the cessation of gas supplies by Russia to Ukraine on 16 June 2014. Gas supplies resumed on 30 October 2014 after the conclusion of an EU mediated agreement, but frictions remain between the two sides.

Additionally, in June 2014, Russia's state oil and gas company, Gazprom, brought arbitration proceedings against Ukraine's state-owned oil and gas company, Naftogaz, to collect an alleged unpaid debt for natural gas and accrued interest amounting to over U.S.$4.5 billion. Naftogaz has filed its own arbitration proceedings against Gazprom in June and October 2014 to oblige Gazprom to pay a compensation of U.S.$ 6.2 billion to Naftogaz for alleged failure to provide gas for transit and abuse of gas pricing, and has initiated additional arbitration proceedings against Gazprom in early 2015 seeking up to $10 billion in historical compensation for alleged abuse of gas transit pricing. Arbitration proceedings in respect of these matters between Gazprom and Naftogaz remain pending, with hearings scheduled to commence in Stockholm in early 2016.

As a result of the ongoing tension between Russia and Ukraine, the EU and the United States have each authorised and imposed sanctions, including the implementation of visa bans and the blocking of property and interests in property that are in the United States or that come within the possession or control of any United States person (including any foreign branch), of individuals and entities who the United States government considers to have misappropriated funds and threatened or undermined the peace, security, stability and sovereignty or territorial integrity of Ukraine. In addition, the United States has imposed sectoral sanctions targeting persons and entities operating within defence, energy and financial sectors of the Russian economy. The EU also introduced a number of trade and investment restrictions on Crimea, including an import ban on goods originating in Crimea or Sevastopol and prohibition of direct or indirect financing or (re)insurance related to such imports. The EU restrictions involve an EU ban on new investments relating to infrastructure in the sectors of transport, telecommunications and energy, as well as to the exploitation of oil, gas or mineral resources in Crimea or Sevastopol. In response to the sanctions imposed on it by the EU and US, Russia has imposed reciprocal sanctions on the EU, US and Ukraine banning the import of various agricultural and other food products.

IMF and other Multilateral Assistance

Following the fall of the Yanukovych regime and the formation of an interim Government in late February 2014, the Ukrainian authorities reached agreement with the IMF on the terms of a new US$17 billion stand-by agreement on 30 April 2014 (the "**2014 SBA**") On 6 May 2014, Ukraine received the first tranche under the 2014 SBA of approximately U.S.$3.2 billion and a second tranche was disbursed on 4 September 2014 in the amount of approximately U.S.$1.4 billion. However, the NBU's foreign exchange reserves continued to decline, from U.S.$20.4 billion at the start of 2014 to U.S.$7.5 billion at the start of 2015. By the end of February 2015, the NBU's foreign exchange reserves were down to U.S.$5.6 billion. As at 31 July 2015, the NBU's foreign exchange reserves amounted to U.S.$10.38 billion.

As a consequence of the deteriorating financial situation in Ukraine, on 11 March 2015 the IMF Executive Board approved a four year U.S.$17.5 billion Extended Fund Facility for Ukraine (the "**2015 EFF**") replacing the 2014 SBA. The 2015 EFF requires, amongst other things, that Ukraine conduct a debt operation that will achieve three targets: (i) generate $15 billion in public sector financing over the program period (2015-2018); (ii) bring the public and publicly guaranteed debt/GDP ratio under 71 per cent. by 2020 and (iii) keep the budget's gross financing needs at an average of 10 per cent. of GDP (maximum of 12 per cent. annually) in the period 2019-2025. The successful restructuring of certain debt obligations of the Bank contributed toward the satisfaction of the first target described above.

The 2015 EFF is premised on implementation by Ukraine of an ambitious, deep and comprehensive economic reform program aimed at restoring macroeconomic and financial stability, achieving and sustaining fiscal and external sustainability and laying the foundation for robust medium-term growth. Specifically, policies will be geared towards:

(i) a flexible and sustainable exchange rate policy to support adjustment and a gradual restoration of adequate reserves accompanied by a prudent monetary policy aiming to bring inflation to single digits;

(ii) financial sector policies to support the rehabilitation of the Ukrainian banking system, and strengthen its ability to intermediate and support economic activity;

(iii) fiscal adjustment based on expenditure consolidation to place public finances on a sound footing and restore debt sustainability with high probability, supported also by donor financing and a debt operation that would help alleviate the debt servicing burden in the coming years; and

(iv) deep and broad structural reforms to improve Ukraine's business climate, attract sizable domestic and foreign investment, and boost Ukraine's growth potential through deregulation, governance, and state-owned enterprise reforms, including of Naftogaz.

Please see also "*Risk Factors –Risk Factors Relating to Ukraine - Positive developments in the economy may not be achieved if certain important economic and financial structural reforms are not made.*"

If Ukraine is unable to meet the conditions under the 2015 EFF, the IMF and other multilateral organisations may withhold or suspend their funding. A failure by official creditors and multilateral organisations such as the EBRD, the World Bank or the IMF to grant adequate financing combined with any inability to access the international capital markets and syndicated loan markets will put pressure on Ukraine's budget and foreign exchange reserves.

Other multilateral organisations such as the World Bank and the EU are providing financial support to Ukraine which is also conditional on Ukraine's satisfaction of various requirements. These requirements may include:

(i) implementation of strategic, institutional and structural reforms;

(ii) reductions of subsidies for electricity and gas;

(iii) limits on the consolidated budget deficit;

(iv) reduction of overdue tax arrears;

(v) absence of increases of budgetary arrears;

(vi) improvement of sovereign debt credit ratings; and

(vii) reduction of overdue indebtedness for electricity and gas.

Notwithstanding strong support from IMF and other multilateral organisations, access for Ukrainian borrowers including the Bank to foreign capital markets has been severely restricted as foreign investors have significantly reduced their exposure to Ukrainian credits.

On 27 August 2015, it was announced that the Government reached an agreement in principle with the ad hoc committee of creditors on restructuring the Government's Eurobonds and state-guaranteed Eurobonds of the State Enterprise "Financing of Infrastructural Projects" (FinInPro). According to the Ministry of Finance of Ukraine, such agreement in principle provides, *inter alia*, for a 20 per cent. nominal haircut, an increase in coupon to 7.75 per cent. *per annum*, extension of the maturities of the notes to fall in the period of 2019-2027, and introduction of GDP-linked securities providing potential value recovery to holders from 2021 to 2040 conditional on real-GDP growth reaching certain thresholds.

On 12 November 2015, the Ministry of Finance of Ukraine announced the settlement of Ukraine's debt restructuring operation in respect of thirteen series of the Government's Eurobonds and state-guaranteed Eurobonds. Following the successful passing of extraordinary resolutions for each of those series of Eurobonds at bondholder meetings held on 14 October 2015, the holders of such Eurobonds who submitted valid and timely participation instructions received distributions of new Ukrainian securities on 12 November 2015 in accordance with the terms of the exchange offer. Only one series of eligible debt instruments did not participate in the exchange offer, being the 2015 Ukraine Bonds. In November 2015, the Ministry of Finance of Ukraine stated that the Government of Ukraine remained open to finding a solution with the holders of the aforesaid 2015 Ukraine Bonds. On 18 December 2015, the Cabinet of Ministers of Ukraine announced the imposition of a moratorium on the payments under the 2015 Ukraine Bonds until a solution on restructuring is found. The moratorium also applies to certain state-guaranteed loans provided to Ukravtodor and Yuzhnoye by third-party lenders.

Currency Depreciation

As at 31 December 2013, immediately prior to the Euro-Maidan Revolution, the NBU official UAH/ U.S.$ exchange rate was pegged at UAH 7.9930 per 1.00 U.S. Dollar. In February 2014 the NBU allowed the exchange rate to float, and as at 31 December 2014, the NBU official UAH/U.S.$ exchange rate was UAH 15.7686 per 1.00 U.S. Dollar. As of 14 December 2015, the NBU official UAH/U.S.$ exchange rate was UAH 23.8601 per 1.00 U.S. Dollar.

The NBU has frequently sought to address volatility in the UAH exchange rate by taking administrative measures (including imposing certain foreign exchange market restrictions), and selling foreign exchange reserves to support the Ukrainian currency. The NBU has also adopted measures to limit foreign currency transactions in the shadow economy.

As a contingency measure aimed at the stabilisation of the Ukrainian currency market, the NBU has temporarily (originally from 23 September until 2 December 2014, and subsequently extended several times until and including 4 March 2016) prohibited the carrying out of payments in foreign exchange by Ukrainian residents pursuant to almost all types of the NBU's individual licences, including the cross-border payment licence. The NBU has also imposed regulations temporarily requiring certain entities to dispose of a percentage of their foreign currency revenues. In August 2014, the NBU increased these compulsory sale requirements to 100 per cent. of foreign currency proceeds, which was subsequently decreased to 75 per cent. in September 2014. The NBU has extended this requirement several times, and on 3 September 2015 the duration of the 75 per cent. compulsory sale requirement was extended through to 4 December 2015 and thereafter to 4 March 2016. Although such requirements are temporary, the NBU is authorised at any time to modify or extend them for another period of up to six months.

On 30 May 2014, the NBU passed a Resolution entitled "*On regulation of operation of financial institutions and performance of currency transactions*" that was in force initially until 1 September 2014 which introduced, among other regulations, a limitation on withdrawals of cash assets in foreign currency from current and deposit accounts via cash desks and ATMs in Ukraine to UAH 15,000 (on 3 September 2015 increased to UAH 20,000) or the equivalent in foreign currency per day at the NBU's official exchange rate. As of the date of this Prospectus, these withdrawal limits have been extended to at least 4 March 2016.

The NBU has also recently adopted the following measures to stabilise the currency: (i) raised its discount rate from 14 per cent. to 19.5 per cent. (with effect from 6 February 2015) to 30 per cent. (with effect from 4 March 2015) which was subsequently decreased to 27 per cent. (with effect from 28 August 2015) and to 22 per cent. (with effect from 25 September 2015) and (ii) suspended daily foreign currency auctions to allow Ukrainian banks to determine the hryvnia foreign currency exchange rates on the basis of market supply and demand.

Following the NBU's adoption of a flexible exchange rate policy for the hryvnia in February 2015, the hryvnia's official value has depreciated significantly from UAH 16.15 to the U.S. dollar as at 2 February 2015, reaching a high of UAH 30.01 to the U.S. dollar by the end of February before stabilising at around UAH 23 in the first week of March. The NBU has started preparations to adopt inflation targeting.

The NBU's Resolution No. 124 was adopted with application from 24 February 2015 to contracts satisfying the following criteria:

(i) the contract provides for import of goods, works, services or intellectual property rights;

(ii) payments under the contract (in full or in part) are made in advance of the delivery; and

(iii) the total price of the contract exceeds U.S.$50,000 or U.S.$500,000 (depending on the thresholds, different restrictions apply).

If the above conditions are met and the total contract price exceeds U.S.$50,000, any advance payment (excluding letters of credit confirmed by a bank with an investment grade rating which meets certain other requirements set out in Resolution No. 124) will be subject to the following restrictions:

- the servicing bank may not make the transfer of an advance payment before the fourth banking day after receipt of the client's payment instruction and submission of payment information to the NBU;
- the NBU may prohibit transfer of an advance payment within the four day period (Resolution No. 124 does not provide for any criteria for the NBU's decision on whether or not to prohibit such transfer); and
- in case of several payments to the same non-resident entity under one or several contracts, the payment processing period may be further increased, as the servicing bank may only submit information on one payment transaction between the same parties to the NBU during any one day.

If the U.S.$500,000 threshold is exceeded then any advance settlements under the contract may only be carried out through the use of letters of credit confirmed by a bank with an investment grade rating which meets certain other requirements set out in Resolution No. 124.

The NBU's Resolution No. 130 imposed a temporary (from 25 February until 27 February 2015) ban on the purchase of foreign currency by banks' (including the Bank's) clients. However, the ban was effective on 25 February only, as the NBU subsequently lifted the ban by Resolution No. 131 with effect from 26 February 2015. Resolution No. 130 also increased the period of "freezing" UAH funds transferred by banks' clients for purchasing foreign currency from three to four days. This will increase the time required for foreign currency purchase transaction by Ukrainian importers.

With effect from 24 February 2015, the NBU prohibited the purchase of foreign currency with borrowed funds (subject to a limited exception). While this restriction appears to be aimed at limiting speculative demand for foreign currency on the Ukrainian foreign exchange market, it is likely to affect regular commercial transactions.

Additionally, with effect from 23 September 2014, the NBU restricted cross-border payments of dividends by Ukrainian companies until and including 2 December 2014, and subsequently extended several times to 4 March 2016.

As a result of the aforementioned factors, the volume of transactions on the local foreign exchange market has dropped significantly. In 2014, daily foreign exchange volume in the interbank markets decreased approximately 70 per cent. and remained low into the first quarter of 2015. Decreases in the volume of export proceeds, NBU restrictions and increased demand for foreign currency in the market have resulted in a shortage of supply of foreign currency in Ukraine. Ukrainian banks are therefore frequently unable to purchase sufficient amounts of foreign currency for their funding and operational needs.

Tax

On 2 December 2010, Parliament adopted a new Tax Code of Ukraine (the "**Tax Code**"). The majority of the Tax Code provisions took effect from 1 January 2011. The Tax Code aims to create a comprehensive legal framework for tax reform and provides for a wide range of changes to the previously existing tax system in the areas of tax collection and administration. Among other things, the Tax Code provided for a gradual decrease in the rate of the corporate income tax from the previously applied 25 per cent. to 16 per cent. in a period from 2011 to 2014 as well as for a value added tax rate decrease from 20 per cent. to 17 per cent. from 1 January 2014. However, due to the deteriorating economic situation in Ukraine, on 27 March 2014 Parliament introduced amendments to the Tax Code whereby the corporate income tax rate was increased to 18 per cent. and the value added tax to 20 per cent. The amendments also introduced a real estate tax in respect of commercial real estate located in Ukraine (in addition to the previously existing residential real estate tax introduced on 1 January 2013). The Tax Code also introduced personal income tax on interest accrued on bank deposits, which took effect from 1 July 2014 with further amendments effective as of 1 August 2014, 1 January 2015 and 1 January 2016. Currently the base rate for personal income tax on interest accrued on bank deposits is 18 per cent.

On 24 December 2015, the Parliament of Ukraine adopted a number of amendments to the Tax Code which were necessary, according to the Ministry of Finance of Ukraine, to secure balanced budget revenues in 2016 and adopt the state budget of Ukraine for 2016. Currently the base rate for personal income tax on interest accrued on bank deposits is 18 per cent.

THE BANK

Overview

The Bank is a State-owned Ukrainian bank headquartered in Kyiv. According to information published by the NBU, as at 1 January 2015, the Bank was the largest bank in Ukraine in terms of equity capital (UAH 22,749,157 thousand), authorised share capital (UAH 18,302,480 thousand), the second largest bank in Ukraine in terms of loan portfolio (UAH 69,271,838 thousand), retail deposits (UAH 36,590,124 thousand) and total assets (UAH 128,103,752 thousand), all as calculated under UAS. As at 1 January 2015, the Bank held 8.7 per cent. of all retail deposits and provided 1.6 per cent. of all retail loans, including provisions, in Ukraine, according to NBU statistics.

The Bank offers a wide range of financial products and services throughout Ukraine, including retail and corporate banking services, domestic and foreign currency transfers and currency exchange. The Bank is wholly-owned by, and its retail deposits are guaranteed in full by, the State.

The Bank's certificate on state registration of a legal entity was issued on 31 December 1991 under number 038999 (Series AOO) by Pechersk District in Kyiv by State Administration. The Bank's telephone number is +38 044 363 0133.

As at 30 June 2015, the Bank had total assets of UAH 138,774,342 thousand, total customer accounts of UAH 70,343,665 thousand and total net customer loans of UAH 65,142,683 thousand compared to total assets of UAH 124,314,144 thousand, total customer accounts of UAH 56,208,996 thousand and total net customer loans of UAH 70,236,315 thousand as at 31 December 2014. For the six months ended 30 June 2015, the Bank had loss before tax of UAH 9,644,184 thousand and net loss of UAH 9,644,186 thousand, while for the year ended 31 December 2014 loss before tax was UAH 10,113,988 thousand and net loss of UAH 10,015,396 thousand.

The Bank provides services to its customers in Ukraine through a variety of distribution channels, including, as at 31 December 2014, the head office 23 regional branches (including a regional branch covering Kyiv and Kyiv Region) and 4,949 outlets. Under its Charter, the Bank can also open representative offices; however, none exists as of the date of this Prospectus.

As at 30 June 2015, the Bank's customers had access to the Bank's own ATM network comprising 2,343 ATMs, and the ATM networks of other banks on the basis of co-operation agreements, comprising in total a further 2,189 ATMs.

As at 30 June 2015, the Bank had 31,537 employees (inclusive of part-time employees) as compared to 34,354 employees as at 31 December 2014 and 37,946 employees as at 31 December 2013. The Bank's employee costs amounted to UAH 1,239,458 thousand for the six months ended 30 June 2015, to UAH 2,519,239 thousand for the year ended 31 December 2014 and to UAH 2,381,605 thousand for the year ended 31 December 2013.

Business Segments

The Bank's business is organised into the following four principal business segments:

- *Retail Banking*, which provides banking products and services to individuals. Products include deposit and current accounts, loans, mortgages, credit and debit card services, cash and settlement services, money transfer services and services under the State-run programmes.

- *Corporate Banking*, which provides banking products and services to corporate customers, including small and medium enterprises ("**SMEs**"), as well as to individual entrepreneurs. Products include deposit accounts, loans, cash settlement transactions, foreign exchange transactions, consultation services, securities transaction services, overdraft facilities, revolving lines of credit, guarantees, promissory notes and various programmes introduced by the State.

- *Treasury*, which comprises the Bank's proprietary activities, including capital market transactions, including those involving the Ukrainian Government securities, NBU re-financed securities, repurchase transactions ("**repos**"), interbank lending and foreign exchange transactions, as well as precious metals trading; and

- *General Management*, which covers all non-customer transactions, assets and liabilities under the effect direct supervision of the Group's management and committees (the Assets and Liabilities Management Committee, Finance Committee, etc.). Among other things, it includes: property and equipment, strategic investments (investments in subsidiaries and associates), long-term funding instruments (subordinated debt, borrowings from international and other financial institutions, other borrowed funds); and equity not allocated to other business segments.

Pursuant to the development concept of the Bank, the Bank has focused on maintaining close co-operation with State-related entities, including entities of a strategic importance for the Ukrainian economy (including the Bank's largest corporate banking client, Naftogaz).

The Bank is also administering a variety of State-mandated compensation and payment programmes. For example, the compensation programme to Ukrainian citizens for the loss in value of their monetary savings held with Sberbank in Ukrainian Soviet Socialist Republic for the account of State budget (see "*Description of Business - Retail Banking - State-related compensation programme*" below).

The Bank also acts as a financial agent for the State in cash settlement operations for the Pension Fund of Ukraine and maintains regulated accounts used by participants in the wholesale electrical energy market, natural gas suppliers and heat energy entities for the processing of payments for supplied products and services. See "*Naftogaz financing programme*" below for a description of the financing programme set up by the Bank for its largest State-owned customer, Naftogaz, and "*Description of Business - Corporate Banking - Provision of lending and other banking services to State-related entities*" below for a description of the Bank's co-operation with other State-related customers.

The Bank's principal business segments and other departments are supported by its services departments, including customer services, accounting, finance, IT, risk management and legal.

Strategy

Strategic goals

The Bank's overall strategic goal is to pursue the objectives set out in the Oschadbank Strategic plan 2015-2017 (the "**Strategic Plan**"), which was prepared in February 2015 with support of PricewaterhouseCoopers which include to enhance the Bank's risk management systems, optimise its banking technologies and products, strengthen its core IT infrastructure and establish protective safeguards to counter-act a potential deterioration or stagnation in the Ukrainian economic situation. Furthermore, the Strategic Plan broadly defines additional aims such as strengthening core values and customer relations, increasing the reach of the Bank's services and establishing a foundation for sustainable development.

The Bank's key objectives and strategic priorities are as follows:

The key objective

The Bank plans to become a bank of choice for citizens and companies by assisting clients to maximise their value in an easy, convenient and affordable way in terms of providing of financial services in demand, as well as laying down the foundation for sustainable development, following the goal to become the market leader in Ukraine and building a client oriented selling and operating model with high level functions centralization and low cost processes.

Internal

To improve internal efficiency: The Bank intends to improve its operational efficiency through optimising its sales and front office motivation systems. The Bank also intends to explore reorganising its network of branches and regional offices, centralising specific functions such as reporting and control where possible. The Bank intends to implement best practice in respect of risk management and debt collection. Where necessary, the Bank will initiate large-scale IT projects to assist in meeting the Bank's development targets.

To enhance risk management systems: The Bank intends to enhance its risk management systems (including market risks) by implementing an early warning system as well as through the formalisation and IT automation of its risk management process. In addition, the Bank aims to adapt its risk management systems to Basel II/III risk management standards. The Bank is currently in the final stages of implementing IAS 39 on an automated basis in cooperation with Deloitte.

To strengthen IT infrastructure: The Bank's IT development strategy focuses on enhancing IT architecture and information security, centralisation of operational systems, automation of support functions, implementation of an e-document system, development of a data storage system, single front office window and the development of a system of protected communications channels.

To implement good corporate governance practice: The Bank also aims to be a change agent through internal transformation and development of corporate governance and a role model of good governance for state-owned entities.

External

To support economic program: The Bank intends to support strategically important economic programmes throughout Ukraine. Such programmes include financing energy-efficient and renewable energy investment projects, granting credit facilities to domestic producers and providing them with possibility to locate production capacities in Ukraine, implementing projects for sustainable economic growth and infrastructure development, and financing micro, small and medium businesses.

To support financial market reform: The Bank will also endeavour, as part of the planned financial market reform by the Government of Ukraine, to assist in increasing the transparency and stability of Ukraine's financial market, removing distressed assets from the market, ensure creditor protection and develop financial market instruments and infrastructure.

Strategic principles of the Bank management for potential detrimental economic circumstances

The Bank has developed strategic principles of the Bank management to address the risk of further deterioration or stagnation of the Ukrainian economy. These measures include (i) attempting to facilitate moderate growth in the Bank's corporate business segments through slight increases of credit limits to existing clients with acceptable levels of risk, (ii) measures aimed at retention of the Bank's retail client funding base, (iii) revision of the Bank's capital expenditure policy to limit expenditures to the level required for realisation of operational efficiency improvement incentives, (iv) increasing of operational efficiency through reducing of costs, centralisation, systematisation and optimisation of the main business-processes, (v) improving debt collection practices and (vi) optimising risk management and risk assessment.

Relationship with the State of Ukraine

The Bank's Charter reflects the fact that it is wholly-owned by the State of Ukraine represented by the Ukrainian Government. According to its Charter, the Bank's objectives include the promotion of Ukrainian economic development, supporting domestic producers (primarily small and medium business enterprises), supporting structural transformation of the Ukrainian economy, supporting domestic manufacturing and trade sectors, development of a savings network for individual customers and the provision of comprehensive banking products and services to companies and individuals.

Whilst part of the Soviet Sberbank, the Bank operated in accordance with Government programmes and on direct instructions from the State. During the years immediately following Ukraine's independence from the USSR, certain transactions were entered into on direct instructions from the State. However, in 2001 the NBU adopted the Banking Regulation Instruction in order to ensure the stable operation of banks and the timely performance of banks' obligations, as well as to prevent the inappropriate allocation of resources and reduce risks. The Banking Regulation Instruction introduced a number of economic ratios and limits, as well as other requirements with which the Bank is required to comply. As a result, the focus of the Bank shifted from political considerations to commercial considerations.

According to its Charter and existing Ukrainian legislation, the Bank is not liable under obligations of the State. While the State has respected the Bank's operational independence, the Bank's strategic objectives set out above are set by the State and are closely aligned with the State's priorities. From time to time, certain transactions have been entered into by the Bank taking into account priorities of the Government of Ukraine or its agencies. For this reason, the Bank may have extended financing to financially fragile borrowers (including, as the case may be, certain State and municipal enterprises) which it would not have done had decision-making been based on purely commercial criteria, including the Bank's own consideration of the relevant business risks and benefits. In addition, given the Bank's substantial exposure to State-related entities (and consequently the economic condition of the State), the Bank may be more sensitive to any slowdown or downturn in Ukraine's economy than some of its competitors which have a lower exposure to the State sector. Such risks are described in more detail under "*Risk Factors - Risks Relating to Ukraine*" above. However, given the historically strong performance of State-related lending, compared to other non-State sector lending, management believes that it is able to combine the role of a State-owned bank with that of a profitable commercial enterprise.

The State exercises its rights as sole shareholder through the Bank's management bodies, including its supervisory board (the "**Supervisory Board**") and its management board (the "**Management Board**"). Please see "*Management*" below for more detail on the Supervisory Board and the Management Board.

Pursuant to the development concept of the Bank, the Bank has focused on maintaining close co-operation with State-related entities, including entities of a strategic importance for the Ukrainian economy, and participating in a number of nationwide State programmes. In particular, the Bank acts as a financial agent for the State in a number of governmental programmes, including, among others, cash settlement operations for the Pension Fund of Ukraine and its agencies and divisions, maintenance of, and performing operations with, regulated accounts used by participants of the wholesale electrical energy market, natural gas suppliers and heat energy entities for processing of payments for supplied products and services. See "*Description of Business — Corporate Banking - Provision of lending and other banking services to State-related entities*" below for a description of the Bank's co-operation with its largest State-owned customers.

Naftogaz financing programme

Background

Naftogaz is one of Ukraine's largest and most strategically important companies and the largest customer of the Bank's Corporate Banking division representing, at 30 June 2015, 15.1 per cent. of the Bank's total loan portfolio and 15.9 per cent. of its corporate loan portfolio. As a leading company in the fuel and energy sector of Ukraine, Naftogaz is involved in the transportation of oil and natural gas via oil and gas main pipelines systems (including the transit of Russian natural gas and Russian and Kazakh oil to third countries), gas metering, processing of gas and gas condensate, gas supply to Ukrainian customers, sales of compressed and liquefied gas and oil products via networks of refuelling stations and automotive gas filling compressor stations. Naftogaz is also involved in the exploration of oil and gas, drilling of production wells, development of fields and scientific support of the oil and gas industry development.

Following the onset of the global financial crisis, the liquidity position of Naftogaz was severely diminished by an increase in gas supply prices and a reduction in revenues. For example, prices for natural gas supplied by Gazprom for domestic consumption in Ukraine increased through the 2005 to 2008 period from U.S.$50 per 1,000 cubic metres as at 1 January 2005 to U.S.$179.5 per 1,000 cubic metres as at 1 January 2008. At the same time, the State continued to regulate domestic prices by providing direct subsidies from the State budget to cover differences between the purchase price of imported gas and the price charged to municipal heating enterprises. At the start of the financial crisis in 2008, UAH 7.4 billion (including UAH 4.0 billion of compensation due for 2008 and UAH 3.4 billion of compensation due for 2006 and 2007) was extended from the State budget to Naftogaz to cover these differences. Despite these subsidies from the State budget, Naftogaz required substantial further financing to secure sufficient gas supplies from Russia during the winter of 2008-2009.

Due to budget limitations at the end of 2008, the State could not provide such further financing. On account of the global financial crisis, the international capital markets could not be accessed by Naftogaz at commercially acceptable pricing and the deterioration in the financial position of many Ukrainian banks made the option of bank financing impossible. By contrast however, at the end of 2008, the Bank was among one of the financial institutions in Ukraine least affected by the global and Ukrainian financial crises and had managed to maintain a stable liquidity position. Given the State ownership of the Bank and its historical experience of supporting large-scale State projects and infrastructure, the management of Naftogaz approached the Bank with a proposal to establish an extensive financing programme for Naftogaz until the State was in a position to assist Naftogaz. This request was fully endorsed by the Ukrainian Government on account of the strategic importance of Naftogaz to the Ukrainian economy. The Bank entered into rounds of negotiations with Naftogaz and the NBU which resulted in the development of competitive commercial terms which were acceptable to the Bank.

State assistance and sources of funding

The Ukrainian Government acknowledged that the financing of Naftogaz could not be undertaken by the Bank without State assistance. Accordingly, the Ukrainian Government put in place a set of measures to enable the Bank to implement the Naftogaz financing programme. It was envisioned that the Bank would fund the Naftogaz financing from a combination of its own funds, by way of an increase in the Bank's share capital and through use of its credit lines with the NBU.

Initially, the Bank entered into loan agreements with Naftogaz, with the first disbursements under such loan agreements being made by the Bank in December 2008. As a result, by 31 December 2008, the Bank's total exposure to Naftogaz under such loan agreements amounted to UAH 18,766,610, comprising 53.7 per cent. of the Bank's gross loan portfolio. This made Naftogaz the largest borrower of the Bank.

Throughout 2009, the NBU extended additional loan financing to the Bank. It is the NBU regulatory requirement in Ukraine that such refinancing received from the NBU by the Bank and other Ukrainian banks in the ordinary course of their banking business has to be secured in accordance with the applicable NBU regulations. As at 31 December 2013, the Bank had loans from the NBU in the total amount of UAH 20,637,789 thousand which were secured by debt securities available for sale with a carrying value of UAH 13,998,869 thousand, loans to Naftogaz with a carrying value of UAH 12,445,616 thousand and loans to other borrowers with a carrying value of UAH 897,616 thousand and balances with NBU with a carrying value of UAH 425,000 thousand. The amount of the NBU loan financing decreased slightly throughout 2014 and, as at 31 December 2014, the Bank had loans from the NBU in the total amount of UAH 19,584,975 thousand, secured by debt securities available for sale with a carrying value of UAH 12,223,782 thousand, loans to Naftogaz with a carrying value of UAH 12,309,916 thousand, loans to other borrowers with a carrying value of UAH 1,289,815 thousand and balances with the NBU with a carrying value of UAH 425,000 thousand. See "*Related party and Government-Related Transactions* - *Government Related Transactions* - *Balance due to the NBU*".

In order to permit the significant lending to Naftogaz, the NBU passed a special decision allowing the Bank an increased individual borrower concentration risk ratio in relation to Naftogaz, which is higher than the typical single borrower exposure limit established by the NBU for all Ukrainian banks at the level of 25 per cent. of the regulatory capital of a bank. The Bank's compliance with the above individual ratio is monitored by the NBU on a daily basis. The NBU also permitted the Bank not to create provisions with respect to its lending to Naftogaz. However, the Bank chose not to use this waiver and has created such provisions under UAS in statutory accounts and under IFRS in financial statements in line with its risk management policies. As at 30 June 2015, such provisions under UAS stood at UAH 4,018,599 thousand which comprised 26.4 per cent. of the entire gross exposure to Naftogaz as at 30 June 2015. See "*Risk Factors* - *Risks relating to the Bank* - *Substantial levels of concentration in the Bank's current accounts and loan portfolio*" above for a discussion on the Bank's provisioning in future financial periods.

In addition, the loans to Naftogaz are secured by the rights under commercial sales contracts and gas in storage reserves and are partially guaranteed by the State. As at 30 June 2015, the total amount of gross outstanding indebtedness of Naftogaz was UAH 15,199,315 thousand out of which UAH 2,009,030 thousand was guaranteed in full by the State guarantee. The State guarantee remains unchanged as at the date of this Prospectus.

Impact of Naftogaz financing programme on the Bank's loan book and results

In view of further financial support provided to Naftogaz by the State through equity injections, the liquidity position of Naftogaz has improved and it has to date complied with all of its payment obligations towards the Bank. As at 11 February 2015, Fitch confirmed the long-term rating of Naftogaz of CCC. The IFRS net loss of Naftogaz amounted to UAH 85 billion as at 31 December 2014 compared to UAH 19 billion net loss as at 31 December 2013.

At the same time, the Naftogaz financing programme has resulted in increased levels of concentration in the Bank's gross loan portfolio. As at 30 June 2015, the total amount of outstanding indebtedness of Naftogaz was UAH 15,199,315 thousand, comprising 15 per cent. of the Bank' gross loan portfolio. See "*Risk Factors — Risks Relating to the Bank —Substantial levels of concentration in the Bank's customer deposits and loan portfolio*" and "*Risk Factors — Risks Relating to the Bank —Exposure to Naftogaz*" above for discussion of the risks related to the Bank's high exposure to Naftogaz.

The following table illustrates the impact of Naftogaz on the structure of the Bank's gross loan portfolio as at 30 June 2015, 31 December 2014 and 31 December 2013:

	30 June 2015		**31 December 2014**		**31 December 2013**	
	(*UAH thousands*)	(*%*) (*unaudited*)	(*UAH thousands*)	(*%*)	(*UAH thousands*)	(*%*)
Naftogaz loans	15,199,315	*15%*	15,104,192	*16%*	15,261,700	*24%*
Non-Naftogaz loans, including:	85,458,555	*85%*	79,155,532	*84%*	49,008,556	*76%*
Corporate	80,148,689	*80%*	74,208,059	*79%*	44,450,326	*69%*
Retail	5,309,866	*5%*	4,947,473	*5%*	4,558,230	*7%*
Total	**100,657,870**	***100%***	**94,259,724**	***100%***	**64,270,256**	***100%***

The Bank's financing transactions with Naftogaz were executed on competitive commercial terms and have contributed significantly towards the overall profitability of the Bank by generating a substantial part of the Bank's total interest income in 2013 and 2014 and during the first six months of 2015. The interest income attributable to the Bank's financing of Naftogaz amounted to UAH 1,486,710 thousand for the six months ended 30 June 2015 (being 17.2 per cent. of the Bank's total interest income as at that date), compared to UAH 2,027,691 thousand as at 31 December 2014 (14.8 per cent. of the Bank's total interest income as at that date) and to UAH 2,442,283 thousand as at 31 December 2013 (21.8 per cent. of the Bank's total interest income as at that date).

At the same time, the Bank's exposure to Naftogaz under the loan agreements affected the Bank's impairment provisions. The Bank's allowance for impairment losses amounted to UAH 12,090,689 thousand as at 31 December 2013 (or 18.8 per cent. of the Bank's gross loan portfolio, with approximately 23.3 per cent. of total impairment provisions attributable to Naftogaz loans). As at 31 December 2014, it increased to UAH 24,023,409 thousand (or 25.5 per cent. of the Bank's gross loan portfolio, with approximately 11.6 per cent. of total impairment provisions attributable to Naftogaz). As at 30 June 2015, it increased further to UAH 35,515,187 thousand (or 35.3 per cent. of the Bank's gross loan portfolio, with approximately 7.9 per cent. of total impairment provisions attributable to Naftogaz). Without the impact of Naftogaz, the Bank's impairment provisions amounted to 18.9 per cent. of its non-Naftogaz gross loan portfolio as at 31 December 2013, but increased to 26.8 per cent. as at 31 December 2014 and increased to 38.3 per cent. as at 30 June 2015. See "*Risk Factors - Risks relating to the Bank - Substantial levels of concentration in the Bank's current accounts and loan portfolio*" above for a discussion on the Bank's provisioning in future financial periods.

Naftogaz Bonds

As at 30 June 2015, the total amount of the outstanding indebtedness of the Bank's largest borrower, Naftogaz, under loan agreements between the Bank and Naftogaz was UAH 15,199,315 thousand comprising 15 per cent. of the Bank's gross loan portfolio.

On 21 August 2013, the Cabinet of Ministers of Ukraine passed Resolution No. 686 (the "**Resolution**") authorising Naftogaz to issue bonds (the "**Naftogaz Bonds**") in the nominal amount of UAH 4,800,000 thousand, which were purchased by the Bank in December 2013.

Description of Business

The Bank's operations are conducted through four principal business segments comprising Retail Banking, Corporate Banking, Treasury and General Management.

Retail Banking

The Retail Banking segment serves individuals, with a focus on lower-middle to middle income individuals. The Retail Banking segment offers products and services that are tailored to fully service the banking needs of customers in this segment, including term deposits, current accounts, loans, credit and debit card services, cash and settlement services and money transfer services. The Bank has begun to attract a greater number of middle-income individuals and it is the Bank's aim that it should provide a product line which will service all levels of customers to accommodate this trend.

While the Bank cannot determine the precise number of its retail customers, according to its current estimates the Bank has over four million individual customers.

The global financial crisis and the devaluation of the hryvnia have affected the financial position of the Bank's retail customers. As a result, the Bank has not been expanding its retail lending programme and slowed it down, and at the same time focused on increasing its provisions in respect of existing retail loans and managing non-performing loans. The Bank does not provide loans in foreign currencies to private individuals and gradually increases short-term loans in order to diversify its retail loan book. The total amount of loans provided to retail customers increased from UAH 4,558,230 thousand as at 31 December 2013 to UAH 4,947,473 thousand as at 31 December 2014, and increased further to UAH 5,309,866 thousand as at 30 June 2015.

At the same time, the Bank has maintained stable and timely handling of all customer transactions, in particular in respect of the repayment of deposits to retail customers on their first demand. The Bank's policy of continuing repayment of retail deposits on first demand without restrictions during the financial crisis has resulted in the increase in the number of its retail clients and of its customer accounts, albeit at a slower rate. The Bank's customers have retained their confidence in the Bank as it remained open for business throughout the financial crisis and the subsequent political and economic crisis in Ukraine, and retail customer accounts increased to UAH 35,841,506 thousand as at 31 December 2013, UAH 37,084,965 thousand as at 31 December 2014 and UAH 41,254,634 thousand as at 30 June 2015.

Despite higher provisioning in respect of retail loans and reduced retail lending volumes, the Bank's retail operations remained profitable in 2013 and the first six months of 2015, and showed an insignificant loss in 2014.

The Bank has not sought to pursue any aggressive growth strategies since the onset of the financial crisis and, given the current economic climate, it does not expect its retail lending to grow significantly in the near term. The Bank intends, through its IT development policy, to increase the efficiency of the services it provides and in this way to maximise revenue. As the economic situation in Ukraine improves, the Bank will resume the expansion of its retail customer base by offering a new range of its main types of loans and attracting a greater number of middle and higher income individuals.

Retail Lending

The Bank offers various types of loans to individual customers, including: (i) loans for the acquisition of real estate objects where the real estate is used as security ("**Real Estate Mortgages**"); (ii) consumer lending, usually secured with collateral ("**Personal Loans**"); and (iii) loans for the acquisition of vehicles ("**Auto Loans**"). These three products represented 27.3 per cent., 57.2 per cent. and 8.6 per cent., respectively, of the Bank's total retail loan portfolio as at 30 June 2015. As at 30 June 2015, loans to Retail Banking customers amounted to UAH 5,309,866 thousand, representing 5.3 per cent. of the Bank's total loans to customers.

<u>Real Estate Mortgages</u>

The Bank offers a variety of Real Estate Mortgages, including mortgages on new-build houses and land for the construction of houses. Mortgage products are offered mainly through the Bank's network of branches and outlets and are up to 20 years in tenor. The Bank also has partnerships with real estate construction companies through which it offers mortgages to buyers of new-build houses.

In addition, the Bank participates in the State Special-Purpose Social and Economic Affordable Housing Building Programme for 2010-2017 under which it provides loans to individuals entitled to housing under governmental assistance programmes. The Programme is implemented by the Bank in co-operation with the State Fund for the Promotion of Housing Construction for Young People. The Programme is aimed at providing housing to those who qualify in accordance with the Ukrainian legislation through State support and development of affordable housing. The Programme participants are entitled to a loan of up to

70 per cent. of the value of the acquired property. To qualify for a loan, the Programme participants must be officially certified as being in need of improvement of their housing conditions. They must also be able to contribute the balance of the purchase price from their own funds. Mortgages provided under the Programme are up to 20 years in tenor and have an interest rate of 16 per cent. per annum, with payment of an arrangement fee of 1 per cent. and relevant insurance payments. Such mortgages are secured by property other than the property that is being acquired. The State support is capped at 30 per cent. of the value of the acquired property.

In 2012, the Bank started participating in a similar State Programme on Affordable Housing according to which the Bank provides loans with a tenor of up to 15 years at 16 per cent. per annum to individuals entitled to housing under governmental assistance programmes. This Programme envisages partial compensation of interest payments from the state budget, as a result of which the percentage rate for individuals eventually amounts to 3 per cent. per annum. Such mortgages are secured by the acquired property or other mortgage property.

As at 30 June 2015, Real Estate Mortgages provided to Retail Banking customers amounted to UAH 1,447,190 thousand, representing 27.3 per cent. of the Bank's retail loan portfolio.

Personal Loans

The Bank offers consumer loans to Retail Banking customers for general purpose use or to finance the purchase of household equipment subject to, in all cases (except for the credit cards), acceptable security arrangements (surety, pledge/mortgage). As at 30 June 2015, consumer loans to Retail Banking customers, including credit card loans, amounted to UAH 3,039,151 thousand, representing 57.2 per cent. of the Bank's retail loan portfolio. Consumer loans are generally up to three years in tenor in respect of loans secured by way of a surety of two individuals and up to two years in tenor in respect of loans secured on moveable property (e.g. durable goods).

Auto Loans

Auto Loans are loans made to Retail Banking customers for the purchase of new and used motor vehicles. Auto Loans are typically up to five to seven years in tenor and secured with the vehicles purchased with the loans. As at 31 December 2014, the Bank had a total of 3,802 Auto Loans with a total outstanding of UAH 428,857 thousand. As at 30 June 2015, Auto Loans to Retail Banking customers amounted to UAH 457,452 thousand, representing 8.6 per cent. of the Bank's retail loan portfolio.

Retail Deposits

Deposit and current accounts

The Bank offers a variety of current accounts and term and demand savings accounts to Retail Banking customers. Currently, the Bank offers six types of hryvnia and foreign currency deposit accounts, including accounts with monthly, quarterly or annual interest payments, interest payments that are capitalised, interest payable at maturity, cash replenishment options, automatic extension of term deposits and early repayment options without loss of accrued interest. The Bank also offers specialised deposit accounts for pensioners which enables them to receive pension payments from the State social security institutions free of charge. Pensioners can withdraw cash from such accounts, transfer funds into another account or use their accounts to service utility payments. Pensioners are also offered more favourable deposit rates to incentivise them to keep their savings with the Bank.

Customers have 24-hour access to the Bank's ATM network and benefit from optional SMS notifications of transactions on customer accounts as a part of the mobile banking services offered to customers which the Bank will continue developing in the future. Current account balances from Retail Banking customers amounted to UAH 11,239,899 thousand, or 8.7 per cent., as at 30 June 2015, compared to UAH 10,188,335 thousand, or 9.7 per cent., as at 31 December 2014 and UAH 10,567,813 thousand, or 12.8 per cent. of total liabilities, as at 31 December 2013. Demand savings accounts provide flexible access to funds in an interest bearing account, while term savings accounts provide for higher rates on fixed-term deposits. Term deposits from Retail Banking customers amounted to UAH 30,014,709 thousand, or 23.3 per cent. of the Bank's total liabilities, as at 30 June 2015, compared to UAH 26,896,603 thousand, or 25.6 per cent. of the Bank's total liabilities, as at 31 December 2014 and UAH 25,273,666 thousand, or 30.6 per cent. of the Bank's total liabilities, as at 31 December 2013.

The Bank also offers bank metal deposits.

Debit and credit card services

To assist customers in the Retail Banking segment to manage their cash, the Bank offers a variety of card services. Currently, it offers debit and credit cards to its Retail Banking customers with respective card accounts denominated in hryvnia or U.S. dollars. The Bank is a member of the Visa International payment system and MasterCard International payment system and offers customers such cards as VISA Electron, VISA Classic, VISA Gold, VISA Classic Domestic, MasterCard Standard, MasterCard Gold, MasterCard Platinum, MasterCard Mass, MasterCard Electronic and Maestro. Since 2011, the Bank has been a participant in the national electronic multiple payment system established by the NBU in order to promote cashless payments through the use of smart cards technology.

According to the NBU, as at 30 June 2015, the Bank ranked second among payment card issuers in Ukraine in terms of total cards issued. Customers are able to withdraw money and perform certain account management services at any of the Bank's 2,343 ATMs (see "*Distribution Channels — ATM and POS Network*" below). Among other payment card products, the Bank offers salary payment cards issued to employees of its corporate customers for which the Bank provides payroll services as well as corporate cards for corporate clients. Such salary payment cards are limited by a credit limit, on average, equivalent to the monthly salary of the holder. As at 30 June 2015, the Bank has issued 5,644,544 payment cards, including 724,195 VISA cards and 4,920,349 MasterCard cards.

The Bank has successfully completed the certification of compliance process with Payment Card Industry Data Security Standard ("**PCI DSS**") and received the certificate of compliance, which confirmed full conformity of the Bank's payment card data processing systems with the standards of international payment systems MasterCard and Visa.

Cash and settlement services

The Bank offers a wide range of cash settlement services, including the opening and closing of accounts, cash servicing, maintenance of accounts, providing information on account status and transfers into hryvnia and foreign currencies. The Bank also offers household payment services to its Retail Banking customers. It intends to develop such services by establishing direct debit payments from customers' current accounts through the Bank's ATM network. In conjunction with the current IT systems development policy, the Bank has launched the internet banking services to allow card-to-card transfers.

Money transfer services

The Bank provides money transfer services to its customers through Western Union, Money Gram, Migom, Unistream, Blizko, Coinstar (Travelex Money Transfer), Interexpress, Xpressmoney, Golden Crown (Zolotaya Korona), Contact, Ria, Hazri, Lider, Intel Express and Shvydka Kopiyka (a domestic money transfer service). Retail Banking customers are able to transfer hryvnia and foreign currency funds (with or without opening a current account) to individuals and legal entities within Ukraine and abroad. Competition for express money transfer in the Ukrainian market has intensified over the past few years, as customers switch to more cost effective money transfer systems. As at 30 June 2015, the Bank operated 3,031 transfer receipt and disbursement stations for international money transfer systems and 4,295 Shvydka Kopiyka transfer receipt and disbursement stations for domestic money transfers. In the six months ended 30 June 2015, transfers totalled UAH 3,238,779 thousand in the domestic currency equivalent, an increase of 31.2 per cent. compared to the same period in 2014. In order to improve money transfer services, the Bank continues implementing new software to simplify the provision and quality of such services, increase efficiency of money transfer operations, attract new clients and, as a result, increase income from this service. In addition, the Bank constantly increases the number of money transfer stations to meet customers' expectations.

State-related compensation programme

The Bank is the principal bank administering various State compensation programmes, including the disbursement of compensation to Ukrainian citizens for the loss of value of their monetary savings held with Sberbank. This savings compensation programme was implemented in accordance with the Law of Ukraine "*On State Guarantees for the Compensation of Savings of Citizens of Ukraine*" (the "**Compensation Law**"). The Compensation Law provides for the payment of compensation from the State budget in lieu of lost savings, commencing from 1997. Since the Compensation Law came into force, the Bank has disbursed compensation totalling UAH 13,411,075 thousand as at 30 June 2015. The amounts payable under the savings compensation programme are classified as the indebtedness of the State in accordance with the Compensation Law. Such payments are made out of the amounts received by the Bank from the State under this compensation programme, do not affect the Bank's net cashflow and are not treated as customer deposit withdrawals.

During the first six months of 2015, the Bank did not receive any compensation from the state budget and did not make payments to depositors.

Corporate Banking

Corporate Banking provides a full range of banking services to corporate clients, including deposit accounts, loans, overdraft facilities, revolving lines of credit, guarantees, promissory notes, foreign exchange, letters of credit, securities trading, cash settlement transactions and cash collection services and consultation services which are ancillary to the Bank's lending. The Bank's targeted Corporate Banking customers include companies in the following sectors: food and agricultural business, energy business, retail business, production of natural resources such as mineral sands and clays as well as export-oriented companies with growth potential and SMEs. It also aims to assist SMEs and implement various banking and credit programmes introduced by the State. Corporate Banking represented 94.7 per cent. of the Bank's gross loan portfolio, 66.8 per cent. of the Bank's customers' current accounts and 18.0 per cent. of the Bank's deposit base as at 30 June 2015.

Deposits and current accounts

The Bank offers a variety of current accounts and term deposit accounts to its Corporate Banking customers. Currently, the Bank offers more than seven types of deposit products, including accounts with monthly interest payments, quarterly interest payments, interest payments that are capitalised, interest payable at maturity and cash replenishment options. The Bank's cardholders have 24-hour access to its ATM network and also access to its Internet banking services. The Bank's current account balances from Corporate Banking customers amounted to UAH 22,555,780 thousand as at 30 June 2015, compared to UAH 11,489,274 thousand as at 31 December 2014 and UAH 7,281,479 thousand as at 31 December 2013. Corporate current account balances comprised approximately 17.5 per cent. of the Bank's total liabilities as at 30 June 2015. The Bank's term deposits from Corporate Banking customers increased from approximately UAH 3,357,340 thousand or 4.1 per cent. of the Bank's total liabilities as at 31 December 2013, to UAH 7,607,985 thousand or 7.2 per cent. of the Bank's total liabilities as at 31 December 2014 and to UAH 6,569,880 thousand or 5.1 per cent. of the Bank's total liabilities as at 30 June 2015.

Lending

The Bank offers loans to its Corporate Banking customers, including loan and other credit-related products, denominated in both hryvnia and foreign currencies, principally U.S. dollars and euro. As at 30 June 2015, total foreign currencies exposure to corporate customers was approximately 50.7 per cent. of the total corporate loan portfolio. Out of the total UAH 95,348,004 thousand loans to corporate customers, UAH 47,819,188 thousand were provided in hryvnia, UAH 41,896,440 thousand in U.S. dollars and UAH 7,366,001 thousand in euro. In addition, the Bank offers loans to finance investment projects and programmes, the purchase of vehicles and machinery, real estate objects, working capital loans, overdraft facilities, revolving credit facilities, guarantees and letters of credit to its Corporate Banking customers. The Bank works constantly to improve its product line and to develop new credit products, including syndicated loans. While the Bank offers loans to all Corporate Banking customers, it focuses on industries which are of a strategic importance to the Ukrainian economy, and also on SMEs. The Bank has strong relationships with large corporate customers. To comply with NBU reporting requirements, the Bank classifies corporate customers with sales in excess of UAH 50 million as "large", corporate customers with sales in excess of

UAH 30 million but less than UAH 50 million as "medium", and corporate customers with sales of less than UAH 30 million as "small" or "SMEs".

Corporate lending is a significant part of the Bank's business, with loans to Corporate Banking customers amounting to UAH 95,348,004 thousand as at 30 June 2015, representing 94.7 per cent. of the Bank's gross loans to customers. Since the vast majority of the Bank's Corporate Banking customers carry out their activities in the Ukrainian domestic market and are not engaged in export and import activities, a substantial part of the Bank's loan portfolio comprises hryvnia-denominated loans.

As at 30 June 2015, 31 December 2014 and 31 December 2013, loans to customers of UAH 57,246,017 thousand (57 per cent.), UAH 54,249,325 thousand (58 per cent.) and UAH 37,139,940 thousand (58 per cent.), respectively, were granted to ten borrowers or group of borrowers, which represents a significant concentration.

Large State-related entities are among the main customers of the Bank's Corporate Banking operations. As at 30 June 2015, 31 December 2014 and 31 December 2013, the above stated amounts include loans issued to Naftogaz in the total gross amount of UAH 15,199,315 thousand (15.1 per cent.), UAH 15,104,192 thousand (16.0 per cent.) and UAH 15,261,700 thousand (23.7 per cent.), respectively. See "*Provision of lending and other banking services to State-related entities*" below for a description of the Bank's co-operation with its largest State-related customers, including Naftogaz and others.

The development of SME business continues in 2015. The Bank intends to develop and implement an efficient model of co-operation with SMEs through separate product lines, point of sales optimisation, up-to- date banking technologies, competitive pricing and high quality services.

Project Finance

As part of its Corporate Banking, the Bank provides financing for development and infrastructure projects implemented by private investors. Recent projects include new office and residential complexes, and entertainment centres in Kyiv, as well as modernisation of customers' production capacities, such as, for example, modernisation or replacement of the customers' equipment.

Cash settlement transactions

The Bank offers its Corporate Banking customers a wide range of cash settlement services, including the opening and closing of accounts, cash servicing, maintenance of accounts, providing information on account status, providing consolidated statements of customers' accounts and transfers into hryvnia and foreign currencies. The Bank also provides its Corporate Banking customers with an on-line access to their accounts through up-to-date client-bank systems. The Bank also offers its customers (including Corporate Banking customers and other Ukrainian banks) cash collection services, including sales revenues collection and delivery of cash funds. In order to further develop the Bank's cash collection services and increase the level of protection of the Bank's valuables and employees while in transit, starting from the beginning of 2012 the Bank has replaced 100 per cent. of its existing vehicles with armoured specialised vehicles.

Provision of lending and other banking services to State-related entities

Given the Bank's status of a wholly State-owned bank and its track record, financial position and extensive national network, large State-related entities remain the Bank's largest Corporate Banking customers. The financing programme set up by the Bank for its largest State-owned customer, Naftogaz, is described above (see "*Naftogaz financing programme*"). In addition to Naftogaz, the Bank provided financing to a number of other State entities. According to the Order of the Prime Minister of Ukraine dated 2 March 2009 No. 53, a number of legal entities' accounts related to transportation and communication field were partially transferred to the Bank. The Bank also performs settlement functions for the participants of Ukraine's electricity and gas markets.

Pension Fund of Ukraine

Pursuant to the Resolution of the Cabinet of Ministers of Ukraine No. 1349 dated 12 September 2002 "*On Measures to Improve the Pension Finance Management Efficiency*" and the Instruction of the Cabinet of Ministers of Ukraine No. 25-p dated 21 January 2004 "*On Nominating the Authorised Bank to Carry out*

Settlement and Cash Transactions with Monies of the Pension Fund of Ukraine", the Bank provides its services to various regional and local units of the Pension Fund of Ukraine (the "**PFU**"). The payment services in respect of these institutions' accounts with the Bank have been provided via Internet banking facilities installed in the PFU offices. The Bank performs the day-to-day administration of the PFU accounts, including payment processing and consolidated reporting to the PFU and the Ministry of Finance of Ukraine.

Ukrposhta

The Bank also co-operates with UDPPZ Ukrposhta ("**Ukrposhta**"), the Ukrainian State-owned Postal Communication Enterprise. Pursuant to the co-operation agreement between the Bank and Ukrposhta, the accounts of post offices have been moved to the Bank for the provision of cash and payment services. Many of these accounts are used for the handling of the PFU funds distributed as State pension payments through Ukrposhta, and provide services to various operating units of Ukrposhta.

Electricity, Gas and Municipal Heating Suppliers

The Bank maintains current accounts for the participants of the wholesale electrical energy market, gas supply companies and their operating units, municipal heating enterprises, heating power plants, central heating and power plants and other entities conducting business in connection with the supply of heat and related operating units. These accounts include regulated current accounts for (i) the processing of payments for supplied electricity pursuant to the Resolutions of the Cabinet of Ministers of Ukraine No. 1136 of 19 July 2000 "*On Regulation of Relations in the Wholesale Electricity Market of Ukraine*" (as amended) and No. 1004 of 24 July 2006 "*On Nomination of the Authorised Bank to Service Current Accounts of Members of the Wholesale Electrical Energy Market with the Special Utilisation Arrangements*"; (ii) the processing of payments for ongoing gas consumption pursuant to the Resolution of the Cabinet of Ministers No. 247 of 26 March 2008 "*On Improvement of the Procedure of Settlement for the Natural Gas Consumed*", as amended; and (iii) payments for ongoing gas consumption pursuant to the Resolution of the Cabinet of Ministers No. 1082 dated 3 December 2008 "*On the Issue of Improvement of Settlement Schemes for Electrical Energy and Natural Gas*". The wholesale electrical energy market participants include SE Energorynok ("**Energorynok**"), a State-owned company responsible for the operation and regulation of Ukraine's wholesale energy market, as well as electricity supply companies and their operating units.

Treasury

The Treasury Department is responsible for managing the Bank's liquidity and solvency. In particular, it carries out the Bank's securities transactions and investments (see "*Securities transactions and investments*" below), including those involving Ukrainian Government debt securities and securities of banks and corporates. The Bank's Treasury department is also responsible for its money market transactions, including interbank lending, borrowing, foreign exchange transactions and precious metals trading.

Securities transactions and investments

The Bank's Treasury Department is responsible for managing securities transactions (including transactions with its available-for-sale and held-to-maturity portfolio). The Bank is involved in all segments of the Ukrainian stock market and is an active participant in the market for Ukrainian Government debt securities.

During the six months ended 30 June 2015, the Bank purchased Ukrainian Government debt securities with the nominal value of UAH 161,599,884 thousand and sold Ukrainian Government debt securities with the nominal value of UAH 158,644,228 thousand, both in the primary and secondary securities markets. As at 30 June 2015, the carrying value of Ukrainian Government debt securities was UAH 9,970,921 thousand.

The following table shows a breakdown of the Bank's treasury securities portfolio as at 30 June 2015 and 31 December 2014 (carrying values):

	30 June 2015	31 December 2014
Ukrainian Government debt securities		
Short-term Ukrainian Government debt securities	1,469,170	1,031,697
Medium-term Ukrainian Government debt securities, including securities with early redemption features................................	4,767,218	7,182,217
Long-term Ukrainian Government debt securities, including securities with early redemption features................................	3,367,328	3,296,149
Ukrainian Government debt securities for settlement of budget indebtedness on value added tax..	367,205	386,585
Total..	**9,970,921**	**11,896,648**

As at 30 June 2015 and 31 December 2014, the carrying value of the Bank's corporate securities portfolio was UAH 13,052,544 thousand and UAH 13,578,262 thousand, respectively.

	Municipal bonds	Shares and similar securities	Corporate debt securities	Total corporate securities portfolio
			(*UAH thousands*)	
30 June 2015	2,112,827	33,570	10,906,147	**13,052,544**
31 December 2014...	2,189,012	33,570	11,355,680	**13,578,262**

The corporate securities portfolio of the Bank consists of domestic securities with maturities ranging from under one month until over 5 years with an average interest rate of 16.08 per cent. as at 30 June 2015.

The following table shows a breakdown of the Bank's corporate securities portfolio as at 30 June 2015 (gross carrying values):

	30 June 2015	31 December 2014
	(*UAH thousands*)	
Shares of enterprises available for sale, gross...	48,667	48,667
Corporate bonds available for sale...	11,689,823	11,762,828
Municipal bonds available for sale	2,112,827	2,189,012

Money market transactions

The Bank remains the key market-maker in the interbank lending market. In this market, the Bank's Treasury department is primarily involved in providing UAH financing. Interest rates charged by the Bank on interbank loans correspond to existing market average interest rates.

Transactions with other banks

The Bank is active in the Ukrainian interbank market and remains one of the major market-makers. The Bank's involvement has been historically through interbank loans, repos, swap transactions and the borrowing and placing of funds, but it is able to use a wide range of available money market instruments, though some of the instruments may be unavailable due to restrictions imposed from time to time by the NBU. The Bank carries out interbank money market lending and borrowing transactions in order to optimise its liquidity and in accordance with its risk management policies. The Bank has traditionally been more active in lending to, rather than borrowing from, the interbank market.

Co-operation with counterparty banks is based on the general agreements in the interbank market and as at 30 June 2015, the Bank had entered into general agreements with 42 domestic and 33 foreign banks. The operations performed under these agreements are limited by counterparty restrictions set by the Bank's Credit Committee.

As at 31 December 2014 and 30 June 2015, funds borrowed from other banks by the Bank (excluding the NBU funding and LORO accounts) totalled UAH 2,448,960 thousand and UAH 2,022,854 thousand, respectively. As at 31 December 2014, funds lent to other banks (apart from NOSTRO accounts) totalled UAH 1,368,958 thousand (comprising UAH nil in repo transaction and UAH 1,368,958 thousand in funds lent to other banks), compared to UAH 5,155,055 thousand (comprising UAH 3,723,044 thousand in repo transactions and UAH 1,432,011 thousand in funds lent to other banks) as at 31 December 2013.

The Bank's income from transactions on the interbank markets in the year ended 31 December 2014 amounted to UAH 628,480 thousand (comprising UAH 307,164 thousand from repo transactions, UAH 66,433 thousand from loans to other banks and UAH 248,458 thousand from NOSTRO account transactions); its expenses totalled UAH 2,887,920 thousand (including UAH 310,921 thousand in respect of LORO account transactions and in respect of other loans and UAH 2,576,999 thousand in respect of loans from the NBU).

The Bank remained an active member of the interbank foreign exchange market of Ukraine during 2014 and the first six months of 2015. The Bank's total dealing (net) in the six months ended 30 June 2015 from foreign exchange transactions amounted to UAH 172,787 thousand.

Additional products and services

In an effort to increase profitability, the Bank has focused on increasing its rating on the banking services market, attracting more customers and implementing innovative banking products.

In 2014, the Bank carried out non-trading transactions such as money transfers via international payment systems, bank transfers, compensatory payments, bureau de change transactions, transactions with cheques and bank metals. It also exercised foreign exchange control agent functions in the course of settlements under export/import contracts of customers and own foreign trade contracts.

The Bank has continued to make bank transfers in foreign currencies via its network of correspondent banks by involving the Bank's network and using production and labour resources efficiently, as well as transfers via international payment systems.

The Bank has carried out exchange rate transactions in U.S. dollars, Euro, Canadian dollars, Swiss Francs, UK Sterling, Russian Roubles, Polish Zloty and Belarusian Rubles.

Funding

The Bank funds its operations from a combination of customer deposits and stable core current accounts of corporate and retail customers, issues of debt securities, bank borrowing and long-term interbank loans.

In order to manage its liquidity position in an efficient manner, it attracts short-term interbank loans in hryvnia and uses refinancing facilities provided by the NBU. As at 30 June 2015, the total indebtedness of the Bank under the NBU refinancing facilities was UAH 18,506,756 thousand. As at 30 June 2015, interest rates on the Bank's NBU refinancing facilities varied from 14 to 21.5 per cent. per annum and are to be repaid in the period from 27 November 2015 to 10 June 2020. In accordance with Ukrainian legislation, all such loans are secured by a pledge in respect of the rights under loans provided by the Bank or debt securities held by the Bank, and such security is first ranking. See "*Risk Factors — Risks Relating to the Bank — The Bank is facing substantial liquidity risks*".

Customer term deposits increased by 20.8 per cent. from UAH 28,561,473 thousand as at 31 December 2013 to UAH 34,515,818 thousand as at 31 December 2014 and increased by 5.9 per cent. to UAH 36,553,608 thousand as at 30 June 2015. Customers' current accounts and term deposits accounted for 54.5 per cent. of the Bank's total liabilities as at 30 June 2015, compared to 53.5 per cent. as at 31 December 2014 and 56.3 per cent. as at 31 December 2013.

The Bank's liquidity management policy is designed to ensure timely and full performance of the Bank's obligations. To this end, the Bank maintains a primary liquidity reserve (providing for the Bank's current needs in highly liquid assets) and a secondary liquidity reserve which consists primarily of highly liquid Ukrainian Government debt securities (to provide liquidity in a stress scenario). In addition, the Bank monitors liquidity gaps and determines the amount of funding which can be allocated to financing longer- term projects. The adequacy of the Bank's approach to liquidity management was demonstrated by its ability to ensure performance of its obligations through the crisis periods in 1998, 2004 and 2008, during 2011/2012 and the ongoing political and economic crisis in Ukraine.

The Bank also relies on the support from the State as its sole shareholder in terms of additional contributions to the Bank's statutory share capital to ensure compliance with Ukrainian and international economic ratios and maintain stable operations. Prior to 2000, all capital increases were financed out of the Bank's net profits. From 2000, share capital increases were largely financed through capital contributions by the State. As at 30 June 2015, the Bank's registered and paid-up share capital amounted to UAH 30,153,460 thousand, compared to UAH 722,000 thousand as at 31 December 2006. The increase in capital was attributable to a number of partial transactions, including one increase of the Bank's share capital of UAH 200,000 thousand in 2007, three increases of the Bank's share capital in 2008 in the aggregate amount of UAH 12,970,000 thousand following the onset of the financial crisis and as part of the Government's measures to recapitalise the Ukrainian banking system, and one increase in 2011 of UAH 604,000 thousand by the Government through issuance of new shares. On 20 October 2011 and 6 August 2014, the Government of Ukraine decided to increase the share capital of the Bank by an amount of UAH 1,041,900 thousand and UAH 1,072,904 thousand respectively by capitalising the retained earnings of the Bank by way of increasing nominal value of shares. Two further Government injections to the Bank's share capital were made in 2013 and 2014 in the amounts of UAH 1,399,944 thousand and 11,598,840 thousand respectively. All ordinary shares have a nominal value of UAH 1.16 million per share, rank equally and carry one vote.

In December 2006, the Bank attracted a U.S.$100 million subordinated loan from ABN AMRO BANK N.V., LONDON BRANCH. The funds were disbursed in January 2007 and fall due in 2017. Starting from 19 January 2012, the interest rate was changed to a floating interest rate (LIBOR + 5 per cent.). According to the loan agreement the Bank has the right to prepay the loan at any interest payment date. However, the Bank currently has no plans to exercise such early redemption option.

On 10 March 2011, the Bank issued U.S.$500 million 8.25 per cent. loan participation notes (the "**Original Notes**") and on 18 July 2011 it made a further issue of U.S.$200 million 8.25 per cent. loan participation notes which were consolidated and formed a single series with the Original Notes (together with the Original Notes, the "**2011 Notes**"). The 2011 Notes mature in 2016. In March 2013, the Bank issued U.S.$500 million loan participation notes ("**2018 Notes**") at the interest rate of 8.875 per cent. *per annum* due in 2018. The Eurobonds are listed on the Irish Stock Exchange. In line with its strategy, the Bank intends to expand the number of banking products and services offered to corporate customers, in particular agricultural enterprises as well as enterprises operating in the fuel and energy, steel, mining and transport sectors. To this end, the Bank used the proceeds of issue of the 2011 Notes to diversify its loan book by providing U.S. dollar loan financing to privately-owned corporate customers in these sectors.

On 30 December 2013, the Bank and the European Investment Bank (the "**EIB**") entered into a financing agreement that stipulates for opening a credit line in the amount of EUR 220,000 thousand for the period of ten years. Withdrawals are available in U.S. dollars and euros. The objective of this credit line facility is to finance small and medium business entities, midcap companies, and other priority projects. As at 30 June 2015 and 31 December 2014, the amounts due the EIB amounted to UAH 5,018,445 thousand and UAH 3,974,824 thousand, respectively. The interest rates on the tranches received were fixed, and were in the range from 4.26 per cent. to 5.87 per cent. per annum, repayable semi-annually together with each tranche.

According to the financing agreement with the EIB, the Bank is obligated to comply with certain information requirements and financial covenants, including a requirement to maintain certain ratios above a prescribed level. In accordance with the procedures stipulated for by the loan agreement, financial ratios should be calculated based on the published consolidated financial statements prepared under IFRS for every half and full year periods. Based on the analysis of the consolidated financial statements as at 30 June 2015, the Bank did not comply with several ratios, in the first turn, due the loss of the assets result of the loss of assets belonging to the Crimean Republican Branch, significant fluctuations in exchange rate and, correspondingly, re-measurement of currency assets, as well as the deteriorated servicing quality of the loan portfolio. Following negotiations with the EIB, the Bank's management did not expect that EIB would claim early repayment of the loan. Therefore, as at 30 June 2015 in the analysis of liquidity risks loan from EIB was reflected in accordance with the expectations of the Bank's management in the comformity with initial schedules indicated in the financial agreement. On 30 December 2015, the EIB and the Bank entered into a letter, pursuant to which, among other things, the EIB waived the requirement for the Bank to comply with the relevant financial covenants in respect of the years 2014 and 2015.

Distribution Channels

Branches and Outlets

By the end of 2012, the Bank has completed structural reform of its branch network. During the reform sub-branches were reorganised into outlets (units which do not have separate balance sheets) thereby creating a two-tier management model. This tier-two management model simplifies and optimises the management and control over the Bank's branch network, implements unified corporate standards and processes in all the branches and outlets and improves cost efficiency of the Bank's branch network, eliminating excessive managerial functions at the level of sub-branches. The Bank offers its services through its vertically- integrated branch network which consists of regional branches and outlets.

As at 30 June 2015, the Bank had the largest branch network among the Ukrainian banks, consisting of 23 regional branches, the Main Branch in Kyiv and Kyiv oblast, the Main Operational Branch, as well as 4,747 outlets. Regional branches are directly subordinated to the head office of the Bank.

Regional branches are separate structural units of the Bank responsible for the Bank's activities in their respective regions. The Bank's regional branches supervise and manage the respective territory where the relevant subordinated outlets are located. Each branch has its own balance sheet that is consolidated into the Bank's central balance sheet for financial reporting purposes. Each branch provides a full range of banking services to the Bank's retail and corporate clients, with the exception of the following transactions that are conducted by the head office: opening accounts for other banks and opening accounts with other banks, including relations with correspondent banks.

Outlets, on the other hand, do not have separate balance sheets. The scope of services provided by outlets is determined by their internal classification. Outlets of categories I, I-A, II and III-A (634 in total as at 30 June 2015) provide a wide range of banking services to retail and corporate clients, including lending and customer account services, with the exception of category III-A outlets (42 as at 30 June 2015) which only provide lending services to individuals. Outlets of category III (368 as at 30 June 2015) provide a full range of services to retail clients (except retails loans) and service accounts of corporate clients. Outlets of categories III-B, IV and V (3,745 in total as at 30 June 2015) provide a traditional range of services to retail clients (including, among others, customer account services, processing of payments and foreign exchange).

As at 30 June 2015, the Bank had 592 outlets of categories I, I-A and II, which retain their own management functions, and 4,155 subordinated outlets of categories III (III-A, III-B), IV and V.

ATM and POS Network

The Bank offers its customers the ability to withdraw cash from their accounts with the Bank through its own ATM network comprising 2,343 ATMs and through 5,829 POS terminals. These transactions can also be undertaken through the ATM networks of other Ukrainian banks on the basis of co-operation agreements, comprising in total a further 2,189 ATMs as at 30 June 2015. The Bank's ATMs provide services such as cash withdrawals, balance enquiries, mini-statements, fund transfers between customer accounts with the Bank and mobile phone account top-ups. The Bank offers SMS notifications in respect of transactions on customer accounts. The Bank will continue to expand the range of services provided through its ATMs, including the support of money transfers to and from accounts with other banks, handling of utility payments and paying-in services. After 30 June 2015 the Bank has expanded its network to 2,800 ATMs.

As at 30 June 2015, the Bank was among the leading banks in terms of merchant POS-terminals network that with 16,132 terminals in operation. Well-known chains of grocery, construction and consumer electronics retailers as well as restaurants and gas stations are among the Bank's customers, contributing to the Bank's fee and commission income.

Other Distribution Channels

The Bank offers its corporate customers internet banking facilities, and SMS banking facilities to its retail clients. The Bank provides internet banking to all of its retail clients and operates a 24/7 call centre. The Bank has WEB-banking which allows the holders of payment cards to perform various operations on-line, including reviewing card account balance and transactions history, generating statements for any period and transfering of funds between owner's cards and to the cards of other Bank's customers.

Information Technology

The Bank's IT systems are an integral part of its system of internal controls and are critical to its business operations and essential to effectively support business operations, maintain operational efficiencies, co-ordinate and enhance risk management systems, and meet the needs of the Bank's customer base. Primarily, the Bank's IT systems provide software and information support of the Bank's activities, establish a payment infrastructure (involving clearing and settlement), provide payment services (involving debit card and ATM transactions), facilitate participation of the Bank in financial markets (through trading and custody operations) and support the Bank's customer service function.

According to the Bank's medium-to-long term IT systems development strategy, the Bank completed implementation of a new ABS "BARS-Millennium" within the Bank's entire branch network instead of the existing five automatic banking systems. The Bank also launched its own high-powered processing centre based on the system designed by Open way, the new 24/7 customer support call centre, internal accounting and reporting systems as well as an upgraded software to place disbursements under the recent State-related compensation programme.

In addition, the Bank's current IT systems development policy provides for the implementation of a centralised credit system and centralised deposit system for the Bank's Retail and Corporate Banking businesses; introduction of a centralised record system for deposit transactions; improvement of the money transfer system; development of a centralised storage facility for management accounting and financial analysis data; and implementation of the data protection system, users' technical support service, banking centre for data processing and a centralised system for users and resources management.

The Bank's network currently connects 4,654 locations of the Bank. . The Bank will also continue to modernise its central and regional communication centres in order to ensure secured and fast information processing and transfer within the Bank's branch network.

The stability and reliability of the Bank's automatic banking system is ensured through a back-up server, which keeps back-up records of all the Bank's banking operations. As of the date of this Prospectus, the Bank has not experienced any material interruptions to its back-up system.

In the past the Bank experienced occasional disruption of communication lines within Ukraine. The Bank has set up independent back-up communication lines between its head office and regional offices and is considering on a case-by-case basis setting up back-up communication lines with sub-branches and, where considered necessary, has established or is in the process of establishing such back-up communication lines.

See also "*Strategy - To enhance the Bank's internal performance and efficiency by improving business procedures through the use of information technology*" above.

Insurance

The Bank maintains the types of insurance that are required by applicable Ukrainian legislation and for businesses in Ukraine in the sectors in which it operates, including civil liability insurance for certain of the Bank's employees, coverage for leased and owned real estate property and coverage for loans. The Bank considers its insurance coverage to be adequate both as to risk and as to amounts for the operations conducted by it.

Subsidiaries and Associates

As at 30 June 2015, the Bank had one subsidiary, PJSC "Home loans refinance agency" ("**HLRA**"), in which it held 70.86 per cent. of the authorised share capital. HLRA has been founded by the Bank together with Ukreximbank, Ukrgasbank and Bank "**Kyiv**" and its principal activity is refinancing mortgage loans through issuance of mortgage-backed securities and developing a Ukrainian mortgage market. As at the date of this Prospectus, HLRA's authorised capital equals UAH 35,000 thousand.

In addition, SSB No.1 Plc was established in the form of a public limited liability company in accordance with the laws of England and Wales for the purpose of raising funds for the Bank in international capital markets. The Bank obtained control over it based on the ability to predetermine the activities of SSB No.1 Plc (by ensuring its operations on "autopilot") according to the requirements of IFRS 10 "Consolidated

Financial Statements". The management of SSB No.1 Plc has decided that SSB No.1 Plc will operate in accordance with the predetermined operating procedures.

Property

As at 30 June 2015, the total net book value of the Bank's property was UAH 3,333,238 thousand, including UAH 1,476,383 thousand of owned buildings and UAH 1,323,423 thousand of furniture, office equipment and motor vehicles. The last revaluation of the Bank's buildings and office premises to fair value prices was carried out by independent appraisers as at 31 December 2011. The fair value of buildings and office premises was estimated using the comparison and income method. Estimating the specialised fixed assets (when it is difficult to find the similar property in the market) the fair value was determined using cost method with residual value substitution.

Correspondent Banks

The Bank has one of the most extensive networks of correspondent banks among Ukrainian banks. The Bank has established correspondent relationships with 33 foreign and 42 domestic banks. Among the main correspondent banks are Deutsche Bank AG, Credit Suisse, JPMorgan Chase Bank, Commerzbank AG, Citibank N.A., UniCredit SPA and Deutsche Bank Trust Company Americas. As at 30 June 2015, the Bank conducted international settlements via 32 NOSTRO accounts in different currencies opened with major foreign banks. In addition to the Bank's global network of correspondent banks, 36 Ukrainian banks and 14 banks from the CIS and the Baltic States maintain their accounts with the Bank.

The Bank's continuous development of its correspondent network has allowed it to expand its relationships with counterparts throughout the world, including in Western, Central and Eastern Europe and North America and to co-operate with them in such areas as the interbank market, foreign exchange, money market, trade finance operations and other areas.

Licences

As a Ukrainian bank, the Bank is regulated and supervised by the NBU. The Bank has a NBU registration certificate confirming the registration made on 31 December 1991.

The Bank's current banking licence and general licence for foreign exchange transactions were issued on 5 October 2011 for an unlimited period of time. According to the aforementioned documents, the Bank is entitled to conduct all types of banking operations specified in applicable Ukrainian law and, in particular, the Bank may:

- attract and provide loans;
- accept deposits from both legal entities and individuals;
- open and operate current accounts for clients and correspondent banks;
- conduct foreign exchange and money market operations;
- sell and purchase securities both for its own account and on behalf of clients;
- provide guarantees;
- carry out factoring and leasing operations;
- issue and endorse cheques, bills of exchange and other payment instruments;
- issue bank cards;
- provide asset management services; and
- provide custodial services.

The Bank holds seven licences issued in 2011 and 2013 by the National Commission on Securities and the Stock Market of Ukraine authorising it to perform the following professional activities in the stock market:

- investment management in respect of securities;
- brokerage;
- dealership;
- underwriting;
- depository activity as securities custodian;
- asset management services to pension funds; and
- asset management services to joint investment funds.

The Bank holds a licence issued in 2013 by the Ministry of Finance of Ukraine for the issue and marketing of lotteries (instant State lotteries).

Memberships

The Bank is a member of the VISA and the MasterCard payment systems. In January 2009, the Bank obtained a licence for the provision of merchant acquiring services within the VISA payment system. In addition, the Bank is a member of the Ukrainian Interbank Payment Systems Member Association ("**EMA**"), the AUB, the First Credit Bureau of Ukraine ("**FCBU**"), OJSC UkrCard, the Ukrainian Credit-Bank Union, the Ukrainian Interbank Currency Exchange ("**UICE**"), PrJSC PFTS Stock Exchange, OJSC Ukrainian Exchange, CLSC Ukrainian Stock Exchange, the SWIFT system, the Association "*Ukrainian Stocks Traders*" ("**AUST**"), the Professional Association of Registrars and Depositaries ("**PARD**") and the World Institute of Savings Banks ("**WISB**"). In 2011, the Bank joined the National electronic multiple payment system and multiple payment system "GlobalMoney".

Legal Proceedings

Ordinary Course of Business Litigation

From time to time and in the ordinary course of business, the Bank is subject to governmental, legal and arbitration proceedings. There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Bank is aware) during the previous 12 months that may have, or have had in the recent past, a material effect on its financial position or profitability.

Claim against the Russian Federation

On 8 July 2015, the Bank sent a formal written notice to authorised representatives of the Russian Federation regarding the claims arising from unlawful treatment of the Bank's investments in Crimea in violation of certain provisions of the Agreement between the Government of the Russian Federation and the Government of Ukraine on Promotion and Mutual Protection of Investments signed on 27 November 1998 (the "**Bilateral Investment Treaty**"), as well as in violation of certain other rules of international law.

By serving the notice, the Bank notified the Russian Federation about existence of the dispute and requested resolution of the dispute with the Russian Federation to obtain reimbursement of damages incurred by the Bank as a result of the acts described in the notice. In the notice the Bank presented its view that its legitimate rights under international law have been violated by acts of individuals acting on behalf of, and legal entities owned or controlled by, the Russian Federation, which led to the Bank suffering significant damage to its investments in Crimea.

In accordance with the Bilateral Investment Treaty, the serving of the notice started a six-month period, during which the parties would be able to settle the dispute by way of negotiations. If resolution is not achieved within the six-month period, the Bank may pursue resolution of the dispute by utilising relevant judicial dispute resolution process.

Recent developments since 30 June 2015

On 12 June 2015, the Bank published the terms of the reprofiling of the U.S.$700,000,000 8.25 per cent. loan participation notes due 2016 (the "**2016 Notes**") and the U.S.$500,000,000 8.875% loan participation notes due 2018 (the "**2018 Notes**") issued by SSB No.1 PLC and of the U.S.$100,000,000 subordinated loan due 2017 (the "**2017 Subordinated Loan**"), which it agreed with an *ad hoc* committee of investors in such debt instruments.

In accordance with the agreed terms, the reprofiling of the 2016 Notes and the 2018 Notes was completed on 1 September 2015 on the following terms:

(i) the 2016 Notes were exchanged for new notes providing for, *inter alia*, a maturity extension of seven years to 10 March 2023, a coupon increase to 9.375% and an amortization profile pursuant to which (a) 60 per cent. of the principal amount of the 2016 Notes will be redeemed on 10 March 2019 and (b) the remaining principal amount of the 2016 Notes will be redeemed in eight equal semi-annual installments starting on 10 September 2019, with the final repayment due on 10 March 2023; and

(ii) the 2018 Notes were exchanged for new notes providing for, *inter alia*, a maturity extension of seven years to 20 March 2025, a coupon increase to 9.625% and an amortization profile pursuant to which (a) 50 per cent. of the principal amount of the 2018 Notes will be redeemed on 20 March 2020 and (b) the remaining principal amount of the 2018 Notes will be redeemed in ten equal semi-annual installments starting on 20 September 2020, with the final repayment due on 20 March 2025.

The reprofiling of the 2017 Subordinated Loan was completed on 25 November 2015. As part of the reprofiling the loan was converted in the Notes with the terms of the Amended and Restated Loan Agreement underlying the Notes providing for, inter alia, a maturity extension by seven years to 19 January 2024, a coupon increase to USD 6-month Libor plus 6.875% and an amortization profile pursuant to which (a) 50 per cent. of the principal amount of the 2017 Subordinated Loan will be redeemed on 19 January 2020 and (b) the remaining principal amount of the 2017 Subordinated Loan will be redeemed in eight equal semi-annual instalments starting on 19 July 2020, with the final repayment due on 19 January 2024. The Amended and Restated Loan Agreement has been registered with the NBU and the NBU has also issued a permit for including the loan provided under the Amended and Restated Loan Agreement in the regulatory capital of the Bank.

Since 30 June 2015, the exchange rate of the Ukrainian hryvnia has continued to weaken against major currencies. The exchange rate reached UAH 24.3830 per U.S.$1 as at 18 January 2016, compared to UAH 21.02 per U.S.$1 as at 30 June 2015. The Bank continued its conservative lending policy in 2015 due to the overall risk environment and liquidity shortage. The Bank does not expect any material changes in its gross corporate loan portfolio from an industry or from a currency split perspective.

In accordance with the resolution of the board of the NBU "On Certain Matters Relating to Activities of the Banks" No. 129 dated 24 February 2015, Ukrainian banks that were subject to stress tests under the resolution of the board of the NBU "On Conducting Stress Tests of Banks" No. 260 dated 15 April 2015 (the "**Stress Tests Resolution**") are subject to separate requirements as to the minimum capital adequacy ratios determined in accordance with the Stress Tests Resolution.

The Bank participated in the stress tests conducted under the Stress Tests Resolution in 2015 and thus became subject to capital adequacy requirements which are different from those that were applicable to the Bank previously. As of the last date when the capital adequacy ratios were reported to the NBU, which was 11 January 2016, the Bank was in compliance with the capital adequacy requirements applicable to it pursuant to the Stress Test Resolution.

The quality of loan portfolio continued to worsen leading to an increase in loan loss provision. As a result, net balance of loans to customers decreased. Due to the continued deterioration of national economic conditions and the ongoing crisis in Eastern Ukraine the bank expects further deterioration of its loan portfolio. At the same time the Bank is constantly seeking ways to improve quality of its loan portfolio and negotiate with the borrowers mutually acceptable debt service and settlement schedules.

Despite a reduction in customers' confidence in the Ukrainian banking system, during July-December 2015, the Bank experienced inflows in amounts due to individual customers.

The Bank’s investment securities portfolio has not demonstrated any material changes during July-December 2015 with minor increase of book value as result of exceeding the amount of investment securities purchased over the amount of settled upon maturity.

ASSETS, LIABILITY AND RISK MANAGEMENT

Overview

The Bank has a comprehensive risk management strategy in respect of financial and operational risks. Financial risk management comprises the management of market risks (liquidity risk, interest rate risk, foreign exchange risk and price risk) and credit risks, while operational risk management involves ensuring that the Bank's internal procedures and policies operate so as to minimise exposure to operational and legal risks. The risk management process is aimed at the detection, identification, assessment and regulation of risks to ensure the Bank's profitability and compliance with regulatory requirements of the NBU.

Although Ukrainian legislation does not currently require compliance with the standards of risk management prescribed by the Basel Committee on Banking Supervision (the "**Basel Committee**"), the Bank has been working on the implementation of the Basel Committee's recommendations regarding banking activities for several years and intends to continue to do so in the future. Taking into account the Basel Committee's recommendations, the NBU has established a minimum value of the regulatory capital adequacy ratio that is mandatory for Ukrainian banks to comply with. The current value of the respective ratio established by the NBU is not less than 10 per cent. The method for calculation of the minimum value of the regulatory capital adequacy ratio is based on the methodology that is generally consistent with the requirements of the Basel Committee regarding capital adequacy of banking institutions. The Bank's risk management systems have been developed according to the Basel Committee's recommendations regarding banking activities.

The Bank aims to implement the Basel recommendations in its activities and to take into account international standards in further developing its risk management strategy. Currently the Bank views this as one of the primary objectives.

From 2004, prior to the approval of the Risk Management Strategy, risk management was conducted by the Bank pursuant to the Risk Management Concept for the Bank's System (the "**Concept**") which was approved by the Bank's Management Board and Supervisory Board. The Concept defines key aspects of risk management of the Bank: purpose, scope of applicability, essence, principles, standards for risk management, organizational bases of risk management implementation, etc.

In 2015, the Bank's Management Board approved the Risk Management Strategy (the "**Strategy**") to establish a more efficient system for managing risks, which are generated by the external environment and the structure of assets and liabilities and to ensure that the strategic goals of the Bank are satisfied by applying the appropriate policies, practices and tools for management and control of risks.

The main priorities of the Strategy consist of ensuring the implementation of the Bank's business goals (taking into account risks) and to ensure the most efficient allocation of capital between risks.

The Bank's risk management policies aim to identify, analyse and manage the risks faced by the Bank, to set appropriate risk limits and controls and to continuously monitor risk levels and adherence to those levels. The basic principles of the Bank's risk management policy are:

- centralisation of liquidity, interest rate and currency risk management at the head office level;
- unification of analyses and monitoring procedures for credit risk management, creditworthiness for each borrower and establishment of a credit rating scale;
- definition of limits/restrictions on certain balance sheet items;
- unifying pricing of transactions and services;
- ensuring that risks are continually monitored;
- establishing risk limits for transaction amounts, including limits for the various risk committees of the Bank and its individual officers, limits on exposure to single borrowers, limits on exposure to transactions with related parties and credit portfolio concentration limits (by industry, counterparty groups, separate transactions/balance sheet items etc.);
- avoidance of conflicts of interest; and

- ensuring internal control over compliance with policies and procedures.

This Bank's risk management policy is structured over three levels: general, medium and operational.

The Bank's strategy for asset and liability management is based on diversification of its assets and liabilities in terms of counterparty, region and sector, the matching of assets and liabilities in terms of maturity, sensitivity to interest rate movements and foreign exchange risk and the maintenance of capital adequacy levels.

The independent risk control process does not include risks such as changes in the environment, technology and industry. These risks are monitored through the Bank's strategic planning process.

Risk management structure

Risk management policy, monitoring and control is conducted by the following executive arms of the Bank, the Assets and Liabilities Management Committee (the "**ALMC**"), the Credit Committee, the Retail Credit Committee and the Operational Risk Management Committee (the "**ORMC**"), which are overseen by the Supervisory and Management Boards of the Bank.

Supervisory Board

The Supervisory Board is responsible for the overall risk management process at the Bank and for approving the risk management objectives, strategies and principles. The Supervisory Board develops risk management concepts, allocates responsibility for risk management functions throughout the Bank and sets limits for lending approvals of the different risk management functions.

Management Board

The Management Board has the overall responsibility for the development of the risk management objectives and strategies and implementing risk management policies and procedures within the Bank. The Management Board updates the Bank's risk management policies when required and monitors the functioning of the Bank's risk management policies on an ongoing basis.

Assets and Liabilities Management Committee

The ALMC functions on a permanent basis and is a collegial operational body established by the Bank's Management Board. It consists of sixteen of the Bank's senior managers and is chaired by the Chairman of the Management Board. The ALMC meets not less than once a month and outlines the Bank's policy for management of assets, liabilities and market risks. The major functions of the ALMC are to identify, monitor and implement the following policies within the Bank:

- bank capital allocation and support of adequate payment capacity based on balance-sheet risk, market risk and other exposure;
- internal cash flow and funds management;
- market risks identification and management, including interest, currency and price risk;
- assets and liabilities management policy and reporting policy (short, medium and long-term); and
- control over operations handled by the Treasury.

Credit Committee

The Credit Committee functions on a permanent basis, consists of twelve members and is chaired by the Deputy Chairman of the Management Board. The Credit Committee meets not less than twice a week.

The Credit Committee provides additional support to the overall risk management of the Bank, and also specifically determines the Bank's policy in the lending and investment area, in line with both current business areas and strategic plans. The main targets of the Credit Committee are:

- consideration of lending and investment transaction-related issues;

- setting of limits and restrictions on credit risks in terms of lending products, foreign currencies, organisational departments, specific branches, borrowers and borrower groups; and
- monitoring of the Bank's activities, including asset management and lending.

Retail Credit Committee

The Retail Credit Committee functions on a permanent basis, consists of ten members and is chaired by the Deputy Chairman of the Management Board. The Retail Credit Committee meets at least twice a week.

The main targets and functions of the Retail Credit Committee are:

- adoption of decisions on carrying out lending operations with individuals (including amending the terms and conditions of lending operations) at the level of:
    a. regional administrations and/or outlets subordinated to such administrations, to the extent adoption of decisions regarding such lending operations fall outside the limits assigned to credit committees of the regional administrations;
    b. the Bank's head office.
- setting limits on the authority of credit committees of regional administrations in relation to autonomous approval of loans to individuals;
- adoption of decisions regarding cooperation with third parties for carrying out lending operations with individuals, except for accreditation of developers (customers) / managers / construction projects;
- adoption of decisions regarding reimbursement to cardholders of amounts lost as a result of fraudulent actions; and
- consideration of various issues regarding lending operations with individuals, including recognition of a loan as problematic, loan acceleration, determination of particular type for debt enforcement.

Operational Risk Management Committee

The ORMC is a collegial operational body functioning on a permanent basis, which has been established by the Bank's Management Board, and manages the Bank's operational risks within the ambit of the authority delegated to the ORMC. It consists of almost all heads of the Bank's organisational units and is chaired by the Deputy Chairman of the Management Board. The ORMC meets not less than once a quarter and determines the Bank's policy on operational risk management. The major functions of the ORMC are to identify, monitor and implement the policy on operational risk management within the Bank, namely:

- implementing the system of operational risks identification (detection);
- implementing the system of operational risks assessment (measurement);
- implementing the system of operational risks processing;
- implementing the system of operational risks monitoring;
- determining the Bank's tolerance levels to operational risks by setting up of restrictions, implementation of procedures and regulations;
- providing an efficient interaction of the Bank's departments at all organisational levels in the operational risk management process;
- ensuring compliance with the requirements of the National Bank of Ukraine and of the effective legislation on operational risk management; and

  building up a corporate culture with respect to the operational risk management.

Risk Department

The Risk Department ("**RD**") seeks to promote the implementation of an efficient financial and operational risk management system in compliance with the Risk Management Strategy. The RD is a separate structural unit of the Bank, assisting the ALMC, the Credit Committee, the ORMC and the Management Board of the Bank in implementing the Bank's risk management strategy.

The RD's functions include monitoring and controlling financial and operational risks by:

- evaluating and analysing financial and operational risks;
- making proposals for the management of financial and operational risks;
- calculating limits (limits evaluation) and benchmarks to be approved by the ALMC and the Credit Committee in accordance with internal guidelines;
- informing the departments of the Bank and their specialised committees of approved limits and benchmarks;
- evaluating and analysing financial and operational risks associated with the introduction of new or modifying the existing Bank products;
- evaluating and analysing the portfolio risks of the Bank;
- continual monitoring of compliance with limits and guidelines; and
- suggesting limits of liquidity ratios.

The RD also:

- develops the Bank's methodology for the evaluation and management of financial and operational risks;
- supervises activity of the ALMC's regional risk management officers in implementing the Bank's financial and operational risk management policy; and
- calculates limits on lending and investment operations and submits them to the ALMC, the Credit Committee and the Management Board as appropriate for approval.

Risk categorisation

Credit risk

Credit risk is the risk that threatens the income and capital of the Bank due to the potential failure of a counterparty or group of counterparties to meet its contractual obligations owed to the Bank or due to the deterioration of their credit rating. Identification and assessment of credit risk exposure is carried out on a permanent basis by all participants of the credit risk management process both on the level of a particular active operation or counterparty and on the portfolio level. Credit risk arises principally within the Bank's lending and investment activities.

The Bank manages its credit risk by establishing internal policies and procedures. The process of credit risk management involves the Bank determining key parameters of credit risk exposure, a constant monitoring process of the internal regulations to adhere to these established limits and restrictions and when necessary, to adjust credit risk tolerance levels. This is achieved by:

- setting, monitoring and reviewing credit ratings of customers and counterparties;
- setting, monitoring and controlling individual and portfolio lending limits and restrictions;
- setting and monitoring internal limits and restrictions;
- establishing risk based loan pricing;
- the formation of allowances to cover losses resulting from impairment of assets; and

- supervision and monitoring of the loan portfolio quality.

Identification and assessment of particular credit risks are carried out in accordance with internal regulations, procedures, methods of identification, risk assessment of transactions with specific types (classes and groups) of counterparties.

The main group of tools for identification and assessment of a portfolio of credit risks consist of assessment of credit risks concentration, assessment of quality of the portfolio of any active operations, assessment of the environmental factors that affect or may affect the ability of a particular group of counterparties, which have common characteristics, to fulfil their obligations to the Bank and modelling of the portfolio of credit risks.

All stages of the lending process, starting from initial project analysis to implementation, are controlled by the Bank, using unified methods and procedures.

The Bank applies a system of internal credit ratings ("**ICRS**") which was implemented, to ensure proper evaluation of individual credit risk. These internal credit ratings are assessed in relation to specified parameters, defined in terms of both the nature of the business and of the specific transaction. The parameters are based on the general characteristics of the business (cash flows, seasonality of the company's operations, its management, shareholders, etc.) and its commercial activities (its market position, prospects for the industry sector, a valuation of its production capacity, etc.), a review of its quality and credit history and an analysis of its financial performance and prospective trends in expansion of asset transactions. In addition, other factors which are taken into account include the potential borrower's fulfilment of its existing credit agreements, its business plan, its ability to provide collateral and its track record with the Bank. This assessment of counterparty credit risk is specifically assessed by the Bank at the time of the loan application and the loan-making decision, and also occurs on an ongoing basis through client monitoring.

Credit Risk Related to Retail and Corporate Lending

The Bank manages credit risk by setting limits on transactions with a particular borrower or group of related borrowers taking into account geographic, sectoral, product and other concentrations. Issues regarding feasibility of active operations with legal entities and individuals are submitted for consideration by the Credit Committee or Retail Credit Committee upon analysis of the Bank's credit projects. If the lending limit requested by the client exceeds the authority of the Credit Committee or Retail Credit Committee, a decision on the possibility of carrying out active operations is considered by the Bank's Management Board. In cases where the potential loan amount exceeds the authority of the Management Board, the lending limit must be approved by the Supervisory Board.

The main tools for optimising credit risk when considering the possibility of active operations with the Bank's clients are the following:

- setting a maximum amount (limit) for a particular active operation;
- setting a maximum size of portfolio for a certain group of active operations with common features;
- setting a rate of return for active operation;
- setting the terms and conditions for carrying out active operations;
- setting a currency in which an active operation is to be carried out;
- setting requirements for security under active operations;
- setting requirements for insurance of risk arising during active operation;
- setting limits and restrictions other than those listed above.

Loan Approval

Dependent on the type and amount of a loan, a decision on the possibility of carrying out active operations with clients may be adopted by the Credit Committees of Regional Administrations, the Credit Committee of the Bank, the Retail Credit Committee or the Management Board (depending on the amount of such loan and the requested terms and conditions).

As a result of the 2008 global financial crisis, the decision-making process in respect to lending has become increasingly centralised. On a quarterly basis, the regional administration establishes limits on authority to make decisions in respect of lending.

In addition, the regional administration carries out active operations with clients strictly in amounts (volumes) agreed with the central office divisions of the Bank (except for standardised products).

Concentration

The Bank seeks to mitigate the risk of concentration within its loan portfolio by setting limits that regulate concentration according to the types of active operations, sectoral, geographic and product concentration as well as the concentration of significant loans. Concentrations of industry sector and customer sector (i.e. retail/corporate) are reviewed on a monthly basis. The results of concentration analysis are used by the Management Board for the purposes of adjustment of risk management policies and procedures. This is achieved, for example, by setting limits on the maximum size of credit exposure with a single counterparty (including other banks), including restrictions by sub-limits covering on and off balance sheet exposures, which are set by the Credit Committee and the Management Board. Such limits have been established by the Bank in accordance with its credit policies in order to ensure the desired level of diversification.

Collateral

The Bank considers collateral an essential means of credit risk optimisation. The Bank accepts various types of collateral, including real estate, movables, securities, property rights and guarantees. The Bank also accepts property belonging to third parties (guarantors) and rights to property, securities and secured guarantees issued by other banks as collateral. Collateral eligibility is determined by taking into account its value and liquidity, the form of ownership of the borrower, its credit history, financial performance, rating and the term of the loan being considered. The Bank ensures the quality and sufficiency of collateral and that it is not pledged for the benefit of other entities.

The Bank prefers the following types of collateral: cash, guarantees of banks rated at or above the investment grade, state securities, merchandise in storage, mortgages and fixed assets. Non-government securities and property rights are generally accepted as additional security only. The Bank seeks to obtain a combination of different types of collateral in respect of each loan, taking into account the market conditions and financial prospects of the borrower, as well as accept collateral which is of a particularly high value for an individual borrower or guarantor.

Monitoring

The Bank monitors borrowers' performance of their obligations under their loan agreements, primarily repayment of principal indebtedness and interest. It also monitors the financial condition of borrowers on the basis of information provided by borrowers on a monthly and quarterly basis to determine whether loans are being used for the designated purposes, whether a borrower is meeting targets values set in its business plans, collateral value, and analysis certain non-financial information, such as information on the existence of legal proceedings.

Constant monitoring of the its loan portfolio enables the Bank to react to changes in the quality of particular loans and determine whether changes to the Bank's terms of lending are necessary. The Credit Committee and the Management Board are notified of the results of this monitoring on a regular basis and of the occurrence of any warning signs.

In addition, the Bank has developed an internal reporting system which accumulates information on each loan and borrower, enabling the Bank to assess the level of both individual and portfolio risks.

The Bank has also implemented procedures for working with borrowers that experience temporary financial difficulties, as well as procedures for working with borrowers that are unlikely to recover from financial difficulties.

Market Risks

The principal categories of market risk to which the Bank is exposed are described below. The corresponding risk management strategies adopted by the Bank are also outlined.

Liquidity Risk

Liquidity risk arises from imbalance in the maturities of assets and liabilities, which may result in the Bank being unable to meet its obligations in a timely manner. Balance and/or controlled imbalance in the maturities of assets and liabilities are fundamental to the managing of the Bank. An imbalance in maturities potentially enhances profitability, but can also increase the risk of losses. The ability to replace, at an acceptable cost, valid liabilities as they mature in order to transform them into assets for the purposes of gaining the interest yield is an important factor in managing the risk of liquidity of the Bank and its exposure to changes in interest rates.

The main purpose of liquidity management is to ensure the unconditional ability of the Bank to fulfil its obligations when they fall due by maintaining acceptable (manageable) liquidity gaps. In order to manage liquidity risks, the Bank performs constant monitoring of future expected cash flow from client and banking operations, which is part of its asset/liability management process.

The Bank's policy in relation to liquidity risk is guided by the belief that stable liquidity is more important than absolute profitability. The Bank has developed a comprehensive set of policies and procedures to implement its liquidity risk management strategy. These policies and procedures define the structure of relations between the different committees, divisions and other units within the Bank for the purposes of risk management and liquidity monitoring and allocate responsibility for monitoring and actions in case of non-compliance within the established limits.

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

The Bank's policy for asset and liability management is based on diversification of its assets and liabilities in terms of counterparty, region and sector, ensuring a balance in assets and liabilities in terms of maturity, sensitivity to interest rate movements and foreign exchange risk, and the maintenance of capital adequacy levels. Consequently, liquidity risk management provides for:

- availability within the Bank of liquid funds sufficient to cover current and planned needs;
- establishing an efficient system of identification and assessment of liquidity risk;
- establishing an efficient system of support and decision-making with regard to liquidity risk management;
- establishing an efficient system of monitoring and control of liquidity risk;
- establishing an efficient system for identifying and anticipating future risks and having pre-emptive measures in place to deal with such risks;
- determining the Bank's acceptable levels of liquidity risk by the setting up of limits, and implementation of procedures, regulations, guidelines and methodologies related to liquidity risk management;
- distributing limits among profit centres of the Bank and arranging business process in the manner to provide the most favourable impact on the Bank's income and capital;
- ensuring banking operations are carried out in compliance with the Bank's established limits (restrictions), procedures, regulations, guidelines and methodologies;
- ensuring a comprehensive package of primary responses to stabilise liquidity risk (see "*Contingency Plan*" below);

- providing for efficient interaction between the Bank's departments on all organisational levels in the liquidity risk management process;
- building the Bank's capacity to cover cash outflow in a crisis scenario (be it systemic or close to systemic) during a period established by the ALMC; and
- meeting the requirements of the NBU as to, among others, liquidity standards and standards of mandatory provisioning of attracted funds. The Bank adopted a conservative but positive approach to NBU requirements maintaining liquidity levels beyond NBU requirements.

The Bank's liquidity risk management policy also includes estimations of core current accounts (funds associated with stable customer relationships, with statistical methods applied to historic information on fluctuations of customer accounts balances).

From an operational perspective, the Bank's Management Board is responsible for outlining a liquidity risk management policy. The implementation of this policy is permanently delegated to the ALMC, which is also responsible for analysing funding sources and making decisions for asset and liability management.

The Bank seeks to maintain appropriate liquidity by stress-testing the fundamentals of its risk management policy on a quarterly basis. Management believes that stress-testing has led to the maintenance of an adequate liquidity cushion. In addition, the Bank monitors early warning signs of systemic risk within the Ukrainian banking system in order to ensure that it might act to pre-empt or mitigate effects of market turbulence.

Contingency Plan

The Bank has a set of internal guidelines entitled the "Action Plan under the Unforeseen Circumstances". This document sets out the relevant actions to be taken by the Bank in order to prevent or overcome the liquidity crisis. Matters covered include a list of pre-emptive measures to be taken to avoid a liquidity crisis, the methods used for the detection and analysis of a potential crisis, a comprehensive package of primary actions to stabilise liquidity risk, ways of managing the return of the Bank to normal operations and an analysis of the actions undertaken.

Interest Rate Risk

The Bank is exposed to interest rate risk principally as a result of mismatches in the maturity of its interest- bearing assets and liabilities. The Bank may incur losses in the event of unfavourable movements in interest rates. Accordingly, interest rate risk management requires the creation and functioning of a system of internal control of interest rate risks, involving departments of the Bank that deal with banking operations, the Risks Department (the "**RD**"), regional risk analysts and internal audit departments. This monitoring and control of interest rate risks includes analysis and supervision of: the processes of identifying, assessing, monitoring and controlling interest rate risks; efficiency of information systems and their maintenance; and compliance with the Bank's limits (restrictions), methodologies, procedures, regulations and guidelines.

The Management Board outlines an interest rate risk management policy and delegates the required powers and authority to the ALMC to oversee management of such policy. The ALMC also delegates authority in relation to the ongoing monitoring of interest rate risks to the RD, which performs several interest rate risk management functions, including monitoring compliance of the Bank's head office and regional branches, reporting to the ALMC and the Bank's Management Board on how limits are being adhered to and reporting to the ALMC on interest rate risk management.

Additionally, the Credit Committee regulates the Bank's lending and investment activity by approving limits, restrictions and procedures related to interest rate risk management as established by the Management Board and the ALMC.

Outcomes of the monitoring of and control over interest rate risks are submitted to the ALMC and the Bank's Management Board for review. Levels of tolerance to interest rate risks on specific transactions and portfolios of financial instruments are established by the relevant decision-making power of either the ALMC and/or the Bank's Management Board. Levels of tolerance to interest rate risks are then communicated to departments that implement these levels on the Bank's behalf in the form of limits (restrictions), methodologies, procedures, regulations and guidelines.

To manage interest rate risk, the Bank continually assesses market interest rates for different types of interest bearing assets and liabilities. The Bank also measures interest rate risk in each of the main international currencies separately. The Bank's interest rate risk management procedures are the same for all currencies.

The ALMC monitors the cumulative interest gap to between the interest-bearing assets and liabilities. The gap level is controlled by the RD. In the absence of any hedging instruments available on the Ukrainian market, the Bank seeks to match its interest rate positions. The evaluation and analysis of interest rate risk is performed each month. The results of such evaluation and analysis are discussed at ALMC meetings.

The analysis of interest-bearing assets and liabilities gap includes setting periodic reports. Assets and liabilities are then broken down by sensitivity to interest rate movements and these are further broken down by reference to their contractual repricing or maturity date. The Bank also carries out stress-testing of the main aspects of management of the interest rate risk on a quarterly basis.

Occasionally, supervision of the interest rate risk management process requires essential changes in the risk management instruments applied by the Bank.

Interest rate risk management provides for:

- establishing the maximum rates for the raising of funds and minimum rates for their depositing;
- maintaining net interest income (interest spread) on the level as established by the Bank's business plan taking into account an optimal correlation of net interest income and interest risk;
- establishing an efficient system of identification (detection) and assessment (measurement) of interest rate risks;
- establishing an efficient system of support and decision-making with regard to interest rate risk management;
- establishing an efficient system of monitoring of and control over interest rate risks;
- determining the Bank's tolerance levels to interest rate risks by setting up of limits (restrictions), implementation of procedures, regulations, guidelines and methodologies related to interest rate risks; and
- providing an efficient interaction of the Bank's departments at all organisational levels in the interest rate risk management process.

For information on the sensitivity of the net interest income for the years ended 31 December 2014 and 31 December 2013 to changes in interest rates and a general analysis of the Bank's risk management policies, see Note 34 to the audited Financial Statements.

Foreign Exchange Risk

Foreign exchange risk is the risk of losses resulting from adverse movements in different foreign currency exchange rates which affect the Bank's income or the value of its portfolios. Foreign exchange risk arises when the actual or forecasted assets in a foreign currency are either greater or less than its liabilities in that currency. The Bank is exposed to the effects of unpredictable fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The Bank evaluates, monitors and sets limits for open positions using the hryvnia as its base currency. The NBU sets regulatory requirements for open currency positions, expressed as a percentage of the Bank's regulatory capital.

The Bank's approach to foreign exchange risk management is based on principles of consolidated currency risk management and provides for:

- meeting requirements of the NBU currency position ratios and other foreign exchange restrictions;

- establishing an efficient system of identification (detection) and assessment (measurement) of foreign exchange risks;
- establishing an efficient system of support and decision-making with regard to foreign exchange risk management;
- establishing an efficient system of monitoring of and control over foreign exchange risks;
- determining the Bank's tolerance levels to foreign exchange risk by setting up of limits (restrictions), implementation of procedures, regulations, guidelines and methodologies related to particular operations and on the portfolio level;
- ensuring execution of banking operations in compliance with the established limits (restrictions), procedures, regulations, guidelines and methodologies; and
- providing for efficient interaction of the Bank's departments on all organisational levels in the foreign exchange risk management process.

The Bank uses internal written policies and procedures to regulate its foreign exchange risk management process and determine tolerance levels of the Bank to foreign exchange risk.

From currency risk sensitivity analysis, the Bank is able to assess the possible impact of changes in foreign currency. The sensitivity analysis includes external loans within the Bank where the denomination of the loan is in a currency other than UAH.

The Bank's Management Board is responsible for outlining a foreign exchange risk management policy. The implementation of this policy is delegated to the ALMC, which carries out management of the Bank's foreign exchange risk.

The ALMC delegates authority in relation to the ongoing management of the Bank's currency position to the department responsible for implementing the currency control functions. This department performs this role within ALMC- established limits and restrictions, and undertakes the foreign exchange risk management functions. In addition, the ALMC delegates the functions of ongoing monitoring of the Bank's currency position to the RD, which monitors compliance of the Bank's structural divisions and regional branches with the NBU requirements and the Bank's internal foreign currency risk limits and restrictions and reports to the ALMC and the Management Board on such compliance and foreign exchange risk management.

Operational Risk

Operational risk is the risk of direct or indirect loss, or damage to the Bank's reputation, resulting from inadequate or failed internal processes or systems, or from human error or external events that affect its image or operations or that can have an adverse effect on its financial position. Operational risk is inherent in all activities within the Bank and the Bank cannot expect to eliminate all operational risks. By developing a set of policies and procedures for controlling operational risks (including those in connection with the high level of automation in the data transfer), processing and storing systems, by monitoring and responding to potential risks, the Bank is able to better manage such risks.

It is the Bank's policy to reduce the frequency and impact of operational risks in a cost-effective manner. The Bank seeks to achieve this by fostering a strong culture surrounding operational risk, based upon internal controls, quality management, leadership skills and well educated, qualified staff. The main process for identifying and monitoring operational risk is through the self-assessment of risk and control and through the recording of loss events, near misses and operational incidents. Each business unit regularly assesses its own risk and relevant controls and evaluates the possible impacts. If risk exceeds acceptable limits, then the Bank's internal controls and the quality and efficiency of the internal processes are re-evaluated to lower future risk within acceptable risk limits. The comprehensive framework for managing operational risks also includes internal audit processes, money laundering compliance procedures and IT systems risk management.

Contingency Planning

Pursuant to instructions of the Bank's management over the past year a number of internal documents were introduced/revised, approved by the Bank's collegial bodies and put into practice for the purposes of ensuring uninterrupted operations of the Bank, namely:

- Comprehensive action plan for contingencies in the Bank's system;
- Action plan to restore functioning of the Bank;
- Action plan to restore functioning of the Bank's regional branches;
- Action plan for contingencies (introduction of special regime);
- Action plan in case of partial/full termination of the Bank's operations in Donetsk and Luhansk oblasts;
- Action plan in case of expansion of hostilities to Kharkiv, Dnipropetrovsk and Zaporizhia oblasts;
- Action plan in case of expansion of hostilities to Kharkiv, Dnipropetrovsk, Zaporizhia, Mykolaiv, Odesa, Sumy and Kherson oblasts;
- Procedures to ensure adequate protection and preservation of assets, seals, stamps of the Bank's branches in Kharkiv, Dnipropetrovsk, Zaporizhia, Mykolaiv, Odesa, Kherson and Sumy oblasts.

Additionally, the Bank has established a working group on functioning of the Bank in emergency regime, which operates on a permanent basis until cancellation of the emergency regime of banking system in Donetsk and Luhansk oblasts and in the Autonomous Republic of Crimea, and carried out stress-testing with respect to the following operational risk event: "Loss of the Bank's outlets at Ukrainian regions as a result of the armed attacks, seizure and unlawful possession of nationally important properties or real threat of such actions."

Lending Policies and Procedures

The Bank's bodies engaged in approving the limits for lending comprise the Supervisory Board, the Management Board, the Credit Committee and the Retail Credit Committee. They are responsible for implementing the Bank's lending policies and forming a balanced and diversified loan portfolio. The Supervisory Board and the Management Board are authorised to approve loans limited by the NBU restrictions as to the maximum limit for a single borrower, for a group of related borrowers or the maximum limit for larger borrowers.

The Credit Committee is authorised to take decisions on loans up to a maximum limit of EUR 5 million for a single borrower or a group of related borrowers. Loans above this limit have to be approved by the Management Board or, if necessary, the Supervisory Board. The Credit Committee is also authorised to set limits for branches' loans to corporate and retail customers.

Any decisions on extension of the loan or on any other changes in conditions of the loan agreement entered into with the corporate client shall be submitted for the consideration of the Credit Committee.

The Bank considers collateral as an essential means of risk minimisation. See "*Risk categorisation - Credit risk - Collateral*" above.

The Bank also undertakes specific assessment of loan risk based on group and type of counterparty. The Bank has developed internal documentation that regulates the assessment of the financial condition of counterparties:

- Methodology for Assessing of the Financial Condition of Legal Entities and Budgetary Institutions at the Bank;

- Methodology for Assessing the Financial Condition of Individual Entrepreneurs;
- Methodology for Assessing of the Financial Condition of Individuals at the Bank;
- Methodology for Determination of the Class and Internal Credit Rating of the Other Banks who are the Bank's Counterparties;
- Methodology for Determination of Internal Credit Rating of the Insurance Companies;
- Other methodologies for the determination of internal credit ratings of the Bank's clients, which possess specific common characteristics.

Methodology for assessing the financial condition of the counterparties has been developed according to NBU regulations as well as by other regulatory authorities responsible for the supervision of the activities of business companies, taking into account the Bank's own expertise in assessment and the financial condition of the Bank's counterparties.

Repo transactions on the inter-bank market are carried out by the Bank in compliance with a special regulation. Approaches contained in this regulation are co-ordinated with requirements of other regulatory documents referring to inter-bank transactions. Similarly, transactions involving property are carried out in compliance with regulations as to the kinds and types of property that may be accepted as pledge for loans provided by the Bank, and how frequently those property pledges will be monitored.

Credit review process: corporate loans

The Supervisory Board, Management Board, Credit Committee, Retail Credit Committee and Regional Committees, as appropriate, approve loans subject to the effective lending policy. The Bank's business plan sets limits for the volume of bad and overdue loans in the loan portfolio, the ALMC and the Credit Committee determines the Bank's loan pricing strategy.

The limits applicable to credit decisions that Regional Committees may take independently without having to refer to the Supervisory Board, Management Board or Credit Committee, as appropriate, are determined according to the following criteria of activity of the relevant Regional Committee: the quality of credit portfolio, the amount of nonperforming loans in the credit portfolio, the qualifications of the staff involved in lending activities, the quality of documentation submitted to the Supervisory Board, Management Board or Credit Committee, as appropriate, for consideration, the due diligence procedures of the staff, its adherence to the Bank's requirements for conducting credit operations and the average amounts of individual loans in the credit portfolio of that Regional Committee. Further, the Bank's internal regulations and lending policy impose restrictions on loans (non-standard and standard banking products) in relation to maximum lending periods, lending and clearance procedures, interest rates, maximum amount of a loan depending on a provision value and minimal lending amounts.

If a Regional Committee provides preliminary approval, the credit proposal is then sent to the Credit Committee along with the minutes of the relevant Regional Committee meeting. The officers of the Credit Committee check each loan application to ensure that it conforms with internal regulations and the Bank's credit policy and then approve or deny the disbursement of funds.

Certain decisions, including relating to granting guarantees and purchasing securities, are taken only at Credit Committee level or higher. The Bank is continuously working on the improvement of its lending procedures and the improvement of the skills of its staff working in this field, with a special emphasis on perfecting the procedures for reducing credit risks.

The loan approval procedure includes (for example, in head office):

- Preliminary analysis.
- Comprehensive analysis.
- Visits to the borrower's (and guarantor's) premises.
- Drafting the credit proposal.

- Submission to the Credit Committee.
- Creating and monitoring the Loan approval.
- Preparation of legal documents.
- Funds transfer.
- Loan file.

When a regional credit proposal exceeds the established limits, the regional credit officers evaluate a loan and the local Regional Committee gives a preliminary approval or rejection. If approved by the Regional Committee, the proposal is sent to the Bank's Corporate Banking Department, together with the supporting documentation. The officers at the Corporate Banking Department perform an additional analysis of the proposal, check the terms of the loan and its conditions with the Legal Department, the Security Department, the Collateral Monitoring Division and the RD (if necessary), and prepare their credit proposals for approval by the Bank's Credit Committee as appropriate.

Credit review process: retail loans

The procedure of credit approval process for commercial and retail loans is substantially the same, except for the fact that the branches in regional offices may have their own limits.

Security Department

The Bank has established its own in-house Security Department, which is responsible for verifying the authenticity of the credit history and reputation (management, founders, etc.) of each client, and researching information on the financial performance of customers which are not available in their statements, both at the time of credit approval and during the life of the loan.

In the event that a loan is not repaid when due, the Security Department assists other divisions of the Bank with recovery of monies and sales of property.

Loan Classification and Allowances

Under the Bank's internal scoring system for its loan portfolio, loans are assessed based on a number of factors, the most important of which include:

- the borrower's financial performance and creditworthiness (taking into account the performance of the sector of the economy in which the borrower operates);
- quality of the borrower's servicing of the current loan (timely repayment of interest and principal) and its credit history (including its record with other banks);
- loan security (collateral) available;
- quality of the borrower's management reputation; and
- the borrower's business growth prospects.

In order to establish adequate allowances under the NBU requirements, loans are classified using a scoring methodology which includes an analysis of a borrower's specific risks, industry risks and macroeconomic factors. The allowances are established in the relevant percentage (established by the NBU) of the amount of the loan adjusted for the amount of collateral. When determining provisions, the quality of collateral is also taken into account as well as the quantity.

Allowance for impairment losses

The Bank accounts for impairment of financial assets that are carried at fair value when there is objective evidence that a financial asset or group of financial assets is impaired. The impairment losses are measured as the difference between carrying value and the present value of expected future cash flows, including amounts recoverable from guarantees and collateral, discounted at the financial asset's original effective interest rate, for financial assets which are carried at amortised cost. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed with an adjustment of the provision account.

For financial assets carried at cost, the impairment losses are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

The change in the impairment is included into profits using the provision account. Assets recorded in the statement of financial position are reduced by the amount of the impairment. Factors that the Bank considers in determining whether it has objective evidence that an impairment loss has been incurred include information about the debtors' or issuers' liquidity, solvency and business and financial risk exposures, levels of and trends in delinquencies for similar financial assets, national and local economic trends and conditions, and the fair value of collateral and guarantees. These and other factors may, either individually or taken together, provide sufficient objective evidence that an impairment loss has been incurred in a financial asset or group of financial assets.

Impairment losses are recognised in profit or loss when incurred as a result of one or more events ("**loss events**") that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

If the Bank determines that no objective evidence exists that impairment was incurred for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. The primary factors that the Bank considers to determine whether a financial asset is impaired is its overdue status and realisability of related collateral, if any. The following other principal criteria are also used to determine that there is objective evidence that an impairment loss has occurred:

- any instalment is overdue and the late payment cannot be attributed to a delay caused by the settlement systems;
- the borrower experiences a significant financial difficulty as evidenced by the borrower's financial information that the Bank obtains;
- the borrower considers bankruptcy or a financial reorganisation;
- there is an adverse change in the payment status of the borrower as a result of changes in the national or local economic conditions that impact the borrower; and
- the value of collateral significantly decreases as a result of deteriorating market conditions.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. These characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative on the debtors' ability to pay all amounts due, according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of contractual cash flows of assets, and experience of management in respect of the extent to which amounts will become overdue, as a result of past loss events and the success of recovery of overdue amounts. Past experience is adjusted on the basis of current observable data to reflect the effects of current conditions that do not affect past periods and to remove the effects of past conditions that do not exist currently.

It should be understood that evaluation of losses involves an exercise of judgement. While it is possible that in particular periods the Bank may sustain losses which are substantial relative for impairment losses, it is the judgement of management that the impairment losses are adequate to absorb losses incurred on risk assets, at the reporting date.

The Bank has also defined appropriate credit risk measures for assessing each loan, which are based on its expert assessment of the expected level of losses that the Bank may incur based on its evaluation of risks and its historical loss experience. Such credit risk factors form the basis of the calculation of the provision for loan impairment.

Credit risk assessment focuses on whether the borrower has the ability to repay the debt on the agreed terms. The assessment is not entirely dependent upon the adequacy of the collateral. Collateral is considered to be the Bank's recourse should the borrower default on the loan. Although collateral adequacy is a key component in determining the necessary loan loss provision, the Bank realises that, in the current economic environment, the valuation, existence (control) and ability to realise collateral is subject to significant doubt in many instances. Accordingly, the eligible value of collateral is reviewed and analysed on a case-by-case basis.

Problem Loan Recovery

The internal procedures relating to problem loan recovery are described in the Bank's internal provisions regarding problem loans, which detail a systematic approach involving comprehensive procedures intended to enable the Bank to obtain the highest likelihood of repayment on non-performing loans. Where problem loan recovery raises issues beyond the scope of internal documents of the Bank, they are dealt in compliance with current legislation. Nevertheless, all internal documents of the Bank take into account current legislation requirements and relevant best practices, and aim to encompass all types of loan operations performed by the Bank.

The Bank has developed and implemented a range of internal documents aimed at formalising the loan issue and bad loan recovery processes. These documents are developed in compliance with NBU requirements and the operational specifics of the Bank, and cover lending to corporate clients, individuals and banking institutions throughout all phases of the lending cycle.

From an operational perspective, when a problem with a loan arises, it is (either at head office or branch level) referred to the relevant structural unit. If payment is not made within 45 days of the due date in respect of a loan to an individual and 30 days in respect of a loan to a corporate client, the loan is passed to the Credit Committee for determination as to whether it should be considered a problem loan. If it is not a problem loan, the Bank's Credit Services Unit continues to work with the borrower to identify the reason for delay and to agree upon actions to be taken. If the loan is classified as a problem loan, it is referred onward to the Debt Restructuring and Collections Department.

Debt Restructuring and Collection Department

The Debt Restructuring and Collection Department of the Bank implements and coordinates extrajudicial settlement and enforcement. It is responsible for implementation of the following functions:

- monitoring of the official publication of information on insolvency, bankruptcy or liquidation of the persons involved in the Bank's lending transactions;
- reporting to the credit service on detection of evidence of a problem or potentially problem loan;
- preparing and submitting to the credit service of the opinion on declaring the indebtedness as potentially problem;
- analysis of the Bank's lending transactions and determination of the debt restructuring and settlement methods;
- preparing of the debt restructuring and settlement plan;
- preparing draft of the resolution on debt restructuring and settlement specifying methods of extrajudicial enforcement or settlement and submitting it for consideration of the Bank's collegial body responsible for the debt restructuring and settlement;
- preparing drafts of the documentation in relation to the debt restructuring and settlement and arranging for execution thereof;

- taking extrajudicial enforcement and settlement actions aimed at implementation of resolution of the Bank's collegial body responsible for the debt restructuring and settlement;
- preparing of the opinion in respect of declaring the indebtedness as problem; and
- arranging for the sale of the collateral.

This department also prepares annual and quarterly plans for collection of the impaired assets and reports thereon to the regional branches who prepare their own schedules and plans for asset recovery.

The major steps that are taken by the Bank to enforce loan repayment are defined by Ukrainian legislation and regulated by both the NBU and internal Bank procedures. They include:

- novation of obligation under the Bank's lending transactions into another obligation;
- transfer of debt under the Bank's lending transactions;
- assignment of right of claim under the Bank's lending transactions;
- exchange of the right of claim under the Bank's lending transactions to the shares of persons involved in the Bank's lending transactions;
- set-off of the counterclaims of the same nature aimed at discharge of indebtedness under the Bank's lending transactions;
- enforcement or sale of collateral; and
- other measures (including change of the terms and conditions under the Bank's lending transactions) according to the reasonable discretion of the debt restructuring and collection service.

Internal Control over Financial Reporting

In common with other banks in Ukraine and other CIS countries, the Bank's pre-2013 system of internal control over financial reporting was not originally designed for the preparation of complete interim IFRS- based financial statements and IFRS-based management accounts. Furthermore, historically, the Bank's senior management largely based its decisions on management accounts and financial statements on UAS, rather than complete IFRS interim financial statements.

The main weakness of the Bank's pre-2013 system was that the preparation of the Bank's IFRS-based financial statements was a partially manual process which involved the transformation and reclassification of the Bank's statutory financial statements into IFRS through accounting adjustments and required an ongoing review and update of applicable IFRS and related pronouncements that should have been applied to the underlying Ukrainian accounting principles transactions. This process was complicated, time-consuming and required significant attention and time of the Bank's senior accounting personnel. However, in view of the IFRS standards becoming mandatory for the Ukrainian banks with effect from 1 January 2013, management has taken steps and is continuing to take steps to improve internal procedures. These steps include, but are not limited to, hiring additional qualified personnel, increasing training for current personnel, review of and improving internal procedures of the IFRS reporting and improving existing and implementing additional information system capabilities to support the IFRS reporting requirements. As a result of implementation of these steps, the Bank has improved its system of internal control over financial reporting in such a way that its current system enables it to prepare complete IFRS financial statements, including interim IFRS based financial statements and IFRS based management accounts.

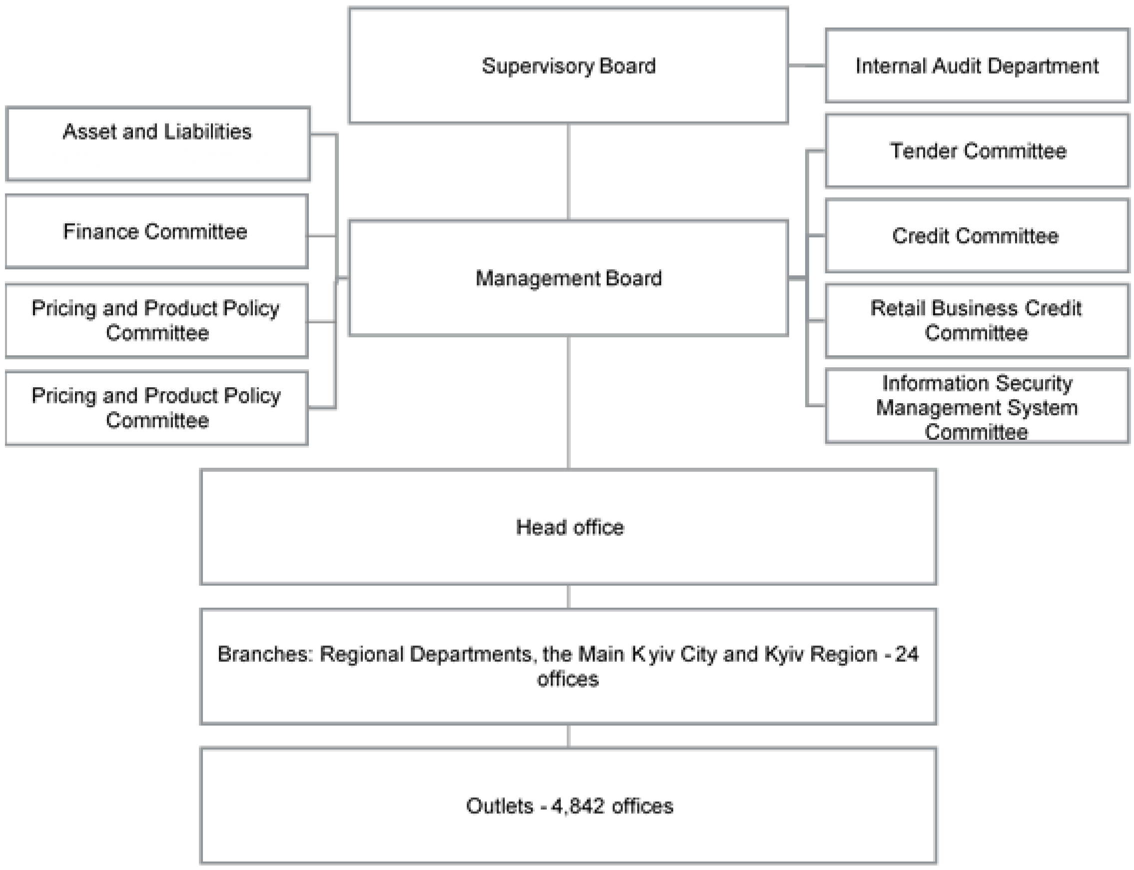
On 18 August 2015, the Board of the National Bank of Ukraine adopted the Resolution No. 540 "On Amendments to NBU Board Resolution No 373 dated 24 October 2011" approving amendments to the NBU Board Resolution No 373 dated 24 October 2011 and the Guidelines on the Compilation and Publication of Financial Statements by the Ukrainian Banks. The NBU also amended its regulations relating to accounting for financial instruments in order to bring them in line with the requirements of IAS 39 "Financial Instruments: Recoginition and Measurement" and IFRS 13 "Fair Value Measurement" making transformation adjudstments between local and IFRS standards uncecesssary. The Bank has finalised its business processes, which were required for a shift in accounting practices to enable the recording of transactions in accordance with IFRS requirements. It enabled the Bank to substantially minimise the manual process of preparation of the Bank's IFRS financial statements, which required the transformation and reclassification of some operations of the Bank.

MANAGEMENT

Overview

The managerial structure of the Bank comprises management and control bodies. The Bank's management bodies are the Supervisory Board and the Management Board. The Management Board is responsible for the day-to-day operational management of the Bank. The Supervisory Board is the supreme managerial body which supervises the activities of the Management Board of the Bank but it has no direct involvement in the day-to-day operational activity of the Bank. The control body of the Bank is the Audit Commission, which controls the financial and economic activity of the Bank.

The following chart shows the corporate organisational structure of the Bank (as of 1 May 2015):



A brief overview of the full members, functions and corporate powers of the Management Board, the Supervisory Board and the Audit Commission is set out below.

Supervisory Board

The Supervisory Board is not directly involved in the day-to-day operational management of the Bank, but it plays a significant role in supervising the activities of the Management Board. The responsibilities of the Supervisory Board include, inter alia, the following:

- supervising the activities of the Management Board in order to protect the interests of the State, a sole shareholder of the Bank;
- setting guidelines and targets relating to the Bank's activities and approving reports relating to such guidelines and attainment of targets;
- handling the appointment and resignation of the Chairman and other members of the Management Board and approving the terms of remuneration of the Chairman and the other members of the Management Board;
- approving the Bank's annual results, including those of any subsidiaries;
- approving the distribution of profits and the term and procedures for the payment of dividends;
- taking decisions on covering losses and the management of the general reserve fund;
- supervising the Bank's Audit Commission, including approving its regulations, appointing and removing members of the Audit Commission and reviewing and approving reports and conclusions of the Audit Commission and external auditors;
- taking decisions with respect to the establishment, reorganisation and liquidation of the Bank's branches, representative offices and subsidiaries and approving regulations thereon and their statutes;
- approval of entry by the Bank into agreements in respect of significant disposals of the Bank's property in accordance with the legislation and the Charter of the Bank, if the amount of such agreements exceeds 10 per cent. of the Bank's authorised share capital;
- taking decisions on issuance, splitting or consolidation of the Bank's shares based on decisions of the Ukrainian Government; and
- carrying out other functions prescribed by applicable Ukrainian legislation and the Bank's Charter.

The Supervisory Board shall consist of 15 members, all of whom are appointed by the Verkhovna Rada of Ukraine (the "**Parliament**"), the Cabinet of Ministers of Ukraine and the President of Ukraine for a period of five years. The Supervisory Board of Ukreximbank, the other bank wholly-owned by the State, is appointed according to the same principle. As of the date of this Prospectus, 14 members of the Supervisory Board were appointed with one member to be appointed in the future. Nine current members of the Bank's Supervisory Board are also members of the Supervisory Board of Ukreximbank.

The Chairman of the Supervisory Board is elected from the members, while the Deputy Chairman is elected from the members on the recommendation of the Chairman. The members of the Supervisory Board fulfil their functions without receiving any monetary remuneration. The name, positions and a short biography of each current member of the Supervisory Board as at the date of this Prospectus are set out below:

Appointed by the Cabinet of Ministers of Ukraine:

Mr. Roman Volodymyrovych Greba (born on 14 April 1978) - Head of the Supervisory Board; currently holds a position of Deputy Minister of the Cabinet of Ministers of Ukraine; previously held position of the Deputy Head of the Prime Minister Administration;

Mr. Artem Valentynovych Shevalyov (born on 18 September 1975) – Deputy Head of the Supervisory Board; currently holds a position of Deputy Finance Minister of Ukraine for European Integration; previously held position of the Advisor to the Chairman of the Management Board of the JSC "Ukreximbank";

Mr. Oleh Vasyliovych Parakuda (born on 14 November 1981) – Member of the Supervisory Board; currently holds a position of the First Deputy Minister of the Cabinet of Ministers of Ukraine; previously held position of the Chairman of the Supervisory Board of LLC "Legal Company" Legal Technologies";

Mr. Vyacheslav Eduardovych Voloshyn (born on 25 October 1976) - Member of the Supervisory Board; currently holds a position of the Head of the Minister of Justice Administration; previously held a position of the Director of State Enterprise "Maritime Security Agency"; and

Ms. Oksana Sergiivna Markarova (born on 23 October 1976) - Member of the Supervisory Board; currently holds a position of the Deputy of the Minister of Finance of Ukraine; previously headed the ITT Investment Group and served as the President and Head of Supervisory Board at ITT-Invest CJSC.

Appointed by the Verkhovna Rada of Ukraine:

Mr. Yurii Vasyliovych Bordiuhov (born on 27 April 1957) - Member of the Supervisory Board; currently holds a position of Head of the Section on Management of Legal Departments of Regional Branches of the State Property Fund of Ukraine; previously held various positions in the State Property Fund of Ukraine;

Mr. Danylo Mefodiyovych Volynets (born on 10 November 1958) - Member of the Supervisory Board; currently holds a position of Economic Adviser to the Director General of LLC "KUA ITT-Management"; previously held various positions in LLC "KUA ITT-Management";

Mr. Oleh Fedorovych Koshelenko (born on 28 October 1940) - Member of the Supervisory Board; currently holds a position of Chief Efficiency Consultant of CJSC "Smart-Holding"; previously held various positions in LLC "Smart Group"; and

Mr. Anatoliy Ivanovych Lytiuk (born on 2 August 1949) - Deputy Chairman of the Supervisory Board; currently retired; previously held a position of the member of the Management Board of OJSC "Azovstal Metal Works" and was a member of the Parliament of Ukraine.

The term of office of each of the above members appointed by the Verkhovna Rada of Ukraine has expired pursuant to Article 7 of the Law of Ukraine "On Banks and Banking Activity".

Appointed by the President of Ukraine:

Ms. Nataliia Ivanivna Hrebenyk (born on 23 May 1951) - Member of the Supervisory Board; currently holds position of the Associate Professor in Banking at the Institute of Masters and Postgraduate Studies of the University of Banking of the National Bank of Ukraine; previously held executive positions at the National Bank of Ukraine;

Mr. Anatolii Ivanovych Danylenko (born on 12 December 1938) - Member of the Supervisory Board; currently holds a position of Deputy Director of State Enterprise "Economics and Forecasting Institute" of the National Academy of Science of Ukraine; previously held executive positions at the National Academy of Science of Ukraine;

Mr. Bohdan Yosypovych Dubas (born on 20 July 1957) - Member of the Supervisory Board; currently holds a position of First Deputy Head of the Kyiv City State Administration; previously held position of the Head of Administration department at LLC "Publishing Group "Zhittya";

Ms. Halyna Danylivna Pakhachuk (born on 14 May 1966) - Member of the Supervisory Board; currently holds a position of Head of the DCM department at the Ministry of Finance of Ukraine; previously held various positions in the Ministry of Finance of Ukraine; and

Ms. Tamara Stepanivna Smovzhenko (born on 7 August 1951) - Member of the Supervisory Board; currently holds a position of the Principal of the Banking University of the National Bank of Ukraine; previously held executive positions at the Banking University of the National Bank of Ukraine.

The business address of each member of the Supervisory Board is 12 G Hospitalna Street, Kyiv, 01001.

Management Board

The Management Board, responsible for the daily management of the Bank, is the permanent executive body of the Bank and manages its operational activities. The Management Board is responsible for ensuring that the Bank operates within the framework established by the Bank's Charter and is accountable to the Supervisory Board.

The powers of the Management Board include, *inter alia*:

- implementation of decisions taken by the Supervisory Board;
- submission of issues to be considered by the Supervisory Board;
- review and approval of the Bank's business plans, financial plans and budget estimates;
- review of the Bank's annual financial report and balance sheet and submission thereof to the Supervisory Board for approval;
- setting the Bank's accounting and reporting standards, regulations, procedures and internal controls;
- taking decisions on entry by the Bank into agreements in respect of significant disposals of the Bank's property in accordance with the legislation and the Charter of the Bank, if the amount of such agreements is between 5 per cent. and 10 per cent. of the Bank's authorised share capital;
- taking decisions on the issuance of bonds and deposit certificates;
- taking decision on any issues concerning the management of branches, representative offices, associated enterprises and other structural subdivisions of the Bank, including remuneration and welfare of the workforce;
- approval of internal control and supervision systems to prevent money laundering; and
- carrying out other functions prescribed by applicable Ukrainian legislation and the Bank's Charter.

Pursuant to the Bank's Charter approved by the Resolution of the Cabinet of Ministers of Ukraine dated 25 February 2003 (as amended), the Management Board shall consist of eleven members. The Chairman and other members of the Management Board are appointed by the Supervisory Board. Each member of the Management Board is a full-time employee of the Bank. As of the date of this Prospectus, only eight members of the Management Board were appointed with three members to be appointed in the future. The name, position and a short biography of each current member of the Management Board and a short biography as at the date of this Prospectus are outlined below:

Mr. Andriy Hryhorovych Pyshnyi (born on 26 October 1974) - Chairman of the Management Board; appointed by the Supervisory Board in March 2014; previously held various positions in the Bank, Ukreximbank and National Security and Defence Council of Ukraine;

Mr. Hryhorii Vasylyovych Borodin (born on 10 March 1946) - First Deputy Chairman of the Management Board; appointed by the Supervisory board in December 2014; previously held various positions in the Bank, including a position of Deputy Chairman of the Management Board - Head of Lugansk Regional Branch of the Bank.

Mr. Anatolii Zinoviiovych Barsukov (born on 17 February 1955) - Deputy Chairman of the Management Board; appointed by the Supervisory Board in April 2014; previously held various positions in the Bank, including a position of Director of the Finance and Economy Department of the Bank.

Ms. Iryna Mykhailivna Zemtsova (born on 26 April 1965) - Deputy Chairman of the Management Board; appointed by the Supervisory Board in April 2014; previously held various positions in the Bank, including a position of Director of Corporate Customers Service Department, Director of Corporate Business Department of the Bank;

Mr. Yevhenii Volodymyrovych Drachko-Yermolenko (born on 28 September 1974) - Deputy Chairman of the Management Board; appointed by the Supervisory Board in October 2010; previously held various positions in PrivatBank;

Mr. Volodymyr Mykolaiovych Lytvyn (born on 1 March 1973) - Deputy Chairman of the Management Board; appointed by the Supervisory Board in April 2014; previously held various positions in financial sector, including a position of Deputy Minister of Finance of Ukraine and positions in Bank "Societe Generale Ukraine", European Bank for Reconstruction and Development, Investment Capital Ukraine and Ferrostaal GmbH Ukraine;

Mr. Andriy Ihorovych Stetsevych (born on 1 April 1977) - Deputy Chairman of the Management Board; appointed by the Supervisory Board in December 2014; previously held various positions in the Bank, PrivatBank, Alfa-Bank, Bank Forum and VTB Bank; and

Mr. Anton Oleksandrovych Tyutyun (born on 14 March 1977) - Deputy Chairman of the Management Board; appointed by the Supervisory Board in October 2010; previously held various positions in Ukrsotsbank and BTA-Bank.

The business address of each member of the Management Board is 12-G Hospitalna Street, Kyiv 01001.

Other Interests

No actual or potential conflicts of interest exist between the duties that any member of the Supervisory Board or the Management Board owes to the Bank and such member's private interests or other duties.

Audit Commission

The Audit Commission has control over the financial and economic activities of the Bank. It supervises the Bank's compliance with legislation and regulations of the NBU, reviews the reports of external and internal auditors and prepares the relevant proposals for the Supervisory Board. It also submits proposals relating to issues of financial security and stability of the Bank as well as the protection of customers' interests, to the Supervisory Board for consideration.

The Audit Commission inspects the financial and business activity of the Bank on the instruction of the Supervisory Board, on the request of the Management Board or on its own initiative. It may engage internal as well as independent external experts and auditors to assist it in exercising its powers. The Audit Commission prepares opinions to the reports and balance sheets of the Bank and the Supervisory Board may not approve an annual financial report of the Bank unless the Audit Commission has provided an opinion on such report.

Pursuant to the Bank's internal regulation, the Audit Commission shall have three members appointed by the Supervisory Board of the Bank for a term of three years. Members of the Bank's Management Board, the Supervisory Board or other employees of the Bank may not be appointed as members of the Audit Commission.

The members of the Audit Commission as at the date of this Prospectus are as follows:

Ms. Svitlana Mykhailivna Voitsekhovska – Head of the Audit Commission, currently holds a position of Chief of the Executive Office of the Prime Minister of Ukraine;

Mr. Volodymyr Petrovych Duda - Member of the Audit Commission, currently holds a position of Head of the Main Directorate of the State Treasury of Ukraine in Kyiv Oblast; and

Mr. Ivan Zinoviiovych Livyi - Member of the Audit Commission, currently holds a position of Director of the Financial Policy Department of the Ministry of Economic Development and Trade of Ukraine.

RELATED PARTY AND GOVERNMENT RELATED TRANSACTIONS

Related Party Transactions

The Bank applies similar procedures for the approval of loans and the setting of limits on loans to related parties as it does for non-related parties. All transactions with related parties (both individuals and corporations) are conducted on terms which fully comply with the internal regulations of the bank, including in respect of collateral.

During the course of 2013-2015, the Bank provided various consumer loans to individuals, including employees, on standard terms. All loans provided to employees are subject to the same procedures and collateral requirements as those applicable to loans granted to non-related individuals.

For the purposes of the Bank's Financial Statements, parties are considered to be related within the meaning of the definition contained in IAS 24 "Related Party Disclosures". In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

All State-related entities are considered as related parties of the Bank. The Bank has many State-related entities among its customers and provides banking services and loan financing for such clients on the same commercial terms and conditions applicable to its private company clients. As at 30 June 2015, the Bank had 1,738 clients who were related parties of the Bank in accordance with IAS 24. Gross loans to related parties comprised UAH 26,426,468 thousand, or 26.3 per cent. of the Bank's gross loan portfolio, compared to UAH 31,477,253 thousand, or 33.4 per cent., as at 31 December 2014 and UAH 23,848,206 thousand, or 37.1 per cent., as at 31 December 2013.

Naftogaz accounts for the majority of the Bank's exposure to State-related entities. As at 30 June 2015 the total amount of outstanding indebtedness under the loans agreement with Naftogaz was UAH 15,199,315 thousand, comprising 15.1 per cent. of the Bank's gross loan portfolio, compared to UAH 15,104,192 thousand (16.0 per cent.) as at 31 December 2014 and UAH 15,261,700 thousand (23.7 per cent.) which comprised the total amount of outstanding indebtedness under the loans agreement with Naftogaz as at 31 December 2013. The Bank's second largest exposure to a State-related entity represented 3.2 per cent. of the Bank's gross loan portfolio, and the Bank's third largest exposure represented 1.6 per cent. of the Bank's gross loan portfolio. All of the loans to the other related parties which are State-related entities comprised 6.4 per cent. of the Bank's gross loan portfolio as at 30 June 2015. For a more detailed description of the loans to the State-owned entity, Naftogaz, see "*The Bank - Naftogaz financing programme*".

The Bank has not entered into any other transactions with affiliates, non-consolidated subsidiaries, officers or directors of the Bank.

Government-Related Transactions

Balance due to the NBU

In 2008, the Bank received hryvnia-denominated loans from the NBU in aggregate amount of UAH 21,977,740 thousand. The loans were provided as part of a recapitalisation programme for the Bank and enabled the Bank's funding of loans to Naftogaz. As at 30 June 2015, UAH 18,506,756 thousand remained outstanding under the NBU loans. As at 30 June 2015, the loans from the NBU were secured with a combination of pledged rights under 100 per cent. of the outstanding Naftogaz loans with carrying value of UAH 12,387,442 thousand, loans to other borrowers with carrying value of UAH 1,284,911 thousand, balances with the NBU with carrying value of UAH 425,000 thousand and debt securities available for sale with carrying value of UAH 11,396,127 thousand.

THE UKRAINIAN BANKING SECTOR

The statistical information and other data contained in this section has been extracted from publicly available data (such as information contained on official websites and in publications of governmental agencies of Ukraine, including the NBU and other governmental or mass media sources). Each of the Issuer and the Bank confirms that such information has been accurately reproduced and that, as far as the Issuer and the Bank are aware and are able to ascertain from information published by the relevant source, no facts have been omitted which would render the reproduced information inaccurate or misleading.

The Ukrainian Banking Sector

The Ukrainian banking sector is a two-tier structure made up of the NBU and commercial banks. As at 1 August 2015, 137 commercial banks were registered in Ukraine, all of which have been granted licences by the NBU to perform banking transactions.

The majority of banks in Ukraine are privately owned. Two Ukrainian banks, the Bank and Joint Stock Company "The State Export-Import Bank of Ukraine", are fully state-owned. Three commercial banks ("Rodovid Bank", "Ukrgasbank" and "Kyiv") were recapitalised in 2009 by the Government. As a result of such recapitalisation the State became the majority shareholder in those banks (with the state-owned stake ranging from 94.7 up to almost 100 per cent.). In addition, there is the Ukrainian Bank for Reconstruction and Development, 99.99 per cent. of the share capital of which is directly owned by the State.

In 2014-2015, the Ukrainian banking system has been severely impacted by the adverse developments in the economic, political and social situation in Ukraine. The claimed annexation of the territory of Crimea by Russia and hostilities which broke out in the eastern territories of Ukraine caused substantial losses to the banks actively operating in these territories. Deep depreciation of the Ukrainian hryvnia has affected the banks' capital and caused deposit outflow from the banking system. As a result, since 1 January 2014, 62 Ukrainian banks have been placed into temporary administration of which 61 banks have been ordered by the NBU into liquidation.

The banks act in accordance with, among other laws, the Law of Ukraine "On the National Bank of Ukraine" of 20 May 1999 (the "**National Bank Law**"), the Law of Ukraine "On Banks and Banking Activity" of 7 December 2000 (the "**Banking Law**"), the Ukrainian legislation on joint stock companies and other business entities, as well as various NBU regulations and their respective Charters.

Role of the NBU

The NBU is the central bank of Ukraine. Established in 1991 and governed by the Constitution of Ukraine and the National Bank Law, the NBU is a specialised state institution with the principal objective of ensuring the external and internal stability of the national currency and has broad regulatory and supervisory functions in the banking sector. The NBU is empowered to develop and conduct monetary policy, organise banking settlements and the foreign exchange system, ensure stability of the monetary, financial and banking systems of Ukraine, and protect the interests of commercial bank depositors. The NBU sets the official exchange rate of the national currency with respect to foreign currencies, as well as the discount rate and other interest rates. The NBU is also responsible for the accumulation and custody of Ukraine's gold and currency reserves. In addition, it registers commercial banks, issues licences, supervises the operations of Ukrainian banks and determines the procedures for providing emergency funds to commercial banks.

The principal governing bodies of the NBU are the Council and the Board. The Council, the highest governing body of the NBU, consists of nine members, four of whom are appointed by Parliament and four of whom are appointed by the President. The Governor of the NBU (nominated by the President and appointed by Parliament for a seven year term) acts ex officio as the ninth member of the Council. The Council is charged, in particular, with formulating the principles of Ukraine's monetary policy. The Board, which is comprised of the Governor and his or her deputies, is responsible for implementing Ukraine's monetary policy, the development and implementation of other NBU policies, and generally managing the activities of the NBU.

Monetary Policy

The NBU is charged with implementing monetary policy. Currently, the NBU implements monetary policy through instruments such as mandatory reserve requirements for banks, interest rates, refinancing of commercial banks, foreign currency reserves management, open market transactions, etc.

Since 2009 until late 2013, the NBU gradually decreased its discount rate from 12.0 per cent. to 6.5 per cent. However, in 2014, in its efforts to address the rising inflation and sharp depreciation of the Ukrainian hryvnia, the NBU increased the discount rate to 9.5 per cent. on 15 April 2014, 12.5 per cent. on 17 July 2014 and 14.0 per cent. on 13 November 2014. In 2015, the NBU continued this policy and further increased the discount rate to 19.5 per cent. on 6 February 2015 and 30 per cent. on 4 March 2015. Recently, the discount rate was decreased for the first time in the last two years. With effect from 28 August 2015, the NBU lowered its discount rate to 27 per cent. *per annum*, and with effect from 25 September 2015, the discount rate was further lowered to 22 per cent. *per annum*.

Since 1 March 2004, within its interest rate policy, the NBU has been setting and publishing the interest rates on overnight unsecured loans and overnight loans secured by State securities. In June 2013, with the aim of improving the indication of the overnight interest rate spreads, the NBU suspended publications of interest rates for unsecured overnight loans and started publishing interest rates on overnight deposit certificates of the NBU. As at 14 December 2015, the interest rate on overnight loans secured by State securities was set at 24.0 per cent. *per annum* and the interest rate on overnight deposit certificates was set at 18.0 per cent. *per annum*.

The main goals of the NBU's monetary policy in 2014 were to maintain the inflation within 19.0 per cent. and to stabilise the banking and financial systems of Ukraine. The NBU intended to achieve these goals through limiting the growth of money supply, supporting liquidity of Ukrainian banks and increased monitoring and control over transactions in the Ukrainian foreign exchange market.

The main goals of the NBU's monetary policy in 2015 were to curb inflation rate with the aim of restoring public confidence in the national currency and to lower the inflation expectations. For these purposes, the NBU continued the policy of temporary restrictions on foreign currency transactions, regulated the amount of monetary base and liquidity of Ukrainian banks, and implemented measures aimed at stabilising the financial system of Ukraine by way of, among other things, financial support of the banking sector.

Regulation

Banking activities in Ukraine are regulated by several laws and numerous regulations issued by the NBU. The principal legislation in the area is the Banking Law. The NBU oversees compliance with the Banking Law, regulations and other legislation and imposes appropriate sanctions for violations of those laws and regulations. The NBU adopted the “Banking Regulation Instruction” (which establishes capital adequacy, liquidity and other ratios), pursuant to the authority granted under the Banking Law and the National Bank Law. The NBU also sets accounting, reporting, auditing and other requirements for commercial banks. A Ukrainian commercial bank may carry out so-called “exclusive banking activities” (i.e., taking deposits, opening and maintaining of bank accounts and investment of raised funds) and a number of other financial services only with a banking licence issued by the NBU. In order to be able to operate with foreign currency, Ukrainian banks are required to obtain a general currency licence from the NBU.

Reporting Requirements

Banks are required to submit an annual report that contains audited financial statements and consolidated financial statements if a bank has affiliates under its control. Financial statements include a balance sheet, income statement, statement of changes in equity and cash flow statements, a summary of significant accounting policies (as may be relevant) and other explanatory notes. Interim financial statements are submitted by banks on a quarterly basis and consist, *inter alia*, of an interim balance sheet, an interim income statement, an interim statement of changes in equity, interim cash flow statements and certain explanatory notes. Banks are also required to submit to the NBU information on related parties on a monthly basis and statistical data on a daily, ten day, monthly and quarterly basis that ensures permanent review by the NBU of a bank's performance and financial position.

Securing Deposits of Individuals

With effect from 22 September 2012, the Law of Ukraine "On the System of Guaranteeing of Deposits of Individuals" of 23 February 2012, No. 4452-VI (the "**Deposits Securing Law**") replaced the previously effective legislation governing a system of securing deposits held by individuals with Ukrainian banks.

Pursuant to the Deposits Securing Law, commercial banks in Ukraine are obliged to become members of the Deposit Guarantee Fund (the "**Fund**") and remit to the Fund an initial contribution in the amount of 1 per cent. of their registered authorized capital (payable once after obtaining a banking licence), a regular quarterly contribution in the amount of 0.5 per cent. of the average weighted amount of daily balances of UAH denominated deposit accounts and 0.8 per cent. of the average weighted amount of daily balances of foreign currency denominated deposit accounts opened with the relevant banks. The Fund is authorised to require payment of a special contribution for the purposes of repayment of loans borrowed by the Fund or in case the amount of funds held by the Fund (including the amount of contributions to be paid by the member-banks within the then current quarter) is below 2.5 per cent. of the guaranteed amount of deposits. The Fund may also be funded, inter alia, through borrowing funds from the NBU and issuing bonds or promissory notes. Currently, the Fund guarantees deposits with commercial banks, including interest, to a maximum of UAH 200,000 per depositor with each such bank. Deposits become eligible for compensation from the funds held by the Fund on the date of the NBU's resolution on revocation of the banking licence and liquidation of the relevant bank. The Deposits Securing Law does not apply to the Bank. As of 1 August 2015, the total amount of funds accumulated by the Fund amounted to UAH 16.9 billion. As of 1 August 2015, the Fund had 135 member banks.

Reserve and Liquidity Requirements

Ukrainian banks are required to maintain certain mandatory reserves calculated in accordance with the NBU regulations.

Generally, a commercial bank is required to annually transfer to its reserve fund no less than 5 per cent. of its profits, until and unless such reserve fund is equal to 25 per cent. of the bank's regulatory capital. In case of the deterioration of the financial condition of a bank, the NBU may require such bank to increase the amount of its reserve fund.

The NBU has also established mandatory reserve requirements to maintain the liquidity of the banking system and the stability of the Ukrainian hryvnia. The reserves are in the Bank's correspondent account with the NBU. Reserve requirements are computed as a percentage of certain of the bank's liabilities. In particular, with effect from December 2014, the reserves may not be less than the aggregate of: 6.5 per cent. of call deposits and current accounts of customers in national and foreign currency, 3 per cent. of term deposits of customers in national and foreign currency. Currently, funds borrowed from Ukrainian banks and international financial organizations, as well as funds borrowed as subordinated debt are not subject to such mandatory reserve requirements.

Further, with effect from 1 August 2008, Ukrainian banks were required to maintain reserves for short-term (less than 183 days) funds (e.g., loans and deposits) received from non-residents. Overnight loans and deposits, as well as loans and deposits guaranteed by the Government or received from international financial organisations, to which Ukraine is a member, are exempt from the above reserve requirements. Until 15 July 2014, the banks were required to maintain the reserves at the level of 20 per cent. of the aggregate amount of short-term funds received from non-residents. On 15 July 2014, to address the lack of foreign currency liquidity with Ukrainian banks, the NBU set a 0 per cent. reserve rate for such funds.

The NBU has also established three separate liquidity ratios. A bank must have an instant liquidity ratio of at least 20 per cent. (i.e., the ratio of certain bank's funds on its correspondent accounts, cash and unencumbered deposit certificates of the NBU to its current liabilities), a current liquidity ratio of at least 40 per cent. (i.e., the ratio of bank's assets with maturities of up to (and including) 31 days to liabilities with maturities of up to (and including) 31 days) and a short-term liquidity ratio of at least 60 per cent. (i.e., the ratio of liquid assets with maturities of up to one year less the amount of the provisions formed for such assets to liabilities with maturities of up to one year). The NBU has defined liquid assets with maturities of up to one year to include cash funds, bank metals, funds placed with correspondent accounts with the NBU (excluding the funds placed as reserves), term deposits placed with the NBU, certain funds placed with correspondent accounts with commercial banks, debt securities in the bank's trade portfolio, available-for-sale portfolio and held-to-maturity portfolio and investment in affiliated companies and subsidiaries made with the purpose of further sale, certain interbank deposits and loans, loans and advances to customers. Liabilities with maturities of up to one year are defined to include funds on the NBU correspondent account opened with the bank, demand liabilities, budget funds, loans (including overdue indebtedness under short-term and long-term loans) and term deposits from the NBU, certain interbank loans and deposits, customer deposits, debt instruments issued by the bank, subordinated debt, past due indebtedness under interbank loans and term deposits, accounts payable in relation to assets acquisition and liabilities under all types of guarantees and committed credit lines to banks and customers.

Capital Requirements

The NBU has established requirements for capital adequacy, minimum share capital requirements and minimum regulatory capital requirements.

As at the date of this Prospectus, the minimum share capital of a bank as at the date of its registration is required to be UAH 500 million.

Regulatory capital (i.e. the sum of principal (core) capital and additional capital) of a bank may not be less than minimum regulatory capital requirements established by the NBU. Currently, the minimum regulatory capital requirement for newly established banks which received their banking licence after 11 July 2014 is UAH 500 million. Banks licensed before 11 July 2014 are required to gradually increase their regulatory capital from a minimum of UAH 120 million as at 10 July 2017 to a minimum of UAH 500 million as at 11 July 2024.

According to the NBU requirements, the regulatory capital of a bank set by the NBU should be at least 10 per cent. of its risk-weighted assets and certain off-balance sheet instruments. For banks that have been operating for less than 12 months, regulatory capital ratio is required to be no less than 15 per cent. of its risk weighted assets and certain off-balance sheet instruments, and for banks that have been operating for between 12 and 24 months, the regulatory capital ratio is required to be no less than 12 per cent. of its risk-weighted assets and certain off-balance sheet instruments. Risk-weighted assets, or credit risk profile of a bank, are calculated by applying various risk weights to bank's assets and off-balance-sheet commitments according to the terms set by NBU. The previously effective NBU requirements regarding the ratio of the regulatory capital to total assets and liabilities were cancelled on 25 December 2014.

As a result of the sharp depreciation of the Ukrainian hryvnia in 2014 which negatively affected capital adequacy ratios of the Ukrainian banks, the NBU has suspended its sanctions for failure by a bank to comply with the minimum regulatory capital requirement, capital adequacy ratio and certain other requirements, provided that such bank prepares and submits to the NBU an action plan for remedying the breaches and complies with certain restrictions. Currently such restrictions include (subject to certain exceptions) prohibitions on re-purchase and/or early redemption of the bank's own debt securities and shares, purchase of non-government securities for the bank's own account, payment of dividends or any other capital distribution, prepayment of deposits to substantial shareholders.

In order to approach the best practices and standards of Basel III, the NBU adopted Resolution No. 312 dated 12 May 2015, "On Amendments to the Instruction on Banking Regulation in Ukraine" ("**NBU Resolution No. 312**") which established new requirements for bank capital, capital conservation buffer and countercyclical capital buffer for all banks, as well as a systemic buffer for "systematically important banks".

Pursuant to NBU Resolution No. 312, starting from 1 January 2019, the capital adequacy ratio of a bank should be at least 7 per cent. The capital conservation buffer and countercyclical capital buffer are intended to be introduced starting from 1 January 2020. The buffers will be formed over the capital adequacy ratio and will be intended to ensure that the banks are able to cover losses in the periods of financial and economic instability. According to NBU Resolution No. 312, the level of capital conservation buffer will be required to gradually increase over 2020-2023 from 0.625 per cent. to 2.5 per cent. of risk-weighted assets and balance sheet commitments. The level of countercyclical capital buffer will range from 0 per cent. to 2.5 per cent. of risk-weighted assets and balance sheet commitments (depending on the economic cycle phase).

NBU Resolution No. 312 also establishes certain requirements to "systematically important banks". From 1 January 2019, the instant liquidity ratio should be at least 30 per cent. and the single counterparty exposure limit should be not more than 20 per cent. Moreover, starting from 1 January 2019, the systemic buffer will be introduced and establish a range from 1 per cent. to 2 per cent. of risk-weighted assets and balance sheet commitments (depending on the category of "systematically important bank").

Loan Provisioning

Banks must meet mandatory requirements to cover net loan risks and must review those provisions on a monthly basis. Some loans and securities transactions do not require any provisions. These include, *inter alia*, intercompany credit transactions between entities within one banking group (for banks 100 per cent. owned by foreign entities, credit transactions with the parent company if such company is assigned an investment-grade credit rating), funds transferred to the NBU, securities issued by central state executive authorities and the NBU as well as shares in stock exchanges, securities depositaries, payment systems and credit bureaus.

Loans granted by Ukrainian banks, alongside other relevant assets, are classified into five quality groups: (i) no or minimal risk, (ii) moderate risk, (iii) substantial risk, (iv) high risk, and (v) realized risk. Starting from 1 January 2013, the new provisioning regulation of the NBU introduced formulae for calculating the provisioning amounts instead of fixed loan percentage rates as applied previously. The formulae take into account, *inter alia*, reliability levels of the borrower, debt servicing and liquidity of the respective security.

Recent Developments in the Banking Sector

Since the second quarter of 2014, the Ukrainian banking sector has been severely impacted by negative economic, political and social developments in Ukraine. These include claimed annexation of the territory of the Autonomous Republic of Crimea by Russia and hostilities which have broken out in the territory of Eastern Ukraine which resulted in loss of financial assets and tangible property by the banks actively operating in those territories. The Ukrainian banking sector has generally suffered from a number of significant weaknesses, which have included, among others, undercapitalisation, weak corporate governance and management, poor asset quality and excessive political intervention in the operation of some banks.

Since 1997, Ukraine has been implementing a series of banking sector reforms under the IMF reform programme with the aim of supporting commercial banks that undertake structural reforms and demonstrate long-term stability of their activities. Since the beginning of 1998, the NBU has required banks to prepare accounts that are based in many aspects on the International Financial Reporting Standards. As part of the IMF programme on banking sector reform, Parliament adopted the Banking Law on 7 December 2000, which provides a legal basis for strengthening the regulation of the banking system. The NBU oversees the activities of commercial banks using both off-site and on-site inspections and through a system of audits. During the period until 2008, the Ukrainian Parliament and the NBU adopted laws and regulations aimed at improving the operation of the Ukrainian banking sector. These include new laws relating to secured lending, issuance of mortgage-backed securities, new instruments for refinancing of Ukrainian banks and a regulatory framework for operation of credit bureaus.

The global economic downturn and financial turmoil in developed economies in the second half of 2008 revealed the significant weaknesses in the Ukrainian banking system resulting in considerable withdrawals of deposits and lending freezes which contributed to liquidity problems faced by many Ukrainian banks. The NBU has taken a number of measures to address the instability in Ukrainian sector, including measures aimed at preventing funds outflows and ensuring due liquidity levels of banks. On 31 October 2008, the Parliament, the Cabinet of Ministers of Ukraine and the NBU laid down the regulatory framework for recapitalization of Ukrainian banks by the government through the purchase of shares of such banks. Three

Ukrainian banks ("Rodovid Bank", "Ukrgasbank" and "Kyiv") were recapitalised under such procedure as a result of which the State became the majority shareholder in these banks.

On 19 May 2011, the Parliament adopted the law "On Amendments to Certain Laws of Ukraine as to Supervision on a Consolidated Basis" (generally effective from 19 December 2011), which significantly expands the powers of the NBU to monitor activities of the Ukrainian banking groups (parent banks and their Ukrainian and foreign subsidiaries and/or affiliated entities having the status of a financial institution or a group of two or more financial institutions with banking as a primary activity).

In October 2011 the President of Ukraine signed the law No.3795-VI "On Amendments to Certain Legislative Acts of Ukraine regarding the Settlement of the Relations between Creditors and Consumers of Financial Services". The law, in particular, prohibited consumer loans in foreign currency in Ukraine and introduced certain other measures aimed at protecting borrowers.

On 22 September 2012, a new Deposits Securing Law entered into effect. The law introduces substantial changes into the temporary administration and liquidation procedures of the Ukrainian banks. In particular, the NBU is now entitled to classify a bank as a distressed bank in certain cases (e.g., decrease of the bank's regulatory capital or capital adequacy ratios by more than 5 per cent., failure by the bank to discharge a creditor's claim within 5 business days from the due date, etc.). If the bank that was categorised as distressed fails to bring its activities in compliance with the banking regulations during 180 days, the NBU is required to recognise such bank as insolvent. Once the bank is recognised insolvent by the NBU, a temporary administration is introduced with such bank. According to the Deposits Securing Law, the authority of managing the temporary administration of an insolvent bank has been granted to the Fund (previously, the NBU had this authority). During the term of the temporary administration, all powers of the bank's governing bodies are transferred to a temporary administrator appointed by the Fund, a moratorium is introduced on claims of the bank's creditors. The Deposits Securing Law provides for new measures that may be taken by the Fund in respect of the insolvent bank and its assets under the temporary administration. In particular, the Fund may submit a proposal to the NBU on liquidation of the insolvent bank, transfer all or part of the insolvent bank's assets to another bank, transfer the insolvent bank's assets to a specially established "transitional" bank and sell such "transitional" bank to an investor or sell the insolvent bank itself. It should be noted that the Deposits Securing Law does not apply to the Bank.

In 2010 and 2011 a number of laws and proposals to facilitate the restructuring of problem assets were adopted, urging recapitalisation and restructuring of problem banks. Ukrainian government continued the process of recapitalisation, reorganisation or liquidation of the banks that became insolvent during the 2008 to 2009 financial and economic downturn, and tightened disclosure requirements and liability for the misuse of inside information in the securities market.

In 2012 the law "On Depository System of Ukraine" was adopted. The law provides for the establishment of a central securities depositary and multiple clearing houses to provide clearing services and to serve as central counterparties.

On 6 November 2012 the law "On Amendments to Certain Laws of Ukraine as to Spreading Instruments of Influence on Monetary and Credit Market" was adopted. Pursuant to the law, the NBU is entitled to introduce mandatory requirements in relation to the sale of foreign currency received by Ukrainian residents under export transactions and to shorten mandatory settlement periods in export and import transactions. In addition to the adopted law, with effect from 4 March 2015, the NBU established a requirement on mandatory sale of 75 per cent. of foreign currency receivables of Ukrainian residents, and decreased the export and import settlement period to 90 days. These measures are due to expire on 4 March 2016, however the NBU may extend the term of the restrictions beyond the currently established termination date.

In 2013 Ukraine continued further capitalisation of banks and facilitation of the consolidation in the financial sector, continued to undertake steps to improve prudential supervision over financial institutions (including the introduction of supervision on a consolidated basis), and completed a transition to the preparation of financial statements by all financial institutions in accordance with the IFRS.

Throughout 2014, the political upheavals, crisis in Eastern Ukraine, large macroeconomic imbalances and long-delayed structural reforms had a serious negative impact on Ukrainian financial system, with growing fiscal imbalances and de facto fixed exchange rate putting pressure on countries reserves. The banking sector has witnessed an aggregate deposit outflow since the beginning of 2014. Ukrainian currency has witnessed drastic downfall from 7.9930 UAH/ U.S.$1 as at 1 January 2014 to 23.8601 UAH/ U.S.$1 as at 14 December 2015.

The new Ukrainian government committed itself to the programme of structural reforms under IMF standby arrangement outlined in the current "Memorandum of Economic and Financial Policies" aimed at improving the NBU's prudential control, corporate governance of the banks, reorganising the banking sector to exclude insolvent banks and dedication to floating exchange rate policy. This programme is to be continued by the extended fund facility arrangement approved by the IMF Executive Board on 11 March 2015.

In 2014, the NBU continued its policy of reorganising the banking sector to exclude insolvent banks that fall below the NBU's prudential requirements. As of 1 September 2015, 59 banks are under temporary administration or liquidation proceedings.

On 6 February 2014, the NBU adopted the "Regulation on Prompt Support of Banks Liquidity" pursuant to which the NBU could provide the support to banks with significant outflow of individual deposits. The said regulation expired on 30 November 2015 and was replaced by the "Regulation on the Use of Standard Instruments to Regulate the Liquidity of the Banking System" generally effective from and including 1 December 2015.

On 3 June 2014, the Parliament of Ukraine adopted the law "On Moratorium on Enforcement over Property of Citizens of Ukraine Provided as Security under the Foreign Currency Loans", which introduced a moratorium, subject to certain conditions, on the enforcement of security under retail loans of Ukrainian citizens made in foreign currency. In addition, banks (except for insolvent banks, which are in the process of withdrawal from the market) are prohibited from assigning, selling or otherwise transferring any indebtedness under such loans to third parties. This law will remain in force until a new law on the repayment of indebtedness under retail loan principal denominated in foreign currency becomes effective.

On 4 July 2014, the law "On Amendments to Certain Laws of Ukraine as to Preventing Negative Influence on Stability of the Banking System" was adopted. The law authorises the NBU to establish a specific regulatory regime during crises, create conditions for immediate capitalisation of the banks, introduce a "systematically important bank" and specific regulations applicable to such banks. The new requirements for the minimum regulatory capital were implemented by this law. The regulatory capital for banks created after 11 July 2014 shall be equal to UAH 500 million and the banks, which were created earlier, shall raise their regulatory capital up to the same level until 11 July 2024.

Starting from August 2014, the NBU suspended the banking operations and transactions in the territory not under control of Ukrainian authorities (certain districts in Donetsk and Luhansk regions). On 3 November 2014, the NBU determined specific rules as to the currency regulations in the territory of Autonomous Republic of Crimea. The persons residing in and legal entities registered in the territory of Autonomous Republic of Crimea are to be treated as non-residents for the purposes of currency regulations and control.

On 28 December 2014 the law "On Measures Aimed at Promoting Capitalisation and Restructuring of the Banks" was adopted by the Ukrainian Parliament. The law entitles the NBU, upon conduct of a diagnostic survey by a bank and an independent audit firm showing that the bank needs additional capitalisation, to require banks to conduct capitalisation and/or restructuring to meet capital adequacy requirements. The capitalisation and/or restructuring program shall be prepared by the bank and filed with the NBU for its approval. The banks which are not recapitalised by their shareholders and which do not provide the NBU with satisfactory recapitalisation and/or restructuring programmes may be (i) recapitalised or restructured using public funds provided they satisfy the strict criteria provided for by such bank capitalisation law or (ii) declared insolvent by the NBU.

On 17 January 2015, the NBU approved the regulation "On Amendments to Certain NBU Regulations" authorising the NBU to require termination of authorities of banks' management board members if an audit of a bank or the bank's monitoring uncovers non-compliance with their obligations. The NBU has the right to demand an extraordinary meeting of the bank's supervisory board for these purposes.

On 7 February 2015, the law "On Prevention and Counteraction to Legalization (Laundering) of the Proceeds of Crime, Terrorist Financing or Financing the Distribution of Mass Destruction Weapons" entered into force. The law strengthened banks' and other financial institutions' obligations on the monitoring of financial transactions, bringing it in line with the most recent FATF recommendations and IMF requirements under the stand-by arrangement.

On 2 March 2015, the law "On Amendments to Certain Laws of Ukraine as to Liability of Persons Related to a Bank" was adopted by the Ukrainian Parliament. The law imposed strict requirements as to filing information on persons and/or entities related to a bank and updating any changes thereto. The law also provides for administrative and criminal liability for bank management, beneficial owners and owners of significant shareholdings for filing misleading information with the NBU, taking actions leading to bank's insolvency and other violations of banking legislation.

On 14 May 2015, the Parliament adopted the Law of Ukraine "On Amendments to Certain Legislative Acts of Ukraine (in respect of Withdrawal of the Term Deposits)", which became effective on 6 June 2015. According to the law, the depositors will be deprived of the right to withdraw their term deposits at any time prior to the maturity thereof, unless otherwise provided by the respective deposit agreement. However, this will not apply to the deposit agreements entered into prior to the date of effectiveness of the law.

On 18 June 2015, the Parliament of Ukraine adopted the Law of Ukraine "On Amendments to Certain Legislative Acts of Ukraine on Development of Institutional Capacity of the National Bank of Ukraine". The law provides that, *among other things*, (i) courts may not suspend decisions and acts of the NBU, and they may not prohibit the NBU from taking, or mandate the NBU to take, certain actions as interim measures in any commercial, civil or administrative proceedings; (ii) the NBU audit committee must be established to ensure that the system of internal control in the NBU is reliable and efficient; and (iii) claims against any NBU officials are considered to be claims against the NBU. The NBU must ensure that any NBU officials who are involved in civil, administrative or criminal proceedings have necessary legal services provided to them.

On 2 July 2015, the Parliament of Ukraine adopted the Law of Ukraine "On Restructuring of Obligations under Loans Denominated in Foreign Currency". The law provides, inter alia, that upon written request of the borrower under a consumer loan denominated in foreign currency, the lender is required to convert the outstanding loan amount into Ukrainian hryvnias at the official exchange rate of the NBU effective as of the date of execution of the respective loan agreement. The President of Ukraine and the NBU have criticized the adoption of this law as resulting in negative consequences for the country's financial and banking system, and, reportedly, the President of Ukraine is expected to veto the aforesaid law. On 9 December 2015, the said law was submitted to the President of Ukraine for signing and on 18 December 2015, the President of Ukraine vetoed the said law.

On 16 July 2015, the Parliament of Ukraine adopted the Law of Ukraine "On Amendments to Certain Legislative Acts of Ukraine on Improvement of the System of Guaranteeing of Individuals' Deposits and Withdrawal of Insolvent Banks from the Market", which, *among other things*, (i) amends the grounds for the insolvency of banks; (ii) expedites the procedure for compensating individuals for their deposits; (iii) prohibits investors from acquiring any shares or assets of an insolvent bank if they or their shareholders are related parties of that insolvent bank; (iv) amends the order of priority for the satisfaction of creditors' claims (in particular, claims of related parties and claims under subordinated debt may only be satisfied after all other creditors' claims); (v) provides for the consolidated sale of the assets of several banks in liquidation; and (vi) amends the procedure for state participation in the withdrawal of an insolvent bank from the market.

On 3 September, the NBU adopted and on 4 December 2015 further extended the Resolution "On Regulation of Situation on Monetary and Currency Markets" pursuant to which, *inter alia*, the NBU sets up the daily limits on cash withdrawals from bank accounts, restrictions on transactions in foreign currency as well as certain restrictions in respect of cross-border loans of Ukrainian borrowers. These measures are due to expire on 4 March 2016. However, no assurance can be given that the NBU will not extend the term of the restrictions further beyond the currently established termination date.

On 17 September 2015, the Parliament of Ukraine adopted laws which became effective on 20 September 2015 to introduce, among other, the following necessary changes to Ukrainian legislation in connection with the implementation of the debt operation to restructure the external debts of Ukraine. In particular, (i) the Law of Ukraine "On Amendments to Law of Ukraine "On Securities and Stock Market" with Respect to State Derivatives (Relating to Restructuring of State and State Guaranteed Debt and Its Partial Haircut)" introduced GDP-linked securities as the new type of Ukrainian state securities (named "state derivatives" in Ukrainian law) and (ii) the Law of Ukraine "On Amendment of Chapter XX "Transitional Provisions" of the Tax Code of Ukraine in Respect of Peculiarities of Taxation During Restructuring of State and State Guaranteed Debt and Its Partial Haircut" introduced exemption of non-residents of Ukraine for tax purposes from Ukrainian withholding tax on payments under the aforesaid GDP-linked securities.

From August 2015, the NBU has temporarily refused to register transfers and assignments of cross-border loan agreements, which has effectively amounted to a prohibition of changes in the parties to existing cross-border loan transactions. Sales of domestic loans to non-Ukrainian counterparties (which also entail registration of the resulting cross-border relationship with the NBU) were also restricted. On 29 December 2015, the NBU passed Resolution No. 996 lifting the aforesaid ban on registration of transfers and assignments of cross-border loan agreements from 11 January 2016. Resolution No. 996, while revoking the ban, also introduced additional documentation requirements in connection with the registration of the said transfers and assignments. Document package submitted to the NBU will now have to include: (i) information on the ownership structure and ultimate beneficial owners of the new lender and/or borrower; (ii) documents confirming the "economic rationale" of the proposed transaction; (iii) documents evidencing the source of funds to be used for purposes of repayment of the loan and payment of interest; and (iv) opinion of the borrower's Ukrainian servicing bank that the transaction will not result in the servicing bank's involvement in risky activities threatening the interests of its depositors or other creditors.

Competition

As at 1 August 2015, 137 commercial banks were registered and granted licences by the NBU to undertake banking transactions in Ukraine (of which one bank, Rodovid Bank, has a licence granted by the NBU allowing the bank to act as a remedial bank). As at 1 August 2015, the assets of all commercial banks in Ukraine amounted to UAH 1,300 billion (approximately U.S.$60.2 billion); their credit portfolio (including interbank loans) amounted to UAH 1,023 billion (approximately U.S.$47.3 billion); their equity capital amounted to UAH 91 billion (approximately U.S.$4.2 billion), corporate deposits and current accounts amounted to UAH 298 billion (approximately U.S.$13.8 billion) and retail deposits and current accounts amounted to UAH 398 billion (approximately U.S.$18.4 billion) (all figures in this paragraph have been converted using the exchange rate U.S.$1= UAH 21.6118).

According to the NBU, during 2014, the share capital of Ukrainian banks holding licences to undertake banking operations decreased by 2.7 per cent, amounting to UAH 180 billion, and thereafter increased by 9.4 per cent. during January-July 2015 amounting to UAH 197 billion as at 1 August 2015, while the equity capital of such banks decreased by 23.1 per cent. to UAH 148 billion, and thereafter decreased by 38.5 per cent. during January-July 2015 amounting to UAH 91 billion as at 1 August 2015.

During 2014, the assets and total liabilities of Ukrainian banks holding licences to undertake banking operations increased by 3 per cent. and 7.7 per cent. and amounted to UAH 1,317 billion and UAH 1,169 billion, respectively. During January-July 2015, the assets of Ukrainian banks holding licences to undertake banking operations decreased by 1.3 while their total liabilities increased by 3.3 per cent. and amounted to UAH 1,300 billion and UAH 1,208, respectively. In 2014 the regulatory capital of Ukrainian banks decreased by 7.8 per cent. amounting to UAH 189 billion and thereafter it further decreased by 48.1 per cent. in January-July 2015 amounting to UAH 98 billion as at 1 August 2015.

For 2015, commercial banks operating in Ukraine are divided by the NBU into four groups according to size of assets. In particular, 14 major banks were classified in the first group each having total assets of more than UAH 22.6 billion as at 1 July 2015, 14 banks were classified in the second group each having total assets of more than UAH 6.0 billion as at 1 April 2015, 24 banks were classified in the third group each having total assets of more than UAH 0.7 billion as at 1 April 2015 and 75 banks were classified in the fourth group each having total assets of less than UAH 2.5 billion as at 1 April 2015.

As of 1 August 2015, 40 banks in Ukraine had foreign capital, of which 18 were fully foreign owned. As of 1 November 2015, banks with foreign capital comprise 37.8 per cent. of the total share capital of banks (excluding insolvent banks) in Ukraine.

THE ISSUER

SSB No.1 PLC was incorporated in England and Wales on 8 December 2010 (registered number 07464396) as a public company with limited liability under the Companies Act 2006. The registered office of the Issuer is at 4th Floor, 40 Dukes Place, London EC3A 7NH. The telephone number of the issuer is +44 (0) 203 367 8200. The Issuer has no subsidiaries. The Issuer has been established as a special purpose vehicle or entity for the purpose of issuing the Notes and certain other debt securities.

Principal Activities

The principal objects of the Issuer are set out in its Memorandum of Association and are, among other things, to acquire, hold and manage financial assets, to lend or advance money and to give credit to any persons (whether individuals or legal entities) for any purpose whatsoever within the United Kingdom or elsewhere, and whether secured (on any such property or otherwise) or unsecured, to carry on business as a financial institution, money lenders, bankers, capitalists, financiers and investors and to undertake all kinds of loans, debt instrument issuance, financial commitments and other operations and to provide any type of financial services, including, without limitation, lending and participation in securities issues and the provision of services related to such issues.

The Issuer will covenant to observe certain restrictions on its activities, which will be detailed in the terms and conditions of the Notes and the Trust Deed.

The issued share capital of the Issuer is legally and beneficially owned and controlled directly by Capita Trust Nominees No. 1 Limited, a limited liability company incorporated in England and Wales with registered number 05322518. The rights of Capita Trust Nominees No. 1 Limited as a shareholder in the Issuer are contained in the articles of association of the Issuer, and the Issuer will be managed in accordance with those articles and with the provisions of English law.

Directors and Secretary

The directors of the Issuer and their respective business addresses and other principal activities are:

Name	Business Address	Principal Activity
Capita Trust Corporate Services Limited	The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU	Corporate Director
Capita Trust Corporate Limited	The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU	Corporate Director
Colin Benford	4th Floor, 40 Dukes Place, London, EC3A 7NH	Director

The company secretary of the Issuer is Capita Trust Corporate Limited, a company incorporated in England and Wales (registered number 05322525), whose business address is The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU.

Capitalisation and Indebtedness

The capitalisation and indebtedness of the Issuer as at the date of this Prospectus is as follows: 50,000 ordinary £1 shares issued to Capita Trust Nominees No. 1 Limited.

Litigation

There is no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) which may have, or has had since the date of its incorporation, significant effects on the Issuer's financial position or profitability.

Auditors

Deloitte LLP are the Issuer's independent auditors. The address of Deloitte LLP is Hill House, 1 Little New Street, London EC4A 3TR. Deloitte LLP are Chartered Accountants and Registered Auditors in England and Wales. Deloitte LLP are members of the following professional bodies: Institute of Chartered Accountants in England and Wales, Institute of Actuaries, Register of Insolvency Practitioners and the Royal Institution of Chartered Surveyors (RICS).

SUMMARY OF PROVISIONS RELATING TO THE NOTES IN GLOBAL FORM

The following information relates to the form and transfer of the Notes. Terms defined in the Trust Deed are used in this section as so defined.

Form of Notes

All Notes will be in registered form, without interest coupons attached. Notes issued outside the United States in reliance on Regulation S to persons who are not U.S. persons will be represented by interests in a Regulation S Global Note Certificate, in registered form, without interest coupons attached, which will be deposited on or about the Effective Date with a common depositary for Euroclear and Clearstream, Luxembourg, and registered in the name of its nominee, as nominee of such common depositary in respect of interests held through Euroclear and Clearstream, Luxembourg.

Notes issued to U.S Persons who are Eligible Investors will be represented by interest in Rule 144A Global Note Certificate, in fully registered form, without interest coupons attached, which will be deposited on or about the Effective Date with the with a common depositary for Euroclear and Clearstream, Luxembourg, and registered in the name of its nominee, as nominee of such common depositary in respect of interests held through Euroclear and Clearstream, Luxembourg. Each Rule 144A Global Note Certificate (and any Individual Note Certificates issued in exchange therefor) will be subject to certain restrictions on transfer contained in a legend appearing on the face of such Rule 144A Global Note Certificate as set forth under paragraph (4) in the "*Issuance and Transfer Restrictions*" section of this Prospectus.

Beneficial Interests in Global Note Certificates

Beneficial interests in each Global Note Certificate representing the Notes may be held only through Euroclear or Clearstream, Luxembourg at any time. See "— *Book-Entry Procedures for the Global Note Certificate*". On acquisition of a beneficial interest in a New Note, as represented by the applicable Global Note Certificate, the purchaser thereof will be deemed to represent, among other things, that it is not a U.S. Person (as defined in Regulation S) and that, prior to the expiration of a 40 day distribution compliance period (as defined in Regulation S), it will not offer, sell, pledge or otherwise transfer such interest except to a person whom the seller reasonably believes to be a non-U.S. Person in an offshore transaction in accordance with Rule 903 of Regulation S, and in accordance with the proceedings and restrictions contained in the respective New Agency Agreement.

Beneficial interests in each Global Note Certificate will be subject to certain restrictions on transfer set forth in the applicable Global Note Certificate and in the respective New Agency Agreement. A beneficial interest in each Global Note Certificate may be transferred to a person who takes delivery in the form of an interest in the applicable Global Note Certificate, in denominations greater than or equal to the minimum denominations applicable, and only upon receipt by the Registrar of a written certification (in the form provided in the relevant New Agency Agreement) to the effect that the transferor reasonably believes that each such transaction is in accordance with any applicable securities laws of any state of the United States or any other jurisdiction.

Except in the limited circumstances described below, owners of beneficial interests in a Global Note Certificate will not be entitled to receive physical delivery of individual Note certificates (the "**Individual Note Certificates**"). The Notes are not issuable in bearer form.

Exchange of Interests in the Global Note Certificate for Individual Note Certificates

Exchange

Exchange of interests in Notes represented by each Global Note Certificate, in whole but not in part, for Notes represented by individual note certificates in definitive registered form (the "**Individual Note Certificates**") will not be permitted unless (i) either Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or does in fact do so, or (ii) the Borrower or the Issuer would suffer a material disadvantage in respect of the Notes as a result of a change in the laws or regulations that it would not suffer were the Notes evidenced by Individual Note Certificates.

The holder of a Global Note Certificate may surrender such Global Note Certificate to or to the order of the Registrar. In exchange for the Global Note Certificate, as provided in the relevant New Agency Agreement, the Registrar will deliver, or procure the delivery of, an equal aggregate amount of duly executed and authenticated Individual Note Certificates in or substantially in the form set out in the relevant schedule to the applicable New Trust Deed.

The Registrar will not register the transfer of, or exchange of interests in, a Global Note Certificate for interests evidenced by Individual Note Certificates for a period of 15 calendar days ending on the date for any payment of principal or interest in respect of the Notes.

Delivery

After the circumstances set out above have occurred, the applicable Global Note Certificate shall be exchanged for Individual Note Certificates and the Issuer will, at the expense of the Bank (but against such indemnity as the Registrar or any relevant Paying Agent may require in respect of any tax or other duty of whatever nature that may be levied or imposed in connection with such exchange), cause sufficient Individual Note Certificates to be executed and delivered to the Registrar for completion, authentication and dispatch to the relevant noteholders in accordance with the Terms and Conditions of the Notes. A person having an interest in a Global Note Certificate must provide the Issuer and the Registrar with a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such Individual Note Certificates.

Book-Entry Procedures for the Global Note Certificate

Custodial and depository links are to be established between the clearing systems to facilitate the issue of the Notes and cross market transfers of the Notes associated with secondary market trading. See " — *Book-Entry Ownership — Settlement and Transfer of Notes*."

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream Luxembourg each holds securities for its customers and facilitate the clearance and settlement of securities transactions through electronic book-entry transfer between their respective accountholders. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions which clear through or maintain a custodial relationship with an accountholder of either system. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective customers may settle trades with each other. Their customers are worldwide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Investors may hold their interests in a Global Note Certificate directly through Euroclear or Clearstream, Luxembourg if they are accountholders ("**Direct Participants**") or indirectly ("**Indirect Participants**" and together with Direct Participants, "**Participants**") through organisations which are accountholders therein.

Book-Entry Ownership

Beneficial interests in a Global Note Certificate will be in uncertified book-entry form.

Euroclear and Clearstream, Luxembourg

Each Global Note Certificate representing Notes will have an ISIN and Common Code and will be registered in the name of a nominee for, and deposited with a common depositary on behalf of, Euroclear and Clearstream, Luxembourg. The address of Euroclear is 1 Boulevard du Roi Albert II, B1210 Brussels, Belgium, and the address of Clearstream, Luxembourg is 42 Avenue J.F. Kennedy, L 1855, Luxembourg.

Distributions of principal and interest with respect to book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg will be credited, to the extent received by Euroclear or Clearstream, Luxembourg from the Principal Paying Agent, to the cash accounts of Euroclear or Clearstream, Luxembourg customers in accordance with the relevant system's rules and procedures.

Relationship of Participants with Clearing Systems

Each of the persons shown in the records of a clearing system as the holder of a New Note evidenced by the relevant Global Note Certificate must look solely to such clearing system for his share of each payment made by the Issuer to the holder of such Global Note Certificate and in relation to all other rights arising under the Global Note Certificate, subject to and in accordance with the respective rules and procedures of such clearing system. The Issuer expects that, upon receipt of any payment in respect of Notes evidenced by the Global Note Certificate, the common depositary by whom such New Note is held, or nominee in whose name it is registered, will immediately credit the relevant participants or accountholders accounts in the relevant clearing system with payments in amounts proportionate to their respective beneficial interests in the principal amount of the relevant Global Note Certificate as shown on the records of the relevant clearing system or its nominee. The Issuer also expects that payments by Direct Participants in any clearing system to owners of beneficial interests in the relevant Global Note Certificate held through such Direct Participants in any clearing system will be governed by standing instructions and customary practices. Save as aforesaid, such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are evidenced by the relevant Global Note Certificate and the obligations of the Issuer will be discharged by payment to the registered holder, as the case may be, of the relevant Global Note Certificate in respect of each amount so paid. None of the Issuer, the Trustee or any Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in any Global Note Certificate or for maintaining, supervising or reviewing any records relating to such ownership interests.

Settlement and Transfer of Notes

Subject to the rules and procedures of each applicable clearing system, purchases of Notes held within a clearing system must be made by or through Direct Participants, which will receive a credit for such Notes on the clearing system's records. The ownership interest of each actual purchaser of each such New Note (the "**Beneficial Owner**") will in turn be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from any clearing system of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which such Beneficial Owner entered into the transaction.

Transfers of ownership interests in Notes held within the clearing system will be affected by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in such Notes, unless and until interests in the relevant Global Note Certificate held within a clearing system are exchanged for interests evidenced by Individual Note Certificates.

No clearing system has knowledge of the actual Beneficial Owners of the Notes held within such clearing system and their records will reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by the clearing systems to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

The laws of some jurisdictions may require that certain persons take physical delivery in definitive form of securities. Consequently, the ability to transfer interests in the relevant Global Note Certificate to such persons may be limited.

Trading between Clearing Systems Participants

Secondary market sales of book-entry interests in the Notes held through a clearing system to purchasers of book- entry interests in the Notes held through such clearing system will be conducted in accordance with the normal rules such clearing system.

Although the clearing systems have agreed to the procedures set forth in the New Agency Agreement in order to facilitate transfers of a beneficial interest in the relevant Global Note Certificate among participants and accountholders of such clearing systems, they are under no obligation to perform or continue to perform such procedure, and such procedures may be discontinued at any time. None of the Issuer, the Trustee or any Agent will have the responsibility for the performance by the clearing system or their respective Direct or Indirect Participants of their respective obligations under the rules and procedures governing their operations.

ISSUANCE AND TRANSFER RESTRICTIONS

United States

The Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered, sold, pledged or otherwise transferred except (i) to a person who is located outside the United States and is not a U.S. Person, in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act or (ii) in a transaction exempt from, or not subject to, the registration requirements of the Securities Act, in each case in accordance with any applicable securities laws of any state or other jurisdiction of the United States. Any future sale, offer, pledge or transfer of the Notes will also be subject to (i) and (ii) above.

Therefore, by electing to receive Notes, a Noteholder will be required, unless in any instance the Bank otherwise agrees, to represent, acknowledge and agree that:

(1) the Notes have not been and will not be registered under the Securities Act or any other securities laws and are being offered in transactions not involving any public offering in the United States within the meaning of Section 4(2) of the Securities Act;

(2) unless so registered, the Notes may not be offered, sold or otherwise transferred except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or any other applicable securities laws;

(3) it is either:

(i) not a U.S. Person or acting for the account or benefit of a U.S. Person, it is located outside the United States and it acknowledges that until the expiration of the period which expires on and includes the 40th day after the later of the commencement of the offering of the Notes and the Effective Date (the "**distribution compliance period**"), any offer or sale of these Notes shall not be made by it except (a) to a person whom it reasonably believes is a QIB, in a transaction meeting the requirements of Rule 144A or (b) to a person that is not a U.S. Person or acting for the account or benefit of a U.S. Person in an offshore transaction in accordance with Rule 903 or 904 of Regulation S; and, in each case, accordance with any applicable securities laws of any state or other jurisdiction of the United States; or

(ii) an Accredited Investor or a QIB and, if it is participating on behalf of one or more investor accounts, each of these investor accounts is an Accredited Investor or a QIB, and it:

(a) is acquiring the Notes for investment, in the normal course of its business, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the Securities Act;

(b) invests in or purchase securities similar to the Notes and it has such knowledge and experience in financial and business matters that makes it capable of evaluating the merits and risks of acquiring the Notes; and

(c) is aware that it (or any of these investor accounts) may be required to bear the economic risk of an investment in the Notes for an indefinite period of time and it (or that investor account) is able to bear this risk for an indefinite period; or

(4) it understands that the Notes offered pursuant to an exemption from the Securities Act other than Regulation S will bear a legend to the following effect:

THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. BY ACCEPTANCE OF THE SECURITY REPRESENTED HEREBY, EACH BENEFICIAL OWNER HEREOF REPRESENTS AND AGREES, FOR THE BENEFIT OF THE ISSUER THAT (A) IT IS EITHER (I) NOT A U.S. PERSON AND IS LOCATED OUTSIDE THE UNITED STATES AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT OR (II) AN ACCREDITED INVESTOR AS DEFINED IN RULE 501(a) OF REGULATION D

UNDER THE SECURITIES ACT (AN "**ACCREDITED INVESTOR**") OR (III) A QUALIFIED INSTITUTIONAL BUYER AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT ("**QIB**"). (B) THE SECURITY MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (I) TO THE ISSUER, (II) OUTSIDE THE UNITED STATES TO PERSONS THAT ARE NOT U.S. PERSONS AS DEFINED IN, AND IN ACCORDANCE WITH, REGULATION S, (III) WITHIN THE UNITED STATES IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QIB THAT IS PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ANOTHER QIB, OR (IV) PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER, IF AVAILABLE, AND IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES, AND (C) THE BENEFICIAL OWNER WILL, AND EACH SUBSEQUENT BENEFICIAL OWNER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS SECURITY (OR INTEREST HEREIN) FROM IT OF THE RESTRICTIONS REFERRED TO (A) AND (B) ABOVE. TRANSFERS IN VIOLATION OF THE FOREGOING WILL BE OF NO FORCE OR EFFECT, WILL BE VOID AB INITIO, AND WILL NOT OPERATE TO TRANSFER ANY RIGHTS TO THE TRANSFEREE.

THIS SECURITY AND ALL RELATED DOCUMENTATION MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR RESALES AND OTHER TRANSFERS OF THIS SECURITY TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO THE RESALE OR TRANSFERS OF RESTRICTED SECURITIES GENERALLY. BY THE ACCEPTANCE OF THIS SECURITY THE HOLDER HEREOF SHALL BE DEEMED TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT.

(5) if it is a QIB or an Accredited Investor, it understands that the Notes offered pursuant to an exemption from the Securities Act other than Regulation S will be represented by a Restricted Global Note. Before any interest in the Restricted Global Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Unrestricted Global Note, it will be required to provide the Registrar with a written certification (in the form provided in the relevant New Agency Agreement) as to compliance with applicable securities laws;

(6) if it has elected to participate in compliance with Regulation S, it understands that the Notes will be represented by an Unrestricted Global Note. Prior to the expiration of the distribution compliance period, before any interest in the Unrestricted Global Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest the a Restricted Global Note, it will be required to provide the Registrar with a written certification (in the form provided in the relevant New Agency Agreement) as to compliance with applicable securities laws; and

(7) the Bank, the Registrar, the Trustee and the Principal Paying and their affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

Transfer Restrictions

The Notes issued to persons in the United States are transferable in the United States only to QIBs in a transaction meeting the requirements of Rule 144A or pursuant to another available exemption from the registration requirements of the Securities Act or outside the United States under Regulation S. Because of the following restrictions, such persons are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of such Notes.

Each subsequent purchaser or transferee of the Notes in the United States or that is a U.S. Person will be deemed to have represented, agreed and acknowledged as follows:

(i) in respect of transfers pursuant to Rule 144A, the purchaser (a) is a QIB, (b) is acquiring the Notes for its own account or for the account of such a QIB,(c) such person is aware that the sale of the Notes to it is being made in reliance on Rule 144A and (d) if it is receiving such Notes for the account of one or more QIBs, it has sole investment discretion with respect to each such amount and it has full power to make (and does make) the acknowledgements, representations and agreements herein on behalf of each such account;

(ii) in respect of a transfer otherwise than pursuant to Rule 144A, the purchaser and the transferor shall have complied with such procedures (including delivery of legal opinions) as may be required by the Registrar in accordance with the New Agency Agreement;

(iii) the Notes have not been and will not be registered under the Securities Act or any other securities laws and are being offered in transactions not involving any public offering in the United States and are restricted securities within the meaning of the Securities Act;

(iv) unless so registered, the Notes may not be reoffered, resold or otherwise transferred except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or any other applicable securities laws, except in accordance with the restrictions set forth above;

(v) it understands that the Notes offered pursuant to an exemption from the Securities Act will be represented by a Restricted Global Note. Before any interest in any Restricted Global Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in an Unrestricted Global Note, it will be required to provide the Registrar with a written certification (in the form provided in the New Agency Agreement) as to compliance with applicable securities laws;

(vi) each Restricted Global Note and any Restricted Note Certificates issued in exchange for an interest in a Restricted Global Note will bear the same legend as set forth in above, unless the Bank determines otherwise in accordance with applicable law;

(vii) the Prospectus in respect of the Notes is solely for the benefit of Noteholders and no reliance may be placed on by the purchaser; and

(viii) the Bank, the Registrar, the Trustee and the Principal Paying Agent and their affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

Each subsequent purchaser or transferee of the Notes in re-sales in reliance on Regulation S under the Securities Act during the distribution compliance period will be deemed to have represented, agreed and acknowledged as follows (terms used in this paragraph that are defined in Regulation S are used herein as so defined):

(i) it is, or at the time the Notes are purchased will be, the beneficial owner of such Notes and it is not a U.S. Person and it is located outside the United States (within the meaning of Regulation S);

(ii) it understands that such Notes have not been and will not be registered under the Securities Act and that, prior to the expiration of the distribution compliance period, it will not offer, sell pledge or otherwise transfer such Notes, except (a) to a person whom it reasonably believes is a QIB, in a transaction meeting the requirements of Rule 144A or (b) to a person that is not a U.S. Person or acting for the account of benefit of a U.S. Person in an offshore transaction in accordance with Rule 903 or 904 of Regulation S; and, in accordance with any applicable securities laws of any state of the United States or any other jurisdiction;

(iii) it understands that the Notes will be represented by an Unrestricted Global Note. Prior to the expiration of the distribution compliance period, before any interest in any Unrestricted Global Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in a Restricted Global Note, it will be required to provide the Registrar with a written certification (in the form provided in the New Agency Agreement) as to compliance with applicable securities laws;

(iv) the Prospectus in respect of the Notes is solely for the benefit of Noteholders and no reliance may be placed on by the purchaser; and

(v) the Issuer, the Bank, the Registrar, the Trustee and the Principal Paying Agent and their affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

ADDITIONAL INFORMATION

The Bank

On 31 December 1991, the Bank was incorporated as a bank under Law of the Ukrainian Soviet Socialist Republic "On Banks and Banking Activity" No. 872-XII dated 20 March 1991.

As of the date of this Prospectus, the Bank operates, *inter alia*, under the Law of Ukraine "On Banks and Banking Activity" No. 2121-III dated 7 December 2000, the Law of Ukraine "On Joint Stock Companies" No. 514-VI dated 17 September 2008, the Resolution of the Cabinet of Ministers of Ukraine "Certain Matters of Functioning of Public Joint Stock Company "State Savings Bank of Ukraine"" No. 261 dated 25 February 2003 and the Resolution of the Board of the National Bank of Ukraine "On Approval of the Instruction on the Procedure for Regulating the Activities of Banks in Ukraine" No. 368 dated 28 August 2001 (in each case as amended).

Authorisations

The Bank has obtained all necessary consents, approvals and authorisations in connection with its participation in the Amended and Restated Loan Agreement, other than the registration by the Bank of the Amended and Restated Loan Agreement with the NBU to be performed following execution of the Amended and Restated Loan Agreement. The execution by the Bank of the Amended and Restated Loan Agreement and the other documents was approved by the decision of the Management Board dated 7 August 2015.

The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes and the other documents (including the Amended and Restated Loan Agreement) entered into by the Issuer. The issue of the Notes and their listing were approved by the Issuers' Board of Directors on 27 August 2015 and 18 August 2015, respectively.

Listing

Application has been made to the Irish Stock Exchange for the Notes to be admitted to listing on the official list of the Irish Stock Exchange and admitted to trading on the Main Securities Market of the Irish Stock Exchange. It is expected that admission to the official list and trading on the Main Securities Market will be granted on or about 18 January 2016.

Admission Expenses

The estimated total expenses relating to the admission of the Notes to trading are approximately EUR 3,500.

Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg under the following Common Codes: 127885656. The International Securities Identification Numbers for the Notes is as follows: XS1278856569.

Material Adverse Change

Except as described in this Prospectus under "*Risk Factors*", "*The Bank*" and "*Assets, Liability and Risk Management*", there has been no material adverse change in the prospects of the Bank since 31 December 2014 and no significant change in the financial or trading position of the Bank since 30 June 2015.

Since 31 December 2014, there has been no material adverse change in the financial position or prospects of the Issuer.

Financial Statements and Auditors

The Bank's Consolidated Financial Statements have been audited in accordance with International Standards on Auditing by the Bank's independent auditors, JSC "Deloitte & Touche USC", who have expressed an unqualified opinion on the Annual Consolidated Financial Statements and a qualified opinion on the Interim Consolidated Financial Statements (qualified as to the matters stated in "Basis for qualified opinion" in the auditor's report relating to the Interim Consolidated Financial Statements).

The address of JSC "Deloitte & Touche USC" is 48, 50a, Zhylianska St., Kyiv 01033, Ukraine. JSC "Deloitte & Touche USC" is registered in the register of audit firms of the Audit Chamber of Ukraine.

Litigation

Save as disclosed on page 52 under the title "*Legal Proceedings*" of this Prospectus, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Bank is aware), which may have, or have had, during the 12 months prior to the date of this Prospectus, a significant effect on the Bank's consolidated financial position or profitability.

Documents Available for Inspection

Copies of certain documents are available for inspection by any person during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of this Prospectus for the life of this Prospectus in physical form at the registered office of the Bank. These documents include:

- the Consolidated Financial Statements;
- the audited financial statements of the Issuer and the notes thereto as at and for the years ended 31 December 2014 and 31 December 2013;
- the Memorandum and Articles of Association of the Issuer;
- the Charter of the Bank;
- this Prospectus;
- the Amended and Restated Loan Agreement;
- the Trust Deed; and
- the Agency Agreement in respect of the Notes.

Material Contracts

Save as disclosed in this Prospectus under "*The Bank*", neither the Issuer nor the Bank is a party to any material contract outside the ordinary course of business, which could result in the Issuer or the Bank being under an obligation or entitlement that is material to their respective obligations under the Notes or the Amended and Restated Loan Agreement.

Foreign Text

The language of this Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

Listing Agent

Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in relation to the Notes and is not itself seeking admission of the Notes to the Official List of the Irish Stock Exchange or to trading on the regulated market of the Irish Stock Exchange for the purposes of the Prospectus Directive.

Post-Issuance Information

Neither the Issuer nor the Bank intends to provide any post-issuance information.

SCHEDULE 1 — TERMS AND CONDITIONS OF THE NOTES

The following is the text of the Terms and Conditions of the Notes, which will be endorsed on each Note in definitive form. The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "Summary of Provisions Relating to the Notes in Global Form" above.

The U.S.$100,000,000 Amortising Loan Participation Notes due 2024 (the "**Notes**", which expression includes any Further Notes issued pursuant to Condition 13 *(Further Issues)* and forming a single series therewith) of SSB No.1 PLC (the "**Issuer**") are constituted by, are subject to, and have the benefit of, a trust deed to be dated on or about 25 November 2015 (as amended, varied or supplemented from time to time, the "**Trust Deed**") between the Issuer and BNY Mellon Corporate Trustee Services Limited as trustee (the "**Trustee**", which expression includes all persons for the time being trustee or trustees appointed under the Trust Deed) and are the subject of an agency agreement to be dated on or about 25 November 2015 (as amended or supplemented from time to time, the "**Agency Agreement**") between the Issuer, The Bank of New York Mellon (Luxembourg) S.A., as registrar (the "**Registrar**", which expression includes any successor registrar appointed from time to time in connection with the Notes), The Bank of New York Mellon, London Branch as principal paying agent (the "**Principal Paying Agent**", which expression includes any successor principal paying agent appointed from time to time in connection with the Notes), the transfer agent named therein (the "**Transfer Agent**", which expression includes any successor or additional transfer agents appointed from time to time in connection with the Notes), the paying agents named therein (together with the Principal Paying Agent, the "**Paying Agents**", which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes) and the Trustee. References herein to the "**Agents**" are to the Registrar, the Transfer Agent and the Paying Agents and any reference to an "**Agent**" is to any one of them. Certain provisions of these Conditions are summaries of the Trust Deed and the Agency Agreement and subject to their detailed provisions. The Noteholders (as defined below) are entitled to the benefit of, bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those provisions of the Agency Agreement applicable to them. Copies of the Trust Deed and the Agency Agreement are available for inspection during normal business hours at the registered office for the time being of the Trustee, being at the date hereof One Canada Square, London E14 5AL, United Kingdom and at the Specified Offices (as defined in the Agency Agreement) of each of the Agents, the initial Specified Offices of which are set out below.

The Issuer has authorised the creation, issue and sale of the Notes for the sole purpose of financing the U.S.$100,000,000 subordinated loan (the "**Loan**") to Public Joint Stock Company "State Savings Bank of Ukraine" (the "**Borrower**"). The terms of the Loan are recorded in the loan agreement dated 29 December 2006 as amended by the supplemental loan agreement dated 19 January 2007 and the second supplemental loan agreement dated 29 November 2007 and as amended and restated by the amendment and restatement deed dated 9 November 2015 between the Borrower, the Issuer and The Royal Bank of Scotland plc (as amended, varied or supplemented from time to time, the "**Loan Agreement**").

In each case where amounts of principal, interest and Additional Amounts (as defined in the Loan Agreement), if any, due pursuant to Condition 6 (*Payments*) and Condition 7 (*Taxation*) are stated herein or in the Trust Deed to be payable in respect of the Notes, the obligation of the Issuer to make any such payment shall constitute an obligation only to pay to the Noteholders (as defined in Condition 2(a) (*Register*)), on each date upon which such amounts of principal, interest and Additional Amounts (as defined in the Loan Agreement), if any, are due in respect of the Notes, to the extent of the sums of principal, interest, Additional Amounts and Indemnity Amounts (each as defined in the Loan Agreement), if any, actually received by or for the account of the Issuer pursuant to the Loan Agreement, less any amounts in respect of the Reserved Rights (as defined below). Noteholders must therefore rely solely and exclusively upon the covenant to pay under the Loan Agreement and the credit and financial standing of the Borrower. Noteholders shall have no recourse (direct or indirect) to any other assets of the Issuer.

As security for the Issuer's payment obligations under the Trust Deed and in respect of the Notes, the Issuer as lender under the Loan Agreement has:

(A) charged by way of first fixed charge to the Trustee, to hold the same on trust for the Noteholders and itself on the terms set out in the Trust Deed, all of the Issuer's rights, interests and benefits in and to (i) principal, interest and other amounts now or hereafter paid and payable by the Borrower to the Issuer as lender under the Loan Agreement and (ii) all amounts now or hereafter paid or payable by the Borrower to the Issuer under or in respect of any claim, award or judgment relating to the Loan Agreement (in each case other than its right to amounts in respect of any rights, interests and benefits of the Issuer under the following Clauses of the Loan Agreement: Clause 3.2 (*Fees*), the second sentence of Clause 7.4 (*Costs of Repayment*); Clause 8.2 (*Double Tax Treaty Relief*); Clause 8.3(b) (*Indemnity Amounts*); Clause 10 (*Changes in Circumstances*); Clause 11 (*Representations and Warranties of the Borrower*); Clause 15 (*Indemnity*); Clause 16.2 (*Currency Indemnity*); Clause 17.3 (*No Set-off*); and Clause 18 (*Costs and Expenses*) (to the extent that the Issuer's claim is in respect of one of the aforementioned clauses of the Loan Agreement) (such rights are referred to herein as the "**Reserved Rights**"));

(B) charged by way of first fixed charge to the Trustee, to hold the same on trust for the Noteholders and itself on the terms set out in the Trust Deed, all of the Issuer's rights, interests and benefits in and to all sums held on deposit from time to time, in the Account (as defined in the Trust Deed) with the Principal Paying Agent, together with the debt represented thereby (except to the extent such debt relates to Reserved Rights) pursuant to the Trust Deed (this sub-clause (B), together with sub-clause (A) other than the Reserved Rights, the "**Charged Property**"); and

(C) assigned absolutely by way of security to the Trustee for the benefit of itself and the Noteholders all of the Issuer's rights, interests and benefits whatsoever, both present and future, whether proprietary, contractual or otherwise under or arising out of or evidenced by the Loan Agreement (including, without limitation, the right to declare the Loan immediately due and payable and to take proceedings to enforce the obligations of the Borrower thereunder) other than the Charged Property and the Reserved Rights and any amounts payable by the Borrower in relation to the Charged Property and the Reserved Rights (the "**Transferred Rights**"),

together, the "**Security Interests**".

In certain circumstances, the Trustee can (subject to it being indemnified and/or secured and/or prefunded to its satisfaction) be required by Noteholders holding at least 25 per cent. of the principal amount of the Notes then outstanding or by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders to exercise certain of its powers under the Trust Deed (including those arising in connection with the Security Interests). However, it may not be possible for the Trustee to take certain actions in relation to the Notes and, accordingly, in such circumstances the Trustee will be unable to take such actions, notwithstanding the provision of an indemnity or security or prefunding to it, and it will thus be for the Noteholders to take such actions directly.

1. Form, Denomination and Status

(a) *Form and denomination*: The Notes are in registered form, without interest coupons attached, in the denominations of U.S.$150,000 and integral multiples of U.S.$1,000 in excess thereof (each, an "**Authorised Holding**").

(b) *Status:* The sole purpose of the issue of the Notes is to provide the funds for the Issuer to finance the Loan. The Notes constitute the obligation of the Issuer to apply an amount equal to the principal amount of the Notes solely for financing the Loan and to account to the Noteholders for principal and interest and Additional Amounts (as defined in the Loan Agreement), if any, due pursuant to Condition 6 (*Payments*) and Condition 7 (*Taxation*) in respect of the Notes in an amount equivalent to sums of principal, interest, Additional Amounts and Indemnity Amounts (as defined in the Loan Agreement), if any, actually received by or for the account of the Issuer pursuant to the Loan Agreement (less any amounts in respect of Reserved Rights), the right to receive which is, *inter alia*, being charged by way of security to the Trustee by virtue of the Security Interests as security for the Issuer's payment obligations under the Trust Deed and in respect of the Notes.

Payments in respect of the Notes to the extent of the sums actually received by or for the account of the Issuer by way of principal, interest, Additional Amounts or Indemnity Amounts (each as defined in the Loan Agreement), if any, pursuant to the Loan Agreement (less any amounts in respect of the Reserved Rights) will be made *pro rata* among all Noteholders (subject to Condition 7 (*Taxation*)), on the dates on which such payments are due in respect of the Notes subject to the conditions attaching to, and in the currency of, such payments under the Loan Agreement. The Issuer shall not be liable to make any payment in respect of the Notes other than as expressly provided herein and in the Trust Deed. The Issuer shall be under no obligation to exercise in favour of the Noteholders any rights of set-off or of banker's lien or to combine accounts or counterclaim that may arise out of other transactions between the Issuer and the Borrower.

Noteholders are deemed to have accepted that:

(i) neither the Issuer nor the Trustee makes any representation or warranty in respect of, and shall at no time have any responsibility for, or (save as otherwise expressly provided in the Trust Deed and paragraph (vi) below) liability, or obligation in respect of the performance and observance by the Borrower of its obligations under the Loan Agreement or the recoverability of any sum of principal, interest, Additional Amounts or Indemnity Amounts (each as defined in the Loan Agreement) or other amounts, if any, due or to become due from the Borrower under the Loan Agreement;

(ii) neither the Issuer nor the Trustee shall at any time have any responsibility for, or obligation or liability in respect of, the condition (financial, operational or otherwise), creditworthiness, affairs, status, nature or prospects of the Borrower;

(iii) neither the Issuer nor the Trustee shall at any time have any responsibility for, or obligation or liability in respect of, any misrepresentation or breach of warranty or any act, default or omission of the Borrower under or in respect of the Loan Agreement;

(iv) neither the Issuer nor the Trustee shall at any time have any responsibility for, or liability or obligation in respect of, the performance and observance by the Registrar, any Transfer Agent or any Paying Agent of their respective obligations under the Agency Agreement;

(v) the financial servicing and performance of the terms of the Notes depend solely and exclusively upon performance by the Borrower of its obligations under the Loan Agreement, its covenant to pay under the Loan Agreement and its credit and financial standing. The Borrower has represented and warranted to the Issuer in the Loan Agreement that the Loan Agreement constitutes legal, valid and binding obligations of the Borrower. The representations and warranties given by the Borrower in Clause 11 (*Representations and Warranties of the Borrower*) of the Loan Agreement are given by the Borrower to the Issuer for the sole benefit of the Issuer and neither the Trustee nor any Noteholder shall have any remedies or rights against the Borrower that the Issuer may have with respect to such representations or warranties, other than any right the Trustee may have pursuant to the assignment of the Transferred Rights;

(vi) the Issuer (and, pursuant to the assignment of the Transferred Rights, the Trustee) will rely on self certification by the Borrower and certification by third parties as a means of monitoring whether the Borrower is complying with its obligations under the Loan Agreement and shall not otherwise be responsible for investigating any aspect of the Borrower's performance in relation thereto (other than, with respect to the Issuer only, the Borrower's obligation to make payments of principal and interest under the Loan Agreement) and, subject as further provided in the Trust Deed, the Trustee will not be liable for any failure to make the usual or any investigations which might be made by a security holder in relation to the property which is the subject of the Security Interests and held by way of security for the Notes, and shall not be bound to enquire into or be liable for any defect or failure in the right or title of the Issuer to the secured property represented by the Security Interests whether such defect or failure was known to the Trustee or might have been discovered upon examination or enquiry or whether capable of remedy or not, nor will it have any liability for the enforceability of the security created by the Security Interests whether as a result of any failure, omission or defect in registering or filing or otherwise protecting or perfecting such security and the Trustee will have no responsibility for the value of such security; and

(vii) if the Borrower is required by law to make any withholding or deduction for or on account of tax from any payment under the Loan Agreement or if the Issuer is required by law to make any withholding or deduction for or on account of tax from any payment in respect of the Notes, the sole obligation of the Issuer will be to pay the Noteholders sums equivalent to the sums actually received from the Borrower pursuant to the Loan Agreement in respect of such payment, including, if applicable, Additional Amounts or Indemnity Amounts (each as defined in the Loan Agreement) in respect of the tax required to be so withheld or deducted; the Issuer shall not be obliged to take any actions or measures as regards such deductions or withholdings other than those set in Clause 8 (*Taxes*) and Clause 10.3 (*Mitigation*) of the Loan Agreement.

Save as otherwise expressly provided herein and in the Trust Deed, no proprietary or other direct interest in the Issuer's rights under or in respect of the Loan Agreement or the Loan exists for the benefit of the Noteholders. No Noteholder will have any entitlement to enforce any of the provisions in the Loan Agreement or have direct recourse to the Borrower except through action by the Trustee under the Security Interests. The Trustee shall not be required to take proceedings to enforce payment under the Trust Deed or, pursuant to the Transferred Rights, the Loan Agreement unless it has been indemnified and/or secured and/or prefunded by the Noteholders to its satisfaction against all liabilities, proceedings, claims and demands to which it may thereby become liable and all costs, charges and expenses which may be incurred by it in connection therewith.

As provided in the Trust Deed, the obligations of the Issuer are solely to make payments of amounts in aggregate equal to principal, interest, Additional Amounts, Indemnity Amounts (each as defined in the Loan Agreement) or other amounts, if any, actually received by or for the account of the Issuer pursuant to the Loan Agreement (less any amounts in respect of Reserved Rights), the right to which is being charged by way of security to the Trustee as aforesaid. Noteholders must therefore rely solely and exclusively upon the covenant to pay under the Loan Agreement and the credit and financial standing of the Borrower. Noteholders shall have no recourse (direct or indirect) to any other assets of the Issuer.

The obligations of the Issuer to make payments as stated in the previous paragraph constitute direct and general obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

Payments made by the Borrower under the Loan Agreement to, or to the order of, the Trustee or (before such time that the Issuer has been required by the Trustee, pursuant to the terms of the Trust Deed, to pay to or to the order of the Trustee) the Principal Paying Agent will satisfy *pro tanto* the obligations of the Issuer in respect of the Notes.

2. **Register, Title and Transfers**

(a) *Register*: The Registrar will maintain outside the United Kingdom a register (the "**Register**") in respect of the Notes in accordance with the provisions of the Agency Agreement. In these Conditions, the "**Holder**" of a Note means the person in whose name such Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and "**Noteholder**" shall be construed accordingly. A certificate (each, a "**Note Certificate**") will be issued to each Noteholder in respect of its registered holding. Each Note Certificate will be numbered serially with an identifying number which will be recorded in the Register.

*The "**Global Note Certificate**" will be deposited with The Bank of New York Mellon, London Branch, as common depositary for Euroclear and Clearstream, Luxembourg and registered in the name of The Bank of New York Depository (Nominees) Limited, as nominee for the Common Depositary.*

(b) *Title*: The Holder of each Note shall (except as otherwise required by law) be treated as the absolute owner of such Note for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Note Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft of such Note Certificate) and no person shall be liable for so treating such Holder. No person shall have any right to enforce any term or condition of the Notes or the Trust Deed under the Contracts (Rights of Third Parties) Act 1999.

(c) *Transfers*: Subject to Condition 2(f) (*Closed periods*) and Condition 2(g) (*Regulations concerning transfers and registration*) below, a Note may be transferred upon surrender of the relevant Note Certificate, with the endorsed form of transfer duly completed (including any certificates as to compliance with restrictions on transfer included therein), at the Specified Office of the Registrar or such relevant Transfer Agent, together with such evidence as the Registrar or (as the case may be) the Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; *provided, however, that* a Note may not be transferred unless the principal amount of Notes transferred and (where not all of the Notes held by a Holder are being transferred) the principal amount of the balance of Notes not transferred are Authorised Holdings. Where not all the Notes represented by the surrendered Note Certificate are the subject of the transfer, a new Note Certificate in respect of the balance of the Notes will be issued to the transferor.

(d) *Registration and delivery of Note Certificates*: Within five business days of the surrender of a Note Certificate in accordance with Condition 2(c) (*Transfers*) above, the Registrar will register the transfer in question and deliver a new Note Certificate of a like principal amount to the Notes transferred to each relevant Holder at its address (as specified by such Holder to the Registrar) or (as the case may be) the Specified Office of any Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this paragraph, "**business day**" means a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office and Kyiv.

(e) *No charge*: The transfer of a Note will be effected without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent but against such indemnity as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.

(f) *Closed periods*: Noteholders may not require transfers to be registered during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Notes.

(g) *Regulations concerning transfers and registration*: All transfers of Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Trustee, the Registrar and the Borrower. A copy of the current regulations will be mailed (free of charge) by the Registrar and/or any Transfer Agent to any Noteholder who requests in writing a copy of such regulations.

3. Issuer's Covenant

As provided in the Trust Deed, so long as any of the Notes remain outstanding (as defined in the Trust Deed), the Issuer will not, without the prior written consent of the Trustee or an Extraordinary Resolution or Written Resolution (as defined in the Trust Deed), agree to any amendments to or any modification or waiver of, or authorise any breach or proposed breach of, the terms of the Loan Agreement and will act at all times in accordance with any instructions of the Trustee from time to time with respect to the Loan Agreement, except as otherwise expressly provided in the Trust Deed and the Loan Agreement. Any such amendment, modification, waiver or authorisation made with the consent of the Trustee shall be binding on the Noteholders and any such amendment or modification shall be notified by the Issuer to the Noteholders in accordance with Condition 14 (*Notices*).

4. Interest

(a) The interest rate on the Notes will be reset on the first day of each Interest Period and will be equal to LIBOR (as defined in the Loan Agreement) plus 6.875 per cent. *per annum*, the calculation of which shall be determined by the Calculation Agent in accordance with the terms of the Loan Agreement. Provided that, subject to and in accordance with Condition 6 (*Payments*), on each Interest Payment Date the Issuer shall pay to the Noteholders only an amount of interest equal to and in the same currency as the amount of interest actually received by or for the account of the Issuer pursuant to the Loan Agreement (the "**Current Paid Interest**"). The amount equal to the difference between the Due Interest and the Current Paid Interest (if any) shall remain due by the Issuer, but shall be deferred (the "**Deferred Interest**"). Interest shall accrue on the Loan from day to day from (and including) 19 January 2015 to (but excluding) the due date for repayment thereof unless payment of principal is improperly withheld or refused, in which event interest will continue to accrue (before or after any judgment) at the Rate of Interest (as defined in the Loan Agreement) to but excluding the date on which payment in full of the outstanding principal amount of the Loan is made. Interest shall be deemed to have accrued on the Notes at rate equal to (i) 5.6099 per cent. *per annum* from (and including) 19 January 2015 to (but excluding) 19 July 2015 and (ii) LIBOR (as defined in the Loan Agreement) plus 6.875 per cent. *per annum* from (and including) 19 July 2015 to (but excluding) 25 November 2015, notwithstanding the fact that such period precedes the issuance of the Notes. Subject to actual receipt of the relevant amount of interest, the interest falling due on 19 January 2016 shall be interest for the period from (and including) 19 January 2015 to (but excluding) 19 January 2016.

(b) The amount of interest payable in respect of the Loan for any Interest Period shall be calculated by applying the Rate of Interest (as defined in the Loan Agreement) to the principal amount of the Loan, dividing the product by two and rounding the resulting figure to the nearest cent (half a cent being rounded upwards). If interest on the Loan is required to be calculated for any period other than an Interest Period, it will be calculated on the basis of a year of 360 days consisting of 12 months of 30 days each and, in the case of an incomplete month, the actual number of days elapsed.

(c) As used in this Condition, "**Interest Payment Date**" and "**Interest Period**" shall have the meanings given to them in the Loan Agreement. In the Loan Agreement, "**Interest Payment Date**" is defined as 19 January and 19 July in each year commencing 19 January 2016 in which the Loan remains outstanding. The final Interest Payment Date shall be 19 January 2024. Under the Loan Agreement, the Borrower is required, two Business Days prior to each Interest Payment Date, to pay to the Issuer an amount equal to and in the same currency as the full amount of interest accruing during the Interest Period ending on such Interest Payment Date.

(d) All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 4 by the Calculation Agent shall (in the absence of gross negligence, wilful default, fraud or manifest error) be binding on the Issuer, the Borrower, the Trustee, the Agents and all Noteholders and (in the absence of gross negligence, wilful default, fraud or manifest error) no liability to the Issuer, the Borrower or the Noteholders shall attach to the Calculation Agent in connection with the exercise or non-exercise by it of any of its powers, duties and discretions.

5. Redemption and Purchase

(a) *Scheduled redemption:* Unless previously repaid pursuant to Clause 7 (*Repayment upon the occurrence of certain events*) of the Loan Agreement, the Borrower will be required to repay the Loan on its due date as provided in the Loan Agreement and, unless previously redeemed pursuant to this Condition 5 or Condition 12 (*Enforcement*), and subject to the repayment of the relevant part of the Loan, U.S.$500 for each U.S.$1,000 of the initial principal amount of the Notes will be redeemed on 19 January 2020, and the remaining outstanding principal amount of the Notes shall be redeemed in eight equal semi-annual instalments beginning on 19 July 2020 with the final repayment being due on 19 January 2024, subject as provided in Condition 6 (*Payments*).

(b) *Redemption by the Issuer:* The Notes shall be redeemed by the Issuer in whole, but not in part, at any time, on giving not less than 30 days' nor more than 90 days' notice to the Noteholders (which notice shall be irrevocable and shall specify a date for redemption, being the same date as that set forth in the notice of repayment referred to in Condition 5(b)(i) or (ii) below) in accordance with Condition 14 (*Notices*) at the principal amount thereof, together with interest accrued and unpaid to the date fixed for redemption and any Additional Amounts and Indemnity Amounts (each as defined in the Loan Agreement) in respect thereof, if, immediately before giving such notice, the Issuer satisfies the Trustee that:

(i) the Issuer has received a notice of repayment from the Borrower pursuant to Clause 7.1 (*Repayment for Tax Reasons and Change in Circumstances*) of the Loan Agreement, which includes, *inter alia*, the Borrower's right to give notice that it has decided to repay the Loan in the event that the Issuer is, subject to receipt of corresponding amounts from the Borrower, required to pay Additional Amounts (as defined in the Loan Agreement) in respect of United Kingdom Taxes as provided in Condition 7 (*Taxation*); or

(ii) the Issuer has delivered a notice to the Borrower, the contents of which require the Borrower to repay the Loan, in accordance with the provisions of Clause 7.2 (*Repayment for Illegality*) of the Loan Agreement.

The Issuer shall deliver to the Trustee a certificate signed by two officers of the Issuer stating that the Issuer is entitled to effect such redemption in accordance with this Condition 5(b). A copy of the Borrower's notice of repayment contemplated by Clause 7.1 (*Repayment for Tax Reasons and Change in Circumstances*) of the Loan Agreement or details of the circumstances contemplated by Clause 7.2 (*Repayment for Illegality*) of the Loan Agreement and the date fixed for redemption shall be set forth in the notice.

The Trustee shall be entitled to accept any notice or certificate delivered by the Issuer in accordance with this Condition 5(b) as sufficient evidence of the satisfaction of the applicable circumstances in which event they shall be conclusive and binding on the Noteholders.

Upon the expiry of any such notice given by the Issuer to the Noteholders as is referred to in this Condition 5(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 5, subject as provided in Condition 6 (*Payments*).

(c) *Redemption at the option of the Noteholders upon a Change of Control*:

(i) Upon the occurrence of a Change of Control (as defined in the Loan Agreement), in accordance with Condition 14 (*Notices*) the Issuer will make an offer to purchase all or any part of the Notes pursuant to the offer described below (the "**Change of Control Offer**") at a price per Note in cash (the "**Change of Control Payment**") equal to the principal amount thereof plus accrued and unpaid interest thereon to the date of repurchase, plus Additional Amounts (as defined in the Loan Agreement), if any, to the date of repurchase. Pursuant to Clause 7.3 (*Repayment in the event of a Change of Control*) of the Loan Agreement, the Issuer is required to give notice to the Borrower (with a copy to the Trustee), including computation of such amount and specifying the Change of Control Payment Date, setting out the Change of Control Payment required to be made by the Issuer for such Notes on the Change of Control Payment Date (the "**Change of Control Notice**") and thereafter the Borrower will repay the Loan to the extent corresponding to the aggregate principal amount plus accrued and unpaid interest and Additional Amounts (as defined in the Loan Agreement), if any, on the Notes to be repurchased in accordance with this Condition 5(c) and will pay accrued and unpaid interest and Additional Amounts (as defined in the Loan Agreement), if any, on the Notes to be repurchased. The Issuer, upon distribution of the Change of Control Notice, shall also give notice thereof to the Noteholders in accordance with Condition 14 (*Notices*) with a copy to the Agents and the Trustee, with the following information: (A) that a Change of Control Offer is being made pursuant to this Condition 5(c) and all Notes properly tendered pursuant to such Change of Control Offer will be accepted for payment; (B) the purchase price and the purchase date, which will be a Business Day (as defined in the Loan Agreement) falling not less than 30 calendar days nor more than 60 calendar days after the date of delivery by the Issuer of the Change of Control Notice (the "**Change of Control Payment Date**"), provided that the Issuer shall, where reasonably practicable, specify a Change of Control Payment Date which falls before the date on which Ukraine, whether through the Cabinet of Ministers of Ukraine or any other Agency of Ukraine (as defined in the Loan Agreement), ceases to own, legally and beneficially, at least 51 per cent. of the Capital Stock (as defined in the Loan Agreement) of, or otherwise to control the Borrower; (C) that any Note not properly tendered or not tendered at all will remain outstanding and continue to accrue interest and Additional Amounts (as defined in the Loan Agreement), if any; (D) that unless the Issuer defaults in the payment of the Change of Control Payment, all Notes accepted for payment pursuant to the Change of Control Offer will cease to accrue interest and Additional Amounts (as defined in the Loan Agreement), if any, on the Change of Control Payment Date; (E) that Noteholders electing to have any Notes repurchased pursuant to a Change of Control Offer will be required to surrender the Notes, with the form entitled "**Option to Purchase Notice**" set out in a schedule to the Agency Agreement completed, to the Paying Agent and at the address specified in the notice prior to the close of business on the fourth Business Day preceding the Change of Control Payment Date; and (F) that Noteholders will be entitled to withdraw their tendered Notes and their election to require the Issuer to repurchase such Notes provided that the Paying Agent receives prior to the close of business on the third Business Day preceding the Change of Control Payment Date, a facsimile transmission or letter setting out the name of the Noteholder, the principal amount of Notes tendered for repurchase, and a statement that such Noteholder is withdrawing his tendered Notes and his election to have such Notes repurchased.

(ii) No later than the second Business Day (as defined in the Loan Agreement) prior to the Change of Control Payment Date, the Borrower will, pursuant to Clause 7.4 (*Costs of Repayment*) of the Loan Agreement, repay the loan (together with all accrued interest (calculated to (but excluding) the date of repayment) and all other amounts owing and payable thereunder) in an amount corresponding to the aggregate principal amount in respect of all Notes properly tendered and not properly withdrawn as set out in the Change of Control Notice plus accrued and unpaid interest and Additional Amounts (as defined in the Loan Agreement) (if any) thereon. On the Change of Control Payment Date, the Issuer will, to the extent permitted by law and subject to such repayment, (i) accept for payment all Notes properly tendered and not properly withdrawn pursuant to the Change of Control Offer and (ii) deliver, or cause to be delivered, to the Principal Paying Agent for cancellation on behalf of the Issuer the Notes so accepted together with a certificate of two authorised officers of the Issuer stating that such Notes have been tendered to and purchased by the Issuer. In accordance with the instructions of the Noteholder set out in the Option to Purchase Notice, the Paying Agent will promptly pay to the Noteholder the Change of Control Payment for such Notes. The Issuer will publicly announce, and will provide notice to Noteholders in accordance with Condition 14 (*Notices*), the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date.

(d) *No other redemption:* Except where the Loan is accelerated pursuant to Clause 14.1 (*Bankruptcy Event*) of the Loan Agreement, the Issuer shall not be entitled to redeem the Notes prior to that due date otherwise than as provided in this Condition 5 (*Redemption and Purchase*) and Condition 12 (*Enforcement*) and subject to the terms set out in Clause 7.5 (*Limitation on Prepayment; No Other Repayments and No Reborrowing*) of the Loan Agreement.

(e) *Purchase:* The Issuer or the Borrower or any member of the Group (as defined in the Loan Agreement) may at any time purchase Notes in the open market or otherwise and at any price. Such Notes may be held or resold (provided that any such resale is outside the United States as defined in Regulation S under the U.S. Securities Act of 1933, as amended (the "**Securities Act**")) or surrendered by the purchaser through the Issuer to the Registrar for cancellation.

(f) *Cancellation:* All Notes so redeemed or purchased and surrendered for cancellation by the Issuer shall be cancelled and all Notes purchased by the Borrower or any member of the Group (as defined in the Loan Agreement) and surrendered to the Issuer pursuant to Clause 7.6 (*Purchase of Funding Instruments and Reduction of Loan Upon Cancellation of Funding Instruments*) of the Loan

Agreement, together with an authorisation addressed to the Registrar by the Borrower, shall be cancelled.

6. **Payments**

(a) *Principal*: Payments of principal shall be made by U.S. dollar cheque drawn on, or, upon application by a Holder of a Note to the Specified Office of the Principal Paying Agent not later than the fifteenth day before the due date for any such payment, by transfer to a U.S. dollar account maintained by the payee with, a bank in New York City, London or Zurich, as the case may be, and shall only be made upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

(b) *Interest*: Payments of interest shall be made by U.S. dollar cheque drawn on, or upon application by a Holder of a Note to the Specified Office of the Principal Paying Agent not later than the fifteenth day before the due date for any such payment, by transfer to a U.S. dollar account maintained by the payee with, a bank in New York City or London as the case may be, and (in the case of interest payable on redemption), and shall only be made upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

(c) *Payments subject to fiscal laws*: All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment or other laws to which the Issuer, the Borrower or its Agents agree to be subject and neither the Issuer nor the Borrower will be liable for any taxes or duties of whatever nature imposed or levied by such laws, regulations or agreements, but without prejudice to the provisions of Condition 7 (*Taxation*). No commissions or expenses shall be charged to the Noteholders in respect of such payments.

(d) *Payments on business days*: Where payment is to be made by transfer to a U.S. dollar account, payment instructions (for value the due date, or, if the due date is not a business day, for value the next succeeding business day) will be initiated and, where payment is to be made by U.S. dollar cheque, the cheque will be mailed (i) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Note Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent and (ii) (in the case of payments of interest payable other than on redemption) on the due date for payment. A Holder of a Note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from (A) the due date for a payment not being a business day or (B) a cheque mailed in accordance with this Condition 6 (*Payments*) arriving after the due date for payment or being lost in the mail. In this paragraph, "**business day**" means any day (other than a Saturday, Sunday or public holiday) on which commercial banks and foreign exchange markets settle payments (including dealings in foreign currencies) in the principal financial centre for such currency and, in the case of surrender (or, in the case of part payment only, endorsement) of a Note Certificate, in the place in which the Note Certificate is surrendered (or, as the case may be, endorsed).

(e) *Partial payments*: If a Paying Agent makes a partial payment in respect of any Note, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Note Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Note Certificate.

(f) *Record date*: Each payment in respect of a Note will be made to the person shown as the Holder in the Register at the opening of business in the place of the Registrar's Specified Office on the fifteenth day before the due date for such payment (the "**Record Date**"). Where payment in respect of a Note is to be made by cheque, the cheque will be mailed to the address shown as the address of the Holder in the Register at the opening of business on the relevant Record Date.

(g) *Payment to the Account:* Save as the Trustee may otherwise direct at any time after the security created pursuant to the Trust Deed becomes enforceable, the Issuer will pursuant to the provisions of Clause 7.1 (*Issuer to pay Principal Paying Agent*) of the Agency Agreement require the Borrower to make all payments of principal, interest, Additional Amounts (as defined in the Loan Agreement), Indemnity Amounts (as defined in the Loan Agreement) or other amounts, if any, to be made pursuant to the Loan Agreement, less any amounts in respect of the Reserved Rights, to the Account.

(h) *Payment obligations limited:* Notwithstanding any other provisions to the contrary, the obligations of the Issuer to make payments under Condition 5 (*Redemption and Purchase*) and this Condition 6 shall constitute an obligation only to pay to the Noteholders on such date upon which a payment is due in respect of the Notes, to the extent of sums of principal, interest, Additional Amounts (as defined in the Loan Agreement), Indemnity Amounts (as defined in the Loan Agreement) or other amounts, if any, actually received by or for the account of the Issuer pursuant to the Loan Agreement, less any amount in respect of the Reserved Rights. The Issuer will have no other financial obligation under the Notes.

7. Taxation

All payments by or on behalf of the Issuer in respect of the Notes shall be made in full without set off or counterclaim, free and clear of and without deduction or withholding for or on account of any present or future taxes, levies, duties, assessments, fees or other governmental charges or withholding of a similar nature no matter where arising (including interest and penalties thereon and additions thereto) no matter how they are levied or determined ("**Taxes**") imposed by any taxing authority of or in, or having authority to tax in the United Kingdom or Ukraine, unless such deduction or withholding of Taxes is required by law. In that event, the Issuer shall, subject as provided below, pay such Additional Amounts as will result in the receipt by the Noteholders after such withholding or deduction of such amounts as would have been received by them if no such withholding or deduction had been made or required to be made. The foregoing obligation to pay Additional Amounts, however, will not apply to any:

(a) Taxes that would not have been imposed but for the existence of any present or former connection between such Noteholder and the United Kingdom or Ukraine other than the mere receipt of such payment or the ownership or holding of such Note;

(b) Taxes that would not have been imposed but for the presentation of the Note by the Noteholder for payment (of principal or interest) on a date more than 30 days after the Relevant Date (as defined below);

(c) Taxes required to be deducted or withheld by any Paying Agent from a payment on a Note, if such payment could have been made without deduction or withholding by any other Paying Agent in a Member State of the European Union; and

(d) Taxes imposed on a payment to an individual which are required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income in the form of interest payments or any law implementing or complying with, or introduced in order to conform to, such Directive.

Notwithstanding the foregoing provisions, the Issuer shall only make payments of Additional Amounts to the Noteholders pursuant to this Condition 7 to the extent and at such time as it shall have actually received an equivalent amount for such purposes from the Borrower under the Loan Agreement by way of Additional Amounts or Indemnity Amounts (each as defined in the Loan Agreement) or otherwise.

To the extent that the Issuer receives a lesser sum from the Borrower under the Loan Agreement, the Issuer shall account to each Noteholder entitled to receive such additional amount pursuant to this Condition 7 for an additional amount equivalent to a *pro rata* portion of such sum (if any) as is actually received by, or for the account of, the Issuer pursuant to the provisions of the Loan Agreement on the date of, in the currency of, and subject to any conditions attaching to such payment to the Issuer.

In these Conditions, "**Relevant Date**" means whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received by the Principal Paying Agent or the Trustee on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders by the Issuer in accordance with Condition 14 (*Notices*).

Any reference in these Conditions to principal or interest shall be deemed to include, without duplication, any Additional Amounts in respect of principal or interest (as the case may be) which may be payable under this Condition 7 or any undertaking given in addition to or in substitution of this Condition 7 pursuant to the Trust Deed or the Loan Agreement.

8. **Prescription**

Claims for principal and interest on redemption shall become void unless the relevant Note Certificates are surrendered for payment within ten years, and claims for interest due other than on redemption shall become void unless made within five years, of the appropriate Relevant Date.

9. **Replacement of Note Certificates**

If any Note Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Registrar or Transfer Agent, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer, Registrar and Transfer Agent may reasonably require. Mutilated or defaced Note Certificates must be surrendered before replacements will be issued.

10. **Trustee and Agents**

(a) *Appointment, Removal and Retirement of Trustee:* The power of appointing new trustees is to be vested in the Issuer pursuant to the Trust Deed but no person shall be appointed who shall not previously have been approved by an Extraordinary Resolution. A trust corporation may be appointed sole trustee hereof but subject thereto there shall be at least two trustees hereof one at least of which shall be a trust corporation. The Noteholders shall together have the power, exercisable by Extraordinary Resolution, to remove any trustee or trustees for the time being hereof. The removal of any trustee shall not become effective unless there remains a trustee hereof (being a trust corporation) in office after such removal.

Subject to the conditions set out in the Trust Deed, the Issuer may appoint a new trustee if the United Kingdom ceases to be the jurisdiction in which the Trustee is resident and acting through for taxation purposes.

Subject to the conditions set out in the Trust Deed, the Trustee may retire at any time upon giving not less than three calendar months' notice in writing to the Issuer without assigning any reason therefor and without being responsible for any costs occasioned by such retirement.

(b) *Indemnification of the Trustee:* Under separate agreement between the Borrower and the Trustee, the Trustee is entitled to be indemnified and relieved from responsibility in certain circumstances and, under the Trust Deed, to be paid its costs and expenses in priority to the claims of the Noteholders. The Trust Deed and the fees indemnity letter to be dated on or about 25 November 2015 contain provisions for the indemnification of the Trustee, provisions for its relief from responsibility, including relieving it from taking action unless indemnified and/or secured and/or prefunded to its satisfaction, and provisions entitling it to be paid its costs and expenses in priority to the claims of the Noteholders.

(c) *Trustee contracting with the Issuer and the Borrower*: The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (i) to enter into business transactions with the Issuer and/or the Borrower and/or any subsidiary of the Issuer and/or the Borrower and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or the Borrower and/or any subsidiary of the Issuer and/or the Borrower, (ii) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders and (iii) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

(d) *Trustee to have regard to Interests of Noteholders as one Class*: In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation, determination or substitution), the Trustee shall have regard to the general interests of the Noteholders as a class but shall not have regard to any interests arising from circumstances particular to individual Noteholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim, from the Issuer, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders except to the extent already provided for in Condition 7 (*Taxation*) and/or any undertaking given in addition to, or in substitution for, Condition 7 (*Taxation*) pursuant to the Trust Deed.

(e) In acting under the Agency Agreement and in connection with the Notes, the Agents act solely as agents of the Issuer and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders. Under separate agreement between the Borrower and the Agents, the Agents are entitled to be indemnified and relieved from certain responsibilities in certain circumstances.

(f) *Initial Paying Agents*: The initial Agents and their initial Specified Offices are listed below. The Issuer reserves the right (with the prior approval of the Trustee) at any time to vary or terminate the appointment of any Agent and to appoint a successor principal paying agent or registrar and additional or successor paying agents and transfer agents; *provided, however, that* the Issuer shall at all times maintain (a) a principal paying agent and a registrar, (b) a paying agent and a transfer agent in Ireland, and (c) a paying agent with a specified office in a member state of the European Union that will not be obliged to withhold or deduct tax pursuant to any European Union Directive on the taxation of savings implementing the conclusions of the ECOFIN Council meeting of 26 to 27 November 2000 or any law implementing or complying with, or introduced to conform to, such Directive.

Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Noteholders in accordance with Condition 14 (*Notices*).

11. Meetings of Noteholders; Modification and Waiver; Substitution

(a) *Meetings of Noteholders:* The Trust Deed contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of the Loan Agreement or any provision of these Conditions or the Trust Deed. Such a meeting may be convened on no less than 14 days' notice by the Trustee, the Issuer or the Borrower or by the Trustee upon the request in writing of Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution other than one relating to a Reserved Matter (as defined below) shall be at least two persons holding or representing more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, shall be at least two persons holding or representing the fraction of the aggregate principal amount of the outstanding Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to change any date fixed for payment of principal or interest in respect of the Notes, (ii) to reduce the amount of principal or interest payable on any date in respect of the Notes, (iii) to alter the method of calculating the amount of any payment in respect of the Notes on redemption or maturity or the date for any such payment, (iv) to change the amount of principal and interest payable under the Loan Agreement, (v) to effect the exchange, conversion or substitution of the Notes for, or the conversion of the Notes into, shares, bonds or other obligations or securities of the Issuer or any other person or body corporate formed or to be formed (other than as permitted under Clause 16.4 (*Substitution*) of the Trust Deed), (vi) to change the currency in which amounts due in respect of the Notes and under the Loan Agreement are payable, (vii) to change the quorum required at any meeting or the majority required to pass an Extraordinary Resolution, (viii) to alter the governing law of the Conditions, the Trust Deed or the Loan Agreement, (ix) to change any date fixed for payment of principal or interest under the Loan Agreement, (x) to alter the method of calculating the amount of any payment under the Loan Agreement or (xi) to change the currency of payment or, without prejudice to the rights under Clause 16.2 (*Modifications*) of the Trust Deed, to change the definition of "Event of Default" under the Loan Agreement (each, a "**Reserved Matter**"), in which case the necessary quorum shall be at least two persons holding or representing not less than two-thirds, or at any adjourned meeting not less than one-third, in principal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders, whether present or not.

"**Extraordinary Resolution**" means a resolution passed at a meeting duly convened and held in accordance with schedule 4 (*Provisions for Meetings of Noteholders*) of the Trust Deed by a majority of not less than three quarters of the votes cast.

In addition, a resolution in writing signed by or on behalf of the holders of not less than 90 per cent. of the Notes then outstanding (a "**Written Resolution**") will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

(b) *Modification*: The Trustee may from time to time and at any time without the consent or sanction of the Noteholders concur with the Issuer (and, if applicable, the Borrower) in making (a) any modification to these Conditions or the Trust Deed (other than in respect of Reserved Matters as specified and defined in schedule 4 (*Provisions for Meetings of Noteholders*) of the Trust Deed or any provision of the Trust Deed referred to in that specification), the Notes, the Agency Agreement or, pursuant to the Transferred Rights, the Loan Agreement, which in the opinion of the Trustee, it may be proper to make if, in the opinion of the Trustee, such modification will not be materially prejudicial to the interests of Noteholders or (b) any modification to the Notes, these Conditions, the Agency Agreement, the Loan Agreement or the Trust Deed if in the opinion of the Trustee such modification is of a formal, minor or technical nature or is to correct a manifest error. Any such modification shall be binding on the Noteholders and, unless the Trustee otherwise agrees, the Issuer shall cause such modification to be notified to Noteholders as soon as practicable thereafter in accordance with Condition 14 (*Notices*).

(c) *Authorisation, Waiver and Determination*: In addition, the Trustee may, without the consent or sanction of the Noteholders, authorise or waive any proposed breach or breach of the Notes, these Conditions or the Trust Deed by the Issuer, the Agency Agreement or, pursuant to the Transferred Rights, the Loan Agreement by the Borrower, or determine that any event which would or might otherwise give rise to a right of acceleration under the Loan Agreement or constitute a Relevant Event (as defined in Condition 12 (*Enforcement*)) shall not be treated as such (other than a proposed breach or breach relating to the subject of a Reserved Matter) if, in the opinion of the Trustee, the interests of the Noteholders will not be materially prejudiced thereby.

(d) *Notification to Noteholders*: Unless the Trustee agrees otherwise, any such modification, authorisation or waiver shall be notified to the Noteholders as soon as practicable thereafter and in accordance with Condition 14 (*Notices*).

(e) *Substitution:* The Trust Deed and the Loan Agreement contain provisions under which the Issuer may, without the consent of the Noteholders, transfer the obligations of the Issuer as principal debtor under the Trust Deed and the Notes and its rights as Lender under the Loan Agreement to a third party provided that certain conditions specified in the Trust Deed are fulfilled.

12. **Enforcement**

At any time after a Bankruptcy Event (as defined in the Loan Agreement) or a Relevant Event (as defined below) shall have occurred and be continuing, the Trustee may, at its discretion and without notice, institute such proceedings as it thinks fit to enforce its rights under the Trust Deed in respect of the Notes, but it shall not be bound to do so unless:

(a) it has been so requested in writing by the Holders of at least 25 per cent. in principal amount of the outstanding Notes or has been so directed by an Extraordinary Resolution; and

(b) it has been indemnified and/or provided with security and/or prefunded to its satisfaction against all liabilities, proceedings, claims and demands to which it may thereby become liable and all costs, charges and expenses which may be incurred by it in connection therewith.

The Trust Deed also provides that, in the case of a Bankruptcy Event or a Relevant Event, the Trustee may, and shall if requested to do so by Noteholders of at least 25 per cent. in principal amount of the Notes outstanding or if directed to do so by an Extraordinary Resolution and, in either case, subject to it being secured and/or prefunded and/or indemnified to its satisfaction, (1) require the Issuer to declare all amounts payable under the Loan Agreement by the Borrower to be due and payable (where a Bankruptcy Event has occurred and is continuing), or (2) enforce the security created in the Trust Deed (in the case of a Relevant Event). Upon repayment of the Loan following a Bankruptcy Event, the Notes will be redeemed or repaid at the principal amount thereof together with interest accrued to the date fixed for redemption together with any Additional Amounts (as defined in the Loan Agreement) due in respect thereof pursuant to Condition 7 (*Taxation*) and thereupon shall cease to be outstanding.

For the purposes of these Conditions, "**Relevant Event**" means the earlier of (i) the failure by the Issuer to make any payment of principal or interest on the Notes when due to the extent it is obligated to do so pursuant to these Conditions; (ii) the filing of an application for the institution for bankruptcy, insolvency or composition proceedings over the assets of the Issuer in the United Kingdom; and (iii) the taking of any action in furtherance of the dissolution of the Issuer. For the avoidance of doubt, no Additional Amounts (as defined in the Loan Agreement) shall be payable if and to the extent that such withholding or deduction is required following and on account of a Relevant Event.

No Noteholder may proceed directly against the Issuer unless the Trustee, having become bound to do so, fails to do so within a reasonable time and such failure is continuing.

13. Further Issues

The Issuer may from time to time, with the consent of the Borrower but without the consent of the Noteholders, in accordance with the Trust Deed, create and issue Further Notes (as defined in the Trust Deed) having the same terms and conditions as the Notes in all respects (or in all respects except for the issue date and/or the first payment of interest) so as to form a single series with the Notes. Such Further Notes shall be issued under a deed supplemental to the Trust Deed. In relation to such further issue, the Issuer will enter into a loan agreement supplemental to the Loan Agreement with the Borrower on the same terms as the original Loan Agreement (or on the same terms except for the borrowing date and/or the first payment of interest and/or the rate of interest) subject to any modifications which, in the sole opinion of the Trustee, would not materially prejudice the interests of the Noteholders. The Issuer will provide a further fixed charge and absolute assignment by way of security in favour of the Trustee of its rights under such supplemental loan agreement equivalent to the rights charged and assigned as Security Interests in relation to the Issuer's rights under the original Loan Agreement which will, together with the Security Interests referred to in these Conditions, secure both the Notes and such Further Notes.

14. Notices

All notices to the Noteholders will be valid if, so long as the Notes are listed on the Irish Stock Exchange and the guidelines of that exchange so require, they are filed with the Companies Announcements Office of the Irish Stock Exchange. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange or the relevant authority on which the Notes are for the time being listed. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. If publication as provided above is not practicable, notice will be given in such other manner, and shall be deemed to have been given on such date, as the Trustee may approve.

Notices to holders of Notes represented by a Global Note Certificate held on behalf of Euroclear and/or Clearstream, Luxembourg or any other clearing system (an "**Alternative Clearing System**") may be given by delivery of the relevant notice to, and in accordance with the rules and procedures of, Euroclear and/or Clearstream, Luxembourg or (as the case may be) such Alternative Clearing System.

15. Limited Recourse

If at any time following:

(a) the occurrence of the scheduled redemption date set out in Condition 5(a) (*Scheduled redemption*) or any earlier date upon which all of the Notes are due and payable; and

(b) Realisation of the Loan Agreement and application in full of any amounts available to pay amounts due and payable under the Notes in accordance with the Trust Deed and the Conditions,

the proceeds of such Realisation are insufficient, after payment of all other claims ranking in priority in accordance with the applicable priority (or priorities) of payments, to pay in full any Deferred Interest and any other amounts then due and payable under the Notes then the amount remaining to be paid, including but not limited to Deferred Interest, (after such application in full of the amounts first referred to in (b) above) under the Notes shall, on the day following such application in full of the amounts referred to in (b) above, cease to be due and payable by the Issuer.

For the purposes of this Condition 15:

"**Realisation**" means, in relation to the Loan Agreement, the deriving, to the fullest extent practicable, (in accordance with the provisions of the Trust Deed and other transaction documentation) of proceeds from or in respect of the Loan Agreement including (without limitation) through sale or through performance by the Borrower.

Notwithstanding any other Clause or provision in the Conditions or any transaction document, no provision other than this Condition 15 shall limit or in any way reduce the amount of interest that would otherwise be payable by the Issuer under any Note, if and to the extent that such limitation or reduction falls to any extent to be determined by reference to the results of any business or part of a business or the value of any property. For the avoidance of doubt, the Notes are therefore limited recourse obligations of the Issuer only. In each case where amounts are stated to be payable in respect of the Notes, the obligation of the Issuer to make any such payment shall constitute an obligation only to account to the Noteholders, on each date upon which such amounts are due in respect of the Notes, for all amounts (if any) actually received by or for the account of the Issuer pursuant to the Loan Agreement (disregarding any amounts in respect of Reserved Rights). The Issuer will have no other financial obligation under the Notes. Accordingly, Noteholders are deemed to have agreed that they will rely solely and exclusively on the Borrower's covenants to pay and perform its obligations under the Loan Agreement and the credit and financial standing of the Borrower. Noteholders shall have no recourse (direct or indirect) to any other assets of the Issuer.

None of the Noteholders (nor any other person acting on behalf of any of them) shall be entitled at any time to institute against the Issuer, or join in any institution against the Issuer of, any bankruptcy, administration, moratorium, reorganisation, controlled management, arrangement, insolvency, examinership, winding-up or liquidation proceedings or similar insolvency proceedings under any applicable bankruptcy or similar law in connection with any obligation of the Issuer relating to the Notes or otherwise owed to the creditors, save for lodging a claim in the liquidation of the Issuer which is initiated by another party or taking proceedings to obtain a declaration or judgment as to the obligations of the Issuer.

No Noteholder shall have any recourse against any director, shareholder, or officer of the Issuer in respect of any obligations, covenants or agreement entered into or made by the Issuer in respect of the Notes.

16. **Governing Law and Arbitration**

(a) *Governing law:* The Notes, the Loan Agreement and the Trust Deed and all matters arising from or connected with the Notes, the Loan Agreement and the Trust Deed, including any non-contractual obligations arising out of or in connection therefrom, are governed by, and shall be construed in accordance with, English law.

(b) *Arbitration*: The Issuer in the Trust Deed agrees that any claim, dispute or difference of whatever nature arising under, out of or in connection with the Notes (including a claim, dispute or difference regarding its existence, termination or validity) (a "**Dispute**"), shall be referred to and finally settled by arbitration in accordance with the rules of the LCIA (the "**Rules**") as at present in force and as modified by this Condition, which Rules shall be deemed incorporated into this Condition. The number of arbitrators shall be three, one of whom shall be nominated by the claimant(s), one by the respondent(s) and the third of whom, who shall act as chairman, shall be nominated by the two party-nominated arbitrators. The parties may nominate and the LCIA court may appoint arbitrators from among the nationals of any country, whether or not a party is a national of that country. The seat of arbitration shall be London, England and the language of arbitration shall be English. Sections 45 and 69 of the Arbitration Act 1996 shall not apply.

17. **Contracts (Rights of Third Parties) Act 1999**

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

There will appear at the foot of the Conditions endorsed on or (as the case may be) attached to each Individual Note Certificate the names and Specified Offices of the Registrar, the Paying Agents and the Transfer Agents.

SCHEDULE 2 — AMENDED AND RESTATED LOAN AGREEMENT

THIS AGREEMENT was made on 29 December 2006, was amended by the supplemental loan agreement dated 19 January 2007 and the second supplemental loan agreement dated 29 November 2007 and is amended and restated pursuant to the Amendment and Restatement Deed (as defined below) on 9 November 2015.

BETWEEN:

(1) **PUBLIC JOINT STOCK COMPANY "STATE SAVINGS BANK OF UKRAINE",** a bank in the form of a joint stock company incorporated under the laws of Ukraine whose registered office is at 12G Hospitalna Street, Kyiv, 01001, Ukraine, identification code 00032129 (the "**Borrower**"); and

(2) **SSB No.1 PLC**, a public limited company incorporated under the laws of England and Wales, whose registered office is at 4th Floor, 40 Dukes Place, London EC3A 7NH, United Kingdom (the "**Lender**").

WHEREAS:

(A) On 29 December 2006, The Royal Bank of Scotland N.V., London Branch (formerly ABN AMRO BANK N.V., London Branch; the "**Original Lender**"), at the request of the Borrower, agreed to make available to the Borrower a credit facility in the amount of U.S.$100,000,000 (the "**Loan**") on the terms and subject to the conditions of the loan agreement (agreement for the borrowing of funds on subordinated terms as a subordinated loan) dated 29 December 2006 (the "**Original Loan Agreement**") as amended by the supplemental loan agreements dated 19 January 2007 and 29 November 2007 (the "**Existing Loan Agreement**");

(B) On 28 January 2011, the Original Lender, The Royal Bank of Scotland plc (the "**Existing Lender**") and the Borrower entered into a transfer deed (the "**Transfer Deed**") pursuant to which the Original Lender was released from all its rights and obligations under the Existing Loan Agreement and the Existing Lender assumed all obligations and acquired all rights of the Original Lender under the Existing Loan Agreement;

(C) On 9 November 2015, the parties entered into the Amendment and Restatement Deed (as defined below) pursuant to which the Existing Loan Agreement was amended and restated on the terms set out therein; and

(D) It is intended that the provisions of this Agreement comply with the applicable regulations relating to Tier 2 capital and that the Loan (as defined below) qualifies as Tier 2 capital of the Borrower under the applicable regulations of the NBU (as defined below).

It is agreed as follows:

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Agreement the following terms have the meanings given to them in this Clause 1.1:

"**Account**" means the account with the account number 7333858400 and the account name SSBPLC 2024 SEC in the name of the Lender with the Principal Paying Agent;

"**Additional Amounts**" has the meaning set forth in Clause 8.1 (*Additional Amounts*);

"**Affiliate**" of any specified Person means (a) any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person, (b) any other Person who is a director or officer of such specified Person, of any Subsidiary of such specified Person or of any Person described in clause (a) above;

"**Agency**" means any agency, authority, central bank, department, committee, government, legislature, minister, ministry, official or public or statutory person (whether autonomous or not) of, or of the government of, any state or supra-national body;

"**Amendment and Restatement Deed**" means the amendment and restatement deed relating to this Agreement between the Borrower, the Existing Lender and the Lender dated 9 November 2015;

"**Auditors**" means PJSC "Deloitte & Touche USC" or any internationally recognised firm of accountants approved by the Lender, such approval not to be unreasonably withheld; it being understood that it shall be reasonable for the Lender to withhold such approval if the Trustee does not approve of such firm in accordance with the relevant provisions of the Funding Documents;

"**Authorised Signatory**" means, in the case of the Borrower, any of the persons notified in writing by the Borrower to the Lender and, in the case of the Lender, a Person who is a duly authorised officer of the Lender at the relevant time;

"**Banking Business**" means, in relation to the Borrower or any of its Subsidiaries, any type of banking business (including, without limitation, any inter-bank operations with maturities of 18 months or less, factoring, consumer credit and lending, commercial and residential property finance and mortgage lending, issuance of bank guarantees, letters of credit (and related cash cover provision), bills of exchange and promissory notes and making payments under such guarantees, letters of credit, bills and promissory notes, trading of securities, fund management and professional securities market participation) which it conducts or may conduct pursuant to its licence issued by the appropriate authorities, accepted market practice and any applicable law;

"**Bankruptcy Event**" means any of the following events: (i) a competent court of Ukraine making an order for the liquidation or declaration of bankruptcy of the Borrower; (ii) the NBU adopting a decision to liquidate the Borrower; or (iii) the Cabinet Ministers of Ukraine or the general shareholders' meeting of the Borrower, as applicable, adopting a decision to liquidate the Borrower;

"**Bankruptcy Proceedings**" means any court, administrative or corporate proceedings in Ukraine purporting to liquidate or to declare the bankruptcy of the Borrower;

"**Calculation Agent**" means The Bank of New York Mellon, London Branch or such other person as may be appointed by the Lender and the Borrower hereunder;

"**Capital Stock**" means, with respect to any Person, any and all shares, interests, participations, rights to purchase, warrants, options or any other equivalent of any of the foregoing (however designated) in relation to the share capital of a company and any and all equivalent ownership interests in a Person other than a company, in each case whether now outstanding or hereafter issued;

"**Change of Control**" shall be deemed to have occurred if:

(a) Ukraine, whether through the Cabinet of Ministers of Ukraine or any other Agency of Ukraine, ceases to own, legally and beneficially, at least 51 per cent. of the Capital Stock of, or otherwise to control, the Borrower; or

(b) an official public announcement is made by the Cabinet of Ministers of Ukraine or the State Property Fund of Ukraine of an intention that Ukraine would cease so to own or control the Borrower and (i) within the Relevant Period following such announcement there is a Rating Decline and (ii) in the announcement of the Rating Decline the relevant Rating Agency specifies that the proposed change in ownership or control of the Borrower is a factor in its decision to decrease or downgrade the Borrower's rating;

"**Change of Control Payment Date**" means the date agreed between the Lender and the Borrower pursuant to Clause 7.4 (*Repayment in the event of a Change of Control*);

"**Change of Law**" means, following the Effective Date, any of the enactment or introduction of any new law; the variation, amendment or repeal of an existing or new law; any ruling on or interpretation or application by a competent authority of any existing or new law; and the decision or ruling on, the interpretation or application of, or a change in the interpretation or application of, any law by any court of law, tribunal, central bank, monetary authority or agency or any Taxing Authority or fiscal or other competent authority or agency; which, in each case, occurs after the date hereof. For this purpose the term "law" means all or any of the following whether in existence at the date hereof or introduced hereafter and with which it is obligatory or customary for banks, other financial institutions or, as the case may be, companies in the relevant jurisdiction to comply:

(a) any statute, treaty, order, decree, instruction, letter, directive, instrument, regulation, ordinance or similar legislative or executive action by any national or international or local government or authority or by any ministry or department thereof and other agencies of state power and administration (including, but not limited to, taxation departments and authorities); and

(b) any letter, regulation, decree, instruction, request, notice, guideline, directive, statement of policy or practice statement given by, or required of, any central bank or other monetary authority, or by or of any Taxing Authority or fiscal or other authority or agency (whether or not having the force of law);

"**Determination Date**" means, with respect to any Interest Period, the second London Banking Day preceding the first day of that Interest Period.

"**Double Tax Treaty**" means the Convention of 10 February 1993 between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of Ukraine for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income and Capital Gains;

"**Effective Date**" means the date determined by the Borrower and notified to the Lender and the Existing Lender, which is on or after the date on which the NBU issues and delivers the registration notice with a registration notation to the Borrower in respect of the amendments to this Agreement introduced by the Amendment and Restatement Deed, provided that the Effective Date shall only occur if on such date: (i) the Funding Instruments are issued; and (ii) the New Lender confirms to the Existing Lender in writing that, amongst other things, the Funding Instruments have been issued (such confirmation to be in form agreed between the Existing Lender and the New Lender);

"**Event of Default**" means any breach of the terms of this Agreement (whether or not there has been any specified passage of time or notice) or the initiation (whether or not subject to any qualification or waiting period) of any Bankruptcy Proceedings;

"**Fees Letter**" means any letter agreement between, *inter alios*, the Borrower and the Lender setting out certain amounts payable by the Borrower in connection with this Agreement, as amended, varied, novated or supplemented;

"**Final Repayment Date**" means (i) 19 January 2024 or (ii) in case of Clauses 7.2 (*Repayment for Tax Reasons and Change in Circumstances*), 7.3 (*Repayment for Illegality*) and 7.4 (*Repayment in the event of a Change of Control*) and 14.1 (*Bankruptcy Event*), the date specified in such Clauses, or, if such day is not a Business Day, the next succeeding Business Day;

"**Funding Documents**" means the Fees Letter, the trust deed or the agency agreement entered into on or about the Effective Date in connection with the issue of the Funding Instruments and the Funding Instruments themselves;

"**Funding Instruments**" means the U.S.$100,000,000 Loan Participation Notes due 2024 proposed to be issued by the Lender pursuant to the Funding Documents on the Effective Date;

"**Group**" means the Borrower and its Subsidiaries from time to time taken as a whole;

"**Guarantee**" means, in relation to any Indebtedness of any Person, any obligation of another Person to pay such Indebtedness including (without limitation):

(a) any obligation to purchase such Indebtedness;

(b) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness;

(c) any indemnity against the consequences of a default in the payment of such Indebtedness; and

(d) any other agreement to be responsible for such Indebtedness;

"**IFRS**" means International Financial Reporting Standards, including International Accounting Standards and Interpretations, issued by the International Accounting Standards Board, as amended, supplemented or re-issued from time to time;

"**IFRS Fiscal Period**" means any fiscal period for which the Borrower has produced financial statements in accordance with IFRS which have either been audited or reviewed by the Auditors;

"**incur**" means issue, assume, guarantee, incur or otherwise become liable for; *provided that*, any Indebtedness or Capital Stock of a Person existing at the time such Person becomes a Subsidiary of another Person (whether by merger, consolidation, acquisition or otherwise) or is merged into a Subsidiary of another Person will be deemed to be incurred or issued by the other Person or such Subsidiary (as the case may be) at the time such Person becomes a Subsidiary of such other Person or is so merged into such Subsidiary;

"**Indebtedness**" means any indebtedness for, or in respect of, moneys borrowed or raised including, without limitation, any amount raised by acceptance under any acceptance credit facility; any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument; any amount raised pursuant to any issue of Capital Stock which is expressed to be redeemable; any amount raised under any other transaction having the economic effect of a borrowing (including any forward sale or purchase agreement) *provided that*, for the avoidance of doubt, such term shall not include any indebtedness owed to the State budget, any local budget or any non-budgetary fund of or in Ukraine for or on account of Taxes which are not overdue;

"**Indemnity Amounts**" has the meaning set out in Clause 8.3 (*Indemnity Amounts*);

"**Independent Appraiser**" means an investment banking firm or third party appraiser of international standing selected by the Borrower; *provided that* such firm or third party appraiser is not an Affiliate of the Borrower;

"**Initial Borrowing Date**" means 19 January 2007;

"**Interest Payment Date**" means 19 January and 19 July in each year in which the Loan remains outstanding (commencing on 19 January 2016) or if any such day is not a Business Day, the next succeeding Business Day, with the last Interest Payment Date falling on the Final Repayment Date;

"**Interest Period**" means any of those periods mentioned in Clause 4 (*Interest Periods*);

"**LIBOR**" means the Screen Rate (expressed as a percentage rate *per annum*) as of 11:00 a.m., London time, on the Determination Date. If the Screen Rate as of 11:00 a.m., London time, is unavailable on the Determination Date, the Calculation Agent will request the principal London office of each of four major banks in the London interbank market, as selected by the Calculation Agent (after consultation with the Lender and the Borrower), to provide that bank's offered quotation (expressed as a percentage per annum) as of approximately 11:00 a.m., London time, on the Determination Date to prime banks in the London interbank market for deposits in a Representative Amount for the Specified Period. If at least two offered quotations are so provided, LIBOR will be the arithmetic mean (rounded upward if necessary to the nearest whole multiple of 0.00001%) of those quotations. If fewer than two quotations are so provided, the Calculation Agent (after consultation with the Lender and the Borrower) will request each of three major banks in New York City, as selected by the Calculation Agent, to provide that bank's rate (expressed as a percentage per annum), as of approximately 11:00 a.m., New York City time, on the Determination Date for loans in a Representative Amount to leading European banks for the Specified Period. If at least three rates are so provided, LIBOR will be the arithmetic mean (rounded upward if necessary to the nearest whole multiple of 0.00001%) of those rates. If fewer than three rates are so provided or if no rates are provided, then LIBOR will be LIBOR in effect with respect to the immediately preceding Interest Period;

"**Loan**" shall have the meaning given to such term in Clause 2.1 (*Grant of the Credit Facility*);

"**London Banking Day**" is any day on which dealings in U.S. dollars are transacted or, with respect to any future date, are expected to be transacted in the London interbank market;

"**Material Adverse Effect**" means a material adverse change in, or material adverse effect on, the business, operations or financial condition of the Borrower or of the Group taken as a whole;

"**Material Subsidiary**" means, at any given time, any Subsidiary of the Borrower (a) whose total assets or gross revenues (or, where the Subsidiary in question prepares consolidated accounts, whose total consolidated assets or gross consolidated revenues, as the case may be) represent at least 10 per cent. of the total assets or, as the case may be, total revenues of the Borrower and its Subsidiaries and for these purposes (i) the total assets and gross revenues of such Subsidiary shall be determined by reference to its then most recent audited financial statements (or, if none, its then most recent management accounts) and (ii) the total assets and gross revenues of the Borrower shall be determined by reference to the Borrower's then most recent audited financial statements (or, if none, its then most recent management accounts), in each case prepared in accordance with IFRS, or (b) to which is transferred the whole or substantially the whole of the undertaking and assets of a Subsidiary of the Borrower which immediately before the transfer is a Material Subsidiary of the Borrower. A certificate by any two members of the board of the Borrower that, in their opinion, a Subsidiary of the Borrower is or is not a Material Subsidiary, accompanied by a report by the Auditors addressed to the board of the Borrower as to proper extraction of the figures used by the members of the board of the Borrower in determining the Material Subsidiaries of the Borrower and mathematical accuracy of the calculations shall, in the absence of manifest error, be conclusive and binding on all parties;

"**NBU**" means the National Bank of Ukraine or any successor thereto or replacement thereof;

"Officers' Certificate" means a certificate signed on behalf of the Borrower by two members of the board of the Borrower at least one of whom shall be the principal executive officer, principal accounting officer or principal financial officer of the Borrower and in the form set out in Schedule 1 (*Form of Officers' Certificate*) hereto;

"**Permit**" means a permit or permits of the NBU issued to the Borrower allowing it to include the funds borrowed on subordinated terms hereunder (in whole or in part) as part of the capital of the Borrower for the period ending on the Final Repayment Date.

"**Permitted Security Interests**" means:

(a) Security Interests arising in the ordinary course of Banking Business including, without limitation:

    (i) Security Interests arising pursuant to any agreement (or other applicable terms and conditions) which are standard or customary in the relevant market in connection with (x) contracts entered into substantially simultaneously for sales and purchases at market prices of precious metals and/or securities and (y) the establishment of margin deposits and similar securities in connection with interest rate and foreign currency hedging operations and trading in securities; and

    (ii) Security Interests upon, or with respect to, any present or future assets or revenues or any part thereof which is created pursuant to any Repo;

(b) Security Interests granted by third parties in favour of the Borrower or any of its Subsidiaries;

(c) Security Interests on property acquired (or deemed to be acquired) under a financial lease, or claims arising from the use or loss of or damage to such property; *provided that* any such Security Interest secures only Indebtedness under such lease;

(d) Security Interests securing Indebtedness of a Person existing at the time that such Person is merged into or consolidated with the Borrower or becomes a Subsidiary of the Borrower; *provided that* such Security Interests were not created in contemplation of such merger or consolidation or event and do not extend to any assets or property of the Borrower already existing or any Subsidiary of the Borrower other than those of the surviving Person and its Subsidiaries or the Person acquired and its Subsidiaries;

(e) Security Interests already existing on assets or property acquired or to be acquired by the Borrower or a Subsidiary of the Borrower; *provided that* such Security Interests were not created in contemplation of such acquisition and do not extend to any other assets or property (other than proceeds of such acquired assets or property);

(f) Security Interests granted upon or with regard to any property hereafter acquired by any member of the Group to secure the purchase price of such property or to secure Indebtedness incurred solely for the purpose of financing the acquisition of such property and transactional expenses related to such acquisition (other than a Security Interest created in contemplation of such acquisition); *provided that* the maximum amount of Indebtedness thereafter secured by such Security Interest does not exceed the purchase price of such property (including transactional expenses) or the Indebtedness incurred solely for the purpose of financing the acquisition of such property;

(g) any Security Interest upon, or with respect to, any present or future assets or revenues or any part thereof which is created pursuant to any securitisation, asset-backed financing or similar financing structure whereby all payment obligations secured by such Security Interest or having the benefit of such Security Interest are to be discharged primarily from such assets or revenues; *provided that* the Indebtedness or Guarantee so secured pursuant to this paragraph (g) at any one time shall not exceed an amount in any currency or currencies equivalent to 20 per cent. of the Borrower's loans to customers before allowances for impairment (calculated by reference to the Borrower's balance sheet as at the end of its most recent IFRS Fiscal Period) and subject as provided in Clause 13.6 (*Disposals*);

(h) any Security Interests arising by operation of law;

(i) any Security Interests not otherwise permitted by the preceding paragraphs (a) through (h), *provided that* the aggregate principal amount of the Indebtedness secured by such Security Interests does not at any time exceed 10 per cent. of the Group's assets, determined by reference to the Borrower's balance sheet as at the end of its most recent IFRS Fiscal Period; and

(j) any Security Interest arising out of the refinancing, extension, renewal or refunding of any Indebtedness secured by a Security Interest permitted by any of the above exceptions, *provided that* the Indebtedness thereafter secured by such Security Interest does not exceed the amount of the original Indebtedness and such Security Interest is not extended to cover any property not previously subject to such Security Interest;

"**Person**" means any individual, company, corporation, firm, partnership, joint venture, association, trust, institution, organisation, state or Agency or any other entity, whether or not having separate legal personality;

"**Principal Paying Agent**" means the party designated from time to time as principal paying agent under the Funding Documents;

"**Qualifying Jurisdiction**" means any jurisdiction which has a double taxation treaty with Ukraine under which the payment of interest by Ukrainian borrowers to lenders established in such jurisdiction is generally able to be made (upon completion of any necessary formalities required in relation thereto) without deduction or withholding of Ukrainian income tax;

"**Rate of Interest**" means (i) 5.6099 per cent. *per annum* in respect of the Interest Period commencing on (and including) 19 January 2015 and ending on (but excluding) 19 July 2015, and (ii) 6-month LIBOR plus 6.875 per cent. *per annum* in respect of each subsequent Interest Period;

"**Rating Agency**" means Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc. ("**S&P**"), Moody's Investors Service Limited ("**Moody's**"), Fitch Ratings Limited ("**Fitch**") or any of their affiliates, successors or any rating agency substituted for any of them (or any permitted substitute of them) by the Borrower, from time to time with the prior written approval of the Lender and the Trustee;

"**Rating Categories**" means (i) with respect to S&P, any of the following categories (any of which may or may not include a "+" or "-"): AAA, AA, A, BBB, BB, B, CCC, CC, C and D (or equivalent successor categories); (ii) with respect to Moody's, any of the following categories (any of which may or may not include a "1", "2" or "3"): Aaa, Aa, A, Baa, Ba, B, Caa, Ca, C and D (or equivalent successor categories); and (iii) the equivalent of any such categories of S&P or Moody's used by another rating agency (including, without limitation, Fitch), if applicable, and each such category is referred to herein as a "full" Rating Category;

"**Rating Decline**" means that at any time within 90 days (which period shall be extended so long as the long term foreign currency debt or deposit rating of the Borrower is under publicly announced consideration for possible downgrade by any Rating Agency and is referred to herein as the "**Relevant Period**") after an announcement by the Cabinet of Ministers or the State Property Fund of Ukraine as is referred to in the definition of Change of Control the long term foreign currency debt or deposit rating of the Borrower is decreased or downgraded by a Rating Agency by one or more full Rating Categories below such rating of the Borrower as of the date hereof (or if a Rating Agency has not assigned any such rating as of the date hereof, below the first such rating assigned to the Borrower by that Rating Agency after the date hereof);

"**Relevant Event**" has the meaning given thereto in the Funding Documents;

"**Repo**" means a securities repurchase or resale agreement or reverse repurchase or resale agreement, a securities borrowing agreement or any agreement relating to securities which is similar in effect to any of the foregoing and, for purposes of this definition, the term "securities" means any Capital Stock, debenture or other debt or equity instrument, or any derivative thereof, whether issued by any private or public company, any Agency or any supranational, international or multilateral organisation;

"**Representative Amount**" means a principal amount of not less than US$1,000,000 for a single transaction in the relevant market at the relevant time;

"**Reserved Rights**" has the meaning assigned to such term in the Funding Documents;

"**Screen Rate**" means the London interbank offered rate administered by ICE Benchmark Administration Limited (or any other person which takes over the administration of that rate) for U.S. dollars and the Specified Period (before any correction, recalculation or republication by the administrator) shown on pages LIBOR01 or LIBOR02 of the Thomson Reuters screen (or any replacement Thomson Reuters page which displays that rate);

"**Security Interest**" means any mortgage, pledge, encumbrance, lien, charge or other security interest (including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction);

"**Senior Loan Agreements**" means (i) the loan agreement dated 4 March 2011 between the Lender and the Borrower as amended and supplemented by the supplemental loan agreement dated 13 July 2011 and as amended and restated by the amendment and restatement agreement dated 18 August 2015 and (ii) the loan agreement dated 15 March 2013 between the Lender and the Borrower as amended and restated by the amendment and restatement agreement dated 18 August 2015;

"**Specified Period**" means a six-month period.

"**Same-Day Funds**" means U.S. dollar funds settled through the New York Clearing House Interbank Payments System or such other funds for payment in U.S. dollars as the Lender may at any time reasonably determine to be customary for the settlement of international transactions in New York City of the type contemplated hereby;

"**Subsidiary**" of a Person means another Person, being a corporation or other business or entity:

(a) which is controlled, directly or indirectly, by that first-named Person; or

(b) more than half the issued share capital of which is beneficially owned, directly or indirectly, by that first-named Person;

"**Taxes**" means any taxes, levies, duties, imposts or other charges or withholding of a similar nature no matter where arising (including interest and penalties thereon and additions thereto);

"**Taxing Authority**" has the meaning set out in Clause 8.1 (*Additional Amounts*);

"**Trustee**" means the party designated from time to time as trustee under the Funding Documents;

"**Ukraine**" means Ukraine and any province or political sub-division thereof or therein; and

"**United Kingdom**" means the United Kingdom of Great Britain and Northern Ireland and any political sub-division or agency thereof or therein.

1.2 **Interpretation**

Any reference in this Agreement to:

the "**Borrower**" or the "**Lender**" includes its and any subsequent successors, assignees and chargees in accordance with their respective interests including, without limitation, in case of the latter, any entity substituted in place of the Lender as issuer of the Funding Instruments pursuant to the Funding Documents;

a "**Business Day**" means any day (other than a Saturday, Sunday or public holiday) on which commercial banks and foreign exchange markets settle payments (including dealings in foreign currencies) in the principal financial centre for such currency and Kyiv;

"**control**" when used with respect to any Person means the power to direct the management and policies of such Person or to control the composition of such Person's board or board of directors, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise and the terms "controlling" and "controlled" have meanings correlative to the foregoing;

the "**equivalent**" on any given date in one currency (the "**first currency**") of an amount denominated in another currency (the "**second currency**") is a reference to the amount of the first currency which could be purchased with the amount of the second currency at the spot rate of exchange quoted on the relevant Reuters page or, where the first currency is hryvnia and the second currency is U.S. dollars (or vice versa), at the official exchange rate of the NBU, at or about 10.00 a.m. (New York City time) or, as the case may be, between 1.00 p.m. and 4.00 p.m. (Kyiv time) on such date for the purchase of the first currency with the second currency;

a "**month**" means a period starting on one day in a calendar month and ending on the numerically corresponding day in the next succeeding calendar month; *provided that*, where any such period would otherwise end on a day which is not a business day, it shall end on the next succeeding Business Day, unless that day falls in the next calendar month, in which case it shall end on the immediately preceding Business Day and if a period starts on the last Business Day in a calendar month or if there is no numerically corresponding day in the month in which that period ends, that period shall end on the last Business Day in that later month (and references to "**months**" shall be construed accordingly);

the "**rights**" of the Lender in this Agreement shall be read as references to rights of the Trustee pursuant to the charge and assignment referred to in Clause 19.3 (*Assignments by the Lender*) except as in relation to the Reserved Rights as specified in the Funding Documents; and

"**VAT**" means value added tax, including any similar tax which may be imposed in place thereof from time to time.

1.3 **Currency References**

"**U.S.$**" and "**U.S. dollars**" denote the lawful currency of the United States of America and "**hryvnia**" denotes the lawful currency of Ukraine.

1.4 **Statutes**

Any reference in this Agreement to a statute shall be construed as a reference to such statute as the same may have been, or may from time to time be, amended or re-enacted.

1.5 **Headings**

Clause and Schedule headings are for ease of reference only.

1.6 **Amended Documents**

Save where the contrary is indicated, any reference in this Agreement to any Funding Document or any other agreement or document shall be construed as a reference to such Funding Document or, as the case may be, such other agreement or document as the same may have been, or may from time to time be, amended, varied, novated or supplemented.

2. THE LOAN

2.1 **Grant of the Credit Facility**

The Original Lender granted to the Borrower, upon the terms and subject to the conditions of the Existing Loan Agreement, a single disbursement subordinated term credit facility in the amount of U.S.$100,000,000 (the "**Loan**") and the Borrower borrowed such amount from the Original Lender on the Initial Borrowing Date.

The Original Lender transferred all of its rights and obligations under the Existing Loan Agreement to the Existing Lender pursuant to the Transfer Deed.

With effect from the Effective Date, the Existing Lender transferred all of its rights and obligations to the Lender and the Existing Loan Agreement was amended and restated on the terms set out herein.

2.2 **Purpose and Application**

The Loan is intended to be counted by the Borrower as its Tier 2 capital and the proceeds of it shall be used by the Borrower primarily to provide loans to its corporate customers and for general corporate purposes. Without affecting the obligations of the Borrower in any way, the Lender shall not be obliged to concern itself with such application.

2.3 **Subordination**

On the occurrence of a Bankruptcy Event and so long as the Bankruptcy Event is continuing, the claims of the Lender with respect to the repayment of the Loan under this Agreement shall be subordinate in right of payment to the claims of all other creditors preferred by virtue of the applicable laws of Ukraine. The obligations of the Borrower in respect of payment obligations other than the repayment of the Loan constitute the direct, unconditional, unsecured and unsubordinated obligations of the Borrower and will rank at least equally and rateably with other unsecured and unsubordinated obligations.

3. AVAILABILITY OF THE LOAN

3.1 Draw-down

The Borrower and the Lender acknowledge and agree that the Loan has been drawn upon the terms and subject to the conditions hereof.

3.2 Fees

The Borrower hereby agrees that it shall pay to the Lender, in Same-Day Funds, all amounts required to be paid by the Borrower to the Lender pursuant to and in accordance with the applicable Fees Letter between the Borrower and the Lender.

4. INTEREST PERIODS

The Borrower will pay interest semi-annually in U.S. dollars to the Lender on the outstanding principal amount of the Loan from time to time at the Rate of Interest, calculated in accordance with the provisions of this Agreement (including, without limitation, Clause 5.2 (*Calculation of Interest*)). Interest shall accrue on the outstanding principal amount of the Loan from and including the Initial Borrowing Date. Each period beginning on (and including) 19 January 2015 (in the case of the first period only) or the relevant Interest Payment Date (in the case of all subsequent periods) and ending on (but excluding) the next Interest Payment Date or the Final Repayment Date (in the case of the last period only) is herein called an "**Interest Period**". The interest shall accrue on the Loan at the rate of (i) 5.6099 per cent. *per annum* in respect of the Interest Period commencing on (and including) 19 January 2015 and ending on (but excluding) 19 July 2015, and (ii) 6-month LIBOR plus 6.875 per cent. *per annum* in respect of each subsequent Interest Period.

On 19 January 2016, the Borrower will pay to the Lender interest on the outstanding principal amount of the Loan for the two consecutive Interest Periods commencing on 19 January 2015 and 19 July 2015.

5. PAYMENT AND CALCULATION OF INTEREST

5.1 Payments of Interest

The Borrower shall pay to the Account in same day funds accrued interest on the outstanding principal amount of the Loan semi-annually in arrear in respect of each Interest Period calculated in accordance with Clause 5.2 (*Calculation of Interest*) not later than 11.00 a.m. (New York City time) on the Business Day falling two Business Days prior to the Interest Payment Date on which such Interest Period ends. Subject as provided in Clause 5.2 (*Calculation of Interest*), interest on the Loan will cease to accrue on the due date for repayment thereof unless payment of principal is improperly withheld or refused, in which event interest will continue to accrue (before and after any judgement) on the outstanding principal amount of the Loan at the Rate of Interest to but excluding the date on which payment in full of the outstanding principal amount of the Loan is made. For the avoidance of doubt, the first payment of interest under this Agreement, as amended and restated by the Amendment and Restatement Deed, will be made two Business Days prior to 19 January 2016 in respect of the Interest Period commencing on (and including) 19 January 2015 and ending on (but excluding) 19 July 2015 and the Interest Period commencing on (and including) 19 July 2015 and ending on (but excluding) 19 January 2016.

The prepayment of interest or its capitalisation is not permitted.

5.2 Calculation of Interest

The Borrower shall compute the amount of interest accrued on the outstanding principal amount of the Loan on a monthly basis, subject to Clause 20.1 (*Evidence of Debt*) in accordance with its procedures for accounting for interest and fee income and expense. The amount of interest payable in respect of the Loan for any Interest Period shall be calculated by applying the Rate of Interest to the outstanding principal amount of the Loan, dividing the product by two and rounding the resulting figure to the nearest cent (half a cent being rounded upwards). The amount of interest payable in respect of the Loan for any period other than an Interest Period shall be calculated on the basis of a year of 360 days consisting of 12 months of 30 days each and, in the case of an incomplete month, the actual number of days elapsed.

5.3 **Assumption when Calculating Interest**

Whenever under this Agreement interest is to be calculated to the last day of an Interest Period and the calculation is required to be made before such last day, the parties shall assume that the amount of the Loan outstanding on the last day of the relevant Interest Period is the same as the amount of the Loan outstanding on the day of the calculation.

6. REPAYMENT

Except as otherwise provided herein and in accordance with Clause 17.1 (*Payments to the Lender*), the Borrower shall:

(a) not later than 11.00 a.m. (New York City time) two Business Days prior to 19 January 2020, repay U.S.$500 for each U.S.$1,000 of the Loan then outstanding; and

(b) repay the remaining outstanding principal amount of the Loan in eight equal instalments (provided that to the extent any part of the Loan is repaid or cancelled, otherwise than as a result of repayments pursuant to this Clause 6, the amount of each instalment shall be appropriately adjusted to reflect such repayment or cancellation), with each such instalment being paid not later than 11.00 a.m. (New York City time) two Business Days prior to each of the remaining Interest Payment Dates thereafter (beginning on 19 July 2020 and ending on the Final Repayment Date), provided that, to the extent not already paid in accordance with Clause 5 (*Payment and Calculation of Interest*) the Borrower shall pay all interest accrued in respect of the last Interest Period (calculated to the Final Repayment Date) and all other amounts payable hereunder (calculated as aforesaid) to the Account two Business Days prior to the Final Repayment Date.

7. REPAYMENT UPON THE OCCURRENCE OF CERTAIN EVENTS

7.1 **Prepayment by the Borrower**

Notwithstanding the provisions of Clause 6 (*Repayment*) above, the Borrower shall have the right to prepay the Loan as provided below in this Clause 7.1, together with accrued interest (up to but excluding the date of such payment) thereon:

(a) at any time after the date of this Agreement if the NBU fails to provide the Borrower with a Permit or Permits in respect of the full amount of the Loan within 50 calendar days after the date of this Agreement; or

(b) at any time after the issue of any Permit if as a result of any amendment to, clarification of or change in (including a change in interpretation of) applicable Ukrainian law or regulations, the NBU withdraws any Permit or a Permit ceases to apply to the principal amount of the Loan in respect of which it was issued;

provided that written notice thereof, together, in the case of a prepayment in accordance with Clause 7.1(a) or 7.1(b) only, with an Officers' Certificate confirming the existence of the relevant circumstances permitting such a prepayment, shall be given to the Lender not less than 30 days prior to the date of prepayment and provided further that, in the case of Clause 7.1(a) only, the Borrower shall only have the right to prepay the Loan within 60 days of expiry of the period specified in Clause 7.1(a) subject in any such case to compliance with NBU requirements if and to the extent applicable at the time of prepayment.

7.2 Repayment for Tax Reasons and Change in Circumstances

If,

(a) as a result of the application of, or any amendment to, or a change in or official interpretation of (i) the Double Tax Treaty (or in the double taxation treaty between Ukraine and any Qualifying Jurisdiction in which the Lender or any successor thereto is resident for tax purposes) or (ii) the laws or regulations of the United Kingdom or Ukraine (or any Qualifying Jurisdiction where the Lender is resident for tax purposes) or of any political sub-division thereof or any authority therein having power to tax or any Agency therein, the Borrower would thereby be required to pay Additional Amounts in respect of Taxes as provided in Clause 8.1 (*Additional Amounts*) or Indemnity Amounts as provided in Clause 8.3 (*Indemnity Amounts*); or

(b) the Lender ceases to be resident for tax purposes in a Qualifying Jurisdiction, or has a permanent establishment in Ukraine for the purposes of the Double Tax Treaty, and as a result the Borrower would be required to withhold or deduct an amount on account of tax from any payment to be made under this Agreement; or

(c) (for whatever reason) the Borrower would have to or has been required to pay additional amounts pursuant to Clause 10 (*Changes in Circumstances*).

and, in any such case, such obligation cannot be avoided by the Borrower taking reasonable measures available to it, then the Borrower may (unless such repayment would be prohibited by Ukrainian legislation effective as at the proposed date of such repayment), upon not less than 30 days' written notice to the Lender and to the Trustee specifying the date of payment and including an Officers' Certificate to the effect that the Borrower would be required in the case of (a), (b) and (c) above to pay such Additional Amounts, Indemnity Amounts or additional amounts (including additional amounts payable pursuant to Clause 10 (*Changes in Circumstances*)), and in the case of (b) above to withhold or deduct such amounts and such obligation cannot be avoided by the Borrower taking reasonable measures, supported (where the certification relates to tax matters) by an opinion of an independent tax adviser of recognised standing in the relevant tax jurisdiction, repay the Loan in whole (but not in part) together with any Additional Amounts then payable under Clause 8.1 (*Additional Amounts*), Indemnity Amounts payable under Clause 8.3 (*Indemnity Amounts*), additional amounts and accrued interest. Any such notice of repayment given by the Borrower shall be irrevocable and shall oblige the Borrower to make such repayment on such date. No such notice shall be given earlier than 90 calendar days prior to the earliest date on which the Borrower would be obliged to pay such Additional Amounts, Indemnity Amounts or additional amounts, or deduct or withhold such amounts, as the case may be.

7.3 Repayment for Illegality

If, at any time, it is or would be unlawful or contrary to any applicable law or regulation or regulatory requirement or directive of any agency of any state or otherwise for the Lender to make, fund or allow all or part of the Funding Instruments or the Loan to remain outstanding or for the Lender to maintain or give effect to any of its obligations or rights in connection with this Agreement and/or to charge or receive or to be paid interest at the rate applicable in relation to the Loan (an "Illegality"), then the Lender shall deliver to the Borrower a written notice (with a copy to the Trustee) (setting out in reasonable detail the nature and extent of the relevant circumstances) to that effect and:

(a) if the Loan has not been made, the Lender shall not thereafter be obliged to make the Loan; and

(b) if the Loan is then outstanding, the Borrower will immediately upon receipt of such notice agree to repay the Loan and, if the Lender so consents, the Borrower shall, on the latest date permitted by the relevant law or on such earlier day as the Borrower elects (as notified to the Lender not less than 30 days prior to the date of repayment), repay the whole (but not part only) of the outstanding principal amount of the Loan together with accrued interest (up to but excluding the date of such payment) thereon and all other amounts owing to the Lender hereunder.

The delivery of a written notice by the Lender to the Borrower pursuant to this Clause 7.3 shall not be construed as an initiation of prepayment of the Loan by the Lender under Clause 7.6(a)

7.4 **Repayment in the event of a Change of Control**

The Borrower shall notify the Lender and the Trustee promptly upon the occurrence of a Change of Control. In the event of a Change of Control, the Borrower shall (with the consent of the Lender) repay the Loan together with all accrued and unpaid interest and any other amounts outstanding hereunder on the Change of Control Payment Date, to the extent and in the amount that the Lender is required to pay the holders of the Funding Instruments as a result thereof as set forth in a written notice from the Lender to the Borrower (with a copy to the Trustee), including computation of such amount and specifying the Change of Control Payment Date, given at least five Business Days prior to the Change of Control Payment Date. Taking into account the terms of the Funding Instruments, the Borrower and the Lender shall, where reasonably practicable, agree a Change of Control Payment Date which falls before the date on which the actual Change of Control (as provided in paragraph (a) of the definition of that term) takes place.

7.5 **Costs of Repayment**

The Borrower shall, not later than 11.00 a.m. (New York City time) two Business Days prior to the date of a repayment made in accordance with this Clause 7 (*Repayment upon the Occurrence of Certain Events*), pay all accrued interest (calculated to (but excluding) the date of repayment) and all other amounts owing or payable to the Lender hereunder. The Borrower shall indemnify the Lender on written demand against any administrative costs and legal expenses reasonably incurred and (if and to the extent required by applicable law) properly documented by the Lender on account of any repayment made in accordance with this Clause 7 (*Repayment upon the Occurrence of Certain Events*).

7.6 **Limitation on Prepayment; No Other Repayments and No Reborrowing**

(a) The Lender may not initiate any repayment under Clauses 7.1 (*Prepayment by the Borrower*) to 7.4 (*Repayment in the event of Change of Control*) hereof.

(b) The Borrower may not prepay the Loan pursuant to Clauses 7.1 (*Prepayment by the Borrower*) to 7.4 (*Repayment in the event of Change of Control*) hereof if to do so would breach the then applicable regulations of the NBU and unless the Borrower has received a permit of the NBU for the subordinated debt prepayment if obtaining such permit is required by the then applicable regulations of the NBU. The Borrower shall not repay the whole or any part of the outstanding principal amount of the Loan except at the times and in the manner expressly provided for in this Agreement. No amount prepaid under this Agreement may be reborrowed.

(c) The Lender hereby expressly consents to any repayment pursuant to Clauses 7.2 (*Repayment for Tax Reasons and Change in Circumstances*) and 7.7 (*Purchase of Funding Instruments and Reduction of Loan upon Cancellation of Funding Instruments*) and such consent shall qualify as the consent of the Lender required by the regulations of the NBU in case of any such repayment of the Loan at the election of the Borrower.

7.7 **Purchase of Funding Instruments and Reduction of Loan upon Cancellation of Funding Instruments**

Subject to the NBU limitations and requirements on prepayment of the Loan to the extent applicable, the Borrower or any member of the Group may from time to time deliver or cause to be delivered to the Lender, as issuer of the Funding Instruments, Funding Instruments together with a request for the Lender to present such Funding Instruments to the Principal Paying Agent for cancellation, and may from time to time procure the delivery to the Principal Paying Agent of a Global Note Certificate (as such term is defined in the Funding Documents) with instructions to cancel a specified aggregate principal amount of Funding Instruments represented thereby, whereupon the Lender, as issuer of the Funding Instruments, shall request the cancellation of such Funding Instruments (or specified aggregate principal amount of Funding Instruments represented by such Global Note Certificate) as provided in the Funding Documents. Upon any such cancellation a principal amount of the Loan equal to the principal amount of such Funding Instruments shall be deemed to have been repaid as of the date of such cancellation and no further payment shall be made or required to be made by the Borrower in respect of such amounts. The Borrower shall, upon the request of the Lender or the Trustee from time to time, advise the person making the request of the aggregate principal amount of Funding Instruments then held by or on behalf of the Borrower.

8. TAXES

8.1 Additional Amounts

(a) All payments to be made by the Borrower under this Agreement shall be made in full without set-off or counterclaim, free and clear of and without deduction for or on account of any present or future Taxes imposed by any taxing authority of or in, or having authority to tax in, Ukraine, the United Kingdom or any Qualifying Jurisdiction in which the Lender or any successor thereto is resident for tax purposes (each a "Taxing Authority"), unless the Borrower is required by applicable law to make such payment subject to the deduction or withholding of such Taxes. In the event that the Borrower is required to make any such payment subject to deduction or withholding of any such Tax the Borrower shall (unless such Tax is in respect of sections 1471-1474 of United State Internal Revenue Code of 1986, as amended (including any agreement with a governmental authority concluded thereunder)), on the due date for such payment, pay such additional amounts ("Additional Amounts") as may be necessary to ensure that the Lender or the Trustee, as the case may be, receives a net amount in U.S. dollars which, following any such deduction or withholding on account of Taxes, shall be not less than the full amount which it would have received had the payment been made without such deduction or withholding and shall deliver to the Lender (or the Trustee, as the case may be) without undue delay, evidence satisfactory to the Lender (or the Trustee, as the case may be) of such deduction or withholding and of the accounting therefor to the relevant authority. Notwithstanding the foregoing, the Borrower shall not be obliged to pay any Additional Amounts if and to the extent that the relevant withholding or deduction is required following and on account of the occurrence of a Relevant Event.

(b) The Borrower shall not be required to pay to the Lender any Additional Amount under paragraph (a) which is greater than the amount which would have been payable by it to the Lender if the Lender was a tax resident of the United Kingdom or a Qualifying Jurisdiction at the time of such payment but on that date the Lender is not or ceased to be a tax resident of the United Kingdom or a Qualifying Jurisdiction other than as a result of any change after the date it became a Lender under this Agreement in (or in the interpretation, administration or application of) any law or Double Tax Treaty or any published practice or concession of any relevant taxing authority or to the extent that the Borrower is able to demonstrate that the requirement to make the tax deduction would not have arisen had the Lender complied with its obligations under Clause 8.2 (*Double Tax Treaty Relief*) below.

(c) At least 30 calendar days prior to each date on which any payment under or with respect to the Loan is due and payable, if the Borrower will be obliged to pay Additional Amounts with respect to such payment (upon and subject to written notice by the Lender or by the Trustee), the Borrower will deliver to the Lender (and to the Trustee) an Officers' Certificate stating the fact that such Additional Amounts will be payable and the amounts so payable.

(d) Whenever this Agreement mentions, in any context, the payment of amounts based upon the principal or premium, if any, interest or of any other amount payable under or with respect to the Loan, this includes, without duplication, payment of any Additional Amounts and Indemnity Amounts that may be applicable.

The foregoing provisions shall apply, modified as necessary, to any Taxes imposed or levied by any Taxing Authority in any jurisdiction in which any successor obligor to the Borrower is organised.

8.2 **Double Tax Treaty Relief**

(a) The Lender will use its reasonable endeavours to furnish the Borrower, as soon as practicable after the start of each calendar year or, in any event, not later than 14 days prior to the first Interest Payment Date in each calendar year (or as frequently as required under Ukrainian law and requested by the Borrower to enable the Borrower to claim relief as provided below) with a duly signed and completed tax certificate issued by the competent taxing authority in the United Kingdom in respect of that year confirming that the Lender is a tax resident in the United Kingdom within the meaning of the Double Tax Treaty (each, a "Tax Certificate"). The Borrower shall claim relief from deducting withholding tax or a reduction in the withholding tax rate to the maximum extent possible in accordance with the Double Tax Treaty in respect of payments to be made by the Borrower under this Agreement.

(b) Each of the Lender and the Borrower shall make reasonable and timely efforts to co-operate and assist each other in obtaining relief from withholding of Ukrainian income tax pursuant to the Double Tax Treaty which shall, for the avoidance of doubt, include (but not be limited to) the Lender making reasonable and timely efforts to:

(i) furnish the Borrower with such information or forms (including a power of attorney in form and substance acceptable to the Borrower authorising it to file each Tax Certificate on behalf of the Lender with the relevant taxing authority) as required under Ukrainian law to enable the Borrower to apply to obtain relief from deduction or withholding of Ukrainian tax or, as the case may be, to apply to obtain a tax refund if a relief from deduction or withholding of Ukrainian tax has not been obtained on the basis of the relevant provisions of the Double Tax Treaty; and

(ii) obtain any available tax refund if a relief from deduction or withholding of Ukrainian tax has not been obtained on the basis of the relevant provisions of the Double Tax Treaty; and

(iii) procure that each Tax Certificate is stamped or otherwise approved by the competent Taxing Authority, and apostilled or otherwise legalised.

(c) If a relief from deduction or withholding of Ukrainian tax or a tax refund under this Clause 8.2 has not been obtained and further to an application of the Borrower to the relevant Ukrainian tax authorities the latter request the Lender's hryvnia bank account details for the purposes of payment of such tax refund directly to the Lender, the Lender shall at the request of the Borrower (i) use reasonable efforts to procure that such hryvnia bank account of the Lender is duly opened and maintained, and (ii) thereafter furnish the Borrower with the details of such hryvnia bank account. This paragraph (c) is without prejudice to the Borrower's obligations to pay Additional Amounts pursuant to Clause 8.1 (*Additional Amounts*).

(d) Nothing contained in this Clause 8.2 shall interfere with the right of the Lender to arrange its affairs generally in whatever manner it thinks fit nor oblige the Lender to disclose confidential information or any information relating to its affairs generally. The Borrower and the Lender will inform each other, in a reasonable and timely manner, on the status of the procedures and the steps necessary to be taken in pursuance of this Clause 8.2. The Lender makes no representation as to the application or interpretation of the Double Tax Treaty.

(e) If the Lender becomes resident for tax purposes in another Qualifying Jurisdiction, references in paragraphs (a) and (b) to taxing authority of the United Kingdom, Tax Certificate and Double Tax Treaty shall be read, respectively, as including references to the taxing authority of the Qualifying Jurisdiction, a Qualifying Jurisdiction Tax Certificate and the double tax treaty between Ukraine and the Qualifying Jurisdiction.

8.3 **Indemnity Amounts**

Without prejudice to or duplication of the provisions of Clause 8.1 (*Additional Amounts*), if the Lender notifies the Borrower that:

(a) it is obliged to make any deduction or withholding for or on account of any Taxes from any payment which the Lender (as issuer of the Funding Instruments) is obliged to make under or in respect of the Funding Instruments or any Funding Documents and the Lender (as issuer of the Funding Instruments) is required under the terms and conditions of the Funding Instruments or such Funding Documents to pay additional amounts to the holders of the Funding Instruments in connection therewith, the Borrower shall pay to the Lender within 30 days of such notice (and otherwise in accordance with the terms of this Agreement) such additional amounts as are equal to the additional payments which the Lender (as issuer of the Funding Instruments) would be required to make under the terms and conditions of the Funding Instruments or such Funding Documents, assuming in each case that an equivalent amount had been received from the Borrower, in order that the net amount received by each holder of Funding Instruments or other party to the relevant Funding Documents is equal to the amount which such holder or party would have received had no such withholding or deduction been required to be made; and/or

(b) it is obliged to pay any Taxes imposed by a Taxing Authority (other than Taxes assessed on the Lender by reference to its overall net income) in relation to any payments received by it under this Agreement, the Funding Instruments or any Funding Documents, the Borrower shall, as soon as reasonably practicable following, and in any event within 60 calendar days of, a written demand made by the Lender, indemnify the Lender in relation to such payment or liability *provided that* (if and to the extent required by applicable law) such payment or liability is properly documented.

Any payments required to be made by the Borrower under this Clause 8.3 are collectively referred to as “Indemnity Amounts”. For the avoidance of doubt, the provisions of this Clause 8.3 shall not apply to any withholding or deductions of Taxes with respect to the Loan which are subject to payment of Additional Amounts under Clause 8.1 (*Additional Amounts*).

8.4 **Tax Claims**

If the Lender intends to make a claim pursuant to Clause 8.3 (*Indemnity Amounts*), it shall notify the Borrower thereof as soon as reasonably practicable after the Lender becomes aware of any obligation to make the relevant withholding, deduction or payment; *provided that* nothing herein shall require the Lender to disclose any confidential information relating to the organisation of its affairs.

8.5 **Tax Credits and Tax Refunds**

(a) If a payment is made under Clause 8.1 (*Additional Amounts*) or 8.3 (*Indemnity Amounts*) by the Borrower for the benefit of the Lender and the Lender determines in its absolute discretion (acting in good faith) that it has received or been granted a credit against, a relief or remission for or a repayment of, any Taxes, then, if and to the extent that the Lender, in its absolute discretion (acting in good faith), determines that such credit, relief, remission or repayment is in respect of or calculated by reference to the corresponding deduction, withholding, liability, expense, loss or payment giving rise to such payment by the Borrower, the Lender shall, to the extent that it can do so without prejudice to the retention of the amount of such credit, relief, remission or repayment, pay to the Borrower such amount as the Lender shall, in its absolute discretion (acting in good faith), have concluded to be attributable to such deduction, withholding, liability, expense, loss or payment; *provided that* the Lender shall not be obliged to make any payment under this Clause 8.5 in respect of any such credit, relief, remission or repayment until the Lender is, in its absolute discretion (acting in good faith), satisfied that its Tax affairs for its Tax year in respect of which such credit, relief, remission or repayment was obtained have been finally settled and *further provided that* the Lender shall not be obliged to make any such payment if and to the extent that the Lender determines in its absolute discretion (acting in good faith) that to do so would leave it (after the payment) in a worse after-Tax position than it would have been in had the payment not been required under Clause 8.1 (*Additional Amounts*) or 8.3 (*Indemnity Amounts*). Without prejudice to the Lender's obligations under Clause 8.2 (*Double Tax Treaty Relief*), nothing contained in this Clause 8.5 shall interfere with the right of the Lender to arrange its Tax affairs in whatever manner it thinks fit nor oblige the Lender to disclose confidential information or any information relating to its Tax affairs generally or any computations in respect thereof.

(b) If as a result of a failure to obtain relief from deduction or withholding of any Tax imposed by any Taxing Authority, in particular in accordance with the Double Tax Treaty, such Tax is deducted or withheld by the Borrower pursuant to Clause 8.1 (*Additional Amounts*) and an Additional Amount is paid by the Borrower to the Lender in respect of such deduction or withholding, the Borrower may apply, under the supervision and on behalf of the Lender, to the relevant Taxing Authority for a Tax refund. If and to the extent that any Tax refund is credited by such Taxing Authority to a bank account of the Lender, the Lender shall as soon as reasonably possible notify the Borrower of the receipt of such Tax refund and promptly transfer the entire amount of the Tax refund to an account specified by the Borrower if and to the extent that the Lender determines in its absolute discretion (acting in good faith) that to do so will leave it (after the payment and after deduction of costs and expenses incurred in relation to such Tax refund for which the Borrower is liable) in no worse an after-Tax position than it would have been in had there been no failure to obtain relief from such withholding or deduction.

8.6 Tax Position of the Lender

The Lender represents that it (i) is a resident in the United Kingdom for United Kingdom tax purposes as a result of being a United Kingdom incorporated company and is subject to taxation in the United Kingdom and has applied for a tax certificate for 2015, (ii) does not have a permanent establishment in Ukraine, and (iii) does not have any current intentions to effect, during the term of the Loan, any corporate action or reorganisation or change of taxing jurisdiction that would result in the Lender ceasing to be a resident in the United Kingdom.

9. TAX RECEIPTS

9.1 Notification of Requirement to Deduct Tax

If, at any time, the Borrower is required by law to make any deduction or withholding from any sum payable by it hereunder (or if thereafter there is any change in the rates at which or the manner in which such deductions or withholdings are calculated), the Borrower shall promptly notify the Lender.

9.2 Evidence of Payment of Tax

(a) The Borrower shall provide the Lender with Tax receipts evidencing the payment of any Taxes deducted or withheld by it from each Taxing Authority imposing such Taxes or, if such receipts are not obtainable, other evidence of such payments by the Borrower reasonably acceptable to the Lender. The Borrower will also provide English translations of such receipts.

(b) The Lender will use its reasonable endeavours to provide the Borrower with Tax receipts evidencing the payment of any Taxes deducted or withheld by it from each Taxing Authority imposing such Taxes or, if such receipts are not obtainable, other evidence of such payments by the Lender reasonably acceptable to the Borrower.

10. CHANGES IN CIRCUMSTANCES

10.1 Increased Costs

If, by reason of any Change of Law, other than a Change of Law which relates to the basis of computation of, or rate of, Tax on, the net income of the Lender:

(a) the Lender incurs an additional cost as a result of the Lender entering into or performing its obligations (including its obligation to make the Loan) under this Agreement (excluding Taxes payable by the Lender on its overall net income); or

(b) the Lender becomes liable to make any additional payment on account of Taxes or otherwise (not being Taxes imposed on its net income or the amounts due pursuant to the Fees Letter) on or calculated by reference to the amount of the Loan and/or to any sum received or receivable by it hereunder except where compensated under Clause 8.1 (*Additional Amounts*) or under Clause 8.3 (*Indemnity Amounts*),

then the Borrower shall, from time to time within 30 days of written demand of the Lender, pay to the Lender amounts sufficient to hold harmless and indemnify it from and against, as the case may be, such cost or liability, *provided that* (if and to the extent required by applicable law) the cost or liability is properly documented and that the Lender will not be entitled to indemnification where such additional cost or liability arises as a result of the gross negligence, fraud or wilful default of the Lender and *provided, further, that* the amount of such increased cost or liability shall be deemed not to exceed an amount equal to the proportion of any cost or liability which is directly attributable to this Agreement.

10.2 Increased Costs Claims

If the Lender intends to make a claim pursuant to Clause 10.1 (*Increased Costs*), it shall promptly notify the Borrower thereof and provide a description in writing in reasonable detail of the relevant reason (as described in Clause 10.1 (*Increased Costs*) above) including a description of the relevant affected jurisdiction or country and the date on which the change in circumstances took effect. This written description shall demonstrate the connection between the change in circumstance and the increased costs and shall be accompanied by relevant supporting documents evidencing the matters described therein, *provided that* nothing herein shall require the Lender to disclose any confidential information relating to the organisation of its or any other Person's affairs.

10.3 Mitigation

If circumstances arise which would result in any payment being required to be made by the Borrower pursuant to Clauses 8.1 (*Additional Amounts*) or 8.3 (*Indemnity Amounts*) or this Clause 10, then, without in any way limiting, reducing or otherwise qualifying the rights of the Lender or the Borrower's obligations under any of the above mentioned provisions, the Lender shall as soon as reasonably practicable upon becoming aware of the same notify the Borrower thereof and, in consultation with the Borrower and to the extent it can lawfully do so and without material prejudice to its own position, take reasonable steps to avoid or mitigate the effects of such circumstances including (without limitation) by the change of its lending office . Provided that the Lender shall be under no obligation to take any such action if, in its reasonable opinion, to do so might have any adverse effect upon its business, operations or financial condition or might be in breach of any provisions of, or any arrangements which it may have made in connection with the Funding Documents.

11. REPRESENTATIONS AND WARRANTIES OF THE BORROWER

The Borrower shall be deemed to make the representations and warranties set out in Clause 11.1 (*Status; Material Subsidiaries*) to Clause 11.12 (*Compliance with Laws*) (inclusive) on the Effective Date and acknowledges that the Lender has entered into this Agreement in reliance on those representations and warranties.

11.1 Status; Material Subsidiaries

It is duly established and validly existing under Ukrainian law as a bank in the form of a joint stock company, has full power and authority to own, lease and operate its assets and properties and conduct its business as it is currently conducted and is able lawfully to execute and perform its obligations and the transactions contemplated under this Agreement. At the date of this Agreement the Borrower has no Material Subsidiaries.

11.2 Governmental Approvals

Save as provided in Clause 13.1 (*Maintenance of Legal Validity*), all actions or things required to be taken, fulfilled or done by the applicable laws and regulations of Ukraine (including, without limitation the obtaining of any authorisation, order, licence or qualification of or with any court or governmental agency) and all registrations, filings or notarisations required by the laws and regulations of Ukraine in order to ensure (i) that the Borrower and each of its Subsidiaries is able to own its assets and carry on its business as currently conducted and, if not, the absence of which could not reasonably be expected to have a Material Adverse Effect and (ii) the due execution, delivery, validity and performance by the Borrower of this Agreement has been obtained, fulfilled or done and is in full force and effect (*provided that* the registration of the amendments introduced to this Agreement by the Amendment and Restatement Deed with the NBU will be obtained upon execution of the Amendment and Restatement Deed but not later than the Effective Date). For the avoidance of doubt, the Borrower makes no representation or warranty in respect of the availability of the Permit, which will be applied for by the Borrower after the Initial Borrowing Date (and, in respect of the amendments introduced by the Amendment and Restatement Deed, after the date of effectiveness thereof), and which may be issued or refused by the NBU in accordance with the powers granted to it under applicable Ukrainian legislation.

11.3 *Pari Passu* Obligations

Under the laws of Ukraine in force at the date of this Agreement, the claims of the Lender against the Borrower under this Agreement in relation to repayment of the Loan will be subordinate in right of payment to the claims of all other creditors preferred by virtue of the applicable laws of Ukraine in case of liquidation (bankruptcy) of the Borrower and all other claims of the Lender on the Borrower hereunder will rank at least *pari passu* in right of payment with the claims of all its other unsecured and unsubordinated creditors, save those whose claims are preferred by any bankruptcy, insolvency, liquidation, moratorium or similar laws of general application.

11.4 No Deduction

Without prejudice to the provisions of Clause 8.1 (*Additional Amounts*), under the laws of Ukraine in force at the date of this Agreement, in accordance with the terms of the Double Tax Treaty and subject to the due satisfaction by the payee of certain conditions set forth therein and of certain requirements of applicable Ukrainian legislation, in particular as provided in Clause 8.2 (*Double Tax Treaty Relief*), payments of interest by the Borrower to the payee under this Agreement may be made without deduction on account of the generally applicable withholding tax (at a rate of 15 per cent.) established by applicable Ukrainian legislation.

11.5 Governing Law

Under the laws of Ukraine in force at the date of this Agreement, in any proceedings taken in Ukraine in relation to this Agreement, the choice of English law as the governing law of this Agreement and any arbitral award with respect to this Agreement obtained in the United Kingdom will be recognised and enforced in Ukraine after compliance with the applicable procedural rules in Ukraine.

11.6 **Admissibility in Evidence**

All acts, conditions and things required to be done, fulfilled and performed (other than by the Lender) to make this Agreement admissible in evidence in Ukraine (whether in arbitration proceedings or otherwise) have been done, fulfilled and performed.

11.7 **Valid and Binding Obligations**

Upon registration of this Agreement with the NBU, the obligations expressed to be assumed by the Borrower in this Agreement will be legal, valid and binding, subject to applicable bankruptcy, insolvency, fraudulent conveyance, reorganisation, moratorium and similar laws relating to or affecting creditors' rights generally and to general principles of equity, enforceable against it.

11.8 **No Stamp Taxes**

Under the laws of Ukraine in force at the date of this Agreement, the execution and delivery of any Funding Document is not subject to any registration tax, stamp duty or similar levy imposed by any Taxing Authority of or in, or having authority to tax in, Ukraine.

11.9 **No Default**

No event has occurred and is continuing or circumstance has arisen and is continuing which would constitute an Event of Default or a Bankruptcy Event.

11.10 **Financial Statements**

The Borrower's audited consolidated financial statements for the financial years ended 31 December 2014 and 2013, which were delivered to the Lender in connection with entry into this Agreement, were prepared in accordance with International Financial Reporting Standards ("**IFRS**") and its reviewed interim condensed consolidated financial statements the three months ended 31 March 2015, which were delivered to the Lender in connection with entry into this Agreement, were prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" (save as otherwise described in the sections entitled "Basis for Qualified Conclusion" and "Qualified Conclusion") and present (in conjunction with the notes thereto) fairly in all material respects (in accordance with the applicable accounting standards) the financial condition of the Group as at the dates as of which they were prepared and the results of the operations of the Group for the periods to which they relate.

11.11 **Execution of Agreements**

Its execution and delivery of this Agreement and its exercise of its rights and performance of its obligations hereunder do not and will not:

(a) conflict with or result in a breach of any of the terms of, or constitute a default under, any material instrument, agreement or order to which the Borrower or any of its Material Subsidiaries is a party or by which it or its properties is bound; or

(b) conflict with the provisions of the constitutional documents of the Borrower or any resolution of its shareholders; or

(c) give rise to any event of default or moratorium in respect of any of the obligations of the Borrower or any of its Material Subsidiaries or the creation of any lien, encumbrance or other security interest (howsoever described) in respect of any of the assets of the Borrower or any of its Material Subsidiaries, which, in any case, could reasonably be expected to have a Material Adverse Effect on the Borrower's ability to perform its obligations under this Agreement.

11.12 Compliance with Laws

The Borrower and each of its Subsidiaries is in compliance with, in all material respects, all applicable laws and regulations.

12. REPRESENTATIONS AND WARRANTIES OF THE LENDER

The Lender makes the representations and warranties set out in Clause 8.6 (*Tax Position of the Lender*) and this Clause 12 on the Effective Date and acknowledges that the Borrower has entered into this Agreement in reliance on those representations and warranties.

12.1 Status

The Lender is a public limited company duly incorporated under the laws of the United Kingdom and is resident for United Kingdom taxation purposes in the United Kingdom and has full corporate power and authority to enter into this Agreement and each Funding Document and to undertake and perform the obligations expressed to be assumed by it herein and therein.

12.2 Authorisation

Each of this Agreement and each Funding Document has been duly authorised, executed and delivered by the Lender and is a legal, valid and binding obligation of the Lender, enforceable against the Lender in accordance with its terms, except that the enforcement thereof may be subject to bankruptcy, insolvency, fraudulent conveyance, reorganisation, moratorium and other similar laws relating to or affecting creditors' rights generally and to general principles of equity.

12.3 Consents and Approvals

All authorisations, consents and approvals required by the Lender for or in connection with the execution of this Agreement and each Funding Document and the performance by the Lender of the obligations expressed to be undertaken in such agreements have been obtained and are in full force and effect.

12.4 No Conflicts

The execution of this Agreement and each Funding Document and the undertaking and performance by the Lender of the obligations expressed to be assumed by it herein and therein will not conflict with, or result in a breach of or default under, the laws of the United Kingdom.

13. COVENANTS

The covenants in this Clause 13 remain in force from the Effective Date for so long as the Loan or any part of it is or may be outstanding.

13.1 Maintenance of Legal Validity

The Borrower shall obtain, comply with the terms of and do all that is necessary to maintain in full force and effect all authorisations, approvals, licences and consents and make or cause to be made all registrations, recordings and filings required in or by the applicable laws and regulations of Ukraine to enable it lawfully to enter into and perform its obligations under this Agreement (including in respect of any payments due hereunder) to which it is a party and to ensure the legality, validity, enforceability or admissibility in evidence in Ukraine of this Agreement.

13.2 Notification of Default

The Borrower shall promptly inform the Lender and the Trustee in writing on becoming aware of the occurrence of any Event of Default or Bankruptcy Event and, upon receipt of a written request to that effect from the Lender or the Trustee, confirm to the Lender and the Trustee that, save as previously notified to the Lender and the Trustee or as notified in such confirmation, no Event of Default or Bankruptcy Event has occurred.

13.3 **Claims *Pari Passu***

The Borrower shall ensure that at all times to the extent possible under Ukrainian law the claims of the Lender and the Trustee against it in respect of the repayment of the Loan under this Agreement rank at least *pari passu* in right of payment with the claims of all other similarly subordinated creditors (and in respect of payment obligations other than the repayment of the Loan, unsubordinated creditors) of the Borrower, save for those claims that are preferred by any bankruptcy, insolvency, liquidation or similar laws of general application.

13.4 **Negative Pledge**

The Borrower shall not and shall not permit any of its Material Subsidiaries, directly or indirectly, to create, incur or suffer to exist any Security Interests, other than Permitted Security Interests, on any of its or their assets, now owned or hereafter acquired, securing any Indebtedness that ranks *pari passu* in right of payment with the Loan or is otherwise subordinated similarly to the Loan or that ranks after the Loan in right of payment or any Guarantee of any such Indebtedness, unless the Loan is secured equally and rateably with such other Indebtedness or Guarantee or otherwise as approved by the Lender and the Trustee and, in particular, no Security Interest shall be created by the Borrower over the proceeds of the Loan to secure the Loan or any other obligations of the Borrower, including obligations of the Borrower under this Agreement.

13.5 **Mergers**

The Borrower shall not, and shall ensure that none of its Material Subsidiaries will, without the prior written consent of the Lender and the Trustee, enter into any reorganisation (whether by way of a merger, accession, division, separation or transformation, as these terms are construed under applicable Ukrainian legislation), or participate in any other type of corporate reconstruction, if any such reorganisation or other type of corporate reconstruction would result in a Material Adverse Effect, *provided that*, the Borrower may in a single transaction or a series of related transactions, directly or indirectly, consolidate or merge with or into, or convey, transfer, lease, or otherwise dispose of, all or substantially all of the Borrower's properties or assets (determined on a consolidated basis), to any Subsidiary of the Borrower, where the resulting, surviving or transferee Person (the "**Successor Entity**"), shall be the Borrower or, if not the Borrower, shall be a Person organised and validly existing under the laws of Ukraine and such Successor Entity, if not the Borrower, shall expressly assume, by an agreement supplemental to this Agreement in form and substance satisfactory to the Lender and the Trustee, executed and delivered to the Lender and the Trustee, the due and punctual payment of the principal and interest under this Agreement and the performance and observance of every covenant of the Borrower under this Agreement.

13.6 **Disposals**

(a) Without prejudice to the provisions of Clause 13.7 (*Transactions with Affiliates)*, the Borrower shall not, and shall ensure that none of its Material Subsidiaries will, within a 12 month period, sell, lease, transfer or otherwise dispose of, to a Person other than the Borrower or a Subsidiary of the Borrower, as the case may be, by one or more transactions or series of transactions (whether related or not), the whole or any part of its revenues or its assets which together constitute more than 10 per cent. of the gross assets of the Group unless such transaction(s) is/are on an arm's-length basis and has/have been approved by a decision adopted by the competent governing body of the Borrower or the relevant Material Subsidiary (as the case may be).

(b) This Clause 13.6 shall not apply to (i) any sale, lease, transfer or other disposition of any assets of the Borrower or property pledged as collateral by or to the Borrower or any of its Subsidiaries in the ordinary course of the Borrower's or, as the case may be, the relevant Subsidiary's business, (ii) any revenues or assets (or any part thereof) the subject of any securitisation of receivables, asset-backed financing or similar financing structure whereby all payment obligations are to be discharged primarily from such assets or revenues *provided that* principal amount raised pursuant to any financing referred to in this sub-clause (ii) when aggregated with the principal amount of any previous and then outstanding such financing and the then outstanding principal amount of any Indebtedness or Guarantee referred to in the proviso to paragraph (g) of the definition of Permitted Security Interests does not exceed an amount equal to 20 per cent. of the Borrower's loans to customers before allowances for impairment (calculated by reference to the Borrower's balance sheet as at the end of its most recent IFRS Fiscal Period) or (iii) any compensation or employee benefit arrangements with any officer or director of the Borrower or any of its Subsidiaries arising as a result of their employment contract.

13.7 **Transactions with Affiliates**

(a) The Borrower shall not, and shall ensure that none of its Subsidiaries, directly or indirectly, conduct any business, enter into or permit to exist any transaction or series of related transactions (including the purchase, sale, transfer, assignment, lease, conveyance or exchange of any property or the rendering of any service) with, or for the benefit of, any Affiliate (an "Affiliate Transaction"), including intercompany loans, unless the terms of such Affiliate Transaction are (taking into account the standing and credit rating of the relevant Affiliate) no less favourable to the Borrower or such Subsidiary, as the case may be, than those that could be obtained in a comparable arm's-length transaction with a Person that is not an Affiliate of the Borrower or any of its Subsidiaries.

(b) With respect to an Affiliate Transaction involving aggregate payments or value in excess of U.S.$15,000,000, the Borrower shall deliver to the Lender and the Trustee a written opinion from an Independent Appraiser to the effect that such Affiliate Transaction is fair, from a financial point of view, to the Borrower, *provided that* in no event shall the aggregate amount of all Affiliate Transactions exceed 35 per cent. of the Group's assets, determined by reference to the Borrower's balance sheet as at the end of its most recent IFRS Fiscal Period.

(c) This Clause 13.7 shall not apply to (i) any Affiliate Transaction made pursuant to a contract existing on the date hereof and advised in writing to the Lender (excluding any amendments or modifications thereof made after the date hereof) or (ii) transactions between or among all or any of the Borrower and/or its Subsidiaries and paragraph (b) of this Clause 13.7 shall not apply to any Affiliate Transaction where the Affiliate in question is an Agency of Ukraine or a Person which is a Subsidiary of an Agency of Ukraine.

13.8 **Payment of Taxes and Other Claims**

The Borrower shall, and shall ensure that its Material Subsidiaries pay or discharge or cause to be paid or discharged, before the same shall become overdue, all Taxes, assessments and governmental charges levied or imposed upon, or upon the income, profits or property of, the Borrower and its Material Subsidiaries; *provided that*, none of the Borrower nor any Material Subsidiary shall be required to pay or discharge or cause to be paid or discharged any such tax, assessment, charge or claim (i) whose amount, applicability or validity is being contested in good faith by appropriate proceedings and for which adequate reserves in accordance with IFRS or other appropriate provision has been made or (ii) whose amount, together with all such other unpaid or undischarged Taxes, assessments, charges and claims, does not in the aggregate exceed U.S.$1,000,000 (or its equivalent in other currencies).

13.9 **Financial Information**

(a) The Borrower hereby undertakes that it will deliver to the Lender and the Trustee within 180 days after the end of each of its financial years, copies of the Borrower's audited financial statements for such financial year, prepared in accordance with IFRS and together with the report of the Auditors thereon.

(b) The Borrower hereby undertakes that it will deliver to the Lender and the Trustee within 120 days after the end of the second quarter of each of its financial years, copies of the Borrower's unaudited financial statements for six months, prepared in accordance with

IFRS. To the extent that the Borrower produces quarterly unaudited financial statements ("**Quarterly Statements**"), prepared in accordance with IFRS, the Borrower further undertakes to provide copies of Quarterly Statements within four months after the end of each quarter.

(c) The Borrower hereby undertakes that it will deliver to the Lender and the Trustee, without undue delay, such additional information regarding the financial position or the business of the Borrower as the Lender or the Trustee may reasonably request.

(d) The Borrower hereby undertakes that it will supply or procure to be supplied to the Lender (in sufficient copies as may reasonably be required by the Lender) with a copy to the Trustee all such information as the Irish Stock Exchange (or any other or further stock exchange or stock exchanges or any other relevant authority or authorities on which the Funding Instruments may, from time to time, be listed or admitted to trading) may require in connection with the listing or admittance to trading of the Funding Instruments.

13.10 Maintenance of Capital Adequacy

The Borrower shall not, and shall ensure that each Subsidiary which carries on a Banking Business shall not, permit its total capital adequacy ratio to fall below the minimum total capital adequacy ratio required by the NBU and, in the case of a Subsidiary which carries on a Banking Business outside Ukraine, the relevant banking authority responsible for setting and/or supervising capital adequacy for financial institutions in the relevant jurisdiction in which such Subsidiary carries on its Banking Business.

13.11 Limitation on restrictions on distributions from Material Subsidiaries

The Borrower shall not, and shall not permit any of its Material Subsidiaries to, create or otherwise cause or permit to exist or become effective any consensual encumbrance or consensual restriction on the ability of any Subsidiary:

(a) to pay dividends or make any other distributions on its share capital;

(b) to make any loans or advances or pay any Indebtedness owed to the Borrower; or

(c) to transfer any of its property or assets to the Borrower

other than encumbrances or restrictions existing under applicable law, any Funding Document or any other agreement in effect prior to the date hereof and advised in writing to the Lender.

13.12 Compliance Certificates

On each Interest Payment Date, the Borrower shall deliver to the Lender and the Trustee written notice in the form of an Officers' Certificate stating whether any Event of Default or Bankruptcy Event has occurred and, if it has occurred and shall be continuing, the action the Borrower is taking or proposes to take with respect thereto.

14. LIMITED ACCELERATION RIGHTS

14.1 Bankruptcy Event

Notwithstanding any other provision in this Agreement to the contrary, if any Bankruptcy Event has occurred and is continuing, the Lender or the Trustee may (i) by notice in writing to the Borrower, declare the facility granted hereunder to be cancelled, whereupon the same shall forthwith be cancelled and/or (ii) by notice in writing to the Borrower, declare all amounts payable hereunder by the Borrower to be due and payable (subject to the provisions of Clause 2.3 (*Subordination*) (whereupon all such amounts shall become due and payable as provided in that notice); and/or (iii) subject to the provisions of Clause 2.3 (*Subordination*) prove in any Bankruptcy Proceedings.

14.2 **Payment Defaults**

The foregoing limitation shall not prejudice the right of the Lender to enforce the obligations of the Borrower under this Agreement when they fall due (subject to the provisions of Clause 2.3 (*Subordination*)), but otherwise the Lender shall have no right to accelerate payments under this Agreement in the case of a default in payments of principal, interest or other amounts due under this Agreement.

14.3 **Notice of Bankruptcy Events, etc.**

The Borrower shall promptly deliver to the Lender and the Trustee, upon it becoming aware thereof, written notice of any event that constitutes, or that, with the giving of notice or the lapse of time, or both, would constitute, a Bankruptcy Event.

14.4 **Rights Not Exclusive**

The Lender may not accelerate the Loan other than pursuant to Clause 14.1 (*Bankruptcy Event*) but, aside from such limited acceleration rights, the rights provided for herein are cumulative and are not exclusive of any other rights, powers, privileges or remedies provided by law.

15. INDEMNITY

15.1 **The Borrower's Indemnity**

(a) The Borrower undertakes to the Lender, that if the Lender and/or the Trustee (each an "**indemnified party**") properly incurs any loss, liability, cost, claim, charge or expense, together with in each case any VAT thereon) (a "Loss") (i) as a result of or in connection with any Event of Default or (ii) as a result of or in connection with the Lender exercising its powers and performing its obligations under this Agreement and the Funding Documents (including, but not limited to, legal fees and expenses), the Borrower shall pay to the Lender and/or the Trustee, as the case may be, subject to the presentation of properly documented evidence thereof (such evidence only to be presented if and to the extent required by applicable law), an amount equal to such Loss and all costs, charges and expenses which it or any indemnified party may pay or incur in connection with investigating, disputing or defending any such action or claim as such costs, charges and expenses are incurred.

(b) **The indemnity in paragraph (a) above shall not apply to a Loss:**

(i) which is caused by an indemnified party's own gross negligence or wilful default, misconduct or fraud;

(ii) which is recovered under Clause 8.1 (*Additional Amounts*); or

(iii) where an indemnity is sought already under Clause 8.3 (*Indemnity Amounts*), 10 (*Changes in Circumstances*) or 18 (*Costs and Expenses*).

15.2 **Independent Obligation**

Clause 15.1 (*The Borrower's Indemnity*) constitutes a separate and independent obligation of the Borrower from its other obligations under or in connection with this Agreement or any other obligations of the Borrower in connection with the issue of the Funding Instruments and shall not affect, or be construed to affect, any other provisions of this Agreement or any such other obligations.

15.3 **Survival**

The obligations of the Borrower pursuant to Clauses 8.1 (*Additional Amounts*), 8.2 (*Double Tax Treaty Relief*), 8.3 (*Indemnity Amounts*), 10 (*Changes in Circumstances*), 15.1 (*The Borrower's*

Indemnity), 15.2 (*Independent Obligation*) and 17.3 (*No Set-off*) shall survive the borrowing and the repayment of the Loan, in each case by the Borrower, and the termination of this Agreement.

16. CURRENCY OF ACCOUNT AND PAYMENT

16.1 Currency of Account

The U.S. dollar is the currency of account and payment for each and every sum at any time due from the Borrower hereunder.

16.2 Currency Indemnity

If any sum due from the Borrower under this Agreement or any order or judgment given or made in relation hereto has to be converted from the currency (the "**first currency**") in which the same is payable hereunder or under such order or judgment into another currency (the "**second currency**") for the purpose of (a) making or filing a claim or proof against the Borrower, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation hereto, the Borrower shall indemnify and hold harmless the Lender and the Trustee from and against any loss suffered or properly incurred as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which the Lender (or, as the case may be, the Trustee) may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

17. PAYMENTS

17.1 Payments to the Lender

On each date on which this Agreement requires an amount denominated in U.S. dollars to be paid by the Borrower, the Borrower shall make the same available to the Lender by payment in U.S. dollars and in Same-Day Funds (or in such other funds as may for the time being be customary for the settlement of international banking transactions in U.S. dollars) not later than 11.00 a.m. (New York City time) on the Business Day falling two Business Days prior to the Interest Payment Date to the Account other than amounts payable (i) in respect of Reserved Rights (as such term is defined in the Trust Deed), (ii) under the Fees Letter or (iii) in relation to Clause 15.1 (*The Borrower's Indemnity*) which the Borrower shall pay to such account or accounts as the Lender and/or the Trustee shall notify to the Borrower; *provided that* if at any time the Trustee notifies the Borrower that a Relevant Event has occurred, the Borrower shall make all subsequent payments, which would otherwise be made to the Account, to such other account as shall be notified by the Trustee to the Borrower. Without prejudice to its obligations under Clause 5.1 (*Payment of Interest*), the Borrower shall procure that, before 10.00 a.m. (London time) on two Banking Days before the due date of each payment made by it under this Clause 17.1, the bank effecting payment on its behalf confirms to the Lender or the Trustee (as the case may be) or to such person as the Lender or the Trustee may direct by tested telex or authenticated SWIFT message the payment instructions relating to such payment. The Lender and/or the Trustee shall use their reasonable endeavours to provide the Borrower with information and documents as may be required by the applicable Ukrainian legislation for the purposes of making payments by the Borrower to any account other than the Account.

17.2 Alternative Payment Arrangements

If, at any time, it shall become impracticable (by reason of any action of any governmental authority or any change of law, exchange control regulations or any similar event) for the Borrower to make any payments under this Agreement in the manner specified in Clause 17.1 (*Payments to the Lender*), then the Borrower may agree with the Lender (or, as the case may be, the Trustee) alternative arrangements for the payment to the Lender (or, as the case may be, the Trustee) of amounts due (prior to the delivery of any notice referred to in Clause 17.1 (*Payments to the Lender*)) under this Agreement *provided that*, in the absence of any such agreement with the Lender (or, as the case may be, the Trustee), the Borrower shall be obliged to make all payments due to the Lender (or, as the case may be, the Trustee) in the manner specified above.

17.3 **No Set-off**

All payments required to be made by the Borrower hereunder shall be calculated without reference to any set-off or counterclaim and shall be made free and clear of and without any deduction for or on account of any set-off or counterclaim.

18. COSTS AND EXPENSES

18.1 **Transaction Expenses and Fees**

The Borrower agrees that it shall make the payments to the Lender as specified in the Fees Letter.

18.2 **Preservation and Enforcement of Rights**

The Borrower shall, from time to time on written demand of the Lender (or, as the case may be, the Trustee) reimburse the Lender (or, as the case may be, the Trustee) for all properly incurred costs and expenses (including legal fees and expenses) provided that (if and to the extent required by applicable law) such cost and expenses are properly documented together with any VAT thereon properly incurred in or in connection with the preservation and/or enforcement of any of its rights under this Agreement (except where the relevant claim is successfully defended by the Borrower).

18.3 **Stamp Taxes**

The Borrower shall pay all stamp, registration and other similar duties or Taxes (including any interest or penalties thereon or in connection therewith) to which the Funding Documents or any judgment given against the Borrower in connection therewith is or at any time may be subject and shall, from time to time on written demand of the Lender (or the Trustee), indemnify the Lender (or, as the case may be, the Trustee) against any liabilities, losses, costs, expenses (including, without limitation, legal fees and any applicable value added tax) and claims, actions or demand (such liabilities, losses, costs, expenses, claims, actions, or demand to be properly documented if and to the extent required by applicable law) resulting from any failure to pay or any delay in paying any such duty or tax.

18.4 **Costs Relating to Amendments and Waivers**

The Borrower shall, from time to time on written demand of the Lender (or the Trustee) (and without prejudice to the provisions of Clause 15.1 (*The Borrower's Indemnity*) and Clause 18.2 (*Preservation and Enforcement of Rights*)) pay to the Lender (and, as the case may be, the Trustee) at such daily and/or hourly rates as the Lender (or, as the case may be, the Trustee) shall from time to time reasonably determine for all time expended by the Lender (or, as the case may be, the Trustee), their respective directors, officers and employees, and for all costs and expenses (including telephone, fax, copying and travel costs) they may properly incur (such costs and expenses to be properly documented if and to the extent required by applicable law), in connection with the Lender (and, as the case may be, the Trustee) taking such action as it may consider appropriate in connection with:

(a) any meeting of holders of the Funding Instruments or the granting or proposed granting of any waiver or consent requested under this Agreement by the Borrower;

(b) any actual or potential breach by the Borrower of any of its obligations under this Agreement;

(c) the occurrence of any event which is an Event of Default; or

(d) any amendment or proposed amendment to this Agreement or any Funding Document requested by the Borrower.

In that regard, the Lender shall, promptly upon request by the Borrower, convene a meeting of the holders of the Funding Instruments in accordance with the terms and conditions of the Funding Instruments and the provisions of the Funding Documents.

19. ASSIGNMENTS AND TRANSFERS

19.1 Binding Agreement

This Agreement shall be binding upon and enure to the benefit of each party hereto and its or any subsequent successors and assigns.

19.2 No Assignments and Transfers by the Borrower

The Borrower shall not be entitled to assign or transfer all or any of its rights, benefits and obligations hereunder.

19.3 Assignments by the Lender

Subject to the Funding Documents and applicable law, the Lender may not assign or transfer, in whole or in part, any of its rights and benefits or obligations under this Agreement except for the charge by way of first fixed charge granted by the Lender in favour of the Trustee of the Lender's rights and benefits under this Agreement and the absolute assignment by way of security by the Lender to the Trustee of certain rights, interest and benefits under this Agreement and to the Account, in each case pursuant to the Funding Documents. If and to the extent required by applicable law or regulation of Ukraine, assignment or transfer by the Lender of its rights and benefits or obligations under this Agreement shall become effective upon registration with the NBU of an assignee or a transferee as the Lender under this Agreement.

20. CALCULATIONS AND EVIDENCE OF DEBT

20.1 Evidence of Debt

The Lender shall maintain accounts evidencing the amounts from time to time lent by and owing to it hereunder and in any legal action or proceeding arising out of or in connection with this Agreement, in the absence of manifest error and subject to the provision by the Lender to the Borrower of written information describing in reasonable detail the calculation or computation of such amounts together with the relevant supporting documents evidencing the matters described therein, the entries made in such accounts shall be conclusive evidence of the existence and amounts of the obligations of the Borrower therein recorded.

20.2 Change of Circumstance Certificates

A certificate signed by two Authorised Signatories of the Lender (or, as the case may be, the Trustee) describing in reasonable detail the amount by which a sum payable to it hereunder is to be increased under Clause 8.1 (*Additional Amounts*) or the amount for the time being required to indemnify it against any such cost, payment or liability as is mentioned in Clause 8.3 (*Indemnity Amounts*) or Clause 10.1 (*Increased Costs*) or Clause 15.1 (*The Borrower's Indemnity*) shall, in the absence of manifest error, be conclusive evidence of the existence and amounts of the specified obligations of the Borrower.

21. REMEDIES AND WAIVERS, PARTIAL INVALIDITY

21.1 Remedies and Waivers

No failure by the Lender or the Trustee to exercise, nor any delay by the Lender or the Trustee in exercising, any right or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right or remedy prevent any further or other exercise thereof or the exercise of any other right or remedy. The rights and remedies herein provided are cumulative and not exclusive of any rights or remedies provided by law.

21.2 **Partial Invalidity**

If, at any time, any provision hereof is or becomes illegal, invalid or unenforceable in any respect under the law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions hereof nor the legality, validity or enforceability of such provision under the law of any other jurisdiction shall in any way be affected or impaired thereby.

22. NOTICES; LANGUAGE

22.1 **Written Notice**

All notices, requests, demands or other communication to be made under this Agreement shall be in writing and, unless otherwise stated, shall be delivered by fax or post.

22.2 **Giving of Notice**

(a) Any communication or document to be delivered by one person to another pursuant to this Agreement shall (unless that other person has by 15 days' written notice specified another address) be made or delivered to that other person, addressed as follows:

(i) If to the Borrower:

Public Joint Stock Company "State Savings Bank of Ukraine"
12G Hospitalna Street
Kyiv, 01001
Ukraine

Attention:	Chairman of the Management Board and External Borrowings Department
Tel:	+380 44 247 85 40
Fax:	+380 44 247 85 37
Email:	IREF@oschadbank.ua

If to the Lender:

SSB No.1 PLC
4th Floor
40 Dukes Place
London EC3A 7NH
United Kingdom

Tel:	+44 (0) 20 3367 8200
Fax:	+44 (0) 20 3174 0246
Email:	spvservices@capitafiduciary.co.uk
Attention:	The Directors

(ii) If to the Trustee:

BNY Mellon Corporate Trustee Services Limited
One Canada Square
London E14 5AL
United Kingdom

Attention:	Trustee Administration Manager
Fax:	+44 (0)207 964 2509

(b) Each communication and document to be made or delivered by one party to another pursuant to this Agreement shall, unless that other party has by 15 calendar days' written notice to the same specified another address or fax number, be made or delivered to that other party at the address or fax number specified in this Clause 22.2 and shall be effective upon receipt by the addressee on a business day in the city of the recipient; *provided that*, (i) any such communication or document which would otherwise take effect after 4:00 p.m. on any particular business day shall not take effect until 10:00 a.m. on the immediately succeeding business day in the city of the addressee and (ii) any communication or document to be made or delivered by one party to the other party shall be effective only when received by such other party and then only if the same is expressly marked for the attention of the department or officer identified with such other party's signature below, or such other department or officer as such other party shall from time to time specify for this purpose.

22.3 **English Language**

Each communication and document delivered by one party to another pursuant to this Agreement shall be in the English language or accompanied by a translation into English certified (by an officer of the person delivering the same) as being a true and accurate translation. In the event of any discrepancies between the English and Ukrainian versions of such communication or document, or any dispute regarding the interpretation of any provision in the English or Ukrainian versions of such communication or document, the English version of such communication or document shall prevail, unless the document is a statutory or other official document.

22.4 **Language of Agreement**

This Agreement has been executed in both the English language and the Ukrainian language. In the event of any discrepancies between the English and Ukrainian versions of this Agreement, or any dispute regarding the interpretation of any provision in the English or Ukrainian versions of this Agreement, the English version of this Agreement shall prevail and any question of interpretation shall be addressed solely in the English language.

23. GOVERNING LAW AND ARBITRATION

23.1 **English Law**

This Agreement, including any non-contractual obligations arising out of or in connection with this Agreement, is governed by, and shall be construed in accordance with, English law.

23.2 **Arbitration**

The parties to this Agreement agree that any claim, dispute or difference of whatever nature arising under, out of or in connection with this Agreement (including a claim, dispute or difference regarding its existence, termination or validity) (a "**Dispute**"), shall be referred to and finally settled by arbitration in accordance with the Rules of the LCIA (the "**Rules**") as at present in force and as modified by this Clause 23.2, which Rules shall be deemed incorporated into this Clause 23.2. The number of arbitrators shall be three, one of whom shall be nominated by the claimant(s), one by the respondent(s) and the third of whom, who shall act as chairman, shall be nominated by the two party-nominated arbitrators. The parties may nominate and the LCIA Court may appoint arbitrators from among the nationals of any country, whether or not a party is a national of that country. The seat of arbitration shall be London, England and the language of arbitration shall be English. Sections 45 and 69 of the Arbitration Act 1996 shall not apply.

23.3 **Service of Process**

The Borrower agrees that the documents which start any proceedings commenced in the English courts in support of or in connection with, an arbitration commenced in accordance with Clause 23.2 (the "**Proceedings**") and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to Law Debenture Corporate Services Limited, Fifth Floor, 100 Wood Street, London, EC2V 7EX, United Kingdom. If such person is not or ceases to be effectively appointed to accept service of process on behalf of the Borrower, the Borrower shall, on the written demand of the Lender addressed to the Borrower and delivered to the Borrower appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days, the Lender shall be entitled to appoint such a person by written notice addressed to the Borrower and delivered to the Borrower. Nothing in this paragraph shall affect the right of the Lender to serve process in any other manner permitted by law. This Clause 23.3 applies to Proceedings in England and to Proceedings elsewhere.

23.4 **Waiver of Immunity**

To the extent that the Borrower may in any jurisdiction claim for itself, its assets or revenue, immunity from suit, execution, attachment (whether in aid of execution, before making a judgement, aware or otherwise) or other legal proceedings, including in relation to an enforcement of an arbitral award, and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Borrower, its assets or revenue, the Borrower agrees not to claim and irrevocably waives such immunity to the fullest extent permitted by the law of such jurisdiction.

24. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

A person who is not a party to this Agreement has no rights under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Agreement, other than the Trustee in relation to Clause 8.1 (*Additional Amounts*), Clause 13 (*Covenants*), Clause 14 (*Limited Acceleration Rights*), Clause 15 (*Indemnity*), Clause 16.2 (*Currency Indemnity*), Clause 17.1 (*Payments to the Lender*), Clause 18.2 (*Preservation and Enforcement of Rights*), Clause 18.3 (*Stamp Taxes*) and Clause 18.4 (*Costs Relating to Amendments and Waivers*) and Clause 23 (*Governing Law and Arbitration*), but this does not affect any right or remedy of a third party which exists or is available apart from that Act.

25. PERMIT

In case of extension of the term of this Agreement, (i) the validity of any Permit shall not be automatically extended, and (ii) pursuant to the applicable NBU regulations, the Borrower will be required to amend the provisions of this Agreement in compliance with the requirements of the Ukrainian legislation (including the Instruction on the Regulation of the Activity of Banks in Ukraine, approved by Resolution of the Board of the Central Bank No. 368 dated 28 August 2001) as in effect as at the date of execution of the relevant amendment agreement and apply to the NBU for an extension of the Permit. If and for so long as, and to the extent that, any Permit is revoked or cancelled by the NBU or otherwise and/or the Loan or any part thereof otherwise fails to qualify as Tier 2 capital of the Borrower (excluding where any part of the Loan is not included as Tier 2 capital of the Borrower pursuant to the amortisation of such inclusion as provided under the NBU regulation), the limitations under this Agreement generally applicable under Ukrainian law to agreements for borrowing funds on subordinated terms shall not apply, to the extent not prohibited by Ukrainian law, to the Loan or such part thereof, as the case may be.

26. TRANSACTIONS WITH THE LENDER OR ITS RELATED ENTITIES

(a) If and to the extent required by the NBU regulations and save as described in paragraph (b) below, during the term of this Agreement the Borrower may not enter into agreements pursuant to which: (i) an obligation arises (or may arise) for the Borrower to transfer funds or property to the Lender; and/or (ii) financial or property commitments are (or may be) established from the Borrower to the Lender; and/or (iii) the Borrower obtains (or may obtain) a right of claim against the Lender.

(b) For the avoidance of doubt and notwithstanding the provisions of paragraph (a) of this Clause 26:

(i) the Borrower may enter into and perform its obligations under settlement transactions with the Lender pursuant to agreements providing for receipt of loans or other funds by the Borrower from the Lender and repayment thereof, together with all principal, interest, charges and other payments under the respective loan or other agreements, including, but not limited to the Senior Loan Agreements and this Agreement, and

(ii) the correspondent accounts of the Borrower may be debited or credited at the instruction of the Lender regarding its own operations or operations of its clients or correspondents.

(c) Pursuant to NBU regulations, during the term of this Agreement, the aggregate amount of all claims of the Borrower towards any related entities (as defined by reference to the applicable NBU regulations) of the Lender and/or financial and property commitments granted to such related entities may not exceed 5 per cent. of the Borrower's regulatory capital.

27. NBU REGISTRATION REQUIREMENTS

27.1 Registration

The Original Loan Agreement became effective on the date of its registration with the NBU which was evidenced by the Borrower's loan registration notice, the registration notation and the stamp of the NBU.

This Agreement (as amended and restated pursuant to the Amendment and Restatement Deed) shall become effective on the Effective Date.

27.2 Maximum Interest Rate

Notwithstanding any other provisions in this Agreement to the contrary, to the extent required by the mandatory provisions of the applicable regulations of the NBU (and only for so long as such requirements are in effect):

(a) if the Borrower obtains a Permit within the period prescribed by the applicable regulations of the NBU and for so long as such Permit (as may be extended and/or replaced pursuant to the provisions of the applicable NBU regulations) remains in effect, the amount of payments under this Agreement (including fees, penalties and any other payments under this Agreement) during the whole period thereof shall not exceed the amount of payments calculated by reference to the maximum interest rate established by the NBU for borrowings on subordinated debt terms effective as at the date of this Agreement or any amendment thereto relating to extension of the Final Repayment Date;

(b) if the Borrower fails to obtain a Permit within the period prescribed by the applicable regulations of the NBU or if, and for so long as, such Permit is revoked or cancelled by the NBU (other than a revocation or cancellation due to extension and/or replacement of such Permit pursuant to the applicable NBU regulation), the amount of payments under this Agreement (calculated at the rate of interest established by this Agreement, including fees, penalties and other payments arising under this Agreement and including those which are penalties for undue fulfilment of the terms and conditions of this Agreement) during the whole period thereof shall not exceed the amount of payments calculated by reference to the maximum interest rate established by the NBU for foreign currency loans from non-residents effective as at the date of the filing for, and specified at the time of, registration of this Agreement or any amendments thereto with the NBU.

For the avoidance of doubt, any application of this requirement shall not limit the rights of the Lender (and/or the Trustee, as relevant) under Clause 14 (*Limited Acceleration Rights*) of this Agreement.

27.3 **Amendments and Supplements**

If and to the extent required by any law or regulation of Ukraine applicable at the time of making any amendment or supplement to this Agreement, such amendment or supplement shall become effective upon registration thereof with the NBU.

If and to the extent required by applicable NBU regulations, prior to making any amendment of this Agreement, such amendment shall be agreed with the appropriate department or division of the NBU, to which the Borrower shall send a notarised copy of the executed amendment within five Business Days of the execution thereof.

SCHEDULE 1

Form of Officers' Certificate

[*On the letterhead of the Borrower*]

[*date*]

To: SSB No.1 PLC
4th Floor
40 Dukes Place
London EC3A 7NH
United Kingdom

cc: BNY Mellon Corporate Trustee Services Limited
One Canada Square
London E14 5AL
United Kingdom

Attn: Corporate Trust Administration

Dear Sirs,

Re: U.S.$100,000,000 Loan Agreement dated 29 December 2006 as amended by the supplemental loan agreements dated 19 January 2007 and 29 November 2007 and as amended and restated by the amendment and restatement deed dated 9 November 2015 (the "Loan Agreement") between Public Joint Stock Company "State Savings Bank of Ukraine" and SSB No.1 PLC

We refer to [Clause 13.12 (*Compliance Certificates*)/Clause 13.2 (*Notification of Default*)/Clause 7.2 (*Repayment for Tax Reasons and Change in Circumstances*)/Clause 7.3 (*Repayment for Illegality*)/Clause 7.4 (*Repayment in the event of a Change of Control*)][1] of the Loan Agreement. Terms used and defined in the Loan Agreement are used herein as so defined.

We confirm that [up to and including the date hereof no Event of Default or Bankruptcy Event has occurred and is continuing/*specify any Event of Default or Bankruptcy Event which has occurred and is continuing, and if so, what action the Borrower is taking or proposes to take with respect thereto*/*specify circumstance giving rise to right of repayment*][2].

Yours faithfully,

Public Joint Stock Company "State Savings Bank of Ukraine"

By: ___________________________
Name:
Title:

---

1 Delete as applicable.
2 Delete and/or complete as applicable

SCHEDULE 3 – FINANCIAL STATEMENTS

ANNEX 1 – CONSOLIDATED FINANCIAL STATEMENTS OF THE BANK

Public Joint Stock Company "STATE SAVINGS BANK OF UKRAINE"

Interim Condensed Consolidated Financial Statements and Independent Auditor's Report
for the Six Months Ended 30 June 2015

PUBLIC JOINT STOCK COMPANY “STATE SAVINGS BANK OF UKRAINE”

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PUBLIC JOINT STOCK COMPANY "STATE SAVINGS BANK OF UKRAINE"

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

Management is responsible for the preparation of the interim condensed consolidated financial statements that present fairly the consolidated financial position of Public Joint Stock Company "State Savings Bank of Ukraine" (the "Bank") and the companies controlled by the Bank (its subsidiary and special purpose entity) (collectively, the "Group") as at 30 June 2015, and consolidated results of its operations, cash flows, and changes in equity for the six months then ended, and a summary of significant accounting policies and other explanatory notes, in compliance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting".

In preparing the interim condensed consolidated financial statements, management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable, and understandable information;
- Providing additional disclosures when compliance with the requirements of IAS 34 "Interim Financial Reporting" is insufficient to enable users of the interim condensed consolidated financial statements to understand the impact of particular transactions, other events, and conditions on the Group's consolidated financial position and consolidated financial performance;
- Stating whether the requirements of IAS 34 "Interim Financial Reporting" have been followed, subject to any material departures disclosed and explained in the interim condensed consolidated financial statements; and
- Making an assessment of the Group's ability to continue as a going concern in the foreseeable future.

Management is also responsible for:

- Designing, implementing, and maintaining an effective and sound system of internal controls, throughout the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the interim condensed consolidated financial statements of the Group comply with IAS 34 "Interim Financial Reporting";
- Maintaining statutory accounting records in compliance with the legislation of Ukraine;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.

The interim condensed consolidated financial statements of the Group for the six months ended 30 June 2015 were approved for issue by the Bank's Management Board on 30 October 2015.

On behalf of the Management Board:

A. H. Pyshnyy,
Chairman of the Management Board

30 October 2015

G. S. Kostenko,
Chief Accountant

30 October 2015

Deloitte.

PJSC "Deloitte & Touche USC"
48, 50a, Zhylianska St.
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INDEPENDENT AUDITOR'S REPORT

To Shareholder and the Management Board of Public Joint Stock Company "State Savings Bank of Ukraine":

We have audited the accompanying interim condensed consolidated financial statements of Public Joint Stock Company "State Savings Bank of Ukraine" (the "Bank") and the companies controlled by the Bank (its subsidiary and special purpose entity) (collectively, the "Group"), which comprise the interim condensed consolidated statement of financial position as at 30 June 2015, and the interim condensed consolidated statement of profit or loss and other comprehensive income, the interim condensed consolidated statement of changes in equity, and the interim condensed consolidated statement of cash flows for the six months then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the interim condensed consolidated financial statements

Management is responsible for the preparation and fair presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting", and for such internal control as management determines is necessary to enable the preparation of the interim condensed consolidated 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 interim condensed consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the interim condensed consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the interim condensed consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the interim condensed consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the interim condensed consolidated 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 Group'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 interim condensed consolidated financial statements.

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

Basis for qualified opinion

As discussed in Note 3 to the interim condensed consolidated financial statements, the Group has adopted the revaluation model for subsequent measurement of its buildings which requires it to conduct revaluations with sufficient regularity so that the carrying amounts as at the reporting date do not differ materially from those using fair values. The last revaluation of buildings was performed as at 31 December 2011. Significant economic changes that took place after that date, including the increased property values in Ukraine in the equivalent UAH amounts as a result of the depreciation of the national currency, indicate that potential significant changes in the fair values of the buildings may have taken place. No revaluation was performed as at 30 June 2015, which is not in line with International Financial Reporting Standards. In the absence of the current independent revaluation results, we were unable to assess the effects of the excess of fair value of Group's buildings over their book value as at 30 June 2015 and the respective impact of this matter on the revaluation reserve and deferred tax liabilities as at the above date, as well as the depreciation charges and income tax expense for the six months ended 30 June 2015.

Qualified opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion above, the interim condensed consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 30 June 2015, and its consolidated financial performance and its consolidated cash flows for the six months then ended in accordance with IAS 34 "Interim Financial Reporting".

Emphasis of matter

We draw attention to Note 2 to these interim condensed consolidated financial statements.
The impact of the continuing economic crisis and political turmoil in Ukraine and their final resolution are unpredictable and may adversely affect the Ukrainian economy and the operations of the Group. Our opinion is not qualified in respect of this matter.

We draw attention to Notes 28 and 33 to these interim condensed consolidated financial statements which disclose a significant concentration of operations with related parties and concentration risk management policies of the Group. Our opinion is not qualified in respect of this matter.

Deloitte & Touche

30 October 2015

PUBLIC JOINT STOCK COMPANY "STATE SAVINGS BANK OF UKRAINE"

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2015
(in Hryvnias and in thousands, except for earnings per share stated in UAH)

	Notes	For the six months ended 30 June 2015	For the six months ended 30 June 2014
Interest income	5, 28	8,621,279	6,841,878
Interest expense	5, 28	(5,920,678)	(3,740,199)
NET INTEREST INCOME BEFORE PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS		2,700,601	3,101,679
Provision for impairment losses on interest bearing assets	6, 28	(8,204,593)	(619,870)
NET INTEREST (LOSS)/INCOME		(5,503,992)	2,481,809
Fee and commission income	7, 28	946,155	770,173
Fee and commission expense	7, 28	(229,271)	(159,224)
Net loss on foreign exchange operations	8	(4,211,171)	(1,057,945)
Net gain on transactions with financial instruments at fair value through profit or loss	10, 28	1,430,923	146,627
Net gain on investments available for sale	28	1,541	2,796
Provision for impairment losses on other operations	6	(166,030)	(52,288)
Net other income		64,565	97,504
NET NON-INTEREST LOSS		(2,163,288)	(252,357)
OPERATING (LOSS)/INCOME		(7,667,280)	2,229,452
OPERATING EXPENSE	9, 28	(1,976,904)	(1,913,918)
(LOSS)/PROFIT BEFORE INCOME TAX		(9,644,184)	315,534
Income tax expense		(2)	(94,604)
NET (LOSS)/PROFIT FOR THE PERIOD		**(9,644,186)**	**220,930**
Attributable to:			
Shareholder of the Bank		(9,645,394)	221,909
Non-controlling interest		1,208	(979)
(LOSSES)/EARNINGS PER SHARE			
Weighted average number of ordinary shares for the purposes of basic and diluted (losses)/earnings per share	11	25,777	15,778
Basic and diluted (losses)/earnings per share (in Hryvnias)	11	(374,186)	14,064
OTHER COMPREHENSIVE INCOME:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating a foreign operation to reporting currency		188	484
Net change in fair value of investments available for sale, net of deferred income tax effect		(1,016,588)	(1,000,615)
Reclassification of investments available for sale realized during the period, net of deferred income tax effect		1,230,862	587,138
OTHER COMPREHENSIVE INCOME/(LOSS)		214,462	(412,993)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**(9,429,724)**	**(192,063)**
Attributable to:			
Shareholder of the Bank		(9,430,932)	(191,084)
Non-controlling interest		1,208	(979)

On behalf of the Management Board:

A. H. Pyshnyy,
Chairman of the Management Board

30 October 2015

G. S. Kostenko,
Chief Accountant

30 October 2015

Executed by: Rybalka, O. V., 279-71-16, Zadniprovskyi, K. H., 278-60-22

The accompanying notes on pages from 9 to 57 form an integral part of these interim condensed consolidated financial statements.

PUBLIC JOINT STOCK COMPANY "STATE SAVINGS BANK OF UKRAINE"

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2015

(in Hryvnias and in thousands)

	Notes	30 June 2015	31 December 2014
ASSETS:			
Cash and balances with the National Bank of Ukraine	12, 28	4,907,855	4,532,863
Due from banks	13, 28	22,121,160	8,022,444
Financial instruments at fair value through profit or loss	14, 28	5,399,892	4,252,179
Loans to customers	15, 28	65,142,683	70,236,315
Investments available for sale	16, 28	30,033,711	26,318,815
Investments held to maturity	17, 28	7,058,706	6,890,726
Property and equipment and intangible assets	18	3,333,238	3,374,835
Deferred income tax assets		80,384	80,384
Other assets	19	696,713	605,583
TOTAL ASSETS		138,774,342	124,314,144
LIABILITIES AND EQUITY:			
LIABILITIES:			
Due to banks	20, 28	23,226,771	22,176,386
Customer accounts	21, 28	70,343,665	56,208,996
Eurobonds issued	22	25,798,404	19,340,460
Other borrowed funds	23	6,728,267	5,251,900
Other liabilities	24, 28	719,782	442,381
Subordinated debt	25	2,149,885	1,656,729
Total liabilities		128,966,774	105,076,852
EQUITY:			
Share capital	26	30,153,460	30,153,460
Property revaluation reserve		1,237,002	1,237,084
Investments available for sale revaluation reserve		(1,016,588)	(1,230,862)
Cumulative translation difference		1,050	862
Accumulated deficit		(20,579,269)	(10,933,957)
Total equity attributable to the Bank's shareholder		9,795,655	19,226,587
Non-controlling interest		11,913	10,705
Total equity		9,807,568	19,237,292
TOTAL LIABILITIES AND EQUITY		138,774,342	124,314,144

On behalf of the Management Board:

A. H. Pyshnyy,
Chairman of the Management Board

30 October 2015

G. S. Kostenko,
Chief Accountant

30 October 2015

Executed by: Rybalka, O. V., 279-71-16, Zadniprovskyi, K. H., 278-60-22

The accompanying notes on pages from 9 to 57 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2015

(in Hryvnias and in thousands)

	Notes	Share capital	Property revaluation reserve	Investments available for sale revaluation reserve	Cumulative translation difference	Retained earnings/ (accumulated deficit)	Total equity attributable to the Bank's shareholder	Non-controlling interest	Total equity
31 December 2013		17,481,716	1,332,844	(587,138)	-	965,278	19,192,700	11,780	19,204,480
Distribution of profit share based on the financial results of the year	26	-	-	-	-	(213,030)	(213,030)	-	(213,030)
Other comprehensive (loss)/income for the period, net of income tax		-	(383)	(413,477)	484	383	(412,993)	-	(412,993)
Profit/(loss) for the period		-	-	-	-	221,909	221,909	(979)	220,930
30 June 2014		17,481,716	1,332,461	(1,000,615)	484	974,540	18,788,586	10,801	18,799,387
31 December 2014		30,153,460	1,237,084	(1,230,862)	862	(10,933,957)	19,226,587	10,705	19,237,292
Other comprehensive (loss)/income for the period, net of income tax		-	(82)	214,274	188	82	214,462	-	214,462
(Loss)/profit for the period		-	-	-	-	(9,645,394)	(9,645,394)	1,208	(9,644,186)
30 June 2015		30,153,460	1,237,002	(1,016,588)	1,050	(20,579,269)	9,795,655	11,913	9,807,568

On behalf of the Management Board:

A. H. Pyshnyy,
Chairman of the Management Board

30 October 2015

G. S. Kostenko,
Chief Accountant

30 October 2015

Executed by: Rybalka, O. V., 279-71-16, Zadniprovskyi, K. H., 278-60-22

The accompanying notes on pages from 9 to 57 form an integral part of these interim condensed consolidated financial statements.

PUBLIC JOINT STOCK COMPANY "STATE SAVINGS BANK OF UKRAINE"

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2015
(in Hryvnias and in thousands)

	Notes	For the six months ended 30 June 2015	For the six months ended 30 June 2014
CASH FLOWS FROM OPERATING ACTIVITIES:			
Interest received		6,988,615	4,970,720
Interest paid		(6,118,189)	(3,669,708)
Fees and commissions received		945,660	772,793
Fees and commissions paid		(229,149)	(159,236)
Foreign currency operations	8	172,787	(277,959)
Transactions with financial instruments at fair value through profit or loss	10	280,785	(53,249)
Other operating income received		47,467	87,168
Staff costs paid		(1,180,628)	(1,147,234)
Operating expense paid		(531,385)	(481,179)
Cash flows from operating activities before changes in operating assets and liabilities		375,963	42,116
Changes in operating assets and liabilities			
Decrease/(increase) in operating assets:			
Restricted balances with the National Bank of Ukraine	12	-	150,869
Due from banks		247,410	693,209
Loans to customers		6,544,939	(3,366,611)
Other assets		(121,470)	(160,665)
Increase/(decrease) in operating liabilities:			
Due to banks		429,234	1,419,447
Customer accounts		9,251,057	(6,644,127)
Other liabilities		133,237	144,517
Net cash inflow/(outflow) from operating activities before income tax		16,860,370	(7,721,245)
Income taxes paid		(10,078)	(203,566)
Net cash inflow/(outflow) from operating activities		16,850,292	(7,924,811)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of investments available for sale		(161,513,246)	(36,000,038)
Proceeds on sale and redemption of investments available for sale		158,818,393	40,689,891
Acquisition of property and equipment and intangible assets		(156,402)	(354,199)
Proceeds on sale of property and equipment		348	1,113
Net cash (outflow)/inflow from investing activities		(2,850,907)	4,336,767
CASH FLOWS FROM FINANCING ACTIVITIES:			
Distribution of profit share based on the financial results of the year	26	-	(213,030)
Proceeds on other borrowed funds		-	980,827
Net cash inflow from financing activities		-	767,797

PUBLIC JOINT STOCK COMPANY "STATE SAVINGS BANK OF UKRAINE"

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2015 (CONTINUED)
(in Hryvnias and in thousands)

	Notes	For the six months ended 30 June 2015	For the six months ended 30 June 2014
Effect of changes in foreign exchange rates on cash and cash equivalents		1,370,861	604,174
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		15,370,246	(2,216,073)
CASH AND CASH EQUIVALENTS, at the beginning of the period	12	10,603,119	7,624,271
CASH AND CASH EQUIVALENTS, at the end of the period	12	25,973,365	5,408,198

On behalf of the Management Board:

A. H. Pyshnyy,
Chairman of the Management Board

30 October 2015

G. S. Kostenko,
Chief Accountant

30 October 2015

Executed by: Rybalka, O. V., 279-71-16, Zadniprovskyi, K. H., 278-60-22

The accompanying notes on pages from 9 to 57 form an integral part of these interim condensed consolidated financial statements.

(in Hryvnias and in thousands)

1. ORGANIZATION

The Bank is a legal successor of the State Specialized Commercial Savings Bank of Ukraine registered by the National Bank of Ukraine (the "NBU") on 31 December 1991, registration number 4. Open Joint Stock Company "State Savings Bank of Ukraine" was established in accordance with the Decree of the President of Ukraine # 106 dated 20 May 1999 and the Resolution of the Cabinet of Ministers of Ukraine # 876 dated 21 May 1999, by converting the State Specialized Commercial Savings Bank of Ukraine into Joint Stock Company "State Savings Bank of Ukraine" in the form of an open joint stock company. Open Joint Stock Company "State Savings Bank of Ukraine" was registered by the NBU on 26 May 1999, registration number 4. The change in its name to Public Joint Stock Company "State Savings Bank of Ukraine" was registered on 7 June 2011.

The Bank has been operating under a banking license issued by the National Bank of Ukraine effective from 5 October 2011. The Bank has a general license issued by the NBU for conducting foreign currency transactions and a license issued by the National Commission for Securities and Stock Market (the "NCSSM") for operations with securities.

The Bank's primary business activities are represented by processing banking accounts and attracting deposits from legal entities and individuals, originating loans, transferring payments, trading in securities, and operating with foreign currencies.

The Bank's strategic objective is to implement modern banking technologies and products to ensure its operating efficiency and well-balanced and sustainable growth in the long-term perspective.

The Bank is not a member of the Individual Deposit Guarantee Fund, since all the deposits placed by individuals are guaranteed by the state.

As at 30 June 2015 and 31 December 2014, 100% of the Bank's share capital was state-owned.

The registered address of the Bank is: 12g Hospitalna Str., Kyiv, 01001, Ukraine.

As at 30 June 2015 and 31 December 2014, the Bank had 23 regional branches, the Main Branch in Kyiv and Kyivska Region, the Main Operational Branch; 4,747 and 4,949 separate operational outlets within Ukraine.

As at 30 June 2015 and 31 December 2014, the Bank employed 31,537 persons and 34,354 persons, respectively.

A group of companies to which the Bank is the parent and which are consolidated in these interim condensed consolidated financial statements comprises:

Name	**Country of operation**	**Participation/voting interest (%) as at 30 June 2015**	**Participation/voting interest (%) as at 31 December 2014**	**Type of activities**
Public Joint Stock Company "State Savings Bank of Ukraine"	Ukraine	Parent		Banking
PJSC "Home Loans Refinancing Agency"	Ukraine	70.86	70.86	Loan refinancing
SSB NO. 1 Plc	United Kingdom	-	-	Special purpose entity for Eurobonds issuing

PJSC "Home Loans Refinancing Agency" was established in the form of a public joint stock company in accordance with the laws of Ukraine on 17 February 2012. The primary activity of the company is represented by refinancing mortgage loans through the issue of mortgage securities.

SSB NO. 1 Plc was established in the form of a public limited liability company in accordance with the laws of England and Wales. The primary activity of the company is represented by raising funds for the Bank in international capital markets. The Bank obtained control over it based on the ability to predetermine the activities of SSB NO. 1 Plc (by ensuring its operations on "autopilot") according to IFRS 10 "Consolidated Financial Statements". Management of SSB NO. 1 Plc has decided that SSB NO. 1 Plc will operate in accordance with the predetermined operating procedures.

These interim condensed consolidated financial statements were approved by the Bank's Management Board on 30 October 2015.

2. OPERATING ENVIRONMENT AND GOING CONCERN

In 2014, Ukraine has been in a political and economic turmoil. Crimea, an autonomous republic of Ukraine, was effectively annexed by the Russian Federation. Political unrest and separatist movements in Eastern Ukraine evolved into armed conflict and full-scale military activities in certain parts of Luhanska and Donetska regions effectively resulting in a loss of control over these territories by the Government of Ukraine. These events led to a significant deterioration of the relationship between Ukraine and the Russian Federation.

Active military conflict and inability to implement substantial and effective economic reforms have led to a significant fall in a gross domestic product, decline of international trade, deterioration of the state's finances, and significant devaluation of the Hryvnia against major foreign currencies. The ratings of Ukrainian sovereign debt have been downgraded by all international rating agencies with a negative outlook for the future. All these factors have had a negative effect on the Ukrainian companies and banks hampering their ability to obtain funding from domestic and international financial markets. In addition, Ukraine has a large external debt refinancing requirement in the next few years, while its foreign reserves reached a critically low level.

The NBU introduced a range of measures aimed at limiting the outflow of foreign currencies from the country, inter alia, a mandatory sale of 75% of foreign currency earnings, certain restrictions on purchases of foreign currencies in the interbank market and on usage of foreign currencies for settlement purposes, limitations on remittances abroad, as well as limitations for individuals for foreign currency purchases and bank withdrawals. In addition, the Government of Ukraine has been taking efforts in attracting significant external financing, primarily from the International Monetary Fund, as well as negotiating terms and conditions with external creditors as to curtailing and restructuring the terms of repayment of the principal amount of external debt.

Stabilization of the economic and political situation depends, to a large extent, upon success of the Ukrainian Government's and the NBU's efforts, yet further economic and political developments, as well as the impact of these factors on the Group are currently difficult to predict.

Going concern

These interim condensed consolidated financial statements have been prepared on the assumption that the Bank and companies controlled by the Bank (its subsidiary and special purpose entity) (collectively, the "Group") is a going concern and will continue in operation for the foreseeable future. Management and the shareholder have the intention to further develop the Group's business. For the six months ended 30 June 2015, the Group's total losses attributable to the Bank's shareholder amounted to UAH 9,645,394 thousand, accumulated deficit amounted to UAH 20,579,269 thousand and negative cumulative liquidity gap up to one year was UAH 20,734,989 thousand.

Management believes that the going concern assumption is appropriate for the Group due to the following:

- Subsequent to 30 June 2015, within the framework of the process launched by the Group and aimed at reprofiling debts under certain external obligations in accordance with the announcement made by the Ministry of Finance of Ukraine in March 2015 about a launch of the reprofiling process in respect of Ukraine's external debts to be performed within the new Extended Fund Facility program of the International Monetary Fund and Resolution of the Cabinet of Ministers of Ukraine # 318-p dated 4 April 2015, the Group completed the process of reprofiling the Eurobonds issued on the following terms:

  - Eurobonds issued maturing in 2016 shall be reprofiled by increasing the coupon rate to 9.375% and extending the amortization schedule from 10 March 2019 to 10 March 2023;
  - Eurobonds issued maturing in 2018 shall be reprofiled by increasing the coupon rate to 9.625% and extending the amortization schedule from 20 March 2020 to 20 March 2025.

- As at 30 June 2015, the Eurobonds issued in the amount of UAH 14,697,642 thousand were included into the time position "From 3 Months to 1 Year". The extended maturities of the Eurobonds issued as a result of their reprofiling will reduce the cumulative liquidity gap of up to one year from UAH 20,734,989 thousand to UAH 6,037,347 thousand.
- Subsequent to 30 June 2015, the borrowing from a foreign financial institution maturing in July 2015 was extended to July 2016, which will reduce the liquidity gap of up to one year by UAH 559,037 thousand.
- Ability to cover the liquidity gap with secondary reserves of liquid funds. The Group has available volumes of secondary liquid fund reserves represented by unencumbered securities available for sale (Ukrainian government debt securities) that are characterized by a high level of liquidity and securities held to maturity. The required funds may be obtained through the sale of the said securities or attraction of a refinancing loan from the NBU against the pledge of those securities. As at 30 June 2015, the Group had the available volumes of secondary liquid fund reserves in the amount of UAH 9,279,512 thousand as represented by such securities with the maturities of more than one year:

  - Unencumbered Ukrainian government debt securities accounted for as investments available for sale. The required funds may be obtained through the sale of the said securities or attraction of a loan from the NBU on refinancing terms against the pledge of those securities. As at 30 June 2015, the fair value of such securities amounted to UAH 2,220,806 thousand.
  - Unencumbered Ukrainian government debt securities accounted for as investments held to maturity that may be used as a collateral when attracting a loan from the NBU on refinancing terms. As at 30 June 2015, the carrying amounts of such securities amounted to UAH 7,058,706 thousand.

- During the recent years, the controlling party supported the Group by contributions to its share capital. The Group's management anticipates that the shareholder will continue to provide support. Controlling party monitors financial performance of the Group in order to provide the necessary financial support timely and increase capitalization of the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"), thus, they do not comprise all the information required by International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These interim condensed consolidated financial statements should be read in conjunction with the Group's consolidated financial statements as at 31 December 2014 and for the year then ended.

Other basis of presentation criteria

These interim condensed consolidated financial statements are presented in thousands of UAH, unless otherwise indicated.

The interim condensed consolidated financial statements have been prepared on the historical cost basis, except for certain buildings and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies.

These interim condensed consolidated financial statements of the Group do not include all the information and disclosures that would materially duplicate the information included in the consolidated financial statements for the year ended 31 December 2014 prepared in compliance with IFRS, such as accounting policies. Management believes the interim condensed consolidated financial statements reflect all the adjustments required for the reliable presentation of the Group's financial position, its performance, statements of changes in equity and cash flows for the interim reporting periods.

Rates of exchange – The official exchange rates at period-end used by the Group in the preparation of the interim condensed consolidated financial statements are as follows:

	30 June 2015	**31 December 2014**
UAH/USD 1	21.01536	15.76856
UAH/EUR 1	23.54140	19.23291

The inflation index in June 2015 and December 2014 in comparison to December of the previous years amounted to 148.1% and 112.1%, respectively.

Critical accounting judgments and key sources of estimation uncertainty – In the preparation of the Group's interim condensed consolidated financial statements, management is required to make judgments, estimates, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

In the preparation of the interim condensed consolidated financial statements, critical judgments made by management in the application of the Group's accounting policies and key sources of estimation uncertainty were the same as applied in respect of the consolidated financial statements for the year ended 31 December 2014 prepared under IFRS.

4. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

New and revised IFRS

- Amendments to IFRS 10, IFRS 12, and IAS 27 "Investment Entities";
- Amendments to IAS 32 "Offsetting Financial Assets and Financial Liabilities";
- Amendments to IAS 36 "Recoverable Amount Disclosures for Non-Financial Assets";
- Amendments to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting";
- Annual Improvements to IFRS 2010-2012 Cycle;
- Annual Improvements to IFRS 2011-2013 Cycle;
- IFRS IC 21 "Levies".

Management believes these amendments, improvements, and IFRS IC 21 "Levies" do not have a significant impact on the Group's interim condensed consolidated financial statements.

New and revised IFRS in issue but not yet effective

The Group has not applied the following new and revised IFRS that have been issued but are not yet effective:

- IFRS 9 "Financial Instruments" (2014)[1];
- IFRS 14 "Regulatory Deferral Accounts"[3];
- Annual Improvements to IFRS 2012-2014 Cycle[3];
- IFRS 15 "Revenue from Contracts with Customers"[2];
- Amendments to IFRS 11 "Joint Arrangements" – Accounting for acquisition of interests in joint operations[3];
- Amendments to IAS 16 "Property, Plant, and Equipment" and IAS 38 "Intangible Assets" – Clarification of acceptable methods of depreciation and amortization[3];
- Amendments to IAS 27 "Separate Financial Statements" – Equity method in separate financial statements[3];
- Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" – Sale or contribution of assets between an investor and its associate or joint venture[3].

[1] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
[2] Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.
[3] Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

IFRS 9 "Financial Instruments" (2014)

A finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 "Financial Instruments: Recognition and Measurement". The Standard contains requirements in the following areas:

- **Classification and measurement**. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however, there are differences in the requirements applying to the measurement of an entity's own credit risk.
- **Impairment**. The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized.
- **Hedge accounting**. Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- **Derecognition**. The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

Management of the Group anticipates that the application of IFRS 9 "Financial Instruments" in the future may have a significant impact on the amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed.

IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contracts;
- Recognize revenue when (or as) the entity satisfies a performance obligation.

Guidance is provided on topics such as the point in which revenue is recognized, accounting for variable consideration, costs of fulfilling and obtaining a contract, and various related matters. New disclosures about revenue are also introduced.

Management of the Group does not anticipate that the application of IFRS 15 "Revenue from Contracts with Customers" will have a significant effect on the Group's interim condensed consolidated financial statements.

Management believes the other new and revised IFRS that have been issued but are not yet effective will not have a significant impact on the Group's interim condensed consolidated financial statements.

5. NET INTEREST INCOME BEFORE PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS

Net interest income before provision for impairment losses on interest bearing assets comprises:

	For the six months ended 30 June 2015	For the six months ended 30 June 2014
Interest income comprises:		
Interest income on financial assets recorded at amortized cost:		
Interest income on unimpaired financial assets	5,553,575	3,675,115
Interest income on impaired financial assets	894,050	946,460
Interest income on financial assets at fair value:		
Interest income on unimpaired financial assets	2,044,520	2,056,645
Interest income on impaired financial assets	129,134	163,658
Total interest income	**8,621,279**	**6,841,878**
Interest income on financial assets recorded at amortized cost:		
Interest on loans to customers	5,862,731	4,295,522
Interest on investments held to maturity	461,924	-
Interest on due from banks	119,748	323,408
Other interest income	3,222	2,645
Interest income on financial assets at fair value:		
Interest on investments available for sale	2,173,654	2,220,303
Total interest income	**8,621,279**	**6,841,878**
Interest expense comprises:		
Interest expense on financial liabilities recorded at amortized cost:		
Interest on customer accounts	(2,636,251)	(1,877,878)
Interest on due to banks	(1,867,483)	(1,228,478)
Interest on Eurobonds issued	(1,144,515)	(544,326)
Interest on other borrowed funds	(209,366)	(58,819)
Interest on subordinated debt	(63,061)	(30,698)
Other interest expense	(2)	-
Total interest expense	**(5,920,678)**	**(3,740,199)**
Net interest income before provision for impairment losses on interest bearing assets	**2,700,601**	**3,101,679**

6. ALLOWANCE FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS AND OTHER PROVISIONS

Movements in allowances for impairment losses on interest bearing assets were as follows:

	Due from banks	Loans to customers	Investments available for sale	Total
31 December 2013	**64,405**	**12,090,689**	**1,293,930**	**13,449,024**
Provision/(recovery of provision)	350,645	992,129	(722,904)	619,870
Write-off of assets	-	(40,091)	-	(40,091)
Reversal of earlier written off assets	-	74	-	74
Translation differences	11,905	1,266,902	-	1,278,807
30 June 2014	**426,955**	**14,309,703**	**571,026**	**15,307,684**
31 December 2014	**2,654,229**	**24,023,409**	**422,245**	**27,099,883**
Provision	773,314	7,054,751	376,528	8,204,593
Write-off of assets	-	(73,404)	-	(73,404)
Reversal of earlier written off assets	-	34	-	34
Translation differences	535,550	4,510,397	-	5,045,947
30 June 2015	**3,963,093**	**35,515,187**	**798,773**	**40,277,053**

Movements in allowances for impairment losses on other operations were as follows:

	Other assets	Guarantees and other commitments	Total
31 December 2013	**57,155**	**186,206**	**243,361**
Provision/(recovery of provision)	130,548	(78,260)	52,288
Write-off of assets	(74)	(1)	(75)
Translation differences	8,012	66,193	74,205
30 June 2014	**195,641**	**174,138**	**369,779**
31 December 2014	**224,942**	**200,320**	**425,262**
Provision	27,029	139,001	166,030
Write-off of assets	(68)	-	(68)
Reversal of earlier written off assets	3	-	3
Translation differences	48,672	47,446	96,118
30 June 2015	**300,578**	**386,767**	**687,345**

7. FEE AND COMMISSION INCOME AND EXPENSE

Fee and commission income and expense comprise:

	For the six months ended 30 June 2015	For the six months ended 30 June 2014
Fee and commission income:		
Settlements and cash operations	602,088	555,783
Plastic cards operations	228,316	140,539
Off-balance operations	60,039	46,848
Foreign exchange operations	45,025	21,057
Securities operations	1,189	1,490
Other	9,498	4,456
Total fee and commission income	**946,155**	**770,173**
Fee and commission expense:		
Plastic cards operations	(158,495)	(77,433)
Settlements and cash operations	(61,180)	(76,556)
Foreign exchange operations	(5,037)	(2,195)
Securities operations	(2,652)	(2,020)
Other	(1,907)	(1,020)
Total fee and commission expense	**(229,271)**	**(159,224)**

8. NET LOSS ON FOREIGN EXCHANGE OPERATIONS

Net loss on foreign exchange operations comprises:

	For the six months ended 30 June 2015	For the six months ended 30 June 2014
Translation differences, net	(4,383,958)	(779,986)
Dealing, net	172,787	(277,959)
Total net loss on foreign exchange operations	**(4,211,171)**	**(1,057,945)**

For the six months ended 30 June 2015 and 30 June 2014, UAH devalued significantly against major world currencies, which, compared to the prior reporting period, led to a significant increase in the negative translation difference amounts, of which UAH 5,142,065 thousand and UAH 1,353,012 thousand, respectively, were attributable to effect of foreign currency exchange losses on allowances for impairment losses (Note 6).

9. OPERATING EXPENSE

Operating expense comprises:

	For the six months ended 30 June 2015	For the six months ended 30 June 2014
Staff costs	1,239,458	1,251,895
Depreciation and amortization	206,580	193,422
Property and equipment maintenance	120,931	124,923
Operating leases	89,845	66,237
Communication expenses	74,064	33,674
Utilities	72,868	59,162
Office maintenance	31,797	24,402
Professional services	17,673	6,577
Insurance	15,830	15,986
Security expenses	15,652	16,576
Taxes, other than income tax	13,120	27,459
Business trip expenses	7,964	4,955
Advertising costs	4,507	4,583
Loss due to misappropriation of cash by third parties	2,420	54,865
Other expenses	64,195	29,202
Total operating expense	**1,976,904**	**1,913,918**

10. NET GAIN ON TRANSACTIONS WITH FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Net gain on transactions with financial instruments at fair value through profit or loss is as follows:

	For the six months ended 30 June 2015	For the six months ended 30 June 2014
Net gain on transactions with financial assets at fair value through profit or loss	2,565,561	253,993
Net loss on transactions with financial liabilities at fair value through profit or loss	(1,134,638)	(107,366)
Total net gain on transactions with financial instruments at fair value through profit or loss	**1,430,923**	**146,627**
Net gain on transactions with financial instruments at fair value through profit or loss comprises:		
- dealings, net	280,785	(53,249)
- change in fair value	1,150,138	199,876
Total net gain on financial instruments at fair value through profit or loss	**1,430,923**	**146,627**

11. (LOSSES)/EARNINGS PER SHARE

	For the six months ended 30 June 2015	For the six months ended 30 June 2014
Net (losses)/earnings for the period attributable to the Bank's shareholder	(9,645,394)	221,909
Weighted average number of ordinary shares for the purposes of basic and diluted (losses)/earnings per share	25,777	15,778
(Losses)/earnings per share – basic and diluted (in Hryvnyas)	**(374,186)**	**14,064**

12. CASH AND BALANCES WITH THE NATIONAL BANK OF UKRAINE

	30 June 2015	31 December 2014
Cash	2,855,441	2,335,906
Balances with the National Bank of Ukraine	2,052,414	2,196,957
Total cash and balances with the National Bank of Ukraine	**4,907,855**	**4,532,863**

Balances with the NBU represent the funds placed with the NBU to secure daily settlements and other operations.

Cash and cash equivalents for the purposes of the interim condensed consolidated statement of cash flows comprise the following:

	30 June 2015	31 December 2014
Cash and balances with the National Bank of Ukraine	4,907,855	4,532,863
Due from banks	21,732,157	6,594,749
	26,640,012	**11,127,612**
Less: Guarantee deposits (Note 13)	(241,647)	(99,493)
Less: Restricted balances with the National Bank of Ukraine (Note 20)	(425,000)	(425,000)
Total cash and cash equivalents	**25,973,365**	**10,603,119**

As at 30 June 2015 and 31 December 2014, balances with the National Bank of Ukraine in the amount of UAH 425,000 thousand were pledged as a collateral to secure loans received from the National Bank of Ukraine (Note 20).

As at 31 December 2014, the Group derecognized (wrote-off) cash, which were accounted for in operational outlets located in the territories of the Autonomous Republic of Crimea and Donetsk and Luhansk Regions that are not controlled by the Ukrainian authorities.

As at 30 June 2015, cash attributable to Regional Branches in Donetsk and Luhansk Regions amounted to UAH 171,837 thousand and UAH 60,389 thousand, respectively. As at 31 December 2014, cash attributable to Regional Branches in Donetsk and Luhansk Regions amounted to UAH 254,049 thousand and UAH 110,207 thousand, respectively. As at 30 June 2015 and 31 December 2014, the Group exercised control over these funds.

13. DUE FROM BANKS

Due from banks comprises:

	30 June 2015	31 December 2014
Correspondent accounts	24,981,345	9,307,715
Loans and time deposits	1,102,908	1,368,958
	26,084,253	**10,676,673**
Less: Allowance for impairment losses	(3,963,093)	(2,654,229)
Total due from banks	**22,121,160**	**8,022,444**

Movements in allowance for impairment losses on balances due from banks for the six months ended 30 June 2015 and 2014 are disclosed in Note 6.

As at 30 June 2015 and 31 December 2014, due from banks included accrued interest income in the amount of UAH 92,730 thousand and UAH 48,457 thousand, respectively.

As at 30 June 2015 and 31 December 2014, carrying amounts of loans to other banks secured by properties were UAH 50,860 thousand and UAH 166,355 thousand, respectively.

As at 30 June 2015 and 31 December 2014, the maximum credit risk exposure on due from banks amounted to UAH 22,121,160 thousand and UAH 8,022,444 thousand, respectively.

As at 30 June 2015 and 31 December 2014, due from banks included guarantee deposits placed by the Group for its operations with plastic cards and letters of credit in the amount of UAH 241,647 thousand and UAH 99,493 thousand, respectively (Note 12).

As at 30 June 2015 and 31 December 2014, the Group had placements with ten banks in the amount of UAH 25,930,349 thousand (99%) and UAH 10,502,583 thousand (98%), respectively, which represents a significant concentration.

As at 30 June 2015 and 31 December 2014, a placement with each of three and two banks, respectively, exceeded 10% of the Group's equity.

14. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial instruments at fair value through profit or loss comprise:

	30 June 2015	**31 December 2014**
Embedded derivative on Ukrainian government debt securities accounted for as investments held to maturity	5,360,211	4,215,159
Embedded derivative on corporate securities	36,961	32,782
Embedded derivative on Ukrainian government debt securities accounted for as investments available for sale	2,720	4,238
Total financial instruments at fair value through profit or loss	**5,399,892**	**4,252,179**

For the six months ended 30 June 2015, the change in fair value of financial instruments at fair value through profit or loss in the amount of UAH 1,147,713 thousand was recognized in net gain on transactions with financial instruments at fair value through profit or loss (Note 10).

15. LOANS TO CUSTOMERS

Loans to customers comprise:

	30 June 2015	**31 December 2014**
Loans to customers	100,657,870	94,259,724
Less: Allowance for impairment losses	(35,515,187)	(24,023,409)
Total loans to customers	**65,142,683**	**70,236,315**

Movements in allowances for impairment losses for the six months ended 30 June 2015 and 2014 are disclosed in Note 6.

As at 30 June 2015 and 31 December 2014, included in loans to customers was accrued interest income in the amount of UAH 8,978,236 thousand and UAH 5,896,722 thousand, respectively.

The table below summarizes the amount of loans secured by a respective collateral, rather than the fair value of the collateral itself:

	30 June 2015	31 December 2014
Loans collateralized by equipment, other movables, and rights thereon	36,575,157	39,953,719
Loans collateralized by real estate and rights thereon	33,849,024	29,762,526
Unsecured loans	25,947,801	18,562,765
Loans collateralized by Ukrainian government debt securities and guarantees issued by government authorities	3,982,092	4,050,062
Loans collateralized by cash	303,796	1,930,652
	100,657,870	**94,259,724**
Less: Allowance for impairment losses	(35,515,187)	(24,023,409)
Total loans to customers	**65,142,683**	**70,236,315**

As at 30 June 2015 and 31 December 2014, included in unsecured loans were loans collateralized by warranties. As at 30 June 2015 and 31 December 2014, loans collateralized by warranties amounted to UAH 4,051,646 thousand and UAH 2,580,501 thousand, respectively.

As at 30 June 2015 and 31 December 2014, included in unsecured loans were also payment card loans in the amount of UAH 1,092,287 thousand and UAH 889,234 thousand, respectively, the repayments of which were supported by salary proceeds on those card accounts.

As at 30 June 2015 and 31 December 2014, included in unsecured loans were impaired loans the collaterals on which were located in the territories of the Autonomous Republic of Crimea and Donetsk and Luhansk Regions that are not controlled by the Ukrainian authorities and which were granted by Crimean Republican Branch, Donetsk and Luhansk Regional Branches. As at 30 June 2015 and 31 December 2014, those loans amounted to UAH 13,490,345 thousand and UAH 10,612,111 thousand, respectively.

As at 30 June 2015 and 31 December 2014, included in unsecured loans were loans the collaterals on which were located in the territories of the Autonomous Republic of Crimea and Donetsk and Luhansk Regions that are not controlled by the Ukrainian authorities and which were granted by other regional branches. As at 30 June 2015 and 31 December 2014, those loans amounted to UAH 1,960,200 thousand and UAH 1,504,486 thousand, respectively.

The table below represents the structure of the Group's borrowers as at 30 June 2015 and 31 December 2014 by industry sector:

	30 June 2015	31 December 2014
Analysis by sector:		
Energy	23,240,706	22,037,837
Construction and real estate	22,365,890	19,375,045
Oil, gas, and chemical production	18,698,998	21,529,897
Food and beverage manufacturing and processing	11,256,186	7,670,444
Trade	7,371,957	7,725,612
Mining and metallurgy	5,882,186	4,514,936
Individuals	5,309,866	4,947,473
Agriculture	2,321,075	1,866,775
Construction and road maintenance	1,130,301	1,130,143
Engineering	900,821	883,338
Transport	755,428	1,370,014
Industrial and consumer goods manufacturing	704,103	680,024
Financial services	314,987	333,696
Services	238,776	188,282
Media and communications	160,817	614
Press and publishing	2,250	2,231
Municipal authorities	558	300
Other	2,965	3,063
	100,657,870	**94,259,724**
Less: Allowance for impairment losses	(35,515,187)	(24,023,409)
Total loans to customers	**65,142,683**	**70,236,315**

The Group obtained real estate property and other assets by taking possession of collateral it held as security. As at 30 June 2015 and 31 December 2014, such assets in the amount of UAH 27,805 thousand and UAH 13,054 thousand, respectively, were included in other assets (Note 19).

Loans to individuals comprise the following products:

	30 June 2015	31 December 2014
Consumer loans secured by real estate and guarantees	1,801,674	1,709,415
Mortgage loans	1,447,190	1,468,875
Payment card loans	1,237,477	1,036,718
Car loans	457,452	428,857
Other consumer loans	366,073	303,608
	5,309,866	**4,947,473**
Less: Allowance for impairment losses	(2,709,839)	(2,426,143)
Total loans to individuals	**2,600,027**	**2,521,330**

As at 30 June 2015 and 31 December 2014, the maximum credit risk exposure on loans to customers amounted to UAH 65,142,683 thousand and UAH 70,236,315 thousand, respectively.

As at 30 June 2015 and 31 December 2014, the maximum credit risk exposure on contingent liabilities and credit commitments extended by the Group to its customers amounted to UAH 3,334,461 thousand and UAH 3,714,046 thousand, respectively (Note 27).

As at 30 June 2015 and 31 December 2014, loans to customers in the amount of UAH 57,246,017 thousand (57%) and UAH 54,249,325 thousand (58%), respectively, were granted to ten borrowers or groups of borrowers, which represents a significant concentration.

As at 30 June 2015 and 31 December 2014, the following loans were provided to the related state-owned company National Joint Stock Company "Naftogaz of Ukraine":

Name	Interest rate, %	Maturity	30 June 2015	Interest rate, %	Maturity	31 December 2014
National Joint Stock Company "Naftogaz of Ukraine"	23	9 June 2020	10,449,432	13.5	31 March 2015	10,373,148
National Joint Stock Company "Naftogaz of Ukraine"	23	9 June 2020	2,740,852	17.5	31 March 2015	2,729,982
National Joint Stock Company "Naftogaz of Ukraine"	23	9 June 2020	2,009,031	17.5	31 March 2015	2,001,062
			15,199,315			**15,104,192**
Less: Allowance for impairment losses			(2,811,873)			(2,794,276)
Total			**12,387,442**			**12,309,916**

As at 30 June 2015 and 31 December 2014, loans granted to the related state-owned company National Joint Stock Company "Naftogaz of Ukraine" in the amount of UAH 15,199,315 thousand and UAH 15,104,192 thousand represented 15% and 16%, respectively, of the total gross loan portfolio, before allowance for impairment losses, which is a significant concentration of transactions with one borrower and related party transactions (Notes 28, 33).

As at 30 June 2015 and 31 December 2014, the loans granted to the related state-owned company National Joint Stock Company "Naftogaz of Ukraine" with the carrying amounts of UAH 12,387,442 thousand and UAH 12,309,916 thousand, respectively, were used as a collateral to secure the loans received from the National Bank of Ukraine (Note 20).

As at 30 June 2015 and 31 December 2014, the loans to other borrowers with the carrying value of UAH 1,284,911 thousand and UAH 1,289,815 thousand, respectively, were used as a collateral to secure the loans received from the National Bank of Ukraine (Note 20).

As at 30 June 2015 and 31 December 2014, the maximum credit risk exposure on the loans to customers attributable to the Crimean Republican Branch and Regional Branches in Donetsk and Luhansk Regions was as follows:

	30 June 2015	31 December 2014
Loans to customers attributable to the Crimean Republican Branch	12,963,917	10,069,756
Loans to customers attributable to the Donetsk Regional Branch	1,541,611	1,968,331
Loans to customers attributable to the Luhansk Regional Branch	458,390	475,796
	14,963,918	**12,513,883**
Less: Allowance for impairment losses attributable to the Crimean Republican Branch	(12,963,917)	(10,069,107)
Less: Allowance for impairment losses attributable to the Donetsk Regional Branch	(566,187)	(459,828)
Less: Allowance for impairment losses attributable to the Luhansk Regional Branch	(361,148)	(320,886)
Total loans to customers attributable to the Crimean Republican Branch and the Donetsk and Luhansk Regional Branches	**1,072,666**	**1,664,062**

As at 30 June 2015 and 31 December 2014, most loans attributable to the Crimean Republican Branch were granted in foreign currencies. During six months ended 30 June 2015, no new loans were granted. Correspondingly, the increase in the nominal value of loans during six months ended 30 June 2015 was due to revaluation increase in foreign currency denominated debts as a result of conversion of UAH denominated equivalent.

As at 30 June 2015 and 31 December 2014, the maximum credit risk exposure on contingent liabilities and loan commitments extended by the Group to its customers attributable to the Crimean Republican Branch and the Donetsk and Luhansk Regional Branches amounted to UAH 271 thousand and UAH 871 thousand, respectively.

16. INVESTMENTS AVAILABLE FOR SALE

Investments available for sale comprise:

	30 June 2015	31 December 2014
Ukrainian government debt securities:		
Medium-term Ukrainian government debt securities, including securities with early redemption feature	4,767,218	7,182,217
Long-term Ukrainian government debt securities, including securities with early redemption feature	3,367,328	3,296,149
Short-term Ukrainian government debt securities	1,469,170	1,031,697
Ukrainian government debt securities for settlement of budget indebtedness on value added tax	367,205	386,585
	9,970,921	11,896,648
Other:		
Bonds issued by corporate entities	11,689,823	11,762,828
Deposit certificates of the NBU	6,112,667	-
Bonds issued by local government authorities	2,112,827	2,189,012
Bonds issued by State Mortgage Institution	896,183	842,509
Promissory notes	1,396	1,396
	20,812,896	14,795,745
Less: Allowance for impairment losses	(783,676)	(407,148)
Total debt securities available for sale	**30,000,141**	**26,285,245**
Equity securities:		
Corporate shares	48,667	48,667
Less: Allowance for impairment losses	(15,097)	(15,097)
Total equity securities available for sale	**33,570**	**33,570**
Total investments available for sale	**30,033,711**	**26,318,815**

Movements in allowances for impairment losses for the six months ended 30 June 2015 and 2014 are disclosed in Note 6.

As at 30 June 2015 and 31 December 2014, included in investments available for sale was accrued interest income in the amount of UAH 596,527 thousand and UAH 484,311 thousand, respectively.

During the six months ended 30 June 2015 and the year ended 31 December 2014, the Bank had the bonds issued by the National Joint Stock Company "Naftogaz of Ukraine". The issue of these bonds was secured by the state guarantee. As at 30 June 2015 and 31 December 2014, the carrying amounts of those bonds were UAH 4,310,880 thousand and UAH 4,247,984 thousand, which represents 14% and 16%, respectively, of the total investments available for sale, before allowance for impairment losses (Note 33).

As at 30 June 2015 and 31 December 2014, debt securities with the carrying amounts of UAH 11,396,127 thousand and UAH 12,223,782 thousand, respectively, were used as a collateral to secure the loans received from the National Bank of Ukraine (Note 20).

17. INVESTMENTS HELD TO MATURITY

The Group received Ukrainian government debt securities as a settlement for contributions to the Bank's share capital pursuant to the Resolution of the Government of Ukraine dated 19 November 2014 (Note 26).

The nominal value of Ukrainian government debt securities amounts to UAH 11,598,840 thousand; they earn a coupon interest rate of 6% and mature in September-November 2024. Furthermore, terms and conditions of these securities' issue provide for indexation of the nominal value on maturity in accordance with the changes in weighted average exchange rate of UAH against USD in the interbank market for the respective retention periods. The coupon income is not subject to indexation.

At the date of initial recognition, the difference between the nominal and fair values of those Ukrainian government debt securities, with reference to the fair value of embedded derivative, was recognized in equity and amounted to UAH 603,772 thousand.

As at 30 June 2015 and 31 December 2014, the carrying amounts of investments held to maturity were UAH 7,058,706 thousand and UAH 6,890,726 thousand, respectively.

As at 30 June 2015 and 31 December 2014, included in investments held to maturity was accrued interest income in the amount of UAH 103,723 thousand and UAH 51,620 thousand, respectively.

As at 30 June 2015 and 31 December 2014, embedded derivative on investments held to maturity with fair value UAH 5,360,211 thousand and UAH 4,215,159 thousand, respectively was presented in financial instruments at fair value through profit or loss (Note 14).

18. PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

Property and equipment and intangible assets comprise:

	Buildings	Leasehold improvements	Furniture and office equipment	Vehicles	Construction in progress	Intangible assets	Total
At cost/revalued amount							
31 December 2014	**1,669,422**	**99,972**	**1,878,983**	**570,738**	**442,209**	**275,305**	**4,936,629**
Additions	-	-	189	-	164,997	-	165,186
Transfers	8,497	11,823	190,220	15,662	(243,647)	17,445	-
Disposals	(114)	(6,153)	(7,513)	(833)	(12)	(78)	(14,703)
30 June 2015	**1,677,805**	**105,642**	**2,061,879**	**585,567**	**363,547**	**292,672**	**5,087,112**
Accumulated depreciation and amortization							
31 December 2014	**185,660**	**54,431**	**930,833**	**258,143**	**-**	**132,727**	**1,561,794**
Charges for the period	15,817	15,250	114,168	29,098	-	32,247	206,580
Eliminated on disposals	(55)	(6,148)	(7,386)	(833)	-	(78)	(14,500)
30 June 2015	**201,422**	**63,533**	**1,037,615**	**286,408**	**-**	**164,896**	**1,753,874**
Net book value							
30 June 2015	**1,476,383**	**42,109**	**1,024,264**	**299,159**	**363,547**	**127,776**	**3,333,238**
31 December 2014	**1,483,762**	**45,541**	**948,150**	**312,595**	**442,209**	**142,578**	**3,374,835**

	Buildings	Leasehold improvements	Furniture and office equipment	Vehicles	Construction in progress	Intangible assets	Total
At cost/revalued amount							
31 December 2013	**1,666,629**	**81,462**	**1,562,966**	**618,429**	**357,899**	**209,591**	**4,496,976**
Additions	41,880	-	427,588	5,356	197,224	46,152	718,200
Transfers	57,775	29,996	-	-	(107,825)	20,054	-
Impairment through profit or loss	(400)	(3,938)	(86,903)	(48,532)	(5,037)	-	(144,810)
Impairment through other comprehensive income	(95,727)	-	-	-	-	-	(95,727)
Disposals	(735)	(7,548)	(24,668)	(4,515)	(52)	(492)	(38,010)
31 December 2014	**1,669,422**	**99,972**	**1,878,983**	**570,738**	**442,209**	**275,305**	**4,936,629**
Accumulated depreciation and amortization							
31 December 2013	**62,461**	**44,387**	**697,878**	**160,150**	**-**	**80,922**	**1,045,798**
Charges for the year	32,930	19,200	224,894	67,638	-	52,297	396,959
Impairment through profit or loss	98,062	(1,700)	32,135	34,338	-	-	162,835
Impairment through other comprehensive income	(7,755)	-	-	-	-	-	(7,755)
Eliminated on disposals	(38)	(7,456)	(24,074)	(3,983)	-	(492)	(36,043)
31 December 2014	**185,660**	**54,431**	**930,833**	**258,143**	**-**	**132,727**	**1,561,794**
Net book value							
31 December 2014	**1,483,762**	**45,541**	**948,150**	**312,595**	**442,209**	**142,578**	**3,374,835**
31 December 2013	**1,604,168**	**37,075**	**865,088**	**458,279**	**357,899**	**128,669**	**3,451,178**

As at 30 June 2015 and 31 December 2014, no revaluations were performed in respect of the buildings and office premises owned by the Group.

As at 31 December 2011, the buildings and office premises owned by the Group were revalued to market prices by an independent appraiser. Sales comparison method was used for estimation of the fair value of buildings and office premises. For items with no market analogs, income capitalization method was applied.

Had the buildings been accounted for at historical cost, less accumulated depreciation and impairment losses, their carrying value would be UAH 641,910 thousand and UAH 637,050 thousand as at 30 June 2015 and 31 December 2014, respectively.

Certain buildings not yet put into operations are included in the construction in progress category. The carrying amounts of the buildings held within construction in progress as at 30 June 2015 and 31 December 2014 were UAH 235,824 thousand and UAH 233,687 thousand, respectively.

As at 30 June 2015, the carrying amounts of property and equipment and intangible assets attributable to Regional Branches in Donetsk and Luhansk Regions were UAH 168,782 thousand and UAH 49,519 thousand, respectively, and the carrying amounts of property and equipment and intangible assets attributable to the Crimean Republican Branch were UAH 123 thousand. As at 31 December 2014, the carrying amounts of property and equipment and intangible assets attributable to Regional Branches in Donetsk and Luhansk Regions were UAH 171,481 thousand and UAH 48,797 thousand, respectively, and the carrying amounts of property and equipment and intangible assets attributable to the Crimean Republican Branch were UAH 141 thousand.

19. OTHER ASSETS

Other assets comprise:

	30 June 2015	31 December 2014
Other financial assets:		
Accounts receivable for transactions with other financial instruments	189,012	145,400
Income accrued	80,575	63,333
Fair value of currency swap and spot agreements	3,210	11,925
Other accounts receivable	83,920	66,146
	356,717	286,804
Less: Allowance for impairment losses	(219,881)	(163,016)
	136,836	123,788
Other non-financial assets:		
Income taxes prepaid	312,678	303,058
Prepaid expenses	79,365	52,367
Prepayments for purchases of assets	59,884	68,677
Receivables from employees and third parties	52,892	24,362
Inventories	42,378	35,653
Precious metals	39,313	20,819
Collateral repossessed by the Group (Note 15)	27,805	13,054
Prepaid services	21,957	16,005
Receivables on taxes and obligatory payments	3,906	3,574
Prepaid precious metals	-	6,106
Other	396	46
	640,574	543,721
Less: Allowance for impairment losses	(80,697)	(61,926)
	559,877	481,795
Total other assets	**696,713**	**605,583**

Movements in allowances for impairment losses for the six months ended 30 June 2015 and 2014 are disclosed in Note 6.

Precious metals are represented by gold and silver in vault.

20. DUE TO BANKS

Due to banks comprises:

	30 June 2015	31 December 2014
Loans from the National Bank of Ukraine	18,506,756	18,581,757
Correspondent accounts of other banks	2,697,161	142,451
Loans from banks	2,022,854	2,448,960
Loans under repurchase agreements from the National Bank of Ukraine	-	1,003,218
Total due to banks	**23,226,771**	**22,176,386**

As at 30 June 2015 and 31 December 2014, included in due to banks was accrued interest expense in the amount of UAH 674 thousand and UAH 9,454 thousand, respectively.

As at 30 June 2015 and 31 December 2014, due to banks included loans from the NBU, including loans under repurchase agreements, in the amount of UAH 18,506,756 thousand (80%) and UAH 19,584,975 thousand (88%), respectively, which represents a significant concentration.

As at 30 June 2015 and 31 December 2014, included in loans from the NBU, including loans under repurchase agreements, were loans from the NBU in the amount of UAH 18,506,756 thousand and UAH 19,584,975 thousand with interest rates within the ranges from 14% to 21.5% per annum and from 14% to 19.5% per annum and with maturities in the periods from 27 November 2015 to 10 June 2020 and from 26 March 2015 to 27 November 2015, respectively.

As at 30 June 2015, loan from the NBU in the amount of UAH 18,506,756 thousand were secured by debt securities available for sale that were carried in the Group's accounting records at the fair value of UAH 11,396,127 thousand, loans to the related state-owned company National Joint Stock Company "Naftogaz of Ukraine" with the carrying value of UAH 12,387,442 thousand, loans to other borrowers with the carrying value of UAH 1,284,911 thousand, and cash balances with the National Bank of Ukraine with the carrying value of UAH 425,000 thousand (Notes 16, 15, and 12).

As at 31 December 2014, loans from the NBU, including loans under repurchase agreements, in the amount of UAH 19,584,975 thousand were secured by debt securities available for sale that were carried in the Group's accounting records at the fair value of UAH 12,223,782 thousand, loans to the related state-owned company National Joint Stock Company "Naftogaz of Ukraine" with the carrying value of UAH 12,309,916 thousand, loans to other borrowers with the carrying value of UAH 1,289,815 thousand, and cash balances with the National Bank of Ukraine with the carrying value of UAH 425,000 thousand (Notes 16, 15, and 12).

Subsequent to 31 December 2014, settlements of loans received under repurchase agreements with the National Bank of Ukraine were made in accordance with the contractual maturities.

Under the loan received from a foreign bank, the Group is obligated to comply with a range of information liabilities and financial covenants, which include maintaining the respective ratios at certain levels. In accordance with the procedures envisaged by the loan agreement, certain financial covenants shall be calculated based on the data presented the consolidated financial statements prepared under IFRS. Based on the analysis of these interim condensed consolidated financial statements as at 30 June 2015, the Group did not comply with one of the ratios, in the first turn, due to the loss of the assets attributable to the Crimean Republican Branch, a significant change in the exchange rate and, correspondingly, re-measurement of currency assets, as well as the deteriorated servicing quality of the loan portfolio. As at 30 June 2015, a foreign bank was entitled to demand early repayment of the loan and, correspondingly, the outstanding amounts of UAH 2,022,854 thousand were recorded in these interim condensed consolidated financial statements in the category of repayable up to one month (Note 33). As at 31 December 2014, the Group was in compliance with contractual terms and conditions.

21. CUSTOMER ACCOUNTS

Customer accounts comprise:

	30 June 2015	31 December 2014
Term deposits	36,553,608	34,515,818
Repayable on demand	33,790,057	21,693,178
Total customer accounts	**70,343,665**	**56,208,996**

As at 30 June 2015 and 31 December 2014, included in customer accounts was accrued interest expense in the amount of UAH 798,543 thousand and UAH 833,832 thousand, respectively.

As at 30 June 2015 and 31 December 2014, total balances of top ten customers amounted to UAH 14,806,739 thousand and UAH 8,665,071 thousand, which represents 21% and 15%, respectively.

The table below represents customer accounts' structure as at 30 June 2015 and 31 December 2014 by industry sectors:

	30 June 2015	31 December 2014
Analysis by sector:		
Individuals	41,254,634	37,084,965
Investing activities	7,120,635	3,185,450
Transport	3,950,005	880,443
Oil, gas, and chemical production	3,842,571	1,835,675
Energy	2,960,206	3,638,883
Financial services	2,400,359	1,527,421
Agriculture	1,884,198	996,221
Trade	1,084,683	1,805,802
Services	1,083,810	1,134,336
Municipal authorities	953,386	269,522
Mining and metallurgy	602,566	192,012
Construction and real estate	559,451	363,150
Media and communications	457,379	619,519
Engineering	321,695	1,567,331
Food and beverage manufacturing and processing	270,719	92,411
Industrial and consumer goods manufacturing	205,027	164,300
Press and publishing	108,039	40,537
Other	1,284,302	811,018
Total customer accounts	**70,343,665**	**56,208,996**

22. EUROBONDS ISSUED

Eurobonds issued comprise:

Issue date	Maturity	Coupon rate p.a., %	Carrying value, 30 June 2015	Carrying value, 31 December 2014
March and July 2011	10 March 2016	8.250	15,070,078	11,305,246
March 2013	20 March 2018	8.875	10,728,326	8,035,214
Total Eurobonds issued			**25,798,404**	**19,340,460**

In March 2011, the Bank received a loan from SSB NO.1 Plc in the amount of USD 500 million at the interest rate of 8.250% p.a. with maturity in 2016. The loan was funded by SSB NO.1 Plc through the issue of Eurobonds in the form of 5-year loan participation notes with the par value of USD 500 million and fixed coupon rate of 8.250% p.a. In July 2011, SSB NO.1 granted the Bank with a loan in the amount of USD 200 million at the interest rate of 8.250% p.a. with maturity in 2016, which was funded by an additional issue of Eurobonds with the par value of USD 200 million that were consolidated into a single series of loan participation notes for the total amount of USD 700 million with maturity in 2016. The Eurobonds are listed on the Irish Stock Exchange.

In March 2013, the Bank received a loan from SSB NO.1 Plc in the amount of USD 500 million at the interest rate of 8.875% p.a. with maturity in 2018. The loan was funded by SSB NO.1 Plc through the issue of Eurobonds in the form of 5-year loan participation notes with the par value of USD 500 million and fixed coupon rate of 8.875% p.a. The Eurobonds are listed on the Irish Stock Exchange.

Interest on the Eurobonds issued maturing in 2016 is to be paid semi-annually in arrears in equal instalments on 10 September and 10 March each year commencing from 10 September 2011.

Interest on the Eurobonds issued maturing in 2018 is to be paid semi-annually in arrears in equal instalments on 20 September and 20 March each year commencing from 20 September 2013.

As at 30 June 2015 and 31 December 2014, included in the Eurobonds issued was accrued interest expense in the amount of UAH 633,680 thousand and UAH 470,865 thousand, respectively.

The Bank is obligated to comply with certain covenants specified in the loan agreement with SSB NO.1 Plc in relation to the Eurobonds issued. These covenants include a requirement to submit financial statements according to the schedule stated below, restriction to declare or pay dividends or make other distributions if this may lead to delays in repayment of the Eurobonds or if such distributions, in aggregate, exceed 30% of net profits of the Group for the relevant period (calculated in accordance with the laws of Ukraine), certain limitations on transactions with related parties, etc.

In accordance with the terms of the loan agreements, the Bank is required to submit the following financial statements:

- Audited annual financial statements prepared in accordance with IFRS within 180 days from the reporting date;
- Unaudited interim IFRS financial statements for the six months ending 30 June within 120 days from the reporting date.

SSB NO.1 Plc has the right to enforce obligations of the Bank regarding compliance with the covenants. No specific action is prescribed by the agreement in case of the Bank's non-compliance with the covenants.

Loan agreements with SSB NO.1 Plc provides for the possibility of a cross-default on Eurobonds issued in the amount of 25,798,404 thousand if the Group receives the claims for early repayment from other creditors. As at 30 June 2015 and 31 December 2014 there was no cross-default on Eurobonds issued.

Subsequent to 30 June 2015, within the framework of the process launched by the Group and aimed at reprofiling debts under certain external obligations in accordance with the announcement made by the Ministry of Finance of Ukraine in March 2015 about a launch of the reprofiling process in respect of Ukraine's external debts to be performed within the new Extended Fund Facility program of the International Monetary Fund and Resolution of the Cabinet of Ministers of Ukraine # 318-p dated 4 April 2015, the Group completed the process of reprofiling the Eurobonds after reporting date (Note 35).

23. OTHER BORROWED FUNDS

	Currency	Maturity	Interest rate, %	Carrying amount, 30 June 2015	Maturity	Interest rate, %	Carrying amount, 31 December 2014
Borrowings from European Investment Bank	USD	August 2017 – February 2022	5.87	1,887,128	August 2017 – February 2022	5.87	1,416,593
Borrowings from European Investment Bank	EUR	March 2018 – September 2024	4.43	1,575,931	March 2018 – September 2024	4.43	1,287,508
Borrowings from European Investment Bank	EUR	June 2018 – December 2024	4.26	1,555,386	June 2018 – December 2024	4.26	1,270,723
Borrowings from a foreign financial institution	USD	April 2016	9.54	749,576	April 2015	9.54	588,521
Borrowings from a foreign financial institution	USD	July 2015	9.52	559,037	July 2015	9.52	401,027
Borrowings from a foreign financial institution	USD	October 2015	9.50	401,209	October 2015	9.50	287,528
Total other borrowed funds				**6,728,267**			**5,251,900**

As at 30 June 2015 and 31 December 2014, included in other borrowed funds was accrued interest expense in the amount of UAH 148,256 thousand and UAH 106,969 thousand, respectively.

As at 30 June 2015 and 31 December 2014, the Group's amounts due to a foreign financial institution amounted to UAH 1,709,822 thousand and UAH 1,277,076 thousand, respectively. Interest rate on all the borrowings received was in the range from 9.50% to 9.54% p.a. repayable on maturity.

Under the loan agreement with European Investment Bank ("EIB"), the Group is obligated to comply with a range of information liabilities and financial covenants, which include maintaining the respective ratios at certain levels. In accordance with the procedures envisaged by the loan agreement, the financial covenants shall be calculated based on the data presented in the consolidated financial statements prepared under IFRS for every semi-annual and annual periods. Based on the analysis of these interim condensed consolidated financial statements as at 30 June 2015, the Group did not comply with several ratios, in the first turn, due the loss of the assets attributable to the Crimean Republican Branch, a significant fluctuations in the exchange rate and, correspondingly, re-measurement of currency assets, as well as the deteriorated servicing quality of the loan portfolio. As at 30 June 2015, EIB was entitled to demand early repayment of the loan. Following the negotiations with EIB, the management of the Group expects that EIB will not require early repayment of the loan, but will consider a decision either to waive incompliance with these covenants or to revise them towards decrease. As at 30 June 2015 in the analysis of liquidity risks loan from EIB was reflected in accordance with the expectations of the Group's management in conformity with initial schedules indicated in the loan agreement (Note 33).

As at 31 December 2014, the Group recorded the amounts due under this loan agreement at contractual maturities, since the right to claim for early repayment of the loan arises with the EIB only after it receives the certificate about compliance with covenants.

24. OTHER LIABILITIES

Other liabilities comprise:

	30 June 2015	31 December 2014
Other financial liabilities:		
Provision for guarantees and other commitments	386,767	200,320
Provision for unused vacations	141,356	124,260
Accrued bonuses and salary	60,413	18,679
Other accounts payable	10,325	11,072
Expenses accrued	5,663	5,601
Fair value of currency swap and spot agreements	785	11,925
Other	152	30
	605,461	371,887
Other non-financial liabilities:		
Taxes payable, other than income tax	89,173	50,714
Advances received	3,972	3,370
Income taxes payable	6	462
Other	21,170	15,948
	114,321	70,494
Total other liabilities	**719,782**	**442,381**

Movements in provisions for guarantees and other commitments for the six months ended 30 June 2015 and 2014 are disclosed in Note 6.

25. SUBORDINATED DEBT

Subordinated debt comprises:

	Currency	Maturity of principal	Interest rate, %	30 June 2015	Interest rate, %	31 December 2014
The Royal Bank of Scotland N.V.	USD	19 January 2017	5.61	2,149,885	5.57	1,656,729
Total subordinated debt				**2,149,885**		**1,656,729**

As at 30 June 2015 and 31 December 2014, included in subordinated debt was accrued interest expense in the amount of UAH 52,725 thousand and UAH 84,203 thousand, respectively.

In 2010, the Royal Bank of Scotland N.V. became the successor of the bank ABN AMRO N.V. The respective changes in the loan agreement were registered with the NBU on 9 February 2011.

Starting from 19 January 2012, the interest rate was set at LIBOR + 5%. According to the loan agreement, the Group has the right to early repay the loan at any interest payment date by providing the creditor with a notice not later than 30 days prior to such a date. The next interest payment date is 19 January 2016. To date, the Group has no plans to exercise the early redemption option.

In the event of bankruptcy or liquidation of the Group, repayment of this debt is subordinate to the repayments of the Group's liabilities to all other creditors.

In accordance with the terms of the loan agreement, the Group should comply, inter alia, with the following covenants and is required to submit:

- Audited annual financial statements prepared in accordance with IFRS within 180 days from the reporting date;
- Unaudited interim IFRS financial statements for the six months ending 30 June within 90 days from the reporting date.

The Royal Bank of Scotland N.V. has the right to enforce obligations of the Group regarding compliance with the covenants. No specific action is prescribed by the agreement in case of the Group's non-compliance with the covenants.

26. SHARE CAPITAL

Share capital comprises:

	Number of shares, units	Nominal value, UAH thousands	Adjusted amount, UAH thousands
31 December 2013	**15,778**	**17,229,576**	**17,481,716**
Total increase in the nominal value of shares due to capitalization of the Bank's retained earnings	-	1,072,904	1,072,904
Total shares issued and fully paid but not registered	9,999	11,598,840	11,598,840
31 December 2014	**25,777**	**29,901,320**	**30,153,460**
Total increase in the nominal value of shares due to capitalization of the Bank's retained earnings	-	-	-
Total shares issued, registered, and fully paid	-	-	-
30 June 2015	**25,777**	**29,901,320**	**30,153,460**

As at 30 June 2015 and 31 December 2014, the nominal value of share amounted to UAH 1,160,000. All shares rank equally and carry one vote.

These interim condensed consolidated financial statements reflect the amount of paid share capital carried at cost, which was adjusted for the effect of hyperinflation in the amount of UAH 252,140 thousand that existed before 31 December 2000.

On 6 August 2014, the Government of Ukraine decided to increase the share capital of the Bank by the amount of UAH 1,072,904 thousand through the increase in the nominal value of shares to UAH 1,160,000 per share at the cost of capitalization of the Bank's profits for the years 2011, 2012, and 2013. The respective amendments to the Bank's Charter were agreed with the NBU on 12 September 2014 and registered by the State Registrar of Legal Entities and Individual Entrepreneurs at the Head Justice Department in the city of Kyiv on 17 September 2014. On 7 October 2014, the NCSSM registered this increase.

On 19 November 2014, the Government of Ukraine decided to increase the share capital of the Bank through the issue of 9,999 new shares with the nominal value of UAH 1,160,000 per share. The Bank's new shares were paid for by the indexed Ukrainian government debt securities of the special issue with the nominal value of UAH 11,598,840 thousand. The respective amendments to the Bank's Charter in part of the increase of the share capital by the amount of UAH 11,598,840 thousand were agreed with the NBU on 17 March 2015 and registered by the State Registrar of Legal Entities and Individual Entrepreneurs at the Head Justice Department in the city of Kyiv on 23 March 2015.

In 2014, the Bank distributed a profit share based on the financial results of 2013 to the general fund of the State Budget of Ukraine in accordance with the requirements of Article 11 of the Law of Ukraine "On State Property Management" # 185-V dated 21 September 2006 in the amount of UAH 213,030 thousand.

27. CONTINGENCIES AND CONTRACTUAL COMMITMENTS

In the normal course of business, the Group is a party to financial instruments with off-balance risk in order to meet the needs of its customers. These instruments, involving varying degrees of credit risk, are not reflected in the interim condensed consolidated statement of financial position.

The Group's maximum exposure to credit loss under contingent liabilities and contractual commitments to extend credit, in the event of non-performance by the other party where all counterclaims, collateral, or security prove valueless, is represented by the contractual amounts of those instruments.
The Group uses the same credit control and management policies in undertaking off-balance commitments as it does for operations recorded in the interim condensed consolidated statement of financial position.

As at 30 June 2015 and 31 December 2014, the nominal or contractual amounts were as follows:

	30 June 2015	31 December 2014
Contingent liabilities and credit commitments		
Guarantees issued and similar commitments	2,507,197	2,525,420
Letters of credit and other transaction related to contingent obligations	1,103,801	1,268,618
Irrevocable commitments on loans and unused credit lines	110,230	120,328
Total contingent liabilities and credit commitments	**3,721,228**	**3,914,366**

As at 30 June 2015 and 31 December 2014, provision for guarantees and other commitments amounted to UAH 386,767 thousand and UAH 200,320 thousand, respectively (Notes 6, 24).

Extension of loans to customers within loan and credit line limits is approved by the Group on a case-by-case basis and depends on the borrowers' financial performance, debt service, and other conditions. As at 30 June 2015 and 31 December 2014, total amount of such revocable commitments amounted to UAH 10,562,510 thousand and UAH 11,474,089 thousand, respectively.

Capital commitments – As at 30 June 2015 and 31 December 2014, the Group had no capital commitments.

Operating lease commitments – Where the Group is a lessee, the future minimum lease payments under non-cancellable operating leases are as follows:

	30 June 2015	31 December 2014
Within one year	118,206	71,251
Later than one year and not later than five years	106,243	84,956
Later than five years	68,379	56,482
Total operating lease commitments	**292,828**	**212,689**

Legal proceedings – From time to time and in the normal course of business, claims against the Group are received from customers and counterparties. Management believes that no material losses will be incurred and, accordingly, no provision has been made in these interim condensed consolidated financial statements.

Taxation – Due to presence in the Ukrainian commercial legislation, and tax legislation in particular, of provisions allowing more than one interpretation, and also due to the practice developed in a generally unstable environment by the tax authorities of making arbitrary judgment of business activities, if a particular treatment based on management's judgment of the Group's business activities was to be challenged by the tax authorities, the Group may be assessed additional taxes, penalties, and interest. Such uncertainty may relate to the valuation of financial instruments, impairment provisions, and the market level for pricing of deals. The Group believes that it has already made all tax payments, and, therefore, no allowance has been made in the interim condensed consolidated financial statements. Tax records remain open to review by the tax authorities for three years.

Pensions and retirement plans – Employees receive pension benefits in accordance with the laws and regulations of Ukraine, which requires current contributions by an employer calculated as a percentage of current gross salary payments, with such expense charged in the period the related salaries are earned. Employees have the right to receive pensions in the amount of such accumulated payments from the State Pension Fund. As at 30 June 2015 and 31 December 2014, the Group was not liable for any supplementary pensions, health care, insurance benefits, or retirement indemnities to its current or former employees.

28. RELATED PARTY TRANSACTIONS

As at 30 June 2015 and 31 December 2014, 100% of Bank's share capital is state-owned.

Transactions and balances with related parties comprise transactions with government, government-related entities (both directly and indirectly), key management personnel of the Group, and entities, if any, that are controlled, jointly controlled, or significantly influenced by them.

Government-related entities are entities that are controlled, jointly controlled, or significantly influenced by the government.

Government refers to the Government of Ukraine, government agencies, and similar bodies, whether local, national, or international.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. The Group had the following balances with its related parties as at 30 June 2015 and 31 December 2014:

	30 June 2015		31 December 2014	
	Related party balances	**Total category as per interim condensed consolidated financial statements caption**	**Related party balances**	**Total category as per interim condensed consolidated financial statements caption**
Balances with the National Bank of Ukraine:	2,052,414	2,052,414	2,196,957	2,196,957
- other related parties	2,052,414		2,196,957	
Due from banks, before allowance for impairment losses:	237,170	26,084,253	261,316	10,676,673
- other related parties	237,170		261,316	
Allowance for impairment losses on due from banks:	(71,223)	(3,963,093)	(37,332)	(2,654,229)
- other related parties	(71,223)		(37,332)	
Financial instruments at fair value through profit or loss:	5,399,892	5,399,892	4,252,179	4,252,179
- other related parties	5,399,892		4,252,179	

	30 June 2015		31 December 2014	
	Related party balances	Total category as per interim condensed consolidated financial statements caption	Related party balances	Total category as per interim condensed consolidated financial statements caption
Loans to customers, before allowance for impairment losses:	26,427,204	100,657,870	31,479,102	94,259,724
- key management personnel of the Group	736		1,849	
- other related parties	26,426,468		31,477,253	
Allowance for impairment losses on loans to customers:	(4,221,586)	(35,515,187)	(3,551,380)	(24,023,409)
- key management personnel of the Group	(13)		(14)	
- other related parties	(4,221,573)		(3,551,366)	
Investments available for sale:	27,854,552	30,033,711	23,763,309	26,318,815
- other related parties	27,854,552		23,763,309	
Investments held to maturity:	7,058,706	7,058,706	6,890,726	6,890,726
- other related parties	7,058,706		6,890,726	
Due to banks:	18,506,764	23,226,771	19,814,664	22,176,386
- other related parties	18,506,764		19,814,664	
Customer accounts:	11,960,624	70,343,665	5,882,113	56,208,996
- key management personnel of the Group	61,025		49,640	
- other related parties	11,899,599		5,832,473	
Other liabilities:	4,235	719,782	3,338	442,381
- key management personnel of the Group	4,235		3,338	
Contingent liabilities and credit commitments, before allowance for impairment losses:	1,891,461	14,283,738	2,230,771	15,388,455
- other related parties	1,891,461		2,230,771	

Included in the interim condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2015 and 2014 were the following amounts which arose due to transactions with related parties:

	For the six months ended 30 June 2015		For the six months ended 30 June 2014	
	Related party transactions	Total category as per interim condensed consolidated financial statements caption	Related party transactions	Total category as per interim condensed consolidated financial statements caption
Interest income:	5,075,113	8,621,279	3,673,538	6,841,878
- key management personnel of the Group	46		-	
- other related parties:	5,075,067		3,673,538	
- balances with the NBU	-		4,432	
- due from banks	2,554		5,330	
- loans to customers	2,769,370		1,688,844	
- investments available for sale	1,957,097		1,974,932	
- investments held to maturity	346,046		-	

	For the six months ended 30 June 2015		For the six months ended 30 June 2014	
	Related party transactions	Total category as per interim condensed consolidated financial statements caption	Related party transactions	Total category as per interim condensed consolidated financial statements caption
Interest expense:	(1,990,857)	(5,920,678)	(1,163,236)	(3,740,199)
- key management personnel of the Group	(2,623)		(1,768)	
- other related parties:	(1,988,234)		(1,161,468)	
- due to banks	(1,706,792)		(1,076,575)	
- customer accounts	(281,442)		(84,893)	
Provision for impairment losses on interest bearing assets:	(672,531)	(8,204,593)	(88,374)	(619,870)
- other related parties	(672,531)		(88,374)	
Fee and commission income:	138,379	946,155	163,960	770,173
- key management personnel of the Group	21		13	
- other related parties	138,358		163,947	
Fee and commission expense:	(81,824)	(229,271)	(105,934)	(159,224)
- key management personnel of the Group	-		(1)	
- other related parties	(81,824)		(105,933)	
Net gain on investments available for sale:	330	1,541	1,855	2,796
- investments available for sale	330		1,855	
Net gain on transactions with financial instruments at fair value through profit or loss:	1,147,713	1,430,923	225,241	146,627
- other related parties	1,147,713		225,241	
Operating expense:	(38,761)	(1,976,904)	(43,169)	(1,913,918)
- key management personnel of the Group	(16,742)		(22,857)	
- other related parties	(22,019)		(20,312)	
Key management personnel remuneration:	(15,845)	(1,239,458)	(20,236)	(1,251,895)
- short-term employee benefits	(14,305)		(18,389)	
- social charges	(1,540)		(1,847)	

29. FAIR VALUE

IFRS defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The estimated fair values have been determined by the Group using available market information, where it exists, and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to determine the estimated fair value. Management has used all available market information in estimating the fair value. The estimates presented herein are not necessarily indicative of the amounts the Group could realize in a market exchange from the sale of its full holdings of a particular instrument or pay in the transfer of liabilities.

Fair value of the Group's financial assets and financial liabilities measured at fair value on a recurring basis and fair value of buildings

Some of the Group's financial assets and financial liabilities, as well as the Group's buildings, are measured at fair value at the end of each reporting period.

The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation techniques and inputs used):

Assets/liabilities	Fair value hierarchy	Valuation techniques and key inputs
Investments available for sale	1	Quoted bid prices in an active market.
	2	Discounted cash flows. Future cash flows are estimated based on the inputs that are observable, either directly or indirectly, and the estimates use one or more observable quoted prices for orderly transactions in the markets that are not considered active.
	3	Discounted cash flows. Future cash flows are estimated based on both observable and unobservable inputs. Unobservable inputs include assumptions regarding future financial performance of the issuer and its risk profile.
Financial instruments at fair value through profit or loss	2	The fair value is calculated using the adjusted option pricing model for European currency options (Garmen-Kohlhagen's form of the Black–Scholes's formula). The data that are used in the calculations and are observable: the weighted average exchange rate of UAH against USD in the interbank market; the historical volatility of the exchange rate of UAH to USD; interbank market rates for the longest period for UAH and USD.
	3	The fair value is calculated using the adjusted option pricing model for European currency options (Garmen-Kohlhagen's form of the Black–Scholes's formula). The data that are used in the calculations and are observable: the weighted average exchange of UAH against USD in the interbank market; quoted market prices of five-year forwards without delivery of currency (currency pair of USD-EUR); the historical volatility of the exchange rate of UAH to USD; data that are used in the calculations and are unobservable: the yield of long-term Ukrainian government debt securities.
Fair value of currency swap and spot agreements	2	Discounted cash flows. Future cash flows are estimated based on forward exchange rates and discounted at a rate used in the interbank market.
Properties under construction	3	The Group engages professional independent appraisers to determine the fair value of its buildings and office premises by using a sales comparison method, and for items for which there are no market analogs, income capitalization method is used. In the sales comparison method, the prices of market-based sales of comparable properties in the immediate proximity are adjusted with reference to differences in main parameters (such as floor space of the property). The main parameter used in this valuation technique is the price per square meter of a property.
Buildings and office premises	3	The Group engages professional independent appraisers to determine the fair value of its buildings and office premises by using a sales comparison method, and for items for which there are no market analogs, income capitalization method is used. In the sales comparison method, the prices of market-based sales of comparable properties in the immediate proximity are adjusted with reference to differences in main parameters (such as floor space of the property). The main parameter used in this valuation technique is the price per square meter of a property.

The following table summarizes financial instruments and buildings and office premises recognized at fair value on initial recognition using a fair value hierarchy. The levels reflect the ability of direct determination of the fair value based on the market data:

	Level 1	Level 2	Level 3	30 June 2015 Total
Assets				
Investments available for sale	-	16,063,032	13,970,679	30,033,711
Financial instruments at fair value through profit or loss	-	2,720	5,397,172	5,399,892
Other financial assets:				
Fair value of currency swap agreements	-	3,210	-	3,210
Buildings:				
Properties under construction	-	-	235,824	235,824
Buildings and office premises	-	-	1,476,383	1,476,383
Total	**-**	**16,068,962**	**21,080,058**	**37,149,020**
Liabilities				
Other financial liabilities:				
Fair value of currency swap agreements	-	785	-	785
Total	**-**	**785**	**-**	**785**

	Level 1	Level 2	Level 3	31 December 2014 Total
Assets				
Investments available for sale	1,561,073	13,014,932	11,742,810	26,318,815
Financial instruments at fair value through profit or loss	-	13,343	4,238,836	4,252,179
Other financial assets:				
Fair value of currency swap agreements	-	11,925	-	11,925
Buildings:				
Properties under construction	-	-	233,687	233,687
Buildings and office premises	-	-	1,483,762	1,483,762
Total	**1,561,073**	**13,040,200**	**17,699,095**	**32,300,368**
Liabilities				
Other financial liabilities:				
Fair value of currency swap agreements	-	11,925	-	11,925
Total	**-**	**11,925**	**-**	**11,925**

During six month ended 30 June 2015, there were no transfers between Level 1 and 2.

Debt securities with the fair value of UAH 2,723,186 thousand as at 30 June 2015, in comparison with 31 December 2014, were transferred from Level 2 to Level 3 of the fair value hierarchy due to changes in the observable market data. During the six months ended 30 June 2015, these debt securities had no quoted prices or other observable market data, thus, their fair values were measured using valuation techniques based on the inputs that differ from observable market data.

The following tables present movements in fair values of Level 3 for investments available for sale and financial instruments at fair value through profit or loss as follows:

Investments available for sale

31 December 2014	**11,742,810**	**31 December 2013**	**7,024,358**
Total income and expense:		Total income and expense:	
In profit or loss:	431,729	In profit or loss:	1,225,834
Interest income	808,257	Interest income	502,930
Provision	(376,528)	Provision	722,904
In other comprehensive income:	(10,086)	In other comprehensive income:	(257,827)
Net change in fair value of investments available for sale	(809,419)	Net change in fair value of investments available for sale	(867,095)
Reclassification of investments available for sale sold during the period	799,333	Reclassification of investments available for sale sold during the period	609,268
Coupon income paid	(751,866)	Coupon income paid	(393,952)
Purchase	3,058	Purchase	288,684
Sale	(168,152)	Sale	-
Redemption	-	Redemption	(300,000)
Reclassification from other levels to Level 3	2,723,186	Reclassification from other levels to Level 3	-
30 June 2015	**13,970,679**	**30 June 2014**	**7,587,097**

Financial instruments at fair value through profit or loss

31 December 2014	**4,238,836**
Total income and expense:	
In other comprehensive income: net change in fair value	1,147,794
Reclassification from other levels to Level 3	10,542
30 June 2015	**5,397,172**

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

Other financial instruments:

As there is no active secondary market in Ukraine for due from banks, due to banks, loans to customers, investments held to maturity, accounts receivable and payable, other borrowed funds, and subordinated debt, there is no reliable market value available for such instruments.

For financial assets and liabilities that have a short term maturity, it is assumed that the carrying amounts approximate their fair value. This assumption is also applied to demand deposits and current accounts without defined maturity.

The Group's management believes that, except for included in the table below, the carrying amounts of financial assets and financial liabilities recognized in the interim condensed consolidated financial statements approximate their fair values.

	30 June 2015		**31 December 2014**	
	Carrying amounts	**Fair value**	**Carrying amounts**	**Fair value**
Loans to customers	65,142,683	64,886,102	70,236,315	69,680,523
Investments held to maturity	7,058,706	6,666,182	6,890,726	6,456,088
Total assets	**72,201,389**	**71,552,284**	**77,127,041**	**76,136,611**
Due to banks	23,226,771	21,874,029	22,176,386	22,000,538
Customer accounts	70,343,665	69,957,895	56,208,996	55,576,246
Eurobonds issued	25,798,404	20,087,614	19,340,460	12,915,078
Other borrowed funds	6,728,267	3,208,507	5,251,900	2,677,447
Subordinated debt	2,149,885	1,215,577	1,656,729	1,024,314
Total liabilities	**128,246,992**	**116,343,622**	**104,634,471**	**94,193,623**

The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation techniques and inputs used):

Financial assets/ financial liabilities	Fair value hierarchy	Valuation techniques and key inputs
Loans to customers	3	Discounted cash flows. Future cash flows are estimated based on both observable and unobservable inputs. Unobservable inputs include assumptions regarding future financial performance of a counterparty and its risk profile.
Investments held to maturity	1	Quoted bid prices in an active market.
	2	Discounted cash flows. Future cash flows are estimated based on the inputs that are observable, either directly or indirectly, and the estimates use one or more observable quoted prices for orderly transactions in the markets that are not considered active.
	3	Discounted cash flows. Future cash flows are estimated based on both observable and unobservable inputs. Unobservable inputs include assumptions regarding future financial performance of the issuer and its risk profile.
Due to banks	2	Discounted cash flows. Future cash flows are estimated based on the inputs that are observable, either directly or indirectly, and the estimates use one or more observable prices for orderly transactions in the markets that are not considered active.
Customer accounts	3	Discounted cash flows. Future cash flows are estimated based on both observable and unobservable inputs.
Eurobonds issued	2	Discounted cash flows. Future cash flows are estimated based on the inputs that are observable, either directly or indirectly, and the estimates use one or more observable quoted prices for orderly transactions in the markets that are not considered active.
Other borrowed funds	2	Discounted cash flows. Future cash flows are estimated based on the inputs that are observable, either directly or indirectly, and the estimates use one or more observable quoted prices for orderly transactions in the markets that are not considered active.
Subordinated debt	3	Discounted cash flows. Future cash flows are estimated based on both observable and unobservable inputs. Unobservable inputs include assumptions regarding future financial performance of a counterparty, its risk profile, and economic assumptions regarding industry and geographical jurisdiction in which the counterparty operates.

	Level 1	Level 2	Level 3	30 June 2015 Total
Assets				
Loans to customers	-	-	64,886,102	64,886,102
Investments held to maturity	-	-	6,666,182	6,666,182
Total	**-**	**-**	**71,552,284**	**71,552,284**
Liabilities				
Due to banks	-	21,874,029	-	21,874,029
Customer accounts	-	-	69,957,895	69,957,895
Eurobonds issued	-	20,087,614	-	20,087,614
Other borrowed funds	-	3,208,507	-	3,208,507
Subordinated debt	-	-	1,215,577	1,215,577
Total	**-**	**45,170,150**	**71,173,472**	**116,343,622**

	Level 1	Level 2	Level 3	31 December 2014 Total
Assets				
Loans to customers	-	-	69,680,523	69,680,523
Investments held to maturity	-	-	6,456,088	6,456,088
Total	**-**	**-**	**76,136,611**	**76,136,611**
Liabilities				
Due to banks	-	22,000,538	-	22,000,538
Customer accounts	-	-	55,576,246	55,576,246
Eurobonds issued	-	12,915,078	-	12,915,078
Other borrowed funds	-	2,677,447	-	2,677,447
Subordinated debt	-	-	1,024,314	1,024,314
Total	**-**	**37,593,063**	**56,600,560**	**94,193,623**

30. DERIVATIVE FINANCIAL INSTRUMENTS

Foreign exchange derivative financial instruments entered into by the Group are generally traded in an over-the-counter market with professional market counterparties on standardized contractual terms and conditions. Derivatives have potentially favorable (assets) or unfavorable (liabilities) conditions as a result of fluctuations in market interest rates, foreign exchange rates, or other variables relative to their terms. The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

The table below sets out fair values, at the reporting date, of currencies receivable or payable under forward agreements entered into by the Group. The table reflects gross positions before the netting of any counterparty positions (and payments) and covers the contracts with settlement dates after the respective reporting date. The contracts are short-term in nature.

	30 June 2015		31 December 2014	
	Contracts with positive fair value	**Contracts with negative fair value**	**Contracts with positive fair value**	**Contracts with negative fair value**
Currency and interest swap agreements: fair value as at the reporting date:				
- USD receivable on settlement (+)	-	457,321	-	909,863
- USD payable on settlement (-)	(4,641,351)	(252,184)	(1,447,604)	(171,582)
- EUR receivable on settlement (+)	376,662	-	-	47,004
- EUR payable on settlement (-)	-	(395,025)	(168,651)	-
- UAH receivable on settlement (+)	4,341,942	252,184	1,681,360	164,311
- UAH payable on settlement (-)	-	(63,081)	-	(961,521)
- gold receivable on settlement (+)	-	-	-	-
- gold payable on settlement (-)	(74,043)	-	(53,180)	-
Net fair value of currency and interest swap agreements	**3,210**	**(785)**	**11,925**	**(11,925)**

As at 30 June 2015 and 31 December 2014, the fair value of currency and interest swap agreements is included in other assets and liabilities, respectively (Notes 19, 24).

As at 30 June 2015 and 31 December 2014, the fair value of the embedded derivative amounted to UAH 5,399,892 thousand and UAH 4,252,179 thousand, respectively (Note 14).

31. CAPITAL MANAGEMENT

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximizing the return to the shareholder through the optimization of the debt and equity balance.

The capital structure of the Group consists of share capital, reserves, and accumulated deficit as disclosed in the interim condensed consolidated statement of changes in equity and borrowed funds, which include subordinated debt disclosed in Note 25.

The Group's Management Board reviews the capital structure on a regular basis. As part of this review, the Board considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the Management Board, the Group balances its overall capital structure through new share issues as well as the issue of new debt or the redemption of existing debt.

32. REGULATORY MATTERS

The adequacy of the Group's capital is monitored using, among other measures, the ratios established by the Basel Capital Accord 1988 and the ratios established by the NBU in supervising the Bank and companies forming the Group.

Quantitative measures established by regulation to ensure capital adequacy require that the Group maintain minimum amounts and ratios of total and Tier 1 capital to risk-weighted assets.

The following table analyzes the Group's regulatory capital resources for capital adequacy purposes in accordance with the principles mentioned above:

	30 June 2015	31 December 2014
Regulatory capital:		
Tier 1 capital		
Share capital	30,153,460	30,153,460
Accumulated deficit	(20,579,269)	(10,933,957)
Total Tier 1 qualified capital	**9,574,191**	**19,219,503**
Tier 2 capital		
Revaluation reserves	221,464	7,084
Subordinated debt	420,307	630,742
Total Tier 2 qualified capital up to a limit 100% of total Tier 1 capital	**641,771**	**637,826**
Total regulatory capital	**10,215,962**	**19,857,329**
Capital ratios:		
Total regulatory capital expressed as a percentage of total risk-weighted assets	**9.23%**	**18.57%**
Total Tier 1 capital expressed as a percentage of total risk-weighted assets	**8.65%**	**17.97%**

Quantitative measures established by regulation to ensure capital adequacy require that the Group maintain minimum amounts and ratios of total (8%) and Tier 1 capital (4%) to risk-weighted assets.

As at 30 June 2015 and 31 December 2014, the Group included in the computation of total capital for capital adequacy purposes the subordinated debt received, limited to 50% of Tier 1 capital. In the event of bankruptcy or liquidation of the Group, repayment of this debt is subordinate to the repayments of the Group's liabilities to all other creditors.

33. RISK MANAGEMENT POLICIES

Management of risk is fundamental to the Group's business and is an essential element of the Group's operations. The main risks inherent to the Group's operations are those related to credit exposures, liquidity and market movements in interest rates and foreign exchange rates.

These interim condensed consolidated financial statements of the Group do not contain detailed disclosures that would significantly duplicate the information included in the consolidated financial statements for the year ended 31 December 2014 prepared in compliance with IFRS, such as risk management policies.

Credit quality of loans to customers, due from banks, investments available for sale, and investmens held to maturity as at 30 June 2015 and 31 December 2014 are summarized as follows:

	30 June 2015				31 December 2014			
	Loans to customers	Due from banks	Investments available for sale	Investments held to maturity	Loans to customers	Due from banks	Investments available for sale	Investments held to maturity
National Joint Stock Company "Naftogaz of Ukraine"	15,199,315	-	4,310,880	-	15,104,192	-	4,247,984	-
Neither past due nor impaired	23,432,471	22,059,456	24,761,444	7,058,706	44,376,383	7,464,873	20,519,785	6,890,726
Past due but not impaired:								
Past due up to 1 month	4,128,720	-	-	-	3,235,286	-	-	-
Past due 1-3 months	166,086	-	-	-	554,231	-	-	-
Impaired loans to customers, due from banks, investments available for sale, and investments held to maturity	57,731,278	4,024,797	1,760,160	-	30,989,632	3,211,800	1,973,291	-
including loans accounted for with the Crimean Republican Branch	12,960,071	-	-	-	10,069,756	-	-	-
Total before allowance for impairment losses	**100,657,870**	**26,084,253**	**30,832,484**	**7,058,706**	**94,259,724**	**10,676,673**	**26,741,060**	**6,890,726**
Less:								
Allowance for impairment losses on loans to National Joint Stock Company "Naftogaz of Ukraine"	(2,811,873)	-	-	-	(2,794,276)	-	-	-
Allowance for impairment losses assessed on a collective basis	(6,862,724)	-	-	-	(4,899,322)	-	-	-
Allowance for impairment losses on individually impaired loans, due from banks, investments available for sale, and investments held to maturity	(25,840,590)	(3,963,093)	(798,773)	-	(16,329,811)	(2,654,229)	(422,245)	-
Total	**65,142,683**	**22,121,160**	**30,033,711**	**7,058,706**	**70,236,315**	**8,022,444**	**26,318,815**	**6,890,726**

During the periods ended 30 June 2015 and 31 December 2014, the Bank had loans to the related state-owned company National Joint Stock Company "Naftogaz of Ukraine". The Bank applies tailored methodology for assessment of the mentioned borrower which was developed with the view to consider risks relevant to this borrower, in particular: high concentration of the borrowed funds, specific character of its activity, ability to generate cash flows and profits, sensitivity to general economic and market conditions. Provision was assessed considering the inherent risks of the borrower.

As at 30 June 2015 and 31 December 2014, the impaired loans included loans overdue for more than three months in the amount UAH 24,177,638 thousand and UAH 16,874,073 thousand, respectively, including the loans granted to customers of the Crimean Republican Branch in the amount of UAH 12,959,916 thousand and UAH 10,032,138 thousand, respectively. As at 30 June 2015 and 31 December 2014, the impaired loans overdue for more than three months constituted 24% and 18% of the total loan portfolio, before allowance for impairment losses, respectively; other than the loans granted to the customers of the Crimean Republican Branch – 13% and 7%, respectively.

The Group expects that a significant part of loans, other than the loans granted to customers of the Crimean Republican Branch and Regional Branches in Luhansk and Donetsk Regions located in the territories that are not controlled by the Ukrainian authorities, which are overdue for more than three months, will be repaid either at the cost of borrowers' own earnings or proceeds from the sale of collateral. Such expectations are based on the fact that a considerable part of overdue corporate loans are secured by marketable collateral and granted to entities which have potential ability to restore own solvency. The Group's ability to receive payments on overdue loans to individuals is explained by the fact that these loans are mostly secured by real estate or vehicles. Moreover, even if the value of collateral is not enough to repay the loan, the Group retains the right to demand payments from the borrowers until the loan is repaid in full.

As at 30 June 2015, 47% of the assets and 24% of the liabilities were concentrated in operations with the Group's related parties. The related party operations include mainly transactions with the Government and entities related to the Government. The Group obtains loans from the NBU to finance lending to the state-owned companies, which comprises 14% of its liabilities.

As at 31 December 2014, 52% of the assets and 24% of the liabilities were concentrated in operations with the Group's related parties. The related party operations include mainly transactions with the Government and entities related to the Government. The Group obtains loans from the NBU to finance lending to the state-owned companies, which comprises 19% of its liabilities.

As at 30 June 2015 and 31 December 2014, concentration of assets per one counterparty, the related state-owned entity National Joint Stock Company "Naftogaz of Ukraine", amounted to 12% and 13%, respectively (Notes 15, 16).

The analysis of liquidity risks based on the carrying value of financial assets and liabilities is presented in the following table.

	Up to 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	Maturity undefined	30 June 2015 Total
NON-DERIVATIVE FINANCIAL ASSETS							
Due from banks	21,481,758	15,112	305,978	61,935	-	-	21,864,783
Loans to customers	3,921,363	4,840,262	10,788,016	37,229,215	8,363,827	-	65,142,683
Investments available for sale	6,844,680	266,225	5,965,393	12,613,232	4,310,611	-	30,000,141
Investments held to maturity	-	43,496	60,227	-	6,954,983	-	7,058,706
Total interest bearing assets	32,247,801	5,165,095	17,119,614	49,904,382	19,629,421	-	124,066,313
Cash and balances with the National Bank of Ukraine	4,482,855	-	-	425,000	-	-	4,907,855
Due from banks	-	31,309	136,668	-	-	88,400	256,377
Investments available for sale	-	-	-	-	-	33,570	33,570
Other financial assets	132,103	117	1,279	35	92	-	133,626
TOTAL NON-DERIVATIVE FINANCIAL ASSETS	**36,862,759**	**5,196,521**	**17,257,561**	**50,329,417**	**19,629,513**	**121,970**	**129,397,741**
NON-DERIVATIVE FINANCIAL LIABILITIES							
Due to banks	4,720,014	3,000,000	925,000	14,581,757	-	-	23,226,771
Customer accounts	46,919,958	10,822,575	10,182,000	2,353,434	65,698	-	70,343,665
Eurobonds issued	-	633,680	14,697,642	10,467,082	-	-	25,798,404
Other borrowed funds	5,577,482	-	1,150,785	-	-	-	6,728,267
Subordinated debt	-	-	52,725	2,097,160	-	-	2,149,885
Total interest bearing liabilities	57,217,454	14,456,255	27,008,152	29,499,433	65,698	-	128,246,992
Other financial liabilities	257,493	127,926	219,127	6	124	-	604,676
TOTAL NON-DERIVATIVE FINANCIAL LIABILITIES	**57,474,947**	**14,584,181**	**27,227,279**	**29,499,439**	**65,822**	**-**	**128,851,668**
Liquidity gap between non-derivative financial assets and liabilities	(20,612,188)	(9,387,660)	(9,969,718)	20,829,978	19,563,691	121,970	
Interest sensitivity gap	(24,969,653)	(9,291,160)	(9,888,538)	20,404,949	19,563,723		
Cumulative interest sensitivity gap	**(24,969,653)**	**(34,260,813)**	**(44,149,351)**	**(23,744,402)**	**(4,180,679)**		
Cumulative interest sensitivity gap as a percentage of total assets	**(18%)**	**(25%)**	**(32%)**	**(17%)**	**(3%)**		
DERIVATIVE FINANCIAL INSTRUMENTS AND SPOT AGREEMENTS							
Financial instruments at fair value through profit or loss	-	-	23,480	16,201	5,360,211	-	5,399,892
Currency swap agreements	2,425	-	-	-	-	-	2,425
Currency spot agreements	-	-	-	-	-	-	-
Aggregated liquidity gap	**(20,609,763)**	**(9,387,660)**	**(9,946,238)**	**20,846,179**	**24,923,902**	**121,970**	
Cumulative liquidity gap	**(20,609,763)**	**(29,997,423)**	**(39,943,661)**	**(19,097,482)**	**5,826,420**	**5,948,390**	

	Up to 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	Maturity undefined	31 December 2014 Total
NON-DERIVATIVE FINANCIAL ASSETS							
Due from banks	6,470,294	35,600	848,152	554,831	-	-	7,908,877
Loans to customers	3,526,962	18,072,467	16,797,136	22,067,775	9,771,975	-	70,236,315
Investments available for sale	165,140	534,870	14,246,477	8,128,153	3,210,605	-	26,285,245
Investments held to maturity	-	-	51,620	-	6,839,106	-	6,890,726
Total interest bearing assets	10,162,396	18,642,937	31,943,385	30,750,759	19,821,686	-	111,321,163
Cash and balances with the National Bank of Ukraine	4,107,863	425,000	-	-	-	-	4,532,863
Due from banks	14,065	-	44,236	-	-	55,266	113,567
Investments available for sale	-	-	-	-	-	33,570	33,570
Other financial assets	89,835	3,255	448	142	-	18,183	111,863
TOTAL NON-DERIVATIVE FINANCIAL ASSETS	**14,374,159**	**19,071,192**	**31,988,069**	**30,750,901**	**19,821,686**	**107,019**	**116,113,026**
NON-DERIVATIVE FINANCIAL LIABILITIES							
Due to banks	417,666	18,739,455	3,019,265	-	-	-	22,176,386
Customer accounts	31,783,928	8,735,444	10,692,597	4,927,509	69,518	-	56,208,996
Eurobonds issued	-	470,865	-	18,869,595	-	-	19,340,460
Other borrowed funds	36,490	13,368	1,277,077	1,431,280	2,493,685	-	5,251,900
Subordinated debt	84,203	-	-	1,572,526	-	-	1,656,729
Total interest bearing liabilities	32,322,287	27,959,132	14,988,939	26,800,910	2,563,203	-	104,634,471
Other financial liabilities	122,279	52,010	185,529	9	135	-	359,962
TOTAL NON-DERIVATIVE FINANCIAL LIABILITIES	**32,444,566**	**28,011,142**	**15,174,468**	**26,800,919**	**2,563,338**	**-**	**104,994,433**
Liquidity gap between non-derivative financial assets and liabilities	(18,070,407)	(8,939,950)	16,813,601	3,949,982	17,258,348	107,019	
Interest sensitivity gap	(22,159,891)	(9,316,195)	16,954,446,	3,949,849	17,258,483		
Cumulative interest sensitivity gap	**(22,159,891)**	**(31,476,086)**	**(14,521,640)**	**(10,571,791)**	**6,686,692**		
Cumulative interest sensitivity gap as a percentage of total assets	**(18%)**	**(25%)**	**(12%)**	**(9%)**	**5%**		
DERIVATIVE FINANCIAL INSTRUMENTS AND SPOT AGREEMENTS							
Financial instruments at fair value through profit or loss	14,839	-	4,029	18,152	4,215,159	-	4,252,179
Currency swap agreements	-	-	-	-	-		-
Currency spot agreements	(1,460)	-	-	-	-	-	(1,460)
Aggregated liquidity gap	**(18,057,028)**	**(8,939,950)**	**16,817,630**	**3,968,134**	**21,473,507**	**107,019**	
Cumulative liquidity gap	**(18,057,028)**	**(26,996,978)**	**(10,179,348)**	**(6,211,214)**	**15,262,293**	**15,369,312**	

As at 30 June 2015, the Group's management expects that the loan from EIB in the amount of UAH 5,018,445 thousand will be repaid according to the initial schedules indicated in the loan agreement (Note 23).

As at 30 June 2015 and 31 December 2014, core current accounts amounted to UAH 14,280,461 thousand and UAH 9,322,536 thousand, respectively. Based on a going concern assumption, effective maturity of core current accounts is considered to be indefinite.

Information as to the expected periods of repayment of loans from EIB and customer accounts and effective liquidity gaps as at 30 June 2015 and 31 December 2014 is as follows:

	Up to 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	Maturity undefined	30 June 2015 Total
TOTAL NON-DERIVATIVE FINANCIAL ASSETS	**36,862,759**	**5,196,521**	**17,257,561**	**50,329,417**	**19,629,513**	**121,970**	**129,397,741**
TOTAL NON-DERIVATIVE FINANCIAL LIABILITIES	**57,474,947**	**14,584,181**	**27,227,279**	**29,499,439**	**65,822**	**-**	**128,851,668**
Liquidity gap	(20,612,188)	(9,387,660)	(9,969,718)	20,829,978	19,563,691	121,970	
Customer accounts	32,639,497	10,822,575	10,182,000	2,353,434	65,698	14,280,461	
Other borrowed funds	559,037	62,677	1,152,437	2,238,783	2,715,333	-	
Liquidity gap based on expected withdrawal dates	**(1,313,282)**	**(9,450,337)**	**(9,971,370)**	**18,591,195**	**16,848,358**	**(14,158,491)**	
Cumulative liquidity gap based on expected withdrawal dates	**(1,313,282)**	**(10,763,619)**	**(20,734,989)**	**(2,143,794)**	**14,704,564**	**546,073**	

	Up to 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	Maturity undefined	31 December 2014 Total
TOTAL NON-DERIVATIVE FINANCIAL ASSETS	**14,374,159**	**19,071,192**	**31,988,069**	**30,750,901**	**19,821,686**	**107,019**	**116,113,026**
TOTAL NON-DERIVATIVE FINANCIAL LIABILITIES	**32,444,566**	**28,011,142**	**15,174,468**	**26,800,919**	**2,563,338**	**-**	**104,994,433**
Liquidity gap	(18,070,407)	(8,939,950)	16,813,601	3,949,982	17,258,348	107,019	
Customer accounts	22,461,392	8,735,444	10,692,597	4,927,509	69,518	9,322,536	
Liquidity gap based on expected withdrawal dates	**(8,747,871)**	**(8,939,950)**	**16,813,601**	**3,949,982**	**17,258,348**	**(9,215,517)**	
Cumulative liquidity gap based on expected withdrawal dates	**(8,747,871)**	**(17,687,821)**	**(874,220)**	**3,075,762**	**20,334,110**	**11,118,593**	

The negative cumulative liquidity gap up to one year based on the expected maturities of customer accounts in the amount of UAH 20,734,989 thousand arose mainly due to the approaching maturities in March 2016 of the Group's Eurobonds issued in the amount of USD 700,000 thousand, and including them to up to one year.

Subsequent to 30 June 2015, the Group completed the process of reprofiling the Eurobonds issued on the following terms:

- Eurobonds issued maturing in 2016 shall be reprofiled by increasing the coupon rate to 9.375% and extending the amortization schedule from 10 March 2019 to 10 March 2023;
- Eurobonds issued maturing in 2018 shall be reprofiled by increasing the coupon rate to 9.625% and extending the amortization schedule from 20 March 2020 to 20 March 2025.

The extended maturities of the Eurobonds issued as a result of their reprofiling will reduce the cumulative liquidity gap of up to one year from UAH 20,734,989 thousand to UAH 6,037,347 thousand.

Subsequent to 30 June 2015, the borrowing from a foreign financial institution maturing in July 2015 was extended to July 2016, which will reduce the liquidity gap of up to one year by UAH 559,037 thousand.

The Group has available volumes of secondary liquid fund reserves represented by unencumbered securities available for sale (Ukrainian government debt securities) that are characterized by a high level of liquidity and securities held to maturity. The required funds may be obtained through the sale of the said securities or attraction of a refinancing loan from the NBU against the pledge of those securities. As at 30 June 2015, the Group had the available volumes of secondary liquid fund reserves in the amount of UAH 9,279,512 thousand as represented by such securities with the maturities of more than one year:

- Unencumbered Ukrainian government debt securities accounted for as investments available for sale. The required funds may be obtained through the sale of the said securities or attraction of a loan from the NBU on refinancing terms against the pledge of those securities. As at 30 June 2015, the fair value of such securities amounted to UAH 2,220,806 thousand;
- Unencumbered Ukrainian government debt securities accounted for as investments held to maturity that may be used as a collateral when attracting a loan from the NBU on refinancing terms. As at 30 June 2015, the carrying amounts of such securities amounted to UAH 7,058,706 thousand.

The said securities of secondary liquid fund reserves cover the cumulative liquidity gap up to one year as calculated with reference to the extended maturities of the Group's Eurobonds issued.

A further analysis of the liquidity by maturities of financial liabilities covers the remaining undiscounted contractual cash flows (including future interest payments) that are not recognized in the interim condensed consolidated statement of financial position at the reporting date. The amounts disclosed in these tables do not correspond to the amounts recorded in the interim condensed consolidated statement of financial position in the amount of interest to be paid subsequent to the reporting date and which are not accounted for on accrued interest accounts at the reporting date, as well as unamortized discount/premium.

	Up to 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	30 June 2015 Total
NON-DERIVATIVE FINANCIAL LIABILITIES						
Due to banks	4,730,899	3,645,190	2,928,101	21,038,293	-	32,342,483
Customer accounts	47,266,793	11,274,446	10,925,156	2,504,402	107,740	72,078,537
Eurobonds issued	-	1,073,097	15,783,847	12,372,792	-	29,229,736
Other borrowed funds	5,615,613	-	1,218,334	-	-	6,833,947
Subordinated debt	-	-	119,204	2,220,740	-	2,339,944
Total interest bearing liabilities	57,613,305	15,992,733	30,974,642	38,136,227	107,740	142,824,647
Other financial liabilities	257,493	127,926	219,127	6	124	604,676
Contingent liabilities and irrevocable loan commitments	1,078,177	1,065,967	1,190,317	-	-	3,334,461
TOTAL NON-DERIVATIVE FINANCIAL LIABILITIES	**58,948,975**	**17,186,626**	**32,384,086**	**38,136,233**	**107,864**	**146,763,784**
DERIVATIVE FINANCIAL INSTRUMENTS AND SPOT AGREEMENTS						
Currency spot agreements	282,476	-	-	-	-	282,476
Currency swap agreements	5,425,684	-	-	-	-	5,425,684
TOTAL FINANCIAL LIABILITIES	**64,657,135**	**17,186,626**	**32,384,086**	**38,136,233**	**107,864**	**152,471,944**

	Up to 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	31 December 2014 Total
NON-DERIVATIVE FINANCIAL LIABILITIES						
Due to banks	736,737	19,409,441	3,074,931	-	-	23,221,109
Customer accounts	32,115,716	9,246,886	11,772,260	5,184,640	109,892	58,429,394
Eurobonds issued	-	805,182	805,182	21,126,908	-	22,737,272
Other borrowed funds	-	69,559	1,478,689	2,138,791	2,798,114	6,485,153
Subordinated debt	88,840	-	-	1,755,268	-	1,844,108
Total interest bearing liabilities	32,941,293	29,531,068	17,131,062	30,205,607	2,908,006	112,717,036
Other financial liabilities	122,279	52,010	185,529	9	135	359,962
Contingent liabilities and irrevocable loan commitments	855,828	515,709	2,342,509	-	-	3,714,046
TOTAL NON-DERIVATIVE FINANCIAL LIABILITIES	**33,919,400**	**30,098,787**	**19,659,100**	**30,205,616**	**2,908,141**	**116,791,044**
DERIVATIVE FINANCIAL INSTRUMENTS AND SPOT AGREEMENTS						
Currency spot agreements	2,940,954	-	-	-	-	2,940,954
Currency swap agreements	2,815,381	-	-	-	-	2,815,381
TOTAL FINANCIAL LIABILITIES	**39,675,735**	**30,098,787**	**19,659,100**	**30,205,616**	**2,908,141**	**122,547,379**

The following table presents an analysis of interest rate risk and its influence on the Group's profitability. Interest rates are presented by categories of financial assets and liabilities to determine interest rate exposure and effectiveness of the interest rate policy used by the Group.

	30 June 2015				31 December 2014			
	UAH %	USD %	EUR %	Other %	UAH %	USD %	EUR %	Other %
ASSETS								
Due from banks	9.05	0.02	0.00	0.00	17.33	2.56	1.44	0.01
Loans to customers	19.03	10.72	10.77	-	16.19	10.69	10.66	-
Investments held to maturity	6.00	-	-	-	6.00	-	-	-
Investments available for sale:								
Government debt securities	18.51	8.62	-	-	14.40	7.90	-	-
Other securities	15.94	-	-	-	15.08	-	-	-
LIABILITIES								
Due to banks	18.77	0.00	11.93	0.00	15.54	4.02	11.67	0.00
Customer accounts:								
Current accounts	2.23	1.04	2.99	0.05	1.63	0.32	0.96	0.03
Deposits	18.13	8.24	6.12	1.04	16.89	7.75	5.91	1.17
Eurobonds issued	-	8.51	-	-	-	8.51	-	-
Other borrowed funds	-	7.56	4.35	-	-	7.56	4.35	-
Subordinated debt	-	5.61	-	-	-	5.57	-	-

The following table presents a sensitivity analysis of interest rate risk, which has been determined based on 'reasonably possible changes in the risk variable'. The level of these changes is determined by management and is contained within the risk reports provided to the Group's key management personnel.

Impact on profit before income tax:

	As at 30 June 2015		As at December 2014	
	Interest rate +1%	Interest rate -1%	Interest rate +1%	Interest rate -1%
Assets:				
Due from banks	218,648	(218,648)	79,089	(79,089)
Loans to customers	651,427	(651,427)	702,363	(702,363)
Investments available for sale	300,001	(300,001)	262,852	(262,852)
Investments held to maturity	70,587	(70,587)	68,907	(68,907)
Liabilities:				
Due to banks	(232,268)	232,268	(221,764)	221,764
Customer accounts	(703,437)	703,437	(562,090)	562,090
Eurobonds issued	(257,984)	257,984	(193,405)	193,405
Other borrowed funds	(67,283)	67,283	(52,519)	52,519
Subordinated debt	(21,499)	21,499	(16,567)	16,567
Net impact on profit before income tax	**(41,808)**	**41,808**	**66,866**	**(66,866)**

The Group's exposure to foreign currency exchange rate risk is presented in the table below:

	UAH	USD USD 1 = UAH 21.01536	EUR EUR 1 = UAH 23.54140	Other currencies	30 June 2015 Total
NON-DERIVATIVE FINANCIAL ASSETS					
Cash and balances with the National Bank of Ukraine	3,970,689	791,067	130,946	15,153	4,907,855
Due from banks	441,215	20,421,594	1,037,867	220,484	22,121,160
Loans to customers	37,382,840	26,059,195	1,700,648	-	65,142,683
Investments available for sale	28,882,645	1,151,066	-	-	30,033,711
Investments held to maturity	7,058,706	-	-	-	7,058,706
Other financial assets	64,553	46,300	14,899	7,874	133,626
TOTAL NON-DERIVATIVE FINANCIAL ASSETS	**77,800,648**	**48,469,222**	**2,884,360**	**243,511**	**129,397,741**
NON-DERIVATIVE FINANCIAL LIABILITIES					
Due to banks	18,508,401	2,683,793	2,034,300	277	23,226,771
Customer accounts	42,193,452	25,814,482	2,247,215	88,516	70,343,665
Eurobonds issued	-	25,798,404	-	-	25,798,404
Other borrowed funds	-	3,596,950	3,131,317	-	6,728,267
Other financial liabilities	246,321	118,430	238,583	1,342	604,676
Subordinated debt	-	2,149,885	-	-	2,149,885
TOTAL NON-DERIVATIVE FINANCIAL LIABILITIES	**60,948,174**	**60,161,944**	**7,651,415**	**90,135**	**128,851,668**
OPEN BALANCE SHEET POSITION	**16,852,474**	**(11,692,722)**	**(4,767,055)**	**153,376**	
DERIVATIVE FINANCIAL INSTRUMENTS AND SPOT AGREEMENTS					
Financial instruments at fair value through profit or loss	5,399,892	-	-	-	5,399,892
Currency swap agreements	4,531,044	(4,436,214)	(18,362)	(74,043)	2,425
Currency spot agreements	-	215,562	(208,447)	(7,115)	-
OPEN POSITION ON DERIVATIVE FINANCIAL INSTRUMENTS AND SPOT AGREEMENTS	**9,930,936**	**(4,220,652)**	**(226,809)**	**(81,158)**	
OPEN POSITION	**26,783,410**	**(15,913,374)**	**(4,993,864)**	**72,218**	

	UAH	USD USD 1 = UAH 15.76856	EUR EUR 1 = UAH 19.23291	Other currencies	31 December 2014 Total
NON-DERIVATIVE FINANCIAL ASSETS					
Cash and balances with the National Bank of Ukraine	4,027,947	431,206	64,237	9,473	4,532,863
Due from banks	1,119,376	5,296,539	1,414,333	192,196	8,022,444
Loans to customers	47,271,576	21,701,756	1,262,983	-	70,236,315
Investments available for sale	23,880,824	2,437,991	-	-	26,318,815
Investments held to maturity	6,890,726	-	-	-	6,890,726
Other financial assets	38,332	50,391	17,088	6,052	111,863
TOTAL NON-DERIVATIVE FINANCIAL ASSETS	**83,228,781**	**29,917,883**	**2,758,641**	**207,721**	**116,113,026**
NON-DERIVATIVE FINANCIAL LIABILITIES					
Due to banks	19,627,084	291,703	2,256,068	1,531	22,176,386
Customer accounts	38,501,550	15,964,739	1,618,828	123,879	56,208,996
Eurobonds issued	-	19,340,460	-	-	19,340,460
Other borrowed funds	-	2,693,669	2,558,231	-	5,251,900
Other financial liabilities	172,479	66,593	120,890	-	359,962
Subordinated debt	-	1,656,729	-	-	1,656,729
TOTAL NON-DERIVATIVE FINANCIAL LIABILITIES	**58,301,113**	**40,013,893**	**6,554,017**	**125,410**	**104,994,433**
OPEN BALANCE SHEET POSITION	**24,927,668**	**(10,096,010)**	**(3,795,376)**	**82,311**	
DERIVATIVE FINANCIAL INSTRUMENTS AND SPOT AGREEMENTS					
Financial instruments at fair value through profit or loss	4,252,179	-	-	-	4,252,179
Currency swap agreements	884,149	(709,322)	(121,647)	(53,180)	-
Currency spot agreements	-	633,226	(634,686)	-	(1,460)
OPEN POSITION ON DERIVATIVE FINANCIAL INSTRUMENTS AND SPOT AGREEMENTS	**5,136,328**	**(76,096)**	**(756,333)**	**(53,180)**	
OPEN POSITION	**30,063,996**	**(10,172,106)**	**(4,551,709)**	**29,131**	

The following table details the Group's sensitivity to an increase and decrease in USD and EUR against UAH as a result of possible changes in currency exchange rates. Sensitivity rate is used by the Group when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign currency exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the period for the appropriate change in foreign currency rates. The sensitivity analysis includes external loans within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower.

	As at 30 June 2015		As at 31 December 2014	
	UAH/USD +40%	**UAH/USD -40%**	**UAH/USD +40%**	**UAH/USD -40%**
Impact on profit and equity	(5,219,587)	5,219,587	(3,336,451)	3,336,451

	As at 30 June 2015		As at 31 December 2014	
	UAH/EUR +40%	**UAH/EUR -40%**	**UAH/EUR +40%**	**UAH/EUR -40%**
Impact on profit and equity	(1,637,987)	1,637,987	(1,492,961)	1,492,961

As at 30 June 2015, the Group had in its portfolio indexed Ukrainian government debt securities, the issue of which provided for the indexation of their nominal values depending on the growth of UAH/USD exchange rate during the period of their circulation. These bonds comprise an embedded derivative that allows mitigating the effect of UAH depreciation on the Group's financial performance. In the event of devaluation of UAH exchange rate by 40%, the impact on profit and equity will amount to UAH 1,144,820 thousand, with reference to the carrying amounts of those Ukrainian government debt securities together with the fair value of the embedded derivative.

Geographical concentration – The geographical concentration of assets and liabilities is set out below:

	Ukraine	Other non-OECD countries	OECD countries	30 June 2015 Total
NON-DERIVATIVE FINANCIAL ASSETS				
Cash and balances with the National Bank of Ukraine	4,907,855	-	-	4,907,855
Due from banks	554,897	1,686	21,564,577	22,121,160
Loans to customers	65,142,683	-	-	65,142,683
Investments available for sale	30,033,711	-	-	30,033,711
Investments held to maturity	7,058,706	-	-	7,058,706
Other financial assets	133,616	8	2	133,626
TOTAL NON-DERIVATIVE FINANCIAL ASSETS	**107,831,468**	**1,694**	**21,564,579**	**129,397,741**
NON-DERIVATIVE FINANCIAL LIABILITIES				
Due to banks	21,202,259	1,658	2,022,854	23,226,771
Customer accounts	63,122,924	7,170,695	50,046	70,343,665
Eurobonds issued	-	-	25,798,404	25,798,404
Other borrowed funds	-	-	6,728,267	6,728,267
Other financial liabilities	604,676	-	-	604,676
Subordinated debt	-	-	2,149,885	2,149,885
TOTAL NON-DERIVATIVE FINANCIAL LIABILITIES	**84,929,859**	**7,172,353**	**36,749,456**	**128,851,668**
NET POSITION ON NON-DERIVATIVE FINANCIAL INSTRUMENTS	**22,901,609**	**(7,170,659)**	**(15,184,877)**	
DERIVATIVE FINANCIAL INSTRUMENTS AND SPOT AGREEMENTS				
Financial instruments at fair value through profit or loss	5,399,892	-	-	5,399,892
Currency swap agreements	1,709	716	-	2,425
Currency spot agreements	581	(581)	-	-
NET POSITION ON DERIVATIVE FINANCIAL INSTRUMENTS AND SPOT AGREEMENTS	**5,402,182**	**135**	**-**	
NET POSITION	**28,303,791**	**(7,170,524)**	**(15,184,877)**	

	Ukraine	Other non-OECD countries	OECD countries	31 December 2014 Total
NON-DERIVATIVE FINANCIAL ASSETS				
Cash and balances with the National Bank of Ukraine	4,532,863	-	-	4,532,863
Due from banks	1,612,392	7,776	6,402,276	8,022,444
Loans to customers	70,236,315	-	-	70,236,315
Investments available for sale	26,318,815	-	-	26,318,815
Investments held to maturity	6,890,726	-	-	6,890,726
Other financial assets	110,966	6	891	111,863
TOTAL NON-DERIVATIVE FINANCIAL ASSETS	**109,702,077**	**7,782**	**6,403,167**	**116,113,026**
NON-DERIVATIVE FINANCIAL LIABILITIES				
Due to banks	19,992,781	554	2,183,051	22,176,386
Customer accounts	52,953,608	3,218,197	37,191	56,208,996
Eurobonds issued	-	-	19,340,460	19,340,460
Other borrowed funds	-	-	5,251,900	5,251,900
Other financial liabilities	359,962	-	-	359,962
Subordinated debt	-	-	1,656,729	1,656,729
TOTAL NON-DERIVATIVE FINANCIAL LIABILITIES	**73,306,351**	**3,218,751**	**28,469,331**	**104,994,433**
NET POSITION ON NON-DERIVATIVE FINANCIAL INSTRUMENTS	**36,395,726**	**(3,210,969)**	**(22,066,164)**	
DERIVATIVE FINANCIAL INSTRUMENTS AND SPOT AGREEMENTS				
Financial instruments at fair value through profit or loss	4,252,179	-	-	4,252,179
Currency swap agreements	-	-	-	-
Currency spot agreements	(1,634)	1,681	(1,507)	(1,460)
NET POSITION ON DERIVATIVE FINANCIAL INSTRUMENTS AND SPOT AGREEMENTS	**4,250,545**	**1,681**	**(1,507)**	
NET POSITION	**40,646,271**	**(3,209,288)**	**(22,067,671)**	

34. SEGMENT INFORMATION

The information refers to the services rendered within segments and provided to the Group's management responsible for operating decision making in order to allocate resources and assess the segments' activities.

Subsequent to 31 December 2014, core business processes introduced changes to their segment reporting, in particular, the indexed Ukrainian government debt securities that were accounted for as investments held to maturity were transferred from Treasury to General Management.

The information has no other differences in allocation and characteristics of the segments in comparison with its presentation in the consolidated financial statements as of 31 December 2014.

Income, expense, and results of reportable segments for the six months of 2015

Items	Notes	Name of a reportable segment: Corporate business	Retail business	Treasury	General management	Withdrawals	Total
Income from external customers		6,223,910	824,439	2,385,004	1,629,569	-	11,062,922
Interest income	5, 28	5,843,983	244,472	2,067,680	465,144	-	8,621,279
Fee and commission income	7, 28	377,119	534,537	33,981	518	-	946,155
Net gain on transactions with financial instruments at fair value through profit or loss	10, 28	-	-	283,210	1,147,713	-	1,430,923
Net other income		2,808	45,430	133	16,194	-	64,565
Income from other segments		3,205,225	3,027,532	478,072	2,608,406	(9,319,235)	-
Interest income		3,205,225	3,027,532	478,072	2,608,406	(9,319,235)	-
Total segment income		**9,429,135**	**3,851,971**	**2,863,076**	**4,237,975**	**(9,319,235)**	**11,062,922**
Interest expense	5, 28	(6,236,362)	(2,244,636)	(3,383,017)	(3,375,898)	9,319,235	(5,920,678)
Provision for impairment losses on interest bearing assets	6, 28	(7,010,824)	(43,926)	(1,149,843)	-	-	(8,204,593)
(Provision)/recovery of provision for impairment losses on other operations	6	(141,855)	(6,745)	388	(17,818)	-	(166,030)
Net gain on investments available for sale	28	-	-	1,541	-	-	1,541
Net (loss)/gain on foreign exchange operations	8	(719,605)	6,208	(1,742,497)	(1,755,277)	-	(4,211,171)
Fee and commission expense	7, 28	(84,940)	(141,646)	(2,543)	(142)	-	(229,271)
Operating expense	9, 28	(330,795)	(1,197,438)	(81,613)	(367,058)	-	(1,976,904)
SEGMENT RESULTS: (Loss)/profit		**(5,095,246)**	**223,788**	**(3,494,508)**	**(1,278,218)**	**-**	**(9,644,184)**

Assets and liabilities of reportable segments as at 30 June 2015

Items	Name of a reportable segment: Corporate business	Retail business	Treasury	General management	Total
Segment assets	67,777,612	4,676,987	49,905,108	16,414,635	138,774,342
Segment liabilities	47,985,115	41,256,049	2,708,270	37,017,340	128,966,774
Other segment items:					
Depreciation and amortization charges on property and equipment and intangible assets	(42,825)	(98,568)	(12,453)	(52,734)	(206,580)
Revaluation reported during the period in the interim condensed consolidated statement of changes in equity	-	-	-	214,192	214,192
Capital investments	-	-	-	165,186	165,186

Income, expense, and results of reportable segments for the six months of 2014

Items	Notes	Name of a reportable segment Corporate business	Retail business	Treasury	General management	Withdrawals	Total
Income from external customers		4,570,398	778,705	2,494,090	12,989	-	7,856,182
Interest income	5, 28	4,292,006	244,175	2,305,697	-	-	6,841,878
Fee and commission income	7, 28	277,390	450,915	41,672	196	-	770,173
Net gain on transactions with financial instruments at fair value through profit or loss	10, 28	-	-	146,627	-	-	146,627
Net other income		1,002	83,615	94	12,793	-	97,504
Income from other segments		1,859,432	2,453,104	925,907	966,172	(6,204,615)	-
Interest income		1,859,432	2,453,104	925,907	966,172	(6,204,615)	-
Total segment income		**6,429,830**	**3,231,809**	**3,419,997**	**979,161**	**(6,204,615)**	**7,856,182**
Interest expense	5, 28	(3,883,590)	(1,876,452)	(3,208,731)	(976,041)	6,204,615	(3,740,199)
(Provision)/recovery of provision for impairment losses on interest bearing assets	6, 28	(830,456)	(161,673)	372,259	-	-	(619,870)
Recovery of provision/(provision) for impairment losses on other operations	6	69,208	(973)	4,329	(124,852)	-	(52,288)
Net gain on investments available for sale	28	-	-	2,796	-	-	2,796
Net (loss)/gain on foreign exchange operations	8	(911,376)	41,925	(280,257)	91,763	-	(1,057,945)
Fee and commission expense	7, 28	(70,653)	(86,369)	(1,947)	(255)	-	(159,224)
Operating expense	9, 28	(274,854)	(1,120,976)	(88,292)	(429,796)	-	(1,913,918)
SEGMENT RESULTS: Profit/(loss)		**528,109**	**27,291**	**220,154**	**(460,020)**	**-**	**315,534**

Assets and liabilities of reportable segments as at 31 December 2014

Items	Name of a reportable segment Corporate business	Retail business	Treasury	General management	Total
Segment assets	72,746,324	4,190,806	43,602,137	3,774,877	124,314,144
Segment liabilities	26,326,743	37,085,947	9,044,645	32,619,517	105,076,852
Other segment items:					
Depreciation and amortization charges on property and equipment and intangible assets	(77,808)	(196,258)	(25,174)	(97,719)	(396,959)
Revaluation reported during the period in the interim condensed consolidated statement of changes in equity	-	-	-	(739,484)	(739,484)
Capital investments	-	-	-	718,200	718,200

35. SUBSEQUENT EVENTS

Subsequent to 30 June 2015, within the framework of the process launched by the Group and aimed at reprofiling debts under certain external obligations in accordance with the announcement made by the Ministry of Finance of Ukraine in March 2015 about a launch of the reprofiling process in respect of Ukraine's external debts to be performed within the new Extended Fund Facility program of the International Monetary Fund and Resolution of the Cabinet of Ministers of Ukraine # 318-p dated 4 April 2015, the Group completed the process of reprofiling the Eurobonds issued on the following terms:

- Eurobonds issued maturing in 2016 shall be reprofiled by increasing the coupon rate to 9.375% and extending the amortization schedule from 10 March 2019 to 10 March 2023;
- Eurobonds issued maturing in 2018 shall be reprofiled by increasing the coupon rate to 9.625% and extending the amortization schedule from 20 March 2020 to 20 March 2025.

Subsequent to 30 June 2015, the borrowing from a foreign financial institution maturing in July 2015 was extended to July 2016.

On 14 September 2015, as a result of the successful completion by the Bank of the reprofiling process in respect of its Eurobonds issued terms and conditions, Fitch Ratings assigned a long-term rating to the Bank as a foreign currency denominated security issuer at the level of CCC.

Public Joint Stock Company “STATE SAVINGS BANK OF UKRAINE”

Consolidated Financial Statements and Independent Auditor’s Report
For the Year Ended 31 December 2014

PUBLIC JOINT STOCK COMPANY "STATE SAVINGS BANK OF UKRAINE"

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PUBLIC JOINT STOCK COMPANY "STATE SAVINGS BANK OF UKRAINE"

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

Management is responsible for the preparation of the consolidated financial statements that present fairly the financial position of Public Joint Stock Company "State Savings Bank of Ukraine" (the "Bank") and companies controlled by the Bank (its subsidiary and special purpose entity) (collectively, the "Group") as at 31 December 2014, and the results of its operations, cash flows, and changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information, in compliance with International Financial Reporting Standards ("IFRS").

In preparing the consolidated financial statements, management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements of IFRS are insufficient to enable users to understand the impact of particular transactions, other events, and conditions on the Group's consolidated financial position and financial performance;
- Stating whether IFRS have been followed, subject to any material departures disclosed and explained in the consolidated financial statements; and
- Making an assessment of the Group's ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing, and maintaining an effective and sound system of internal controls, throughout the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS;
- Maintaining statutory accounting records in compliance with the legislation of Ukraine;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.

The consolidated financial statements of the Group for the year ended 31 December 2014 were approved and authorized for issue by the Bank's Management Board on 8 April 2015.

On behalf of the Management Board:

A. H. Pyshnyy,	**G. S. Kostenko,**
Chairman of the Management Board	**Chief Accountant**
8 April 2015	8 April 2015

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To Shareholder and the Management Board of Public Joint Stock Company "State Savings Bank of Ukraine":

We have audited the accompanying consolidated financial statements of Public Joint Stock Company "State Savings Bank of Ukraine" (the "Bank") and companies controlled by the Bank (its subsidiary and special purpose entity) (collectively, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other 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 consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of the consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated 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 Group'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 consolidated 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 consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2014, and its consolidated financial performance and its cash flows for year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

We draw attention to Note 2 to these consolidated financial statements. The impact of the continuing economic crisis and political turmoil in Ukraine and their final resolution are unpredictable and may adversely affect the Ukrainian economy and the operations of the Group. Our opinion is not qualified in respect of this matter.

We draw attention to Notes 29 and 34 to these consolidated financial statements which disclose a significant concentration of operations with related parties and concentration risk management policy of the Group. Our opinion is not qualified in respect of this matter.

Deloitte & Touche

8 April 2015

PUBLIC JOINT STOCK COMPANY “STATE SAVINGS BANK OF UKRAINE”

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

(in UAH and in thousands, except for earnings per share stated in UAH)

	Notes	Year ended 31 December 2014	Year ended 31 December 2013
Interest income	5, 29	13,666,256	11,197,621
Interest expense	5, 29	(8,347,271)	(5,686,401)
NET INTEREST INCOME BEFORE PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS		5,318,985	5,511,220
Provision for impairment losses on interest bearing assets	6, 29	(9,663,088)	(2,437,952)
NET INTEREST (EXPENSES)/INCOME		(4,344,103)	3,073,268
Fee and commission income	7, 29	1,589,970	1,501,514
Fee and commission expense	7, 29	(330,217)	(270,382)
Net (loss)/gain on foreign exchange operations	8	(3,330,833)	51,186
Net gain on investments available for sale		176,852	131,062
Net gain on transactions with financial instruments at fair value through profit or loss	10, 29	168,148	-
Provision for impairment losses on other operations	6	(27,543)	(147,581)
Share in losses from associates		-	(353)
Net other income		222,376	75,245
NET NON-INTEREST (EXPENSES)/INCOME		(1,531,247)	1,340,691
OPERATING (LOSS)/INCOME		(5,875,350)	4,413,959
OPERATING EXPENSES	9, 29	(4,238,638)	(3,488,185)
(LOSS)/PROFIT BEFORE INCOME TAX		(10,113,988)	925,774
Income tax benefits/(expense)	11	98,592	(214,620)
NET (LOSS)/PROFIT FOR THE YEAR		**(10,015,396)**	**711,154**
Attributable to:			
Shareholder of the Bank		(10,014,321)	710,502
Non-controlling interest		(1,075)	652
(LOSSES)/EARNINGS PER SHARE			
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	12	16,518	14,573
Basic and diluted earnings per share (UAH)	12	(606,267)	48,755
OTHER COMPREHENSIVE INCOME:			
Items that will not be reclassified subsequently to profit or loss:			
Disposal of property revaluation reserve, net of deferred income tax effect		(90,968)	-
Items that may be reclassified subsequently to profit or loss:			
Forex translation differences on translation results of foreign subsidiary to reporting currency		862	-
Net change in fair value of investments available for sale, net of deferred income tax effect		(1,230,862)	(587,138)
Reclassification of investments available for sale realized during the year, net of deferred income tax effect		587,138	112,007
OTHER COMPREHENSIVE LOSS		(733,830)	(475,131)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		**(10,749,226)**	**236,023**
Attributable to:			
Shareholder of the Bank		(10,748,151)	235,371
Non-controlling interest		(1,075)	652

On behalf of the Management Board:

A. H. Pyshnyy,
Chairman of the Management Board

8 April 2015

G. S. Kostenko,
Chief Accountant

8 April 2015

The notes on pages from 9 to 83 form an integral part of these consolidated financial statements.

PUBLIC JOINT STOCK COMPANY “STATE SAVINGS BANK OF UKRAINE”

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014
(in UAH and in thousands)

	Notes	31 December 2014	31 December 2013
ASSETS:			
Cash and balances with the National Bank of Ukraine	13, 29	4,532,863	4,816,954
Due from banks	14, 29	8,022,444	7,651,107
Financial instruments at fair value through profit or loss	15, 29	4,252,179	-
Loans to customers	16, 29	70,236,315	52,179,567
Investments available for sale	17, 29	26,318,815	33,251,576
Investments held to maturity	18, 29	6,890,726	-
Property and equipment and intangible assets	19	3,374,835	3,451,178
Deferred income tax assets	11	80,384	49,730
Other assets	20	605,583	299,089
TOTAL ASSETS		124,314,144	101,699,201
LIABILITIES AND EQUITY:			
LIABILITIES:			
Due to banks	21, 29	22,176,386	24,078,347
Customer accounts	22, 29	56,208,996	46,408,733
Eurobonds issued	23	19,340,460	9,795,812
Other borrowed funds	24	5,251,900	835,191
Other liabilities	25, 29	442,381	536,232
Subordinated debt	26	1,656,729	840,406
Total liabilities		105,076,852	82,494,721
EQUITY:			
Share capital	27	30,153,460	17,481,716
Property revaluation reserve		1,237,084	1,332,844
Investments available for sale revaluation reserve		(1,230,862)	(587,138)
Cumulative translation difference		862	-
(Accumulated deficit)/retained earnings		(10,933,957)	965,278
Total equity attributable to the Bank’s shareholder		19,226,587	19,192,700
Non-controlling interest		10,705	11,780
Total equity		19,237,292	19,204,480
TOTAL LIABILITIES AND EQUITY		124,314,144	101,699,201

On behalf of the Management Board:

A. H. Pyshnyy,
Chairman of the Management Board

8 April 2015

G. S. Kostenko,
Chief Accountant

8 April 2015

The notes on pages from 9 to 83 form an integral part of these consolidated financial statements.

PUBLIC JOINT STOCK COMPANY "STATE SAVINGS BANK OF UKRAINE"

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014
(in UAH and in thousands)

	Notes	Share capital	Property revaluation reserve	Investments available for sale revaluation reserve	Cumulative translation difference	(Accumu-lated deficit)/retai-ned earnings	Total equity attributable to the Bank's shareholder	Non-controlling interest	Total equity
31 December 2012		14,748,140	1,333,117	(112,007)	-	1,786,929	17,756,179	11,128	17,767,307
Increase in the nominal value of shares due to capitalization of the Bank's retained earnings	27	1,333,632	-	-	-	(1,333,632)	-	-	-
Shareholder's contributions paid but no registered	27	1,399,944	-	-	-	-	1,399,944	-	1,399,944
Distribution of profit based on the financial results of the year	27	-	-	-	-	(198,794)	(198,794)	-	(198,794)
Other comprehensive (loss)/income for the year, net of income tax		-	(273)	(475,131)	-	273	(475,131)		(475,131)
Profit for the year		-	-	-	-	710,502	710,502	652	711,154
31 December 2013		17,481,716	1,332,844	(587,138)	-	965,278	19,192,700	11,780	19,204,480
Increase in the nominal value of shares due to capitalization of the Bank's retained earnings	27	1,072,904	-	-	-	(1,072,904)	-	-	-
Shareholder's contributions paid but no registered	27	11,598,840	-	-	-	-	11,598,840	-	11,598,840
Effect from initial recognition of Ukrainian government debt securities received as the shareholder's contribution	18, 27	-	-	-	-	(603,772)	(603,772)	-	(603,772)
Distribution of profit based on the financial results of the year	27	-	-	-	-	(213,030)	(213,030)	-	(213,030)
Other comprehensive (loss)/income for the year, net of income tax		-	(95,760)	(643,724)	862	4,792	(733,830)	-	(733,830)
Loss for the year		-	-	-	-	(10,014,321)	(10,014,321)	(1,075)	(10,015,396)
31 December 2014		30,153,460	1,237,084	(1,230,862)	862	(10,933,957)	19,226,587	10,705	19,237,292

The amount of other comprehensive (loss)/income for the year, net of income tax, relating to property revaluation reserve includes the property revaluation reserve disposed in the amount of UAH 4,792 thousand for the year 2014 and UAH 273 thousand for the year 2013.

On behalf of the Management Board:

A. H. Pyshnyy,
Chairman of the Management Board

8 April 2015

G. S. Kostenko,
Chief Accountant

8 April 2015

The notes on pages from 9 to 83 form an integral part of these consolidated financial statements.

PUBLIC JOINT STOCK COMPANY "STATE SAVINGS BANK OF UKRAINE"

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014
(in UAH and in thousands)

	Notes	Year ended 31 December 2014	Year ended 31 December 2013
CASH FLOWS FROM OPERATING ACTIVITIES:			
Interest received		10,031,544	10,267,510
Interest paid		(8,095,275)	(5,496,396)
Fees and commissions received		1,586,471	1,492,695
Fees and commissions paid		(330,313)	(270,382)
(Payment for)/receipts from trading in foreign currencies	8	(119,085)	66,562
Net gain on transactions with financial instruments at fair value through profit or loss	10	87,811	-
Other operating income received		197,767	73,914
Staff costs paid		(2,547,956)	(2,370,746)
Operating expenses paid		(1,039,008)	(771,888)
Cash (outflow)/inflow from operating activities before changes in operating assets and liabilities		(228,044)	2,991,269
Changes in operating assets and liabilities			
Decrease/(increase) in operating assets:			
Restricted balances with the National bank of Ukraine	13	526,812	8,814
Due from banks		(78,116)	7,003,578
Loans to customers		(8,293,697)	(2,144,223)
Other assets		(10,610)	(65,896)
(Decrease)/increase in operating liabilities:			
Due to banks		(4,176,863)	4,855,369
Customer accounts		833,087	7,333,581
Other liabilities		90,238	58,388
Net cash (outflow)/ inflow from operating activities before income tax		(11,337,193)	20,040,880
Income tax paid		(361,936)	(122,503)
Net cash (outflow)/ inflow from operating activities		(11,699,129)	19,918,377
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of investments available for sale		(125,376,554)	(98,295,516)
Proceeds on sale and repayment of investments available for sale		136,001,477	76,276,970
Purchase of property and equipment and intangible assets		(699,218)	(848,110)
Proceeds on sale of property and equipment		5,644	2,746
Net cash inflow /(outflow) from investing activities		9,931,349	(22,863,910)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Distribution of profit based on the financial results of the year	27	(213,030)	(198,794)
Proceeds on Eurobonds issued		-	3,971,261
Proceeds on other borrowed funds		3,357,755	807,757
Repayment of other borrowed funds		(315,992)	(500,000)
Repayment of debt securities issued		-	(200,000)
Net cash inflow from financing activities		2,828,733	3,880,224

PUBLIC JOINT STOCK COMPANY "STATE SAVINGS BANK OF UKRAINE"

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)
(in UAH and in thousands)

	Notes	Year ended 31 December 2014	Year ended 31 December 2013
Effect of change in foreign exchange rates on cash and cash equivalents		1,917,895	(12,634)
NET INCREASE IN CASH AND CASH EQUIVALENTS		2,978,848	922,057
CASH AND CASH EQUIVALENTS, at the beginning of the period	13	7,624,271	6,702,214
CASH AND CASH EQUIVALENTS, at the end of the period	13	10,603,119	7,624,271

Consolidated statement of cash flows was compiled by direct method.

During the year ended 31 December 2014, non-cash increases in the share capital were as follows:

- Increase in the Bank's share capital due to capitalization of the Bank's retained earnings through the increase in the nominal value of shares for the total amount of UAH 1,072,904 thousand (Note 27);
- Increase in the Bank's share capital by UAH 11,598,840 thousand due to the issue of 9,999 new shares at the nominal value of UAH 1,160,000 per share. The Bank's new shares were paid by indexed Ukrainian government debt securities of the special issue, at the total nominal value of UAH 11,598,840 thousand (Note 27). At the date of initial recognition, the difference between the nominal and fair values of those government securities was recognized in equity and amounted to UAH 603,772 thousand (Note 18).

During the year ended 31 December 2013, non-cash increases in the share capital were as follows:

- Increase in the nominal value of shares due to capitalization of the Bank's retained earnings in the amount of UAH 1,333,632 thousand, which consists of UAH 1,041,900 thousand and UAH 291,732 thousand (Note 27);
- The Bank's share capital increased by UAH 1,399,944 thousand due to the issue of 1,282 new shares with the nominal value of UAH 1,092,000 per share. The Bank's new shares were paid by Ukrainian government debt securities of the special issue with the total nominal value of UAH 1,400,000 thousand. The difference between the nominal value of Ukrainian government debt securities received and the nominal value of the Bank's shares in the amount of UAH 56 thousand was transferred to the State Budget of Ukraine (Note 27).

On behalf of the Management Board:

A. H. Pyshnyy,
Chairman of the Management Board

8 April 2015

G. S. Kostenko,
Chief Accountant

8 April 2015

The notes on pages from 9 to 83 form an integral part of these consolidated financial statements.

1. ORGANIZATION

The Bank is a legal successor of the State Specialized Commercial Savings Bank of Ukraine registered by the National Bank of Ukraine (the "NBU") on 31 December 1991, registration number 4. Open Joint Stock Company "State Savings Bank of Ukraine" was established in accordance with the Decree of the President of Ukraine # 106 dated 20 May 1999 and the Resolution of the Cabinet of Ministers of Ukraine # 876 dated 21 May 1999, by converting the State Specialized Commercial Savings Bank of Ukraine into Joint Stock Company "State Savings Bank of Ukraine" in the form of an open joint stock company. Open Joint Stock Company "State Savings Bank of Ukraine" was registered by the NBU on 26 May 1999, registration number 4. The change of its name to Public Joint Stock Company "State Savings Bank of Ukraine" was registered on 7 June 2011.

The Bank has been operating under a banking license issued by the National Bank of Ukraine effective from 5 October 2011. The Bank has a general license issued by the NBU for conducting foreign currency transactions and a license issued by the Securities and Stock Market National Commission (the "NSSMC") for operations with securities.

The Bank's primary business activities are represented by processing banking accounts and attracting deposits from legal entities and individuals, originating loans, transferring payments, issuing banking payment cards, developing merchant acquiring and alternative sales channels, trading in securities, and operating with foreign currencies.

The Bank's strategic objective is to implement modern banking technologies and products to ensure its operating efficiency and well-balanced and sustainable growth in the long-term perspective.

The Bank is not a member of the Deposit Guarantee Fund, since all the deposits placed by individuals are guaranteed by the state.

As at 31 December 2014 and 2013, 100% of the Bank's shares are state-owned.

The registered address of the Bank is at: 12G Hospitalna str., Kyiv, 01001, Ukraine.

As at 31 December 2013, the Bank had 23 regional branches, the Main Branch in Kyiv and Kyiv region, the Main Operational Branch, the Crimean Republican Branch; and 5,504 separate operational outlets within Ukraine. The Crimean Republican Branch that, as at 31 December 2013, belonged to the Bank's branch network ceased its activities pursuant to the Resolution of the Bank's Management Board # 286 dated 8 May 2014. On 27 May 2014, it was excluded from the state register of banks (the NBU's letter # 41-114/27302 dated 30 May 2014). As at 31 December 2014, the Bank ceased conducting all types of financial transactions in the residential communities of Luhansk and Donetsk regions that are not controlled by the Ukrainian authorities. Thus, as at 31 December 2014, the Bank had 23 regional branches, the Main Branch in Kyiv and Kyiv region, the Main Operational Branch, and 4,949 separate operational outlets within Ukraine.

As at 31 December 2014 and 2013, the Bank employed 34,354 persons and 37,946 persons, respectively.

A group of companies to which the Bank is the parent and which are consolidated in these consolidated financial statements comprises:

Name	Country of operation	Participating/voting interest (%) as at 31 December 2014	31 December 2013	Type of activities
PJSC "State Savings Bank of Ukraine"	Ukraine	Parent		Banking
PJSC "Home Loans Refinancing Agency"	Ukraine	70.86	70.86	Loan refinancing
SSB NO. 1 Plc	United Kingdom	-	-	Special purpose entity for Eurobond issuing

PJSC "Home Loans Refinancing Agency" was established in the form of a public joint stock company in accordance with the laws of Ukraine on 17 February 2012. The primary activity of the company is represented by refinancing mortgage loans through the issue of mortgage securities.

SSB NO. 1 Plc was established in the form of a public limited liability company in accordance with the laws of England and Wales. The primary activity of the company is represented by raising funds for the Bank in international capital markets. The Bank obtained control over it based on the ability to predetermine the activities of SSB NO. 1 Plc (by ensuring its operations on "autopilot") according to the requirements of IFRS 10 "Consolidated Financial Statements". Management of SSB NO. 1 Plc has decided that SSB NO. 1 Plc will operate in accordance with the predetermined operating procedures.

These consolidated financial statements were approved by the Management Board on 8 April 2015.

2. OPERATING ENVIRONMENT AND GOING CONCERN

In 2014, Ukraine has been in a political and economic turmoil. Crimea, an autonomous republic of Ukraine, was effectively annexed by the Russian Federation. Ukraine had also suffered from the separatist movements and the collapse of law enforcement in Luhansk and Donetsk regions.

The Hryvnia has devalued against major foreign currencies. The National Bank of Ukraine introduced a range of stabilization measures aimed at limiting outflow of customer accounts from the banking system, improving liquidity of banks, stabilization of the exchange rate of UAH against major foreign currencies.

Significant external financing is required to support the economy. Stabilization of the economic and political situation depends, to a large extent, upon success of the Ukrainian government's efforts, yet further economic and political developments are currently difficult to predict.

Going concern

These consolidated financial statements have been prepared on the assumption that the Bank and companies controlled by the Bank (its subsidiary and special purpose entity) (collectively, the "Group") is a going concern and will continue in operation for the foreseeable future. Management and the shareholder have the intention to further develop the Group's business. For the year ended 31 December 2014, the total losses, attributable to shareholder of the Bank, amounted to UAH 10,748,151 thousand, cumulative liquidity gap up to one year was UAH 874,220 thousand, and net cash outflows from the Group's operating activities amounted to UAH 11,699,129 thousand.

Management believes that the going concern assumption is appropriate for the Group due to the following:

- Losses incurred based on the 2014 performance were mainly due to the loss of assets belonging to the Crimean Republican Branch and are not attributable to the Group's operating (ordinary) activities. The Bank's capitalization in the amount of UAH 11,598,840 thousand that was performed in December 2014 (Note 27) allowed neutralizing the adverse effect of such losses on the Group's activities;
- Appropriate the Group's capital adequacy ratio of 18.57% (Note 33);
- Ability to cover the liquidity gap with secondary reserves of liquid funds. The Group has available volumes of secondary liquid fund reserves in the amount of UAH 4,421,740 thousand (Note 34) that are represented by unencumbered Ukrainian government debt securities and corporate securities accounted for as available for sale that are characterized by high liquidity. Necessary funds may be obtained through the sale of these securities or attraction of a loan from the NBU on refinancing terms using those securities as a collateral;
- Statements and intentions of the controlling party to further support the Group and make contributions to its share capital.

20 March 2015 the rating agency Fitch and 27 March 2015 the rating agency Moody's revised the Bank's long-term rating as an issuer of foreign currency denominated securities and changed it from the level of CCC to CC and from the level of Caa3 to Ca, respectively, in line with the sovereign credit rating. This was caused by the announced by the Ministry of Finance of Ukraine launch of the reprofiling process in respect of external debts of Ukraine to be performed within the framework of the new Extended Fund Facility program of the International Monetary Fund. According to the announcement made by the Ministry of Finance of Ukraine, the Bank's liabilities on certain instruments may also be included into the total external debts subject to reprofiling. However, a decision in respect of this should be taken directly by the Bank and realized through a separate process. As at the date of issuing these consolidated financial statements, no decision was made by the Bank as to the beginning of a debt reprofiling process under external liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

Other basis of presentation criteria

These consolidated financial statements are presented in thousands of UAH, unless otherwise indicated.

The consolidated financial statements have been prepared on the historical cost basis, except for certain buildings and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of IAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 "Inventories" or value in use in IAS 36 "Impairment of Assets".

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2, or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The economy of Ukraine was treated as hyperinflationary until 31 December 2000. As a result, the Group applied IAS 29 “Financial Reporting in Hyperinflationary Economies”. The impact of IAS 29 application relates to the fact that non-monetary items were recalculated to measuring units that were effective as at 31 December 2000 by using the respective inflation rates in respect of the relevant historical cost.

The Bank and its subsidiary operating in Ukraine maintain their accounting records in accordance with the Ukrainian legislation, whereas the foreign special purpose entity maintains its accounting records in accordance with generally accepted accounting principles of the country of its business environment. These consolidated financial statements have been prepared from the accounting records maintained by the Bank, its subsidiary, and special purpose entity and have been adjusted to conform to IFRS. The adjustments introduced to the consolidated financial statements include certain reclassifications to reflect the economic substance of underlying transactions, including reclassifications of certain assets and liabilities, income and expenses to appropriate consolidated financial statement captions.

Functional currency

Items included in the consolidated financial statements of the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the Group (the “functional currency”). The functional currency of these consolidated financial statements is Hryvnia (“UAH”). All amounts are rounded to thousands, unless otherwise indicated.

Offsetting

Financial assets and liabilities are offset and reported net in the consolidated statement of financial position when the Group has a legally enforceable right to set off the recognized amounts and the Group intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Income and expense is not offset in the consolidated statement of profit or loss and other comprehensive income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group. In accounting for a transfer of a financial asset that does not qualify for derecognition, the Group does not offset the transferred asset and the associated liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Bank and companies controlled by the Bank (its subsidiary and special purpose entity). Control is achieved where the Bank:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Bank reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Bank has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Bank considers all relevant facts and circumstances in assessing whether or not the Bank's voting rights in an investee are sufficient to give it power, including:

- The size of the Bank's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Bank, other vote holders, or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Bank has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Bank obtains control over the subsidiary and ceases when the Bank loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Bank gains control until the date when the Bank ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Bank and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Bank and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses, and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interest

Non-controlling interest represents the portion of profit or loss and net assets of the subsidiary and special purpose entity not owned, directly or indirectly, by the Bank's shareholder.

Non-controlling interest is presented separately in the consolidated statement of profit or loss and other comprehensive income and within equity in the consolidated statement of financial position, separately from the Parent's share capital.

Recognition of income and expense

Recognition of interest income and expense

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income and expense are recognized on an accrual basis using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and allocating the 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 through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Income is recognized on an effective interest basis for debt instruments, except for those financial assets classified as at fair value through profit or loss.

Once a financial asset or a group of similar financial assets has been written off (partly written off) as a result of an impairment loss, interest income is thereafter recognized using the interest rate used to discount the future cash flows for the purpose of measuring the impairment loss.

Interest earned on assets at fair value is classified within interest income.

Recognition of income on repurchase and reverse repurchase agreements

Gain/loss on the sale of these instruments is recognized as interest income or expense in the consolidated statement of profit or loss and other comprehensive income based on the difference between the repurchase price accreted to date using the effective interest rate method and the sale price when such instruments are sold to third parties. When the reverse repo or repo is fulfilled on its original terms, the effective yield/interest between the sale and repurchase price negotiated under the original contract is recognized using the effective interest rate method.

Recognition of fee and commission income and expense

Loan origination fees are deferred, together with the related direct costs, and recognized as an adjustment to the effective interest rate of the loan. Where it is probable that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are deferred, together with the related direct costs, and recognized as an adjustment to the effective interest rate of the resulting loan. Where it is unlikely that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are recognized in the consolidated statement of profit or loss and other comprehensive income over the remaining period of the loan commitment. Where a loan commitment expires without resulting in a loan, the loan commitment fee is recognized in the consolidated statement of profit or loss and other comprehensive income on expiry. Loan servicing fees are recognized as revenue as the services are provided. Loan syndication fees are recognized in the consolidated statement of profit or loss and other comprehensive income when the syndication has been completed. All other commissions are recognized when services are provided.

Other income and expenses are recognized in the consolidated statement of profit or loss and other comprehensive income when the related transactions are completed and are presented on a net basis.

Recognition and measurement of financial instruments

The Group recognizes financial assets and liabilities in its consolidated statement of financial position when it becomes a party to the contractual obligation of the instrument. Regular way purchase and sale of the financial assets and liabilities are recognized using settlement date accounting.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in consolidated profit or loss.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price (i.e. the fair value of the consideration given or received). If the Group determines that the fair value at initial recognition differs from the transaction price, it accounts for that instrument at that date as follows:

a. At the measurement, if that fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets. The Group shall recognize the difference between the fair value at initial recognition and the transaction price as a gain or loss;
b. In all other cases, at the measurement, adjusted to defer the difference between the fair value at initial recognition and the transaction price. After initial recognition, the Group shall recognize that deferred difference as a gain or loss only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the asset or liability.

Any gains or losses on initial recognition of financial instruments received from the shareholder are recognized in equity.

Accounting policies regarding subsequent remeasurement of those items are disclosed further in the respective accounting policy sections.

Derecognition of financial assets and liabilities

Financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in consolidated profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of the transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the Group retains control), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income and accumulated in equity is recognized in the consolidated statement of profit or loss and other comprehensive income. A cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

Financial liabilities

A financial liability is derecognized when the obligation is discharged, cancelled, or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of profit or loss and other comprehensive income.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, unrestricted balances on correspondent accounts with the National Bank of Ukraine and other banks, advances to banks in the countries included in the Organization for Economic Co-operation and Development ("OECD") and other countries which may be converted to cash within a short period of time, except for guarantee deposits for operations with plastic cards.

Obligatory deposit reserves with the National Bank of Ukraine

As at 31 December 2013, obligatory deposit reserves were placed with the NBU in accordance with the requirements of the legislation and were subject to certain restrictions. Hence, the amount of obligatory deposit reserves placed with the NBU was not included in cash equivalents.

As at 31 December 2014, Ukrainian banks were not obliged to place the amount of obligatory reserves for the previous month on the separate account with the NBU.

Precious metals

Assets and liabilities denominated in precious metals are translated at the official rate set by the NBU computed based on the first fixing of the London Metal Exchange rates using the UAH/USD exchange rate effective at the date. Changes in the bid prices are recorded in net gain/(loss) on foreign exchange operations.

Due from banks

In the normal course of business, the Group maintains advances and deposits for various periods of time with other banks. Due from banks are initially measured at fair value. Due from banks with a fixed maturity term are subsequently measured at amortized cost using the effective interest rate method. Those that do not have fixed maturities are carried at amortized cost based on maturities estimated by management. Amounts due from banks are carried net of any allowance for impairment losses.

Loans to customers

Loans to customers are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those classified in other categories of financial assets.

Loans to customers with fixed maturity granted by the Group are initially recognized at fair value, plus related transaction costs. Where the fair value of consideration given does not equal the fair value of the loan, for example, where the loan is issued at lower than market rates, the difference between the fair value of consideration given and the fair value of the loan is recognized as a loss on initial recognition of the loan and included in the consolidated statement of profit or loss and other comprehensive income according to the nature of losses. Subsequently, loans are carried at amortized cost using the effective interest rate method. Loans to customers are carried net of any allowance for impairment losses.

Repurchase and reverse repurchase agreements

In the normal course of business, the Group enters into sale and purchase back agreements ("repos") and purchase and sale back agreements of financial assets ("reverse repos"). Repos and reverse repos are utilized by the Group as an element of its treasury management.

A repo is an agreement to transfer a financial asset to another party in exchange for cash or other consideration and a concurrent obligation to reacquire the financial assets at a future date for an amount equal to the cash or other consideration exchanged plus interest. These agreements are accounted for as financing transactions. Financial assets sold under repo are retained in the consolidated financial statements and consideration received under these agreements is recorded as collateralized loan received within balances due to banks.

Assets purchased under reverse repos are recorded in the consolidated financial statements as cash placed which is collateralized by securities and other assets and are classified within balances due from banks or loans to customers.

The Group enters into securities repurchase agreements under which it receives or transfers collateral in accordance with normal market practice. Under standard terms for repurchase transactions in Ukraine, the recipient of collateral has the right to sell or re-pledge the collateral, subject to returning those securities on settlement of the transaction.

In the event that assets purchased under reverse repo are sold to third parties, the results are recorded with the gain or loss included in net gains/(losses) on respective assets. Any related income or expense arising from the pricing difference between purchase and sale of the underlying assets is recognized as interest income or expense in the consolidated statement of profit or loss and other comprehensive income.

Investments available for sale

Investments available for sale represent debt and equity securities that are intended to be held for an indefinite period of time. Such securities are initially recorded at fair value. Subsequently, the securities are measured at fair value, with such re-measurement recognized in other comprehensive income, except for impairment losses, foreign exchange gains or losses, and interest income accrued using the effective interest rate method, which are recognized directly in the consolidated statement of profit or loss and other comprehensive income. When sold, gain/(loss) previously recorded in equity is recycled through the consolidated statement of profit or loss and other comprehensive income. A gain or loss on the sale of investments available for sale is recognized in the consolidated statement of profit or loss and other comprehensive income when disposed and is the difference between the selling price and the carrying amount at the transaction date.

The Group uses quoted market prices to determine the fair value for the investments available for sale. If the market for investments is not active, the Group establishes fair value by using valuation techniques. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis, and other methods. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the Group uses that technique.

Equity securities are stated at cost less impairment losses, if any, unless fair value can be reliably measured.

Investments held to maturity

Held to maturity investments are debt securities that are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity.

Held to maturity investments with fixed maturities are initially measured at fair value, plus respective transaction costs. In the event the fair value of consideration given does not correspond to the fair value of debt securities, e.g. when debt securities bear interest rates that are higher/lower than the market ones, the difference between the fair value of consideration given and the fair value of debt securities is recognized as gain/(loss) on the initial recognition of a financial asset and included in the consolidated statement of loss or profit and other comprehensive income in accordance with the nature of the losses on regular transactions or equity – on transactions with the shareholder.

Upon initial recognition, held to maturity investments are measured at amortized cost using the effective interest rate method. Held to maturity investments are recorded less any provision for impairment.

If the Group were to sell or reclassify more than an insignificant amount of held to maturity investments before maturity (other than in certain specific circumstances), the entire category would be tainted and would have to be reclassified as available for sale. Furthermore, the Group would be prohibited from classifying any financial asset as held to maturity during the current financial year and following two financial years.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets or a group of financial assets are considered to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events ("loss events") that occurred after the initial recognition of the financial asset and that loss events have an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The impairment losses are measured as the difference between carrying value and the present value of expected future cash flows, including amounts recoverable from guarantees and collateral, discounted at the financial asset's original effective interest rate, for financial assets which are carried at amortized cost. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through the consolidated statement of profit or loss and other comprehensive income to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had if the impairment has not been recognized.

For financial assets carried at cost, the allowance for impairment losses is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

When there is objective evidence that financial assets available for sale have been impaired, the cumulative loss previously recognized in equity is removed from equity and recognized in the consolidated statement of profit or loss and other comprehensive income for the period. Reversals of such impairment losses on debt instruments, which are objectively related to events occurring after the impairment, are recognized in the consolidated statement of profit or loss and other comprehensive income for the period. Reversals of such impairment losses on equity instruments are not recognized in the consolidated statement of profit or loss and other comprehensive income.

The change in the allowance for impairment losses is included into financial results through the correction of the provision amount. Assets recorded in the consolidated statement of financial position are reduced by the total amount of the allowance for impairment losses.

Factors that the Group considers in determining whether it has objective evidence that an impairment loss has been incurred include information about the debtors' or issuers' liquidity, solvency and business, and financial risk exposures, levels of and trends in delinquencies for similar financial assets, national and local economic trends and conditions, and the fair value of collateral and guarantees. These and other factors may, either individually or taken together, provide sufficient objective evidence that an impairment loss has been incurred in a financial asset or group of financial assets.

The primary factors that the Group considers whether a financial asset is impaired are its overdue status and realizability of related collateral, if any. The following other principal criteria are also used to determine that there is objective evidence that an impairment loss has occurred:

- Overdue on the period over three months and the late payment cannot be attributed to a delay caused by the settlement systems;
- The borrower experiences a significant financial difficulty as evidenced by borrower's financial statements that the Group obtains;
- The borrower considers bankruptcy or a financial reorganization;
- There is an adverse change in the payment status of the borrower as a result of changes in the national or local economic conditions that impact the borrower;
- The value of collateral significantly decreases as a result of deteriorating market conditions.

For equity investments available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

If the Group determines that no objective evidence exists that impairment was incurred for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. These characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative on the debtors' ability to pay all amounts due, according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively assessed for impairment are estimated on the basis of contractual cash flows of assets, and experience of management in respect of the extent to which amounts will become overdue, as a result of past loss events and the success of recovery of overdue amounts. Past experience is adjusted on the basis of current observable data to reflect the effects of current conditions that do not affect past periods and to remove the effects of past conditions that do not exist currently.

To determine the need of impairment recognition for the investments in associates, the Group uses the requirements of IAS 39 "Financial Instruments: Recognition and Measurement". The carrying amounts of investments in associates, if needed, are tested for impairment in accordance with IAS 36 "Impairment of Assets" by comparing to estimated recoverable amount, which is higher of the fair value, less costs to sell, and value in use. The recognized impairment loss is included in the investment's carrying amount. Reversal of such a loss is recognized in accordance with IAS 36 "Impairment of Assets", unless, subsequently, the estimated recovery of the investment increases.

It should be understood that evaluation of allowance for impairment losses involves an exercise of judgment. While it is possible that in particular periods the Group may sustain losses which are substantial comparing to allowance for impairment losses, it is the judgment of management that the allowance for impairment losses is adequate to absorb losses incurred on risk assets, at the reporting date.

Renegotiated loans

Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original effective interest rate as calculated before the modification of terms and the loan is no longer considered past due. Management continually reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate.

Write off of loans

Loans are written off against allowance for impairment losses based on the decision of the Bank's Management Board. Such decisions are taken when all available possibilities to collect the amounts due have been exercised and available collateral has been sold. Subsequent recoveries of amounts previously written off are reflected as an offset to the charge for impairment of financial assets in the consolidated statement of profit or loss and other comprehensive income in the period of recovery.

Derivative financial instruments

In the normal course of business, the Group enters into various derivative financial instruments, including foreign exchange contracts concluded by the Group with other banks to purchase/sale and exchange (conversion) of foreign currency and currency rate swaps to manage currency and liquidity risks, and for trading. Derivative financial instruments are initially recognized at fair value at the date a derivative contract is entered into, and are subsequently re-measured to their fair value at each reporting date. Derivatives are carried as assets when their fair value is positive and as liabilities when it is negative. Derivatives are included in financial assets and liabilities at fair value through profit or loss in the consolidated statement of financial position, or if their amounts are immaterial, they are included in other assets or liabilities. Gains and losses resulting from these instruments are included in net gain/(loss) from financial assets and liabilities at fair value through profit or loss in the consolidated statement of profit or loss and other comprehensive income, or if their amounts are immaterial they are included in net gain/(loss) on foreign exchange operations. Derivative financial instruments entered into by the Group are not designated as hedges and do not qualify for hedge accounting.

Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value through profit or loss.

Property and equipment and intangible assets

Property and equipment and intangible assets, other than buildings, are carried at historical cost, less accumulated depreciation and amortization and any recognized impairment loss, if any.

Depreciation on assets under construction and those not placed in service commences from the date the assets are ready for their intended use.

Depreciation of property and equipment and amortization of intangible assets is charged on the historical (revalued) cost of property and equipment and intangible assets and is designed to write off assets over their useful economic lives. It is calculated on a straight-line basis at the following annual rates:

Buildings	1.5%–5%
Furniture, office equipment, and vehicles	10%–33%
Intangible assets	17%–25%

In 2014 and 2013, useful lives of property and equipment and intangible assets were reviewed but not changed in comparison with the previous years.

Leasehold improvements are depreciated over the lease term of the related asset. Expenses related to repairs and renewals are charged when incurred and included in operating expenses unless they qualify for capitalization. Improvement expenses are capitalized when incurred.

An item of property and equipment and intangible assets is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the consolidated statement of profit or loss and other comprehensive income.

The Group has adopted a revaluation model for the subsequent measurement of its buildings. Buildings are carried in the separate statement of financial position at their revalued amounts, being the fair value at the date of revaluation determined on the basis of market evidence in the course of the assessment performed by professional valuation experts, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the reporting date.

Any revaluation increase arising on the revaluation of such buildings is credited to the property revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognized as an expense, in which case the increase is recognized as income in the consolidated statement of profit or loss and other comprehensive income to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such buildings is charged as an expense to the extent that it exceeds the balance, if any, held in the property revaluation reserve relating to a previous revaluation of that asset. The decrease is debited directly in equity to the property revaluation reserve to the extent of any credit balance existing in the property revaluation reserve in respect of that asset.

Depreciation on revalued buildings is charged to the consolidated statement of profit or loss and other comprehensive income. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the property revaluation reserve is transferred directly to retained earnings.

The carrying amounts of property and equipment and intangible assets are reviewed at each reporting date to assess whether they are recorded in excess of their recoverable amounts. Where carrying values exceed the estimated recoverable amount, assets are written down to their recoverable amount. Impairment is recognized in the respective period as losses in the consolidated statement of profit or loss and other comprehensive income. After the recognition of an impairment loss, the depreciation charge for property and equipment is adjusted in future periods to allocate the assets' revised value, less its residual value (if any), on a systematic basis over its remaining useful life.

Operating leases

Leases of assets under which the risks and rewards of ownership are effectively retained with the lessor are classified as operating leases. Lease payments under operating lease are recognized as expenses on a straight-line basis over the lease term and included into operating expenses.

Taxation

Income tax expense represents the sum of the current and deferred tax expense.

Current tax

The current tax expense is based on taxable profit for the year. Taxable profit differs from profit before income tax as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted during the reporting period.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized.

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

Current and deferred taxes for the year

Current and deferred taxes are recognized in the consolidated statement of profit or loss and other comprehensive income, except when they relate to items charged or credited directly to equity, in which case the current and deferred taxes are also dealt with in equity.

Operating taxes

Ukraine also has various other taxes, which are assessed on the Group's activities. These taxes are included as a component of operating expenses in the consolidated statement of profit or loss and other comprehensive income.

Due to banks, customer accounts, subordinated debt, Eurobonds issued, and other borrowed funds

Due to banks, customer accounts, subordinated debt, Eurobonds issued, and other borrowed funds are initially recognized at fair value. Subsequently, amounts due are stated at amortized cost, and any difference between net proceeds and the redemption value is recognized in the consolidated statement of profit or loss and other comprehensive income over the period of the borrowings using the effective interest rate method. Those that do not have fixed maturities are carried at amortized cost based on expected maturities.

Provisions

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

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle an obligation are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Contingencies

Contingent liabilities are not recognized in the consolidated statement of financial position but are disclosed in notes to the consolidated financial statements unless the possibility of any outflow in settlement is remote. A contingent asset is not recognized in the consolidated statement of financial position but disclosed in notes to the consolidated financial statements when an inflow of economic benefits is probable.

Financial guarantee contracts issued and letters of credit

Financial guarantee contracts and letters of credit issued by the Group are credit insurance that provides for specified payments to be made to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due under the original or modified terms of a debt instrument. Such financial guarantee contracts and letters of credit issued are initially recognized at fair value.

Subsequently, they are measured at the higher of (a) the amount recognized as a provision in accordance with IAS 37 "Provisions, Contingent Liabilities, and Contingent Assets"; and (b) the amount initially recognized less, where appropriate, cumulative amortization of initial premium revenue received over the financial guarantee contracts or letter of credit issued.

Share capital

Contributions to share capital are recognized at historical cost. Contributions made before 31 December 2000 are stated at cost, which is restated using the consumer price index to take into account effect of hyperinflation as required by IAS 29 "Financial Reporting in Hyperinflationary Economies".

Costs directly attributable to the issue of new shares are deducted from equity, net of any related income taxes.

Dividends on ordinary shares based on the financial results of the year are recognized in equity as a reduction in the period in which they are declared. Dividends that are declared after the reporting date are treated as a subsequent event under IAS 10 "Events after the Reporting Period" and disclosed accordingly.

Equity reserves

The reserves recorded in equity (other comprehensive income) in the Group's consolidated statement of financial position include the investments available for sale revaluation reserve which comprises changes in fair value of available for sale financial assets and the property revaluation reserve comprising a provision for reassessment of land and buildings.

Retirement and other benefit obligations

In accordance with the requirements of the Ukrainian legislation, the Group withholds amounts of pension contributions from employees' salaries and pays them to the Pension Fund of Ukraine. Such a pension system provides for calculation of current payments by the employer as a percentage of current total disbursements to staff. Such expense is charged in the period the related salaries are earned. Upon retirement, an employee receives retirement benefit payments made by the Pension Fund of Ukraine. The Group does not have any pension arrangements separate from the state pension system of Ukraine, which requires current contributions by an employer calculated as a percentage of current gross salary payments. In addition, the Group has no post-retirement benefits or other significant compensated benefits requiring accrual.

Securitization transactions

In 2013, within the project on refinancing mortgage loans through the issue of ordinary mortgage bonds, PJSC “Home Loans Refinancing Agency” provided the Bank with the loans under the collateral of the right to claim on mortgage loans to individuals that had been assigned by the Bank to PJSC “Home Loans Refinancing Agency”. Upon repayment of the loans received from PJSC “Home Loans Refinancing Agency”, titles of ownership to mortgage loans of individuals will be assigned to the Bank. Since the Bank retains substantially all the risks and rewards of ownership of the mortgage loans of individuals, it continues to recognize these assets in its statement of financial position. Funds for granting loans by the Bank were raised by PJSC “Home Loans Refinancing Agency” through the issue of mortgage bonds secured by the rights to claim under the mortgage loans of individuals that had been assigned by the Bank. The borrowings received by the Bank are carried at amortized cost and included in other borrowed funds in the statement of financial position of the Bank. In the consolidated financial statements of the Group, these intragroup transactions between the Bank and PJSC “Home Loans Refinancing Agency” have been eliminated.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into UAH at the appropriate spot rates of exchange ruling at the reporting date. Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transaction. Profits and losses arising from these translations are included in net gain/(loss) on foreign exchange operations.

Rates of exchange

The official exchange rates at period-end used by the Group in the preparation of the consolidated financial statements are as follows:

	31 December 2014	**31 December 2013**
UAH/USD 1	15.76855	7.99300
UAH/EUR 1	19.23291	11.04153

Critical accounting judgments and key sources of estimation uncertainty

In the application of the Group’s accounting policies, which are described in Note 3, management is required to make judgments, estimates, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Key assumptions concerning the future and other key sources of uncertainty estimation at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period include:

	31 December 2014	**31 December 2013**
Financial instruments at fair value through profit or loss	4,252,179	-
Loans to customers	70,236,315	52,179,567
Investments available for sale	26,318,815	33,251,576
Investments held to maturity	6,890,726	-
Property and equipment and intangible assets	3,374,835	3,451,178
Deferred income tax assets	80,384	49,730
Provision for guarantees and other commitments	200,320	186,206

Loans to customers

Loans to customers are measured at amortized cost, less allowance for impairment losses. The estimation of allowances for impairment involves the exercise of professional judgment. The Group regularly reviews its loans to assess for impairment. The Group estimates allowances for impairment with the objective of maintaining allowances for impairment losses at a level believed by management to be sufficient to absorb losses incurred in the Group's loan portfolio. The calculation of allowances on impaired loans is based on the likelihood of the asset being written off and the estimated loss on such a write-off.

These assessments are made using statistical techniques based on historical experience. These determinations are supplemented by the application of management's professional judgment.

The Group considers accounting estimates related to provisions for loans key sources of estimation uncertainty because: (a) they are highly susceptible to change from period to period as the assumptions about future default rates and valuation of losses relating to impaired loans and advances are based on recent performance experience, and (b) any significant difference between the Group's estimated losses (as reflected in the allowances) and actual losses will require the Group to make provisions which, if significantly different, could have a material impact on its future consolidated statement of profit or loss and other comprehensive income and its consolidated statement of financial position.

The Group uses management's professional judgment to estimate the amount of any impairment loss in cases where a borrower has financial difficulties and there are few available sources of historical data relating to similar borrowers. Similarly, the Group estimates changes in future cash flows based on past performance, past customer behavior, observable data indicating an adverse change in the payment status of borrowers in a group, and national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the group of loans. The Group uses management's judgment to adjust observable data for a group of loans to reflect current circumstances not reflected in historical data.

The allowances for impairment of financial assets in the consolidated financial statements have been determined on the basis of existing economic and political conditions. The Group is not in a position to predict what changes in conditions will take place in Ukraine and what effect such changes might have on the adequacy of the allowances for impairment of financial assets in future periods.

The Group determines the cost of properties obtained as collateral under lending transactions at fair value. Since, as at 31 December 2014, there was no active market available for certain buildings and structures, when determining the value of the collateralized property, its assessed value is used which was arrived at mainly through the judgment of professional appraisers, and not from the analysis of market factors. Accounting estimates related to the property appraisals in the absence of the active market-based prices are considered to be a key source of uncertainty due to the fact that: (i) they are highly susceptible to change from period to period and (ii) a potential impact from recognition of such estimates may be material.

Valuation of financial instruments

Financial instruments available for sale and derivative financial instruments, including embedded derivatives, are carried at their fair values. If a quoted market price is available for an instrument, the fair value is calculated based on the market price. When valuation parameters are not observable in the market or cannot be derived from observable market prices, the fair value is derived through analysis of other observable market data appropriate for each product and pricing models which use a mathematical methodology based on accepted financial theories. Pricing models take into account the contractual terms of the securities as well as market-based valuation parameters, such as interest rates, volatility, exchange rates, and credit rating of a counterparty. Where market-based valuation parameters are not available, management makes a judgment as to its best estimate of that parameter in order to determine a reasonable reflection of how the market would be expected to price the instrument. In exercising this judgment, a variety of tools is used, including proxy observable data, historical data, and extrapolation techniques. The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price if the value of the instrument is not supported by comparing with available market data.

The Group considers that the accounting estimates and assumptions related to valuation of financial instruments where quoted markets prices are not available is a key source of estimation uncertainty because: (i) they are highly susceptible to change from period to period because they require management to make assumptions about interest rates, volatility, exchange rates, the credit rating of the counterparty, valuation adjustments, and specific feature of the transactions and (ii) the impact that recognizing a change in the valuations would have on the assets reported in consolidated statement of financial position as well as its income/(expense) could be material.

Had management used different assumptions regarding interest rates, volatility, exchange rates, credit rating of a counterparty, offer date, and valuation adjustments, a larger or smaller change in the valuation of financial instruments where quoted market prices are not available would have resulted in a material impact on the Group's net profit/(loss) reported in the consolidated financial statements.

As described in Note 30, the Group uses valuation techniques that include inputs that are not based on observable market date to estimate the fair value of certain types of financial instruments. Note 30 provides detailed information about the key assumptions used in the determination of the fair value of financial instruments, as well as the detailed sensitivity analysis for these assumptions. The Group's management believes that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value through profit or loss.

Estimates of derivative financial instruments at fair value through profit or loss are calculated based on the judgments used to determine the inputs for fair value models of such instruments.

Held to maturity investments with fixed maturities are initially measured at fair value, plus respective transaction costs. In the event the fair value of consideration given does not correspond to the fair value of debt securities, e.g. when debt securities bear interest rates that are higher/lower than the market ones, the difference between the fair value of consideration given and the fair value of debt securities is recognized as gain/(loss) on the initial recognition of a financial asset and included in the consolidated statement of loss or profit and other comprehensive income in accordance with the nature of the losses on regular transactions or equity – on transactions with the shareholder.

Upon initial recognition, held to maturity investments are measured at amortized cost using the effective interest rate method. Held to maturity investments are recorded less any provision for impairment.

Allowances for impairment are estimated based on the judgments. The Group reviews the investments held to maturity on a regular basis to assess them for impairment. The Group assesses the allowances for impairment to maintain them at the level that is believed by the Group to be sufficient to cover the losses incurred under the investments held to maturity. The allowance for impairment of investments available for sale is calculated based on the probability of the asset's write off and estimation of the loss as a result of such a write off.

Such estimates are performed using statistical methods and are based on historical information. These determinations are complemented by judgments of the Group's management.

The Group's management has reviewed the investments held to maturity, with reference to the requirements to maintain capital adequacy and liquidity ratios, and confirmed its intention and ability to hold those assets to maturity. Detailed description of these assets is provided in Note 18.

Investments available for sale are measured at fair value. The Group assesses the investments available for sale for impairment indicators and, if any, includes the cumulative loss on the impairment of fair value that was earlier recorded in other comprehensive income in the consolidated statement of profit or loss and other comprehensive income.

The Group's management has reviewed the impairment indicators and has not identified any indicators that would require that cumulative losses on the impairment of fair value be included in the consolidated statement of profit or loss and other comprehensive income.

Property and equipment and intangible assets

Certain properties (buildings) are measured at fair value. The date of the most recent appraisal was 31 December 2011. The sales comparison method was applied for estimation of fair value of buildings and office premises and for items for which there were no market analogues, income capitalization method was used.

As at 31 December 2014, no revaluations were performed in respect of the buildings and office premises owned by the Group, since, according to the real estate market analysis performed by the Group, during 2014 the property market was characterized by limited number of agreements concluded and, due to a significant fluctuation in exchange rates, USD denominated prices for property decreased and UAH denominated prices increased. As at 31 December 2014, the fair values of the building and office premises did not differ significantly from their carrying amounts.

The Group believes the accounting estimates and assumptions used in measuring the fair value of buildings and office premises are characterized by the same source of estimation uncertainty and have the same inherent limitations as the accounting estimates and assumptions described above.

Deferred income tax assets

Deferred income tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Estimation of probability is based on management's forecast of future taxable profit and is supplemented with subjective judgments of the Group's management.

Provision for guarantees and other commitments

The accounting estimates and judgments related to the provision for guarantees and other commitments is an area of significant management judgment because the underlying assumptions used for both the individually and collectively assessed impairment can change from period to period and may significantly affect the Group's results of operations.

Related parties identification

Identification of related parties requires exercise of significant management judgment in determining related party relationships.

Other sources of uncertainty

While the Ukrainian government has introduced a range of stabilization measures aimed at providing liquidity to Ukraine's banks and companies, there continues to be uncertainty regarding the access to capital and cost of capital for the Group and its counterparties, which could affect the Group's consolidated financial position, results of operations, and business prospects.

Management is unable to reliably estimate the effects on the Group's consolidated financial position of any further deterioration in the liquidity of the financial markets and the increased volatility in the currency and equity markets. Management believes it is taking all the necessary measures to support the sustainability and growth of the Group's business in the current circumstances.

4. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

<u>New and revised IFRS</u>

- Amendments to IFRS 10, IFRS 12, and IAS 27 "Investment Entities";
- Amendments to IAS 32 "Offsetting Financial Assets and Financial Liabilities";
- Amendments to IAS 36 "Recoverable Amount Disclosures for Non-Financial Assets";
- Amendments to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting";
- Annual Improvements to IFRS 2010–2012 Cycle;
- Annual Improvements to IFRS 2011–2013 Cycle;
- IFRS IC 21 "Levies".

Amendments to IFRS 10, IFRS 12, and IAS 27 "Investment Entities"

The amendments to IFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidated its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

To qualify as an investment entity, certain criteria have to be met. Specifically, an entity is an investment entity when it:

- Obtains funds from one or more investors for the purpose of providing them with investment management services;
- Commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- Measures and evaluates performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to IFRS 12 and IAS 27 to introduce new disclosure requirements for investment entities. Management believes the amendments on investment entities do not have any effect on the Group's consolidated financial statements, as the Group is not an investment entity.

Amendments to IAS 32 "Offsetting Financial Assets and Financial Liabilities"

The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realization and settlement'.

Management believes the application of these amendments do not have a significant effect on the Group's consolidated financial statements as the Group does not have any financial assets and financial liabilities that qualify for offset.

Amendments to IAS 36 "Recoverable Amount Disclosures for Non-Financial Assets"

The amendments to IAS 36 restrict the requirement to disclose the recoverable amount of an asset or a cash-generating unit to periods in which an impairment loss has been recognized or reversed. In addition, they expand and clarify the disclosure requirements applicable to when recoverable amount of an asset or a cash-generating unit has been determined on the basis of fair value less costs of disposal.

The amendments to IAS 36 affect disclosures only and, according to the Group's management, their application does not have a significant effect on the Group's consolidated financial statements.

Amendments to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”

The amendments to IAS 39 allow the continuation of hedge accounting when a derivative is novated to a clearing counterparty and certain conditions are met.

Management of the Group anticipates the amendments have no significant effect on the Group’s consolidated financial statements.

Annual Improvements to IFRS 2010–2012 Cycle

Make amendments to the following standards:

- **IFRS 2** – Amend the definitions of ‘vesting condition’ and ‘market condition’ and adds definitions for ‘performance condition’ and ‘service condition’;
- **IFRS 3** – Require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date;
- **IFRS 8** – Require disclosure of the judgments made by management in applying the aggregation criteria to operating segments, clarify reconciliations of segment assets only required if segment assets are reported regularly;
- **IFRS 13** – Clarify that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only);
- **IAS 16 and IAS 38** – Clarify that the gross amount of property, plant, and equipment is adjusted in a manner consistent with a revaluation of the carrying amount;
- **IAS 24** – Clarify how payments to entities providing management services are to be disclosed.

Management of the Group anticipates the application of these amendments have no significant effect on the Group’s consolidated financial statements.

Annual Improvements to IFRS 2011–2013 Cycle

Make amendments to the following standards:

- **IFRS 1** – Clarify which versions of IFRS can be used on initial adoption (amends basis for conclusions only);
- **IFRS 3** – Clarify that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself;
- **IFRS 13** – Clarify the scope of the portfolio exception in paragraph 52;
- **IAS 40** – Clarify the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property.

Management of the Group anticipates the application of these amendments have no significant effect on the Group’s consolidated financial statements.

IFRS IC 21 “Levies”

The interpretation is applicable to all payments imposed by governments under legislation, other than income taxes that are within the scope of IAS 12, and fines and penalties for breaches of legislation. The interpretation clarifies that a liability to pay a levy should only be recognized when an obligating event has occurred and provides guidance on how to determine whether a liability should be recognized progressively over specific period or in full at a specific date.

Management of the Group believes that the application of IFRS IC 21 have no significant effect on the Group’s consolidated financial statements.

New and revised IFRS in issue but not yet effective

The Group has not applied the following new and revised IFRS that have been issued but are not yet effective:

- IFRS 9 “Financial Instruments” (2014)[1];
- IFRS 14 “Regulatory Deferral Accounts”[3];
- Annual Improvements to IFRS 2012–2014 Cycle[3];
- IFRS 15 “Revenue from Contracts with Customers”[2];
- Amendments to IFRS 11 “Joint Arrangements” – Accounting for acquisition of interests in joint operations[3];
- Amendments to IAS 16 “Property, Plant, and Equipment” and IAS 38 “Intangible Assets” – Clarification of acceptable methods of depreciation and amortization[3];
- Amendments to IAS 27 “Separate Financial Statements” – Equity method in separate financial statements[3];
- Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” – Sale or contribution of assets between an investor and its associate or joint venture[3].

[1] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

[2] Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

[3] Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

IFRS 9 “Financial Instruments” (2014)

A finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 “Financial Instruments: Recognition and Measurement”. The standard contains requirements in the following areas:

- **Classification and measurement.** Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a ‘fair value through other comprehensive income’ category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however, there are differences in the requirements applying to the measurement of an entity’s own credit risk.
- **Impairment.** The 2014 version of IFRS 9 introduces an ‘expected credit loss’ model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized.
- **Hedge accounting.** Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- **Derecognition.** The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

Management of the Group anticipates that the application of IFRS 9 “Financial Instruments” in the future may have a significant impact on the amounts reported in respect of the Group’s financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed.

IFRS 14 “Regulatory Deferral Accounts”

IFRS 14 permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for ‘regulatory deferral account balances’ in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements.

The application of IFRS 14 will not have any impact on the Group’s consolidated financial statements in the future as the Group is not an IFRS first-time adopter.

Annual Improvements to IFRS 2012–2014 Cycle

The Annual Improvements to IFRS 2012–2014 Cycle include the following amendments to various IFRS:

- **IFRS 5** – The amendments to IFRS 5 clarify that reclassification of an asset or a disposal group from held for sale to held to distribution to owners or vice versa should not be considered changes to a plan of sale or a plan of distribution to owners and that the classification, presentation, and measurement requirements applicable to the new method of disposal should be applied. In addition, amendments clarify that assets that no longer meet the criteria for held for distribution to owners and do not meet the criteria for held for sale should be treated in the same way as assets that cease to be classified as held for sale. The amendments should be applied prospectively.
- **IFRS 7** – The amendments to IFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purposes of the disclosures required in relation to transferred assets. In addition, amendments to IFRS 7 were made to clarify that the disclosure requirements on offsetting financial assets and financial liabilities are not explicitly required to be included in the condensed interim financial statements for all interim periods, however, the disclosures may need to be included in condensed interim financial statements to comply with IAS 34. The amendments should be applied retrospectively.
- **IAS 34** – The amendments to IAS 34 clarify that information required by IAS 34 that is provided elsewhere within the interim financial report but outside the interim financial statements should be incorporated by way of a cross-reference from the interim financial statements to the other part of the interim financial report that is available to users on the same terms and at the same time as the interim financial statements.

Management of the Group does not anticipate that the application of these amendments will have a significant effect on the Group's consolidated financial statements.

IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contracts;
- Recognize revenue when (or as) the entity satisfies a performance obligation.

Guidance is provided on topics such as the point in which revenue is recognized, accounting for variable consideration, costs of fulfilling and obtaining a contract, and various related matters. New disclosures about revenue are also introduced.

Management of the Group does not anticipate that the application of IFRS 15 "Revenue from Contracts with Customers" will have a significant effect on the Group's consolidated financial statements.

Amendments to IFRS 11 "Joint Arrangements" – Accounting for acquisitions of interests in joint operations

Amends IFRS 11 "Joint Arrangements" to require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3 "Business Combinations") to:

- Apply all of the business combinations accounting principles in IFRS 3 and other IFRS, except for those principles that conflict with the guidance in IFRS 11;
- Disclose the information required by IFRS 3 and other IFRS for business combinations.

The amendments apply both to the initial acquisition of an interest in joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not re-measured).

Management of the Group does not anticipate that the application of IFRS 11 will have a significant effect on the Group's consolidated financial statements.

Amendments to IAS 16 "Property, Plant, and Equipment" and IAS 38 "Intangible Assets" – Clarification of acceptable methods of depreciation and amortization

Amends IAS 16 "Property, Plant, and Equipment" and IAS 38 "Intangible Assets" to:

- Clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant, and equipment;
- Introduce a rebuttable presumption that an amortization method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated;
- Add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

Management of the Group does not anticipate that the application of the amendments to IAS 16 and IAS 38 will have a significant effect on the Group's consolidated financial statements.

Amendments to IAS 27 "Separate Financial Statements" – Equity method in separate financial statements

Amend IAS 27 "Separate Financial Statements" to permit investments in subsidiaries, joint ventures, and associates to be optionally accounted for using the equity method in separate financial statements.

Management of the Group does not anticipate that the application of the amendments to IAS 27 will have a significant effect on the Group's consolidated financial statements.

Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" – Sale or contribution of assets between an investor and its associate or joint venture

Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" (2011) clarify a process of sales or contributions of assets between an investor and its associate or joint venture, in particular, require:

- Full recognition in the investor's financial statements of gains and losses when a transaction relating to the sale or contributions of assets meets the definition of a business (as defined in IFRS 3 "Business Combinations");
- Partial recognition of gains and losses where assets do not represent a business, i.e. gains or losses are recognized only in relation to the interest of unrelated investors in such an associate or joint venture.

These requirements apply to any legal arrangement; e.g., irrespective whether a sale or contribution of assets relates to the transfer of shares of the subsidiary owned by the investor (resulting to a loss of its control over the subsidiary) or direct sales of the assets.

5. NET INTEREST INCOME BEFORE PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS

Net interest income before provision for impairment losses on interest bearing assets comprises:

	Year ended 31 December 2014	Year ended 31 December 2013
Interest income comprises:		
Interest income on financial assets recorded at amortized cost:		
Interest income on unimpaired financial assets	5,564,696	7,533,287
Interest income on impaired financial assets	3,902,936	636,029
Interest income on financial assets at fair value:		
Interest income on unimpaired financial assets	4,009,944	2,701,408
Interest income on impaired financial assets	188,680	326,897
Total interest income	**13,666,256**	**11,197,621**
Interest income on financial assets recorded at amortized cost:		
Interest on loans to customers	8,766,157	7,671,006
Interest on due from banks	628,480	494,548
Interest on investments held to maturity	67,500	-
Other interest income	5,495	3,762
Interest income on financial assets at fair value:		
Interest on investments available for sale	4,198,624	3,028,305
Total interest income	**13,666,256**	**11,197,621**
Interest expense comprises:		
Interest expenses on financial liabilities recorded at amortized cost:		
Interest on customer accounts	(3,986,567)	(3,413,436)
Interest on due to banks	(2,887,920)	(1,422,483)
Interest on Eurobonds issued	(1,249,354)	(754,236)
Interest on other borrowed funds	(152,864)	(45,144)
Interest on subordinated debt	(70,566)	(48,286)
Interest on debt securities issued	-	(2,816)
Total interest expense	**(8,347,271)**	**(5,686,401)**
Net interest income before provision for impairment losses on interest bearing assets	**5,318,985**	**5,511,220**

6. ALLOWANCE FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS AND OTHER PROVISIONS

Movements in allowances for impairment losses on interest bearing assets were as follows:

	Due from banks	Loans to customers	Investments available for sale	Total
31 December 2012	**68,499**	**10,008,775**	**1,086,846**	**11,164,120**
(Recovery of provision)/provision	(4,094)	2,234,962	207,084	2,437,952
Write-off of assets	-	(153,302)	-	(153,302)
Reversal of earlier written off assets	-	254	-	254
31 December 2013	**64,405**	**12,090,689**	**1,293,930**	**13,449,024**
Provision/(Recovery of provision)	2,567,117	7,967,656	(871,685)	9,663,088
Write-off of assets	-	(147,780)	-	(147,780)
Reversal of earlier written off assets	-	143	-	143
Effect of foreign currency exchange difference	22,707	4,112,701	-	4,135,408
31 December 2014	**2,654,229**	**24,023,409**	**422,245**	**27,099,883**

Movements in allowances for impairment losses on other operations were as follows:

	Other assets	Guarantees and other commitments	Total
31 December 2012	**35,751**	**60,148**	**95,899**
Provision	21,523	126,058	147,581
Write-off of assets	(119)	-	(119)
31 December 2013	**57,155**	**186,206**	**243,361**
Provision/(Recovery of provision)	125,628	(98,085)	27,543
Write-off of assets	(1,972)	-	(1,972)
Effect of foreign currency exchange difference	44,131	112,199	156,330
31 December 2014	**224,942**	**200,320**	**425,262**

7. FEE AND COMMISSION INCOME AND EXPENSE

Fee and commission income and expense comprise:

	Year ended 31 December 2014	Year ended 31 December 2013
Fee and commission income:		
Settlements and cash operations	1,096,428	1,156,300
Plastic cards operations	327,039	228,026
Off-balance operations	96,856	65,353
Foreign exchange operations	52,035	37,786
Securities operations	4,047	5,276
Other	13,565	8,773
Total fee and commission income	**1,589,970**	**1,501,514**
Fee and commission expense:		
Plastic cards operations	(179,126)	(116,931)
Settlements and cash operations	(138,838)	(144,920)
Foreign exchange operations	(6,088)	(3,729)
Securities operations	(4,378)	(2,926)
Other	(1,787)	(1,876)
Total fee and commission expense	**(330,217)**	**(270,382)**

8. NET (LOSS)/GAIN ON FOREIGN EXCHANGE OPERATIONS

Net (loss)/gain on foreign exchange operations comprises:

	Year ended 31 December 2014	Year ended 31 December 2013
Translation differences, net	(3,211,748)	(15,376)
Dealing, net	(119,085)	66,562
Total net (loss)/gain on foreign exchange operations	**(3,330,833)**	**51,186**

For the year ended 31 December 2014, the Hryvnia devalued significantly against major world currencies which, in comparison with the prior reporting period, brought to a significant increase in the amount of negative translation differences, of which UAH 4,291,738 thousand were attributable to effect of foreign currency exchange difference on allowances for impairment losses.

9. OPERATING EXPENSES

Operating expenses comprise:

	Year ended 31 December 2014	Year ended 31 December 2013
Staff costs	2,519,239	2,381,605
Depreciation and amortization	396,959	311,544
Loss on impairment and derecognition (write-off) of property and equipment	307,645	-
Property and equipment maintenance	248,872	220,350
Operating leases	138,880	127,972
Loss due to misappropriation of cash by third parties	115 464	-
Utilities	101,509	105,620
Communications	84,463	84,505
Taxes, other than income tax	66,048	14,760
Office maintenance	55,272	79,345
Insurance	36,473	13,710
Security expenses	32,656	33,342
Professional services	24,720	22,995
Advertising costs	17,659	17,963
Business trips	15,321	13,556
Other expenses	77,458	60,918
Total operating expenses	**4,238,638**	**3,488,185**

During 2014, the Group recognized losses as a result of military aggression of the Russian Federation which brought to a temporary occupation of the part of Ukraine's territory, seizure and loss of movable and immovable properties and valuables of the Group in the Autonomous Republic of Crimea, as well as certain residential areas of Donetsk and Luhansk regions that are temporarily not controlled by the Ukrainian authorities, in the amount of UAH 105,431 thousand, included in loss due to misappropriation of cash by third parties, and loss on impairment and derecognition (write-off) of property and equipment in the amount of UAH 307,645 thousand.

10. NET GAIN ON TRANSACTIONS WITH FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Net gain on transactions with financial instruments at fair value through profit or loss is as follows:

	Year ended 31 December 2014	Year ended 31 December 2013
Net gain on transactions with financial assets at fair value through profit or loss	369,893	-
Net loss on transactions with financial liabilities at fair value through profit or loss	(201,745)	-
Total net gain on transactions with financial instruments at fair value through profit or loss	**168,148**	**-**
Net gain on transactions with financial instruments at fair value through profit or loss comprises:		
- dealings, net	87,811	-
- change in fair value	80,337	-
Total net gain on financial instruments at fair value through profit or loss	**168,148**	**-**

11. INCOME TAXES

The Group provides for taxes based on the tax accounts maintained and prepared in accordance with the current tax regulations and which may differ from International Financial Reporting Standards.

The Group is subject to certain permanent tax differences due to non-tax deductibility of certain expenses and certain income being treated as non-taxable for tax purposes.

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes.

Temporary differences as at 31 December 2014 and 2013 relate mostly to different methods of income and expense recognition as well as to recorded values of certain assets.

Temporary differences as at 31 December 2014 and 2013 comprise:

	31 December 2014	**31 December 2013**
Deductible temporary differences:		
Investments held to maturity	4,759,734	-
Loans to customers	3,054,449	-
Due from banks	2,308,373	-
Investments available for sale	1,777,923	1,934,916
Other liabilities	325,279	385,635
Property and equipment and intangible assets	317,230	269,635
Other assets	221,587	-
Customer accounts	1	-
Total deductible temporary differences	12,764,576	2,590,186
Taxable temporary differences:		
Financial instruments at fair value through profit or loss	(4 252 179)	-
Subordinated debt	(1 612)	(3,238)
Eurobonds issued	(637)	(9,170)
Loans to customers	-	(447,607)
Due from banks	-	(89,355)
Other assets	-	(10,337)
Total taxable temporary differences	(4,254,428)	(559,707)
Net deferred tax assets (10%–19%)	**1,531,826**	**304,012**
Deferred tax asset not recognized	**(1,901,858)**	**(264,383)**
Unrecognized deferred tax asset, outside profits and losses	**(330,189)**	**-**
Tax loss carried forwards (16%–19%)	780,605	10,101
Net deferred tax assets	**80,384**	**49,730**

The deferred income tax assets as at 31 December 2014 and 2013 were measured based on the tax rates expected to be applied to the period when the temporary differences are expected to be utilized.

The Tax Code of Ukraine establishes the following income tax rates:

- From 1 January 2013 to 31 December 2013 inclusive – 19%;
- From 1 January 2014 – 18%;

Starting from 1 January 2015, the amendments came into effect which significantly changed general rules for assessment of an item of taxation and terms for submission of income tax returns, as well as amended the taxation procedure for provisioning and settling uncollectible debts, securities operations, and the procedure for recognition of VAT credit in respect of repossession by banks of the properties pledged.

Relationships between income tax expenses and accounting profit based on the consolidated financial statements for the years ended 31 December 2014 and 2013 are explained as follows:

	Year ended 31 December 2014	**Year ended 31 December 2013**
(Loss)/profit before income tax	**(10,113,988)**	**925,774**
Statutory tax rate	18%	19%
Tax at the statutory tax rate	(1,820,518)	175,897
Effect of the tax rate that differs from 18% and 19% (special purpose entity in another jurisdiction)	3	4
Effect of non-deductible expenses and non-taxable income	89,371	46,739
Effect of change in the tax base of investments available for sale due to changes in the Tax Code of Ukraine	(1,544)	14,685
Tax effect of changes in income tax rates and laws	(3,379)	(1,590)
Change in deferred tax asset not recognized	1,637,475	(21,115)
Income tax (benefits)/expense	**(98,592)**	**214,620**
Current income tax expense	1,160	238,564
Deferred income tax benefits	(99,752)	(23,944)
Income tax (benefits)/expense	**(98,592)**	**214,620**

Movement in deferred tax assets/(liabilities) for the years ended 31 December 2014 and 2013 was as follows:

	Year ended 31 December 2014	**Year ended 31 December 2013**
At the beginning of the period	**49,730**	**(13,180)**
Tax effect of change in the fair value of investments available for sale	(65,757)	38,966
Change in deferred income tax liabilities recognized in profit or loss	99,752	23,944
Tax effect of property revaluation reserve decrease	(3,341)	-
At the end of the period	**80,384**	**49,730**

Corporate income tax prepaid

Starting from 1 January 2013, taxpayers (except for certain types of entities) that declared profit on the results of the previous year are obliged to prepay CIT on a monthly basis in the amount of not less than 1/12 of the prior year accrued tax liability.

Taxation of transactions with securities and derivatives

Starting from 1 January 2013, tax accounting rules for transactions on sale, exchange, or other disposal of securities and transactions with derivatives were changed and corporate income tax rate on such transactions was reduced to 10%. In 2014, the income tax rate for transactions with securities and derivatives increased from 10% to 18%.

New legislation on transfer pricing

Starting from 1 September 2013, the Ukrainian legislation was amended by new transfer pricing rules. These rules introduce additional reporting and documentation requirements to transactions, including, but not limited to, transactions with related parties.

12. (LOSSES)/EARNINGS PER SHARE

	Year ended 31 December 2014	Year ended 31 December 2013
Net (loss)/profit for the year attributable to the Bank's shareholder	(10,014,321)	710,502
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	16,518	14,573
(Losses)/Earnings per share – basic and diluted (UAH)	**(606,267)**	**48,755**

(Losses)/earnings per share have been calculated on the net (loss)/profit before any distributions based on the financial results of the year to the State Budget of Ukraine in accordance with the requirements of Article 11 of the Law of Ukraine "On State Property Management" # 185-V dated 21 September 2006 (Note 27).

13. CASH AND BALANCES WITH THE NATIONAL BANK OF UKRAINE

	31 December 2014	31 December 2013
Cash	2,335,906	2,186,410
Balances with the National Bank of Ukraine	2,196,957	2,630,544
Total cash and balances with the National Bank of Ukraine	**4,532,863**	**4,816,954**

Balances with the NBU represent funds placed with the National Bank of Ukraine to secure daily settlements and other operations.

As at 31 December 2014, Ukrainian banks were no longer obliged to maintain an obligatory reserve deposit for the previous month on a separate account with the NBU. As at 31 December 2013, the Group reserved funds on a separate account with the NBU in the amount of the provision created for foreign currency denominated lending transactions with the borrowers which have no sources of foreign exchange earnings. In 2013, withdrawal of those funds was restricted by the effective legislation.

The balances on separate accounts with the NBU as at 31 December 2014 and 2013 include obligatory deposit reserves in the amount of nil and UAH 526,812 thousand, respectively.

Cash and cash equivalents for the purposes of the consolidated statement of cash flows comprise the following:

	31 December 2014	31 December 2013
Cash and balances with the National Bank of Ukraine	4,532,863	4,816,954
Due from banks	6,594,749	3,787,061
	11,127,612	8,604,015
Less: Guarantee deposits (Note 14)	(99,493)	(27,932)
Less: Minimum reserve deposits with the National Bank of Ukraine	-	(526,812)
Less: Restricted balances with the National Bank of Ukraine (Note 21)	(425,000)	(425,000)
Total cash and cash equivalents	**10,603,119**	**7,624,271**

As at 31 December 2014 and 2013, balances with the National Bank of Ukraine in the amount of UAH 425,000 thousand were pledged as collateral to secure loans received from the National Bank of Ukraine (Note 21).

As at 31 December 2014, cash attributable to the Regional Branches in Donetsk and Luhansk regions amounted to UAH 254,049 thousand and UAH 110,207 thousand, respectively. As at 31 December 2014, the Group had access to that cash.

14. DUE FROM BANKS

Due from banks comprises:

	31 December 2014	31 December 2013
Correspondent accounts	9,307,715	2,560,457
Loans and time deposits	1,368,958	1,432,011
Loans under reverse repurchase agreements	-	3,723,044
	10,676,673	**7,715,512**
Less: Allowance for impairment losses	(2,654,229)	(64,405)
Total due from banks	**8,022,444**	**7,651,107**

Movements in allowance for impairment losses on balances due from banks for the years ended 31 December 2014 and 2013 are disclosed in Note 6.

As at 31 December 2014 and 2013, due from banks included accrued interest income in the amount of UAH 48 457 thousand and UAH 60,843 thousand, respectively.

The carrying amounts of all reverse repurchase agreements and the fair value of assets used as collateral are as follows:

	31 December 2014		31 December 2013	
	Carrying amounts of loans	**Fair value of collateral**	**Carrying amounts of loans**	**Fair value of collateral**
Ukrainian government debt securities	-	-	3,150,485	3,289,569
Bonds issued by local authorities	-	-	491,850	504,955
Bonds issued by entities	-	-	80,709	151,771
Total	**-**	**-**	**3,723,044**	**3,946,295**

As at 31 December 2013, loans under reverse repurchase agreements had contractual maturities in the period from January to September of 2014.

As at 31 December 2014 and 2013, loans to other banks with the carrying amounts of UAH 166,355 thousand and UAH 420,000 thousand, respectively, were secured by a collateral of real estate and land plots, and loans to other banks in the amount of UAH 10,989 thousand and nil, respectively, were secured by property rights to loans to individuals and legal entities.

As at 31 December 2014, cash on correspondent accounts with the carrying amounts of UAH 518,228 thousand was partly secured by a collateral of land plots.

As at 31 December 2014 and 2013, the maximum credit risk exposure on due from banks amounted to UAH 8,022,444 thousand and UAH 7,651,107 thousand, respectively. As at 31 December 2013, the maximum credit risk exposure on contingent liabilities and credit commitments issued by the Group to customers was represented by the confirmed reserve letters of credit issued by other banks and amounted to UAH 331,246 thousand (Note 28).

As at 31 December 2014 and 2013, due from banks included guarantee deposits placed by the Group for its operations with plastic cards and letters of credit in the amount of UAH 99,493 thousand and UAH 27,932 thousand, respectively.

As at 31 December 2014 and 2013, the Group had placements with ten banks in the amount of UAH 10,502,583 thousand (98%) and UAH 6,695,935 thousand (87%), respectively, which represents a significant concentration.

As at 31 December 2014 and 2013, a placement with two and one bank exceeded 10% of the Group’s equity.

15. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial instruments at fair value through profit or loss comprise:

	31 December 2014	31 December 2013
Embedded derivative on Ukrainian government debt securities accounted for as investments held to maturity	4,215,159	-
Embedded derivative on corporate securities	32,782	-
Embedded derivative on Ukrainian government debt securities accounted for as investments available for sale	4,238	-
Total financial instruments at fair value through profit or loss	**4,252,179**	**-**

For the year ended December 31, 2014, the change in fair value of financial instruments at fair value through profit or loss in the amount of UAH 80,337 thousand was recognized in net gain on transactions with financial instruments at fair value through profit or loss (Note 10).

At the date of initial recognition, an embedded derivative on Ukrainian government debt securities accounted for as investments held to maturity amounted to UAH 4,171,843 thousand and was recognized in equity as part of the shareholder's contribution.

16. LOANS TO CUSTOMERS

Loans to customers comprise:

	31 December 2014	31 December 2013
Loans to customers	94,259,724	64,270,256
Less: Allowance for impairment losses	(24,023,409)	(12,090,689)
Total loans to customers	**70,236,315**	**52,179,567**

Movements in allowances for impairment losses for the years ended 31 December 2014 and 2013 are disclosed in Note 6.

As at 31 December 2014 and 2013, included in loans to customers was accrued interest income in the amount of UAH 5,896,722 thousand and UAH 2,616,597 thousand, respectively.

The table below summarizes the amount of loans secured by a respective collateral, rather than the fair value of the collateral itself:

	31 December 2014	31 December 2013
Loans collateralized by equipment, other movables, and rights thereon	39,953,719	30,061,619
Loans collateralized by real estate and rights thereon	29,762,526	24,750,091
Unsecured loans	18,562,765	3,751,985
Loans collateralized by the Ukrainian government debt securities and guarantees issued by state authorities	4,050,062	4,968,638
Loans collateralized by cash	1,930,652	737,923
	94,259,724	**64,270,256**
Less: Allowance for impairment losses	(24,023,409)	(12,090,689)
Total loans to customers	**70,236,315**	**52,179,567**

As at 31 December 2014 and 2013, included in unsecured loans were loans collateralized by warranties. As at 31 December 2014 and 2013, loans collateralized by warranties amounted to UAH 2,580,501 thousand and UAH 1,231,597 thousand, respectively.

As at 31 December 2014 and 2013, included in unsecured loans were also payment card loans in the amount of UAH 889,234 thousand and UAH 686,121 thousand, respectively, the repayments of which were supported by salary proceeds on those card accounts.

As at 31 December 2014, included in unsecured loans were loans the collaterals on which were located in the territories of the Autonomous Republic of Crimea and Donetsk and Luhansk regions, that are not controlled by the Ukrainian authorities. As at 31 December 2014 those loans amounted to UAH 12,116,597 thousand.

The table below represents the structure of the Group's borrowers as at 31 December 2014 and 2013 by industry sector:

	31 December 2014	**31 December 2013**
Analysis by sector:		
Energy	22,037,837	11,589,032
Oil, gas, and chemical production	21,529,897	16,069,078
Construction and real estate	19,375,045	13,460,097
Trade	7,725,612	5,655,454
Food and beverage manufacturing and processing	7,670,444	4,307,539
Individuals	4,947,473	4,558,230
Mining and metallurgy	4,514,936	2,808,057
Agriculture	1,866,775	1,371,093
Transport	1,370,014	479,590
Construction and road maintenance	1,130,143	2,340,432
Engineering	883,338	863,385
Industrial and consumer goods manufacturing	680,024	631,494
Financial services	333,696	384
Services	188,282	113,540
Press and publishing	2,231	3,021
Media and communications	614	609
Municipal authorities	300	12,007
Other	3,063	7,214
	94,259,724	**64,270,256**
Less: Allowance for impairment losses	(24,023,409)	(12,090,689)
Total loans to customers	**70,236,315**	**52,179,567**

The Group obtained real estate property and other assets by taking possession of collateral it held as security. As at 31 December 2014 and 2013, such assets in the amount of UAH 143 thousand and UAH 169 thousand, respectively, were included in other assets (Note 20).

Loans to individuals comprise the following products:

	31 December 2014	**31 December 2013**
Consumer loans secured by real estate and guarantees	1,709,415	1,675,333
Mortgage loans	1,468,875	1,383,509
Payment card loans	1,036,718	686,121
Car loans	428,857	426,300
Other consumer loans	303,608	386,967
	4,947,473	**4,558,230**
Less: Allowance for impairment losses	(2,426,143)	(1,798,907)
Total loans to individuals	**2,521,330**	**2,759,323**

As at 31 December 2014 and 2013, the maximum credit risk exposure on loans to customers amounted to UAH 70,236,315 thousand and UAH 52,179,567 thousand, respectively. As at 31 December 2014 and 2013, the maximum credit risk exposure on contingent liabilities and credit commitments extended by the Group to its customers amounted to UAH 3,714,046 thousand and UAH 2,884,922 thousand, respectively (Note 28).

As at 31 December 2014 and 2013, loans to customers in the amount of UAH 54,249,325 thousand (58%) and UAH 37,139,940 thousand (58%), respectively, were granted to ten borrowers or groups of borrowers, which represents a significant concentration.

As at 31 December 2014 and 2013, the following loans were provided to the related state-owned company National Joint Stock Company "Naftogaz of Ukraine":

Name	Interest rate, %	Maturity	31 December 2014	Interest rate, %	Maturity	31 December 2013
National Joint Stock Company "Naftogaz of Ukraine"	13.5	31 March 2015	10,373,148	13.5	31 March 2015	10,384,923
National Joint Stock Company "Naftogaz of Ukraine"	17.5	31 March 2015	2,729,982	10.0	31 March 2015	2,830,045
National Joint Stock Company "Naftogaz of Ukraine"	17.5	31 March 2015	2,001,062	10.0	31 March 2015	2,046,732
			15,104,192			15,261,700
Less: Allowance for impairment losses			(2,794,276)			(2,816,084)
Total			**12,309,916**			**12,445,616**

As at 31 December 2014 and 2013, the loans granted to the related state-owned company National Joint Stock Company "Naftogaz of Ukraine" in the amount of UAH 15,104,192 thousand and UAH 15,261,700 thousand represented 16% and 24%, respectively, of the total gross loan portfolio, before allowance for impairment losses, which is a significant concentration of transactions with one borrower and related party transactions (Notes 29, 34).

As at 31 December 2014 and 2013, the loans granted to the related state-owned company National Joint Stock Company "Naftogaz of Ukraine" with the carrying amounts of UAH 12,309,916 thousand and UAH 12,445,616 thousand, respectively, were used as a collateral to secure loans received from the National Bank of Ukraine (Note 21).

As at 31 December 2014 and 2013, the loans to other borrowers with the carrying value of UAH 1,289,815 thousand and UAH 897,616 thousand, respectively, were used as a collateral to secure loans received from the National Bank of Ukraine (Note 21).

As at 31 December 2014 and 2013 the maximum credit risk exposure on the loans to customers attributable to the Crimean Republican Branch and the Regional Branches in Donetsk and Luhansk regions was as follows:

	31 December 2014	31 December 2013
Loans to customers attributable to the Crimean Republican Branch	10,069,756	5,225,264
Loans to customers attributable to the Donetsk Regional Branch	1,968,331	1,582,718
Loans to customers attributable to the Luhansk Regional Branch	475,796	461,415
	12,513,883	**7,269,397**
Less: Allowance for impairment losses attributable to the Crimean Republican Branch	(10,069,107)	(423,254)
Less: Allowance for impairment losses attributable to the Donetsk Regional Branch	(459,828)	(242,716)
Less: Allowance for impairment losses attributable to the Luhansk Regional Branch	(320,886)	(89,644)
Total loans to customers attributable to the Crimean Republican Branch and the Donetsk and Luhansk Regional Branches	**1,664,062**	**6,513,783**

As at 31 December 2014 and 2013, most loans attributable to the Crimean Republican Branch were granted in foreign currencies. During 2014, no new loans were granted. Correspondingly, the increase in the nominal value of loans during 2014 was due to revaluation increase in foreign currency denominated debts as a result of conversion of UAH denominated equivalent.

As at 31 December 2014 and 2013, the maximum credit risk exposure on contingent liabilities and loan commitments extended by the Group to its customers attributable to the Crimean Republican Branch and the Donetsk and Luhansk Regional Branches amounted to UAH 871 thousand and UAH 72,228 thousand, respectively.

17. INVESTMENTS AVAILABLE FOR SALE

Investments available for sale comprise:

	31 December 2014	31 December 2013
Ukrainian government debt securities:		
Medium-term Ukrainian government debt securities, including securities with early redemption feature	7,182,217	10,578,648
Long-term Ukrainian government debt securities, including securities with early redemption feature	3,296,149	9,696,085
Short-term Ukrainian government debt securities	1,031,697	799,517
Ukrainian government debt securities for settlement of budget indebtedness on value added tax	386,585	368
	11,896,648	21,074,618
Other:		
Bonds issued by corporate entities	11,762,828	11,168,814
Bonds issued by local government authorities	2,189,012	1,745,968
Bonds issued by State Mortgage Institution	842,509	506,043
Promissory notes	1,396	1,396
	14,795,745	13,422,221
Less: Allowance for impairment losses	(407,148)	(1,278,833)
Total debt securities available for sale	**26,285,245**	**33,218,006**
Equity securities:		
Corporate shares	48,667	48,667
Less: Allowance for impairment losses	(15,097)	(15,097)
Total equity securities available for sale	**33,570**	**33,570**
Total investments available for sale	**26,318,815**	**33,251,576**

Movements in allowances for impairment losses for the years ended 31 December 2014 and 2013 are disclosed in Note 6.

As at 31 December 2014 and 2013, investments available for sale included accrued interest income in the amount of UAH 484,311 thousand and UAH 645,150 thousand, respectively.

During 2013, the Group acquired the bonds issued by the related state-owned company National Joint Stock Company “Naftogaz of Ukraine” with the carrying amounts as at 31 December 2013 of UAH 4,409,648 thousand, which represents 13% of the total investments available for sale, before allowance for impairment losses. The issue of these bonds was secured by the state guarantee. As at 31 December 2014 the carrying amounts of the bonds issued by National Joint Stock Company “Naftogaz of Ukraine” were UAH 4,247,984 thousand, which represents 16% of the total investments available for sale before allowance for impairment losses

As at 31 December 2014 and 2013, debt securities with the carrying amounts of UAH 12,223,782 thousand and UAH 13,998,869 thousand, respectively, were used as a collateral to secure loans received from the National Bank of Ukraine (Note 21).

As at 31 December 2014, embedded derivatives on Ukrainian government debt securities and corporate securities accounted for as investments available for sale were separate derivative financial instruments and amounted to UAH 4,238 thousand and UAH 32,782 thousand, respectively (Note 15).

18. INVESTMENTS HELD TO MATURITY

The Group received Ukrainian government debt securities as a settlement for contributions to the Bank's share capital pursuant to the Resolution of the Government of Ukraine dated 19 November 2014 (Note 27).

The nominal value of these securities amounts to UAH 11,598,840 thousand; they earn a coupon interest rate of 6% and mature in September–November 2024. Furthermore, terms and conditions of these securities' issue envisage for indexation of the nominal value on maturity in accordance with changes in weighted average exchange rate of UAH against USD in the inter-bank market for the respective retention periods. Coupon income is not subject to indexation.

At the date of initial recognition, the difference between the nominal and fair values of those Ukrainian government debt securities, with reference to the fair value of embedded derivative, was recognized in equity and amounted to UAH 603,772 thousand.

As at 31 December 2014, the carrying amounts of investment held to maturity were UAH 6,890,726 thousand.

As at 31 December 2014, accrued interest income was included in investments held to maturity in the amount of UAH 51,620 thousand.

As at 31 December 2014, embedded derivative on investments held to maturity was the separate derivative financial instrument and amounted to UAH 4,215,159 thousand (Note 15).

19. PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

Property and equipment and intangible assets comprise:

	Buildings	Leasehold improvements	Furniture and office equipment	Vehicles	Construction in progress	Intangible assets	Total
At cost/revalued amount							
31 December 2013	**1,666,629**	**81,462**	**1,562,966**	**618,429**	**357,899**	**209,591**	**4,496,976**
Additions	41,880	-	427,588	5,356	197,224	46,152	718,200
Transfers	57,775	29,996	-	-	(107,825)	20,054	-
Impairment through profit or loss	(400)	(3,938)	(86,903)	(48,532)	(5,037)	-	(144,810)
Impairment through other comprehensive income	(95,727)	-	-	-	-	-	(95,727)
Disposals	(735)	(7,548)	(24,668)	(4,515)	(52)	(492)	(38,010)
31 December 2014	**1,669,422**	**99,972**	**1,878,983**	**570,738**	**442,209**	**275,305**	**4,936,629**
Accumulated depreciation and amortization							
31 December 2013	**62,461**	**44,387**	**697,878**	**160,150**	**-**	**80,922**	**1,045,798**
Charges for the year	32,930	19,200	224,894	67,638	-	52,297	396,959
Impairment through profit or loss	98,062	(1,700)	32,135	34,338	-	-	162,835
Impairment through other comprehensive income	(7,755)	-	-	-	-	-	(7,755)
Eliminated on disposals	(38)	(7,456)	(24,074)	(3,983)	-	(492)	(36,043)
31 December 2014	**185,660**	**54,431**	**930,833**	**258,143**	**-**	**132,727**	**1,561,794**
Net book value							
31 December 2014	**1,483,762**	**45,541**	**948,150**	**312,595**	**442,209**	**142,578**	**3,374,835**
31 December 2013	**1,604,168**	**37,075**	**865,088**	**458,279**	**357,899**	**128,669**	**3,451,178**

	Buildings	Leasehold improvements	Furniture and office equipment	Vehicles	Construction in progress	Intangible assets	Total
At cost/revalued amount							
31 December 2012	**1,541,673**	**74,013**	**1,211,249**	**470,712**	**323,584**	**144,426**	**3,765,657**
Additions	61,392	-	376,063	153,224	135,854	52,046	778,579
Transfers	63,678	21,191	-	-	(101,539)	16,670	-
Disposals	(114)	(13,742)	(24,346)	(5,507)	-	(3,551)	(47,260)
31 December 2013	**1,666,629**	**81,462**	**1,562,966**	**618,429**	**357,899**	**209,591**	**4,496,976**
Accumulated depreciation and amortization							
31 December 2012	**30,750**	**40,211**	**555,465**	**102,485**	**-**	**50,828**	**779,739**
Charges for the year	31,744	16,656	166,441	63,069	-	33,634	311,544
Eliminated on disposals	(33)	(12,480)	(24,028)	(5,404)	-	(3,540)	(45,485)
31 December 2013	**62,461**	**44,387**	**697,878**	**160,150**	**-**	**80,922**	**1,045,798**
Net book value							
31 December 2013	**1,604,168**	**37,075**	**865,088**	**458,279**	**357,899**	**128,669**	**3,451,178**
31 December 2012	**1,510,923**	**33,802**	**655,784**	**368,227**	**323,584**	**93,598**	**2,985,918**

As at 31 December 2014, no revaluations were performed in respect of the buildings and office premises owned by the Group, since, according to the real estate market analysis performed by the Group, during 2014 the property market was characterized by limited number of agreements concluded and, due to a significant fluctuation in exchange rates, USD denominated prices for property decreased and UAH denominated prices increased. As at 31 December 2014, the fair values of the building and office premises did not differ significantly from their carrying amounts.

As at 31 December 2014 and 2013, the buildings and office premises owned by the Group were not revalued, since, according to the opinion of an independent appraiser, the carrying amounts of the buildings and office premises did not differ materially from their fair values as at the reporting date.

As at 31 December 2011, the buildings and office premises owned by the Group were revalued to market prices by an independent appraiser. Sales comparison method was used for estimation of the fair value of buildings and office premises. For items with no market analogues, income capitalization method was applied.

Had the buildings been accounted for at historical cost less accumulated depreciation and impairment losses, their carrying value would be UAH 637,050 thousand and UAH 658,017 thousand as at 31 December 2014 and 2013, respectively.

Certain buildings not yet put into operations are included in the construction in progress category. The carrying amounts of buildings held within construction in progress as at 31 December 2014 and 2013 were UAH 233,687 thousand and UAH 241,501 thousand, respectively.

During the year ended 31 December 2014, the Group recognized losses on impairment and derecognition (write-off) of property and equipment in the amount of UAH 307,645 thousand profit or loss (Note 9) and impairment at the cost of allowance for revaluation of property and equipment in the amount of UAH 87,972 thousand. The above losses were a result of military aggression of the Russian Federation which brought to a temporary occupation of the part of Ukraine's territory, seizure and loss of movable and immovable properties and valuables of the Group in the Autonomous Republic of Crimea, as well as certain residential areas of Donetsk and Luhansk regions that are temporarily not controlled by the Ukrainian authorities.

As at 31 December 2014, the carrying amounts of property and equipment and intangible assets attributable to the Regional Branches in Donetsk and Luhansk regions were UAH 171,481 thousand and UAH 48,797 thousand, respectively, and the carrying amounts of property and equipment and intangible assets attributable to the Crimean Republican Branch were UAH 141 thousand.

20. OTHER ASSETS

Other assets comprise:

	31 December 2014	31 December 2013
Other financial assets:		
Accounts receivable for transactions with other financial instruments	145,400	6,768
Income accrued	63,333	36,515
Fair value of currency forward and swap agreements	11,925	20,038
Other accounts receivable	66,146	37,813
	286,804	101,134
Less: Allowance for impairment losses	(163,016)	(6,569)
	123,788	94,565
Other non-financial assets:		
Income taxes prepaid	303,058	-
Prepayments for purchase of assets	68,677	87,687
Prepaid expenses	52,367	43,021
Inventories	35,653	37,746
Receivables from employees and third parties	24,362	25,495
Precious metals	20,819	38,859
Prepaid services	16,005	9,306
Non-current assets held for sale	12,911	9,799
Prepaid precious metals	6,106	212
Receivables on taxes and obligatory payments	3,574	2,813
Collateral repossessed by the Group (Note 16)	143	169
Other	46	3
	543,721	255,110
Less: Allowance for impairment losses	(61,926)	(50,586)
	481,795	204,524
Total other assets	**605,583**	**299,089**

Movements in allowances for impairment losses for the years ended 31 December 2014 and 2013 are disclosed in Note 6.

Precious metals are represented by gold and silver in vault.

21. DUE TO BANKS

Due to banks comprises:

	31 December 2014	31 December 2013
Loans from the National Bank of Ukraine	18,581,757	14,731,757
Loans from banks	2,448,960	2,961,236
Loans under repurchase agreements from the National Bank of Ukraine	1,003,218	5,906,032
Correspondent accounts of other banks	142,451	479,322
Total due to banks	**22,176,386**	**24,078,347**

As at 31 December 2014 and 2013, due to banks included accrued interest expenses in the amount of UAH 9,454 thousand and UAH 54,990 thousand, respectively.

As at 31 December 2014 and 2013, due to banks included loans from the NBU, including loans under repurchase agreements, in the amount of UAH 19,584,975 thousand (88%) and UAH 20,637,789 thousand (86%), respectively, which represents a significant concentration.

As at 31 December 2014 and 2013, included in loans from the NBU, including loans under repurchase agreements, were loans from the NBU in the amount of UAH 19,584,975 thousand and UAH 20,637,789 thousand with interest rates within the ranges from 14% to 19.5% per annum and from 6.5% to 8.5% per annum and with maturities in the periods from 26 March 2015 to 27 November 2015 and from 9 January 2014 to 31 March 2015, respectively.

As at 31 December 2014, loans from the NBU, including loans under repurchase agreements, in the amount of UAH 19,584,975 thousand were secured by debt securities available for sale that are carried in the Group's accounting records with the fair value of UAH 12,223,782 thousand, loans to the related state-owned company National Joint Stock Company "Naftogaz of Ukraine" with the carrying value of UAH 12,309,916 thousand, loans to other borrowers with the carrying value of UAH 1,289,815 thousand, and cash balances with the National Bank of Ukraine with the carrying value of UAH 425,000 thousand (Notes 13,17,16).

As at 31 December 2013, loans from the NBU, including loans under repurchase agreements, in the amount of UAH 20,637,789 thousand were secured by debt securities available for sale that are carried in the Group's accounting records with the fair value of UAH 13,998,869 thousand, loans to the related state-owned company National Joint Stock Company "Naftogaz of Ukraine" with the carrying value of UAH 12,445,616 thousand, loans to other borrowers with the carrying value of UAH 897,616 thousand, and cash balances with the National Bank of Ukraine with the carrying value of UAH 425,000 thousand (Notes 13,17,16).

Subsequent to 31 December 2014 and 2013, settlements of loans received under repurchase agreements with the National Bank of Ukraine were made in accordance with the contractual maturities.

22. CUSTOMER ACCOUNTS

Customer accounts comprise:

	31 December 2014	**31 December 2013**
Term deposits	34,515,818	28,561,473
Repayable on demand	21,693,178	17,847,260
Total customer accounts	**56,208,996**	**46,408,733**

As at 31 December 2014 and 2013, customer accounts included accrued interest expenses in the amount of UAH 833,832 thousand and UAH 880,031 thousand, respectively.

As at 31 December 2014 and 2013, the total balances of top ten customers amounted to UAH 8,665,071 thousand and UAH 5,971,806 thousand, which represents 15% and 13%, respectively.

The table below represents customer accounts' structure as at 31 December 2014 and 2013 by industry sectors:

	31 December 2014	31 December 2013
Analysis by sector:		
Individuals	37,084,965	35,841,506
Energy	3,638,883	2,180,590
Investing activities	3,185,450	525,778
Oil, gas, and chemical production	1,835,675	886,129
Trade	1,805,802	911,360
Engineering	1,567,331	43,239
Financial services	1,527,421	643,197
Services	1,134,336	639,258
Agriculture	996,221	607,148
Transport	880,443	122,757
Media and communications	619,519	2,246,127
Construction and real estate	363,150	318,049
Municipal authorities	269,522	4,466
Mining and metallurgy	192,012	62,604
Industrial and consumer goods manufacturing	164,300	72,009
Food and beverage manufacturing and processing	92,411	676,521
Press and publishing	40,537	20,330
Other	811,018	607,665
Total customer accounts	**56,208,996**	**46,408,733**

23. EUROBONDS ISSUED

Eurobonds issued comprise:

Issue date	Maturity	Coupon rate p.a., %	Carrying value, 31 December 2014	Carrying value, 31 December 2013
March and July 2011	10 March 2016	8.250	11,305,246	5,722,579
March 2013	20 March 2018	8.875	8,035,214	4,073,233
			19,340,460	**9,795,812**

In March 2011, the Bank received a loan from SSB NO.1 Plc in the amount of USD 500 million at the interest rate of 8.250% p.a. with maturity in 2016. The loan was funded by SSB NO.1 Plc through the issue of Eurobonds in the form of 5-year loan participation notes with the par value of USD 500 million and fixed coupon rate of 8.250% p.a. In July 2011, SSB NO.1 granted the Bank with a loan in the amount of USD 200 million at the interest rate of 8.250% p.a. with maturity in 2016, which was funded by an additional issue of Eurobonds with the par value of USD 200 million that were consolidated into a single series of loan participation notes for the total amount of USD 700 million with maturity in 2016. The Eurobonds are listed on the Irish Stock Exchange.

In March 2013, the Bank received a loan from SSB NO.1 Plc in the amount of USD 500 million at the interest rate of 8.875% p.a. with maturity in 2018. The loan was funded by SSB NO.1 Plc through the issue of Eurobonds in the form of 5-year loan participation notes with the par value of USD 500 million and fixed coupon rate of 8.875% p.a. The Eurobonds are listed on the Irish Stock Exchange.

Interest on the Eurobonds issued maturing in 2016 is to be paid semi-annually in arrears in equal instalments on 10 September and 10 March each year commencing from 10 September 2011.

Interest on the Eurobonds issued maturing in 2018 is to be paid semi-annually in arrears in equal instalments on 20 September and 20 March each year commencing from 20 September 2013.

As at 31 December 2014 and 2013, included in the Eurobonds issued were accrued interest expenses in the amount of UAH 470,865 thousand and UAH 242,754 thousand, respectively.

The Bank is obligated to comply with certain covenants specified in the loan agreement with SSB NO.1 Plc in relation to the Eurobonds issued. These covenants include a requirement to submit financial statements according to the schedule stated below, restriction to declare or pay dividends or make other distributions if this may lead to delays in repayment of the Eurobonds or if such distributions, in aggregate, exceed 30% of net profits of the Group for the relevant period (calculated in accordance with the laws of Ukraine), certain limitations on transactions with related parties, etc.

In accordance with the terms of the loan agreements, the Bank is required to submit the following financial statements:

- Audited annual financial statements prepared in accordance with IFRS within 180 days from the reporting date;
- Unaudited interim IFRS financial statements for the six months ending 30 June within 120 days from the reporting date.

SSB NO.1 Plc has the right to enforce obligations of the Bank regarding compliance with the covenants. No specific action is prescribed by the agreement in case of the Bank's non-compliance with the covenants.

24. OTHER BORROWED FUNDS

	Currency	Maturity	Interest rate, %	Carrying amount, 31 December 2014	Maturity	Interest rate, %	Carrying amount, 31 December 2013
Borrowings from the European Investment Bank	USD	August 2017 – February 2022	5.87	1,416,593	-	-	-
Borrowings from the European Investment Bank	EUR	March 2018 – September 2024	4.43	1,287,508	-	-	-
Borrowings from the European Investment Bank	EUR	June 2018 – December 2024	4.26	1,270,723	-	-	-
Borrowings from a foreign financial institution	USD	April 2015	9.54	588,521	April 2014	8.25	295,783
Borrowings from a foreign financial institution	USD	July 2015	9.52	401,027	July 2014	8.25	202,173
Borrowings from a foreign financial institution	USD	October 2015	9.50	287,528	October 2014	8.25	145,407
Borrowings from a foreign financial institution	USD	-	-	-	July 2014	8.25	76,482
Borrowings from a foreign financial institution	USD	-	-	-	December 2014	4.50	76,463
Borrowings from a foreign financial institution	USD	-	-	-	July 2014	5.50	38,883
Total other borrowed funds				**5,251,900**			**835,191**

As at 31 December 2014 and 2013, included in other borrowed funds were accrued interest expenses in the amount of UAH 106,969 thousand and UAH 27,523 thousand, respectively.

On 30 December 2013, the Group and the European Investment Bank (the "EIB") entered into a financing agreement that stipulates for opening a credit line in the amount of EUR 220,000 thousand for the period of 10 years. Withdrawals are available in USD and EUR. The objective of this credit line facility is to finance small and medium business entities, midcap companies, and other priority projects.

As at 31 December 2014 and 2013, the amounts due to the EIB amounted to UAH 3,974,824 thousand and nil, respectively. Interest rate on the tranches received was fixed and was in the range from 4.26% to 5.87% p.a. repayable semi-annually together with each tranche.

According to the financing agreement with the EIB, the Group is obligated to comply with certain information requirements and covenants that include a requirement to maintain at a certain level the respective ratios: maximum credit risk exposures, capital adequacy, related party transactions, open credit risk, liquidity, and other financial ratios.

In accordance with the procedures stipulated for by the loan agreement, financial ratios should be calculated based on the data presented in the published financial statements prepared under IFRS. Based on the analysis of these financial statements, there is probability of incompliance with the ratios of maximum credit risk exposures and capital adequacy, which is mainly caused by significant fluctuations in exchange rate and, correspondingly, revaluation of foreign currency denominated assets. In accordance with the agreed procedures, upon the issue of its financial statements, the Group shall submit to the EIB a calculation of the ratios and a certificate about compliance with them. Correspondingly, the EIB will consider the certificate and provide a response with its decision.

Since the right to claim for early repayment of the loan arises with the EIB only after it receives the certificate and in case the issue is not settled through negotiations, therefore, as at 31 December 2014, the Group recorded the amounts due under this loan agreement at contractual maturities (Note 34).

During 2014, the Group revised the interest rate and extended a part of its borrowing from a foreign financial institution. As at 31 December 2014 and 2013, the Group's borrowing to a foreign financial institutions amounted to UAH 1,277,076 thousand and UAH 835,191 thousand, respectively. The interest rate on all borrowings was set at the level from 9.50% to 9.54% and from 4.50% to 8.25% p.a., respectively, repayable on maturity. The period of each of the loans is not more than two years.

25. OTHER LIABILITIES

Other liabilities comprise:

	31 December 2014	31 December 2013
Other financial liabilities:		
Provision for guarantees and other commitments	200,320	186,206
Provision for unused vacations	124,260	119,768
Accrued bonuses and salary	18,679	57,027
Fair value of currency swap and forward agreements	11,925	13,881
Other accounts payable	11,072	5,850
Expenses accrued	5,601	4,654
Other	30	126
	371,887	387,512
Other non-financial liabilities:		
Taxes payable, other than income tax	50,714	11,341
Advances received	3,370	52,353
Income taxes payable	462	58,180
Other	15,948	26,846
	70,494	148,720
Total other liabilities	**442,381**	**536,232**

Movements in provision for guarantees and other commitments for the years ended 31 December 2014 and 2013 are disclosed in Note 6.

26. SUBORDINATED DEBT

Subordinated debt comprises:

	Currency	Maturity of principal	Interest rate, %	31 December 2014	Interest rate, %	31 December 2013
The Royal Bank of Scotland N.V.	USD	19 January 2017	5.57	1,656,729	5.81	840,406
Total subordinated debt				**1,656,729**		**840,406**

As at 31 December 2014 and 2013, subordinated debt included accrued interest expenses in the amount of UAH 84,203 thousand and UAH 44,367 thousand, respectively.

In 2010, the Royal Bank of Scotland N.V. became the successor of the bank ABN AMRO N.V. The respective changes in the loan agreement were registered with the NBU on 9 February 2011.

Starting from 19 January 2012, the interest rate was set at LIBOR + 5%. According to the loan agreement, the Group has the right to early repay the loan at any interest payment date by providing the creditor with a notice not later than 30 days prior to such a date. The next interest payment date is 20 January 2015. To date, the Group has no plans to exercise the early redemption option.

In the event of bankruptcy or liquidation of the Group, repayment of this debt is subordinate to the repayments of the Group's liabilities to all other creditors.

In accordance with the terms of the loan agreement, the Group should comply, inter alia, with the following covenants and is required to submit:

- Audited annual financial statements prepared in accordance with IFRS within 180 days from the reporting date;
- Unaudited interim IFRS financial statements for the six months ending 30 June within 90 days from the reporting date.

The Royal Bank of Scotland N.V. has the right to enforce obligations of the Group regarding compliance with the covenants. No specific action is prescribed by the agreement in case of the Group's non-compliance with the covenants.

27. SHARE CAPITAL

Share capital comprises:

	Number of shares, units	Nominal value, UAH thousands	Adjusted amount, UAH thousands
31 December 2012	**14,496**	**14,496,000**	**14,748,140**
Total increase in the nominal value of shares due to capitalization of the Bank's retained earnings	-	1,333,632	1,333,632
Total shares issued and fully paid but not registered	1,282	1,399,944	1,399,944
31 December 2013	**15,778**	**17,229,576**	**17,481,716**
Total increase in the nominal value of shares due to capitalization of the Bank's retained earnings	-	1,072,904	1,072,904
Total shares issued and fully paid but not registered	9,999	11,598,840	11,598,840
31 December 2014	**25,777**	**29,901,320**	**30,153,460**

As at 31 December 2014 and 2013, the nominal value of shares amounted to UAH 1,160,000 and UAH 1,092,000 per share, respectively. All shares rank equally and carry one vote.

These consolidated financial statements reflect the amount of paid share capital carried at cost, which was adjusted for the effect of hyperinflation in the amount of UAH 252,140 thousand that existed before 31 December 2000.

On 20 October 2011, the Government of Ukraine decided to increase the share capital of the Bank by the amount of UAH 1,041,900 thousand through the capitalization of retained earnings of the Bank by increasing the nominal value of shares. The respective amendments to the Bank's Charter were agreed with the NBU on 4 May 2012 and registered by the State Registrar at the Pecherska District State Administration in the city of Kyiv on 8 May 2012. On 9 April 2013, the NSSMC registered this increase.

On 12 June 2013, the Government of Ukraine decided to increase the share capital of the Bank by the amount of UAH 291,732 thousand by increasing the nominal value of shares. The respective amendments to the Bank's Charter were agreed with the NBU on 12 July 2013 and registered by the State Registrar of Legal Entities and Individual Entrepreneurs at the Head Justice Department in the city of Kyiv on 17 July 2013. On 27 September 2013, the NSSMC registered this increase.

On 3 July 2013, the Government of Ukraine decided to increase the share capital of the Bank through the issue of 1,282 new shares with the nominal value of UAH 1,092,000 per share. The Bank's new shares were paid for on 10 December 2013 by Ukrainian government debt securities of the special issue with the nominal value of UAH 1,400,000 thousand. The difference between the nominal value of Ukrainian government debt securities received and the Bank's shares issued under this decision in the amount of UAH 56 thousand was transferred to the State Budget of Ukraine. The respective amendments to the Bank's Charter were agreed with the NBU on 25 March 2014 and registered by the State Registrar of Legal Entities and Individual Entrepreneurs at the Head Justice Department in the city of Kyiv on 31 March 2014. On 15 April 2014, the NCSSM registered this increase.

On 6 August 2014, the Government of Ukraine decided to increase the share capital of the Bank by the amount of UAH 1,072,904 thousand through the increase in the nominal value of shares to UAH 1,160,000 at the cost of capitalization of the Bank's profits for the years 2011, 2012, and 2013. The respective amendments to the Bank's Charter were agreed with the NBU on 12 September 2014 and registered by the State Registrar of Legal Entities and Individual Entrepreneurs at the Head Justice Department in the city of Kyiv on 17 September 2014. On 7 October 2014, the NCSSM registered this increase.

On 19 November 2014, the Government of Ukraine decided to increase the share capital of the Bank through the issue of 9,999 new shares with the nominal value of UAH 1,160,000 per share. The Bank's new shares were paid for by the indexed Ukrainian government debt securities (domestic government loan bonds) of the special issue with the nominal value of UAH 11,598,840 thousand. As at 31 December 2014, this increase in the share capital was not yet agreed with the NBU, nor registered by the State Registrar of Legal Entities and Individual Entrepreneurs at the Head Justice Department in the city of Kyiv and the NCSSM.

Subsequent to 31 December 2014, amendments to the Bank's Charter regarding the increase in the share capital by UAH 11,598,840 thousand were agreed with the NBU on 17 March 2015 and registered by the State Registrar of Legal Entities and Individual Entrepreneurs at the Head Justice Department in the city of Kyiv on 23 March 2015.

In 2014 and 2013, the Bank paid as distribution of profit based on the financial results of 2013 and 2012 to the general fund of the State Budget of Ukraine in accordance with the requirements of Article 11 of the Law of Ukraine "On State Property Management" # 185-V dated 21 September 2006 the amount of UAH 213,030 thousand and UAH 198,794 thousand, respectively.

28. CONTINGENCIES AND CONTRACTUAL COMMITMENTS

In the normal course of business, the Group is a party to financial instruments with off-balance risk in order to meet the needs of its customers. These instruments, involving varying degrees of credit risk, are not reflected in the consolidated statement of financial position.

The Group's maximum exposure to credit loss under contingent liabilities and contractual commitments to extend credit, in the event of non-performance by the other party where all counterclaims, collateral, or security prove valueless, is represented by the contractual amounts of those instruments.

The Group uses the same credit control and management policies in undertaking off-balance commitments as it does for on-balance operations.

As at 31 December 2014 and 2013, the nominal or contractual amounts were as follows:

	31 December 2014	31 December 2013
Contingent liabilities and credit commitments		
Guarantees issued and similar commitments	2,525,420	2,576,385
Letters of credit and other transaction related to contingent obligations	1,268,618	618,906
Irrevocable commitments on loans and unused credit lines	120,328	207,083
Total contingent liabilities and credit commitments	**3,914,366**	**3,402,374**

As at 31 December 2014 and 2013, provision for guarantees and other commitments amounted to UAH 200,320 thousand and UAH 186,206 thousand, respectively (Notes 6, 25).

As at 31 December 2014 and 2013, guarantees issued and similar commitments included confirmed reserve letters of credit issued by other banks in the amount of nil and UAH 331,246 thousand, respectively (Note 14).

Extension of loans to customers within loans and credit line limits is approved by the Group on a case-by-case basis and depends on the borrowers' financial performance, debt service, and other conditions. As at 31 December 2014 and 2013, total amount of such revocable commitments amounted to UAH 11,474,089 thousand and UAH 10,986,093 thousand, respectively.

Capital commitments

As at 31 December 2014 and 2013, the Group had no capital commitments.

Operating lease commitments

Where the Group is a lessee, the future minimum lease payments under non-cancellable operating leases are as follows:

	31 December 2014	31 December 2013
Within one year	71,251	98,228
Later than one year and not later than five years	84,956	106,827
Later than five years	56,482	70,536
Total operating lease commitments	**212,689**	**275,591**

Legal proceedings

From time to time and in the normal course of business, claims against the Group are received from customers and counterparties. Management believes that no material losses will be incurred and, accordingly, no provision has been made in these consolidated financial statements.

Taxation

Due to presence in the Ukrainian commercial legislation, and tax legislation in particular, of provisions allowing more than one interpretation, and also due to the practice developed in a generally unstable environment by the tax authorities of making arbitrary judgment of business activities, if a particular treatment based on management's judgment of the Group's business activities was to be challenged by the tax authorities, the Group may be assessed additional taxes, penalties, and interest. Such uncertainty may relate to the valuation of financial instruments, impairment provisions, and the market level for pricing of deals. The Group believes that it has already made all tax payments, and, therefore, no allowance has been made in the consolidated financial statements. Tax records remain open to review by the tax authorities for three years.

Starting from 1 September 2013, the Ukrainian legislation was amended by new transfer pricing rules. These rules introduce additional reporting and documentation requirements to transactions. The new legislation allows the tax authorities to impose additional tax liabilities in respect of certain transactions, including, but not limited to, transactions with related parties, if they consider transaction to be priced not at arm's length. As the practice of implementation of the new transfer pricing rules has not yet developed and wording of some clauses of the rules is unclear, the impact of challenge of the Group's transfer pricing positions by the tax authorities cannot be reliably estimated.

Pensions and retirement plans

Employees receive pension benefits in accordance with the laws and regulations of Ukraine, which requires current contributions by an employer calculated as a percentage of current gross salary payments, with such expense charged in the period the related salaries are earned. Employees have the right to receive pensions in the amount of such accumulated payments from the state pension fund. As at 31 December 2014 and 2013, the Group was not liable for any supplementary pensions, health care, insurance benefits, or retirement indemnities to its current or former employees.

29. RELATED PARTY TRANSACTIONS

Related parties of the Group, as defined by IAS 24 (revised 2009) "Related Party Disclosures", represent:

a) A person or a close member of that person's family is related to the reporting entity if that person:
   - i) has control or joint control over the reporting entity;
   - ii) has significant influence over the reporting entity; or
   - iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

b) An entity is related to the reporting entity if any of the following conditions applies:
   - i) the entity and the reporting entity are members of the same group (which means that each parent, subsidiary, and fellow subsidiary is related to the others);
   - ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
   - iii) both entities are joint ventures of the same third party;
   - iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
   - v) the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity;
   - vi) the entity is controlled or jointly controlled by a person identified in a);
   - vii) a person identified in a)i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

As at 31 December 2014 and 2013, 100% of Bank's share capital is state-owned.

Transactions and balances with related parties comprise transactions with government, government-related entities (both directly and indirectly), key management personnel of the Group, and entities, if any, that are controlled, jointly controlled, or significantly influenced by them.

Government-related entities are entities that are controlled, jointly controlled, or significantly influenced by the government.

Government refers to the Government of Ukraine, government agencies, and similar bodies, whether local, national, or international.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

The Group had the following balances with its related parties as at 31 December 2014 and 2013:

	31 December 2014		**31 December 2013**	
	Related party balances	**Total category as per consolidated financial statements caption**	**Related party balances**	**Total category as per consolidated financial statements caption**
Balances with the National Bank of Ukraine:	2,196,957	2,196,957	2,630,544	2,630,544
- other related parties	2,196,957		2,630,544	
Due from banks, before allowance for impairment losses:	261,316	10,676,673	64,528	7,715,512
- other related parties	261,316		64,528	
Allowance for impairment losses on due from banks:	(37,332)	(2,654,229)	(54,604)	(64,405)
- other related parties	(37,332)		(54,604)	
Financial instruments at fair value through profit or loss:	4,252,179	4,252,179	-	-
- other related parties	4,252,179		-	
Loans to customers, before allowance for impairment losses:	31,479,102	94,259,724	23,860,267	64,270,256
- key management personnel of the Group	1,849		1,627	
- other related parties	31,477,253		23,858,640	
Allowance for impairment losses on loans to customers:	(3,551,380)	(24,023,409)	(3,686,674)	(12,090,689)
- key management personnel of the Group	(14)		(253)	
- other related parties	(3,551,366)		(3,686,421)	
Investments available for sale:	23,763,309	26,318,815	31,326,400	33,251,576
- other related parties	23,763,309		31,326,400	
Investments held to maturity	6,890,726	6,890,726	-	-
- other related parties	6,890,726		-	
Due to banks:	19,814,664	22,176,386	20,877,730	24,078,347
- other related parties	19,814,664		20,877,730	
Customer accounts:	5,882,113	56,208,996	5,322,016	46,408,733
- key management personnel of the Group	49,640		64,625	
- other related parties	5,832,473		5,257,391	
Other liabilities:	3,338	442,381	5,284	536,232
- key management personnel of the Group	3,338		5,284	
Contingent liabilities and credit commitments, before allowance for impairment losses:	2,230,771	15,388,455	4,156,951	14,388,467
- other related parties	2,230,771		4,156,951	

Included in the consolidated statement of profit or loss and other comprehensive income for the years ended 31 December 2014 and 2013 were the following amounts which arose due to transactions with related parties:

	Year ended 31 December 2014		**Year ended 31 December 2013**	
	Related party transactions	**Total category as per consolidated financial statements caption**	**Related party transactions**	**Total category as per consolidated financial statements caption**
Interest income:	7,542,027	13,666,256	6,336,417	11,197,621
- key management personnel of the Group	188		5,320	
- other related parties:	7,541,839		6,331,097	
- balances with the NBU	6,241		-	
- due from banks	10,305		22,500	
- loans to customers	3,594,367		3,697,767	
- investments available for sale	3,879,306		2,610,830	
- investments held to maturity	51,620		-	
Interest expense:	(2,814,917)	(8,347,271)	(1,518,365)	(5,686,401)
- key management personnel of the Group	(2,421)		(6,979)	
- other related parties:	(2,812,496)		(1,511,386)	
- due to banks	(2,577,047)		(1,364,936)	
- customer accounts	(235,449)		(144,824)	
- debt securities issued	-		(1,626)	
Provision for impairment losses on interest bearing assets:	107,620	(9,663,088)	729,121	(2,437,952)
- other related parties	107,620		729,121	
Fee and commission income:	304,130	1,589,970	168,428	1,501,514
- key management personnel of the Group	37		77	
- other related parties	304,093		168,351	
Fee and commission expense:	(185,302)	(330,217)	(207,590)	(270,382)
- other related parties	(185,302)		(207,590)	
Net gain on investments available for sale:	147,329	176,852	130,563	131,062
- other related parties	147,329		130,563	
Net gain on transactions with financial instruments at fair value through profit or loss:	80,337	168,148	-	-
- other related parties	80,337		-	
Operating expenses:	(72,462)	(4,238,638)	(91,191)	(3,488,185)
- key management personnel of the Group	(40,902)		(54,711)	
- other related parties	(31,560)		(36,480)	
Key management personnel remuneration:	(38,955)	(2,519,239)	(54,074)	(2,381,605)
- short-term employee benefits	(35,489)		(50,783)	
- social charges	(3,466)		(3,291)	

30. FAIR VALUE

IFRS defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The estimated fair values have been determined by the Group using available market information, where it exists, and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to determine the estimated fair value. Management has used all available market information in estimating the fair value. The estimates presented herein are not necessarily indicative of the amounts the Group could realize in a market exchange from the sale of its full holdings of a particular instrument or pay in the transfer of liabilities.

Fair value of the Group's financial assets and financial liabilities measured at fair value on a recurring basis and fair value of buildings

Some of the Group's financial assets and financial liabilities, as well as the Group's buildings, are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation techniques and inputs used):

Assets/liabilities	Fair value hierarchy	Valuation techniques and key inputs
Investments available for sale	1	Quoted bid prices in an active market.
	2	Discounted cash flows. Future cash flows are estimated based on the inputs that are observable, either directly or indirectly, and the estimates use one or more observable quoted prices for orderly transactions in the markets that are not considered active.
	3	Discounted cash flows. Future cash flows are estimated based on both observable and unobservable inputs. Unobservable inputs include assumptions regarding future financial performance of the issuer and its risk profile.
Financial instruments at fair value through profit or loss	2	The fair value is calculated using the adjusted option pricing model for European currency options (Garmen-Kohlhagen's form of the Black–Scholes's formula). The data that are used in the calculations and are subjected to observation: the weighted average exchange rate of UAH against the US dollar on the interbank market; the historical volatility of the exchange rate of UAH to the US dollar; interbank market rates for the longest period for UAH and US dollar currency.
	3	The fair value is calculated using the adjusted option pricing model for European currency options (Garmen-Kohlhagen's form of the Black–Scholes's formula). The data that are used in the calculations and are subjected to observation: the weighted average exchange of UAH against the US dollar on the interbank market; quoted market prices of five-year forward without delivery of the currency (currency pair US dollar-Euro); the historical volatility of the exchange rate of UAH to the US dollar; data that are used in the calculations and are not subject to observation: the yield of long-term government bonds.
Fair value of currency swap and forward agreements	2	Discounted cash flows. Future cash flows are estimated based on forward exchange rates and discounted at a rate used in the interbank market.
Properties under construction	3	The Group engages professional independent appraisers to determine the fair value of its buildings and office premises by using a sales comparison method, and for items for which there are no market analogs, income capitalization method is used. In the sales comparison method, the prices of market-based sales of comparable properties in the immediate proximity are adjusted with reference to differences in main parameters (such as floor space of the property). The main parameter used in this valuation technique is the price per square meter of a property.
Buildings and office premises	3	The Group engages professional independent appraisers to determine the fair value of its buildings and office premises by using a sales comparison method, and for items for which there are no market analogs, income capitalization method is used. In the sales comparison method, the prices of market-based sales of comparable properties in the immediate proximity are adjusted with reference to differences in main parameters (such as floor space of the property). The main parameter used in this valuation technique is the price per square meter of a property.

The following table summarizes financial instruments and buildings and office premises recognized at fair value on initial recognition using a fair value hierarchy. The levels reflect the ability of direct determination of the fair value based on the market data:

	Level 1	Level 2	Level 3	31 December 2014 Total
Assets				
Investments available for sale	1,561,073	13,014,932	11,742,810	26,318,815
Financial instruments at fair value through profit or loss	-	13,343	4,238,836	4,252,179
Other financial assets:				
Fair value of currency swap agreements	-	11,925	-	11,925
Buildings:				
Properties under construction	-	-	233,687	233,687
Buildings and office premises	-	-	1,483,762	1,483,762
Total	**1,561,073**	**13,040,200**	**17,699,095**	**32,300,368**
Liabilities				
Other financial liabilities:				
Fair value of currency swap agreements	-	11,925	-	11,925
Total	-	**11,925**	-	**11,925**

	Level 1	Level 2	Level 3	31 December 2013 Total
Assets				
Investments available for sale	2,156,063	24,071,155	7,024,358	33,251,576
Other financial assets:				
Fair value of currency forward agreements	-	20,038	-	20,038
Buildings:				
Properties under construction	-	-	241,501	241,501
Buildings and office premises	-	-	1,604,168	1,604,168
Total	**2,156,063**	**24,091,193**	**8,870,027**	**35,117,283**
Liabilities				
Other financial liabilities:				
Fair value of currency forward agreements	-	13,881	-	13,881
Total	-	**13,881**	-	**13,881**

Changes in fair values of Level 3 investments available for sale and financial instruments at fair value through profit or loss are as follows:

Investments available for sale

31 December 2013	**7,024,358**	**31 December 2012**	**3,403,988**
Total income and expense:		Total income and expense:	
In profit or loss:	1,901,990	In profit or loss:	228,204
Interest income	1,180,509	Interest income	435,225
Trading result	5	Trading result	63
Provision	721,476	Provision	(207,084)
In other comprehensive income:	(190,065)	In other comprehensive income:	(567,110)
Net change in fair value of investments available for sale	(799,333)	Net change in fair value of investments available for sale	(609,268)
Reclassification of investments available for sale sold during the year	609,268	Reclassification of investments available for sale sold during the year	42,158
Coupon income paid	(1,067,125)	Coupon income paid	(404,196)
Purchase	5,390,137	Purchase	8,252,987
Sale	(1,016,485)	Sale	(380,995)
Redemption	(300,000)	Redemption	(2,101,298)
Taking out of bonds	-	Taking out of bonds	(10,267)
Reclassification from Level 3 to other levels	-	Reclassification from Level 3 to other levels	(1,396,955)
Reclassification from other levels to Level 3	-	Reclassification from other levels to Level 3	-
31 December 2014	**11,742,810**	**31 December 2013**	**7,024,358**

Financial instruments at fair value through profit or loss

31 December 2013	**-**
Total income and expense:	
In profit or loss:	-
Trading result	-
In other comprehensive income:	66,993
Net change in fair value	66,993
Coupon income paid	-
Contribution	4,171,843
Sale	-
Reclassification from Level 3 to other levels	-
Reclassification from other levels to Level 3	-
31 December 2014	**4,238,836**

During 2014 year there were no transfers between levels of fair value hierarchy.

As at 31 December 2013, in comparison with 31 December 2012, debt securities with the fair value of UAH 225,198 thousand were transferred from Level 2 to Level 1 due to appearance of the active market inputs.

Debt securities with the fair value of UAH 1,396,955 thousand as at 31 December 2013, in comparison with 31 December 2012, were transferred from Level 3 to Level 2 of the fair value hierarchy due to changes in the observable market data. During the year ended 31 December 2012, these debt securities had no quoted prices or other observable market data, thus, their fair values were measured using valuation techniques based on the inputs that differ from observable market data.

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

As there is no active secondary market in Ukraine for due from banks, due to banks, loans to customers, investments held to maturity, accounts receivable and payable, other borrowed funds, and subordinated debt, there is no reliable market value available for such instruments.

For financial assets and liabilities that have a short term maturity, it is assumed that the carrying amounts approximate their fair value. This assumption is also applied to demand deposits and current accounts without defined maturity.

The Group's management believes that, except for included in the table below, the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values.

	31 December 2014		**31 December 2013**	
	Carrying amounts	**Fair value**	**Carrying amounts**	**Fair value**
Loans to customers	70,236,315	69,680,523	52,179,567	51,181,186
Investments held to maturity	6,890,726	6,456,088	-	-
Total assets	**77,127,041**	**76,136,611**	**52,179,567**	**51,181,186**
Due to banks	22,176,386	22,000,538	24,078,347	24,078,347
Customer accounts	56,208,996	55,576,246	46,408,733	45,770,191
Eurobonds issued	19,340,460	12,915,078	9,795,812	9,356,902
Other borrowed funds	5,251,900	2,677,447	835,191	819,747
Subordinated debt	1,656,729	1,024,314	840,406	745,336
Total liabilities	**104,634,471**	**94,193,623**	**81,958,489**	**80,770,523**

Financial assets/financial liabilities	Fair value hierarchy	Valuation techniques and key inputs
Loans to customers	3	Discounted cash flows. Future cash flows are estimated based on both observable and unobservable inputs. Unobservable inputs include assumptions regarding future financial performance of a counterparty and its risk profile.
Investments held to maturity	1	Quoted bid prices in an active market.
	2	Discounted cash flows. Future cash flows are estimated based on the inputs that are observable, either directly or indirectly, and the estimates use one or more observable quoted prices for orderly transactions in the markets that are not considered active.
	3	Discounted cash flows. Future cash flows are estimated based on both observable and unobservable inputs. Unobservable inputs include assumptions regarding future financial performance of the issuer and its risk profile.
Due to banks	2	Discounted cash flows. Future cash flows are estimated based on the inputs that are observable, either directly or indirectly, and the estimates use one or more observable prices for orderly transactions in the markets that are not considered active.
Customer accounts	3	Discounted cash flows. Future cash flows are estimated based on both observable and unobservable inputs. Unobservable inputs include assumptions regarding future financial performance of a counterparty and its risk profile.
Eurobonds issued	2	Discounted cash flows. Future cash flows are estimated based on the inputs that are observable, either directly or indirectly, and the estimates use one or more observable quoted prices for orderly transactions in the markets that are not considered active.
Other borrowed funds	2	Discounted cash flows. Future cash flows are estimated based on the inputs that are observable, either directly or indirectly, and the estimates use one or more observable quoted prices for orderly transactions in the markets that are not considered active.
Subordinated debt	3	Discounted cash flows. Future cash flows are estimated based on both observable and unobservable inputs. Unobservable inputs include assumptions regarding future financial performance of a counterparty, its risk profile, and economic assumptions regarding industry and geographical jurisdiction in which the counterparty operates.

	Level 1	Level 2	Level 3	31 December 2014 Total
Assets				
Loans to customers	-	-	69,680,523	69,680,523
Investments held to maturity	-	-	6,456,088	6,456,088
Total	**-**	**-**	**76,136,611**	**76,136,611**
Liabilities				
Due to banks	-	22,000,538	-	22,000,538
Customer accounts	-	-	55,576,246	55,576,246
Eurobonds issued	-	12,915,078	-	12,915,078
Other borrowed funds	-	2,677,447	-	2,677,447
Subordinated debt	-	-	1,024,314	1,024,314
Total	**-**	**37,593,063**	**56,600,560**	**94,193,623**

	Level 1	Level 2	Level 3	31 December 2013 Total
Assets				
Loans to customers	-	-	51,181,186	51,181,186
Total	**-**	**-**	**51,181,186**	**51,181,186**
Liabilities				
Due to banks	-	24,078,347	-	24,078,347
Customer accounts	-	-	45,770,191	45,770,191
Eurobonds issued	-	9,356,902	-	9,356,902
Other borrowed funds	-	819,747	-	819,747
Subordinated debt	-	-	745,336	745,336
Total	**-**	**34,254,996**	**46,515,527**	**80,770,523**

31. DERIVATIVE FINANCIAL INSTRUMENTS

Foreign exchange derivative financial instruments entered into by the Group are generally traded in an over-the-counter market with professional market counterparties on standardized contractual terms and conditions. Derivatives have potentially favorable (assets) or unfavorable (liabilities) conditions as a result of fluctuations in market interest rates, foreign exchange rates, or other variables relative to their terms. The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

The table below sets out fair values, at the reporting date, of currencies receivable or payable under forward agreements entered into by the Group. The table reflects gross positions before the netting of any counterparty positions (and payments) and covers the contracts with settlement dates after the respective reporting date. The contracts are short term in nature.

	31 December 2014		31 December 2013	
	Contracts with positive fair value	Contracts with negative fair value	Contracts with positive fair value	Contracts with negative fair value
Currency swap and forward agreements: fair value as at the reporting date:				
- USD receivable on settlement (+)	-	909,863	-	403,849
- USD payable on settlement (-)	(1,447,604)	(171,582)	(2,306,176)	(735,313)
- EUR receivable on settlement (+)	-	47,004	11,041	-
- EUR payable on settlement (-)	(168,651)	-	(88,282)	(397,431)
- UAH receivable on settlement (+)	1,681,360	164,311	2,348,222	1,129,142
- UAH payable on settlement (-)	-	(961,521)	-	(414,128)
- JPY receivable on settlement (+)	-	-	55,233	-
- JPY payable on settlement (-)	-	-	-	-
- gold receivable on settlement (+)	-	-	-	-
- gold payable on settlement (-)	(53 180)	-	-	-
Net fair value of currency swap and forward agreements	**11,925**	**(11,925)**	**20,038**	**(13,881)**

As at 31 December 2014 and 2013, the fair value of currency forward agreements is included in other assets and liabilities, respectively (Notes 20, 25).

As at 31 December 2014 and 2013, the fair value of the embedded derivative amounted to UAH 4,252,179 thousand and nil, respectively (Note 15).

32. CAPITAL MANAGEMENT

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximizing the return to the shareholder through the optimization of the debt and equity balance.

The capital structure of the Group consists of share capital, reserves, and retained earnings as disclosed in the consolidated statement of changes in equity and borrowed funds, which include subordinated debt disclosed in Note 26.

The Group's Management Board reviews the capital structure on a regular basis. As part of this review, the Board considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the Management Board, the Group balances its overall capital structure through new share issues as well as the issue of new debt or the redemption of existing debt.

33. REGULATORY MATTERS

The adequacy of the Group's capital is monitored using, among other measures, the ratios established by the Basel Capital Accord 1988 and the ratios established by the NBU in supervising the Bank and companies forming the Group.

Quantitative measures established by regulation to ensure capital adequacy require that the Group maintain minimum amounts and ratios of total and Tier 1 capital to risk-weighted assets.

The following table analyzes the Group's regulatory capital resources for capital adequacy purposes in accordance with the principles mentioned above:

	31 December 2014	31 December 2013
Regulatory capital:		
Tier 1 capital		
Share capital	30,153,460	17,481,716
(Accumulated deficit)/retained earnings	(10,933,957)	965,278
Total Tier 1 qualified capital	**19,219,503**	**18,446,994**
Tier 2 capital		
Revaluation reserves	7,084	745,706
Subordinated debt	630,742	479,580
Total Tier 2 qualified capital up to a limit 100% of total Tier 1 capital	**637,826**	**1,225,286**
Total regulatory capital	**19,857,329**	**19,672,280**
Capital ratios:		
Total regulatory capital expressed as a percentage of total risk-weighted assets	**18.57%**	**24.69%**
Total Tier 1 capital expressed as a percentage of total risk-weighted assets	**17.97%**	**23.15%**

Quantitative measures established by regulation to ensure capital adequacy require that the Group maintain minimum amounts and ratios of total (8%) and Tier 1 capital (4%) to risk-weighted assets.

As at 31 December 2014 and 2013, the Group included in the computation of Total capital for capital adequacy purposes the subordinated debt received, limited to 50% of Tier 1 capital. In the event of bankruptcy or liquidation of the Group, repayment of this debt is subordinate to the repayments of the Group's liabilities to all other creditors.

34. RISK MANAGEMENT POLICIES

Management of risk is fundamental to the Group's business and is an essential element of the Group's operations. The main risks inherent to the Group's operations are those related to credit exposures, liquidity and market movements in interest rates and foreign exchange rates. A description of the Group's risk management policies in relation to those risks follows.

Risk management framework

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

Risk management in the Group is performed in accordance with the Provision "On the Banking Group" as approved by the Management Board in March 2013 and the Risk Management Concept (the "RMC") which was approved by both the Management Board and the Supervisory Board in 2004. The RMC applies an overarching approach across the Bank, including all of its organizational departments, its headquarters, local and regional outlets, and branches. It defines main risk categories that the Bank faces, and specifies the major organizational and functional levels of risk management. The Provision "On the Banking Group" defines main risk categories that the Group is exposed to and specifies the major organizational and functional levels of risk management.

The risk management functions are divided among the Supervisory Board, the Management Board, the Assets and Liabilities Management Committee (the "ALMC"), the Credit Committee of the Bank, the Credit Committee of Retail Business, the Regional Branch Assets and Liabilities Management Committees, and Regional Branch Credit Committees according to their functional responsibilities and approved limits. The Risk Management Department is independent of other business lines and acts under supervision of the Deputy Chairman of the Management Board responsible for the department.

The Group manages the following risks:

Market risk

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

The Group separates its exposure to market risk between trading and non-trading portfolios.

Trading portfolios are mainly held by the Bank's Treasury Department.

Overall responsibility for market risk is assigned to the ALMC. The Risk Management Department is responsible for the development of detailed risk management policies (subject to review and approval by the ALMC) and for monitoring of compliance with market risk limits and restrictions.

Credit risk

Credit risk is the risk of a financial loss for the Group if a customer or counterparty fails to meet its contractual obligations, and arises principally from loans and advances and investment securities. For risk management reporting purposes, the Group considers and consolidates all elements of credit risk exposure (such as individual customer and counterparty default risk, country and industry risk).

When granting and supporting lending liabilities (unused loan commitments, letters of credit, and guarantees), management uses the same procedures and methodologies as defined in the policy for approving and procedures of consideration, approval, and support of credit related commitments as it does for on-balance credit obligations (loans). The maximum exposure to off-balance credit risk is disclosed in Notes 14, 16, and 28.

The Group's exposure to any single counterparty (including other banks) is further restricted by sub-limits covering on- and off-balance exposures, which are set by the Credit Committees and the Management Board.

Management monitors concentration of credit risk by industry/sector and by geographic location.

The Group manages its credit risk by establishing limits in relation to single borrowers and groups of borrowers, which are recommended by the relevant Credit Department and Risk Management Department, and approved by the relevant Credit Committee or the Management Board. In case the amount of a loan exceeds the authority of the Management Board, the loan is approved by the Supervisory Board. The Group also mitigates its credit risk by obtaining collateral and using other security arrangements.

The Group's loan approval process is decentralized. The Group delegates credit risk responsibility from the Head Office Credit Committee to regional branches, by increasing the credit limit approval authorization of the Regional Credit Committees and providing regional offices with the authority to undertake certain transactions without the approval of other more senior credit committees.

In making its corporate lending decisions, the Group evaluates potential borrowers on the basis of their financial position as reflected in their financial statements, their credit history, and the amount of risk involved in lending to a particular borrower, using a rating scale.

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

Consumer loans are subject to a standardized approval procedure. Loans are subject to maximum limits depending on the applicant's income, stability of future earnings, liquidity and quality of collateral. The Regional Credit Committee (or, if the branch limit is exceeded, the Head Office Credit Committee of the Bank) reviews a credit application and makes the relevant decision as to whether to grant a loan.

Credit quality of loans to customers, due from banks, and investments available for sale as at 31 December 2014 and 2013 are summarized as follows:

	31 December 2014				31 December 2013		
	Loans to customers	**Due from banks**	**Investments available for sale**	**Investments held to maturity**	**Loans to customers**	**Due from banks**	**Investments available for sale**
National Joint Stock Company "Naftogaz of Ukraine"	15,104,192	-	4,247,984	-	15,261,700	-	4,409,648
Neither past due nor impaired	44,376,383	7,464,873	20,519,785	6,890,726	39,944,886	7,596,503	28,017,128
Past due but not impaired:							
Past due up to 1 month	3,235,286	-	-	-	420,333	-	-
Past due 1-3 months	554,231	-	-	-	16,168	-	-
Impaired	30,989,632	3,211,800	1,973,291	-	8,627,169	119,009	2,118,730
Including loans accounted for with the Crimean Republican Branch	10,069,756	-	-	-	115,438	-	-
Total loans to customers, due from banks, and investments available for sale	**94,259,724**	**10,676,673**	**26,741,060**	**6,890,726**	**64,270,256**	**7,715,512**	**34,545,506**
Less:							
Allowance for impairment losses on loans to National Joint Stock Company "Naftogaz of Ukraine"	(2,794,276)	-	-	-	(2,816,084)	-	-
Allowance for impairment losses assessed on a collective basis	(4,899,322)	-	-	-	(5,346,713)	-	-
Allowance for impairment losses on individually impaired loans, due from banks and investments available for sale	(16,329,811)	(2,654,229)	(422,245)	-	(3,927,892)	(64,405)	(1,293,930)
Total	**70,236,315**	**8,022,444**	**26,318,815**	**6,890,726**	**52,179,567**	**7,651,107**	**33,251,576**

During the years ended 31 December 2014 and 2013, the Bank had loans to the related state-owned company National Joint Stock Company "Naftogaz of Ukraine". The Bank applies tailored methodology for assessment of the mentioned borrower which was developed with the view to consider risks relevant to this borrower, in particular: high concentration of the borrowed funds, specific character of its activity, ability to generate cash flows and profits, sensitivity to general economic, and market conditions. Provision was assessed considering the inherent risks of the borrower.

As at 31 December 2014 and 2013, impaired loans included loans overdue for more than three months in the amount UAH 16,874,073 thousand and UAH 6,968,256 thousand, which constitute 18% and 11% of the loan portfolio, before allowance for impairment losses, respectively; including, the loans granted to the customers of the Crimean Republican Branch amounted to UAH 10,032,138 thousand and UAH 114,062 thousand, respectively. As at 31 December 2014 and 2013, the impaired loans overdue for more than three months constituted 18% and 11% of the total loan portfolio, before allowance for impairment losses, respectively; other than the loans granted to the customers of the Crimean Republican Branch – 7% and 11%, respectively.

The Bank expects that a significant part of loans, other than the loans granted to the customers of the Crimean Republican Branch and the Regional Branches in Luhansk and Donetsk regions located in the territories that are not controlled by the Ukrainian authorities, which are overdue for more than three months, will be repaid either for account of borrowers' own earnings, or proceeds from the sale of collateral. Such expectations are based on the fact that a considerable part of overdue corporate loans are secured by marketable collateral and granted to entities which have potential ability to restore own solvency. The Bank's ability to receive payments on overdue loans to individuals is explained by the fact that these loans are mostly secured by real estate and vehicles. Moreover, even if the value of collateral is not enough to repay the loan, the Bank retains the right to demand payments from the borrowers until the loan is repaid in full.

As at 31 December 2014 and 2013, accrued interest on loans to customers included accrued interest on impaired loans to customers in the amount of UAH 4,260,623 thousand and UAH 1,525,865 thousand, respectively.

The Group enters into numerous transactions where the counterparties are not rated by international rating agencies. The Group has developed internal models, which allow it to determine the rating of counterparties.

The Group identified the following risk areas depending on credit risk:

Rating group	Internal credit risk of the borrower	Risk area
High rating	AAA-BBB	Minimum risk
Standard rating	BB-CCC	Acceptable risk
Below standard rating	CC-C	Increased risk
	DDD-DD	Critical risk
	D	Unacceptable risk

A minimum risk area is characterized by low probability of losses on credit project (loan) or other transactions with inherent credit risks. The Group's counterparty has a high credit rating, and its solvency allows providing for timely and full repayment of the principal and interest amounts. The counterparty has a long-standing positive credit history and no evidence is available in respect of payment delays to the Group or other banks. The credit project is perspective and does not contain significant risks.

An acceptable (low) risk area is characterized by insignificant probability of losses on credit project (loan) or other transactions with inherent credit risks. The Group's counterparty has a standard credit rating, and its solvency allows providing for timely and full repayment of the principal and interest amounts in the event of favorable market conditions and insignificant deterioration of economic environment. The counterparty has a positive credit history with the Group or other banks. This area mostly includes: projects of borrowers engaged in industries with positive dynamics; government supported projects; government guaranteed projects (government special purpose programs).

An increased risk area is characterized by increased probability of losses on credit project (loan) or other transactions with inherent credit risks. The financial position of the Group's counterparty represented by a legal entity is good or satisfactory, its credit rating is substandard, and its solvency allows, in most cases, providing for timely and full repayment of the principal amount and interest due in the event of favorable market conditions.

For individual borrowers, there is increased probability of untimely and/or incomplete repayment of the loan and interest.

Counterparties belonging to this group have increased sensitivity to significant adverse fluctuations in the economic environment. Credit history of such counterparties is not available or, in the past, they displayed short-time delays in repayment of outstanding amounts.

A critical risk area is characterized by high probability of losses on credit project (loan) or other transactions with inherent credit risks. The financial position of the Group's counterparty is poor or unsatisfactory and does not allow providing for timely and full repayment of the principal amount and interest due. The repayment of the principal and interest is only possible in the event of significant improvement of a legal entity's economic performance (increase in an individual's income) and/or through collecting a collateral and/or modifying lending terms or refinancing the debt.

An unacceptable risk area is characterized by extremely high probability of losses on credit project (loan) or other transactions with inherent credit risks. The financial position of the Group's counterparty is unsatisfactory and does not allow repaying the minimum interest accrued. The counterparty has delayed outstanding amounts that cannot be repaid in full through collecting collateral within a short period of time, and no economic preconditions exist for the debt restructuring.

The following table details the Group's internal credit ratings of neither past due nor impaired financial assets held by the Group:

	High rating	**Standard rating**	**Below standard rating**	**31 December 2014 Total**
Due from banks	6,402,417	886,305	176,151	7,464,873
Loans to customers	11,503,906	33,713,383	9,734,378	54,951,667
Investments available for sale	14,151,603	9,637,497	978,669	24,767,769
Investments held to maturity	6,890,726	-	-	6,890,726
Financial instruments at fair value through profit or loss	4,252,179	-	-	4,252,179

	High rating	**Standard rating**	**Below standard rating**	**31 December 2013 Total**
Due from banks	2,117,862	4,061,247	1,417,394	7,596,503
Loans to customers	15,688,718	29,706,378	4,321,872	49,716,968
Investments available for sale	24,402,035	8,016,961	7,780	32,426,776

Loans to customers as at 31 December 2014 and 2013 are stated at carrying value, less allowance for impairment assessed on a collective basis.

Additionally, financial assets are graded according to the current credit rating assigned by an internationally regarded agency. The highest possible rating is AAA. Investment grade financial assets have ratings from AAA to BBB. Financial assets which have ratings lower than BBB are classified as speculative grade.

As at 31 December 2014 and 2013, the balances with the NBU amounted to UAH 2,196,957 thousand and UAH 2,630,544 thousand, respectively. The credit rating of Ukraine according to the international rating agencies as at 31 December 2014 and 2013 corresponded to speculative levels of CCC and B–, respectively.

As at 31 December 2014, investments available for sale, in particular, domestic government loan bonds, bonds issued by the State Mortgage Institution, and treasury bills, as well as investments held to maturity (domestic government loan bonds), which were not rated, were included by the Group in the range below B– based on the sovereign credit rating of Ukraine.

As at 31 December 2013, investments available for sale, in particular, domestic government loan bonds, bonds issued by the State Mortgage Institution, and treasury bills, which were not rated, were included by the Group in the range from BBB to B– based on the sovereign credit rating of Ukraine.

The following table details the international credit ratings of rated neither past due nor impaired financial assets held by the Group:

	AAA–A–	BBB–B–	Below B–	31 December 2014 Total
Due from banks	6,291,183	118,870	115,648	6,525,701
Loans to customers	-	-	22,546,264	22,546,264
Investments available for sale	-	-	23,511,895	23,511,895
Investments held to maturity	-	-	6,890,726	6,890,726
Financial instruments at fair value through profit or loss	-	-	4,252,179	4,252,179

	AAA–A–	BBB–B–	Below B–	31 December 2013 Total
Due from banks	533,374	2,154,617	30,310	2,718,301
Loans to customers	-	5,539,985	12,460,282	18,000,267
Investments available for sale	-	25,930,969	4,477,722	30,408,691

The banking industry is generally exposed to credit risk through its financial assets and contingent liabilities. Credit risk exposure of the Group is concentrated within Ukraine. The exposure is monitored on a regular basis to ensure that the credit limits and credit worthiness guidelines established by the Group's risk management policy are not breached.

Concentration risk

Concentration risk is determined by the Group as the risk of possible losses due to concentration of risk in specific instruments, operations, and industries.

Public Joint Stock Company "State Savings Bank of Ukraine" is one of the largest state-owned banks of Ukraine, and specific character of its activities is related to a significant scale of operations with state-owned companies, including according to government programs, resulting in a significant concentration of credit and investment risks in relation to certain counterparties and groups of related counterparties and industries.

As at 31 December 2014, 52% of the assets and 24% of the liabilities were concentrated in operations with the Group's related parties. The related party operations include mainly transactions with the Government and entities related to the Government. The Group obtains loans from the NBU to finance lending to the state-owned companies, which comprises 19% of its liabilities.

As at 31 December 2013, 53% of the assets and 32% of the liabilities were concentrated in operations with the Group's related parties. The related party operations include mainly transactions with the Government and entities related to the Government. The Group obtains loans from the NBU to finance lending to the state-owned companies, which comprise 25% of its liabilities.

The Group manages concentration risk in the loan and investment portfolios by setting limits for certain counterparties and groups of counterparties. Detailed description of this process is stated above, in the credit risk section. The Group also uses limits based on the NBU requirements to manage the risk.

As at 31 December 2014 and 2013, concentration of assets per one counterparty, the related state-owned entity National Joint Stock Company "Naftogaz of Ukraine", amounted to 13% and 17%, respectively (Notes 16, 17).

An analysis of concentration of assets and liabilities by currencies, maturity, and geography is disclosed in the respective sections of the risk management policies.

Liquidity risk

Liquidity risk refers to the availability of sufficient funds to meet deposit withdrawals and other financial commitments associated with financial instruments as they actually fall due.

In order to manage liquidity risk, the Group performs consistent monitoring of future expected cash flows on clients' and banking operations, which is a part of assets/liabilities management process.

On a monthly basis, the Assets and Liability Management Committee analyzes funding sources taking into account changes in interest rates for the previous month and makes respective decisions for assets and liability management.

The analysis of liquidity risks based on the carrying value of financial assets and liabilities is presented in the following table. Liquidity analysis is based on contractual maturities. Certain amounts that are shown in the table are estimates and can change.

	Up to 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	Maturity undefined	31 December 2014 Total
NON-DERIVATIVE FINANCIAL ASSETS							
Due from banks	6,470,294	35,600	848,152	554,831	-	-	7,908,877
Loans to customers	3,526,962	18,072,467	16,797,136	22,067,775	9,771,975	-	70,236,315
Investments available for sale	165,140	534,870	14,246,477	8,128,153	3,210,605	-	26,285,245
Investments held to maturity	-	-	51,620	-	6,839,106	-	6,890,726
Total interest bearing assets	10,162,396	18,642,937	31,943,385	30,750,759	19,821,686	-	111,321,163
Cash and balances with the National Bank of Ukraine	4,107,863	425,000	-	-	-	-	4,532,863
Due from banks	14,065	-	44,236	-	-	55,266	113,567
Investments available for sale	-	-	-	-	-	33,570	33,570
Other financial assets	89,835	3,255	448	142	-	18,183	111,863
TOTAL NON-DERIVATIVE FINANCIAL ASSETS	**14,374,159**	**19,071,192**	**31,988,069**	**30,750,901**	**19,821,686**	**107,019**	**116,113,026**
NON-DERIVATIVE FINANCIAL LIABILITIES							
Due to banks	417,666	18,739,455	3,019,265	-	-	-	22,176,386
Customer accounts	31,783,928	8,735,444	10,692,597	4,927,509	69,518	-	56,208,996
Eurobonds issued	-	470,865	-	18,869,595	-	-	19,340,460
Other borrowed funds	36,490	13,368	1,277,077	1,431,280	2,493,685	-	5,251,900
Subordinated debt	84,203	-	-	1,572,526	-	-	1,656,729
Total interest bearing liabilities	32,322,287	27,959,132	14,988,939	26,800,910	2,563,203	-	104,634,471
Other financial liabilities	122,279	52,010	185,529	9	135	-	359,962
TOTAL NON-DERIVATIVE FINANCIAL LIABILITIES	**32,444,566**	**28,011,142**	**15,174,468**	**26,800,919**	**2,563,338**	**-**	**104,994,433**
Liquidity gap between non-derivative financial assets and liabilities	(18,070,407)	(8,939,950)	16,813,601	3,949,982	17,258,348	107,019	
Interest sensitivity gap	(22,159,891)	(9,316,195)	16,954,446	3,949,849	17,258,483		
Cumulative interest sensitivity gap	**(22,159,891)**	**(31,476,086)**	**(14,521,640)**	**(10,571,791)**	**6,686,692**		
Cumulative interest sensitivity gap as a percentage of total assets	**(18%)**	**(25%)**	**(12%)**	**(9%)**	**5%**		
DERIVATIVE FINANCIAL INSTRUMENTS AND SPOT AGREEMENTS							
Financial instruments at fair value through profit or loss	14,839	-	4,029	18,152	4,215,159	-	4,252,179
Currency swap agreements	-	-	-	-	-	-	-
Currency spot agreements	(1,460)	-	-	-	-	-	(1,460)
Aggregated liquidity gap	**(18,057,028)**	**(8,939,950)**	**16,817,630**	**3,968,134**	**21,473,507**	**107,019**	
Cumulative liquidity gap	**(18,057,028)**	**(26,996,978)**	**(10,179,348)**	**(6,211,214)**	**15,262,293**	**15,369,312**	

	Up to 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	Maturity undefined	31 December 2013 Total
NON-DERIVATIVE FINANCIAL ASSETS							
Due from banks	3,715,033	1,374,110	2,533,757	275	-	-	7,623,175
Loans to customers	2,527,563	3,986,392	12,021,439	24,269,838	9,374,335	-	52,179,567
Investments available for sale	1,017,636	1,318,370	9,620,634	11,783,690	9,477,676	-	33,218,006
Total interest bearing assets	7,260,232	6,678,872	24,175,830	36,053,803	18,852,011	-	93,020,748
Cash and balances with the National Bank of Ukraine	3,865,142	-	-	425,000	-	526,812	4,816,954
Due from banks	-	-	-	-	-	27,932	27,932
Investments available for sale	-	-	-	-	-	33,570	33,570
Other financial assets	67,237	37	515	175	-	6,563	74,527
TOTAL NON-DERIVATIVE FINANCIAL ASSETS	**11,192,611**	**6,678,909**	**24,176,345**	**36,478,978**	**18,852,011**	**594,877**	**97,973,731**
NON-DERIVATIVE FINANCIAL LIABILITIES							
Due to banks	4,561,577	3,799,409	8,769,790	6,947,571	-	-	24,078,347
Customer accounts	22,474,298	5,922,870	12,846,447	5,081,993	83,125	-	46,408,733
Eurobonds issued	-	242,754	-	9,553,058	-	-	9,795,812
Other borrowed funds	-	-	835,191	-	-	-	835,191
Subordinated debt	44,367	-	-	796,039	-	-	840,406
Total interest bearing liabilities	27,080,242	9,965,033	22,451,428	22,378,661	83,125	-	81,958,489
Other financial liabilities	229,527	1,446	142,532	3	123	-	373,631
TOTAL NON-DERIVATIVE FINANCIAL LIABILITIES	**27,309,769**	**9,966,479**	**22,593,960**	**22,378,664**	**83,248**	**-**	**82,332,120**
Liquidity gap between non-derivative financial assets and liabilities	(16,117,158)	(3,287,570)	1,582,385	14,100,314	18,768,763	594,877	
Interest sensitivity gap	(19,820,010)	(3,286,161)	1,724,402	13,675,142	18,768,886		
Cumulative interest sensitivity gap	**(19,820,010)**	**(23,106,171)**	**(21,381,769)**	**(7,706,627)**	**11,062,259**		
Cumulative interest sensitivity gap as a percentage of total assets	**(19%)**	**(23%)**	**(21%)**	**(8%)**	**11%**		
DERIVATIVE FINANCIAL INSTRUMENTS							
Currency forward agreements	4,874	372	911	-	-	-	6,157
Aggregated liquidity gap	**(16,112,284)**	**(3,287,198)**	**1,583,296**	**14,100,314**	**18,768,763**		
Cumulative liquidity gap	**(16,112,284)**	**(19,399,482)**	**(17,816,186)**	**(3,715,872)**	**15,052,891**		

The Group's liquidity risk management includes estimation of core current accounts, i.e. funds associated with stable customer relationships, with the help of statistical methods applied to historical information on fluctuations of customer accounts balances. As at 31 December 2014 and 2013, core current accounts amounted to UAH 9,322,536 thousand and UAH 8,970,905 thousand, respectively. Based on a going concern assumption, effective maturity of core current accounts is considered to be indefinite. Information as to the expected periods of repayment of customer accounts and effective liquidity gaps as at 31 December 2014 and 2013 is as follows:

	Up to 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	Maturity undefined	31 December 2014 Total
TOTAL NON-DERIVATIVE FINANCIAL ASSETS	**14,374,159**	**19,071,192**	**31,988,069**	**30,750,901**	**19,821,686**	**107,019**	**116,113,026**
TOTAL NON-DERIVATIVE FINANCIAL LIABILITIES	**32,444,566**	**28,011,142**	**15,174,468**	**26,800,919**	**2,563,338**	**-**	**104,994,433**
Liquidity gap	(18,070,407)	(8,939,950)	16,813,601	3,949,982	17,258,348	107,019	11,118,593
Current customer accounts analyzed based on expected withdrawal dates	22,461,392	8,735,444	10,692,597	4,927,509	69,518	9,322,536	
Liquidity gap based on expected withdrawal dates for current customer accounts	**(8,747,871)**	**(8,939,950)**	**16,813,601**	**3,949,982**	**17,258,348**	**(9,215,517)**	
Cumulative liquidity gap based on expected withdrawal dates for current customer accounts	**(8,747,871)**	**(17,687,821)**	**(874,220)**	**3,075,762**	**20,334,110**	**11,118,593**	

	Up to 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	Maturity undefined	31 December 2013 Total
TOTAL NON-DERIVATIVE FINANCIAL ASSETS	**11,192,611**	**6,678,909**	**24,176,345**	**36,478,978**	**18,852,011**	**594,877**	**97,973,731**
TOTAL NON-DERIVATIVE FINANCIAL LIABILITIES	**27,309,769**	**9,966,479**	**22,593,960**	**22,378,664**	**83,248**	**-**	**82,332,120**
Liquidity gap	(16,117,158)	(3,287,570)	1,582,385	14,100,314	18,768,763	594,877	
Current customer accounts analyzed based on expected withdrawal dates	13,503,393	5,922,870	12,846,447	5,081,993	83,125	8,970,905	
Liquidity gap based on expected withdrawal dates for current customer accounts	**(7,146,253)**	**(3,287,570)**	**1,582,385**	**14,100,314**	**18,768,763**	**(8,376,028)**	
Cumulative liquidity gap based on expected withdrawal dates for current customer accounts	**(7,146,253)**	**(10,433,823)**	**(8,851,438)**	**5,248,876**	**24,017,639**	**15,641,611**	

The Group's management believes that the negative cumulative liquidity gap based on the expected maturities of customer accounts that arose under the time position of "Up to One Year" as at 31 December 2014 is monitored by the Bank and does not present a threat to its ability to settle its obligations on a timely basis and in full.

The Group has secondary liquidity reserves represented by unencumbered securities in the Group's portfolio for sale (including Ukrainian government debt securities and corporate securities) that are considered as highly liquid. Necessary funds may be obtained through a sale of the abovementioned securities or an attracted refinancing loan from the NBU with the use of these securities as a collateral. As at 31 December 2014, the fair value of the securities that may be treated as coverage of the cumulative liquidity gap for the position of "Up to One Year" (including the respective securities maturing within one year) amounted to UAH 4,421,740 thousand.

A further analysis of the liquidity by maturities of financial liabilities covers the remaining undiscounted contractual cash flows (including future interest payments) that are not recognized in the consolidated statement of financial position at the reporting date. The amounts disclosed in these tables do not correspond to the amounts recorded in the consolidated statement of financial position in the amount of interest to be paid subsequent to the reporting date and which are not accounted for on accrued interest accounts at the reporting date, as well as unamortized discount/premium.

	Up to 1 month	**From 1 month to 3 months**	**From 3 months to 1 year**	**From 1 year to 5 years**	**Over 5 years**	**31 December 2014 Total**
NON-DERIVATIVE FINANCIAL LIABILITIES						
Due to banks	736,737	19,409,441	3,074,931	-	-	23,221,109
Customer accounts	32,115,716	9,246,886	11,772,260	5,184,640	109,892	58,429,394
Eurobonds issued	-	805,182	805,182	21,126,908	-	22,737,272
Other borrowed funds	-	69,559	1,478,689	2,138,791	2,798,114	6,485,153
Subordinated debt	88,840	-	-	1,755,268	-	1,844,108
Total interest bearing liabilities	32,941,293	29,531,068	17,131,062	30,205,607	2,908,006	112,717,036
Other financial liabilities	122,279	52,010	185,529	9	135	359,962
Contingent liabilities and irrevocable loan commitments	855,828	515,709	2,342,509	-	-	3,714,046
TOTAL NON-DERIVATIVE FINANCIAL LIABILITIES	**33,919,400**	**30,098,787**	**19,659,100**	**30,205,616**	**2,908,141**	**116,791,044**
DERIVATIVE FINANCIAL INSTRUMENTS AND SPOT AGREEMENTS						
Currency spot agreements	2,940,954	-	-	-	-	2,940,954
Currency swap agreements	2,815,381	-	-	-	-	2,815,381
TOTAL FINANCIAL LIABILITIES	**39,675,735**	**30,098,787**	**19,659,100**	**30,205,616**	**2,908,141**	**122,547,379**

	Up to 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	31 December 2013 Total
NON-DERIVATIVE FINANCIAL LIABILITIES						
Due to banks	4,701,628	3,829,868	9,892,343	7,192,574	-	25,616,413
Customer accounts	22,765,327	6,489,419	13,883,056	5,312,801	124,362	48,574,965
Eurobonds issued	-	405,888	408,143	11,525,406	-	12,339,437
Other borrowed funds	-	-	869,737	-	-	869,737
Subordinated debt	47,076	-	-	940,400	-	987,476
Total interest bearing liabilities	27,514,031	10,725,175	25,053,279	24,971,181	124,362	88,388,028
Other financial liabilities	229,527	1,446	142,532	3	123	373,631
Contingent liabilities and irrevocable loan commitments	2,637,408	18,056	560,704	-	-	3,216,168
TOTAL NON-DERIVATIVE FINANCIAL LIABILITIES	**30,380,966**	**10,744,677**	**25,756,515**	**24,971,184**	**124,485**	**91,977,827**
DERIVATIVE FINANCIAL INSTRUMENTS						
Currency forward agreements	4,194,942	251,761	179,281	-	-	4,625,984
TOTAL FINANCIAL LIABILITIES	**34,575,908**	**10,996,438**	**25,935,796**	**24,971,184**	**124,485**	**96,603,811**

Interest rate risk

The Group manages its interest rate risk exposure by estimating the negative impact on its financial results of unfavorable changes in the market conditions and comparing interest rate positions, which provides the Group with a positive interest margin, and estimating the Group's sensitivity to changes in interest rates and its influence on the profitability.

The Assets and Liabilities Management Committee manages interest rate and market risks by matching its interest rate position, which provides the Group with a positive interest margin. The Assets and Liabilities Management Committee conducts monitoring of the Group's current financial performance, estimates the Group's sensitivity to changes in interest rates and its influence on the Group's profitability.

The following table presents an analysis of interest rate risk and its influence on the Group's profitability. Interest rates are presented by categories of financial assets and liabilities to determine interest rate exposure and effectiveness of the interest rate policy used by the Group.

	31 December 2014				31 December 2013			
	UAH %	USD %	EUR %	Other %	UAH %	USD %	EUR %	Other %
ASSETS								
Due from banks	17.33	2.56	1.44	0.01	8.83	5.18	0.12	1.13
Loans to customers	16.19	10.69	10.66	-	14.37	10.33	10.54	-
Investments available for sale:								
Ukrainian government debt securities	14.40	7.90	-	-	13.56	7.61	-	-
Other securities	15.08	-	-	-	13.95	-	-	-
Investments held to maturity	6.00	-	-	-	-	-	-	-
LIABILITIES								
Due to banks	15.54	4.02	11.67	0.00	7.59	4.27	8.50	-
Customer accounts:								
Current accounts	1.63	0.32	0.96	0.03	1.65	0.75	0.19	0.10
Deposits	16.89	7.75	5.91	1.17	14.61	6.14	5.90	1.52
Eurobonds issued	-	8.51	-	-	-	8.51	-	-
Other borrowed funds	-	7.56	4.35	-	-	7.76	-	-
Subordinated debt	-	5.57	-	-	-	5.81	-	-

The majority of the Group's loan contracts and other financial assets and liabilities contain clauses enabling the interest rate to be changed at the option of the lender. The Group monitors its interest rate margin and, consequently, does not consider itself exposed to significant interest rate risk or consequential cash flow risk.

The following table presents a sensitivity analysis of interest rate risk, which has been determined based on 'reasonably possible changes in the risk variable'. The level of these changes is determined by management and is contained within the risk reports provided to the Group's key management personnel.

Impact on profit before income tax:

	As at 31 December 2014		As at 31 December 2013	
	Interest rate +1%	**Interest rate -1%**	**Interest rate +1%**	**Interest rate -1%**
Assets:				
Due from banks	79,089	(79,089)	76,232	(76,232)
Loans to customers	702,363	(702,363)	521,796	(521,796)
Investments available for sale	262,852	(262,852)	332,180	(332,180)
Investments held to maturity	68,907	(68,907)	-	-
Liabilities:				
Due to banks	(221,764)	221,764	(240,783)	240,783
Customer accounts	(562,090)	562,090	(464,087)	464,087
Eurobonds issued	(193,405)	193,405	(97,958)	97,958
Other borrowed funds	(52,519)	52,519	(8,352)	8,352
Subordinated debt	(16,567)	16,567	(8,404)	8,404
Net impact on profit before income tax	**66,866**	**(66,866)**	**110,624**	**(110,624)**

Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of unfavorable fluctuation in securities prices in the trading portfolio of the Group, in the prices of derivative or other instruments and commodities, other than those caused by the changes in foreign exchange rates or interest rates.

Current situation in Ukraine affected fixed income markets, leading to high volatility and pushing Ukrainian sovereign debts down in February-March 2015. Yields to maturity on the Ukrainian government debt securities rose significantly jumping by around 600 – 700 base percentage points for short-term Ukrainian government debt securities and 50 – 100 base percentage points for medium-term Ukrainian government debt securities compared to yields as at 31 December 2014. The most significant reduction trades are demonstrate by long-term Ukrainian government debt securities. Due to temporality of uncertain political situation in Ukraine, the available for sale securities portfolio revaluation considering yields to maturity changes was not possible and appropriate.

The Treasury Department of the Bank performs, within own authorities, operations with securities in compliance with internal limits, restrictions and regulations, by-laws and procedures on price risk, decisions of responsible committees and the Management Board of the Bank.

Currency risk

Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its consolidated financial position and cash flows.

The Group manages its foreign currency risk exposure by managing the open currency position based on the estimated UAH devaluation against major foreign currencies and other macroeconomic indicators, which gives the Group an opportunity to optimize risks of significant currency rates fluctuations against its national currency.

Foreign currency exchange rate risk – The Group's exposure to foreign currency exchange rate risk is presented in the table below:

	UAH	USD USD 1 = UAH **15.76855**	EUR EUR 1 = UAH **19.23291**	Other currencies	31 December 2014 Total
NON-DERIVATIVE FINANCIAL ASSETS					
Cash and balances with the National Bank of Ukraine	4,027,947	431,206	64,237	9,473	4,532,863
Due from banks	1,119,376	5,296,539	1,414,333	192,196	8,022,444
Loans to customers	47,271,576	21,701,756	1,262,983	-	70,236,315
Investments available for sale	23,880,824	2,437,991	-	-	26,318,815
Investments held to maturity	6,890,726	-	-	-	6,890,726
Other financial assets	38,332	50,391	17,088	6,052	111,863
TOTAL NON-DERIVATIVE FINANCIAL ASSETS	**83,228,781**	**29,917,883**	**2,758,641**	**207,722**	**116,113,026**
NON-DERIVATIVE FINANCIAL LIABILITIES					
Due to banks	19,627,084	291,703	2,256,068	1,531	22,176,386
Customer accounts	38,501,550	15,964,739	1,618,828	123,879	56,208,996
Eurobonds issued	-	19,340,460	-	-	19,340,460
Other borrowed funds	-	2,693,669	2,558,231	-	5,251,900
Other financial liabilities	172,479	66,593	120,890	-	359,962
Subordinated debt	-	1,656,729	-	-	1,656,729
TOTAL NON-DERIVATIVE FINANCIAL LIABILITIES	**58,301,113**	**40,013,893**	**6,554,017**	**125,410**	**104,994,433**
OPEN BALANCE SHEET POSITION	**24,927,668**	**(10,096,010)**	**(3,795,376)**	**82,311**	
DERIVATIVE FINANCIAL INSTRUMENTS AND SPOT AGREEMENTS					
Financial instruments at fair value through profit or loss	4,252,179	-	-	-	4,252,179
Currency swap agreements	884,149	(709,322)	(121,647)	(53,180)	-
Currency spot agreements	-	633,226	(634,686)	-	(1,460)
OPEN POSITION ON DERIVATIVE FINANCIAL INSTRUMENTS AND SPOT AGREEMENTS	**5,136,328**	**(76,096)**	**(756,333)**	**(53,180)**	
OPEN POSITION	**30,063,996**	**(10,172,106)**	**(4,551,709)**	**29,131**	

	UAH	USD USD 1 = UAH 7.99300	EUR EUR 1 = UAH 11.04153	Other currencies	31 December 2013 Total
NON-DERIVATIVE FINANCIAL ASSETS					
Cash and balances with the National Bank of Ukraine	4,349,628	344,164	87,035	36,127	4,816,954
Due from banks	5,814,510	1,669,583	100,692	66,322	7,651,107
Loans to customers	37,081,226	12,773,432	2,324,909	-	52,179,567
Investments available for sale	28,150,436	5,101,140	-	-	33,251,576
Other financial assets	34,327	15,493	11,008	13,699	74,527
TOTAL NON-DERIVATIVE FINANCIAL ASSETS	**75,430,127**	**19,903,812**	**2,523,644**	**116,148**	**97,973,731**
NON-DERIVATIVE FINANCIAL LIABILITIES					
Due to banks	20,796,117	1,734,400	1,547,799	31	24,078,347
Customer accounts	37,831,385	7,481,643	1,042,983	52,722	46,408,733
Eurobonds issued	-	9,795,812	-	-	9,795,812
Other borrowed funds	-	835,191	-	-	835,191
Other financial liabilities	205,903	52,434	115,294	-	373,631
Subordinated debt	-	840,406	-	-	840,406
TOTAL NON-DERIVATIVE FINANCIAL LIABILITIES	**58,833,405**	**20,739,886**	**2,706,076**	**52,753**	**82,332,120**
OPEN BALANCE SHEET POSITION	**16,596,722**	**(836,074)**	**(182,432)**	**63,395**	
DERIVATIVE FINANCIAL INSTRUMENTS					
Currency forward agreements	3,063,236	(2,637,640)	(474,672)	55,233	6,157
OPEN POSITION ON DERIVATIVE FINANCIAL INSTRUMENTS	**3,063,236**	**(2,637,640)**	**(474,672)**	**55,233**	
OPEN POSITION	**19,659,958**	**(3,473,714)**	**(657,104)**	**118,628**	

Currency risk sensitivity

The following table details the Group's sensitivity to an increase and decrease in USD and EUR against UAH as a result of possible changes in currency exchange rates. Sensitivity rate is used by the Group when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign currency exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the period for the appropriate change in foreign currency rates. The sensitivity analysis includes external loans within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower.

	As at 31 December 2014		As at 31 December 2013	
	UAH/USD +40%	UAH/USD -40%	UAH/USD +25%	UAH/USD -25%
Impact on profit and equity	(3,336,451)	3,336,451	(703,427)	703,427

	As at 31 December 2014		As at 31 December 2013	
	UAH/EUR +40%	UAH/EUR -40%	UAH/EUR +25%	UAH/EUR -25%
Impact on profit and equity	(1,492,961)	1,492,961	(133,064)	133,064

As at 31 December 2014, the Group had in its portfolio indexed Ukrainian government debt securities, the issue of which provided for the indexation of their nominal values depending on the growth of UAH/USD exchange rate during the period of their circulation. These bonds comprise an embedded derivative that allows mitigating the effect of UAH devaluation on the Group's financial performance. In the event of devaluation of UAH exchange rate by 40%, the impact on profit and equity will amount to UAH 308,121 thousand, with reference to the carrying amounts of those Ukrainian government debt securities together with the fair value of the embedded derivative.

Limitations of sensitivity analysis

The above tables demonstrate the effect of a change in a key assumption, while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and the obtained results should not be interpolated or extrapolated.

The sensitivity analyses do not take into consideration that the Group's assets and liabilities are actively managed. Additionally, the consolidated financial position of the Group may vary at the time that any actual market movement occurs. As investment markets move past various trigger levels, management actions could include selling investments, changing investment portfolio allocation and taking other protective action. Consequently, the actual impact of a change in the assumptions may not have any impact on the liabilities, whereas assets are held at market value in the consolidated statement of financial position. In these circumstances, the different measurement bases for liabilities and assets may lead to volatility in shareholder's equity.

Other limitations in the above sensitivity analyses include the use of hypothetical market movements to demonstrate potential risk that only represent the Group's view of possible near-term market changes that cannot be predicted with any certainty; and the assumption that all interest rates move in an identical fashion.

Geographical concentration – The geographical concentration of assets and liabilities is set out below:

	Ukraine	**Other non-OECD countries**	**OECD countries**	**31 December 2014 Total**
NON-DERIVATIVE FINANCIAL ASSETS				
Cash and balances with the National Bank of Ukraine	4,532,863	-	-	4,532,863
Due from banks	1,612,392	7,776	6,402,276	8,022,444
Loans to customers	70,236,315	-	-	70,236,315
Investments available for sale	26,318,815	-	-	26,318,815
Investments held to maturity	6,890,726	-	-	6,890,726
Other financial assets	110,966	6	891	111,863
TOTAL NON-DERIVATIVE FINANCIAL ASSETS	**109,702,077**	**7,782**	**6,403,167**	**116,113,026**
NON-DERIVATIVE FINANCIAL LIABILITIES				
Due to banks	19,992,781	554	2,183,051	22,176,386
Customer accounts	52,953,608	3,218,197	37,191	56,208,996
Eurobonds issued	-	-	19,340,460	19,340,460
Other borrowed funds	-	-	5,251,900	5,251,900
Other financial liabilities	359,962	-	-	359,962
Subordinated debt	-	-	1,656,729	1,656,729
TOTAL NON-DERIVATIVE FINANCIAL LIABILITIES	**73,306,351**	**3,218,751**	**28,469,331**	**104,994,433**
NET POSITION ON NON-DERIVATIVE FINANCIAL INSTRUMENTS	**36,395,726**	**(3,210,969)**	**(22,066,164)**	
DERIVATIVE FINANCIAL INSTRUMENTS AND SPOT AGREEMENTS				
Financial instruments at fair value through profit or loss	4,252,179	-	-	4,252,179
Currency swap agreements	-	-	-	-
Currency spot agreements	(1,634)	1,681	(1,507)	(1,460)
NET POSITION ON DERIVATIVE FINANCIAL INSTRUMENTS AND SPOT AGREEMENTS	**4,250,545**	**1,681**	**(1,507)**	
NET POSITION	**40,646,271**	**(3,209,288)**	**(22,067,671)**	

	Ukraine	Other non-OECD countries	OECD countries	31 December 2013 Total
NON-DERIVATIVE FINANCIAL ASSETS				
Cash and balances with the National Bank of Ukraine	4,816,954	-	-	4,816,954
Due from banks	7,066,141	61,089	523,877	7,651,107
Loans to customers	52,179,567	-	-	52,179,567
Investments available for sale	33,251,576	-	-	33,251,576
Other financial assets	74,523	1	3	74,527
TOTAL NON-DERIVATIVE FINANCIAL ASSETS	**97,388,761**	**61,090**	**523,880**	**97,973,731**
NON-DERIVATIVE FINANCIAL LIABILITIES				
Due to banks	22,060,191	367,726	1,650,430	24,078,347
Customer accounts	45,828,215	565,490	15,028	46,408,733
Eurobonds issued	-	-	9,795,812	9,795,812
Other borrowed funds	-	-	835,191	835,191
Other financial liabilities	373,631	-	-	373,631
Subordinated debt	-	-	840,406	840,406
TOTAL NON-DERIVATIVE FINANCIAL LIABILITIES	**68,262,037**	**933,216**	**13,136,867**	**82,332,120**
NET POSITION ON NON-DERIVATIVE FINANCIAL INSTRUMENTS	**29,126,724**	**(872,126)**	**(12,612,987)**	
DERIVATIVE FINANCIAL INSTRUMENTS				
Currency forward agreements	6,070	-	87	6,157
NET POSITION ON DERIVATIVE FINANCIAL INSTRUMENTS	**6,070**	**-**	**87**	
NET POSITION	**29,132,794**	**(872,126)**	**(12,612,900)**	

35. SEGMENT INFORMATION

The information refers to the services rendered within segments and provided to the Group's management responsible for operating decision making in order to allocate resources and assess the segments' activities.

Segment definition

For the purposes of internal reporting to management, the Group's operations are divided into the following segments:

Corporate business

The Group provides banking services (loans, deposits, cash and settlement services) to a wide range of corporate clients, including large and medium sized companies, state owned companies, and a number of budget institutions.

Retail business

This segment includes all banking services provided to individuals through an extensive branch network of the Bank, ATMs, IT services, 24/7 self-service zones, and through Web-banking "Oshchad 24/7" and mobile banking "Oshchad 24/7".

Treasury

This segment includes the results of transactions with other banks (including the NBU), both in the national and foreign currencies, and all assets and liabilities within the liquidity management policies of the Group, including a portfolio of investments available for sale.

General management

This segment covers all non-customer transactions, assets and liabilities under the effective direct supervision of the Group's management and committees (the ALMC, Finance Committee, etc.). Among other things, it includes: property and equipment, strategic investments (investments in subsidiaries and associates), long-term funding instruments (subordinated debt, borrowings from international and other financial institutions, other borrowed funds); equity not allocated to other business segments.

Measuring segment profits and losses

The accompanying segment reporting is regularly reviewed and analyzed by the Group's officers responsible for a certain segment. Management accounting methodology used for preparing segment reports is somewhat different from the methodology applied in preparing other financial statements. However, the information presented in the segment reporting corresponds to the figures in the Group's consolidated statement of financial position and consolidated statement of profit or loss and other comprehensive income prepared according to the IFRS.

To measure net interest income of a segment, the Bank uses a technique known as "transfer pricing", under which interest income and expenses of most balance sheet items are compared with the nominal market rate to calculate the deemed interest margin. Due to some difficulties in obtaining acceptable basic rates in the Ukrainian monetary market, nominal (deemed) market rate is formed based on the external and internal data.

The methodology used for transfer pricing is determined by the Bank's ALMC, and the result of this principle's application is included in the segment of General management.

Operating expenses, including depreciation and amortization charges, are allocated directly to segments whenever possible. For shared costs, the Group performs an expert estimation by using data about the number of employees, volume of business and other criteria for allocating costs. Some operating expenses that are non-recurring or one-time by origin (irregular or one-time) and are not directly related to the transactions with customers are included in the segment of General management.

The equity is allocated to segments based on their average risk weighted assets. Retained earnings are included to the segment of General management.

Income, expense and results of reportable segments for 2014

Items	Notes	Name of a reportable segment				Withdrawals	Total
		Corporate business	Retail business	Treasury	General management		
Income from external customers		9,384,240	1,497,513	4,663,005	101,992	-	15,646,750
Interest income	5, 29	8,773,517	472,610	4,414,634	5,495	-	13,666,256
Fee and commission income	7, 29	607,813	903,072	78,504	581	-	1,589,970
Net gain on transactions with financial instruments at fair value through profit or loss	10	-	-	168,148	-	-	168,148
Net other income		2,910	121,831	1,719	95,916	-	222,376
Income from other segments		4,440,281	4,905,081	1,226,777	2,123,515	(12,695,654)	-
Interest income		4,440,281	4,905,081	1,226,777	2,123,515	(12,695,654)	-
Total segment income		**13,824,521**	**6,402,594**	**5,889,782**	**2,225,507**	**(12,695,654)**	**15,646,750**
Interest expense	5, 29	(9,064,843)	(3,829,083)	(5,834,846)	(2,314,153)	12,695,654	(8,347,271)
(Provision)/recovery of provision for impairment losses on interest bearing assets	6, 29	(7,727,065)	(258,608)	(1,690,783)	13,368	-	(9,663,088)
Provision for impairment losses on other operations	6	103,203	(3,577)	(811)	(126,358)	-	(27,543)
Net realized gain on investments available for sale		-	-	176,852	-	-	176,852
	8						
Net gain/(loss) on foreign exchange operations		-	11,112	(123,966)	(3,217,979)	-	(3,330,833)
Fee and commission expense	7, 29	(142,586)	(183,011)	(4,221)	(399)	-	(330,217)
Operating expenses	9, 29	(573,040)	(2,157,591)	(190,234)	(1,317,773)	-	(4,238,638)
SEGMENT RESULTS:							
Loss		**(3,579,810)**	**(18,164)**	**(1,778,227)**	**(4,737,787)**	**-**	**(10,113,988)**

Assets and liabilities of reportable segments as at 31 December 2014

Items	Name of a reportable segment				Total
	Corporate business	Retail business	Treasury	General management	
Segment assets	72,746,324	4,190,806	43,602,137	3,774,877	124,314,144
Segment liabilities	26,326,743	37,085,947	9,044,645	32,619,517	105,076,852
Other segment items:					
Depreciation and amortization charges on property and equipment and intangible assets	(77,808)	(196,258)	(25,174)	(97,719)	(396,959)
Revaluation reported during the year in the consolidated statement of changes in equity	-	-	-	(739,484)	(739,484)
Capital investments	-	-	-	718,200	718,200

Income, expense and results of reportable segments for 2013

Items	Notes	Name of a reportable segment: Corporate business	Retail business	Treasury	General management	Withdrawals	Total
Income from external customers		7,688,445	1,460,374	3,593,475	32,086	-	12,774,380
Interest income	5, 29	7,189,800	481,207	3,522,853	3,761	-	11,197,621
Fee and commission income	7, 29	494,434	936,101	70,315	664	-	1,501,514
Other operating income		4,211	43,066	307	27,661	-	75,245
Income from other segments		1,735,910	4,357,701	201,199	2,273,003	(8,567,813)	-
Interest income		1,735,910	4,357,701	201,199	2,273,003	(8,567,813)	-
Total segment income		**9,424,355**	**5,818,075**	**3,794,674**	**2,305,089**	**(8,567,813)**	**12,774,380**
Interest expense	5, 29	(5,847,220)	(3,372,325)	(2,912,326)	(2,122,343)	8,567,813	(5,686,401)
(Provision)/recovery of provision for impairment losses on interest bearing assets	6, 29	(2,522,456)	287,494	(202,990)	-	-	(2,437,952)
(Provision)/recovery of provision for impairment losses on other operations	6	(147,124)	17,002	-	(17,459)	-	(147,581)
Net realized gain on investments available for sale		-	-	131,062	-	-	131,062
Net gain/(loss) on foreign exchange operations	8	-	85,979	(19,413)	(15,380)	-	51,186
Share in losses from associates		-	-	-	(353)	-	(353)
Fee and commission expense	7, 29	(121,760)	(144,803)	(2,699)	(1,120)	-	(270,382)
Operating expenses	9, 29	(531,704)	(2,392,707)	(157,631)	(406,143)	-	(3,488,185)
SEGMENT RESULTS:							
Profit/(loss)		**254,091**	**298,715**	**630,677**	**(257,709)**	**-**	**925,774**

Assets and liabilities of reportable segments as at 31 December 2013

Items	Name of a reportable segment: Corporate business	Retail business	Treasury	General management	Total
Segment assets	49,923,601	4,536,508	43,538,989	3,700,103	101,699,201
Segment liabilities	25,354,662	35,922,485	9,020,110	12,197,464	82,494,721
Other segment items:					
Depreciation and amortization charges on property and equipment and intangible assets	(58,622)	(209,004)	(18,379)	(25,539)	(311,544)
Revaluation reported during the year in the consolidated statement of changes in equity	-	-	-	(475,404)	(475,404)
Capital investments	-	-	-	778,579	778,579

36. SUBSEQUENT EVENTS

On 19 November 2014, the Government of Ukraine decided to increase the share capital of the Bank by the amount of UAH 11,598,840 thousand through the issue of 9,999 additional shares at the existing nominal values and retain the state ownership at the level of 100 percent of such share.
The respective amendments to the Bank's Charter were agreed with the NBU on 17 March 2015 and registered by the State Registrar of Legal Entities and Individual Entrepreneurs at the Head Justice Department in the city of Kyiv on 23 March 2015.

Subsequent to 31 December 2014, changes in the Bank's Supervisory Board membership took place, which stipulated the appointment of V. E. Voloshin, R. V. Greba, O. S. Markarova, A. V. Shevalov and the respective resignation of I. S. Alekseev, S. M. Voitsekhovska, V. O. Kotsiuba, V. V. Lisovenko.

Subsequent to 31 December 2014, the official exchange rate of UAH against USD decreased. At the date of signing these consolidated financial statements, USD 1 was equal to UAH 23.506, and EUR 1 was equal to UAH 25.497.

Effective from 6 February 2015, the National Bank of Ukraine set its discount rate at the level of 19.5% per annum and, effective from 4 March 2015, the discount rate was set at the level of 30% per annum.

Subsequent to 31 December 2014, the Tax Code of Ukraine has been significantly amended, as a result of which the procedures for income tax assessment and payment have been changed. In additions, the amendments introduced a new procedure for calculating the taxation subject, provisioning and settling uncollectible debts, and taxation of securities.

Subsequent to 31 December 2014, considering the recovery strategy of National Joint Stock Company "Naftogaz of Ukraine" aimed at its reaching the balanced activities in accordance with the Memorandum concluded between the International Monetary Fund and the Government of Ukraine, the Ministry of Finance of Ukraine, and the National Bank of Ukraine, the Bank has decided to extend the final maturity date in respect of the loans granted to National Joint Stock Company "Naftogaz of Ukraine" from 31 March 2015 to 10 June 2015. Correspondingly, for liquidity management purposes, subsequent to 31 December 2014 maturity of the refinancing loans with the carrying amount as at 31 December 2014 of UAH 17,581,757 thousand were extended by the Bank and National Bank of Ukraine from 31 March 2015 to 10 June 2015.

Public Joint Stock Company “STATE SAVINGS BANK OF UKRAINE”

Consolidated Financial Statements and Independent Auditor’s Report
For the Year Ended 31 December 2013

PUBLIC JOINT STOCK COMPANY “STATE SAVINGS BANK OF UKRAINE”

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PUBLIC JOINT STOCK COMPANY "STATE SAVINGS BANK OF UKRAINE"

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

Management is responsible for the preparation of the consolidated financial statements that present fairly the financial position of Public Joint Stock Company "State Savings Bank of Ukraine" (the "Bank") and companies controlled by the Bank (its subsidiary and special purpose entity) (collectively, the "Group") as at 31 December 2013, and the results of its operations, cash flows, and changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information, in compliance with International Financial Reporting Standards ("IFRS").

In preparing the consolidated financial statements, management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements of IFRS are insufficient to enable users to understand the impact of particular transactions, other events, and conditions on the Group's consolidated financial position and financial performance;
- Stating whether IFRS have been followed, subject to any material departures disclosed and explained in the consolidated financial statements; and
- Making an assessment of the Group's ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing, and maintaining an effective and sound system of internal controls, throughout the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS;
- Maintaining statutory accounting records in compliance with the legislation of Ukraine;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.

The consolidated financial statements of the Group for the year ended 31 December 2013 were approved and authorized for issue by the Bank's Management Board on 10 April 2014.

On behalf of the Management Board:

A. H. Pyshnyi,	**G. S. Kostenko,**
Chairman of the Management Board	**Chief Accountant**
10 April 2014	10 April 2014

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INDEPENDENT AUDITOR’S REPORT

To: Shareholder and the Management Board of Public Joint Stock Company “State Savings Bank of Ukraine”

We have audited the accompanying consolidated financial statements of Public Joint Stock Company “State Savings Bank of Ukraine” (the “Bank”) and companies controlled by the Bank (its subsidiary and special purpose entity) (collectively, the “Group”), which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of profit or loss and other 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 consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group’s preparation and fair presentation of the consolidated 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 Group’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 consolidated 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 consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2013, and its consolidated financial performance and its cash flows for year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

We draw attention to Note 2 to these consolidated financial statements. The impact of the continuing economic crisis and political turmoil in Ukraine and their final resolution are unpredictable and may adversely affect the Ukrainian economy and the operations of the Group. Our opinion is not qualified in respect of this matter.

We draw attention to Notes 28 and 33 to these consolidated financial statements which disclose a significant concentration of operations with related parties and concentration risk management policy of the Group. Our opinion is not qualified in respect of this matter.

Deloitte & Touche

10 April 2014

PUBLIC JOINT STOCK COMPANY “STATE SAVINGS BANK OF UKRAINE”

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2013

(in Ukrainian Hryvnias and in thousands, except for earnings per share stated in UAH)

	Notes	Year ended 31 December 2013	Year ended 31 December 2012
Interest income	5, 28	11,197,621	10,076,313
Interest expense	5, 28	(5,686,401)	(4,782,949)
NET INTEREST INCOME BEFORE PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS		5,511,220	5,293,364
Provision for impairment losses on interest bearing assets	6, 28	(2,437,952)	(2,675,719)
NET INTEREST INCOME		3,073,268	2,617,645
Fee and commission income	7, 28	1,501,514	1,286,226
Fee and commission expense	7, 28	(270,382)	(246,251)
Net gain on foreign exchange operations	8	51,186	158,186
Net gain on investments available for sale		131,062	95,771
Provision for impairment losses on other operations	6	(147,581)	(61,855)
Share in (losses)/profits from associates		(353)	353
Net other income		75,245	55,855
NET NON-INTEREST INCOME		1,340,691	1,288,285
OPERATING INCOME		4,413,959	3,905,930
OPERATING EXPENSES	9, 28	(3,488,185)	(3,171,116)
PROFIT BEFORE INCOME TAX		925,774	734,814
Income tax expense	10	(214,620)	(72,103)
NET PROFIT FOR THE YEAR		**711,154**	**662,711**
Attributable to:			
Shareholder of the Bank		710,502	662,432
Non-controlling interest		652	279
EARNINGS PER SHARE			
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	11	14,573	14,496
Basic and diluted earnings per share (UAH)	11	48,755	45,698
OTHER COMPREHENSIVE INCOME:			
Items that will not be reclassified subsequently to profit or loss:			
Net gain on revaluation of property, net of deferred income tax effect		-	4,828
Items that may be reclassified subsequently to profit or loss:			
Net change in fair value of investments available for sale, net of deferred income tax effect		(587,138)	(112,007)
Reclassification of investments available for sale realized during the year, net of deferred income tax effect		112,007	(5,368)
OTHER COMPREHENSIVE LOSS		(475,131)	(112,547)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**236,023**	**550,164**
Attributable to:			
Shareholder of the Bank		235,371	549,885
Non-controlling interest		652	279

On behalf of the Management Board:

A. H. Pyshnyi, Chairman of the Management Board

10 April 2014

G. S. Kostenko, Chief Accountant

10 April 2014

The notes on pages from 9 to 77 form an integral part of these consolidated financial statements.

PUBLIC JOINT STOCK COMPANY “STATE SAVINGS BANK OF UKRAINE”

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013
(in Ukrainian Hryvnias and in thousands)

	Notes	31 December 2013	31 December 2012
ASSETS:			
Cash and balances with the National Bank of Ukraine	12	4,816,954	3,872,514
Due from banks	13, 28	7,651,107	14,867,548
Loans to customers	14, 28	52,179,567	51,337,576
Investments available for sale	15, 28	33,251,576	10,073,668
Investments in associates	16, 28	-	26,143
Property and equipment and intangible assets	17	3,451,178	2,985,918
Deferred income tax assets	10	49,730	-
Other assets	18	299,089	257,936
TOTAL ASSETS		101,699,201	83,421,303
LIABILITIES AND EQUITY:			
LIABILITIES:			
Due to banks	19, 28	24,078,347	19,224,482
Customer accounts	20, 28	46,408,733	38,877,293
Eurobonds issued	21	9,795,812	5,719,229
Other borrowed funds	22	835,191	505,188
Debt securities issued	23, 28	-	204,164
Other liabilities	24, 28	536,232	268,280
Deferred income tax liabilities	10	-	13,180
Subordinated debt	25	840,406	842,180
Total liabilities		82,494,721	65,653,996
EQUITY:			
Share capital	26	17,481,716	14,748,140
Property revaluation reserve		1,332,844	1,333,117
Investments available for sale revaluation reserve		(587,138)	(112,007)
Retained earnings		965,278	1,786,929
Total equity attributable to the Bank’s shareholder		19,192,700	17,756,179
Non-controlling interest		11,780	11,128
Total equity		19,204,480	17,767,307
TOTAL LIABILITIES AND EQUITY		101,699,201	83,421,303

On behalf of the Management Board:

A. H. Pyshnyi,
Chairman of the Management Board

10 April 2014

G. S. Kostenko,
Chief Accountant

10 April 2014

The notes on pages from 9 to 77 form an integral part of these consolidated financial statements.

PUBLIC JOINT STOCK COMPANY "STATE SAVINGS BANK OF UKRAINE"

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013
(in Ukrainian Hryvnias and in thousands)

	Notes	Share capital	Property revaluation reserve	Investments available for sale revaluation reserve	Retained earnings	Total equity attributable to the Bank's shareholder	Non-controlling interest	Total equity
31 December 2011		14,748,140	1,329,145	5,368	1,274,894	17,357,547	-	17,357,547
Non-controlling interest arising on the acquisition of subsidiary		-	-	-	-	-	10,849	10,849
Distribution of profit based on the financial results of the year	26	-	-	-	(151,253)	(151,253)	-	(151,253)
Other comprehensive (loss)/income for the year, net of income tax		-	3,972	(117,375)	856	(112,547)	-	(112,547)
Profit for the year		-	-	-	662,432	662,432	279	662,711
31 December 2012		14,748,140	1,333,117	(112,007)	1,786,929	17,756,179	11,128	17,767,307
Increase in the nominal value of shares due to capitalization of the Bank's retained earnings	26	1,333,632	-	-	(1,333,632)	-	-	-
Shareholder's contributions paid but no registered	26	1,399,944	-	-	-	1,399,944	-	1,399,944
Distribution of profit based on the financial results of the year	26	-	-	-	(198,794)	(198,794)	-	(198,794)
Other comprehensive (loss)/income for the year, net of income tax		-	(273)	(475,131)	273	(475,131)		(475,131)
Profit for the year		-	-	-	710,502	710,502	652	711,154
31 December 2013		17,481,716	1,332,844	(587,138)	965,278	19,192,700	11,780	19,204,480

The amount of other comprehensive (loss)/income for the year, net of income tax, relating to property revaluation reserve includes the property revaluation reserve disposed in the amount of UAH 273 thousand for the year 2013 and UAH 856 thousand for the year 2012.

On behalf of the Management Board:

A. H. Pyshnyi,
Chairman of the Management Board

10 April 2014

G. S. Kostenko,
Chief Accountant

10 April 2014

The notes on pages from 9 to 77 form an integral part of these consolidated financial statements.

PUBLIC JOINT STOCK COMPANY “STATE SAVINGS BANK OF UKRAINE”

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2013
(in Ukrainian Hryvnias and in thousands)

	Notes	Year ended 31 December 2013	Year ended 31 December 2012
CASH FLOWS FROM OPERATING ACTIVITIES:			
Interest received		10,267,510	9,479,136
Interest paid		(5,496,396)	(4,547,068)
Fees and commissions received		1,492,695	1,284,147
Fees and commissions paid		(270,382)	(246,092)
Receipts from trading in foreign currencies	8	66,562	158,508
Other operating income received		73,914	49,197
Staff costs paid		(2,370,746)	(2,058,273)
Operating expenses paid		(771,888)	(812,763)
Cash flows from operating activities before changes in operating assets and liabilities		2,991,269	3,306,792
Changes in operating assets and liabilities			
Decrease/(increase) in operating assets:			
Restricted balances with the National Bank of Ukraine	12	8,814	(449,698)
Due from banks		7,003,578	(4,360,653)
Loans to customers		(2,144,223)	(2,058,365)
Other assets		(65,896)	(47,882)
Increase in operating liabilities:			
Due to banks		4,855,369	2,719,488
Customer accounts		7,333,581	6,083,641
Other liabilities		58,388	248
Net cash inflow from operating activities before tax		20,040,880	5,193,571
Income tax paid		(122,503)	(86,859)
Net cash inflow from operating activities		19,918,377	5,106,712
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of investments available for sale		(98,295,516)	(56,623,939)
Proceeds on sale and repayment of investments available for sale		76,276,970	54,224,460
Purchase of property and equipment and intangible assets		(848,110)	(626,011)
Proceeds on sale of property and equipment		2,746	2,493
Investments in associates		-	(25,790)
Net cash outflow from investing activities		(22,863,910)	(3,048,787)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Distribution of profit based on the financial results of the year	26	(198,794)	(151,253)
Proceeds on Eurobonds issued		3,971,261	-
Proceeds on other borrowed funds		807,757	-
Repayment of other borrowed funds	22	(500,000)	-
Repayment of debt securities issued		(200,000)	-
Net cash inflow/(outflow) from financing activities		3,880,224	(151,253)

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)
(in Ukrainian Hryvnias and in thousands)

	Notes	Year ended 31 December 2013	Year ended 31 December 2012
Effect of change in foreign exchange rates on cash and cash equivalents		(12,634)	4,868
NET INCREASE IN CASH AND CASH EQUIVALENTS		922,057	1,911,540
CASH AND CASH EQUIVALENTS, at the beginning of the period	12	6,702,214	4,790,674
CASH AND CASH EQUIVALENTS, at the end of the period	12	7,624,271	6,702,214

During the year ended 31 December 2013, the following non-cash increase in share capital took place:

- Increase in the nominal value of shares due to capitalization of the Bank’s retained earnings in the amount of UAH 1,333,632 thousand, which consists of UAH 1,041,900 thousand and UAH 291,732 thousand (Note 26);
- The Bank’s share capital increased by UAH 1,399,944 thousand due to the issue of 1,282 new shares with the nominal value of UAH 1,092,000 per share. The Bank’s new shares were paid by Ukrainian government debt securities of the special issue with the total nominal value of UAH 1,400,000 thousand. The difference between the nominal value of Ukrainian government debt securities received and the nominal value of the Bank’s shares in the amount of UAH 56 thousand was transferred to the State Budget of Ukraine (Note 26).

On behalf of the Management Board:

A. H. Pyshnyi,
Chairman of the Management Board

10 April 2014

G. S. Kostenko,
Chief Accountant

10 April 2014

The notes on pages from 9 to 77 form an integral part of these consolidated financial statements.

(in Ukrainian Hryvnias and in thousands)

1. ORGANIZATION

The Bank is a legal successor of the State Specialized Commercial Savings Bank of Ukraine registered by the National Bank of Ukraine (the "NBU") on 31 December 1991, registration number 4. Open Joint Stock Company "State Savings Bank of Ukraine" was established in accordance with the Decree of the President of Ukraine # 106 dated 20 May 1999 and the Resolution of the Cabinet of Ministers of Ukraine # 876 dated 21 May 1999, by converting the State Specialized Commercial Savings Bank of Ukraine into Joint Stock Company "State Savings Bank of Ukraine" in the form of an open joint stock company. Open Joint Stock Company "State Savings Bank of Ukraine" was registered by the NBU on 26 May 1999, registration number 4. The change of its name to Public Joint Stock Company "State Savings Bank of Ukraine" was registered on 7 June 2011.

The Bank has been operating under a banking license issued by the National Bank of Ukraine effective from 5 October 2011. The Bank has a general license issued by the NBU for conducting foreign currency transactions and a license issued by the Securities and Stock Market National Commission (the "NSSMC") for operations with securities.

The Bank's primary business activities are represented by processing banking accounts and attracting deposits from legal entities and individuals, originating loans, transferring payments, trading in securities and foreign currencies.

The Bank's strategic objective is to implement modern banking technologies and products to ensure its operating efficiency and well-balanced and sustainable growth in the long-term perspective.

The Bank is not a member of the Deposit Guarantee Fund, since all the deposits placed by individuals are guaranteed by the state.

As at 31 December 2013 and 2012, 100% of the Bank's shares are state-owned.

The registered address of the Bank is at: 12G Hospitalna str., Kyiv, 01001, Ukraine.

As at 31 December 2013 and 2012, the Bank had 23 regional branches, the Main Branch in Kyiv and Kyivska region, the Crimean Republican Branch, the Main Operational Branch; and 5,504 separate operational outlets and 5,799 separate operational outlets within Ukraine, respectively As at 31 December 2013 and 2012, the Bank employed 37,946 persons and 38,114 persons, respectively.

A group of companies to which the Bank is the Parent and which are consolidated in these consolidated financial statements comprises:

Name	**Country of operation**	**Participating/voting interest (%) as at 31 December 2013**	**31 December 2012**	**Type of activities**
PJSC "State Savings Bank of Ukraine"	Ukraine	Parent		Banking
PJSC "Home Loans Refinancing Agency"	Ukraine	70.86	70.86	Loan refinancing
SSB NO. 1 Plc	United Kingdom	-	-	Special purpose entity for Eurobond issuing

PJSC "Home Loans Refinancing Agency" was established in the form of a public joint stock company in accordance with the laws of Ukraine on 17 February 2012. The primary activity of the company is represented by refinancing mortgage loans through the issue of mortgage securities.

SSB NO. 1 Plc was established in the form of a public limited liability company in accordance with the laws of England and Wales. The primary activity of the company is represented by raising funds for the Bank in international capital markets. The Bank obtained control over it based on the ability to predetermine the activities of SSB NO. 1 Plc (by ensuring its operations on "autopilot") according to the requirements of IFRS 10 "Consolidated Financial Statements". Management of SSB NO. 1 Plc has decided that SSB NO. 1 Plc will operate in accordance with the predetermined operating procedures.

These consolidated financial statements were approved by the Management Board on 10 April 2014.

2. OPERATING ENVIRONMENT

Since November 2013, Ukraine has been in a political and economic turmoil. In February 2014, the Parliament of Ukraine voted for reinstatement of the 2004 Constitution and dismissal of the incumbent President. New presidential elections are scheduled for May 2014 and a transitional Government has been formed. In March 2014, Crimea, an autonomous republic of Ukraine, was effectively annexed by the Russian Federation.

The Ukrainian Hryvnia devalued against major world currencies and significant external financing is required to maintain stability of the economy. The National Bank of Ukraine has introduced a range of stabilization measures aimed at limiting outflow of customer accounts from the banking system in Ukraine and providing liquidity to Ukraine's banks, including:

- Temporary restrictions on processing of client payments by banks, in particular, setting a minimum period of four banking days for purchases of foreign currency on behalf of legal entities and individual entrepreneurs;
- Temporary restrictions on purchases of foreign currency on the inter-bank market for early repayment by residents of foreign currency denominated non-residents' loans;
- Restrictions on cash withdrawals (disbursements) via cash desks or ATMs in foreign currencies up to UAH 15 thousand per client per day and restrictions on clients' foreign currency cash transfers;
- UAH sales in the Ukrainian inter-bank currency market should be conducted exclusively on tod, tom, or spot terms. Transactions without physical foreign currency supply are banned.

In February 2014, Ukraine's sovereign rating has been downgraded to CCC with a negative outlook. During March 2014, the transitional government of Ukraine undertook a number of measures to stabilize the economy and finance, and reduce political and social tension. The government resumed negotiations with the International Monetary Fund mission on refinancing debts and granting stabilization loans and loans for reforming the economy and public administration. International organizations, the U.S. and the E.U., agreed to provide substantial financial support to restructure and support the Ukrainian economy. Stabilization of the economy depends to a large extent upon success of the Ukrainian government's efforts, yet further political developments are currently unpredictable.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

Other basis of presentation criteria

These consolidated financial statements have been prepared on the assumption that the Bank and companies controlled by the Bank (its subsidiary and special purpose entity) (collectively, the "Group") are going concerns. Management and the shareholder have the intention to further develop the Group's business. Management believes that the going concern assumption is appropriate for the Group due to its sufficient capital adequacy ratio, the commitment of the shareholder to support the Group, and based on the historical experience which evidences that short-term obligations will be refinanced in the normal course of business.

These consolidated financial statements are presented in thousands of Ukrainian Hryvnias, unless otherwise indicated.

The consolidated financial statements have been prepared on the historical cost basis, except for certain buildings and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of IAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 "Inventories" or value in use in IAS 36 "Impairment of Assets".

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2, or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The economy of Ukraine was treated as hyperinflationary until 31 December 2000. As a result, the Group applied IAS 29 "Financial Reporting in Hyperinflationary Economies". The impact of IAS 29 application relates to the fact that non-monetary items were recalculated to measuring units that were effective as at 31 December 2000 by using the respective inflation rates in respect of the relevant historical cost.

The Bank and its subsidiary operating in Ukraine maintain their accounting records in accordance with the Ukrainian legislation, whereas the foreign special purpose entity maintains its accounting records in accordance with generally accepted accounting principles of the country of its business environment. These consolidated financial statements have been prepared from the accounting records maintained by the Bank, its subsidiary, and special purpose entity and have been adjusted to conform to IFRS. The adjustments introduced to the consolidated financial statements include certain reclassifications to reflect the economic substance of underlying transactions, including reclassifications of certain assets and liabilities, income and expenses to appropriate consolidated financial statement captions.

Functional currency

Items included in the consolidated financial statements of the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the Group (the “functional currency”). The functional currency of these consolidated financial statements is Ukrainian Hryvnia (“UAH”). All amounts are rounded to thousands, unless otherwise indicated.

Offsetting

Financial assets and liabilities are offset and reported net in the consolidated statement of financial position when the Group has a legally enforceable right to set off the recognized amounts and the Group intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Income and expense is not offset in the consolidated statement of profit or loss and other comprehensive income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group. In accounting for a transfer of a financial asset that does not qualify for derecognition, the Group does not offset the transferred asset and the associated liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Bank and companies controlled by the Bank (its subsidiary and special purpose entity). Control is achieved where the Bank:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Bank reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Bank has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Bank considers all relevant facts and circumstances in assessing whether or not the Bank’s voting rights in an investee are sufficient to give it power, including:

- The size of the Bank’s holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Bank, other vote holders, or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Bank has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders’ meetings.

Consolidation of a subsidiary begins when the Bank obtains control over the subsidiary and ceases when the Bank loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Bank gains control until the date when the Bank ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Bank and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Bank and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group’s accounting policies.

All intragroup assets and liabilities, equity, income, expenses, and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interest

Non-controlling interest represents the portion of profit or loss and net assets of the subsidiary and special purpose entity not owned, directly or indirectly, by the Bank's shareholder.

Non-controlling interest is presented separately in the consolidated statement of profit or loss and other comprehensive income and within equity in the consolidated statement of financial position, separately from the Parent's share capital.

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The results and assets and liabilities of the associate are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". Under the equity method, an investment in an associate is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 39 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment is classified as held for sale. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture. There is no re-measurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a Group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Recognition of income and expense

Recognition of interest income and expense – Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income and expense are recognized on an accrual basis using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and allocating the 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 through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Income is recognized on an effective interest basis for debt instruments, except for those financial assets classified as at fair value through profit or loss.

Once a financial asset or a group of similar financial assets has been written off (partly written off) as a result of an impairment loss, interest income is thereafter recognized using the interest rate used to discount the future cash flows for the purpose of measuring the impairment loss.

Interest earned on assets at fair value is classified within interest income.

Recognition of income on repurchase and reverse repurchase agreements – Gain/loss on these instruments is recognized as interest income or expense in the consolidated statement of profit or loss and other comprehensive income based on the difference between the repurchase price accreted to date using the effective interest rate method and the sale price when such instruments are sold to third parties. When the reverse repo or repo is fulfilled on its original terms, the effective yield/interest between the sale and repurchase price negotiated under the original contract is recognized using the effective interest rate method.

Recognition of fee and commission income and expense – Loan origination fees are deferred, together with the related direct costs, and recognized as an adjustment to the effective interest rate of the loan. Where it is probable that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are deferred, together with the related direct costs, and recognized as an adjustment to the effective interest rate of the resulting loan. Where it is unlikely that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are recognized in the consolidated statement of profit or loss and other comprehensive income over the remaining period of the loan commitment. Where a loan commitment expires without resulting in a loan, the loan commitment fee is recognized in the consolidated statement of profit or loss and other comprehensive income on expiry. Loan servicing fees are recognized as revenue as the services are provided. Loan syndication fees are recognized in the consolidated statement of profit or loss and other comprehensive income when the syndication has been completed. All other commissions are recognized when services are provided.

Other income and expenses are recognized in the consolidated statement of profit or loss and other comprehensive income when the related transactions are completed and are presented on a net basis.

Recognition and measurement of financial instruments

The Group recognizes financial assets and liabilities in its consolidated statement of financial position when it becomes a party to the contractual obligation of the instrument. Regular way purchase and sale of the financial assets and liabilities are recognized using settlement date accounting.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in consolidated profit or loss. The accounting policies for subsequent re-measurement of these items are disclosed in the respective accounting policies set out below.

Derecognition of financial assets and liabilities

Financial assets – The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when the it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognize a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in consolidated profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of the transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the Group retains control), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income and accumulated in equity is recognized in the consolidated statement of profit or loss and other comprehensive income. A cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

Financial liabilities – A financial liability is derecognized when the obligation is discharged, cancelled, or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of profit or loss and other comprehensive income.

Cash and cash equivalents – Cash and cash equivalents include cash on hand, unrestricted balances on correspondent accounts with the National Bank of Ukraine and other banks, advances to banks in the countries included in the Organization for Economic Co-operation and Development ("OECD") and other countries which may be converted to cash within a short period of time, except for guarantee deposits for operations with plastic cards.

Obligatory deposit reserves with the National Bank of Ukraine – Obligatory deposit reserves are placed with the NBU in accordance with the requirements of the effective legislation and are subject to certain restrictions. Hence, the amount of obligatory deposit reserves placed with the NBU is not included in cash equivalents.

Precious metals – Assets and liabilities denominated in precious metals are translated at the official rate set by the NBU computed based on the first fixing of the London Metal Exchange rates using the UAH/USD exchange rate effective at the date. Changes in the bid prices are recorded in net gain/(loss) on foreign exchange operations.

Due from banks – In the normal course of business, the Group maintains advances and deposits for various periods of time with other banks. Due from banks are initially measured at fair value. Due from banks with a fixed maturity term are subsequently measured at amortized cost using the effective interest rate method. Those that do not have fixed maturities are carried at amortized cost based on maturities estimated by management. Amounts due from banks are carried net of any allowance for impairment losses.

Loans to customers – Loans to customers are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those classified in other categories of financial assets.

Loans to customers with fixed maturity granted by the Group are initially recognized at fair value, plus related transaction costs. Where the fair value of consideration given does not equal the fair value of the loan, for example, where the loan is issued at lower than market rates, the difference between the fair value of consideration given and the fair value of the loan is recognized as a loss on initial recognition of the loan and included in the consolidated statement of profit or loss and other comprehensive income according to the nature of losses. Subsequently, loans are carried at amortized cost using the effective interest rate method. Loans to customers are carried net of any allowance for impairment losses.

Repurchase and reverse repurchase agreements – In the normal course of business, the Group enters into sale and purchase back agreements ("repos") and purchase and sale back agreements of financial assets ("reverse repos"). Repos and reverse repos are utilized by the Group as an element of its treasury management.

A repo is an agreement to transfer a financial asset to another party in exchange for cash or other consideration and a concurrent obligation to reacquire the financial assets at a future date for an amount equal to the cash or other consideration exchanged plus interest. These agreements are accounted for as financing transactions. Financial assets sold under repo are retained in the consolidated financial statements and consideration received under these agreements is recorded as collateralized deposit/loan received within balances due to banks.

Assets purchased under reverse repos are recorded in the consolidated financial statements as cash placed which is collateralized by securities and other assets and are classified within balances due from banks or loans to customers.

The Group enters into securities repurchase agreements under which it receives or transfers collateral in accordance with normal market practice. Under standard terms for repurchase transactions in Ukraine, the recipient of collateral has the right to sell or re-pledge the collateral, subject to returning those securities on settlement of the transaction.

In the event that assets purchased under reverse repo are sold to third parties, the results are recorded with the gain or loss included in net gains/(losses) on respective assets. Any related income or expense arising from the pricing difference between purchase and sale of the underlying assets is recognized as interest income or expense in the consolidated statement of profit or loss and other comprehensive income.

Investments available for sale – Investments available for sale represent debt and equity securities that are intended to be held for an indefinite period of time. Such securities are initially recorded at fair value. Subsequently, the securities are measured at fair value, with such re-measurement recognized in other comprehensive income, except for impairment losses, foreign exchange gains or losses, and interest income accrued using the effective interest rate method, which are recognized directly in the consolidated statement of profit or loss and other comprehensive income. When sold, gain/(loss) previously recorded in equity is recycled through the consolidated statement of profit or loss and other comprehensive income. A gain or loss on the sale of investments available for sale is recognized in the consolidated statement of profit or loss and other comprehensive income when disposed and is the difference between the selling price and the carrying amount at the transaction date.

The Group uses quoted market prices to determine the fair value for the investments available for sale. If the market for investments is not active, the Group establishes fair value by using valuation techniques. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis, and other methods. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the Group uses that technique.

Non-marketable debt and equity securities are stated at amortized cost and cost, respectively, less impairment losses, if any, unless fair value can be reliably measured.

Impairment of financial assets – Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets or a group of financial assets are considered to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events ("loss events") that occurred after the initial recognition of the financial asset and that loss events have an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The impairment losses are measured as the difference between carrying value and the present value of expected future cash flows, including amounts recoverable from guarantees and collateral, discounted at the financial asset's original effective interest rate, for financial assets which are carried at amortized cost. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through the consolidated statement of profit or loss and other comprehensive income to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had if the impairment has not been recognized.

For financial assets carried at cost, the allowance for impairment losses is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

When there is objective evidence that financial assets available for sale have been impaired, the cumulative loss previously recognized in equity is removed from equity and recognized in the consolidated statement of profit or loss and other comprehensive income for the period. Reversals of such impairment losses on debt instruments, which are objectively related to events occurring after the impairment, are recognized in the consolidated statement of profit or loss and other comprehensive income for the period. Reversals of such impairment losses on equity instruments are not recognized in the consolidated statement of profit or loss and other comprehensive income.

The change in the allowance for impairment losses is included into financial results through the correction of the provision amount. Assets recorded in the consolidated statement of financial position are reduced by the amount of the allowance for impairment losses.

Factors that the Group considers in determining whether it has objective evidence that an impairment loss has been incurred include information about the debtors' or issuers' liquidity, solvency and business, and financial risk exposures, levels of and trends in delinquencies for similar financial assets, national and local economic trends and conditions, and the fair value of collateral and guarantees. These and other factors may, either individually or taken together, provide sufficient objective evidence that an impairment loss has been incurred in a financial asset or group of financial assets.

The primary factors that the Group considers whether a financial asset is impaired are its overdue status and realizability of related collateral, if any. The following other principal criteria are also used to determine that there is objective evidence that an impairment loss has occurred:

- Overdue on the period over two months and the late payment cannot be attributed to a delay caused by the settlement systems;
- The borrower experiences a significant financial difficulty as evidenced by borrower's financial statements that the Group obtains;
- The borrower considers bankruptcy or a financial reorganization;
- There is an adverse change in the payment status of the borrower as a result of changes in the national or local economic conditions that impact the borrower;
- The value of collateral significantly decreases as a result of deteriorating market conditions.

For equity investments available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

If the Group determines that no objective evidence exists that impairment was incurred for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. These characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative on the debtors' ability to pay all amounts due, according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively assessed for impairment are estimated on the basis of contractual cash flows of assets, and experience of management in respect of the extent to which amounts will become overdue, as a result of past loss events and the success of recovery of overdue amounts. Past experience is adjusted on the basis of current observable data to reflect the effects of current conditions that do not affect past periods and to remove the effects of past conditions that do not exist currently.

To determine the need of impairment recognition for the investments in associates, the Group uses the requirements of IAS 39 "Financial Instruments: Recognition and Measurement". The carrying amounts of investments in associates, if needed, are tested for impairment in accordance with IAS 36 "Impairment of Assets" by comparing to estimated recoverable amount, which is higher of the fair value, less costs to sell, and value in use. The recognized impairment loss is included in the investment's carrying amount. Reversal of such a loss is recognized in accordance with IAS 36 "Impairment of Assets", unless, subsequently, the estimated recovery of the investment increases.

It should be understood that evaluation of allowance for impairment losses involves an exercise of judgment. While it is possible that in particular periods the Group may sustain losses which are substantial comparing to allowance for impairment losses, it is the judgment of management that the allowance for impairment losses is adequate to absorb losses incurred on risk assets, at the reporting date.

Renegotiated loans – Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original effective interest rate as calculated before the modification of terms and the loan is no longer considered past due. Management continually reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate.

Write off of loans – Loans are written off against allowance for impairment losses based on the decision of the Bank's Management Board. Such decisions are taken when all available possibilities to collect the amounts due have been exercised and available collateral has been sold. Subsequent recoveries of amounts previously written off are reflected as an offset to the charge for impairment of financial assets in the consolidated statement of profit or loss and other comprehensive income in the period of recovery.

Derivative financial instruments – In the normal course of business, the Group enters into various derivative financial instruments, including foreign exchange contracts concluded by the Group with other banks to purchase/sale and exchange (conversion) of foreign currency and currency rate swaps to manage currency and liquidity risks, and for trading. Derivative financial instruments are initially recognized at fair value at the date a derivative contract is entered into, and are subsequently re-measured to their fair value at each reporting date. Derivatives are carried as assets when their fair value is positive and as liabilities when it is negative. Derivatives are included in financial assets and liabilities at fair value through profit or loss in the consolidated statement of financial position, or if their amounts are immaterial they are included in other assets or liabilities. Gains and losses resulting from these instruments are included in net gain/(loss) from financial assets and liabilities at fair value through profit or loss in the consolidated statement of profit or loss and other comprehensive income, or if their amounts are immaterial they are included in net gain/(loss) on foreign exchange operations. Derivative financial instruments entered into by the Group are not designated as hedges and do not qualify for hedge accounting.

Embedded derivatives – Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value through profit or loss.

Property and equipment and intangible assets – Property and equipment and intangible assets, other than buildings, are carried at historical cost, less accumulated depreciation and amortization and any recognized impairment loss, if any.

Depreciation on assets under construction and those not placed in service commences from the date the assets are ready for their intended use.

Depreciation of property and equipment and amortization of intangible assets is charged on the historical (revalued) cost of property and equipment and intangible assets and is designed to write off assets over their useful economic lives. It is calculated on a straight line basis at the following annual rates:

	31 December 2013	**31 December 2012**
Buildings	1.5%–5%	1.5%–5%
Furniture, office equipment, and vehicles	10%–33%	10%–33%
Intangible assets	17%–25%	17%–25%

In 2012, useful lives of property and equipment and intangible assets were reviewed but not changed in comparison with the previous year, except for the group of buildings, the depreciation rates on which were modified due to changes in their estimated residual useful lives as determined by an independent appraiser in the course of reassessment held as at 31 December 2011. In 2013, useful lives of property and equipment and intangible assets were reviewed but not changed in comparison with the previous year.

Leasehold improvements are depreciated over the lease term of the related asset. Expenses related to repairs and renewals are charged when incurred and included in operating expenses unless they qualify for capitalization. Improvement expenses are capitalized when incurred.

An item of property and equipment and intangible assets is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the consolidated statement of profit or loss and other comprehensive income.

The Group has adopted a revaluation model for the subsequent measurement of its buildings. Buildings are carried in the separate statement of financial position at their revalued amounts, being the fair value at the date of revaluation determined on the basis of market evidence in the course of the assessment performed by professional valuation experts, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the reporting date.

Any revaluation increase arising on the revaluation of such buildings is credited to the property revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognized as an expense, in which case the increase is recognized as income in the consolidated statement of profit or loss and other comprehensive income to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such buildings is charged as an expense to the extent that it exceeds the balance, if any, held in the property revaluation reserve relating to a previous revaluation of that asset. The decrease is debited directly in equity to the property revaluation reserve to the extent of any credit balance existing in the property revaluation reserve in respect of that asset.

Depreciation on revalued buildings is charged to the consolidated statement of profit or loss and other comprehensive income. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the property revaluation reserve is transferred directly to retained earnings.

The carrying amounts of property and equipment and intangible assets are reviewed at each reporting date to assess whether they are recorded in excess of their recoverable amounts. Where carrying values exceed the estimated recoverable amount, assets are written down to their recoverable amount. Impairment is recognized in the respective period as losses in the consolidated statement of profit or loss and other comprehensive income. After the recognition of an impairment loss, the depreciation charge for property and equipment is adjusted in future periods to allocate the assets' revised value, less its residual value (if any), on a systematic basis over its remaining useful life.

Operating leases – Leases of assets under which the risks and rewards of ownership are effectively retained with the lessor are classified as operating leases. Lease payments under operating lease are recognized as expenses on a straight-line basis over the lease term and included into operating expenses.

Taxation – Income tax expense represents the sum of the current and deferred tax expense.

Current tax – The current tax expense is based on taxable profit for the year. Taxable profit differs from profit before income tax as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted during the reporting period.

Deferred tax – Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized.

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

Current and deferred taxes for the year – Current and deferred taxes are recognized in the consolidated statement of profit or loss and other comprehensive income, except when they relate to items charged or credited directly to equity, in which case the current and deferred taxes are also dealt with in equity.

Operating taxes – Ukraine also has various other taxes, which are assessed on the Group's activities. These taxes are included as a component of operating expenses in the consolidated statement of profit or loss and other comprehensive income.

Due to banks, customer accounts, subordinated debt, Eurobonds issued, debt securities issued, and other borrowed funds – Due to banks, customer accounts, subordinated debt, Eurobonds issued, debt securities issued, and other borrowed funds are initially recognized at fair value. Subsequently, amounts due are stated at amortized cost, and any difference between net proceeds and the redemption value is recognized in the consolidated statement of profit or loss and other comprehensive income over the period of the borrowings using the effective interest rate method. Those that do not have fixed maturities are carried at amortized cost based on expected maturities.

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

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle an obligation are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Contingencies – Contingent liabilities are not recognized in the consolidated statement of financial position but are disclosed in notes to the consolidated financial statements unless the possibility of any outflow in settlement is remote. A contingent asset is not recognized in the consolidated statement of financial position but disclosed in notes to the consolidated financial statements when an inflow of economic benefits is probable.

Financial guarantee contracts issued and letters of credit – Financial guarantee contracts and letters of credit issued by the Group are credit insurance that provides for specified payments to be made to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due under the original or modified terms of a debt instrument. Such financial guarantee contracts and letters of credit issued are initially recognized at fair value.

Subsequently, they are measured at the higher of (a) the amount recognized as a provision in accordance with IAS 37 "Provisions, Contingent Liabilities, and Contingent Assets"; and (b) the amount initially recognized less, where appropriate, cumulative amortization of initial premium revenue received over the financial guarantee contracts or letter of credit issued.

Share capital – Contributions to share capital are recognized at historical cost. Contributions made before 31 December 2000 are stated at cost, which is restated using the consumer price index to take into account effect of hyperinflation as required by IAS 29 "Financial Reporting in Hyperinflationary Economies".

Costs directly attributable to the issue of new shares are deducted from equity, net of any related income taxes.

Dividends on ordinary shares based on the financial results of the year are recognized in equity as a reduction in the period in which they are declared. Dividends that are declared after the reporting date are treated as a subsequent event under IAS 10 "Events after the Reporting Period" and disclosed accordingly.

Equity reserves – The reserves recorded in equity (other comprehensive income) in the Group's consolidated statement of financial position include the investments available for sale revaluation reserve which comprises changes in fair value of available-for-sale financial assets and the property revaluation reserve comprising a provision for reassessment of land and buildings.

Retirement and other benefit obligations – In accordance with the requirements of the Ukrainian legislation, the Group withholds amounts of pension contributions from employees' salaries and pays them to the Pension Fund of Ukraine. Such a pension system provides for calculation of current payments by the employer as a percentage of current total disbursements to staff. Such expense is charged in the period the related salaries are earned. Upon retirement, an employee receives retirement benefit payments made by the Pension Fund of Ukraine. The Group does not have any pension arrangements separate from the state pension system of Ukraine, which requires current contributions by an employer calculated as a percentage of current gross salary payments. In addition, the Group has no post-retirement benefits or other significant compensated benefits requiring accrual.

Securitization transactions – In 2013, within the project on refinancing mortgage loans through the issue of ordinary mortgage bonds, PJSC "Home Loans Refinancing Agency" provided the Bank with the loans under the collateral of the right to claim on mortgage loans to individuals that had been assigned by the Bank to PJSC "Home Loans Refinancing Agency". Upon repayment of the loans received from PJSC "Home Loans Refinancing Agency", titles of ownership to mortgage loans of individuals will be assigned to the Bank. Since the Bank retains substantially all the risks and rewards of ownership of the mortgage loans of individuals, it continues to recognize these assets in its consolidated statement of financial position. Funds for granting loans by the Bank were raised by PJSC "Home Loans Refinancing Agency" through the issue of mortgage bonds secured by the rights to claim under the mortgage loans of individuals that had been assigned by the Bank. The borrowings received by the Bank are carried at amortized cost and included in other borrowed funds in the separate statement of financial position of the Bank. In the consolidated financial statements of the Group, these intragroup transactions between the Bank and PJSC "Home Loans Refinancing Agency" have been eliminated.

Foreign currency translation – Monetary assets and liabilities denominated in foreign currencies are translated into UAH at the appropriate spot rates of exchange ruling at the reporting date. Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transaction. Profits and losses arising from these translations are included in net gain/(loss) on foreign exchange operations.

Rates of exchange – The official exchange rates at period-end used by the Group in the preparation of the consolidated financial statements are as follows:

	31 December 2013	**31 December 2012**
UAH/USD 1	7.99300	7.99300
UAH/EUR 1	11.04153	10.53717

Critical accounting judgments and key sources of estimation uncertainty – In the application of the Group's accounting policies, which are described in Note 3, management is required to make judgments, estimates, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Key assumptions concerning the future and other key sources of uncertainty estimation at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period include:

	31 December 2013	**31 December 2012**
Loans to customers	52,179,567	51,337,576
Investments available for sale	33,251,576	10,073,668
Investments in associates	-	26,143
Property and equipment and intangible assets	3,451,178	2,985,918
Deferred income tax assets	49,730	-
Provision for guarantees and other commitments	186,206	60,148

Loans to customers – Loans to customers are measured at amortized cost, less allowance for impairment losses. The estimation of allowances for impairment involves the exercise of professional judgment. The Group regularly reviews its loans to assess for impairment. The Group estimates allowances for impairment with the objective of maintaining allowances for impairment losses at a level believed by management to be sufficient to absorb losses incurred in the Group's loan portfolio. The calculation of allowances on impaired loans is based on the likelihood of the asset being written off and the estimated loss on such a write-off.

These assessments are made using statistical techniques based on historical experience. These determinations are supplemented by the application of management's professional judgment.

The Group considers accounting estimates related to provisions for loans key sources of estimation uncertainty because: (a) they are highly susceptible to change from period to period as the assumptions about future default rates and valuation of losses relating to impaired loans and advances are based on recent performance experience, and (b) any significant difference between the Group's estimated losses (as reflected in the allowances) and actual losses will require the Group to make provisions which, if significantly different, could have a material impact on its future consolidated statement of profit or loss and other comprehensive income and its consolidated statement of financial position.

The Group uses management's professional judgment to estimate the amount of any impairment loss in cases where a borrower has financial difficulties and there are few available sources of historical data relating to similar borrowers. Similarly, the Group estimates changes in future cash flows based on past performance, past customer behavior, observable data indicating an adverse change in the payment status of borrowers in a group, and national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the group of loans. The Group uses management's judgment to adjust observable data for a group of loans to reflect current circumstances not reflected in historical data.

The allowances for impairment of financial assets in the consolidated financial statements have been determined on the basis of existing economic and political conditions. The Group is not in a position to predict what changes in conditions will take place in Ukraine and what effect such changes might have on the adequacy of the allowances for impairment of financial assets in future periods.

Valuation of financial instruments – As described in Note 29, the Group uses valuation techniques that include inputs that are not based on observable market date to estimate the fair value of certain types of financial instruments. Note 29 provides detailed information about the key assumptions used in the determination of the fair value of financial instruments, as well as the detailed sensitivity analysis for these assumptions. The Group's management believes that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

Investments in associates – Investments in associates are measured using equity method. The Group believes the accounting estimates and assumptions used in measuring the estimated recoverable amount of an investment in associates are characterized by the same source of estimation uncertainty and have the same inherent limitations as the accounting estimates and assumptions described above in respect of valuation of financial instruments available for sale and derivative financial instruments carried at fair value.

Property and equipment and intangible assets – Certain properties (buildings) are measured at fair value. The date of the most recent appraisal was 31 December 2011. The sales comparison method was applied for estimation of fair value of buildings and office premises. For items for which there were no market analogues, income capitalization method was used. No revaluation was made as at 31 December 2010 and 2009. Previous appraisals were performed as at 1 November 2008 and 2006. The following methods were used: sales comparison, income capitalization, and construction costs for new buildings.

The Group believes the accounting estimates and assumptions used in measuring the fair value of buildings and office premises are characterized by the same source of estimation uncertainty and have the same inherent limitations as the accounting estimates and assumptions described above.

Deferred income tax assets – Deferred income tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Estimation of probability is based on management's forecast of future taxable profit and is supplemented with subjective judgments of the Group's management.

Provision for guarantees and other commitments – The accounting estimates and judgments related to the provision for guarantees and other commitments is an area of significant management judgment because the underlying assumptions used for both the individually and collectively assessed impairment can change from period to period and may significantly affect the Group's results of operations.

Related parties identification – Identification of related parties requires exercise of significant management judgment in determining related party relationships.

Other sources of uncertainty – While the Ukrainian government has introduced a range of stabilization measures aimed at providing liquidity to Ukraine's banks and companies, there continues to be uncertainty regarding the access to capital and cost of capital for the Group and its counterparties, which could affect the Group's consolidated financial position, results of operations, and business prospects.

Management is unable to reliably estimate the effects on the Group's consolidated financial position of any further deterioration in the liquidity of the financial markets and the increased volatility in the currency and equity markets. Management believes it is taking all the necessary measures to support the sustainability and growth of the Group's business in the current circumstances.

4. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

New and revised adopted IFRS

New and revised Standards on consolidation, joint arrangements, associates, and disclosures

The Group retrospectively applied a package of five Standards on consolidation, joint arrangements, associates, and disclosures issued in May 2011 that includes IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements", IFRS 12 "Disclosure of Interests in Other Entities", IAS 27 (as revised in 2011) "Separate Financial Statements", and IAS 28 (as revised in 2011) "Investments in Associates and Joint Ventures".

Key requirements of these five Standards are described below.

IFRS 10 "Consolidated Financial Statements"

IFRS 10 "Consolidated Financial Statements" has replaced the parts of IAS 27 "Consolidated and Separate Financial Statements" that deal with consolidated financial statements. SIC-12 "Consolidation – Special Purpose Entities" has been withdrawn. Under IFRS "10 Consolidated Financial Statements", there is only one basis for consolidation, that is, control. A new definition of the investor's control over investee as specified in IFRS 10 contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's return. Extensive guidance has been added in IFRS 10 "Consolidated Financial Statements" to deal with complex scenarios.

The Group's management has determined that its conclusion on the need of consolidation arrived at under IFRS 10 "Consolidated Financial Statements" does not differ from the conclusion formed as at 31 December 2012 in accordance with IAS 27 "Consolidated and Separate Financial Statements" and SIC-12 "Consolidation – Special Purpose Entities".

For the entities controlled by the Bank that were consolidated under the requirements of both IFRS 10 "Consolidated Financial Statements" and IAS 27 "Consolidated and Separate Financial Statements" and SIC-12 "Consolidation – Special Purpose Entities" as at 31 December 2012 and for the investees that are not consolidated under the above Standards and Interpretations as at 31 December 2012, the adjustments to previous accounting principles do not apply.

IFRS 11 "Joint Arrangements"

IFRS 11 "Joint Arrangements" replaces IAS 31 "Interests in Joint Ventures". IFRS 11 "Joint Arrangements" deals with how a joint arrangement of which two or more parties have joint control should be classified. SIC-13 "Jointly Controlled Entities – Non-monetary Contributions by Venturers" is withdrawn. Under IFRS 11 "Joint Arrangements", joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In addition, joint ventures under IFRS 11 "Joint Arrangements" are required to be accounted for using the equity method of accounting, whereas IAS 31 "Interests in Joint Ventures" allowed using the method of proportional consolidation in accounting.

IFRS 12 “Disclosure of Interests in Other Entities”

IFRS 12 “Disclosure of Interests in Other Entities” is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates, and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards.

In June 2012, the amendments to IFRS 10 “Consolidated Financial Statements”, IFRS 11 “Joint Arrangements”, and IFRS 12 “Disclosure of Interests in Other Entities” were issued to clarify certain transitional guidance on the application of these IFRS for the first time.

IAS 27 (revised in 2011) “Separate Financial Statements”

IAS 27 “Separate Financial Statements” (as amended in 2011) requires that an entity prepare separate financial statements, and investments in subsidiaries, associates, and jointly controlled entities be accounted for either at cost or in accordance with IAS 39 “Financial Instruments: Recognition and Measurement” or IFRS 9 “Financial Instruments”. The standard also outlines the accounting requirements for dividends and certain group reorganizations and contains numerous disclosure requirements.

IAS 28 (revised in 2011) “Investments in Associates and Joint Ventures”

IAS 28 “Investments in Associates and Joint Ventures” (as amended in 2011) outlines how to apply the equity method to investments in associates and joint ventures. The standard also defines an associate by reference to the concept of ‘significant influence’ provides guidance on how to apply the equity method, including its exemption in certain cases. It also defines how investments in associates and joint ventures should be tested for impairment.

The Group’s management anticipates that the application of these five standards will not have a significant impact on the amounts reported in the consolidated financial statements.

IFRS 13 “Fair Value Measurement”

IFRS 13 “Fair Value Measurement” establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 “Fair Value Measurement” is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRS require or permit fair value measurements and disclosures fair value measurements, except for certain specified circumstances.

In general, the disclosure requirements in IFRS 13 “Fair Value Measurement” are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 “Financial Instruments: Disclosures” will be extended by IFRS 13 “Fair Value Measurement” to cover all assets and liabilities within its scope.

The application of the IFRS 13 “Fair Value Measurement” led to more detailed disclosure in the consolidated financial statements.

Amendments to IFRS 7 “Financial Instruments: Disclosures”

Amendments to IFRS 7 “Financial Instruments: Disclosures” – Offsetting financial assets and financial liabilities

The amendments to IFRS 7 “Financial Instruments: Disclosures” require that entities disclose information about rights to offset and related arrangements (such as collateral granting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement. The disclosures should be provided retrospectively for all comparative periods.

The Group’s management is of the opinion that application of these amendments to IFRS 7 has not affected its consolidated financial statements.

Amendments to IAS 1 “Presentation of Items of Other Comprehensive Income”

The amendments introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to IAS 1 “Presentation of Items of Other Comprehensive Income”, the ‘statement of comprehensive income’ is renamed to the ‘statement of profit or loss and other comprehensive income’ and the ‘income statement’ is renamed to the ‘statement of profit or loss’, or another name is applied.

Before 31 December 2013, the Group used the name of ‘statement of comprehensive income’, whereas, effective from 31 December 2013, the Group uses the name of ‘statement of profit or loss and other comprehensive income’.

The amendments to IAS 1 “Presentation of Items of Other Comprehensive Income” retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 “Presentation of Items of Other Comprehensive Income” does not result in any impact on profit or loss, other comprehensive income, and total comprehensive income.

Annual Improvements to IFRS 2009–2011 Cycle issued in May 2012

The Annual Improvements to IFRS 2009–2011 Cycle include a number of amendments to various IFRS. Amendments to IFRS include:

Amendments to IAS 1 “Presentation of Financial Statements” (as part of the Annual Improvements to IFRS 2009–2011 Cycle issued in May 2012)

The Group has applied the amendments to IAS 1 as part of the Annual Improvements to IFRS 2009–2011 Cycle in advance of the effective date (annual periods beginning on or after 1 January 2013).

The amendments to IAS 1 “Presentation of Financial Statements” specify that a third statement of financial position is required when a) an entity applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items in its financial statements, and b) the retrospective application, restatement, or reclassification has a material effect on the information in the third statement of financial position. The amendments specify that related notes are not required to accompany the third statement of financial position.

Amendments to IAS 12 “Income Taxes”

The Group has applied the amendments to IAS 12 “Income Taxes” (December 2010) titled “Deferred Tax: Recovery of Underlying Assets”. The amendments provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model in IAS 40 “Investment Property”. The amendments introduce a presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

The Group’s management anticipates that the amendments to IAS 12 “Income Taxes” will have no significant effect on the Group’s consolidated financial statements.

New and revised IFRS in issue but not yet effective

The Group has not applied the following new and revised IFRS that have been issued but are not yet effective:

- IFRS 9 "Financial Instruments"[2];
- Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"[2];
- Amendments to IFRS 10, IFRS 12, and IAS 27 "Investment Entities"[1];
- Amendments to IAS 32 "Financial Instruments: Presentation" – "Offsetting Financial Assets and Financial Liabilities"[1].

[1] Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.

[2] Effective date is not defined. Predefined effective date is for annual periods beginning on or after 1 January 2018.

IFRS 9 "Financial Instruments"

IFRS 9 "Financial Instruments", issued in November 2009 and amended in October 2010, introduced new requirements for the classification and measurement of financial assets and for their derecognition.

Key requirements of IFRS 9:

- All recognized financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" are required to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability, that is attributable to changes in the credit risk of that liability, is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39 "Financial Instruments: Recognition and Measurement", the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognized in profit or loss.

Management of the Group anticipates that the application of IFRS 9 in the future may have a significant impact on the amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed.

Amendments to IFRS 10, IFRS 12 and IAS 27 "Investment Entities"

The amendments to IFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

To qualify as an investment entity, a reporting entity is required to:

- obtain funds from one or more investors for the purpose of providing them with professional investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to IFRS 12 and IAS 27 to introduce new disclosure requirements for investment entities. The management of the Group does not anticipate that the investment entities amendments will have any effect on the Group's consolidated financial statements as the Bank is not an investment entity.

Amendments to IAS 32 "Offsetting Financial Assets and Financial Liabilities"

The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realization and settlement'.

Management of the Group does not anticipate that the application of these amendments to IAS 32 will have a significant impact on the Group's consolidated financial statements as the Group has no financial assets and financial liabilities that qualify for offset.

Amendments to IFRS 7 "Financial Instruments: Disclosures" and IAS 32 "Financial Instruments: Presentation" – "Offsetting Financial Assets and Financial Liabilities and the Related Disclosures"

The amendments to IAS 32 "Financial Instruments: Presentation" clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realization and settlement'.

The amendments to IFRS 7 "Financial Instruments: Disclosures" require that entities disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The disclosures should be provided retrospectively for all comparative periods.

The Group's management anticipates that the application of these amendments to IAS 32 and IFRS 7 may result in more disclosures being made with regards to offsetting financial assets and financial liabilities in the future.

5. NET INTEREST INCOME BEFORE PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS

Net interest income before provision for impairment losses on interest bearing assets comprises:

	Year ended 31 December 2013	Year ended 31 December 2012
Interest income comprises:		
Interest income on financial assets recorded at amortized cost:		
Interest income on unimpaired financial assets	7,533,287	8,187,206
Interest income on impaired financial assets	636,029	496,619
Interest income on financial assets at fair value:		
Interest income on unimpaired financial assets	2,701,408	1,071,615
Interest income on impaired financial assets	326,897	320,873
Total interest income	**11,197,621**	**10,076,313**
Interest income on financial assets recorded at amortized cost:		
Interest on loans to customers	7,671,006	7,387,826
Interest on due from banks	498,310	1,295,999
Interest income on financial assets at fair value:		
Interest on investments available for sale	3,028,305	1,392,488
Total interest income	**11,197,621**	**10,076,313**
Interest expense comprises:		
Interest expenses on financial liabilities recorded at amortized cost:		
Interest on customer accounts	(3,413,436)	(2,644,922)
Interest on due to banks	(1,422,483)	(1,527,553)
Interest on Eurobonds issued	(754,236)	(469,413)
Interest on subordinated debt	(48,286)	(51,940)
Interest on other borrowed funds	(45,144)	(61,250)
Interest on debt securities issued	(2,816)	(27,871)
Total interest expense	**(5,686,401)**	**(4,782,949)**
Net interest income before provision for impairment losses on interest bearing assets	**5,511,220**	**5,293,364**

6. ALLOWANCE FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS AND OTHER PROVISIONS

Movements in allowances for impairment losses on interest bearing assets were as follows:

	Due from banks	Loans to customers	Investments available for sale	Total
31 December 2011	**79,610**	**8,377,285**	**57,488**	**8,514,383**
(Recovery of provision)/provision	(11,111)	1,657,472	1,029,358	2,675,719
Write-off of assets	-	(25,982)	-	(25,982)
31 December 2012	**68,499**	**10,008,775**	**1,086,846**	**11,164,120**
(Recovery of provision)/provision	(4,094)	2,234,962	207,084	2,437,952
Write-off of assets	-	(153,302)	-	(153,302)
Reversal of earlier written off assets	-	254	-	254
31 December 2013	**64,405**	**12,090,689**	**1,293,930**	**13,449,024**

Movements in allowances for impairment losses on other operations were as follows:

	Other assets	Guarantees and other commitments	Total
31 December 2011	**26,193**	**7,875**	**34,068**
Provision	9,582	52,273	61,855
Write-off of assets	(24)	-	(24)
31 December 2012	**35,751**	**60,148**	**95,899**
Provision	21,523	126,058	147,581
Write-off of assets	(119)	-	(119)
31 December 2013	**57,155**	**186,206**	**243,361**

7. FEE AND COMMISSION INCOME AND EXPENSE

Fee and commission income and expense comprise:

	Year ended 31 December 2013	Year ended 31 December 2012
Fee and commission income:		
Settlements and cash operations	1,156,300	1,030,741
Plastic cards operations	228,026	163,332
Off-balance operations	65,353	46,299
Foreign exchange operations	37,786	31,827
Securities operations	5,276	5,751
Other	8,773	8,276
Total fee and commission income	**1,501,514**	**1,286,226**
Fee and commission expense:		
Settlements and cash operations	(144,920)	(131,548)
Plastic cards operations	(116,931)	(89,122)
Foreign exchange operations	(3,729)	(8,261)
Securities operations	(2,926)	(3,540)
Other	(1,876)	(13,780)
Total fee and commission expense	**(270,382)**	**(246,251)**

8. NET GAIN ON FOREIGN EXCHANGE OPERATIONS

Net gain on foreign exchange operations comprises:

	Year ended 31 December 2013	Year ended 31 December 2012
Dealing, net	66,562	158,508
Translation differences, net	(15,376)	(322)
Total net gain on foreign exchange operations	**51,186**	**158,186**

9. OPERATING EXPENSES

Operating expenses comprise:

	Year ended 31 December 2013	Year ended 31 December 2012
Staff costs	2,381,605	2,117,486
Depreciation and amortization	311,544	238,523
Property and equipment maintenance	220,350	182,892
Operating leases	127,972	123,827
Utilities	105,620	96,778
Communications	84,505	160,017
Office maintenance	79,345	88,725
Security expenses	33,342	28,763
Professional services	22,995	24,413
Advertising costs	17,963	16,429
Taxes, other than income tax	14,760	8,563
Insurance	13,710	9,465
Business trips	13,556	11,115
Other expenses	60,918	64,120
Total operating expenses	**3,488,185**	**3,171,116**

10. INCOME TAXES

The Group provides for taxes based on the tax accounts maintained and prepared in accordance with the current tax regulations and which may differ from International Financial Reporting Standards.

The Group is subject to certain permanent tax differences due to non-tax deductibility of certain expenses and certain income being treated as non-taxable for tax purposes.

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes.

Temporary differences as at 31 December 2013 and 2012 relate mostly to different methods of income and expense recognition as well as to recorded values of certain assets.

Temporary differences as at 31 December 2013 and 2012 comprise:

	31 December 2013	31 December 2012
Deductible temporary differences:		
Investments available for sale	1,934,916	917,025
Other liabilities	385,635	224,869
Property and equipment and intangible assets	269,635	274,669
Loans to customers	-	110,671
Customer accounts	-	101,933
Due to banks	-	49,936
Debt securities issued	-	4,164
Total deductible temporary differences	2,590,186	1,683,267
Taxable temporary differences:		
Loans to customers	(447,607)	-
Due from banks	(89,355)	(261,739)
Other assets	(10,337)	(4,039)
Eurobonds issued	(9,170)	(14,765)
Subordinated debt	(3,238)	(4,308)
Total taxable temporary differences	(559,707)	(284,851)
Net deferred tax assets (10%–21%)	**304,012**	**257,459**
Deferred tax asset not recognised	**(264,383)**	**(285,498)**
Tax loss carried forwards (16%–19%)	10,101	14,859
Net deferred tax assets/(liabilities)	**49,730**	**(13,180)**

The deferred income tax assets and liabilities as at 31 December 2013 and 2012 were measured based on the tax rates expected to be applied to the period when the temporary differences are expected to be utilized.

The Tax Code of Ukraine establishes the following income tax rates:

- From 1 January 2012 to 31 December 2012 inclusive – 21%;
- From 1 January 2013 to 31 December 2013 inclusive – 19%;
- From 1 January 2014 to 31 December 2014 inclusive – 18%;
- From 1 January 2015 to 31 December 2015 inclusive – 17%;
- From 1 January 2016 and thereafter – 16%.

Relationships between income tax expenses and accounting profit based on the consolidated financial statements for the years ended 31 December 2013 and 2012 are explained as follows:

	Year ended 31 December 2013	**Year ended 31 December 2012**
Profit before income tax	**925,774**	**734,814**
Statutory tax rate	19%	21%
Tax at the statutory tax rate	175,897	154,311
Effect of the tax rate that differs from 19% (special purpose entity in another jurisdiction)	4	(4)
Effect of non-deductible expenses and non-taxable income	46,739	20,106
Effect of change in the tax base of investments available for sale due to changes in the Tax Code of Ukraine	14,685	(312,651)
Tax effect of changes in income tax rates and laws	(1,590)	52,797
Change in deferred tax asset not recognized	(21,115)	157,544
Income tax expense	**214,620**	**72,103**
Current income tax expense	238,564	87,577
Deferred income tax benefits	(23,944)	(15,474)
Income tax expense	**214,620**	**72,103**

Movement in deferred tax assets/(liabilities) for the years ended 31 December 2013 and 2012 was as follows:

	Year ended 31 December 2013	**Year ended 31 December 2012**
At the beginning of the period	**(13,180)**	**(55,685)**
Tax effect of change in the fair value of investments available for sale	38,966	27,700
Change in deferred income tax liabilities recognized in profit or loss	23,944	15,474
Tax effect of property revaluation reserve decrease	-	(669)
At the end of the period	**49,730**	**(13,180)**

Corporate income tax prepaid

Starting from 1 January 2013, taxpayers (except for certain types of entities) that declared profit on the results of the previous year are obliged to prepay CIT on a monthly basis in the amount of not less than 1/12 of the prior year accrued tax liability.

Taxation of transactions with securities and derivatives

Starting from 1 January 2013, tax accounting rules for transactions on sale, exchange, or other disposal of securities and transactions with derivatives were changed and corporate income tax rate on such transactions was reduced to 10%.

New legislation on transfer pricing

Starting from 1 September 2013, the Ukrainian legislation was amended by new transfer pricing rules. These rules introduce additional reporting and documentation requirements to transactions, including, but not limited to, transactions with related parties.

11. EARNINGS PER SHARE

	Year ended 31 December 2013	Year ended 31 December 2012
Net profit for the year attributable to the Bank's shareholder	710,502	662,432
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	14,573	14,496
Earnings per share – basic and diluted (UAH)	**48,755**	**45,698**

12. CASH AND BALANCES WITH THE NATIONAL BANK OF UKRAINE

	31 December 2013	31 December 2012
Cash	2,186,410	1,655,917
Balances with the National Bank of Ukraine	2,630,544	2,216,597
Total cash and balances with the National Bank of Ukraine	**4,816,954**	**3,872,514**

The balances with the NBU as at 31 December 2013 and 2012 include obligatory deposit reserves in the amount of UAH 526,812 thousand and UAH 535,626 thousand, respectively. The Bank is responsible for maintaining the obligatory reserve balance with the NBU in accordance with the effective legislation. In the event of failure to comply with the procedure of creating obligatory reserves, the NBU may undertake adequate measures in respect of the Bank under the NBU regulations aimed at compliance with the banking legislation.

The Bank reserves funds on a separate account with the NBU in the amount of the provision created for foreign currency denominated lending transactions with the borrowers which have no sources of foreign exchange earnings.

Cash and cash equivalents for the purposes of the consolidated statement of cash flows comprise the following:

	31 December 2013	31 December 2012
Cash and balances with the National Bank of Ukraine	4,816,954	3,872,514
Due from banks	3,787,061	3,818,248
	8,604,015	7,690,762
Less: Guarantee deposits (Note 13)	(27,932)	(27,922)
Less: Minimum reserve deposits with the National Bank of Ukraine	(526,812)	(535,626)
Less: Restricted balances with the National Bank of Ukraine (Note 19)	(425,000)	(425,000)
Total cash and cash equivalents	**7,624,271**	**6,702,214**

As at 31 December 2013 and 2012, balances with the National Bank of Ukraine in the amount of UAH 425,000 thousand were pledged as collateral to secure loans received from the National Bank of Ukraine (Note 19).

13. DUE FROM BANKS

Due from banks comprises:

	31 December 2013	31 December 2012
Loans under reverse repurchase agreements	3,723,044	10,939,099
Correspondent accounts	2,560,457	3,176,372
Loans and time deposits	1,432,011	820,576
	7,715,512	**14,936,047**
Less: Allowance for impairment losses	(64,405)	(68,499)
Total due from banks	**7,651,107**	**14,867,548**

Movements in allowance for impairment losses on balances due from banks for the years ended 31 December 2013 and 2012 are disclosed in Note 6.

As at 31 December 2013 and 2012, due from banks included accrued interest income in the amount of UAH 60,843 thousand and UAH 246,505 thousand, respectively.

The carrying amounts of all reverse repurchase agreements and the fair value of assets used as collateral are as follows:

	31 December 2013		31 December 2012	
	Carrying amounts of loans	Fair value of collateral	Carrying amounts of loans	Fair value of collateral
Ukrainian Government debt securities	3,150,485	3,289,569	10,451,926	8,254,963
Bonds issued by local authorities	491,850	504,955	487,173	502,390
Bonds issued by entities	80,709	151,771	-	-
Total	**3,723,044**	**3,946,295**	**10,939,099**	**8,757,353**

As at 31 December 2013, loans under reverse repurchase agreements had contractual maturities in the period from January to September of 2014.

As at 31 December 2012, loans under reverse repurchase agreements had contractual maturities in January, March, and September 2013.

As at 31 December 2013 and 2012, loans to other banks in the amount of UAH 420,000 thousand and UAH 40,168 thousand, respectively, were secured by a collateral of real estate.

As at 31 December 2013 and 2012, the maximum credit risk exposure on due from banks amounted to UAH 7,651,107 thousand and UAH 14,867,548 thousand, respectively. As at 31 December 2013, the maximum credit risk exposure on contingent liabilities and credit commitments issued by the Group to customers was represented by the confirmed reserve letters of credit issued by other banks and amounted to UAH 331,246 thousand (Note 27).

As at 31 December 2013 and 2012, due from banks included guarantee deposits placed by the Group for its operations with plastic cards and letters of credit in the amount of UAH 27,932 thousand and UAH 27,922 thousand, respectively.

As at 31 December 2013 and 2012, the Group had placements with ten banks in the amount of UAH 6,695,935 thousand (87%) and UAH 14,312,364 thousand (96%), respectively, which represents a significant concentration.

As at 31 December 2013, a placement with one bank exceeded 10% of the Group’s equity.

14. LOANS TO CUSTOMERS

Loans to customers comprise:

	31 December 2013	31 December 2012
Loans to customers	64,270,256	61,346,351
Less: Allowance for impairment losses	(12,090,689)	(10,008,775)
Total loans to customers	**52,179,567**	**51,337,576**

Movements in allowances for impairment losses for the years ended 31 December 2013 and 2012 are disclosed in Note 6.

As at 31 December 2013 and 2012, loans to customers included accrued interest income in the amount of UAH 2,616,597 thousand and UAH 1,825,262 thousand, respectively.

The table below summarizes the amount of loans secured by a respective collateral, rather than the fair value of the collateral itself:

	31 December 2013	31 December 2012
Loans collateralized by equipment, other movables, and rights thereon	30,061,619	31,844,848
Loans collateralized by real estate and rights thereon	24,750,091	19,897,251
Loans collateralized by debt securities and guarantees issued by state authorities	4,968,638	5,735,197
Unsecured loans	3,751,985	3,351,506
Loans collateralized by cash	737,923	517,549
	64,270,256	**61,346,351**
Less: Allowance for impairment losses	(12,090,689)	(10,008,775)
Total loans to customers	**52,179,567**	**51,337,576**

As at 31 December 2013 and 2012, included in unsecured loans were loans collateralized by warranties. As at 31 December 2013 and 2012, loans collateralized by warranties amounted to UAH 1,231,597 thousand and UAH 1,322,830 thousand, respectively.

As at 31 December 2013 and 2012, included in unsecured loans were also payment card loans in the amount of UAH 686,121 thousand and UAH 471,563 thousand, respectively, the repayments of which are supported by salary proceeds on those card accounts.

The table below represents the Group's borrowers' structure as at 31 December 2013 and 2012 by industry sector:

	31 December 2013	31 December 2012
Analysis by sector:		
Oil, gas, and chemical production	16,069,078	21,154,117
Construction and real estate	13,460,097	10,771,749
Energy	11,589,032	8,295,943
Trade	5,655,454	5,444,542
Individuals	4,558,230	4,564,554
Food and beverage manufacturing and processing	4,307,539	3,512,334
Mining and metallurgy	2,808,057	2,266,267
Construction and road maintenance	2,340,432	2,483,429
Agriculture	1,371,093	1,072,694
Engineering	863,385	857,038
Industrial and consumer goods manufacturing	631,494	219,581
Transport	479,590	505,158
Services	113,540	17,294
Municipal authorities	12,007	12,153
Press and publishing	3,021	2,983
Media and communications	609	211
Financial services	384	12
Hotel and restaurant business	-	74,368
Other	7,214	91,924
	64,270,256	**61,346,351**
Less: Allowance for impairment losses	(12,090,689)	(10,008,775)
Total loans to customers	**52,179,567**	**51,337,576**

The Group obtained real estate property and other assets by taking possession of collateral it held as security. As at 31 December 2013 and 2012, such assets in the amount of UAH 169 thousand and UAH 171 thousand, respectively, were included in other assets (Note 18).

Loans to individuals comprise the following products:

	31 December 2013	31 December 2012
Consumer loans secured by real estate and guarantees	1,675,333	1,857,883
Mortgage loans	1,383,509	1,299,617
Car loans	426,300	531,334
Other consumer loans	386,967	404,157
Payment card loans	686,121	471,563
	4,558,230	**4,564,554**
Less: Allowance for impairment losses	(1,798,907)	(2,210,410)
Total loans to individuals	**2,759,323**	**2,354,144**

As at 31 December 2013 and 2012, the maximum credit risk exposure on loans to customers amounted to UAH 52,179,567 thousand and UAH 51,337,576 thousand, respectively. As at 31 December 2013 and 2012, the maximum credit risk exposure on contingent liabilities and credit commitments extended by the Group to its customers amounted to UAH 2,884,922 thousand and UAH 2,366,717 thousand, respectively (Note 27).

As at 31 December 2013 and 2012, loans to customers in the amount of UAH 37,139,940 thousand (58%) and UAH 41,265,164 thousand (67%), respectively, were granted to ten borrowers or groups of borrowers, which represents a significant concentration.

As at 31 December 2013 and 2012, the following loans were provided to the related state-owned company National Joint Stock Company “Naftogaz of Ukraine”:

Name	Interest rate, %	Maturity	31 December 2013	Interest rate, %	Maturity	31 December 2012
National Joint Stock Company “Naftogaz of Ukraine”	13.5	31 March 2015	10,384,923	13.5	31 March 2015	11,738,263
National Joint Stock Company “Naftogaz of Ukraine”	10.0	31 March 2015	2,830,045	11.0	31 March 2015	5,339,287
National Joint Stock Company “Naftogaz of Ukraine”	10.0	31 March 2015	2,046,732	11.0	31 March 2015	3,251,767
			15,261,700			20,329,317
Less: Allowance for impairment losses			(2,816,084)			(3,751,160)
Total			**12,445,616**			**16,578,157**

As at 31 December 2013 and 2012, the loans granted to the related state-owned company National Joint Stock Company “Naftogaz of Ukraine” in the amount of UAH 15,261,700 thousand and UAH 20,329,317 thousand represented 24% and 33%, respectively, of the total gross loan portfolio, before allowance for impairment losses, which is a significant concentration of transactions with one borrower and related party transactions (Notes 28, 33).

As at 31 December 2013 and 2012, the loans granted to the related state-owned company National Joint Stock Company “Naftogaz of Ukraine” with the carrying amounts of UAH 12,445,616 thousand and UAH 16,578,157 thousand, respectively, were used as a collateral to secure loans received from the National Bank of Ukraine (Note 19).

As at 31 December 2013 and 2012, the loans to other borrowers with the carrying value of UAH 897,616 thousand and UAH 1,516,108 thousand, respectively, were used as a collateral to secure loans received from the National Bank of Ukraine (Note 19).

15. INVESTMENTS AVAILABLE FOR SALE

Investments available for sale comprise:

	31 December 2013	31 December 2012
Ukrainian Government debt securities:		
Medium-term Ukrainian Government debt securities, including securities with early redemption feature	10,578,648	2,921,186
Long-term Ukrainian Government debt securities, including securities with early redemption feature	9,696,085	-
Short-term Ukrainian Government debt securities	799,517	999,990
Ukrainian Government debt securities for settlement of budget indebtedness on value added tax	368	512
	21,074,618	3,921,688
Other:		
Bonds issued by corporate entities	11,168,814	4,996,265
Bonds issued by local government authorities	1,745,968	1,743,959
Bonds issued by State Mortgage Institution	506,043	475,753
Promissory notes	1,396	-
	13,422,221	7,215,977
Less: Allowance for impairment losses	(1,278,833)	(1,071,777)
Total debt securities available for sale	**33,218,006**	**10,065,888**
Equity securities:		
Corporate shares	48,667	22,849
Less: Allowance for impairment losses	(15,097)	(15,069)
Total equity securities available for sale	**33,570**	**7,780**
Total investments available for sale	**33,251,576**	**10,073,668**

Movements in allowances for impairment losses for the years ended 31 December 2013 and 2012 are disclosed in Note 6.

As at 31 December 2013 and 2012, investments available for sale included accrued interest income in the amount of UAH 637,824 thousand and UAH 255,707 thousand, respectively.

During 2013, the Group acquired the bonds issued by the related state-owned company National Joint Stock Company "Naftogaz of Ukraine" with the carrying amounts as at 31 December 2013 of UAH 4,409,648 thousand, which represents 13% of the total investments available for sale, before allowance for impairment losses. The issue of these bonds was secured by the state guarantee.

As at 31 December 2013 and 2012, debt securities with the carrying amounts of UAH 13,998,869 thousand and UAH 2,280,283 thousand, respectively, were used as a collateral to secure loans received from the National Bank of Ukraine (Note 19).

As at 31 December 2013, upon the transfer of its voting right to proxies, the Bank lost the significant influence over PJSC "National Depository of Ukraine", without changing the title of ownership, therefore, the Bank's investments in the shares of PJSC "National Depository of Ukraine" in the amount of UAH 26,143 thousand were reclassified to investments available for sale (Note 16).

16. INVESTMENTS IN ASSOCIATES

In 2012, the Bank acquired shares in PJSC "National Depository of Ukraine" and, as at 31 December 2012, the Bank's interest in the equity of PJSC "National Depository of Ukraine" amounted to 24.99%. In 2013, PJSC "National Depository of Ukraine" acquired the status of the Central Depository in accordance with the effective legislation. Pursuant to Article 9, Part 4 of the Law of Ukraine "On Depository System of Ukraine", an interest of one shareholder, together with related parties, in the contributed capital of the Central Depository should not exceed 5%. To ensure the compliance with the Law, in accordance with the decision of the NSSMC dated 15 October 2013, proxies represented by the members of the NSSMC were assigned with the voting right to 2,063 shares belonging to the Bank. Thus, as at 31 December 2013, upon the transfer of its voting right to proxies, the Bank retained the voting right to 516 shares, which is 5% of the contributed capital of PJSC "National Depository of Ukraine". Correspondingly, the Bank lost the significant influence on the Central Depository of Securities, without any change in the title of ownership. As at 31 December 2013, the Bank's investments in PJSC "National Depository of Ukraine" were reclassified to investments available for sale (Note 15).

17. PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

Property and equipment and intangible assets comprise:

	Buildings	Leasehold improvements	Furniture and office equipment	Vehicles	Construction in progress	Intangible assets	Total
At cost/revalued amount							
31 December 2012	**1,541,673**	**74,013**	**1,211,249**	**470,712**	**323,584**	**144,426**	**3,765,657**
Additions	61,392	-	376,063	153,224	135,854	52,046	778,579
Transfers	63,678	21,191	-	-	(101,539)	16,670	-
Disposals	(114)	(13,742)	(24,346)	(5,507)	-	(3,551)	(47,260)
31 December 2013	**1,666,629**	**81,462**	**1,562,966**	**618,429**	**357,899**	**209,591**	**4,496,976**
Accumulated depreciation and amortization							
31 December 2012	**30,750**	**40,211**	**555,465**	**102,485**	**-**	**50,828**	**779,739**
Charges for the year	31,744	16,656	166,441	63,069	-	33,634	311,544
Eliminated on disposals	(33)	(12,480)	(24,028)	(5,404)	-	(3,540)	(45,485)
31 December 2013	**62,461**	**44,387**	**697,878**	**160,150**	**-**	**80,922**	**1,045,798**
Net book value							
31 December 2013	**1,604,168**	**37,075**	**865,088**	**458,279**	**357,899**	**128,669**	**3,451,178**
31 December 2012	**1,510,923**	**33,802**	**655,784**	**368,227**	**323,584**	**93,598**	**2,985,918**

	Buildings	Leasehold improvements	Furniture and office equipment	Vehicles	Construction in progress	Intangible assets	Total
At cost/revalued amount							
31 December 2011	**1,444,367**	**70,348**	**918,883**	**273,273**	**271,575**	**60,058**	**3,038,504**
Additions	49,959	17	311,102	200,753	11,943	76,289	650,063
Transfers from other assets (Note 18)	-	-	-	-	105,220	-	105,220
Revaluation	4,747	-	-	-	-	-	4,747
Transfers	43,333	13,220	-	-	(64,904)	8,351	-
Disposals	(733)	(9,572)	(18,736)	(3,314)	(250)	(272)	(32,877)
31 December 2012	**1,541,673**	**74,013**	**1,211,249**	**470,712**	**323,584**	**144,426**	**3,765,657**
Accumulated depreciation and amortization							
31 December 2011	**699**	**32,478**	**446,540**	**64,947**	**-**	**27,761**	**572,425**
Charges for the year	30,399	16,386	127,609	40,838	-	23,291	238,523
Eliminated on disposals	(348)	(8,653)	(18,684)	(3,300)	-	(224)	(31,209)
31 December 2012	**30,750**	**40,211**	**555,465**	**102,485**	**-**	**50,828**	**779,739**
Net book value							
31 December 2012	**1,510,923**	**33,802**	**655,784**	**368,227**	**323,584**	**93,598**	**2,985,918**
31 December 2011	**1,443,668**	**37,870**	**472,343**	**208,326**	**271,575**	**32,297**	**2,466,079**

As at 31 December 2013 and 2012, the buildings and office premises owned by the Group were not revalued, since, according to the opinion of an independent appraiser, the carrying amounts of the buildings and office premises did not differ materially from their fair values as at the reporting date.

As at 31 December 2011, the buildings and office premises owned by the Group were revalued to market prices by an independent appraiser. Sales comparison method was used for estimation of the fair value of buildings and office premises. For items with no market analogues, income capitalization method was applied.

Had the buildings been accounted for at historical cost less accumulated depreciation and impairment losses, their carrying value would be UAH 658,017 thousand and UAH 540,296 thousand as at 31 December 2013 and 2012, respectively.

Certain buildings not yet put into operations are included in the construction in progress category. The carrying amounts of buildings held within construction in progress as at 31 December 2013 and 2012 were UAH 241,501 thousand and UAH 252,354 thousand, respectively.

18. OTHER ASSETS

Other assets comprise:

	31 December 2013	31 December 2012
Other financial assets:		
Income accrued	36,515	27,696
Fair value of currency forward agreements	20,038	2,374
Other accounts receivable	44,581	31,139
	101,134	61,209
Less: Allowance for impairment losses	(6,569)	(3,689)
	94,565	57,520
Other non-financial assets:		
Prepayments for purchase of assets	87,687	18,198
Prepaid expenses	43,021	36,232
Precious metals	38,859	33,714
Inventories	37,746	34,530
Receivables from employees and third parties	25,495	15,780
Non-current assets held for sale	9,799	10,162
Prepaid services	9,306	13,898
Receivables on taxes and obligatory payments	2,813	4,926
Prepaid precious metals	212	-
Collateral repossessed by the Group (Note 14)	169	171
Income taxes prepaid	-	57,881
Other	3	6,986
	255,110	232,478
Less: Allowance for impairment losses	(50,586)	(32,062)
	204,524	200,416
Total other assets	**299,089**	**257,936**

Movements in allowances for impairment losses for the years ended 31 December 2013 and 2012 are disclosed in Note 6.

During 2012, the Group transferred to property and equipment from other assets a building with the carrying amount of UAH 105,220 thousand (Note 17), which was accounted for as at 31 December 2011 as collateral repossessed by the Group.

Precious metals are represented by gold and silver in vault.

19. DUE TO BANKS

Due to banks comprises:

	31 December 2013	31 December 2012
Loans from the National Bank of Ukraine	14,731,757	14,346,757
Loans under repurchase agreements from the National Bank of Ukraine	5,906,032	3,781,158
Loans from banks	2,961,236	1,076,830
Correspondent accounts of other banks	479,322	19,737
Total due to banks	**24,078,347**	**19,224,482**

As at 31 December 2013 and 2012, due to banks included accrued interest expenses in the amount of UAH 54,990 thousand and UAH 59,619 thousand, respectively.

As at 31 December 2013 and 2012, due to banks included loans from the NBU, including loans under repurchase agreements, in the amount of UAH 20,637,789 thousand (86%) and UAH 18,127,915 thousand (94%), respectively, which represents a significant concentration.

As at 31 December 2013 and 2012, included in loans from the NBU, including loans under repurchase agreements, were loans from the NBU in the amount of UAH 20,637,789 thousand and UAH 18,127,915 thousand with interest rates within the ranges from 6.5% to 8.5% per annum and from 7.5% to 9.5% per annum and with maturities in the periods from 9 January 2014 to 31 March 2015 and from 3 January 2013 to 31 March 2015, respectively.

As at 31 December 2013, loans from the NBU, including loans under repurchase agreements, in the amount of UAH 20,637,789 thousand were secured by debt securities available for sale that are carried in the Group's accounting records with the fair value of UAH 13,998,869 thousand, loans to the related state-owned company National Joint Stock Company "Naftogaz of Ukraine" with the carrying value of UAH 12,445,616 thousand, loans to other borrowers with the carrying value of UAH 897,616 thousand, and cash balances with the National Bank of Ukraine with the carrying value of UAH 425,000 thousand (Notes 12,14,15).

As at 31 December 2012, loans from the NBU, including loans under repurchase agreements, in the amount of UAH 18,127,915 thousand were secured by debt securities available for sale that are carried in the Group's accounting records with the fair value of UAH 2,280,283 thousand, debt securities that are carried on the off-balance accounts with the fair value of UAH 2,523,874 thousand, loans to the related state-owned company National Joint Stock Company "Naftogaz of Ukraine" with the carrying value of UAH 16,578,157 thousand, loans to other borrowers with the carrying value of UAH 1,516,108 thousand, and cash balances with the National Bank of Ukraine with the carrying value of UAH 425,000 thousand (Notes 12,14,15).

Subsequent to 31 December 2013 and 2012, settlements of loans received under repurchase agreements with the National Bank of Ukraine were made in accordance with the contractual maturities.

20. CUSTOMER ACCOUNTS

Customer accounts comprise:

	31 December 2013	31 December 2012
Term deposits	28,561,473	22,457,747
Repayable on demand	17,847,260	16,419,546
Total customer accounts	**46,408,733**	**38,877,293**

As at 31 December 2013 and 2012, customer accounts included accrued interest expenses in the amount of UAH 880,031 thousand and UAH 810,385 thousand, respectively.

As at 31 December 2013 and 2012, the total balances of top ten customers amounted to UAH 5,971,806 thousand and UAH 5,631,800 thousand, which represents 13% and 14%, respectively.

The table below represents customer accounts' structure as at 31 December 2013 and 2012 by industry sectors:

	31 December 2013	31 December 2012
Analysis by sector:		
Individuals	35,841,506	29,646,310
Media and communications	2,246,127	1,417,391
Energy	2,180,590	2,115,792
Trade	911,360	540,804
Oil, gas, and chemical production	886,129	4,560
Financial services	643,197	786,928
Food and beverage manufacturing and processing	676,521	456,895
Services	639,258	888,917
Agriculture	607,148	529,841
Investing activities	514,509	328,245
Construction and real estate	318,049	378,370
Transport	122,757	100,644
Industrial and consumer goods manufacturing	72,009	48,158
Mining and metallurgy	62,604	35,047
Engineering	43,239	34,092
Press and publishing	20,330	19,285
Municipal authorities	4,466	1,011,230
Hotel and restaurant business	-	29,936
Other	618,934	504,848
Total customer accounts	**46,408,733**	**38,877,293**

21. EUROBONDS ISSUED

Eurobonds issued comprise:

Issue date	Maturity	Coupon rate p.a., %	Carrying value, 31 December 2013	Carrying value, 31 December 2012
March and July 2011	10 March 2016	8.250	5,722,579	5,719,229
March 2013	20 March 2018	8.875	4,073,233	-
			9,795,812	**5,719,229**

In March 2011, the Bank received a loan from SSB NO.1 Plc in the amount of USD 500 million at the interest rate of 8.250% p.a. with maturity in 2016. The loan was funded by SSB NO.1 Plc through the issue of Eurobonds in the form of 5-year loan participation notes with the par value of USD 500 million and fixed coupon rate of 8.250% p.a. In July 2011, SSB NO.1 granted the Bank with a loan in the amount of USD 200 million at the interest rate of 8.250% p.a. with maturity in 2016, which was funded by an additional issue of Eurobonds with the par value of USD 200 million that were consolidated into a single series of loan participation notes for the total amount of USD 700 million with maturity in 2016. The Eurobonds are listed on the Irish Stock Exchange.

In March 2013, the Bank received a loan from SSB NO.1 Plc in the amount of USD 500 million at the interest rate of 8.875% p.a. with maturity in 2018. The loan was funded by SSB NO.1 Plc through the issue of Eurobonds in the form of 5-year loan participation notes with the par value of USD 500 million and fixed coupon rate of 8.875% p.a. The Eurobonds are listed on the Irish Stock Exchange.

Interest on the Eurobonds issued maturing in 2016 is to be paid semi-annually in arrears in equal instalments on 10 September and 10 March each year commencing from 10 September 2011.

Interest on the Eurobonds issued maturing in 2018 is to be paid semi-annually in arrears in equal instalments on 20 September and 20 March each year commencing from 20 September 2013.

As at 31 December 2013 and 2012, included in the Eurobonds issued were accrued interest expenses in the amount of UAH 242,754 thousand and UAH 144,089 thousand, respectively.

The Bank is obligated to comply with certain covenants specified in the loan agreement with SSB NO.1 Plc in relation to the Eurobonds issued. These covenants include a requirement to submit financial statements according to the schedule stated below, restriction to declare or pay dividends or make other distributions if this may lead to delays in repayment of the Eurobonds or if such distributions, in aggregate, exceed 30% of net profits of the Group for the relevant period (calculated in accordance with the laws of Ukraine), certain limitations on transactions with related parties, etc.

In accordance with the terms of the loan agreements, the Bank is required to submit the following financial statements:

- Audited annual financial statements prepared in accordance with IFRS within 180 days from the reporting date;
- Unaudited interim IFRS financial statements for the six months ending 30 June within 120 days from the reporting date.

SSB NO.1 Plc has the right to enforce obligations of the Bank regarding compliance with the covenants. No specific action is prescribed by the agreement in case of the Bank's non-compliance with the covenants.

22. OTHER BORROWED FUNDS

	Currency	Maturity	Interest rate, %	Carrying amount, 31 December 2013	Carrying amount, 31 December 2012
Loans from a foreign financial institution	USD	April–October 2014	8.25	719,844	-
Loans from a foreign financial institution	USD	October 2014	4.50	76,463	-
Loans from a foreign financial institution	USD	July 2014	5.50	38,884	-
Deposit from a foreign investor	UAH	April 2013	12.25	-	505,188
Total other borrowed funds				**835,191**	**505,188**

As at 31 December 2013 and 2012, included in other borrowed funds were accrued interest expenses in the amount of UAH 27,523 thousand and UAH 5,188 thousand, respectively.

As at 31 December 2013, the Group's amounts due to a foreign financial institution amounted to UAH 835,191 thousand. The interest rate on all borrowings was set in the range from 4.50% to 8.25% p.a. payable on maturity. The period of each of such borrowings does not exceed 365 calendar days.

In April 2012, the Bank obtained a deposit placed by a foreign investor in the amount of UAH 500,000 thousand with the interest rate of 12.25% payable on a monthly basis and maturing in April 2013. The deposit was returned in April 2013 in accordance with the agreement terms and conditions.

On 30 December 2013, the Bank and the European Investment Bank ("EIB") entered into a financing agreement that stipulates opening a credit line in the amount of EUR 220,000 thousand for the period of 10 years. Withdrawals are available in USD and EUR. The objective of this credit line facility is to finance small and medium business entities, midcap companies, and other priority projects. As at 31 December 2013, the amounts due under this credit line amounted to UAH nil.

According to the financing agreement with EIB, the Bank is obligated to comply with certain information requirements and covenants that include a requirement to maintain at a certain level the respective ratios: maximum credit risk exposures, capital adequacy, related party transactions, open credit risk, liquidity, and other financial ratios.

23. DEBT SECURITIES ISSUED

Debt securities issued were as follows:

	Annual coupon rate, %	Carrying amount, 31 December 2013	Maturity of principal	Annual coupon rate, %	Carrying amount, 31 December 2012
B Series	-	-	7 February 2013	14	204,164
Total debt securities issued		**-**			**204,164**

As at 31 December 2013 and 2012, debt securities issued included accrued interest expenses in the amount of UAH nil and UAH 4,142 thousand, respectively.

In February 2013, the Bank repaid bonds of B Series in accordance with schedule specified in the Prospectus. Debt securities were issued in 2008.

24. OTHER LIABILITIES

Other liabilities comprise:

	31 December 2013	31 December 2012
Other financial liabilities:		
Provision for guarantees and other commitments	186,206	60,148
Provision for unused vacations	119,768	109,481
Accrued bonuses and salary	57,027	56,455
Fair value of currency spot and forward agreements	13,881	16,090
Other accounts payable	5,850	1,821
Expenses accrued	4,654	4,515
Other	126	2,378
	387,512	250,888
Other non-financial liabilities:		
Income taxes payable	58,180	-
Advances received	52,353	1,296
Taxes payable, other than income tax	11,341	12,229
Other	26,846	3,867
	148,720	17,392
Total other liabilities	**536,232**	**268,280**

Movements in provision for guarantees and other commitments for the years ended 31 December 2013 and 2012 are disclosed in Note 6.

25. SUBORDINATED DEBT

Subordinated debt comprises:

	Currency	Maturity of principal	Interest rate, %	31 December 2013	Interest rate, %	31 December 2012
The Royal Bank of Scotland N.V.	USD	19 January 2017	5.81	840,406	6.11	842,180
Total subordinated debt				**840,406**		**842,180**

As at 31 December 2013 and 2012, subordinated debt included accrued interest expenses in the amount of UAH 44,367 thousand and UAH 47,210 thousand, respectively.

In 2010, the Royal Bank of Scotland N.V. became the successor of the bank ABN AMRO N.V. The respective changes in the loan agreement were registered with the NBU on 9 February 2011.

Starting from 19 January 2012, the interest rate was set at LIBOR + 5%. According to the loan agreement, the Group has the right to early repay the loan at any interest payment date by providing the creditor with a notice not later than 30 days prior to such a date. The next interest payment date is 22 January 2014. To date, the Group has no plans to exercise the early redemption option.

In the event of bankruptcy or liquidation of the Group, repayment of this debt is subordinate to the repayments of the Group's liabilities to all other creditors.

In accordance with the terms of the loan agreement, the Group should comply, inter alia, with the following covenants and is required to submit:

- Audited annual financial statements prepared in accordance with IFRS within 180 days from the reporting date;
- Unaudited interim IFRS financial statements for the six months ending 30 June within 90 days from the reporting date.

The Royal Bank of Scotland N.V. has the right to enforce obligations of the Group regarding compliance with the covenants. No specific action is prescribed by the agreement in case of the Group's non-compliance with the covenants.

26. SHARE CAPITAL

Share capital comprises:

	Number of shares, units	Nominal value, UAH thousands	Adjusted amount, UAH thousands
31 December 2011	**14,496**	**14,496,000**	**14,748,140**
Total shares issued, registered, and fully paid	-	-	-
31 December 2012	**14,496**	**14,496,000**	**14,748,140**
Total increase in the nominal value of shares due to capitalization of the Bank's retained earnings	-	1,333,632	1,333,632
Total shares issued and fully paid but not registered	1,282	1,399,944	1,399,944
31 December 2013	**15,778**	**17,229,576**	**17,481,716**

As at 31 December 2013 and 2012, the nominal value of shares amounted to UAH 1,092,000 and UAH 1,000,000 per share, respectively. All shares rank equally and carry one vote.

These consolidated financial statements reflect the amount of paid share capital carried at cost, which was adjusted for the effect of hyperinflation in the amount of UAH 252,140 thousand that existed before 31 December 2000.

On 20 October 2011, the Government of Ukraine decided to increase the share capital of the Bank by the amount of UAH 1,041,900 thousand through the capitalization of retained earnings of the Bank by increasing the nominal value of shares. The respective amendments to the Bank's Charter were agreed with the NBU on 4 May 2012 and registered by the State Registrar at the Pecherska District State Administration in the city of Kyiv on 8 May 2012. On 9 April 2013, the NSSMC registered this increase.

On 12 June 2013, the Government of Ukraine decided to increase the share capital of the Bank by the amount of UAH 291,732 thousand by increasing the nominal value of shares. The respective amendments to the Bank's Charter were agreed with the NBU on 12 July 2013 and registered by the State Registrar of Legal Entities and Individual Entrepreneurs at the Head Justice Department in the city of Kyiv on 17 July 2013. On 27 September 2013, the NSSMC registered this increase.

On 3 July 2013, the Government of Ukraine decided to increase the share capital of the Bank through the issue of 1,282 new shares with the nominal value of UAH 1,092,000 per share. The Bank's new shares were paid for on 10 December 2013 by Ukrainian government debt securities of the special issue with the nominal value of UAH 1,400,000 thousand. The difference between the nominal value of Ukrainian government debt securities received and the Bank's shares issued under this decision in the amount of UAH 56 thousand was transferred to the State Budget of Ukraine. As at 31 December 2013, this increase in the share capital was not yet registered by the State Registrar of Legal Entities and Individual Entrepreneurs at the Head Justice Department in the city of Kyiv, the NBU, and the NSSMC.

In 2013 and 2012, the Bank paid as distribution of profit based on the financial results of 2012 and 2011 to the general fund of the State Budget of Ukraine in accordance with the requirements of Article 11 of the Law of Ukraine "On State Property Management" # 185-V dated 21 September 2006 the amount of UAH 198,794 thousand and UAH 151,253 thousand, respectively.

27. CONTINGENCIES AND CONTRACTUAL COMMITMENTS

In the normal course of business, the Group is a party to financial instruments with off-balance risk in order to meet the needs of its customers. These instruments, involving varying degrees of credit risk, are not reflected in the consolidated statement of financial position.

The Group's maximum exposure to credit loss under contingent liabilities and contractual commitments to extend credit, in the event of non-performance by the other party where all counterclaims, collateral, or security prove valueless, is represented by the contractual amounts of those instruments.

The Group uses the same credit control and management policies in undertaking off-balance commitments as it does for on-balance operations.

As at 31 December 2013 and 2012, the nominal or contractual amounts were as follows:

	31 December 2013	31 December 2012
Contingent liabilities and credit commitments		
Guarantees issued and similar commitments	2,576,385	1,963,718
Letters of credit and other transaction related to contingent obligations	618,906	-
Irrevocable commitments on loans and unused credit lines	207,083	463,147
Total contingent liabilities and credit commitments	**3,402,374**	**2,426,865**

As at 31 December 2013 and 2012, provision for guarantees and other commitments amounted to UAH 186,206 thousand and UAH 60,148 thousand, respectively (Notes 6, 24).

As at 31 December 2013, guarantees issued and similar commitments included confirmed reserve letters of credit issued by other banks in the amount of UAH 331,246 thousand (Note 13).

Extension of loans to customers within loans and credit line limits is approved by the Group on a case-by-case basis and depends on the borrowers' financial performance, debt service, and other conditions. As at 31 December 2013 and 2012, total amount of such revocable commitments amounted to UAH 10,986,093 thousand and UAH 5,840,695 thousand, respectively.

Capital commitments – As at 31 December 2013 and 2012, the Group had no capital commitments.

Operating lease commitments – Where the Group is a lessee, the future minimum lease payments under non-cancellable operating leases are as follows:

	31 December 2013	31 December 2012
Within one year	98,228	50,533
Later than one year and not later than five years	106,827	57,364
Later than five years	70,536	52,764
Total operating lease commitments	**275,591**	**160,661**

Legal proceedings – From time to time and in the normal course of business, claims against the Group are received from customers and counterparties. Management believes that no material losses will be incurred and, accordingly, no provision has been made in these consolidated financial statements.

Taxation – Due to presence in the Ukrainian commercial legislation, and tax legislation in particular, of provisions allowing more than one interpretation, and also due to the practice developed in a generally unstable environment by the tax authorities of making arbitrary judgment of business activities, if a particular treatment based on management's judgment of the Group's business activities was to be challenged by the tax authorities, the Group may be assessed additional taxes, penalties, and interest. Such uncertainty may relate to the valuation of financial instruments, impairment provisions, and the market level for pricing of deals. The Group believes that it has already made all tax payments, and, therefore, no allowance has been made in the consolidated financial statements. Tax records remain open to review by the tax authorities for three years.

During the tax audit conducted in 2005, additional tax liabilities and financial sanctions totaling to UAH 11,070 thousand were assessed. The tax authorities challenged the tax deductibility of the provision for doubtful receivables under the transactions that did not relate to active banking transactions. The Bank did not agree with the tax authorities and, on 9 June 2006, filed a court case. On 20 September 2006, the court requested an independent legal expert to assess the appropriateness of deductibility of the provision. On 5 March 2007, the Kyiv Research Institute of Legal Expertise partly agreed with the Bank's approach. On 31 October 2007, the court ruled in favor of the Bank. The tax authorities appealed the decision under an appeal procedure. This ruling was confirmed by the Kyiv Administrative Court of Appeal, thus, it came into effect. The tax authorities appealed the court rulings under cassation procedure at the Higher Administrative Court of Ukraine. On 16 November 2010, according to the decision of the Higher Administrative Court of Ukraine, the rulings of the 1st and appellate courts were cancelled, and the case was directed to a new hearing at the Kyiv Regional Administrative Court. On 6 June 2011, the Kyiv Regional Administrative Court dismissed the claim in full. On 16 June 2011, the Bank appealed against the ruling of the Kyiv Regional Administrative Court dated 6 June 2011. The Kyiv Administrative Court of Appeal, by its ruling dated 1 August 2012, dismissed the Bank's appeal and affirmed the ruling of the Kyiv Regional Administrative Court dated 6 June 2011. On 20 August 2012, the Bank filed an appeal of cassation against the ruling of the Kyiv Regional Administrative Court dated 6 June 2011 and the decision of the Kyiv Administrative Court of Appeal dated 1 August 2012. The Higher Administrative Court of Ukraine decided on 30 August 2012 to open a cassation proceeding in respect of the Bank's appeal. The Higher Administrative Court of Ukraine, by its ruling dated 28 May 2013, sustained the Bank's cassation appeal in full, annulled the ruling of the Kyiv Regional Administrative Court dated 6 June 2011 and the decision of the Kyiv Administrative Court of Appeal dated 1 August 2012 with regard to the case # 2a-1276/11/2670, and remitted the case for the fresh examination by the court of first instance. On 14 October 2013, the Kyiv Administrative Court ruled to deny the Bank's claim in full. On 24 October 2013, the Bank filed an appeal against the ruling of the Kyiv Administrative Court dated 14 October 2013. On 25 March 2014 by decision of the Kyiv Administrative Court of Appeal canceled the decision of Kyiv Administrative Court and approved new decision on partially satisfying of Bank's claim, tax note-decision № 0000052320/1 dated 21 March 2006 declared invalid. No provisions for this additional tax assessment have been created in these consolidated financial statements.

Starting from 1 September 2013, the Ukrainian legislation was amended by new transfer pricing rules. These rules introduce additional reporting and documentation requirements to transactions. The new legislation allows the tax authorities to impose additional tax liabilities in respect of certain transactions, including, but not limited to, transactions with related parties, if they consider transaction to be priced not at arm's length. As the practice of implementation of the new transfer pricing rules has not yet developed and wording of some clauses of the rules is unclear, the impact of challenge of the Group's transfer pricing positions by the tax authorities cannot be reliably estimated.

Pensions and retirement plans – Employees receive pension benefits in accordance with the laws and regulations of Ukraine, which requires current contributions by an employer calculated as a percentage of current gross salary payments, with such expense charged in the period the related salaries are earned. Employees have the right to receive pensions in the amount of such accumulated payments from the state pension fund. As at 31 December 2013 and 2012, the Group was not liable for any supplementary pensions, health care, insurance benefits, or retirement indemnities to its current or former employees.

28. RELATED PARTY TRANSACTIONS

Related parties of the Group, as defined by IAS 24 (revised 2009) "Related Party Disclosures", represent:

a) A person or a close member of that person's family is related to the reporting entity if that person:
   i) has control or joint control over the reporting entity;
   ii) has significant influence over the reporting entity; or
   iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

b) An entity is related to the reporting entity if any of the following conditions applies:
   i) the entity and the reporting entity are members of the same group (which means that each parent, subsidiary, and fellow subsidiary is related to the others);
   ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
   iii) both entities are joint ventures of the same third party;
   iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
   v) the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity;
   vi) the entity is controlled or jointly controlled by a person identified in a);
   vii) a person identified in a)i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

As at 31 December 2013 and 2012, 100% of Bank's share capital is state-owned.

Transactions and balances with related parties comprise transactions with government, government-related entities (both directly and indirectly), key management personnel of the Group, and entities, if any, that are controlled, jointly controlled, or significantly influenced by them.

Government-related entities are entities that are controlled, jointly controlled, or significantly influenced by the government.

Government refers to the Government of Ukraine, government agencies, and similar bodies, whether local, national, or international.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

The Group had the following balances with its related parties as at 31 December 2013 and 2012:

	31 December 2013		31 December 2012	
	Related party balances	**Total category as per consolidated financial statements caption**	**Related party balances**	**Total category as per consolidated financial statements caption**
Balances with the National Bank of Ukraine:	2,630,544	2,630,544	2,216,597	2,216,597
- other related parties	2,630,544		2,216,597	
Due from banks:	64,528	7,651,107	328,117	14,867,548
- other related parties	64,528		328,117	
Loans to customers, before allowance for impairment losses:	23,860,267	64,270,256	28,705,334	61,346,351
- key management personnel of the Group	1,627		1,799	
- other related parties	23,858,640		28,703,535	
Allowance for impairment losses on loans to customers:	(3,686,674)	(12,090,689)	(4,402,343)	(10,008,775)
- key management personnel of the Group	(253)		(145)	
- other related parties	(3,686,421)		(4,402,198)	
Investments available for sale:	31,326,400	33,251,576	8,624,064	10,073,668
- other related parties	31,326,400		8,624,064	
Investments in associates:	-	-	26,143	26,143
- associates	-		26,143	
Due to banks:	20,877,730	24,078,347	18,648,604	19,224,482
- other related parties	20,877,730		18,648,604	
Customer accounts:	5,322,016	46,408,733	4,904,108	38,877,293
- key management personnel of the Group	64,625		91,440	
- other related parties	5,257,391		4,812,668	
Debt securities issued:	-	-	117,007	204,164
- other related parties	-		117,007	
Other liabilities:	5,284	536,232	4,647	268,280
- key management personnel of the Group	5,284		4,647	
Contingent liabilities and credit commitments, before allowance for impairment losses:	4,156,951	14,388,467	1,811,451	8,267,560
- other related parties	4,156,951		1,811,451	

Included in the consolidated statement of profit or loss and other comprehensive income for the years ended 31 December 2013 and 2012 were the following amounts which arose due to transactions with related parties:

	Year ended 31 December 2013		**Year ended 31 December 2012**	
	Related party transactions	**Total category as per consolidated financial statements caption**	**Related party transactions**	**Total category as per consolidated financial statements caption**
Interest income:	6,336,417	11,197,621	4,919,848	10,076,313
- key management personnel of the Group	5,320		1,450	
- other related parties:	6,331,097		4,918,398	
- due from banks	22,500		63,072	
- loans to customers	3,697,767		3,856,190	
- investments available for sale	2,610,830		999,136	
Interest expense:	(1,518,365)	(5,686,401)	(1,705,574)	(4,782,949)
- key management personnel of the Group	(6,979)		(4,683)	
- other related parties:	(1,511,386)		(1,700,891)	
- due to banks	(1,364,936)		(1,492,811)	
- customer accounts	(144,824)		(192,107)	
- debt securities issued	(1,626)		(15,973)	
Provision for impairment losses on interest bearing assets:	729,121	(2,437,952)	(632,270)	(2,675,719)
- other related parties	729,121		(632,270)	
Fee and commission income:	168,428	1,501,514	160,709	1,286,226
- key management personnel of the Group	77		12	
- other related parties	168,351		160,697	
Fee and commission expense:	(207,590)	(270,382)	(87,624)	(246,251)
- other related parties	(207,590)		(87,624)	
Operating expenses:	(91,191)	(3,488,185)	(71,869)	(3,171,116)
- key management personnel of the Group	(54,711)		(47,936)	
- other related parties	(36,480)		(23,933)	
Key management personnel remuneration:	(54,074)	(2,381,605)	(47,558)	(2,117,486)
- short-term employee benefits	(50,783)		(44,431)	
- social charges	(3,291)		(3,127)	

29. FAIR VALUE

IFRS defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The estimated fair values have been determined by the Group using available market information, where it exists, and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to determine the estimated fair value. Management has used all available market information in estimating the fair value. The estimates presented herein are not necessarily indicative of the amounts the Group could realize in a market exchange from the sale of its full holdings of a particular instrument or pay in the transfer of liabilities.

Fair value of the Group's financial assets and financial liabilities measured at fair value on a recurring basis and fair value of buildings

Some of the Group's financial assets and financial liabilities, as well as the Group's buildings, are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation techniques and inputs used):

Assets/liabilities	Fair value hierarchy	Valuation techniques and key inputs
Investments available for sale	1	Quoted bid prices in an active market.
	2	Discounted cash flows. Future cash flows are estimated based on the inputs that are observable, either directly or indirectly, and the estimates use one or more observable quoted prices for orderly transactions in the markets that are not considered active.
	3	Discounted cash flows. Future cash flows are estimated based on both observable and unobservable inputs. Unobservable inputs include assumptions regarding future financial performance of the issuer and its risk profile.
Fair value of currency spot and forward agreements	2	Discounted cash flows. Future cash flows are estimated based on forward exchange rates and discounted at a rate used in the inter-bank market.
Properties under construction	3	The Group engages professional independent appraisers to determine the fair value of its buildings and office premises by using a sales comparison method, and for items for which there are no market analogs, income capitalization method is used. In the sales comparison method, the prices of market-based sales of comparable properties in the immediate proximity are adjusted with reference to differences in main parameters (such as floor space of the property). The main parameter used in this valuation technique is the price per square meter of a property.
Buildings and office premises	3	The Group engages professional independent appraisers to determine the fair value of its buildings and office premises by using a sales comparison method, and for items for which there are no market analogs, income capitalization method is used. In the sales comparison method, the prices of market-based sales of comparable properties in the immediate proximity are adjusted with reference to differences in main parameters (such as floor space of the property). The main parameter used in this valuation technique is the price per square meter of a property.

The following table summarizes financial instruments and buildings and office premises recognized at fair value on initial recognition using a fair value hierarchy. The levels reflect the ability of direct determination of the fair value based on the market data:

	Level 1	Level 2	Level 3	31 December 2013 Total
Assets				
Investments available for sale	2,156,063	24,071,155	7,024,358	33,251,576
Other financial assets:				
Fair value of currency forward agreements	-	20,038	-	20,038
Buildings:				
Properties under construction	-	-	241,501	241,501
Buildings and office premises	-	-	1,604,168	1,604,168
Total	**2,156,063**	**24,091,193**	**8,870,027**	**35,117,283**
Liabilities				
Other financial liabilities:				
Fair value of currency spot and forward agreements	-	13,881	-	13,881
Total	-	**13,881**	-	**13,881**

	Level 1	Level 2	Level 3	31 December 2012 Total
Assets				
Investments available for sale	1,420,939	5,248,742	3,403,987	10,073,668
Other financial assets:				
Fair value of currency forward agreements	-	-	2,374	2,374
Buildings:				
Properties under construction	-	-	252,354	252,354
Buildings and office premises	-	-	1,510,923	1,510,923
Total	**1,420,939**	**5,248,742**	**5,169,638**	**11,839,319**
Liabilities				
Other financial liabilities:				
Fair value of currency spot and forward agreements	-	16,090	-	16,090
Total	**-**	**16,090**	**-**	**16,090**

As at 31 December 2013, in comparison with 31 December 2012, debt securities with the fair value of UAH 225,198 thousand were transferred from Level 2 to Level 1 due to appearance of the active market inputs.

During the year ended 31 December 2012, there were no transfers between Level 1 and 2.

Debt securities with the fair value of UAH 1,396,955 thousand as at 31 December 2013, in comparison with 31 December 2012, were transferred from Level 3 to Level 2 of the fair value hierarchy due to changes in the observable market data. During the year ended 31 December 2012, these debt securities had no quoted prices or other observable market data, thus, their fair values were measured using valuation techniques based on the inputs that differ from observable market inputs.

Debt securities with the fair value of UAH 1,176,495 thousand as at 31 December 2012, in comparison with 31 December 2011, were transferred from Level 2 to Level 3 of the fair value hierarchy due to changes in the observable market data. During the year ended 31 December 2012, these debt securities had no quoted prices or other observable market data, thus, their fair values were measured using valuation techniques based on the inputs that differ from observable market data.

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

Other financial instruments:

As there is no active secondary market in Ukraine for due from banks, due to banks, loans to customers, accounts receivable and payable, other borrowed funds, and subordinated debt, there is no reliable market value available for such instruments.

For financial assets and liabilities that have a short term maturity, it is assumed that the carrying amounts approximate their fair value. This assumption is also applied to demand deposits and current accounts without defined maturity.

The Group's management believes that, except for included in the table below, the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values.

	31 December 2013		31 December 2012	
	Carrying amounts	**Fair value**	**Carrying amounts**	**Fair value**
Loans to customers	52,179,567	51,181,186	51,337,576	50,031,536
Total assets	**52,179,567**	**51,181,186**	**51,337,576**	**50,031,536**
Customer accounts	46,408,733	45,770,191	38,877,293	37,691,343
Eurobonds issued	9,795,812	9,356,902	5,719,229	5,619,375
Other borrowed funds	835,191	819,747	505,188	492,829
Debt securities issued	-	-	204,164	202,524
Subordinated debt	840,406	745,336	842,180	791,319
Total liabilities	**57,880,142**	**56,692,176**	**46,148,054**	**44,797,390**

Financial assets/financial liabilities	**Fair value hierarchy**	**Valuation techniques and key inputs**
Loans to customers	3	Discounted cash flows. Future cash flows are estimated based on both observable and unobservable inputs. Unobservable inputs include assumptions regarding future financial performance of a counterparty and its risk profile.
Customer accounts	3	Discounted cash flows. Future cash flows are estimated based on both observable and unobservable inputs. Unobservable inputs include assumptions regarding future financial performance of a counterparty and its risk profile.
Eurobonds issued	2	Discounted cash flows. Future cash flows are estimated based on the inputs that are observable, either directly or indirectly, and the estimates use one or more observable quoted prices for orderly transactions in the markets that are not considered active.
Other borrowed funds	2	Discounted cash flows. Future cash flows are estimated based on the inputs that are observable, either directly or indirectly, and the estimates use one or more observable quoted prices for orderly transactions in the markets that are not considered active.
Subordinated debt	3	Discounted cash flows. Future cash flows are estimated based on both observable and unobservable inputs. Unobservable inputs include assumptions regarding future financial performance of a counterparty, its risk profile, and economic assumptions regarding industry and geographical jurisdiction in which the counterparty operates.

	Level 1	Level 2	Level 3	31 December 2013 Total
Assets				
Loans to customers	-	-	51,181,186	51,181,186
Total	**-**	**-**	**51,181,186**	**51,181,186**
Liabilities				
Customer accounts	-	-	45,770,191	**45,770,191**
Eurobonds issued	-	9,356,902	-	**9,356,902**
Other borrowed funds	-	819,747	-	**819,747**
Subordinated debt	-	-	745,336	**745,336**
Total	-	**10,176,649**	**46,515,527**	**56,692,176**

30. DERIVATIVE FINANCIAL INSTRUMENTS

Foreign exchange derivative financial instruments entered into by the Group are generally traded in an over-the-counter market with professional market counterparties on standardized contractual terms and conditions. Derivatives have potentially favorable (assets) or unfavorable (liabilities) conditions as a result of fluctuations in market interest rates, foreign exchange rates, or other variables relative to their terms. The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

The table below sets out fair values, at the reporting date, of currencies receivable or payable under forward agreements entered into by the Group. The table reflects gross positions before the netting of any counterparty positions (and payments) and covers the contracts with settlement dates after the respective reporting date. The contracts are short term in nature.

	31 December 2013		31 December 2012	
	Contracts with positive fair value	**Contracts with negative fair value**	**Contracts with positive fair value**	**Contracts with negative fair value**
Currency forward agreements: fair value as at the reporting date:				
- USD receivable on settlement (+)	-	403,849	52,660	313,979
- USD payable on settlement (-)	(2,306,176)	(735,313)	(250,043)	-
- EUR receivable on settlement (+)	11,041	-	251,230	-
- EUR payable on settlement (-)	(88,282)	(397,431)	(105,320)	(251,229)
- UAH receivable on settlement (+)	2,348,222	1,129,142	-	-
- UAH payable on settlement (-)	-	(414,128)	-	(64,069)
- JPY receivable on settlement (+)	55,233	-	52,670	-
- JPY payable on settlement (-)	-	-	-	-
Net fair value of currency forward agreements	**20,038**	**(13,881)**	**1,197**	**(1,319)**

As at 31 December 2013 and 2012, the fair value of currency forward agreements is included in other assets and liabilities, respectively (Notes 18, 24).

31. CAPITAL MANAGEMENT

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximizing the return to the shareholder through the optimization of the debt and equity balance.

The capital structure of the Group consists of share capital, reserves, and retained earnings as disclosed in the consolidated statement of changes in equity and borrowed funds, which include subordinated debt disclosed in Note 25.

The Group's Management Board reviews the capital structure on a regular basis. As part of this review, the Board considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the Management Board, the Group balances its overall capital structure through new share issues as well as the issue of new debt or the redemption of existing debt.

32. REGULATORY MATTERS

The adequacy of the Group's capital is monitored using, among other measures, the ratios established by the Basel Capital Accord 1988 and the ratios established by the NBU in supervising the Bank and companies forming the Group.

Quantitative measures established by regulation to ensure capital adequacy require that the Group maintain minimum amounts and ratios of total and Tier 1 capital to risk-weighted assets.

The following table analyzes the Group's regulatory capital resources for capital adequacy purposes in accordance with the principles mentioned above:

	31 December 2013	31 December 2012
Regulatory capital:		
Tier 1 capital		
Share capital	17,481,716	14,748,140
Retained earnings	965,278	1,786,929
Total Tier 1 qualified capital	**18,446,994**	**16,535,069**
Tier 2 capital		
Revaluation reserves	745,706	1,221,110
Subordinated debt	479,580	639,440
Total Tier 2 qualified capital up to a limit 100% of total Tier 1 capital	**1,225,286**	**1,860,550**
Total regulatory capital	**19,672,280**	**18,395,619**
Capital ratios:		
Total regulatory capital expressed as a percentage of total risk-weighted assets	**24.69%**	**27.92%**
Total Tier 1 capital expressed as a percentage of total risk-weighted assets	**23.15%**	**25.10%**

Quantitative measures established by regulation to ensure capital adequacy require that the Group maintain minimum amounts and ratios of total (8%) and Tier 1 capital (4%) to risk-weighted assets.

As at 31 December 2013 and 2012, the Group included in the computation of Total capital for capital adequacy purposes the subordinated debt received, limited to 50% of Tier 1 capital. In the event of bankruptcy or liquidation of the Group, repayment of this debt is subordinate to the repayments of the Group's liabilities to all other creditors.

33. RISK MANAGEMENT POLICIES

Management of risk is fundamental to the Group's business and is an essential element of the Group's operations. The main risks inherent to the Group's operations are those related to credit exposures, liquidity and market movements in interest rates and foreign exchange rates. A description of the Group's risk management policies in relation to those risks follows.

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

Risk management in the Group is performed in accordance with the Provision "On the Banking Group" as approved by the Management Board in March 2013 and the Risk Management Concept (the "RMC") which was approved by both the Management Board and the Supervisory Board in 2004. The RMC applies an overarching approach across the Bank, including all of its organizational departments, its headquarters, local and regional outlets, and branches. The Provision "On the Banking Group" defines main risk categories that the Group is exposed to and specifies the major organizational and functional levels of risk management.

The risk management functions are divided among the Supervisory Board, the Management Board, the Assets and Liabilities Management Committee (the "ALMC"), the Credit Committee of the Bank, the Credit Committee of Retail Business, the Regional Branch Assets and Liabilities Management Committees, and Regional Branch Credit Committees according to their functional responsibilities and approved limits. The Risk Management Department is independent of other business lines and acts under supervision of the Deputy Chairman of the Management Board responsible for the department.

The Group manages the following risks:

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

The Group separates its exposure to market risk between trading and non-trading portfolios.

Trading portfolios are mainly held by the Bank's Treasury Department.

Overall responsibility for market risk is assigned to the ALMC. The Risk Management Department is responsible for the development of detailed risk management policies (subject to review and approval by the ALMC) and for monitoring of compliance with market risk limits and restrictions.

Credit risk – Credit risk is the risk of a financial loss for the Group if a customer or counterparty fails to meet its contractual obligations, and arises principally from loans and advances and investment securities. For risk management reporting purposes, the Group considers and consolidates all elements of credit risk exposure (such as individual customer and counterparty default risk, country and industry risk).

When granting and supporting lending liabilities (unused loan commitments, letters of credit, and guarantees), management uses the same procedures and methodologies as defined in the policy for approving and procedures of consideration, approval, and support of credit related commitments as it does for on-balance credit obligations (loans). The maximum exposure to off-balance credit risk is disclosed in Notes 13, 14, and 27.

The Group's exposure to any single counterparty (including other banks) is further restricted by sub-limits covering on- and off-balance exposures, which are set by the Credit Committees and the Management Board.

Management monitors concentration of credit risk by industry/sector and by geographic location.

The Group manages its credit risk by establishing limits in relation to single borrowers and groups of borrowers, which are recommended by the relevant Credit Department and Risk Management Department, and approved by the relevant Credit Committee or the Management Board. In case the amount of a loan exceeds the authority of the Management Board, the loan is approved by the Supervisory Board. The Group also mitigates its credit risk by obtaining collateral and using other security arrangements.

The Group's loan approval process is decentralized. The Group delegates credit risk responsibility from the Head Office Credit Committee to regional branches, by increasing the credit limit approval authorization of the Regional Credit Committees and providing regional offices with the authority to undertake certain transactions without the approval of other more senior credit committees.

In making its corporate lending decisions, the Group evaluates potential borrowers on the basis of their financial position as reflected in their financial statements, their credit history, and the amount of risk involved in lending to a particular borrower, using a rating scale.

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

Consumer loans are subject to a standardized approval procedure. Loans are subject to maximum limits depending on the applicant's income, stability of future earnings, liquidity and quality of collateral. The Regional Credit Committee (or, if the branch limit is exceeded, the Head Office Credit Committee of the Bank) reviews a credit application and makes the relevant decision as to whether to grant a loan.

Credit quality of loans to customers, due from banks, and investments available for sale as at 31 December 2013 and 2012 are summarized as follows:

	31 December 2013			31 December 2012		
	Loans to customers	**Due from banks**	**Investments available for sale**	**Loans to customers**	**Due from banks**	**Investments available for sale**
National Joint Stock Company "Naftogaz of Ukraine"	15,261,700	-	4,409,648	20,329,317	-	-
Neither past due nor impaired	39,944,886	7,596,503	28,017,128	34,156,825	14,800,944	9,044,008
Past due but not impaired:						
Past due up to 1 month	420,333	-	-	116,403	-	-
Past due 1-2 months	16,168	-	-	8,710	-	-
Impaired loans to customers, due from banks, and investments available for sale	8,627,169	119,009	2,118,730	6,735,096	135,103	2,116,506
Total loans to customers, due from banks, and investments available for sale	**64,270,256**	**7,715,512**	**34,545,506**	**61,346,351**	**14,936,047**	**11,160,514**
Less:						
Allowance for impairment losses on loans to National Joint Stock Company "Naftogaz of Ukraine"	(2,816,084)	-	-	(3,751,160)	-	-
Allowance for impairment losses assessed on a collective basis	(5,346,713)	-	-	(4,934,067)	-	-
Allowance for impairment losses on individually impaired loans, due from banks and investments available for sale	(3,927,892)	(64,405)	(1,293,930)	(1,323,548)	(68,499)	(1,086,846)
Total	**52,179,567**	**7,651,107**	**33,251,576**	**51,337,576**	**14,867,548**	**10,073,668**

During the years ended 31 December 2013 and 2012, the Bank had loans to National Joint Stock Company "Naftogaz of Ukraine". The Bank applies tailored methodology for assessment of the mentioned borrower which was developed with the view to consider risks relevant to this borrower, in particular: high concentration of the borrowed funds, specific character of its activity, ability to generate cash flows and profits, sensitivity to general economic, and market conditions. Provision was assessed considering the inherent risks of the borrower.

As at 31 December 2013 and 2012, impaired loans included loans overdue for more than three months in the amount UAH 6,968,256 thousand and UAH 4,458,533 thousand, which constitute 10.8% and 7.3% of the loan portfolio, before allowance for impairment losses, respectively.

The Bank expects that a significant portion of loans, which are overdue for more than three months, will be repaid either for account of borrowers' own earnings, or proceeds from the sale of collateral. Such expectations are based on the fact that a considerable part of overdue corporate loans are secured by marketable collateral and granted to entities which have potential ability to restore own solvency. The Bank's ability to receive payments on overdue loans to individuals is explained by the fact that these loans are mostly secured by real estate and vehicles. Moreover, even if the value of collateral is not enough to repay the loan, the Bank retains the right to demand payments from the borrowers until the loan is repaid in full.

As at 31 December 2013 and 2012, accrued interest on loans to customers included accrued interest on impaired loans to customers in the amount of UAH 1,525,865 thousand and UAH 1,213,246 thousand, respectively.

The Group enters into numerous transactions where the counterparties are not rated by international rating agencies. The Group has developed internal models, which allow it to determine the rating of counterparties.

The Group identified the following risk areas depending on credit risk:

Rating group	**Internal credit risk of the borrower**	**Risk area**
High rating	AAA-BBB	Minimum risk
Standard rating	BB-CCC	Acceptable risk
Below standard rating	CC-C	Increased risk
	DDD-DD	Critical risk
	D	Unacceptable risk

A minimum risk area is characterized by low probability of losses on credit project (loan) or other transactions with inherent credit risks. The Group's counterparty has a high credit rating, and its solvency allows providing for timely and full repayment of the principal and interest amounts. The counterparty has a long-standing positive credit history and no evidence is available in respect of payment delays to the Group or other banks. The credit project is perspective and does not contain significant risks.

An acceptable (low) risk area is characterized by insignificant probability of losses on credit project (loan) or other transactions with inherent credit risks. The Group's counterparty has a standard credit rating, and its solvency allows providing for timely and full repayment of the principal and interest amounts in the event of favorable market conditions and insignificant deterioration of economic environment. The counterparty has a positive credit history with the Group or other banks. This area mostly includes: projects of borrowers engaged in industries with positive dynamics; government supported projects; government guaranteed projects (government special purpose programs).

An increased risk area is characterized by increased probability of losses on credit project (loan) or other transactions with inherent credit risks. The financial position of the Group's counterparty represented by a legal entity is good or satisfactory, its credit rating is substandard, and its solvency allows, in most cases, providing for timely and full repayment of the principal amount and interest due in the event of favorable market conditions.

For individual borrowers, there is increased probability of untimely and/or incomplete repayment of the loan and interest.

Counterparties belonging to this group have increased sensitivity to significant adverse fluctuations in the economic environment. Credit history of such counterparties is not available or, in the past, they displayed short-time delays in repayment of outstanding amounts.

A critical risk area is characterized by high probability of losses on credit project (loan) or other transactions with inherent credit risks. The financial position of the Group's counterparty is poor or unsatisfactory and does not allow providing for timely and full repayment of the principal amount and interest due. The repayment of the principal and interest is only possible in the event of significant improvement of a legal entity's economic performance (increase in an individual's income) and/or through collecting a collateral and/or modifying lending terms or refinancing the debt.

An unacceptable risk area is characterized by extremely high probability of losses on credit project (loan) or other transactions with inherent credit risks. The financial position of the Group's counterparty is unsatisfactory and does not allow repaying the minimum interest accrued. The counterparty has delayed outstanding amounts that cannot be repaid in full through collecting collateral within a short period of time, and no economic preconditions exist for the debt restructuring.

The following table details the Group's internal credit ratings of neither past due nor impaired financial assets held by the Group:

	High rating	**Standard rating**	**Below standard rating**	**31 December 2013 Total**
Due from banks	2,117,862	4,061,247	1,417,394	7,596,503
Loans to customers	15,688,718	29,706,378	4,321,872	49,716,968
Investments available for sale	24,402,035	8,016,961	7,780	32,426,776

	High rating	**Standard rating**	**Below standard rating**	**31 December 2012 Total**
Due from banks	2,989,883	10,714,303	1,096,758	14,800,944
Loans to customers	10,372,161	36,798,875	1,758,034	48,929,070
Investments available for sale	7,559,629	776,167	708,212	9,044,008

Loans to customers as at 31 December 2013 and 2012 are stated at carrying value, less allowance for impairment assessed on a collective basis.

Additionally, financial assets are graded as follows: amounts due from banks are graded according to the current credit rating they have been assigned by an internationally regarded agency. The highest possible rating is AAA. Investment grade financial assets have ratings from AAA to BBB. Financial assets which have ratings lower than BBB are classified as speculative grade.

As at 31 December 2013 and 2012, the balances with the NBU amounted to UAH 2,630,544 thousand and UAH 2,216,597 thousand, respectively. The credit rating of Ukraine according to the international rating agencies as at 31 December 2013 corresponded to a speculative level B–.

Investments available for sale, in particular, domestic government loan bonds, bonds issued by State Mortgage Institution, and treasury bills, which were not rated, were included by the Group in the range from BBB to B– based on the sovereign credit rating of Ukraine.

The following table details the international credit ratings of rated neither past due nor impaired financial assets held by the Group:

	AAA–A–	BBB–B–	Below B–	31 December 2013 Total
Due from banks	533,374	2,154,617	30,310	2,718,301
Loans to customers	-	5,539,985	12,460,282	18,000,267
Investments available for sale		25,930,969	4,477,722	30,408,691

	AAA–A–	BBB–B–	Below B–	31 December 2012 Total
Due from banks	2,141,197	482,026	151,833	2,775,056
Loans to customers	-	3,051,026	16,589,633	19,640,659
Investments available for sale	-	7,781,856	-	7,781,856

The banking industry is generally exposed to credit risk through its financial assets and contingent liabilities. Credit risk exposure of the Group is concentrated within Ukraine. The exposure is monitored on a regular basis to ensure that the credit limits and credit worthiness guidelines established by the Group's risk management policy are not breached.

Concentration risk – Concentration risk is determined by the Group as the risk of possible losses due to concentration of risk in specific instruments, operations, and industries.

Public Joint Stock Company "State Savings Bank of Ukraine" is one of the largest state-owned banks of Ukraine, and specific character of its activities is related to a significant scale of operations with state-owned companies, including according to government programs, resulting in a significant concentration of credit and investment risks in relation to certain counterparties and groups of related counterparties and industries.

As at 31 December 2013, 53% of the assets and 32% of the liabilities were concentrated in operations with the Group's related parties. The related party operations include mainly transactions with the Government and entities related to the Government. The Bank obtains loans from the NBU to finance lending to the state-owned companies, which comprise 25% of its liabilities.

As at 31 December 2012, 43% of the assets and 36% of the liabilities were concentrated in operations with the Group's related parties. The related party operations include mainly transactions with the Government and entities related to the Government. The Bank obtains loans from the NBU to finance lending to the state-owned companies, which comprises 28% of its liabilities.

The Group manages concentration risk in the loan and investment portfolios by setting limits for certain counterparties and groups of counterparties. Detailed description of this process is stated above, in the credit risk section. The Bank also uses limits based on the NBU requirements to manage the risk.

As at 31 December 2013 and 2012, concentration of assets per one counterparty, the related state-owned entity National Joint Stock Company "Naftogaz of Ukraine", amounted to 17% and 20%, respectively (Notes 14, 15).

An analysis of concentration of assets and liabilities by currencies, maturity, and geography is disclosed in the respective sections of the risk management policies.

Liquidity risk – Liquidity risk refers to the availability of sufficient funds to meet deposit withdrawals and other financial commitments associated with financial instruments as they actually fall due.

In order to manage liquidity risk, the Group performs consistent monitoring of future expected cash flows on clients' and banking operations, which is a part of assets/liabilities management process.

On a monthly basis, the Assets and Liability Management Committee analyzes funding sources taking into account changes in interest rates for the previous month and makes respective decisions for assets and liability management.

The analysis of liquidity risks based on the carrying value of financial assets and liabilities is presented in the following table:

	Up to 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	Maturity undefined	31 December 2013 Total
NON-DERIVATIVE FINANCIAL ASSETS							
Due from banks	3,715,033	1,374,110	2,533,757	275	-	-	7,623,175
Loans to customers	2,527,563	3,986,392	12,021,439	24,269,838	9,374,335	-	52,179,567
Investments available for sale	1,017,636	1,318,370	9,620,634	11,783,690	9,477,676	-	33,218,006
Total interest bearing assets	7,260,232	6,678,872	24,175,830	36,053,803	18,852,011	-	93,020,748
Cash and balances with the National Bank of Ukraine	3,865,142	-	-	425,000	-	526,812	4,816,954
Due from banks	-	-	-	-	-	27,932	27,932
Investments available for sale	-	-	-	-	-	33,570	33,570
Investments in associates	-	-	-	-	-	-	-
Other financial assets	67,237	37	515	175	-	6,563	74,527
TOTAL NON-DERIVATIVE FINANCIAL ASSETS	**11,192,611**	**6,678,909**	**24,176,345**	**36,478,978**	**18,852,011**	**594,877**	**97,973,731**
NON-DERIVATIVE FINANCIAL LIABILITIES							
Due to banks	4,561,577	3,799,409	8,769,790	6,947,571	-	-	24,078,347
Customer accounts	22,474,298	5,922,870	12,846,447	5,081,993	83,125	-	46,408,733
Eurobonds issued	-	242,754	-	9,553,058	-	-	9,795,812
Other borrowed funds	-	-	835,191	-	-	-	835,191
Subordinated debt	44,367	-	-	796,039	-	-	840,406
Total interest bearing liabilities	27,080,242	9,965,033	22,451,428	22,378,661	83,125	-	81,958,489
Other financial liabilities	229,527	1,446	142,532	3	123	-	373,631
TOTAL NON-DERIVATIVE FINANCIAL LIABILITIES	**27,309,769**	**9,966,479**	**22,593,960**	**22,378,664**	**83,248**	**-**	**82,332,120**
Liquidity gap between non-derivative financial assets and liabilities	(16,117,158)	(3,287,570)	1,582,385	14,100,314	18,768,763	594,877	
Interest sensitivity gap	(19,820,010)	(3,286,161)	1,724,402	13,675,142	18,768,886		
Cumulative interest sensitivity gap	**(19,820,010)**	**(23,106,171)**	**(21,381,769)**	**(7,706,627)**	**11,062,259**		
Cumulative interest sensitivity gap as a percentage of total assets	**(19%)**	**(23%)**	**(21%)**	**(8%)**	**11%**		
DERIVATIVE FINANCIAL INSTRUMENTS							
Currency forward agreements	4,874	372	911	-	-	-	6,157
Aggregated liquidity gap	**(16,112,284)**	**(3,287,198)**	**1,583,296**	**14,100,314**	**18,768,763**		
Cumulative liquidity gap	**(16,112,284)**	**(19,399,482)**	**(17,816,186)**	**(3,715,872)**	**15,052,891**		

	Up to 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	Maturity undefined	31 December 2012 Total
NON-DERIVATIVE FINANCIAL ASSETS							
Due from banks	13,643,430	482,616	489,803	-	-	-	14,615,849
Loans to customers	1,895,375	3,592,615	11,750,196	24,778,758	9,320,632	-	51,337,576
Investments available for sale	105,600	884,384	1,929,203	6,281,216	865,485	-	10,065,888
Total interest bearing assets	15,644,405	4,959,615	14,169,202	31,059,974	10,186,117	-	76,019,313
Cash and balances with the National Bank of Ukraine	2,911,888	-	-	425,000	-	535,626	3,872,514
Due from banks	223,777	-	-	-	-	27,922	251,699
Investments available for sale	-	-	-	-	-	7,780	7,780
Investments in associates	-	-	-	-	-	26,143	26,143
Other financial assets	49,030	526	147	955	2	4,486	55,146
TOTAL NON-DERIVATIVE FINANCIAL ASSETS	**18,829,100**	**4,960,141**	**14,169,349**	**31,485,929**	**10,186,119**	**601,957**	**80,232,595**
NON-DERIVATIVE FINANCIAL LIABILITIES							
Due to banks	3,569,287	1,070,718	7,342,720	7,241,757	-	-	19,224,482
Customer accounts	20,759,184	4,277,558	9,757,523	4,017,069	65,959	-	38,877,293
Eurobonds issued	-	144,089	-	5,575,140	-	-	5,719,229
Other borrowed funds	5,188	-	500,000	-	-	-	505,188
Debt securities issued	-	204,164	-	-	-	-	204,164
Subordinated debt	47,210	-	-	794,970	-	-	842,180
Total interest bearing liabilities	24,380,869	5,696,529	17,600,243	17,628,936	65,959	-	65,372,536
Other financial liabilities	99,001	337	95,915	39,392	153	-	234,798
TOTAL NON-DERIVATIVE FINANCIAL LIABILITIES	**24,479,870**	**5,696,866**	**17,696,158**	**17,668,328**	**66,112**	**-**	**65,607,334**
Liquidity gap between non-derivative financial assets and liabilities	(5,650,770)	(736,725)	(3,526,809)	13,817,601	10,120,007	601,957	
Interest sensitivity gap	(8,736,464)	(736,914)	(3,431,041)	13,431,038	10,120,158		
Cumulative interest sensitivity gap	**(8,736,464)**	**(9,473,378)**	**(12,904,419)**	**526,619**	**10,646,777**		
Cumulative interest sensitivity gap as a percentage of total assets	**(10%)**	**(11%)**	**(15%)**	**1%**	**13%**		
DERIVATIVE FINANCIAL INSTRUMENTS AND SPOT AGREEMENTS							
Currency spot agreements	(13,594)	-	-	-	-	-	(13,594)
Currency forward agreements	(138)	16	-	-	-	-	(122)
Aggregated liquidity gap	**(5,664,502)**	**(736,709)**	**(3,526,809)**	**13,817,601**	**10,120,007**		
Cumulative liquidity gap	**(5,664,502)**	**(6,401,211)**	**(9,928,020)**	**3,889,581**	**14,009,588**		

The Group's liquidity risk management includes estimation of core current accounts, i.e. funds associated with stable customer relationships, with the help of statistical methods applied to historical information on fluctuations of customer accounts balances. As at 31 December 2013 and 2012, core current accounts amounted to UAH 8,970,905 thousand and UAH 8,915,931 thousand, respectively. Based on a going concern assumption, effective maturity of core current accounts is considered to be indefinite. Information as to the expected periods of repayment of customer accounts and effective liquidity gaps as at 31 December 2013 and 2012 is as follows:

	Up to 1 month	**From 1 month to 3 months**	**From 3 months to 1 year**	**From 1 year to 5 years**	**Over 5 years**	**Maturity undefined**	**31 December 2013 Total**
TOTAL NON-DERIVATIVE FINANCIAL ASSETS	**11,192,611**	**6,678,909**	**24,176,345**	**36,478,978**	**18,852,011**	**594,877**	**97,973,731**
TOTAL NON-DERIVATIVE FINANCIAL LIABILITIES	**27,309,769**	**9,966,479**	**22,593,960**	**22,378,664**	**83,248**	**-**	**82,332,120**
Liquidity gap	(16,117,158)	(3,287,570)	1,582,385	14,100,314	18,768,763	594,877	
Current customer accounts analyzed based on expected withdrawal dates	13,503,393	5,922,870	12,846,447	5,081,993	83,125	8,970,905	
Liquidity gap based on expected withdrawal dates for current customer accounts	**(7,146,253)**	**(3,287,570)**	**1,582,385**	**14,100,314**	**18,768,763**	**(8,376,028)**	
Cumulative liquidity gap based on expected withdrawal dates for current customer accounts	**(7,146,253)**	**(10,433,823)**	**(8,851,438)**	**5,248,876**	**24,017,639**	**15,641,611**	

	Up to 1 month	**From 1 month to 3 months**	**From 3 months to 1 year**	**From 1 year to 5 years**	**Over 5 years**	**Maturity undefined**	**31 December 2012 Total**
TOTAL NON-DERIVATIVE FINANCIAL ASSETS	**18,829,100**	**4,960,141**	**14,169,349**	**31,485,929**	**10,186,119**	**601,957**	**80,232,595**
TOTAL NON-DERIVATIVE FINANCIAL LIABILITIES	**24,479,870**	**5,696,866**	**17,696,158**	**17,668,328**	**66,112**	**-**	**65,607,334**
Liquidity gap	(5,650,770)	(736,725)	(3,526,809)	13,817,601	10,120,007	601,957	
Current customer accounts analyzed based on expected withdrawal dates	11,843,253	4,277,558	9,757,523	4,017,069	65,959	8,915,931	
Liquidity gap based on expected withdrawal dates for current customer accounts	**3,265,161**	**(736,725)**	**(3,526,809)**	**13,817,601**	**10,120,007**	**(8,313,974)**	
Cumulative liquidity gap based on expected withdrawal dates for current customer accounts	**3,265,161**	**2,528,436**	**(998,373)**	**12,819,228**	**22,939,235**	**14,625,261**	

The Group's management believes that the negative cumulative liquidity gap based on the expected withdrawal dates for current customer accounts that arose as at 31 December 2013 is monitored by the Group and does not present a threat to its ability to settle its obligations on a timely basis and in full. On 30 December 2013, the Group and the European Investment Bank entered into a financing agreement that stipulates opening a credit line in the amount of EUR 220,000 thousand for the period of 10 years, which, as at 31 December 2013, amounted to UAH 2,429,137 thousand (Note 22). In addition, the Group has secondary reserves represented by unencumbered securities (including the securities obtained as a collateral under repurchase agreements with the transfer of title of ownership) – Ukrainian government debt securities and corporate securities in the Group's portfolio that are considered as highly liquid. Such liquidity reserves may be realized through a sale of the said securities or an attracted refinancing loan from the NBU with the use of these securities as a collateral. As at 31 December 2013, the fair value of the securities that may be treated as coverage of the cumulative liquidity gap for the position of "Up to 1 Year" (including the respective securities maturing within one year and the respective securities obtained as a collateral under repurchase agreements with the transfer of title of ownership) amounted to UAH 10,484,229 thousand. The Group believes that the above instruments cover in full the negative cumulative liquidity gap based on the estimated withdrawals from customer accounts for the position of "Up to 1 Year" which amounts to UAH 8,851,438 thousand.

A further analysis of the liquidity by maturities of financial liabilities covers the remaining undiscounted contractual cash flows (including future interest payments) that are not recognized in the consolidated statement of financial position at the reporting date. The amounts disclosed in these tables do not correspond to the amounts recorded in the consolidated statement of financial position in the amount of interest to be paid subsequent to the reporting date and which are not accounted for on accrued interest accounts at the reporting date, as well as unamortized discount/premium.

	Up to 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	31 December 2013 Total
NON-DERIVATIVE FINANCIAL LIABILITIES						
Due to banks	4,701,628	3,829,868	9,892,343	7,192,574	-	25,616,413
Customer accounts	22,765,327	6,489,419	13,883,056	5,312,801	124,362	48,574,965
Eurobonds issued	-	405,888	408,143	11,525,406	-	12,339,437
Other borrowed funds	-	-	869,737	-	-	869,737
Subordinated debt	47,076	-	-	940,400	-	987,476
Total interest bearing liabilities	27,514,031	10,725,175	25,053,279	24,971,181	124,362	88,388,028
Other financial liabilities	229,527	1,446	142,532	3	123	373,631
Contingent liabilities and irrevocable loan commitments	2,637,408	18,056	560,704	-	-	3,216,168
TOTAL NON-DERIVATIVE FINANCIAL LIABILITIES	**30,380,966**	**10,744,677**	**25,756,515**	**24,971,184**	**124,485**	**91,977,827**
DERIVATIVE FINANCIAL INSTRUMENTS						
Currency forward agreements	4,194,942	251,761	179,281	-	-	4,625,984
TOTAL FINANCIAL LIABILITIES	**34,575,908**	**10,996,438**	**25,935,796**	**24,971,184**	**124,485**	**96,603,811**

	Up to 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	31 December 2012 Total
NON-DERIVATIVE FINANCIAL LIABILITIES						
Due to banks	3,696,044	1,294,580	8,273,419	7,963,644	-	21,227,687
Customer accounts	20,983,058	4,649,070	10,621,296	4,219,963	110,880	40,584,267
Eurobonds issued	-	230,798	230,798	6,752,704	-	7,214,300
Other borrowed funds	5,188	9,901	507,887	-	-	522,976
Debt securities issued	-	206,981	-	-	-	206,981
Subordinated debt	49,652	-	-	997,503	-	1,047,155
Total interest bearing liabilities	24,733,942	6,391,330	19,633,400	19,933,814	110,880	70,803,366
Other financial liabilities	99,001	337	95,915	39,392	153	234,798
Contingent liabilities and irrevocable loan commitments	338,685	90,010	67,995	1,870,027	-	2,366,717
TOTAL NON-DERIVATIVE FINANCIAL LIABILITIES	**25,171,628**	**6,481,677**	**19,797,310**	**21,843,233**	**111,033**	**73,404,881**
DERIVATIVE FINANCIAL INSTRUMENTS AND SPOT AGREEMENTS						
Currency spot agreements	1,893,163	-	-	-	-	1,893,163
Currency forward agreements	263,828	410,240	-	-	-	674,068
TOTAL FINANCIAL LIABILITIES	**27,328,619**	**6,891,917**	**19,797,310**	**21,843,233**	**111,033**	**75,972,112**

Interest rate risk – The Group manages its interest rate risk exposure by estimating the negative impact on its financial results of unfavorable changes in the market conditions and comparing interest rate positions, which provides the Group with a positive interest margin, and estimating the Group's sensitivity to changes in interest rates and its influence on the profitability.

The following table presents an analysis of interest rate risk and its influence on the Group's profitability. Interest rates are presented by categories of financial assets and liabilities to determine interest rate exposure and effectiveness of the interest rate policy used by the Group.

	31 December 2013				31 December 2012			
	UAH %	USD %	EUR %	Other %	UAH %	USD %	EUR %	Other %
ASSETS								
Due from banks	8.83	5.18	0.12	1.13	13.43	0.83	0.00	1.16
Loans to customers	14.37	10.33	10.54	-	14.00	10.17	10.62	-
Investments available for sale:								
Government debt securities	13.56	7.61	-	-	13.26	9.29	-	-
Other securities	13.95	-	-	-	15.90	-	-	-
LIABILITIES								
Due to banks	7.59	4.27	8.50	-	8.84	4.85	5.08	0.00
Customer accounts:								
Current accounts	1.65	0.75	0.19	0.10	1.88	0.45	0.31	0.01
Deposits	14.61	6.14	5.90	1.52	14.31	5.91	5.44	1.58
Eurobonds issued	-	8.51	-	-	-	8.25	-	-
Other borrowed funds	-	7.76	-	-	12.25	-	-	-
Debt securities issued	-	-	-	-	14.00	-	-	-
Subordinated debt	-	5.81	-	-	-	6.11	-	-

The majority of the Group's loan contracts and other financial assets and liabilities contain clauses enabling the interest rate to be changed at the option of the lender. The Group monitors its interest rate margin and, consequently, does not consider itself exposed to significant interest rate risk or consequential cash flow risk.

The following table presents a sensitivity analysis of interest rate risk, which has been determined based on 'reasonably possible changes in the risk variable'. The level of these changes is determined by management and is contained within the risk reports provided to the Group's key management personnel.

Impact on profit before income tax:

	As at 31 December 2013		As at 31 December 2012	
	Interest rate +1%	Interest rate -1%	Interest rate +1%	Interest rate -1%
Assets:				
Due from banks	76,232	(76,232)	146,158	(146,158)
Loans to customers	521,796	(521,796)	513,376	(513,376)
Investments available for sale	332,180	(332,180)	100,659	(100,659)
Liabilities:				
Due to banks	(240,783)	240,783	(192,245)	192,245
Customer accounts	(464,087)	464,087	(388,773)	388,773
Eurobonds issued	(97,958)	97,958	(57,192)	57,192
Other borrowed funds	(8,352)	8,352	(5,052)	5,052
Debt securities issued	-	-	(2,042)	2,042
Subordinated debt	(8,404)	8,404	(8,422)	8,422
Net impact on profit before income tax	**110,624**	**(110,624)**	**106,467**	**(106,467)**

Price risk – Price risk is the risk that the value of a financial instrument will fluctuate as a result of unfavorable fluctuation in securities prices in the trading portfolio of the Group, in the prices of derivative or other instruments and commodities, other than those caused by the changes in foreign exchange rates or interest rates.

Current situation in Ukraine (Note 2) alarmed fixed income markets, leading to high volatility and pushing Ukrainian sovereign debts down sharply in February-March 2014. Yields to maturity on the short-term Ukrainian government debt securities rose significantly (jumping by around 800 – 1,800 base percentage points for UAH-denominated Ukrainian government debt securities and 1,800 – 3,100 base percentage points for USD-denominated Ukrainian government debt securities) compared to yields as at 31 December 2013. Medium-term and long-term Ukrainian government debt securities showed moderate reaction. Due to temporality of uncertain political situation around Ukraine, the available for sale securities portfolio revaluation considering yields to maturity changes was not possible and appropriate.

The Treasury Department of the Bank performs operations with securities in compliance with internal limits, restrictions and regulations, by-laws and procedures on price risk, decisions of responsible committees and the Management Board of the Bank based on its authorities.

Currency risk – Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its consolidated financial position and cash flows.

The Group manages its foreign currency risk exposure by managing the open currency position based on the estimated UAH devaluation against major foreign currencies and other macroeconomic indicators, which gives the Group an opportunity to optimize risks of significant currency rates fluctuations against its national currency.

Foreign currency exchange rate risk – The Group's exposure to foreign currency exchange rate risk is presented in the table below:

	UAH	**USD** USD 1 = UAH 7.99300	**EUR** EUR 1 = UAH 11.04153	**Other currencies**	**31 December 2013 Total**
NON-DERIVATIVE FINANCIAL ASSETS					
Cash and balances with the National Bank of Ukraine	4,349,628	344,164	87,035	36,127	4,816,954
Due from banks	5,814,510	1,669,583	100,692	66,322	7,651,107
Loans to customers	37,081,226	12,773,432	2,324,909	-	52,179,567
Investments available for sale	28,150,436	5,101,140	-	-	33,251,576
Other financial assets	34,327	15,493	11,008	13,699	74,527
TOTAL NON-DERIVATIVE FINANCIAL ASSETS	**75,430,127**	**19,903,812**	**2,523,644**	**116,148**	**97,973,731**
NON-DERIVATIVE FINANCIAL LIABILITIES					
Due to banks	20,796,117	1,734,400	1,547,799	31	24,078,347
Customer accounts	37,831,385	7,481,643	1,042,983	52,722	46,408,733
Eurobonds issued	-	9,795,812	-	-	9,795,812
Other borrowed funds	-	835,191	-	-	835,191
Other financial liabilities	205,903	52,434	115,294	-	373,631
Subordinated debt	-	840,406	-	-	840,406
TOTAL NON-DERIVATIVE FINANCIAL LIABILITIES	**58,833,405**	**20,739,886**	**2,706,076**	**52,753**	**82,332,120**
OPEN BALANCE SHEET POSITION	**16,596,722**	**(836,074)**	**(182,432)**	**63,395**	
DERIVATIVE FINANCIAL INSTRUMENTS					
Currency forward agreements	3,063,236	(2,637,640)	(474,672)	55,233	6,157
OPEN POSITION ON DERIVATIVE FINANCIAL INSTRUMENTS	**3,063,236**	**(2,637,640)**	**(474,672)**	**55,233**	
OPEN POSITION	**19,659,958**	**(3,473,714)**	**(657,104)**	**118,628**	

	UAH	USD USD 1 = UAH 7.99300	EUR EUR 1 = UAH 10.53717	Other currencies	31 December 2012 Total
NON-DERIVATIVE FINANCIAL ASSETS					
Cash and balances with the National Bank of Ukraine	2,994,835	775,249	68,096	34,334	3,872,514
Due from banks	11,690,584	2,918,348	193,012	65,604	14,867,548
Loans to customers	40,901,431	9,552,552	883,593	-	51,337,576
Investments available for sale	10,061,802	11,866	-	-	10,073,668
Investments in associates	26,143	-	-	-	26,143
Other financial assets	21,169	22,642	3,858	7,477	55,146
TOTAL NON-DERIVATIVE FINANCIAL ASSETS	**65,695,964**	**13,280,657**	**1,148,559**	**107,415**	**80,232,595**
NON-DERIVATIVE FINANCIAL LIABILITIES					
Due to banks	18,650,464	502,633	55,112	16,273	19,224,482
Customer accounts	30,507,096	7,192,238	1,127,207	50,752	38,877,293
Eurobonds issued	-	5,719,229	-	-	5,719,229
Other borrowed funds	505,188	-	-	-	505,188
Debt securities issued	204,164	-	-	-	204,164
Other financial liabilities	192,297	3,462	39,039	-	234,798
Subordinated debt	-	842,180	-	-	842,180
TOTAL NON-DERIVATIVE FINANCIAL LIABILITIES	**50,059,209**	**14,259,742**	**1,221,358**	**67,025**	**65,607,334**
OPEN BALANCE SHEET POSITION	**15,636,755**	**(979,085)**	**(72,799)**	**40,390**	
DERIVATIVE FINANCIAL INSTRUMENTS AND SPOT AGREEMENTS					
Currency spot agreements	(110,596)	(471,247)	570,883	(2,634)	(13,594)
Currency forward agreements	(64,069)	116,596	(105,319)	52,670	(122)
OPEN POSITION ON DERIVATIVE FINANCIAL INSTRUMENTS AND SPOT AGREEMENTS	**(174,665)**	**(354,651)**	**465,564**	**50,036**	
OPEN POSITION	**15,462,090**	**(1,333,736)**	**392,765**	**90,426**	

Currency risk sensitivity – The following table details the Group's sensitivity to an increase and decrease in USD and EUR against UAH as a result of possible changes in currency exchange rates. Sensitivity rate is used by the Group when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign currency exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the period for the appropriate change in foreign currency rates. The sensitivity analysis includes external loans within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower.

	As at 31 December 2013		**As at 31 December 2012**	
	UAH/USD +25%	**UAH/USD -25%**	**UAH/USD +10%**	**UAH/USD -10%**
Impact on profit and equity	(703,427)	703,427	(105,365)	105,365

	As at 31 December 2013		**As at 31 December 2012**	
	UAH/EUR +25%	**UAH/EUR -25%**	**UAH/EUR +10%**	**UAH/EUR -10%**
Impact on profit and equity	(133,064)	133,064	31,028	(31,028)

Limitations of sensitivity analysis – The above tables demonstrate the effect of a change in a key assumption, while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and the obtained results should not be interpolated or extrapolated.

The sensitivity analyses do not take into consideration that the Group's assets and liabilities are actively managed. Additionally, the consolidated financial position of the Group may vary at the time that any actual market movement occurs. As investment markets move past various trigger levels, management actions could include selling investments, changing investment portfolio allocation and taking other protective action. Consequently, the actual impact of a change in the assumptions may not have any impact on the liabilities, whereas assets are held at market value in the consolidated statement of financial position. In these circumstances, the different measurement bases for liabilities and assets may lead to volatility in shareholder's equity.

Other limitations in the above sensitivity analyses include the use of hypothetical market movements to demonstrate potential risk that only represent the Group's view of possible near-term market changes that cannot be predicted with any certainty; and the assumption that all interest rates move in an identical fashion.

Geographical concentration – The geographical concentration of assets and liabilities is set out below:

	Ukraine	Other non-OECD countries	OECD countries	31 December 2013 Total
NON-DERIVATIVE FINANCIAL ASSETS				
Cash and balances with the National Bank of Ukraine	4,816,954	-	-	4,816,954
Due from banks	7,066,141	61,089	523,877	7,651,107
Loans to customers	52,179,567	-	-	52,179,567
Investments available for sale	33,251,576	-	-	33,251,576
Other financial assets	74,523	1	3	74,527
TOTAL NON-DERIVATIVE FINANCIAL ASSETS	**97,388,761**	**61,090**	**523,880**	**97,973,731**
NON-DERIVATIVE FINANCIAL LIABILITIES				
Due to banks	22,060,191	367,726	1,650,430	24,078,347
Customer accounts	45,828,215	565,490	15,028	46,408,733
Eurobonds issued	-	-	9,795,812	9,795,812
Other borrowed funds	-	-	835,191	835,191
Other financial liabilities	373,631	-	-	373,631
Subordinated debt	-	-	840,406	840,406
TOTAL NON-DERIVATIVE FINANCIAL LIABILITIES	**68,262,037**	**933,216**	**13,136,867**	**82,332,120**
NET POSITION ON NON-DERIVATIVE FINANCIAL INSTRUMENTS	**29,126,724**	**(872,126)**	**(12,612,987)**	
DERIVATIVE FINANCIAL INSTRUMENTS				
Currency forward agreements	6,070	-	87	6,157
NET POSITION ON DERIVATIVE FINANCIAL INSTRUMENTS	**6,070**	**-**	**87**	
NET POSITION	**29,132,794**	**(872,126)**	**(12,612,900)**	

	Ukraine	Other non-OECD countries	OECD countries	31 December 2012 Total
NON-DERIVATIVE FINANCIAL ASSETS				
Cash and balances with the National Bank of Ukraine	3,870,886	-	1,628	3,872,514
Due from banks	12,694,049	32,191	2,141,308	14,867,548
Loans to customers	51,337,576	-	-	51,337,576
Investments available for sale	10,073,668	-	-	10,073,668
Investments in associates	26,143	-	-	26,143
Other financial assets	55,146	-	-	55,146
TOTAL NON-DERIVATIVE FINANCIAL ASSETS	**78,057,468**	**32,191**	**2,142,936**	**80,232,595**
NON-DERIVATIVE FINANCIAL LIABILITIES				
Due to banks	18,683,118	247,096	294,268	19,224,482
Customer accounts	38,499,829	373,844	3,620	38,877,293
Eurobonds issued	-	-	5,719,229	5,719,229
Other borrowed funds	-	-	505,188	505,188
Debt securities issued	204,164	-	-	204,164
Other financial liabilities	232,626	-	2,172	234,798
Subordinated debt	-	-	842,180	842,180
TOTAL NON-DERIVATIVE FINANCIAL LIABILITIES	**57,619,737**	**620,940**	**7,366,657**	**65,607,334**
NET POSITION ON NON-DERIVATIVE FINANCIAL INSTRUMENTS	**20,437,731**	**(588,749)**	**(5,223,721)**	
DERIVATIVE FINANCIAL INSTRUMENTS AND SPOT AGREEMENTS				
Currency spot agreements	(9,002)	(4,592)	-	(13,594)
Currency forward agreements	(1,319)	1,197	-	(122)
NET POSITION ON DERIVATIVE FINANCIAL INSTRUMENTS AND SPOT AGREEMENTS	**(10,321)**	**(3,395)**	**-**	
NET POSITION	**20,427,410**	**(592,144)**	**(5,223,721)**	

34. SEGMENT INFORMATION

The information refers to the services rendered within segments and provided to the Group's management responsible for operating decision making in order to allocate resources and assess the segments' activities.

Segment definition

For the purposes of internal reporting to management, the Group's operations are divided into the following segments:

Corporate business

The Group provides banking services (loans, deposits, cash and settlement services) to a wide range of corporate clients, including large and medium sized companies, state owned companies, and a number of budget institutions.

Retail business

This segment includes all banking services provided to individuals through an extensive branch network of the Bank.

Treasury

This segment includes the results of transactions with other banks (including the NBU), both in the national and foreign currencies, and all assets and liabilities within the liquidity management policies of the Group, including a portfolio of investments available for sale.

General management

This segment covers all non-customer transactions, assets and liabilities under the effective direct supervision of the Group's management and committees (the ALMC, Finance Committee, etc.). Among other things, it includes: property and equipment, strategic investments (investments in subsidiaries and associates), long-term funding instruments (subordinated debt, borrowings from international and other financial institutions, other borrowed funds); equity not allocated to other business segments.

Measuring segment profits and losses

The accompanying segment reporting is regularly reviewed and analyzed by the Group's officers responsible for a certain segment. Management accounting methodology used for preparing segment reports is somewhat different from the methodology applied in preparing other financial statements. However, the information presented in the segment reporting corresponds to the figures in the Group's consolidated statement of financial position and consolidated statement of profit or loss and other comprehensive income prepared according to the IFRS.

To measure net interest income of a segment, the Bank uses a technique known as "transfer pricing", under which interest income and expenses of most balance sheet items are compared with the nominal market rate to calculate the deemed interest margin. Due to some difficulties in obtaining acceptable basic rates in the Ukrainian monetary market, nominal (deemed) market rate is formed based on the external and internal data.

The methodology used for transfer pricing is determined by the Bank's ALMC, and the result of this principle's application is included in the segment of General management.

Operating expenses, including depreciation and amortization charges, are allocated directly to segments whenever possible. For shared costs, the Group performs an expert estimation by using data about the number of employees, volume of business and other criteria for allocating costs. Some operating expenses that are non-recurring or one-time by origin (irregular or one-time) and are not directly related to the transactions with customers are included in the segment of General management.

The equity is allocated to segments based on their average risk weighted assets. Retained earnings are included to the segment of General management.

Income, expense and results of reportable segments for 2013

Items	Notes	Name of a reportable segment: Corporate business	Retail business	Treasury	General management	Withdrawals	Total
Income from external customers		7,688,445	1,460,374	3,593,475	32,086	-	12,774,380
Interest income	5, 28	7,189,800	481,207	3,522,853	3,761	-	11,197,621
Fee and commission income	7, 28	494,434	936,101	70,315	664	-	1,501,514
Other operating income		4,211	43,066	307	27,661	-	75,245
Income from other segments		1,735,910	4,357,701	201,199	2,273,003	(8,567,813)	-
Interest income		1,735,910	4,357,701	201,199	2,273,003	(8,567,813)	-
Total segment income		**9,424,355**	**5,818,075**	**3,794,674**	**2,305,089**	**(8,567,813)**	**12,774,380**
Interest expense	5, 28	(5,847,220)	(3,372,325)	(2,912,326)	(2,122,343)	8,567,813	(5,686,401)
(Provision)/recovery of provision for impairment losses on interest bearing assets	6, 28	(2,522,456)	287,494	(202,990)	-	-	(2,437,952)
(Provision)/recovery of provision for impairment losses on other operations	6	(147,124)	17,002	-	(17,459)	-	(147,581)
Net realized gain on investments available for sale		-	-	131,062	-	-	131,062
Net gain/(loss) on foreign exchange operations	8	-	85,979	(19,413)	(15,380)	-	51,186
Share in losses from associates		-	-	-	(353)	-	(353)
Fee and commission expense	7, 28	(121,760)	(144,803)	(2,699)	(1,120)	-	(270,382)
Operating expenses	9, 28	(531,704)	(2,392,707)	(157,631)	(406,143)	-	(3,488,185)
SEGMENT RESULTS:							
Profit/(loss)		**254,091**	**298,715**	**630,677**	**(257,709)**	**-**	**925,774**

Assets and liabilities of reportable segments as at 31 December 2013

Items	Name of a reportable segment: Corporate business	Retail business	Treasury	General management	Total
Segment assets	49,923,601	4,536,508	43,538,989	3,700,103	101,699,201
Segment liabilities	25,354,662	35,922,485	9,020,110	12,197,464	82,494,721
Other segment items:					
Depreciation and amortization charges on property and equipment and intangible assets	(58,622)	(209,004)	(18,379)	(25,539)	(311,544)
Revaluation reported during the year in the consolidated statement of changes in equity	-	-	-	(475,404)	(475,404)
Capital investments	-	-	-	778,579	778,579

Income, expense and results of reportable segments for 2012

Items	Notes	Name of a reportable segment: Corporate business	Retail business	Treasury	General management	Withdrawals	Total
Income from external customers		7,774,331	1,363,878	1,958,026	322,159	-	11,418,394
Interest income	5, 28	7,345,857	534,979	1,918,283	277,194	-	10,076,313
Fee and commission income	7, 28	428,316	817,575	39,743	592	-	1,286,226
Other operating income		158	11,324	-	44,373	-	55,855
Income from other segments		1,444,401	3,535,305	257,198	1,700,279	(6,937,183)	-
Interest income		1,444,401	3,535,305	257,198	1,700,279	(6,937,183)	-
Total segment income		**9,218,732**	**4,899,183**	**2,215,224**	**2,022,438**	**(6,937,183)**	**11,418,394**
Interest expense	5, 28	(5,658,601)	(2,591,557)	(1,584,120)	(1,885,854)	6,937,183	(4,782,949)
(Provision)/recovery of provision for impairment losses on interest bearing assets	6, 28	(2,612,363)	(74,376)	11,020	-	-	(2,675,719)
Provision for impairment losses on other operations	6	(36,052)	(16,318)	(19)	(9,466)	-	(61,855)
Net realized (loss)/gain on investments available for sale		(36)	-	95,807	-	-	95,771
Net gain/(loss) on foreign exchange operations	8	-	87,973	70,511	(298)	-	158,186
Share in profits from associates		-	-	-	353	-	353
Fee and commission expense	7, 28	(100,116)	(141,903)	(3,125)	(1,107)	-	(246,251)
Operating expenses	9, 28	(493,149)	(1,913,291)	(136,053)	(628,623)	-	(3,171,116)
SEGMENT RESULTS:							
Profit/(loss)		**318,415**	**249,711**	**669,245**	**(502,557)**	**-**	**734,814**

Assets and liabilities of reportable segments as at 31 December 2012

Items	Name of a reportable segment: Corporate business	Retail business	Treasury	General management	Total
Segment assets	49,286,395	3,786,274	27,142,506	3,206,128	83,421,303
Segment liabilities	23,630,863	29,516,324	5,099,800	7,407,009	65,653,996
Other segment items:					
Depreciation and amortization charges on property and equipment and intangible assets	(43,406)	(168,476)	(10,367)	(16,274)	(238,523)
Revaluation reported during the year in the consolidated statement of changes in equity	-	-	-	(113,403)	(113,403)
Capital investments	-	-	-	755,283	755,283

35. SUBSEQUENT EVENTS

Subsequent to 31 December 2013, Mr. Serhii Oleksandrovych Podrezov ceased to perform the responsibilities of the Chairman of the Management Board. Starting from 19 March 2014, Mr. Andrii Hryhorovych Pyshnyi was appointed to the position of the Chairman of the Management Board. Before his appointment to the position of the Chairman of the Management Board is approved with the NBU, the responsibilities of the Chairman of the Management Board have been assigned to Mr. Denys Borysovych Kirieiev, First Deputy Chairman of the Management Board. As at the date these consolidated financial statements were authorized for issue appointment of Mr. Andrii Hryhorovych Pyshnyi to the position of the Chairman of the Management Board was approved by the NBU.

Subsequent to 31 December 2013, changes in the Bank's Supervisory Board membership took place, which stipulated the appointment of S. M. Voitsekhovska, V. O. Kotsiuba, V. V. Lisovenko, H.V. Onyshchenko, O. V. Parakuda, N. I. Hrebenyk, A. I. Danylenko, B. Yo. Dubas, H. D. Pakhachuk, T. S. Smovzhenko, and the respective resignation of I. M. Sotulenko, O. M. Kushnirenko, K.V. Liubchenko, S.O. Rybak, S. I. Kharchenko, I. M. Akimova, P. I. Haidutskyi, I. V. Nosachova, A.V. Portnov, V. M. Fedosov.

The Bank has assessed that, as at 31 December 2013, UAH 4,797,619 thousand of its loans to customers and UAH 172,525 thousand of property and equipment and intangible assets were located in Crimea. In 2013, the Crimean Republican Branch of the Bank generated interest and fee and commission income of UAH 496,311 thousand. In March 2014, Crimea, an autonomous republic of Ukraine, was effectively annexed by the Russian Federation. The impact of these events on the Bank's assets and operations in Crimea can not be reliably determined as at the date of issuance of these consolidated financial statements.

Subsequent to 31 December 2013 amendments to the Tax Code of Ukraine were issued, which are, among others, include establishment of income tax rate of 18% from 1 January 2014 and thereafter.

Subsequent to 31 December 2013 the Bank received a tranche of credit line under financial agreement with the European Investment Bank from 30 December 2013 in the amount of USD 89,536 thousand with maturity in February 2022.

ANNEX 2 – FINANCIAL STATEMENTS OF THE ISSUER

Registered number: 7464396

SSB NO.1 PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

SSB NO.1 PLC

COMPANY INFORMATION

DIRECTORS	Sue Lawrence Capita Trust Corporate Limited Capita Trust Corporate Services Limited
COMPANY SECRETARY	Capita Trust Corporate Limited
REGISTERED NUMBER	7464396
REGISTERED OFFICE	4th Floor 40 Dukes Place London EC3A 7NH
INDEPENDENT AUDITOR	Deloitte LLP London

SSB NO.1 PLC

CONTENTS

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2014

The directors present their report and the financial statements for the year ended 31 December 2014.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to $38,270 *(2013 - $38,775)*.

No dividends were declared or paid by the Company during the current year and the directors do not propose a final dividend (2013: $nil).

DIRECTORS

The directors who served during the year were:

Sue Lawrence
Capita Trust Corporate Limited
Capita Trust Corporate Services Limited

COMPANY SECRETARY

On 17 January 2014 Capita Trust Secretaries Limited resigned from their role as Company secretary and Capita Trust Corporate Limited was appointed in their place.

EMPLOYEES

The Company had no employees during the current period. Capita Trust Corporate Limited performs the Company's secretarial and corporate and administration services.

EVENTS AFTER THE REPORTING DATE

Subsequent to year end, the State Savings Bank of Ukraine has initiated a process of restructuring the notes referred to as 'the reprofiling' of the notes. The principle terms of the reprofiling include the extension of each tranche of loan notes and corresponding loans by five years from the current maturity date and uplift in interest rates. The reprofiling terms would require the agreement of the noteholders. If the reprofiling completes and dependent upon the terms agreed then the directors will need to assess at that time, whether the finalised modification in terms results in the extinguishment of the existing financial liability and the recognition of a new liability.

In March 2015, Fitch Ratings and Moody's revised the SSBU's long-term rating as an issuer of foreign currency denominated securities, from CCC to CC and from Caa3 to Ca, respectively, in line with the sovereign credit rating. This was in response to the announcement of the reprofiling mentioned above.

FUTURE DEVELOPMENTS

The Company intends to increase the maturity of notes and corresponding loans by a further five years as mentioned above.

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2014

DISCLOSURE OF INFORMATION TO AUDITOR

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

AUDITOR

The auditor, Deloitte LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This report was approved by the board on 30 June 2015 and signed on its behalf.

Capita Trust Corporate Services Limited
Director

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2014

INTRODUCTION

The directors present their Strategic Report for the year ended 31 December 2014.

BUSINESS REVIEW

The Company was incorporated in England and Wales on 8 December 2010, as a public Company with limited liability under the Companies Act 2006.

The principal activity of the Company is to provide finance to JSC Oschadbank (Joint Stock Company 'State Savings Bank of Ukraine') ("SSBU") under the terms of the prospectus (see note 7). The Company issued two Tranches of Loan Participation Notes ("Notes"), due 10 March 2016. Tranche 1 was issued on 10 March 2011 for an Aggregate Nominal Amount of US $500,000,000. Tranche 2 was issued on 18 July 2011 for an Aggregate Nominal Amount of US $200,000,000. The issue price was 100% and 100.75% of the Aggregate Nominal Amount for Tranche 1 and Tranche 2 respectively, resulting in total gross proceeds of US $701,500,000. The Notes are listed on the Irish Stock Exchange.

On 20 March 2013 the Company issued a further $500,000,000 of loan notes at par. The notes are listed on the Irish Stock Exchange, bear interest 8.875% per annum and are due on 20 March 2018.

The proceeds from the issue of the above Notes were used to provide finance to SSBU (the "Loan")

PRINCIPAL RISKS AND UNCERTAINTIES

The Company is a securitisation Company which has been structured so as to avoid, as far as possible, significant financial risk. Certain estimates in the financial statements are based wholly or in part on estimates or assumptions made by the directors, taking into consideration the current market and economic conditions. There is, therefore, a risk that these may be subject to change in future periods.

The key estimates and assumptions used by the company are provision for impairment. During the year no provision was made for impairment (2013: $nil).

The Company's financial risk management objectives and policies are set out in note 13.

FINANCIAL KEY PERFORMANCE INDICATORS

The Company receives interest from the borrowers and pays it to the noteholders. Most of the administration expenses were paid for upfront. The borrower pays for any other expenses that were not paid upfront. The Company also retains a very minimal amount of profit of £1,000 for the first tranche of note and $2,468 for the second tranche. These profit figures are for the 5 years that each tranche is expected to last. As a result of this set up, the directors believe that it is not necessary to present any financial key performance indicators.

GOING CONCERN

All of the Company's operating expenses were paid at the onset of the transaction except audit and tax fees. However the performance of the Company depends on SSBU's credit quality and its ability to make payments under the Loan agreement. SSBU is 100% owned by the Government of Ukraine and the majority of its business is conducted in Ukraine. Consequently SSBU's performance and therefore the credit risk to which the Company is exposed is dependent upon the stability of the government and the Ukrainian economy.

Current crisis in Ukraine

During 2014, the Ukrainian political and economic situation deteriorated significantly. Political and social unrest combined with regional tensions has led to the secession of the Autonomous Republic of Crimea to the Russian Federation, full-fledged armed confrontations with separatists in certain parts of the Donetsk and Lugansk regions and, ultimately, to the significant deterioration of the political and economic relations between Ukraine and the Russian Federation. These factors have contributed to the decline of key economic indices, increase of the state budget deficit, depletion of the National Bank of Ukraine's (the "NBU") foreign currency reserves and, as a result, further downgrading of the Ukrainian sovereign debt credit ratings.

Current crisis in Ukraine (continued)

From 1 January 2014 and up to date, the Ukrainian Hryvnia (the "UAH") depreciated against major foreign currencies by approximately 163% calculated based on NBU exchange rate of UAH to US Dollar. The NBU imposed certain restrictions on purchase of foreign currencies, cross border settlements, and also mandated obligatory conversion of foreign currency proceeds into UAH.

The combination of the above events has resulted in a deterioration of liquidity and much tighter credit conditions where credit is available. The Government has committed to direct its policy towards the association with the European Union, to implement a set of reforms aiming at the removal of the existing imbalances in the economy, public finance and public governance, and the improvement of the investment climate.

On 19 November 2014, the Government of Ukraine decided to increase the share capital of the Bank through the issue of 9,999 new shares with the nominal value of UAH 1,160,000 per share. The Bank's new shares were paid for by the indexed Ukrainian government debt securities (domestic government loan bonds) of the special issue with the nominal value of UAH 11,598,840 thousand. As at 31 December 2014, this increase in the share capital was not yet agreed with the NBU, nor registered by the State Registrar of Legal Entities and Individual Entrepreneurs at the Head Justice Department in the city of Kyiv and the NCSSM.

Subsequent to year end, the State Savings Bank of Ukraine has initiated a process of restructuring the notes referred to as 'the reprofiling' of the notes. The principle terms of the reprofiling include the extension of each tranche of loan notes and corresponding loans by five years from the current maturity date and uplift in interest rates. The reprofiling terms require the agreement of the noteholders. Accordingly the directors will need to assess whether the finalised modification in terms results in the extinguishment of the existing financial liability and the recognition of a new liability. If this is agreed in 2015 this will be accounted for in the year ended 31 December 2015.

In March 2015, Fitch Ratings and Moody's revised the SSBU's long-term rating as an issuer of foreign currency denominated securities, from CCC to CC and from Caa3 to Ca, respectively, in line with the sovereign credit rating. This was in response to the announcement of the reprofiling mentioned above.

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

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

Conclusion

The Directors, in preparing the financial statements, have adopted the going concern basis. In doing so, the directors have considered the quality and performance of the Company's assets, the limited recourse nature of the Company's borrowings, the reprofiling of the notes, as well as other factors.However, given the severe deterioration in the operating environment of the borrower as set out above, the Directors consider that there is material uncertainty over the borrower's future ability to continue to service the loan, which may lead to a default and, subsequently, security enforcement or other actions that could result in the Company ceasing to trade.

Therefore, this indicates a material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern and therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

This report was approved by the board on 30 June 2015 and signed on its behalf.

Capita Trust Corporate Services Limited
Director

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SSB NO.1 PLC

We have audited the financial statements of SSB No.1 PLC for the year ended 31 December 2014, set out on pages 7 to 20 which comprise the Statement of comprehensive income, the Statement of changes in equity, the Statement of financial position, the Statement of cashflows and the related notes 1 to 16. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union ; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

EMPHASIS OF MATTER

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the Company's ability to continue as a going concern. The uncertainty arising from the current political and economic environment in Ukraine indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Directors' Report and the Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SSB NO.1 PLC

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Simon Stephens, FCA (Senior Statutory Auditor)

for and on behalf of
Deloitte LLP

London

30 June 2015

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 $	*2013 $*
INTEREST INCOME	2	**103,361,731**	*93,412,183*
INTEREST EXPENSE	3	**(103,320,113)**	*(93,372,779)*
NET INTEREST INCOME		**41,618**	*39,404*
Professional fees	5	**(86,222)**	*(79,291)*
Other income		**89,237**	*80,243*
Foreign exchange loss		**(6,024)**	*(1,535)*
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		**38,609**	*38,821*
Taxation	6	**(339)**	*(46)*
PROFIT FOR THE FINANCIAL YEAR		**38,270**	*38,775*

All amounts relate to continuing operations.

There were no recognised gains and losses for 2014 or 2013 other than those included in the Statement of Comprehensive Income.

The notes on pages 11 to 20 form part of these financial statements.

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

	Retained earnings $	Share capital $	Total $
Balance as at 1 January 2013	41,901	81,245	123,146
Total comprehensive income for the year	38,775	-	38,775
Balance as at 31 December 2013	80,676	81,245	161,921
Total comprehensive income for the year	38,270	-	38,270
Balance as at 31 December 2014	118,946	81,245	200,191

The notes on pages 11 to 20 form part of these financial statements.

SSB NO.1 PLC
REGISTERED NUMBER: 7464396

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014

	Note	$	2014 $	$	2013 $
NON-CURRENT ASSETS					
Loans receivable	7		**1,196,919,307**		*1,195,682,646*
CURRENT ASSETS					
Trade and other receivables	8	**30,459,376**		*30,546,996*	
Cash and cash equivalents	9	**144,334**		*195,021*	
		30,603,710		*30,742,017*	
CURRENT LIABILITIES: trade and other payables	10	**(30,521,417)**		*(30,656,446)*	
NET CURRENT ASSETS			**82,293**		*85,571*
TOTAL ASSETS LESS CURRENT LIABILITIES			**1,197,001,600**		*1,195,768,217*
NON-CURRENT LIABILITIES: Notes issued	11		**(1,196,801,409)**		*(1,195,606,296)*
NET ASSETS			**200,191**		*161,921*
CAPITAL AND RESERVES					
Called up share capital	12		**81,245**		*81,245*
Retained earnings			**118,946**		*80,676*
SHAREHOLDERS' FUNDS			**200,191**		*161,921*

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 30 June 2015.

Capita Trust Corporate Services Limited
Director

The notes on pages 11 to 20 form part of these financial statements.

SSB NO.1 PLC

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	Year ended 31 December 2014 $	*Year ended 31 December 2013 $*
Operating profit before tax		**38,609**	*38,821*
Cash flow from operating activities			
Amortisation of up front cash received to pay transaction costs	7	**(1,236,661)**	*(971,191)*
Amortisation of transaction costs	11	**1,532,726**	*1,243,808*
Amortisation of note premium	11	**(337,613)**	*(311,982)*
Decrease/(Increase) in other debtors	8	**87,620**	*(12,591,478)*
(Decrease)Increase in other creditors (excluding tax)	10	**(135,193)**	*12,578,467*
Corporation tax paid		**(175)**	*(109)*
Net cash outflows from operating activities		**(50,687)**	*(13,664)*
Cash flow from investing activities			
Issue of Loans	7	-	*(500,000,000)*
Cash received up-front from borrower	7	-	*3,053,936*
Net cash outflows from investing activities		-	*(496,946,064)*
Cash flow from financing activities			
Cash paid for transaction costs	11	-	*(3,048,954)*
Issue of Notes	11	-	*500,000,000*
Net cash inflows from financing activities		-	*496,951,046*
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**195,021**	*203,703*
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**144,334**	*195,021*

The notes on pages 11 to 20 form part of these financial statements.

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted for use in the European Union and on the historical cost basis as modified by International Accounting Standard 39 "Financial Instruments: Recognition and Measurement" ("IAS 39"). They have also been prepared on the going concern basis as referred to in the going concern section of the Directors' report.

Due to the fact that the nature of the business is to provide finance, the directors are of the opinion that it is more appropriate to use interest income and interest expense rather than turnover and cost of sales in preparing the statement of comprehensive income.

Going concern

All of the Company's operating expenses were paid at the onset of the transaction except audit and tax fees. However the performance of the Company depends on SSBU's credit quality and its ability to make payments under the Loan agreement. SSBU is 100% owned by the Government of Ukraine and the majority of its business is conducted in Ukraine. Consequently SSBU's performance and therefore the credit risk to which the Company is exposed is dependent upon the stability of the government and the Ukrainian economy.

Current crisis in Ukraine
During 2014, the Ukrainian political and economic situation deteriorated significantly. Political and social unrest combined with regional tensions has led to the secession of the Autonomous Republic of Crimea to the Russian Federation, full-fledged armed confrontations with separatists in certain parts of the Donetsk and Lugansk regions and, ultimately, to the significant deterioration of the political and economic relations between Ukraine and the Russian Federation. These factors have contributed to the decline of key economic indices, increase of the state budget deficit, depletion of the National Bank of Ukraine's (the "NBU") foreign currency reserves and, as a result, further downgrading of the Ukrainian sovereign debt credit ratings.

From 1 January 2014 and up to date, the Ukrainian Hryvnia (the "UAH") depreciated against major foreign currencies by approximately 163% calculated based on NBU exchange rate of UAH to US Dollar. The NBU imposed certain restrictions on purchase of foreign currencies, cross border settlements, and also mandated obligatory conversion of foreign currency proceeds into UAH.

The combination of the above events has resulted in a deterioration of liquidity and much tighter credit conditions where credit is available.

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

Subsequent to year end, the State Savings Bank of Ukraine has initiated a process of restructuring the notes referred to as 'the reprofiling' of the notes. The principle terms of the reprofiling include the extension of each tranche of loan notes and corresponding loans by five years from the current maturity date and uplift in interest rates. The reprofiling terms require the agreement of the noteholders. Accordingly the directors will need to assess whether the finalised modification in terms results in the extinguishment of the existing financial liability and the recognition of a new liability. If this is agreed in 2015 this will be accounted for in the year ended 31 December 2015.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

Basis of preparation of financial statements (continued)

Going Concern (continued)

In March 2015, Fitch Ratings and Moody's revised the SSBU's long-term rating as an issuer of foreign currency denominated securities, from CCC to CC and from Caa3 to Ca, respectively, in line with the sovereign credit rating. This was in response to the announcement of the reprofiling mentioned above.

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

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

Conclusion

The Directors, in preparing the financial statements, have adopted the going concern basis. In doing so, the directors have considered the quality and performance of the Company's assets, the limited recourse nature of the Company's borrowings, the reprofiling of the notes, as well as other factors.

However, given the severe deterioration in the operating environment of the borrower as set out above, the Directors consider that there is material uncertainty over the borrower's future ability to continue to service the loan, which may lead to a default and, subsequently, security enforcement or other actions that could result in the Company ceasing to trade.

Therefore, this indicates a material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern and therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

1.2 Standards issued but not adopted

The following standards and interpretations, issued by the IASB or the International Financial Reporting Interpretations Committee (IFRIC), are also effective for the first time in the current financial year and have been adopted by the Company with no significant impact on its consolidated results or financial position for the current reporting period:

Name of new Standards/amendments

Amendments to IFRS 10, IFRS 12, and IAS 27 - Effective 1 January 2014
Amendments to IAS 32 (Dec 2011): Offsetting Financial assets effecive and Financial Liabilities - Effective 1 January 2014
Amendments to IAS 36: Recoverable Amount Disclosures for Non-Financial Assets - Effective 1 January 2014

The following standards and interpretations issued by the IASB or IFRIC have not been adopted by the Company as these are not effective for the current year. The Company is currently assessing the the impact these standards and interpretations will have on the presentation of its results in future periods:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations - Effective 1 January 2016
Amendments to IFRS 7 Financial Instruments: Disclosures - Effective 1 January 2015
Amendments to IFRS 10: Consolidated Financial Statements - Effective 1 January 2019
Amendments to IAS 16 Property, Plant and Equipment - Effective 1 January 2016
Amendments to IAS 19 Employee Benefits - Effective 1 January 2016
IFRS 9: Financial Instruments - 1 January 2018

1.3 Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expense, in particular over recoverability of assets. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements on carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates used in the financial statements.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both the current and future periods. The key estimates and assumptions used by the Company are discussed below:

Provision for impairment of loans receivable - appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The impairment is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Subsequent increases of the fair value of the loan, which can be objectively related to an event occurring after previous impairment losses have been recognised, are recorded in the income statement to the extent previous impairment losses have been taken through the income statement. The reversal shall not result in a carrying amount of the loan that exceeds the amortised cost had no impairment been recognised.

Effective interest rate - the effective interest rate is calculated by taking into account all contractual cashflows from the issue date to the maturity date of the Notes and finding the rate that gives a constant rate of return over the life of the Notes.

1.4 Interest income and receivable

Interest income is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's carrying amount. The cash received up-front to pay for transaction costs is amortised through interest income using the effective interest rate.

1.5 Other income

Other income represents reimbursement of administration expenses by the borrower in accordance with the Loan agreement and is recognised on an accruals basis.

1.6 Administration expenses

Administration expenses are recognised on an accruals basis. They include corporate service fees, accounting fees and audit fees.

1.7 Interest expense and payable

Interest expense is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to that liability's carrying amount. Both transaction costs and the Note issuance premium (Note 11) are amortised through interest expense using the effective interest rate.

1.8 Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange at the date of the transaction. Monetary assets and liabilities are translated into US Dollars at the market rates of exchange ruling at the balance sheet date. Exchange differences arising from the translation of foreign currencies are reflected in the statement of comprehensive income.

1.9 Taxation

The Company has elected to be taxed under the "permanent" tax regime for securitisation companies (contained in Statutory Instrument 2006/3296), under which the Company is taxed broadly by reference to its net cash flows during the period, and not by reference to its accounting profits, to the extent that these differ.

1.10 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank.

1.11 Trade and other receivables

These include corporate service fees which were paid upfront and are amortised on a straight-line basis over the life of the Loan Notes issued and accrued interest income.

1.12 Trade and other payables

This includes deferred income which was received to pay for the corporate service fees upfront. It is amortised on a straight-line basis over the life of the Loan Notes issued and accrued interest expense.

1.13 Financial instruments - initial recognition and subsequent measurement

Loans receivable
The Loans have been classified as Loans and receivables. They are measured on initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired.

Notes issued
The Notes issued are classified as other financial liabilities and are initially recognised at fair value at the date of issuance of the liabilities, and are subsequently measured at amortised cost using the effective interest rate method.

2. INTEREST INCOME

	2014	*2013*
	$	*$*
Interest income on the Loan	**103,361,661**	*93,412,144*
Bank interest	**70**	*39*
	103,361,731	*93,412,183*

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

3. INTEREST EXPENSE

	2014	*2013*
	$	*$*
Interest payable on Notes	**103,320,113**	*93,372,779*

4. DIRECTORS AND EMPLOYEES

The company has no employees other than the directors, who did not receive any remuneration *(2013 - $NIL)*.

5. PROFESSIONAL FEES

	2014	*2013*
	$	*$*
Auditor's remuneration for the audit of the Company's statutory accounts	**22,284**	*20,363*
Auditor's remuneration for other services	**9,815**	*8,485*
Corporate services and accounting fees	**54,123**	*50,443*
	86,222	*79,291*

6. TAXATION

	2014	*2013*
	$	*$*
UK corporation tax charge on profit for the year	**339**	*46*

Factors affecting tax charge for the year

The tax assessed for the year is lower than *(2013 - lower than)* the standard rate of corporation tax in the UK of 20% *(2013 - 20%)*. The differences are explained below:

	2014	*2013*
	$	*$*
Profit on ordinary activities before tax	**38,609**	*38,821*
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% *(2013 - 20%)*	**7,722**	*7,764*
Effects of:		
Permanent differences relating to Taxation of Securitisation Company Regulations 2006	**(7,722)**	*(7,764)*
Tax charge under Taxation of Securitisation Company Regulations 2006	**164**	*46*
Adjustments to tax charge in respect of prior periods	**175**	*-*
Current tax charge for the year	**339**	*46*

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

6. TAXATION (continued)

Factors that may affect future tax charges

The Company is taxed in accordance with Statutory Instrument No. 3296 The Taxation of Securitisation Companies Regulations 2006 which requires that tax is charged on the profits 'retained by the issuer'. The actual retained profit for the year amounted to $820 (2013:$200).

The directors are satisfied that Company meets the definition of a securitisation Company as defined by both the Finance Act 2005 and the subsequent legislation and that no incremental unfunded tax liabilities will arise.

The directors have accordingly elected that the Company be taxed by reference to its net cash margin, and not its accounting profit.

7. LOANS RECEIVABLE

	2014 $	*2013 $*
Loans falling due after more than one year but less than five years	1,200,000,000	*1,200,000,000*
Less: Cash received upfront to pay for transaction costs	(6,130,740)	*(6,130,740)*
Add: Cumulative amortisation of cash received upfront	3,050,047	*1,813,386*
	1,196,919,307	*1,195,682,646*

The Loan is to Joint Stock Company 'State Savings Bank of Ukraine' ("SSBU"). The first loan has a principal value of $700,000,000 and is due for repayment on 10 March 2016. It bears interest at 8.25%. The second loan has a of principal value of $500,000,000 bearing interest at 8.875% and is due for repayment on 20 March 2018.

Subsequent to year end, the Company started a process of reprofiling of the notes. The principle terms of the reprofiling include the extension of each tranche of loan notes and corresponding loans for five years from the current maturity date and an increase in the interest rate (see note 16).

8. TRADE AND OTHER RECEIVABLES

	2014 $	*2013 $*
Interest receivable on the loans	30,370,856	*30,370,856*
Other debtors	88,520	*176,140*
	30,459,376	*30,546,996*

9. CASH AND CASH EQUIVALENTS

Cash comprises cash on hand and demand deposits which are subject to an insignificant risk of changes in value.

	2014 $	*2013 $*
Cash at bank and in hand	144,334	*195,021*

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

10. TRADE AND OTHER PAYABLES

	2014 $	2013 $
Interest payable on Notes issued	30,370,856	30,370,856
Corporation tax payable	164	-
Other creditors	150,397	285,590
	30,521,417	30,656,446

11. NOTES ISSUED

	2014 $	2013 $
Loan participation notes	1,200,000,000	1,200,000,000
Note premium	1,500,000	1,500,000
less: Cumulative amortisation of Note premium	(971,428)	(633,815)
less: Transaction costs	(7,625,759)	(7,625,759)
Add: Cumulative amortisation of transaction costs	3,898,596	2,365,870
As at 31 December	1,196,801,409	1,195,606,296

The above Notes are made of fixed interest Loan Participating Notes due 10 March 2016 and 20 March 2018.

Tranche 1 was issued on 10 March 2011 for an Aggregate Nominal Amount of US $500,000,000. Tranche 2 was issued on 18 July 2011 for an Aggregate Nominal Amount of US $200,000,000. The issue price was 100% and 100.75% for Tranche 1 and Tranche 2 respectively, resulting in total gross proceeds of US $701,500,000. Both Tranche 1 and 2 are repayable 10 March 2016.

A further issue was made on 20 March 2013 for an Aggregate Nominal Amount of US $500,000,000. The issue price was 100%. The Note premium and transaction costs for all tranches are amortised over the life of the Notes at the effective interest rate.

The Notes are listed on the Irish Stock Exchange, and the Company has charged by way of security to the Trustee, all its rights to receive principal and interest on the Loan under the Loan Agreement.

12. SHARE CAPITAL

	2014 $	2013 $
Allotted, called up and fully paid		
50,000 Ordinary shares of £1 each	81,245	81,245

13. FINANCIAL INSTRUMENTS

The Company's financial instruments comprise three tranches of Loans and Notes. Cash, accrued interest income, accrued interest payable and other items arise directly from its operations. It is, and has been throughout the period, the Company's policy that no trading in financial instruments shall be undertaken.

Because the payment and receipt of interest on Notes and Loans respectively, are matched and the expenses were either paid upfront or are reimbursed by the borrower, there is limited liquidity risk. The principal risks arising from the Company's financial instruments are foreign exchange and credit risk. The Board reviews and agrees policies for managing each of these risks and these are summarised below.

Foreign exchange risk
The functional currency of the Company is US Dollars. The Company is exposed to foreign exchange risk because the functional currency differs from the currency in which other expenses are incurred and the currency in which its cash at bank is held. This risk is however very minimal.

At 31 December 2014 the following assets were denominated in foreign currency:

Maturity of financial liabilities

The following maturity profile details the Company's expected maturity of its financial liabilities and is based on the undiscounted contractual maturities of the financial liabilities including interest that will be earned on those liabilities except where the Company anticipates that the cash flow will occur in a different period:

	2014	2013
	$	$
In one year or less, or on demand	102,125,000	102,125,000
In more than one year but not more than two years	773,250,000	102,125,000
In more than two years but not more than five years	566,562,500	1,339,812,500
In more than five years	-	-
Total	1,441,937,500	1,544,062,500

	2014	2013
	$	$
Cash and cash equivalents	144,334	195,021

Credit risk

The Loan has been issued to one counterparty, SSBU and therefore the credit risk is highly concentrated. Based on the consolidated IFRS financial statements as at 31 December 2014, its total assets increased by 22.2% to UAH 124.3 bn from UAH 101.7 bn as of 31 December 2013. Gross loan book increased by 46.7% as of 31 December 2014 driven by UAH depreciation and increased volume of new loans granted. In monetary terms, net amount of increase in loans to customers (without effect of UAH depreciation) during 2014 was UAH 8.3 bn (2013: UAH 2.1 bn). Allowance for impairment losses for loans to customers grew almost twice mainly due to situation with loans provided by the branches in Donetsk, Lugansk and Crimean regions. As of 31 December 2014 their total gross value was UAH 12.5 bn (13.3% of total gross loan portfolio) and a provision of UAH 10.8 bn was made against them (incl. 100% provision for loans granted to Crimean customers). Capitalization of the Bank is strong and well above the regulatory minimum with CAR 18.57% and Tier 1 ratio 17.97% (24.69% and 23.15% as of YE 2013, respectively).

Devaluation of UAH and increase of provision under loan granted to customers and due from banks were the main reasons that led to Net Loss of UAH 10.0 bln in 2014, which, nevertheless, was fully compensated by new injection into share capital in the end of 2014.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

13. FINANCIAL INSTRUMENTS (continued)

Subsequent to year end, the State Savings Bank of Ukraine has initiated a process of restructuring the notes referred to as 'the reprofiling' of the notes. The principle terms of the reprofiling include the extension of each tranche of loan notes and corresponding loans by five years from the current maturity date and uplift in interest rates. The reprofiling terms would require the agreement of the noteholders. If the reprofiling completes and dependent upon the terms agreed then the directors will need to assess at that time, whether the finalised modification in terms results in the extinguishment of the existing financial liability and the recognition of a new liability (see Note 16).

In March 2015, Fitch Ratings and Moody's revised the SSBU's long-term rating as an issuer of foreign currency denominated securities, from CCC to CC and from Caa3 to Ca, respectively, in line with the sovereign credit rating. This was caused by the announcement by the Ministry of Finance of Ukraine that they were launching the reprofiling of the notes mentioned above (see Note 16).

SSBU has paid all the Loan interest due to date in full, including that due on 31 March 2015 and has complied with all its contractual covenants to date. The Loan is neither past due nor impaired.

Fair values

	Carrying amount 2014 $	*Fair value 2014 $*
Assets		
Loans	**1,196,919,307**	*709,692,000*
Liabilities		
Notes issued	**1,196,801,409**	*709,692,000*

	Carrying amount 2013 $	*Fair value 2013 $*
Assets		
Loans	**1,195,682,646**	*1,096,640,000*
Liabilities		
Notes issued	**1,195,606,296**	*1,096,640,000*

The fair value of the Notes is based on market prices. The fair value of the Loan has been based on the fair value of the Notes because they have similar credit risk, maturity and interest rates.No fair values have been disclosed for current assets because their carrying amount approximates to fair value because of their short-term maturities.

13. FINANCIAL INSTRUMENTS (continued)

Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for the shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. This was considered at the onset of the transaction by loaning the Note proceeds to a creditworthy bank which is government owned and consequently is expected to have a lower risk of default. The cost of capital was also considered by agreeing and paying most of the fees upfront. The capital structure of the Company consists of debt, which includes the borrowings disclosed in Note 11 and equity attributable to the share Trustee, comprising issued share capital and retained earnings as disclosed in the Statement of Financial Position.

14. CONTROLLING PARTIES

The Company is controlled by its Directors. All its $81,245 ordinary share capital are held by Capita Trust Nominees No.1 Limited, a Company incorporated in the United Kingdom under the terms of a discretionary trust, ultimately for charitable purposes.

Although SSBU has no direct ownership interest in the Company, it is considered to benefit from the risk and rewards of its activities in the Loan receivable and Loan notes issued. SSB No. 1 Plc is therefore included in the consolidated financial statements of SSBU. SSBU is registered in the Ukraine and copies of the financial statements may be obtained directly from the company.

SSBU is therefore, the Company's immediate and ultimate controlling party.

15. RELATED PARTY TRANSACTIONS

Subsidiaries of the Capita group provide directors and corporate services to the Company. During the period the total fees incurred for these services were $54,124 (2013: $50,173) and $88,520 (2013: $151,410) was prepaid at year end.

The Company issued two loans to SSBU of which $1,196,919,307 (2013:$1,195,682,646) was outstanding at year end. Interest earned on the loans during the year was $103,361,661 (2013: $93,412,144) and $30,370,856 (2013: $30,370,856) was outstanding at year end.

All transactions with the related parties were at arm's length.

16. EVENTS AFTER THE REPORTING DATE

Subsequent to year end, the State Savings Bank of Ukraine has initiated a process of restructuring the notes referred to as 'the reprofiling' of the notes. The principle terms of the reprofiling include the extension of each tranche of loan notes and corresponding loans by five years from the current maturity date and uplift in interest rates. The reprofiling terms require the agreement of the noteholders. Accordingly the directors will need to assess whether the finalised modification in terms results in the extinguishment of the existing financial liability and the recognition of a new liability. If this is agreed in 2015 this will be accounted for in the year ended 31 December 2015.

In March 2015, Fitch Ratings and Moody's revised the SSBU's long-term rating as an issuer of foreign currency denominated securities, from CCC to CC and from Caa3 to Ca, respectively, in line with the sovereign credit rating. This was in response to the announcement of the reprofiling mentioned above.

Registered number: 7464396

SSB NO.1 PLC

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

COMPANY INFORMATION

DIRECTORS	Sue Lawrence Capita Trust Corporate Limited Capita Trust Corporate Services Limited
COMPANY SECRETARY	Capita Trust Corporate Limited
REGISTERED NUMBER	7464396
REGISTERED OFFICE	4th Floor 40 Dukes Place London EC3A 7NH
INDEPENDENT AUDITORS	Deloitte LLP Chartered Accountants and Statutory Auditors London

CONTENTS

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2013

INTRODUCTION

The directors present their Strategic Report for the year ended 31 December 2013

BUSINESS REVIEW

The Company was incorporated in England and Wales on 8 December 2010, as a public Company with limited liability under the Companies Act 2006.

The principal activity of the Company is to provide finance to JSC Oschadbank (Joint Stock Company 'State Savings Bank of Ukraine') ("SSBU") under the terms of the prospectus. The Company issued two Tranches of Loan Participation Notes ("Notes"), due 10 March 2016. Tranche 1 was issued on 10 March 2011 for an Aggregate Nominal Amount of US $500,000,000. Tranche 2 was issued on 18 July 2011 for an Aggregate Nominal Amount of US $200,000,000. The issue price was 100% and 100.75% of the Aggregate Nominal Amount for Tranche 1 and Tranche 2 respectively, resulting in total gross proceeds of US $701,500,000. The Notes are listed on the Irish Stock Exchange.

On 20 March 2013 the Company issued a further $500,000,000 of loan notes at par. The notes are listed on the Irish Stock Exchange, bear interest 8.875% per annum and are due on 20 March 2018.

The proceeds from the issue of the above Notes were used to provide finance to SSBU (the "Loan").

PRINCIPAL RISKS AND UNCERTAINTIES

The Company is a securitisation Company which has been structured so as to avoid, as far as possible, significant financial risk. Certain estimates in the financial statements are based wholly or in part on estimates or assumptions made by the directors, taking into consideration the current market and economic conditions. There is, therefore, a risk that these may be subject to change in future periods.

The Company's financial risk management objectives and policies are set out in note 13.

FINANCIAL KEY PERFORMANCE INDICATORS

The Company receives interest from the borrowers and pays it to the noteholders. Most of the administration expenses were paid for upfront. The borrower pays for any other expenses that were not paid upfront. The Company also retains a very minimal amount of profit. As a result of this set up, the directors believe that it is not necessary to present any financial key performance indicators.

GOING CONCERN

All of the Company's operating expenses were paid at the onset of the transaction except audit and tax fees. However the performance of the Company depends on SSBU's credit quality and its ability to make payments under the Loan agreement. SSBU is 100% owned by the Government of Ukraine and the majority of its business is conducted in Ukraine. Consequently SSBU's performance and therefore the credit risk to which the Company is exposed is dependent upon the stability of the government and the Ukrainian economy.

Current crisis in Ukraine

In November 2013, the Ukrainian government declined to sign the association agreement with the European Union, which resulted in protests and signs of political unrest. In January - April 2014, the political unrest escalated. In February 2014, the President and majority of the Government officials were dismissed by the Parliament. The Parliament initiated certain political reforms, appointed a transitional Government and is forming a set of anti-crisis measures. On 21 March 2014, Ukraine signed a political association with the European Union.

In March 2014, a referendum held in the Autonomous Republic of Crimea supported seceding from Ukraine and becoming part of the Russian Federation. The Crimean parliament declared independence. While the referendum and declaration of independence have been ruled unconstitutional by the Ukraine's Constitutional Court, the President of the Russian Federation and the representatives of Crimea signed an agreement on the

STRATEGIC REPORT (continued)

accession of Crimea to the Russian Federation, which has been ratified by the Constitutional Court and the Parliament of the Russian Federation.

Furthermore, from January 2014 to June 2014, the Ukrainian Hryvnia devalued against major foreign currencies by approximately 48%, and the National Bank of Ukraine has imposed certain restrictions on purchase of foreign currencies in the inter-bank market. The international rating agencies have downgraded sovereign debt ratings for Ukraine. The combination of the above events has resulted in a deterioration of liquidity and much tighter credit conditions where credit is availale.

From April 2014, Pro Russian protests in Eastern Ukraine have escalated into clashes with government forces. Presidential elections were held in Ukraine on 25 May 2014, although due to instability in the Eastern Ukraine, the elections were not held there. A new President was elected. He has sought, through various diplomatic and military measures, to regain control over the eastern region.

Management is currently monitoring these developments in the current environment against the performance of the loan to SSBU.

Conclusion

The Directors, in preparing the financial statements, have adopted the going concern basis. In doing so, the directors have considered the quality and performance of the Company's assets, the limited recourse nature of the Company's borrowings, as well as other factors. However, given the severe deterioration in the operating environment of the borrower as set out above, the Directors consider that there is material uncertainty over the borrower's future ability to continue to service the loan, which may lead to a default and, subsequently, security enforcement or other actions that could result in the Company ceasing to trade.

This report was approved by the board on 30 June 2014 and signed on its behalf.

Capita Trust Corporate Services Limited
Director

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2013

The directors present their report and the financial statements for the year ended 31 December 2013.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to $38,775 *(2012 - $39,851)*.

No dividends were declared or paid by the Company during the current year and the directors do not propose a final dividend (2012: $nil).

DIRECTORS

The directors who served during the year were:

Sue Lawrence
Capita Trust Corporate Limited
Capita Trust Corporate Services Limited

EMPLOYEES

The Company had no employees during the current period. Capita Trust Corporate Limited performs the Company's secretarial functions. Capita Trust Company Limited provides corporate and administration services.

EVENTS AFTER THE REPORTING DATE

Since the year-end, and as discussed in note 1, the economic and political environment in Ukraine has deteriorated significantly. Whilst the borrower was able to meet his obligations falling due on the March 2014 Interest Payment Date and the next payment is not due until September 2014, Management continues to monitor the developments in the operating environment of the borrower. Further negative developments, including the political unrest, could adversely affect the ability of the borrower to make payments on the Loan in a manner not currently determinable.

On 17 January 2014 Capita Trust Secretaries Limited resigned from their role as Company secretary and Capita Trust Corporate Limited was appointed in their place.

FUTURE DEVELOPMENTS

No changes in the principal activities and results of the Company are foreseen.

DISCLOSURE OF INFORMATION TO AUDITOR

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditors are aware of that information.

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2013

AUDITOR

The auditor, Deloitte LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 30 June 2014 and signed on its behalf.

Capita Trust Corporate Services Limited
Director

DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2013

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable IFRS have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SSB NO.1 PLC

We have audited the financial statements of SSB No.1 PLC for the year ended 31 December 2013, set out on pages 8 to 21. These comprise the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position, the Statement of Cash Flows and the related notes 1 to 16. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an Auditors' Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic Report and the Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

EMPHASIS OF MATTER

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the Company's ability to continue as a going concern. The uncertainty arising from the current political and economic environment in Ukraine indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SSB NO.1 PLC

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Simon Stephens, FCA (Senior Statutory Auditor)

for and on behalf of
Deloitte LLP

Chartered Accountants and Statutory Auditors
London

30 June 2014

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013 $	*2012 $*
INTEREST INCOME	2	**93,412,183**	*58,322,987*
INTEREST EXPENSE	3	**(93,372,779)**	*(58,286,350)*
NET INTEREST INCOME		**39,404**	*36,637*
Professional fees	5	**(79,291)**	*(71,176)*
Other income		**80,243**	*71,493*
Foreign exchange (loss)/gain		**(1,535)**	*2,952*
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		**38,821**	*39,906*
Taxation	6	**(46)**	*(55)*
PROFIT FOR THE FINANCIAL YEAR		**38,775**	*39,851*

All amounts relate to continuing operations.

There were no recognised gains and losses for 2013 or 2012 other than those included in the Statement of Comprehensive Income.

The notes on pages 11 to 21 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013	**Retained earnings $**	**Share capital $**	**Total $**
Balance as at 1 January 2012	**2,050**	**81,245**	**83,295**
Total comprehensive income for the year	**39,851**	-	**39,851**
Balance as at 31 December 2012	**41,901**	**81,245**	**123,146**
Total comprehensive income for the year	**38,775**	-	**38,775**
Balance as at 31 December 2013	**80,676**	**81,245**	**161,921**

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013

	Note		2013		*2012*
		$	$	*$*	*$*
NON-CURRENT ASSETS					
Loans receivable	7		**1,195,682,646**		*697,765,391*
CURRENT ASSETS					
Trade and other receivables	8	**30,546,996**		*17,955,518*	
Cash and cash equivalents	9	**195,021**		*203,703*	
		30,742,017		*18,159,221*	
CURRENT LIABILITIES: trade and other payables	10	**(30,656,446)**		*(18,078,042)*	
NET CURRENT ASSETS			**85,571**		*81,179*
TOTAL ASSETS LESS CURRENT LIABILITIES			**1,195,768,217**		*697,846,570*
NON-CURRENT LIABILITIES: Notes issued	11		**(1,195,606,296)**		*(697,723,424)*
NET ASSETS			**161,921**		*123,146*
CAPITAL AND RESERVES					
Called up share capital	12		**81,245**		*81,245*
Retained earnings			**80,676**		*41,901*
SHAREHOLDERS' FUNDS			**161,921**		*123,146*

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 30 June 2014.

Capita Trust Corporate Services Limited
Director

The notes on pages 11 to 21 form part of these financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	Year ended 31 December 2013 $	*Year ended 31 December 2012 $*
Operating profit before tax		**38,821**	*39,906*
Cash flow from operating activities			
Amortisation of up front cash received to pay transaction costs	7	**(971,191)**	*(572,947)*
Amortisation of premium and transaction costs	7,11	**931,826**	*536,350*
(Increase)/Decrease in other debtors	8	**(12,591,478)**	*36,620*
Increase/(Decrease) in other creditors (excluding tax)	10	**12,578,467**	*(68,898)*
Corporation tax paid		**(109)**	*(54)*
Net cash outflows from operating activities		**(13,664)**	*(29,023)*
Cash flow from investing activities			
Issue of Loans	7	**(500,000,000)**	-
Cash received up-front from borrower	7	**3,053,936**	-
Net cash outflows from investing activities		**(496,946,064)**	-
Cash flow from financing activities			
Cash paid for transaction costs	11	**(3,048,954)**	-
Issue of Notes	11	**500,000,000**	-
Net cash inflows from financing activities		**496,951,046**	-
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**203,703**	*232,726*
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**195,021**	*203,703*

The notes on pages 11 to 21 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted for use in the European Union and on the historical cost basis as modified by International Accounting Standard 39 "Financial Instruments: Recognition and Measurement" ("IAS 39"). They have also been prepared on the going concern basis as referred to in the going concern section of the Directors' report.

Due to the fact that the nature of the business is to provide finance, the directors are of the opinion that it is more appropriate to use interest income and interest expense rather than turnover and cost of sales in preparing the statement of comprehensive income.

Going concern

All of the Company's operating expenses were paid at the onset of the transaction except audit and tax fees. However the performance of the Company depends on SSBU's credit quality and its ability to make payments under the Loan agreement. SSBU is 100% owned by the Government of Ukraine and the majority of its business is conducted in Ukraine. Consequently SSBU's performance and therefore the credit risk to which the Company is exposed is dependent upon the stability of the government and the Ukrainian economy.

Current crisis in Ukraine

In November 2013, the Ukrainian government declined to sign the association agreement with the European Union, which resulted in protests and signs of political unrest. In January - April 2014, the political unrest escalated. In February 2014, the President and majority of the Government officials were dismissed by the Parliament. The Parliament initiated certain political reforms, appointed a transitional Government and is forming a set of anti-crisis measures. On 21 March 2014, Ukraine signed a political association with the European Union.

In March 2014, a referendum held in the Autonomous Republic of Crimea supported seceding from Ukraine and becoming part of the Russian Federation. The Crimean parliament declared independence. While the referendum and declaration of independence have been ruled unconstitutional by the Ukraine's Constitutional Court, the President of the Russian Federation and the representatives of Crimea signed an agreement on the accession of Crimea to the Russian Federation, which has been ratified by the Constitutional Court and the Parliament of the Russian Federation.

Furthermore, from January 2014 to June 2014, the Ukrainian Hryvnia devalued against major foreign currencies by approximately 48%, and the National Bank of Ukraine has imposed certain restrictions on purchase of foreign currencies in the inter-bank market. The international rating agencies have downgraded sovereign debt ratings for Ukraine. The combination of the above events has resulted in a deterioration of liquidity and much tighter credit conditions where credit is available.

From April 2014, Pro Russian protests in Eastern Ukraine have escalated into clashes with government forces. Presidential elections were held in Ukraine on 25 May 2014, although due to instability in the Eastern Ukraine, the elections were not held there. A new President was elected. He has sought, through various diplomatic and military measures, to regain control over the eastern region.

Management is currently monitoring these developments in the current environment against the performance of the loan to SSBU.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

1. ACCOUNTING POLICIES (continued)

Conclusion

The Directors, in preparing the financial statements, have adopted the going concern basis. In doing so, the directors have considered the quality and performance of the Company's assets, the limited recourse nature of the Company's borrowings, as well as other factors. However, given the severe deterioration in the operating environment of the borrower as set out above, the Directors consider that there is material uncertainty over the borrower's future ability to continue to service the loan, which may lead to a default and, subsequently, security enforcement or other actions that could result in the Company ceasing to trade.

1.2 Standards issued but not adopted

The adoption of Standards and Interpretations issued by the International Accounting Standards Board (IASB) that were effective for the current year has not had a material impact on the financial statements of the Company. At the date of authorisation of these financial statements, the following Standards and Interpretations, which have not been applied in these financial statements, were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

Name of new Standards/amendments **Effective date**	
Amendments to IFRS 10, IFRS 12, and IAS 27 (Oct 2012): Investment Entities	1 January 2014
Annual improvements to IFRSs: 2009-2011 Cycle	1 January 2013
Amendments to IFRS 1 (March 2012): Government Loans	1 January 2013
Amendments to IAS 32 (Dec 2011): Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to IFRS 7 (Dec 2011): Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
IFRS 9: Financial Instruments	1 January 2018 (proposed)
IAS 19 (revised June 2011): Employee Benefits	1 January 2013
IFRS 13: Fair Value Measurement	1 January 2013
IFRS 12: Disclosure of Interests in Other Entities	1 January 2014
IFRS 11: Joint Arrangements	1 January 2014
IFRS 10: Consolidated Financial Statements	1 January 2014
IAS 28 (revised May 2011): Investments in Associates and Joint Ventures	1 January 2013
IAS 27 (revised May 2011): Separate Financial Statements	1 January 2013
IFRIC 20: Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Annual Improvements to IFRSs: 2010-2012 Cycle	1 July 2014
Annual Improvements to IFRSs: 2011-2013 Cycle	1 July 2014
Amendments to IFRS 10, IFRS 11, and IFRS 12: Transition Guidance	1 January 2014
Amendments to IAS 39: Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
Amendments to IAS 36: Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
Amendments to IAS 19: Employee Contributions	1 July 2014
IFRIC 21 Levies	1 January 2014

The directors are currently considering the potential impact of the adoption of IFRS 9 on the financial statements of the Company, but the Company does not believe that the adoption at any time in the future of the remaining Standards above will have any material impact on the amounts reported in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

1. ACCOUNTING POLICIES (continued)

1.3 Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expense, in particular over recoverability of assets. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements on carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates used in the financial statements.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both the current and future periods. The key estimates and assumptions used by the Company are discussed below:

Effective interest rate - the effective interest rate is calculated by taking into account all contractual cashflows from the issue date to the maturity date of the Notes and finding the rate that gives a constant rate of return over the life of the Notes.

1.4 Interest income and receivable

Interest income is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's carrying amount. The cash received up-front to pay for transaction costs is amortised through interest income using the effective interest rate.

1.5 Other income

Other income represents reimbursement of administration expenses by the borrower in accordance with the Loan agreement and is recognised on an accruals basis.

1.6 Administration expenses

Administration expenses are recognised on an accruals basis. They include corporate service fees, accounting fees and audit fees.

1.7 Interest expense and payable

Interest expense is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to that liability's carrying amount. Both transaction costs and the Note issuance premium (Note 11) are amortised through interest expense using the effective interest rate.

1.8 Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange at the date of the transaction. Monetary assets and liabilities are translated into US Dollars at the market rates of exchange ruling at the balance sheet date. Exchange differences arising from the translation of foreign currencies are reflected in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

1. ACCOUNTING POLICIES (continued)

1.9 Taxation

The Company has elected to be taxed under the "permanent" tax regime for securitisation companies (contained in Statutory Instrument 2006/3296), under which the Company is taxed broadly by reference to its net cash flows during the period, and not by reference to its accounting profits, to the extent that these differ.

1.10 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank.

1.11 Trade and other receivables

These include corporate service fees which were paid upfront and are amortised on a straight line basis over the life of the Loan Notes issued.

1.12 Trade and other payables

This includes deferred income which was received to pay for the corporate service fees upfront. It is amortised on a straight line basis over the life of the Loan Notes issued.

1.13 Financial instruments - initial recognition and subsequent measurement

Loans receivable
The Loans have been classified as Loans and receivables. They are measured on initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired.

Notes issued
The Notes issued are classified as other financial liabilities and are initially recognised at fair value at the date of issuance of the liabilities, and are subsequently measured at amortised cost using the effective interest rate method.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

1. ACCOUNTING POLICIES (continued)

1.14 Derecognition of financial assets and financial liabilities

Financial assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

* the rights to receive cash flows from the asset have expired;
* the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass through" arrangement; or
* the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained all the risks and rewards or the asset, but has transferred control of the asset.

Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of the consideration that the Company could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Company's continuing involvement is the amount of the transferred asset that the Company may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Company's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

2. INTEREST INCOME

	2013	*2012*
	$	*$*
Interest income on the Loan	**93,412,144**	*58,322,948*
Bank interest	**39**	*39*
	93,412,183	*58,322,987*

3. INTEREST EXPENSE

	2013	*2012*
	$	*$*
Interest payable on Notes	**93,372,780**	*58,286,350*

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

4. DIRECTORS AND EMPLOYEES

The company has no employees other than the directors, who did not receive any remuneration *(2012 - $NIL)*.

5. PROFESSIONAL FEES

	2013 $	*2012* *$*
Auditor's remuneration for the audit of the Company's statutory accounts	20,363	*20,577*
Auditor's remuneration for other services	8,485	*11,758*
Corporate services and accounting fees	50,443	*38,841*
	79,291	*71,176*

6. TAXATION

	2013 $	*2012* *$*
UK corporation tax charge on profit for the year	46	*55*

Factors affecting tax charge for the year

The tax assessed for the year is lower than *(2012 - lower than)* the standard rate of corporation tax in the UK of 20% *(2012 - 20%)*. The differences are explained below:

	2013 $	*2012* *$*
Profit on ordinary activities before tax	38,821	*39,906*
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% *(2012 - 20%)*	7,764	*7,981*
Effects of:		
Permanent differences relating to Taxation of Securitisation Company Regulations 2006	(7,764)	*(7,981)*
Tax charge under Taxation of Securitisation Company Regulations 2006	46	*63*
Adjustments to tax charge in respect of prior periods	-	*(8)*
Current tax charge for the year	46	*55*

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

6. TAXATION (continued)

Factors that may affect future tax charges

The Company is taxed in accordance with Statutory Instrument No. 3296 The Taxation of Securitisation Companies Regulations 2006 which requires that tax is charged on the profits 'retained by the issuer'. The actual retained profit for the year amounted to £200.

The directors are satisfied that Company meets the definition of a securitisation Company as defined by both the Finance Act 2005 and the subsequent legislation and that no incremental unfunded tax liabilities will arise.

The directors have accordingly elected that the Company be taxed by reference to its net cash margin, and not its accounting profit.

7. LOANS RECEIVABLE

	2013 $	2012 $
Loans falling due after more than two years but less than five years	**1,200,000,000**	*700,000,000*
Less: Cash received upfront to pay for transaction costs	**(6,130,740)**	*(3,076,804)*
Add: Cumulative amortisation of cash received upfront	**1,813,386**	*842,195*
	1,195,682,646	*697,765,391*

The Loan is to Joint Stock Company 'State Savings Bank of Ukraine' ("SSBU"). The first loan has a principal value of $700,000,000 and is due for repayment on 10 March 2016. It bears interest at 8.25%. The second loan has a of principal value $500,000,000 bearing interest at 8.875% and is due for repayment on 20 March 2018.

8. TRADE AND OTHER RECEIVABLES

	2013 $	2012 $
Interest receivable on the loans	**30,370,856**	*17,806,249*
Other debtors	**176,140**	*149,269*
	30,546,996	*17,955,518*

9. CASH AND CASH EQUIVALENTS

Cash comprises cash on hand and demand deposits which are subject to an insignificant risk of changes in value.

	2013 $	2012 $
Cash at bank and in hand	**195,021**	*203,703*

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

10. TRADE AND OTHER PAYABLES

	2013 $	2012 $
Interest payable on Notes issued	30,370,856	17,806,250
Corporation tax payable	-	63
Other creditors	285,590	271,729
	30,656,446	18,078,042

11. NOTES ISSUED

	2013 $	2012 $
Loan participation notes	1,200,000,000	700,000,000
Note premium	1,500,000	1,500,000
less: Cumulative amortisation of Note premium	(633,815)	(321,833)
less: Transaction costs	(7,625,759)	(4,576,805)
Add: Cumulative amortisation of transaction costs	2,365,870	1,122,062
As at 31 December	1,195,606,296	697,723,424

The above Notes are made of fixed interest Loan Participating Notes due 10 March 2016 and 20 March 2018.

Tranche 1 was issued on 10 March 2011 for an Aggregate Nominal Amount of US $500,000,000. Tranche 2 was issued on 18 July 2011 for an Aggregate Nominal Amount of US $200,000,000. The issue price was 100% and 100.75% for Tranche 1 and Tranche 2 respectively, resulting in total gross proceeds of US $701,500,000. Both Tranche 1 and 2 are repayable 10 March 2016.

A further issue was made on 20 March 2013 for an Aggregate Nominal Amount of US $500,000,000. The issue price was 100%. The Note premium and transaction costs for all tranches are amortised over the life of the Notes at the effective interest rate.

The Notes are listed on the Irish Stock Exchange, and the Company has charged by way of security to the Trustee, all its rights to receive principal and interest on the Loan under the Loan Agreement.

12. SHARE CAPITAL

	2013 $	2012 $
Allotted, called up and fully paid		
50,000 Ordinary shares of £1 each	81,245	81,245

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

13. FINANCIAL INSTRUMENTS

The Company's financial instruments comprise three tranches of Loans and Notes. Cash, accrued interest income, accrued interest payable and other items arise directly from its operations. It is, and has been throughout the period, the Company's policy that no trading in financial instruments shall be undertaken.

Because the payment and receipt of interest on Notes and Loans respectively, are matched and the expenses were either paid upfront or are reimbursed by the borrower, there is limited liquidity risk. The principal risks arising from the Company's financial instruments are foreign exchange and credit risk. The Board reviews and agrees policies for managing each of these risks and these are summarised below.

Foreign exchange risk
The functional currency of the Company is US Dollars. The Company is exposed to foreign exchange risk because the functional currency differs from the currency in which other expenses are incurred and the currency in which its cash at bank is held. This risk is however very minimal.

At 31 December 2013 the following assets were denominated in foreign currency:

	2013	*2012*
	$	*$*
Cash and cash equivalents	**195,021**	*203,703*

Credit risk
The Loan has been issued to one counterparty, SSBU and therefore the credit risk is highly concentrated. SSBU is 100% owned by the Government of Ukraine and the directors believe that the risk of default is currently low. Prior to year end, there were widespread protests in Ukraine which led to the state of Ukraine being downgraded to Caa2 by Moody's as of 31 January 2014 (B3 as of 21 February 2013) and to CCC by Fitch as of 7 Feb 2014 (B as of 21 February 2013). SSBU's long term rating by Moody's was Caa2 as of 5 February 2014 and by Fitch was CCC as of 14 February 2014 (Caa1 and B respectively as of 21 February 2013). These rating downgrades are a general indication of the widespread problems in Ukraine and are not specific to SSBU. However, since the year end, the protests have escalated, resulting in economic sanctions being imposed on some top officials. The impact of the sanctions on the Company in 2014 is currently unpredictable.

For the year ended 31 December 2013, SSBU made net profits of approximately UAH711m (2012: UAH662m) and had net assets of approximately UAH19.2bn (2012: UAH17.8bn). SSBU has paid all the Loan interest due to date in full, including that due on 31 March 2014. The Loan is neither past due nor impaired. Based on the above, the directors believe that the Loan will be fully recoverable and they do not consider any impairment charge necessary.

Capital risk management
The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for the shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. This was considered at the onset of the transaction by loaning the Note proceeds to a creditworthy bank which is government owned and consequently is expected to have a lower risk of default. The cost of capital was also considered by agreeing and paying most of the fees upfront. The capital structure of the Company consists of debt, which includes the borrowings disclosed in Note 11 and equity attributable to the share Trustee, comprising issued share capital and retained earnings as disclosed in the Statement of Financial Position.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

Maturity of financial liabilities

The following maturity profile details the Company's expected maturity of its financial liabilities and is based on the undiscounted contractual maturities of the financial liabilities including interest that will be earned on those liabilities except where the Company anticipates that the cash flow will occur in a different period:

	2013	*2012*
	$	*$*
In one year or less, or on demand	**102,125,000**	*57,750,000*
In more than one year but not more than two years	**102,125,000**	*57,750,000*
In more than two years but not more than five years	**1,339,812,500**	*786,625,000*
In more than five years	-	-
Total	**1,544,062,500**	*902,125,000*

Fair values

The fair value of the Notes is based on market prices. The fair value of the Loan has been based on the fair value of the Notes because they have similar credit risk, maturity and interest rates.

	Carrying amount 2013 $	*Fair value 2013 $*
Assets		
Loans	**1,195,682,646**	*1,096,640,000*
Liabilities		
Notes issued	**1,195,606,296**	*1,096,640,000*

	Carrying amount 2012 $	*Fair value 2012 $*
Assets		
Loans	**697,765,391**	*665,007,000*
Liabilities		
Notes issued	**697,723,424**	*665,007,000*

No fair values have been disclosed for current assets because their carrying amount approximates to fair value because of their short-term maturities.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

14. CONTROLLING PARTIES

The Company is controlled by its Directors. All its 50,000 ordinary shares are held by Capita Trust Nominees No.1 Limited, a Company incorporated in the United Kingdom under the terms of a discretionary trust, ultimately for charitable purposes.

Although SSBU has no direct ownership interest in the Company, it is considered to benefit from the risk and rewards of its activities in the Loan receivable and Loan notes issued. The Loan notes issued are therefore included in the consolidated financial statements of SSBU. SSBU is registered in the Ukraine and copies of the financial statements may be obtained directly from the company.

SSBU is therefore, the Company's immediate and ultimate controlling party.

15. RELATED PARTY TRANSACTIONS

Subsidiaries of the Capita group provide directors and corporate services to the Company.
During the period the total fees incurred for these services were $50,173 (2012: $37,918) and $151,410 (2012: $113,754) was prepaid at year end. All transactions with the Capita group were at arm's length.

16. EVENTS AFTER THE REPORTING DATE

Since the year-end, and as discussed in note 1, the economic and political environment in Ukraine has deteriorated significantly. Whilst the borrower was able to meet his obligations falling due on the March 2014 Interest Payment Date and the next payment is not due until September 2014, Management continues to monitor the developments in the operating environment of the borrower. Further negative developments, including the political unrest, could adversely affect the ability of the borrower to make payments on the Loan in a manner not currently determinable.

On 17 January 2014 Capita Trust Secretaries Limited resigned from their role as Company secretary and Capita Trust Corporate Limited was appointed in their place.

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