

PRIVATBANK GROUP

**Interim Management Statement
for the Six Month Period
Ended 30 June 2015 (unaudited)**

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INTERIM MANAGEMENT STATEMENT

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PRIVATBANK GROUP
Management Basis Statement of Financial Position (Unaudited)

<i>In millions of Ukrainian hryvnias</i>	Note	30 June 2015 (unaudited)	31 December 2014
ASSETS			
Cash and cash equivalents and mandatory reserves	6	26,638	19,582
Due from other banks	18	8,810	15,585
Loans and advances to customers	7	182,659	161,830
Embedded derivative assets	19	26,950	19,978
Investment securities available-for-sale		1,719	1,262
Investment securities held to maturity		960	648
Current income tax prepayment		120	146
Goodwill		74	61
Premises, leasehold improvements, equipment and intangible assets		4,141	4,098
Other financial assets	8	455	862
Other assets		1,196	914
Non-current assets held for sale (or disposal groups)		-	4,070
TOTAL ASSETS		253,722	229,036
LIABILITIES			
Due to the NBU	9	27,926	18,357
Due to other banks and other financial institutions	10	3,098	3,279
Customer accounts	11	174,809	152,053
Debt securities in issue	12	7,938	7,987
Embedded derivative liabilities	20	-	10,047
Current income tax liability		5	7
Deferred income tax liability		892	784
Provisions for liabilities and charges, other financial and non-financial liabilities		2,229	2,189
Subordinated debt	13	8,615	5,450
Liabilities directly associated with disposal groups held for sale		-	3,150
TOTAL LIABILITIES		225,512	203,303
EQUITY			
Share capital	14	19,101	18,101
Share premium		20	20
Contributions received for new shares issued but not registered	14	2,158	1,000
Revaluation reserve for premises		588	588
Revaluation reserve of investment securities available-for-sale		1,113	805
Currency translation reserve		675	672
Retained earnings		4,022	3,909
Net assets attributable to the Bank's owners		27,677	25,095
Non-controlling interest		533	638
TOTAL EQUITY		28,210	25,733
TOTAL LIABILITIES AND EQUITY		253,722	229,036

Approved for issue and signed on behalf of the Management Board on 14 September 2015.

_____ signed _____
Olexandr V. Dubilet
Chairman of the Board

_____ signed _____
Lubov I. Korotina
Chief Accountant

PRIVATBANK GROUP**Management Basis Statement of Profit or Loss and Other Comprehensive Income (Unaudited)**

<i>In millions of Ukrainian hryvnias</i>	Note	Six months ended 30 June 2015 (unaudited)	Six months ended 30 June 2014 (unaudited)
Interest income	15	14,502	13,179
Interest expense	15	(12,669)	(8,772)
Net interest income		1,833	4,407
Provision for impairment of loans and advances to customers	7	(1,923)	(3,071)
Net interest income after provision for impairment of loans and advances to customers		(90)	1,336
Fee and commission income	16	2,953	2,111
Fee and commission expense	16	(754)	(503)
Gains less losses from embedded derivatives	20	8,048	1,939
(Losses less gains)/gains less losses from trading in foreign currencies		(961)	69
Foreign exchange translation losses less gains		(5,475)	(1,801)
Other operating income		202	78
Other gains less losses		147	439
Gains from disposal of subsidiary	5	227	601
Administrative and other operating expenses	17	(4,079)	(4,210)
Profit before tax		218	59
Income tax expense		(124)	(34)
Profit		94	25
Other comprehensive income/(loss):			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Available-for-sale investments:			
- Gains less losses arising during the year		377	167
- Gains less losses reclassified to profit or loss upon disposal of subsidiary		-	(10)
Income tax recorded directly in other comprehensive income		(68)	(37)
Exchange differences on translation to presentation currency			
- Differences on translation to presentation currency arising during the year		475	894
- Differences on translation to presentation currency reclassified to profit or loss upon disposal of subsidiary		(254)	(229)
Other comprehensive income		530	785
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		624	810
Profit/(loss) is attributable to			
Owners of the Bank		64	109
Non-controlling interest		30	(84)
Profit		94	25
Total comprehensive income is attributed to:			
Owners of the Bank		424	685
Non-controlling interest		200	125
Total comprehensive income		624	810

PRIVATBANK GROUP

Management Basis Statement of Changes in Equity (Unaudited)

	Note	Attributable to owners of the Bank						Total	Non-controlling interest	Total equity	
		Share capital	Share premium	Contributions received for new shares issued but not registered	Revaluation reserve for premises	Revaluation reserve of investment securities available-for-sale	Currency translation reserve				Retained earnings
<i>In millions of Ukrainian hryvnias</i>											
Balance at 1 January 2014		16,352	20	-	562	381	308	4,755	22,378	446	22,824
Profit/(loss) for the period		-	-	-	-	-	-	109	109	(84)	25
Other comprehensive income		-	-	-	-	111	227	-	576	209	785
Total comprehensive income/(loss) for the period		-	-	-	-	111	227	109	685	125	810
Contributions received for new shares issued but not registered	14	-	-	1,749	-	-	-	(1,749)	-	-	-
Other changes in interest attributable to owners of the Bank and non-controlling interest	1	-	-	-	3	-	29	(38)	(6)	5	(1)
Disposal of subsidiary		-	-	-	(33)	-	-	33	-	(207)	(207)
Balance at 30 June 2014		16,352	20	1,749	532	492	564	3,110	22,819	369	23,188

The notes set out on pages 6 to 34 form an integral part of this interim management statement.

PRIVATBANK GROUP**Management Basis Statement of Changes in Equity (Unaudited)**

	Note	Attributable to owners of the Bank							Non-controlling interest	Total equity	
		Share capital	Share premium	Contributions received for new shares issued but not registered	Revaluation reserve for premises	Revaluation reserve of investment securities available-for-sale	Currency translation reserve	Retained earnings			Total
<i>In millions of Ukrainian hryvnias</i>											
Balance at 1 January 2015		18,101	20	1,000	588	805	672	3,909	25,095	638	25,733
Profit/(loss)		-	-	-	-	-	-	64	64	30	94
Other comprehensive income		-	-	-	-	308	3	49	360	170	530
Total other comprehensive income		-	-	-	-	308	3	113	424	200	624
Contributions received for new shares issued but not registered	14	-	-	2,158	-	-	-	-	2,158	-	2,158
Registered contributions received for new shares	14	1,000	-	(1,000)	-	-	-	-	-	-	-
Disposal of subsidiary	5	-	-	-	-	-	-	-	-	(305)	(305)
Balance at 30 June 2015		19,101	20	2,158	588	1,113	675	4,022	27,677	533	28,210

The notes set out on pages 6 to 34 form an integral part of this interim management statement.

PRIVATBANK GROUP
Management Basis Statement of Cash Flows (Unaudited)

	Note	Six months ended 30 June 2015 (unaudited)	Six months ended 30 June 2014 (unaudited)
<i>In millions of Ukrainian hryvnias</i>			
Cash flows from operating activities			
Interest received		11,759	12,707
Interest paid		(12,835)	(8,746)
Fees and commissions received		2,953	2,111
Fees and commissions paid		(754)	(503)
(Loss)/Income received from embedded derivatives	20	(8,511)	690
Income received from derivatives arising from swap, forward and spot transactions		146	467
Incomes received from trading in foreign currencies		(961)	69
Other operating income received		207	78
Staff costs paid		(1,713)	(2,066)
Administrative and other operating expenses paid, except for staff costs paid		(2,032)	(1,929)
Income tax paid		(60)	(170)
Cash flow from operating activities before changes in operating assets and liabilities		(11,801)	2,708
Changes in operating assets and liabilities			
Net (increase)/decrease in mandatory reserve balances		(74)	2,045
Net decrease in due from other banks		13,316	8,493
Net increase in loans and advances to customers		(6,117)	(14,204)
Net decrease in other financial assets		372	(239)
Net decrease/(increase) in other assets		79	(74)
Net decrease in due to the NBU	9	-	(213)
Net decrease in due to other banks and other financing institutions		(819)	(550)
Net decrease in customer accounts		(180)	(14,790)
Net increase in provisions for liabilities and charges, other financial and non-financial liabilities		70	1,040
Net cash used in operating activities		(5,154)	(15,784)
Cash flows from investing activities			
Acquisition of investment securities available-for-sale		(25)	(72)
Proceeds from investment securities available-for-sale		-	741
Acquisition of investment securities held to maturity		(167)	(1,013)
Proceeds from redemption of investment securities held to maturity		60	102
Proceeds from premises, leasehold improvements and equipment		7	15
Acquisition of premises, leasehold improvements and equipment		(326)	(381)
Disposal of subsidiary, net of disposed cash	5	(863)	(1,644)
Net cash used in investing activities		(1,314)	(2,252)
Cash flows from financing activities			
Proceeds from NBU	9	9,700	17,594
Repayment from NBU	9	(953)	(2,756)
Issue of ordinary shares	14	2,158	-
Repayment of debt securities issued		(2,014)	-
Net cash from financing activities		8,891	14,838
Effect of exchange rate changes on cash and cash equivalents		1,763	4,293
Net increase in cash and cash equivalents		4,186	1,095
Cash and cash equivalents at the beginning of the year	6, 5	20,462	27,021
Cash and cash equivalents at the end of the year	6	24,648	28,116

Operating transactions that did not require the use of cash and cash equivalents and were excluded from the consolidated statement of cash flows are disclosed in Note 6.

PRIVATBANK GROUP

Selected Explanatory Notes to the Interim Management Statement for the Six Month Period Ended 30 June 2015 (Unaudited)

1 Introduction

The financial information on which this Interim Management Statement is based, and the data set out in the explanatory notes to this statement, are unaudited and have been prepared in accordance with PrivatBank Group's accounting policies as described in the Bank's Consolidated Financial Statements for the year ended 31 December 2014. A glossary of terms is also provided in the Bank's Consolidated Financial Statements for the year ended 31 December 2014.

The Bank was initially registered as a commercial entity with limited liability, re-organised into a closed joint stock entity in 2000. In 2009 the Bank changed its legal form to a public joint stock company limited by shares in accordance with changes in Ukrainian legislation. As of 30 June 2015 and 31 December 2014 according to the share registers the ultimate major shareholders of the Bank were Mr I.V. Kolomoyskiy and Mr G.B. Bogolyubov who as at 30 June 2015 owned directly and indirectly respectively 45.33% (31 December 2014: 45.08%) and 45.33% (31 December 2014: 45.08%) of the outstanding shares and neither of which individually controlled the Bank. The major shareholders of the Bank did not have a contractual agreement on joint control of the Bank.

As of 30 June 2015 composition of the Supervisory Board was as follows:

Chairman of the Supervisory Board:	Mr. V.S. Stelmakh
Members of the Supervisory Board:	Mr. G.B. Bogolyubov
	Mr. I.V. Kolomoyskiy
	Mr. A.G. Martynov
	Mr. V.I. Lisitskiy

As of the date of issuing of the consolidated financial statements composition of the Management Board was as follows:

Chairman of the Management Board:	Mr. A.V. Dubilet
Members of the Management Board:	
General Deputy Chairman of the Management Board:	Mr. Y.P. Pikush
First Deputy Chairmen of the Management Board:	Mr. T.Y. Novikov
	Mr. V.A. Yatsenko
	Mr. O.V. Gorohovskiy
Deputy Chairmen of the Management Board:	Mrs. T.M. Gurieva
	Mr. V.G. Zavorotniy
	Mrs. L.I. Chmona
	Mr. V.L. Kovalev
	Mrs. L.A. Shmalchenko
	Mr. A.P. Vitiaz
	Mr. S.V. Kryzhanovskiy
	Mr. D.A. Dubilet
	Mr. R.M. Neginskiy
Chief Accountant:	Mrs. L.I. Korotina
Head of Financial Monitoring Department:	Mr. I.L. Terekhin

Principal activity. The Bank's principal business activity is commercial and retail banking operations within Ukraine. The Bank has operated under a full banking licence issued by the National Bank of Ukraine (the "NBU") since March 1992. The Bank participates in the state deposit insurance plan (registration #113 dated 2 September 1999), which operates according to the Law №2740-III "On Individuals Deposits Guarantee Fund" dated 20 September 2001 (as amended). As at 30 June 2015 and 31 December 2014 Individuals Deposits Guarantee Fund guarantees repayment of individual deposits up to UAH 200 thousand per individual in case bank liquidation procedure is started.

PRIVATBANK GROUP

Selected Explanatory Notes to the Interim Management Statement for the Six Month Period Ended 30 June 2015 (Unaudited)

1 Introduction (Continued)

As of 30 June 2015 the Bank had 30 branches and 2,881 outlets within Ukraine and a branch in Cyprus (31 December 2014: 30 branches, 2,884 outlets in Ukraine and a branch in Cyprus). Additionally, as at 30 June 2015 the Bank had subsidiary bank in Latvia (31 December 2014: in Latvia and Georgia) and representative office in Kyiv (Ukraine), London (the United Kingdom) and Beijing (China) (31 December 2014: Kyiv (Ukraine), Almaty (the Republic of Kazakhstan), London (the United Kingdom) and Beijing (China)), several consolidated structured entities in Ukraine and the United Kingdom. Consolidated structured entities in the United Kingdom are used for issue of Eurobonds and Mortgage bonds. Please refer to Note 12.

The principal subsidiaries, included in the consolidated financial statements, were as follows:

Name	Nature of business	Country of registration	Percentage of ownership	
			30 June 2015 (unaudited)	31 December 2014
JSC PrivatBank	Banking	Georgia	-	57.86%
AS PrivatBank	Banking	Latvia	50.02%	50.02%

In January 2015, the Group disposed of 57.86 % of the share capital of JSC Privatbank (Georgia). Refer to Note 5.

Registered address and place of business. The Bank's registered address is:

50, Naberezhna Peremohy Str.,
49094, Dnipropetrovsk,
Ukraine.

Presentation currency. These consolidated financial statements are presented in millions of Ukrainian hryvnias ("UAH million"), unless otherwise stated.

2 Operating Environment of the Group

Starting in late 2013 the political situation in Ukraine has experienced instability with numerous protests and continued political uncertainty that has led to a deterioration of the State's finances, volatility of financial markets and sharp depreciation of the national currency against major foreign currencies. The ratings of Ukrainian sovereign debt were downgraded by international rating agencies with negative outlooks for the future. The National Bank of Ukraine, among other measures, imposed certain restrictions on processing of client payments by banks and on the purchase of foreign currency on the inter-bank market.

The political situation in 2014 has also been volatile, with changes in the Ukrainian Parliament and the Presidency. In March 2014, various events in Crimea led to the accession of the Republic of Crimea to the Russian Federation. The Russian Federation, Mongolia, Syria, Kazakhstan are the only countries that recognised the referendum and the annexation. This event resulted in significant deterioration of relationships between Ukraine and the Russian Federation. Starting from March 2014, the Group was unable to conduct its operations in the Crimea.

The political situation in Eastern Ukraine also deteriorated in 2014 resulting in armed conflict and military activity in some parts of Donetsk and Lugansk regions. The armed conflict in the region has put further pressure on relations between Ukraine and the Russian Federation. Escalating political tensions have had an adverse effect on Ukrainian financial markets, resulting in a hampering of ability of Ukrainian companies and banks to obtain funding from the international and capital and loan markets. This has contributed to further significant devaluation of Hryvnia against major foreign currencies.

PRIVATBANK GROUP

Selected Explanatory Notes to the Interim Management Statement for the Six Month Period Ended 30 June 2015 (Unaudited)

2 Operating Environment of the Group (Continued)

As of the date of this report, the official NBU exchange rate of Hryvnia against US dollar was UAH 21.70 per USD 1 compared to UAH 21.02 per USD 1 as at 30 June 2015. During the first half of 2015 year real GDP fell by 16.3% in comparison with the first half of 2014 year. Borrowers of the Group may be adversely affected by the deteriorated financial and economic environment, including devaluation of the Ukrainian Hryvnia in January – December 2014. As a certain part of loans to customers was issued in foreign currencies, UAH depreciation against these currencies could have a significant impact on borrowers' ability to service the loans. Management tests loans for impairment with due consideration of the above risk factors.

The final resolution of the political and economic situation in Ukraine and the final effects of this are difficult to predict, but it may have further severe effects on the Ukrainian economy and the Group's business.

3 Summary of Significant Accounting Policies

Basis of Preparation. The accounting policies and methods of computation adopted in the preparation of the interim management statement are consistent with those followed in the preparation of the Bank's consolidated financial statements for the year ended 31 December 2014.

The Bank operates in an industry where significant seasonal or cyclical variations in operating income are not experienced during the financial year.

Any further changes to this interim management statement require approval of the Management Board who authorised this interim management statement for issue.

Income taxes. Income tax expense is recognised in each interim period based on the best estimate of the weighted average effective annual income tax rate expected for the full financial year. Amounts accrued for income tax expense in one interim period may have to be adjusted in a subsequent interim period of that financial year if the estimate of the weighted average effective annual income tax rate changes. Interim period income tax expense is accrued using the tax rate that would be applicable to expected total annual earnings; that is, the estimated average annual effective income tax rate is applied to the pre-tax income of the interim period.

Foreign currency translation. The functional currency of each of the Group's consolidated entities is the currency of the primary economic environment in which the entity operates. The functional currency of the Bank, and the Group's presentation currency, is the national currency of Ukraine, Ukrainian hryvnia ("UAH").

The principal rates of exchange used for translating foreign currency balances were as follows:

	30 June 2015, UAH	Average 2015, UAH	31 December 2014, UAH	Average 2014, UAH
1 US Dollar (USD)	21.015358	21.350219	15.768556	11.873948
1 Euro (EUR)	23.541404	23.820442	19.232908	15.683281
1 Georgian Lari (GEL)	9.122918	9.570194	8.150089	6.544734

Representation of prior periods amounts. In statement of changes in equity, statement of profit or loss and statement of cash flows in 2014 year were doing reclassifications as in the Bank's Consolidated Financial Statements for the year ended 31 December 2014.

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies

The Group makes estimates and assumptions that affect the amounts recognised in the interim management statement and the carrying amounts of assets and liabilities within the next financial period. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the interim management statement and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial period include:

Impairment losses on loans and advances. The Group regularly reviews its loan portfolios to assess impairment. In determining whether an impairment loss should be recorded in profit or loss for the period, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or 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 portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. A 10% increase or decrease in actual loss experience compared to the loss estimates used would result in an increase or decrease in loan impairment losses of UAH 588 million or UAH 714 million (30 June 2014: increase or decrease in loan impairment losses of UAH 814 million or UAH 841 million), respectively. Impairment losses for individually significant loans are based on estimates of discounted future cash flows of the individual loans, taking into account repayments and realisation of any assets held as collateral against the loans. A 10% increase or decrease in the actual loss experience compared to the estimated future discounted cash flows from individually significant loans, which could arise from differences in amounts and timing of the cash flows, would result in an increase or decrease in loan impairment losses of UAH 1,345 million or UAH 1,650 million (30 June 2014: increase or decrease in loan impairment losses of UAH 1,327 million or UAH 1,602 million), respectively.

Accounting for assets and liabilities associated with operations in the Donetsk and Lugansk regions. As at 30 June 2015, the Group has assets and liabilities in the areas of Donetsk and Lugansk regions which are not controlled by the Ukrainian government. Whilst management believes it is taking appropriate actions to reinstate the control over or recovery of its assets in Donetsk and Lugansk regions, violence and armed conflict negatively affect the Group's operations and financial position. These consolidated financial statements reflect management's assessment of the recoverability of assets located in the Donetsk and Lugansk regions. The final outcome may differ from the management's assessment. Please refer to Notes 7 and 8 for more details in relation to assets and liabilities associated with the operations in these areas.

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies (Continued)

Assessment of loans and advances issued to a group of borrowers-oil traders for impairment. The Group regularly reviews its outstanding loans and advances issued to the oil traders which are engaged in wholesale and retail sale of petrol, oil and oil products. As of 30 June 2015 gross amount of such loans was UAH 39,259 million (31 December 2014: UAH 40,603 million). In determining whether an impairment loss should be recorded in profit or loss, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans issued to oil traders before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in an oil traders group or regulatory, industry or national economic conditions that correlate with defaults on assets in the oil traders 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 portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. The fair value of collateral substantially contributes to the assessment of whether there is an impairment of loans issued to oil traders. Please refer to Note 7.

Management of liquidity risk. As described in Notes 2 and 7 to the consolidated financial statements, there has been a political and social unrest and regional tensions that started in November 2013 and escalated in 2014 in Ukraine. The events referred to in these notes include regional tensions that led to inability of the Group to conduct its operations in Crimea and in substantial parts of Donetsk and Lugansk regions of Ukraine. Furthermore, there has been a deterioration of Ukrainian economic and business environment and significant devaluation of Ukrainian hryvnia. These events has also resulted in tightened liquidity in Ukrainian banking sector combined with deposit outflow and financial difficulties of a number of Ukrainian banks that have been placed under NBU administration as a result. In response to ongoing crisis the NBU is taking a variety of measures that may impact the Bank's operations and financial position. The Group is obliged to repay deposits of individuals on demand of a depositor. However, management of the Group expects that many customers will not request repayment before contractual maturity. Management believes that the Group's strong retail market position will be a key factor that will enable the Group to retain customer funds and manage its liquidity position. As described in Note 12, the Group's Eurobonds of UAH 4,203 million, denominated in USD due in September 2015. Please refer to Note 22 for the information about the extension of the maturity date. The Group continuously monitors its forecast of inflows and outflows in foreign currencies. Management believes it is taking all the necessary measures to support the sustainability and liquidity position of the Group's business in the current circumstances, however, any further deterioration in the liquidity of the financial markets, the increased outflow of funds from the banking system and volatility in the currency market may affect the Group's liquidity position in a manner not currently determinable.

Defining of related party and initial recognition of related party transactions. In the normal course of business the Group enters into transactions with its related parties. IAS 39 requires initial recognition of financial instruments based on their fair values. Judgment is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgment is pricing for similar types of transactions with unrelated parties and effective interest rate analysis. Judgment is also applied to determine whether the counterparty is a related party or not including transitions with those entities where the major shareholders of the Bank individually directly or through intermediaries beneficiary owns a share in the share capital.

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies (Continued)

Fair value of embedded derivatives. The fair values of financial derivatives that are not quoted in active markets are determined by using valuation techniques. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. To the extent practical, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair values.

As of 30 June 2015 the Bank had loans and advances to customers totalling UAH 89,125 million (31 December 2014: UAH 87,679 million) issued in UAH with the condition of compensation to be received by the Bank in the event that the official exchange rate of UAH depreciates against USD. The contract to receive compensation was accounted for by the Bank as an embedded derivative assets with the fair value of UAH 26,950 million as at 30 June 2015 (31 December 2014: UAH 19,978 million) estimated using a valuation technique. This discounted cash flow valuation technique takes into account expected movements in exchange rates, discount factor and credit risk. Changing the assumptions about expected exchange rates may result in a different financial result. The major part of loan agreements matures from 2015 to 2018, inclusive. If the expected UAH/USD exchange rate for these years would be higher by 50% or lower by 5%, the fair value of the derivative and the respective consolidated statement of profit or loss and other comprehensive income amount would increase by UAH 19,583 million or decrease by UAH 1,839 million (31 December 2014: higher by 50% or lower by 5%; increase by UAH 19,941 million or decrease by UAH 1,275 million). In preparation of sensitivity analysis of fair value of derivative to the changes in UAH/USD exchange rate management takes into account provision under the credit risk. If the discount rate used for fair valuation of the derivatives as at 30 June 2015 would be higher/lower by 100 basis points, the fair value of the derivative and the respective consolidated statement of profit or loss and other comprehensive income amount would decrease/increase by UAH 287 million (31 December 2014: UAH 171 million). Refer to Note 19. Analysis of deviation of sensitivity of fair value of a derivative is prepared for each estimate separately not taking into account changes in other estimates.

Tax legislation. Ukrainian tax, currency and customs legislation is subject to varying interpretations.

PRIVATBANK GROUP**Selected Explanatory Notes to the Interim Management Statement for the Six Month Period Ended 30 June 2015 (Unaudited)****5 Disposal of Subsidiary**

In January 2015, the Group disposed of 57.86 % of the share capital of CJS "Privatbank" (Georgia). The subsidiary was previously classified as a disposal group and its assets and liabilities were accordingly reclassified in the statement of financial position. Gains from disposal of subsidiary amounted to UAH 227 million.

The details of the disposed assets and liabilities and disposal consideration are as follows:

<i>In millions of Ukrainian hryvnias</i>	January 2015
Cash and cash equivalents	1,119
Loans and advances to customers	2,510
Other assets	366
Customer accounts	(2,875)
Other liabilities	(398)
Net assets of subsidiary	722
Less: non-controlling interest	(305)
Carrying amount of disposed net assets	417
Total disposal consideration	390
Less: fair value of receivable arising on disposal	(134)
Less: cash and cash equivalents in disposed subsidiary	(1,119)
Cash inflow on disposal	(863)

The gain on disposal of the subsidiary comprises:

<i>In millions of Ukrainian hryvnias</i>	Gain on disposal of subsidiary
Consideration for disposal of the subsidiary	390
Carrying amount of disposed net assets, net of non-controlling interest	(417)
Cumulative currency translation reserve on foreign operation recycled from other comprehensive income to profit or loss	254
Gain on disposal of subsidiary	227

The portion of the loss on disposal of the subsidiary attributable to measuring the investment retained in the former subsidiary at fair value at the date when control was lost amounts to UAH 12 million.

As at 31 December 2014 in management basis statement of profit or loss the amount of gains from disposal of subsidiary of UAH 601 million represented in the Bank's Consolidated Financial Statements for the year ended 31 December 2014.

PRIVATBANK GROUP**Selected Explanatory Notes to the Interim Management Statement for the Six Month Period Ended 30 June 2015 (Unaudited)****6 Cash and Cash Equivalents and Mandatory Reserves**

<i>In millions of Ukrainian hryvnias</i>	30 June 2015 (unaudited)	31 December 2014
Cash on hand	7,462	8,243
Cash balances with the Central Bank of Latvia	1,480	1,403
Cash balances with the NBU	705	231
Cash balances with the Central Bank of Cyprus	197	147
Correspondent accounts and overnight placements with other banks		
- Ukraine	1	-
- Other countries	16,793	9,558
Total cash and cash equivalents and mandatory reserves	26,638	19,582

In accordance with the NBU regulation, the Bank should maintain the mandatory reserve balance at the level of 3 to 6.5 per cent (31 December 2014: 3 to 6.5 per cent) of its certain obligations. The mandatory reserve requirement may be satisfied with the balance on account with the National Bank of Ukraine and/or cash balances in cash desks and ATMs in amount not exceeding 100% of their carrying value (31 December 2014: 50%), balances on correspondent account of PJSC "Payment center on servicing of financial market contracts".

As at 10 July 2015, according to the NBU requirements the Bank was to be compliant with required level of mandatory reserve balance of UAH 5,824 million. According to the NBU regulation No.820 "On changing of order of formation and storage of required reserves" dated 18 December 2014 (with changes and additions made by the National Bank of Ukraine regulation No.155 dated 2 March 2015) banks are allowed to satisfy its mandatory reserves, which are formed and maintained on correspondent account in the National Bank of Ukraine, with cash balances in cash desks in national currency in amount of 100%. Bank was compliant with required level of mandatory reserve balance.

As of 30 June 2015 the mandatory reserve balances of the Bank's subsidiaries in Latvia and Cyprus that should be kept with respective central banks were UAH 306 million (31 December 2014: Latvia and Cyprus; UAH 232 million).

As the respective liquid assets are not freely available to finance the day-to-day operations of the Group, for the purposes of the consolidated statement of cash flow, the mandatory reserve balance is excluded from cash and cash equivalents of UAH 306 million, that is 100% of the mandatory reserve balance with the NBU and 100% of the mandatory reserve balance with other Central Banks (31 December 2014: UAH 232 million).

<i>In millions of Ukrainian hryvnias</i>	30 June 2015 (unaudited)	31 December 2014
Total cash and cash equivalents and mandatory reserves	26,638	19,582
Less mandatory reserves balances	(306)	(232)
Cash and cash equivalents for the purposes of the consolidated statement of cash flows	26,332	19,350

PRIVATBANK GROUP**Selected Explanatory Notes to the Interim Management Statement for the Six Month Period Ended 30 June 2015 (Unaudited)****6 Cash and Cash Equivalents and Mandatory Reserves (Continued)**

Operating transactions that did not require the use of cash and cash equivalents and were excluded from the consolidated statement of cash flows are as follows:

<i>In millions of Ukrainian hryvnias</i>	Six months ended 30 June 2015 (unaudited)	Six months ended 30 June 2014 (unaudited)
Non-cash operating activities		
Other assets	(91)	(194)
Recognition of finance lease receivables	91	194
Non-cash operating activities	-	-

7 Loans and Advances to Customers

<i>In millions of Ukrainian hryvnias</i>	30 June 2015 (unaudited)	31 December 2014
Corporate loans	172,701	150,923
Loans to individuals - cards	21,639	22,117
Loans to individuals - mortgage	7,750	6,194
Loans to individuals - auto	439	349
Loans to individuals - consumer	118	174
Loans to individuals - other	1,183	1,141
Loans to small and medium enterprises (SME)	2,272	2,075
Finance lease receivables due from individuals	322	410
Finance lease receivables due from corporate customers	277	252
Total loans and advances to customers, gross	206,701	183,635
Less: Provision for loan impairment	(24,042)	(21,805)
Total loans and advances to customers	182,659	161,830

As of 30 June 2015 interest income of UAH 5,110 million (31 December 2014: UAH 3,122 million) was accrued on impaired loans and advances to customers.

PRIVATBANK GROUP**Selected Explanatory Notes to the Interim Management Statement for the Six Month Period Ended 30 June 2015 (Unaudited)****7 Loans and Advances to Customers (Continued)**

Movements in the provision for loan impairment for the six month period ended 30 June 2015 are as follows:

	Corpo-	Loans to individuals				SME Finance		Total	
	rate loans	Cards	Mortgage	Auto	Consumer	Other	lease recei- vables		
<i>In millions of Ukrainian hryvnias</i>									
Provision for loan impairment at 1 January 2015	16,303	2,763	1,707	106	43	157	621	105	21,805
Provision for impairment during the period	854	227	989	61	25	111	242	(23)	2,486
Amounts written off during the period as uncollectible	(57)	(2)	(267)	(14)	(11)	(24)	(125)	-	(500)
Currency translation differences	198	1	50	1	-	-	1	-	251
Provision for loan impairment at 30 June 2015	17,298	2,989	2,479	154	57	244	739	82	24,042

The provision for impairment for the six month period ended 30 June 2015 differs from the amount presented in profit or loss for the period due to UAH 563 million recovery of amounts previously written off as uncollectible, including UAH 297 million, UAH 150 million and UAH 32 million relating to recoveries of card loans, corporate loans and loans to small and medium enterprises. The amount of the recovery was credited directly to provisions in profit or loss for the period.

Movements in the provision for loan impairment for the six month period ended 30 June 2014 are as follows:

	Corpo-	Loans to individuals				SME Finance		Total	
	rate loans	Cards	Mortgage	Auto	Consumer	Other	lease recei- vables		
<i>In millions of Ukrainian hryvnias</i>									
Provision for loan impairment at 1 January 2014	18,914	967	949	84	27	141	236	22	21,340
Provision for impairment during the period	1,493	926	529	55	53	104	442	33	3,635
Amounts written off during the year as uncollectible	(1,446)	(376)	(193)	(62)	(48)	(57)	(174)	-	(2,356)
Currency translation differences	192	34	41	1	4	5	1	-	278
Disposal of subsidiary	(54)	(397)	-	-	-	(12)	(1)	-	(464)
Provision for loan impairment at 30 June 2014	19,099	1,154	1,326	78	36	181	504	55	22,433

The provision for impairment for the six month period ended 30 June 2014 differs from the amount presented in profit or loss for the period due to UAH 564 million recovery of amounts previously written off as uncollectible, including UAH 257 million, UAH 142 million and UAH 77 million relating to recoveries of card loans, corporate loans and loans to small and medium enterprises. The amount of the recovery was credited directly to provisions in profit or loss for the period.

PRIVATBANK GROUP**Selected Explanatory Notes to the Interim Management Statement for the Six Month Period Ended 30 June 2015 (Unaudited)****7 Loans and Advances to Customers (Continued)**

Economic and business sector risk concentrations within the customer loan portfolio are as follows:

<i>In millions of Ukrainian hryvnias</i>	30 June 2015 (unaudited)		31 December 2014	
	Amount	%	Amount	%
Oil trading	39,259	19	40,603	22
Loans to individuals	31,451	15	30,385	17
Ferroalloy trading and production	28,881	14	24,816	14
Agriculture, agriculture machinery and food industry	26,468	13	21,915	12
Manufacturing and chemicals	25,057	12	21,439	12
Commerce, finance and securities trading	18,111	9	13,207	7
Air transportation	12,453	6	9,411	5
Ski resort, tourism and football clubs	7,985	4	6,791	4
Real estate construction	7,307	4	6,717	4
Small and medium enterprises (SME)	2,272	1	2,075	1
Other	7,457	3	6,276	2
Total loans and advances to customers, gross	206,701	100	183,635	100

Disclosed in oil trading industry are UAH 39,259 million or 19% of gross loans and advances (31 December 2014: UAH 40,603 million or 22%) issued to companies engaged in wholesale and retail sale of petrol, oil and oil products. These companies form an entire supply chain and due to it, based on the management estimation, the credit risk of these loans is lower. As at 30 June 2015 loans issued to these companies in Ukraine of UAH 37,645 million (31 December 2014: UAH 39,533 million) were collateralised with inventory of oil, gas and oil products and corporate rights for shares in the share capital of borrowers and their guarantors with the collateral value of UAH 48,324 million (31 December 2014: UAH 39,671 million and in January 2015 subsequently to the year end - collateralised with additional inventory of oil and gas products in the amounts of UAH 852 million).

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Selected Explanatory Notes to the Interim Management Statement for the Six Month Period Ended 30 June 2015 (Unaudited)

7 Loans and Advances to Customers (Continued)

Disclosed in manufacturing and chemicals industry are UAH 20,812 million of gross loans and advances to customers (31 December 2014: UAH 17,246 million) issued to companies combined in the structure but they produce and sell various products in the Western, Central and Eastern European markets. Consumers of the products are companies operating in the food processing industry on these markets. As at 30 June 2015 loans issued to these customers were collateralised with property rights with the collateral value of UAH 31,318 million (31 December 2014: UAH 18,673 million).

Fair value of embedded derivative related to borrowers is disclosed in Note 20.

As of 30 June 2015 the total aggregate amount of loans to the top 10 borrowers of the Group amounted to UAH 45,604 million (31 December 2014: UAH 34,402 million) or 22% of the gross loan portfolio (31 December 2014: 19%), provision for them is UAH 4,568 million (31 December 2014: UAH 4,455 million).

As of 30 June 2015 the Group had 6 borrowers (31 December 2014: 6 borrowers) with aggregate loan balances in excess of 10% of the net assets or UAH 2,821 million (31 December 2014: UAH 2,573 million). The total aggregate amount of these loans was UAH 37,369 million (31 December 2014: UAH 27,268 million) and provision on this companies created in amount UAH 2,102 million (31 December 2014: UAH 3,125 million).

As of 30 June 2015 mortgage loans of UAH 325 million (31 December 2014: UAH 256 million) have been pledged as collateral with respect to the mortgage bonds issued. Please refer to Notes 12 and 18.

As of 30 June 2015 loans issued to one hundred and ten corporate borrowers of UAH 52,272 million gross value were pledged as a collateral under the NBU refinancing (31 December 2014: to one hundred and eleven corporate borrowers of UAH 49,231 million). Please refer to Notes 9 and 18.

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Selected Explanatory Notes to the Interim Management Statement for the Six Month Period Ended 30 June 2015 (Unaudited)

7 Loans and Advances to Customers (Continued)

Analysis by credit quality of loans outstanding at 30 June 2015 is as follows:

	Corporate loans	Loans to individuals					SME	Finance lease recei- vables	Total
		Cards	Mortgage	Auto	Con- sumer	Other			
<i>In millions of Ukrainian hryvnias</i>									
<i>Neither past due nor impaired</i>									
- Large borrowers with credit history with the Group over 2 years	67,784	-	-	-	-	568	-	-	68,352
- Large new borrowers with credit history with the Group less than 2 years	14,168	-	-	-	-	-	-	-	14,168
- Loans to medium size borrowers	8,187	-	-	-	-	34	31	-	8,252
- Loans to small borrowers	606	-	-	-	-	-	756	-	1,362
- Loans between UAH 1-100 million	-	82	194	-	-	-	-	111	387
- Loans less than UAH 1 million	-	18,783	1,038	169	43	245	-	274	20,552
Total neither past due nor impaired	90,745	18,865	1,232	169	43	847	787	385	113,073
<i>Past due but not impaired</i>									
- less than 30 days overdue	4,775	802	212	22	6	36	42	32	5,927
- 31 to 90 days overdue	9,914	299	361	9	-	29	42	18	10,672
- over 91 days overdue	645	-	-	-	-	-	-	-	645
Total past due but not impaired	15,334	1,101	573	31	6	65	84	50	17,244
<i>Loans individually determined to be impaired (gross)</i>									
- Not overdue	58,621	-	-	-	-	12	-	59	58,692
- less than 30 days overdue	1,121	-	-	-	-	-	-	36	1,157
- 31 to 90 days overdue	711	-	-	-	-	-	-	-	711
- 91 to 180 days overdue	921	304	311	7	6	55	57	13	1,674
- 181 to 360 days overdue	546	657	487	20	29	52	71	36	1,898
- over 361 days overdue	4,702	712	5,147	212	34	152	1,273	20	12,252
Total individually impaired loans (gross)	66,622	1,673	5,945	239	69	271	1,401	164	76,384
Less impairment provisions	(17,298)	(2,989)	(2,479)	(154)	(57)	(244)	(739)	(82)	(24,042)
Total loans and advances to customers	155,403	18,650	5,271	285	61	939	1,533	517	182,659

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Selected Explanatory Notes to the Interim Management Statement for the Six Month Period Ended 30 June 2015 (Unaudited)

7 Loans and Advances to Customers (Continued)

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

	Corporate loans	Loans to individuals					SME	Finance lease receiv- ables	Total
		Cards	Mortgage	Auto	Consumer	Other			
<i>In millions of Ukrainian hryvnias</i>									
<i>Neither past due nor impaired</i>									
- Large borrowers with credit history with the Group over 2 years	75,222	-	-	-	-	536	-	-	75,758
- Large new borrowers with credit history with the Group less than 2 years	13,357	-	-	-	-	-	-	-	13,357
- Loans to medium size borrowers	5,664	-	-	-	-	91	12	-	5,767
- Loans to small borrowers	433	-	-	-	-	-	823	-	1,256
- Loans between UAH 1-100 million	-	16	189	-	-	-	-	104	309
- Loans less than UAH 1 million	-	19,625	1,205	106	81	259	-	346	21,622
Total neither past due nor impaired	94,676	19,641	1,394	106	81	886	835	450	118,069
<i>Past due but not impaired</i>									
- less than 30 days overdue	150	753	300	31	13	30	38	35	1,350
- 31 to 90 days overdue	561	367	181	8	-	15	28	37	1,197
- over 91 days overdue	200	-	-	-	-	-	-	-	200
Total past due but not impaired	911	1,120	481	39	13	45	66	72	2,747
<i>Loans individually determined to be impaired (gross)</i>									
- Not overdue	51,878	-	-	-	-	-	-	76	51,954
- less than 30 days overdue	182	-	-	-	-	-	-	-	182
- 31 to 90 days overdue	511	-	-	-	-	-	-	-	511
- 91 to 180 days overdue	296	512	234	18	24	43	50	33	1,210
- 181 to 360 days overdue	868	753	444	23	26	26	314	18	2,472
- over 361 days overdue	1,601	91	3,641	163	30	141	810	13	6,490
Total individually impaired loans (gross)	55,336	1,356	4,319	204	80	210	1,174	140	62,819
Less impairment provisions	(16,303)	(2,763)	(1,707)	(106)	(43)	(157)	(621)	(105)	(21,805)
Total loans and advances to customers	134,620	19,354	4,487	243	131	984	1,454	557	161,830

PRIVATBANK GROUP**Selected Explanatory Notes to the Interim Management Statement for the Six Month Period Ended 30 June 2015 (Unaudited)****7 Loans and Advances to Customers (Continued)**

The Group applied the portfolio provisioning methodology prescribed by IAS 39, *Financial Instruments: Recognition and Measurement*, and created portfolio provisions for impairment losses that were incurred but have not been specifically identified with any individual loan by the end of the reporting period. The Group's policy is to classify each loan as 'neither past due nor impaired' until specific objective evidence of impairment of the loan is identified.

In 2015 the Group recognised a loss of UAH 18 million (30 June 2014: loss UAH 4 million) as a result of the renegotiation of loans and advances to customers that would otherwise become past due or impaired and the loss was directly debited to provisions in the consolidated statement of profit or loss and other comprehensive income.

The primary factors that the Group considers in determining whether a loan is impaired are its overdue status, a significant financial difficulty as evidenced by the borrower's financial information and realisability of related collateral, if any. As a result, the Group presents above an ageing analysis of loans that are individually determined to be impaired.

Past due but not impaired loans, represent collateralised loans where the fair value of collateral covers the overdue interest and principal repayments, except for card loans and consumer loans for which impairment is recognised starting from 90 days past due. The amount reported as past due but not impaired is the whole balance of such loans, not only the individual instalments that are past due.

The Group believes that loans and advances to large and small size borrowers with longer credit history are of a higher credit quality than the rest of the loan portfolio.

The financial effect of collateral is presented by disclosing collateral values separately for (i) those assets where collateral and other credit enhancements are equal to or exceed carrying value of the asset ("over-collateralised assets") and (ii) those assets where collateral and other credit enhancements are less than the carrying value of the asset ("under-collateralised assets"). Mortgage loans are secured by underlying housing real estate. Auto loans are secured by the underlying cars. Loans to small and medium enterprises are secured by underlying commercial real estate, equipment or commercial cars. Finance lease receivables due from individuals and from corporate customers are secured by cars and real estate. The tables below exclude cards loans, consumer and part of loans to small and medium enterprises in amount of UAH 679 million (31 December 2014: UAH 715 million), issue of which do not require any collateral.

The effect of collateral at 30 June 2015:

	Over-collateralised assets		Under-collateralised assets	
	Carrying value of the assets	Expected cash flows from collateral realisation	Carrying value of the assets	Expected cash flows from collateral realisation
<i>In millions of Ukrainian hryvnias</i>				
Corporate loans	136,935	238,315	18,468	15,048
Loans to individuals - mortgage	2,069	4,123	3,202	1,731
Loans to individuals - auto	193	202	91	6
Loans to individuals - other	651	1,397	288	39
Loans to small and medium enterprises (SME)	79	265	775	235
Finance lease receivables	450	450	67	62

PRIVATBANK GROUP**Selected Explanatory Notes to the Interim Management Statement for the Six Month Period Ended 30 June 2015 (Unaudited)****7 Loans and Advances to Customers (Continued)**

The effect of collateral at 31 December 2014:

	<u>Over-collateralised assets</u>		<u>Under-collateralised assets</u>	
	Carrying value of the assets	Expected cash flows from collateral realisation	Carrying value of the assets	Expected cash flows from collateral realisation
<i>In millions of Ukrainian hryvnias</i>				
Corporate loans	122,815	187,521	11,805	9,645
Loans to individuals - mortgage	2,845	6,818	1,642	908
Loans to individuals - auto	130	152	113	10
Loans to individuals - other	666	1,406	318	40
Loans to small and medium enterprises (SME)	178	436	561	205
Finance lease receivables	551	576	6	2

Information on related party balances is disclosed in Note 21.

Included in loans and advances to customers are loans issued by the Bank to the customers in Donetsk and Lugansk regions.

From 24 July 2014, the National Bank of Ukraine introduced the emergency regime of operation for the banking system in Donetsk, Lugansk regions and the Autonomous Republic of Crimea. In November 2014, President of Ukraine ordered suspension of public services, budget financing and all banking operations in eastern regions not controlled by the Ukrainian government which will further influence economic downturn of the region and creditworthiness of its citizens. As a result of the tensions around Lugansk and Donetsk, the Group had to close all of its branches in the area not controlled by the Ukrainian government. The Group also developed a program of credit holidays for citizens in this region providing special conditions for the repayment of interest and principal, waiving all sanctions for overdue payment of loans until finalisation of anti-terrorist operation. In addition the Group decreased loan limits to clients located in Donetsk and Lugansk regions, not controlled by the Ukrainian government. Currently the final outcome of the future of these regions is difficult to determine.

The following table represents loans issued to the borrowers, operating in the Donetsk and Lugansk regions, not controlled by the Ukrainian government:

<i>In millions of Ukrainian hryvnias</i>	30 June 2015 (unaudited)	31 December 2014
Loans to individuals - cards	1,953	1,955
Loans to individuals - mortgage	173	133
Loans to individuals - consumer	27	29
Loans to individuals - auto	20	19
Loans to individuals - other	7	6
Loans to small and medium enterprises (SME)	151	133
Finance lease receivables due from individuals	53	56
Total loans and advances to customers, gross	2,384	2,331
Less: Provision for loan impairment	(1,706)	(1,669)
Total	678	662

PRIVATBANK GROUP**Selected Explanatory Notes to the Interim Management Statement for the Six Month Period Ended 30 June 2015 (Unaudited)****8 Other Financial Assets**

<i>In millions of Ukrainian hryvnias</i>	Note	30 June 2015 (unaudited)	31 December 2014
Receivables from operations with customers		324	129
Cash of the Group in Donetsk and Lugansk regions, not controlled by the Ukrainian government		159	147
Receivables from disposal of subsidiary	5	134	588
Financial derivatives arising from swap, forward and spot	19	90	74
Plastic cards receivables		9	13
Other		3	116
Less: Provision for impairment		(264)	(205)
Total other financial assets		455	862

The receivables from disposal of subsidiary comprises remaining amount which is expected to be received for the disposed share in the JSC PrivatBank (31 December 2014: in the CJB CB "Moscomprivatbank"). Refer to Note 5.

9 Due to the NBU

Balances due to the NBU are as follows:

<i>In millions of Ukrainian hryvnias</i>	30 June 2015 (unaudited)	31 December 2014
Term borrowings from the NBU	27,926	18,357
Total due to the NBU	27,926	18,357

In six-month period ended 30 June 2015 the Bank received UAH denominated refinancing loans from the National Bank of Ukraine of the following tranches:

<i>In millions of Ukrainian hryvnias</i>	Bearing interest rate	Maturity date	Loan amount
January	21.00%	December 2016	2,380
February	21.00%	February 2017	2,280
February	21.00%	December 2016	309
February	31.50%	February 2017	700
March	21.00%	December 2016	101
March	31.50%	March 2017	2,015
April	31.50%	April 2017	1,220
April	31.50%	March 2017	695
Total			9,700

As of 30 June 2015 interest rate has been increased to 29.25% from 21.00% on tranche of UAH 5,024 million of February 2014, due to the NBU increased refinancing rate.

For the six month period ended 30 June 2015 the Bank repaid the refinancing loans in the amount of UAH 953 million (in 2014: UAH 5,004 million).

PRIVATBANK GROUP**Selected Explanatory Notes to the Interim Management Statement for the Six Month Period Ended 30 June 2015 (Unaudited)****9 Due to the NBU (Continued)**

Assets pledged under the NBU refinancing loans are as follows:

<i>In millions of Ukrainian hryvnias</i>	Note	30 June 2015 (unaudited)	31 December 2014
Loans and advances to customers	7	52,272	49,231
Premises		977	975
Assets owned by related and third parties		30,306	19,289
Total		83,555	69,495

As at 30 June 2015, 8.7 million shares of the Bank or 12.75% of the share capital are pledged as collateral for loans from the National Bank of Ukraine (31 December 2014: 8.7 million shares of the Bank or 13.46% of the share capital). Refer to Note 14.

10 Due to Other Banks and Other Financial Institutions

Balances due to other banks and other financial institutions are as follows:

<i>In millions of Ukrainian hryvnias</i>	30 June 2015 (unaudited)	31 December 2014
Term placements of other commercial banks	2,793	2,564
Correspondent accounts and overnight placements of other banks	302	711
Pledge deposits of other banks	3	4
Total due to other banks and other financial institutions	3,098	3,279

11 Customer Accounts

<i>In millions of Ukrainian hryvnias</i>	30 June 2015 (unaudited)	31 December 2014
Individuals		
- Term deposits	100,576	91,080
- Current/demand accounts	25,010	22,521
Legal entities		
- Term deposits	18,003	14,964
- Current/settlement accounts	31,220	23,488
Total customer accounts	174,809	152,053

PRIVATBANK GROUP**Selected Explanatory Notes to the Interim Management Statement for the Six Month Period Ended 30 June 2015 (Unaudited)****11 Customer Accounts (Continued)**

Economic sector concentrations within customer accounts are as follows:

<i>In millions of Ukrainian hryvnias</i>	30 June 2015 (unaudited)		31 December 2014	
	Amount	%	Amount	%
Individuals	125,586	72	113,601	75
Trade	18,854	11	16,075	11
Manufacturing	7,711	4	6,178	4
Services	7,441	4	5,762	4
Agriculture	4,392	3	3,445	2
Transport and communication	3,576	2	2,970	2
Machinery	434	-	496	-
Other	6,815	4	3,526	2
Total customer accounts	174,809	100	152,053	100

At 30 June 2015 the aggregate balances of top 10 customers of the Group amount to UAH 15,461 million (31 December 2014: UAH 12,303 million) or 9% (31 December 2014: 8%) of total customer accounts.

At 30 June 2015 included in customer accounts are deposits of UAH 1,380 million (31 December 2014: UAH 1,192 million) held as collateral for loans and advances to customers with cash covered exposure of UAH 1,380 million (31 December 2014: UAH 1,192 million), issued by the Group.

According to the NBU regulation No.354 “On settlement of the situation in monetary and foreign exchange markets of Ukraine” dated 3 June 2015 banks are required to limit the withdrawal of cash through cash desks and ATMs within UAH 300,000 per day per customer in national currency and UAH equivalent of 15,000 in foreign currencies until 3 September 2015. According to the NBU regulation No.581 “On settlement of the situation in monetary and foreign exchange markets of Ukraine” dated 3 September 2015 banks are required to limit the withdrawal of cash through cash desks and ATMs within UAH 300,000 per day per customer in national currency and UAH equivalent of 20,000 in foreign currencies until 4 December 2015.

Information on related party balances is disclosed in Note 21.

12 Debt Securities in Issue

<i>In millions of Ukrainian hryvnias</i>	Note	30 June 2015 (unaudited)	31 December 2014
Eurobonds		7,864	5,874
Private placements of bonds		-	2,015
Mortgage bonds		74	98
Total debt securities in issue		7,938	7,987

In February 2013 the Group issued USD denominated Eurobonds with a par value of USD 175 million (UAH 1,399 million at exchange rate at the date of issue) maturing in February 2018. The bonds carry a coupon rate of 10.875% per annum. The Eurobonds are listed on the Irish Stock Exchange.

In September 2010 the Group issued USD denominated Eurobonds with a par value of USD 200 million (UAH 1,583 million at exchange rate at the date of issue) carrying a coupon rate of 9.375% per annum. The Eurobonds are listed on the London Stock Exchange and mature in September 2015.

PRIVATBANK GROUP**Selected Explanatory Notes to the Interim Management Statement for the Six Month Period Ended 30 June 2015 (Unaudited)****13 Subordinated Debt**

<i>In millions of Ukrainian hryvnias</i>	30 June 2015 (unaudited)	31 December 2014
Subordinated debt provided by legal entities	8,431	5,316
Subordinated debt provided by individuals	184	134
Total subordinated debt	8,615	5,450

In June 2015 the Group received USD denominated subordinated debt of USD 80 million (UAH 1,694 million at the exchange rate at the date of issue) at contractual rate of 11% per annum payable every month with contractual maturity in June 2020.

In August 2013 the Group received USD denominated subordinated debt of USD 100 million (UAH 799 million at the exchange rate at the date of issue) at contractual rate of 8.5% per annum payable every six months with contractual maturity in September 2018.

In September 2013 the Group received UAH denominated subordinated debts of UAH 1,300 million at contractual rate of 9% per annum payable monthly with contractual maturity in October 2018. Effective interest rate is 16.75%.

Included in subordinated debt, provided by legal entities, are USD denominated subordinated debt issued in February 2006 with a par value of USD 150 million (UAH 758 million at par at the exchange rate at the date of issue) with contractual maturity in February 2016. In February 2011 in accordance with the terms and conditions of this subordinated debt the step-up interest rate was set at 5.799% per annum.

Information on related party balances is disclosed in Note 21.

14 Share Capital and other reserve funds

<i>In millions of UAH except for number of shares</i>	Number of outstanding shares, in millions	Nominal amount
As at 1 January 2014	64.64	16,352
As at 30 June 2014	64.64	16,352
As at 31 December 2014	64.64	18,101
Paid-in share capital		1,000
As at 30 June 2015	68.22	19,101

The nominal registered amount of the Bank's issued share capital at 30 June 2015 is UAH 19,101 million (31 December 2014: UAH 18,101 million). The total authorised number of ordinary shares 68.22 million shares (31 December 2014: 64.64 million shares) with a par value of UAH 280 per share (31 December 2014: UAH 280 per share). All issued ordinary shares are fully paid. Each ordinary share carries one vote.

As at 30 June 2015, 8.7 million shares of the Bank or 12.75% of share capital are pledged as collateral on loans from the National Bank of Ukraine (31 December 2014: 8.7 million shares of the Bank or 13.46% of share capital). Refer to Note 9.

PRIVATBANK GROUP**Selected Explanatory Notes to the Interim Management Statement for the Six Month Period Ended 30 June 2015 (Unaudited)****14 Share Capital and other reserve funds (Continued)**

Included in retained earnings is reserve capital established in accordance with the requirements of the Ukrainian legislation amounting to UAH 1,429 million (31 December 2014: UAH 1,427 million). The Bank is required to establish reserve capital by transferring an amount from retained earnings to a non-distributable reserve. The amount to be transferred each year is calculated as the net profit for the preceding year before distribution of dividends attributable to ordinary shareholders of not less than 5% of current period profit until reserve capital will reach 25% of regulatory capital of the Bank.

In August 2014 the shareholders of the Bank made a decision to increase the share capital of the Bank by UAH 1,749 million up to the nominal value of UAH 18,101 million by capitalising the dividends attributable to the shareholders of the Bank for the year ended 31 December 2013. As at 30 June 2015, increase of share capital by UAH 1,749 million was fully registered.

In December 2014 the shareholders of the Bank made a contribution received for a new share issue of UAH 1,000 million. As at 31 December 2014 the new share issue was not registered. As at 30 June 2015, increase of share capital by UAH 1,000 million was fully registered.

In June 2015 the shareholders of the Bank made a contribution received for a new share issue of UAH 2,158 million. Refer to Note 22.

15 Interest Income and Expense

<i>In millions of Ukrainian hryvnias</i>	Six months ended 30 June 2015 (unaudited)	Six months ended 30 June 2014 (unaudited)
Interest income		
Loans and advances to legal entities	9,246	8,206
Loans and advances to individuals	5,034	4,625
Due from other banks	135	228
Other	87	120
Total interest income	14,502	13,179
Interest expense		
Term deposits of individuals	7,160	5,351
Due to the NBU	2,655	1,007
Term deposits of legal entities	996	552
Current/settlement accounts	823	761
Debt securities in issue	412	731
Subordinated debt	312	178
Due to other banks and other financing institutions	303	187
Other	8	5
Total interest expense	12,669	8,772
Net interest income	1,833	4,407

Information on interest income and expense from transactions with related parties is disclosed in Note 21.

PRIVATBANK GROUP**Selected Explanatory Notes to the Interim Management Statement for the Six Month Period Ended 30 June 2015 (Unaudited)****16 Fee and Commission Income and Expense**

<i>In millions of Ukrainian hryvnias</i>	Six months ended 30 June 2015 (unaudited)	Six months ended 30 June 2014 (unaudited)
Fee and commission income		
Settlement transactions	2,060	1,303
Cash collection and cash transactions	708	705
Other	185	103
Total fee and commission income	2,953	2,111
Fee and commission expense		
Cash and settlement transactions	752	493
Other	2	10
Total fee and commission expense	754	503
Net fee and commission income	2,199	1,608

Information on fee and commission income from transactions with related parties is disclosed in Note 21.

17 Administrative and Other Operating Expenses

<i>In millions of Ukrainian hryvnias</i>	Note	Six months ended 30 June 2015 (unaudited)	Six months ended 30 June 2014 (unaudited)
Staff costs		1,691	1,865
Contributions to Individual Deposits Guarantee Fund		535	483
Depreciation and amortisation of premises, leasehold improvements and equipment and intangible assets		319	306
Mail and telecommunication		263	228
Utilities and household expenses		251	222
Rent		234	268
Maintenance of premises, leasehold improvements and equipment		169	143
Taxes other than on income		89	60
Security		73	76
Transportation		53	38
Professional services		49	29
Advertising and marketing		32	43
Provision for other financial assets and other assets		42	17
Loss of disposed subsidiary	5	12	199
Other		267	233
Total administrative and other operating expenses		4,079	4,210

Included in staff costs is unified social contribution of UAH 417 million (30 June 2014: UAH 471 million). Social contributions are made into the State pension fund which is a defined contribution plan.

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Selected Explanatory Notes to the Interim Management Statement for the Six Month Period Ended 30 June 2015 (Unaudited)

17 Administrative and Other Operating Expenses (Continued)

Information on administrative and other operating expenses from transactions with related parties is disclosed in Note 21.

18 Contingencies and Commitments

Capital expenditure commitments. At 30 June 2015 the Group has contractual capital expenditure commitments in respect of construction of premises and acquisition of computers and furniture and equipment totalling UAH 65 million (31 December 2014: UAH 98 million). The Group believes that future net income and funding will be sufficient to cover this and any similar such commitments.

Compliance with covenants. The Bank is subject to certain covenants related to refinancing loans obtained from the NBU. In 2015 the NBU performed its reviews of the Bank's compliance with refinancing loan's covenants and didn't request early repayment of the loans.

Credit related commitments. The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate or cash deposits and therefore carry less risk than a direct borrowing.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments, if the unused amounts were to be drawn down. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit related commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments. Outstanding credit related commitments are as follows:

<i>In millions of Ukrainian hryvnias</i>	30 June 2015 (unaudited)	31 December 2014
Guarantees issued	1,395	1,905
Import letters of credit	710	965
Irrevocable commitments to extend credit	214	208
Less: Cash covered letters of credit	(62)	(61)
Less: Provision for credit related commitments	(11)	(22)
Total credit related commitments	2,246	2,995

The total outstanding contractual amount of undrawn credit lines, letters of credit, and guarantees does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded. The fair value of credit related commitments as at 30 June 2015 and 31 December 2014 was insignificant.

As of 30 June 2015 irrevocable commitments under letters of credit and guarantees issued by the Group of gross amount UAH 62 million (31 December 2014: UAH 61 million) are secured by customer accounts of UAH 62 million (31 December 2014: UAH 61 million).

PRIVATBANK GROUP**Selected Explanatory Notes to the Interim Management Statement for the Six Month Period Ended 30 June 2015 (Unaudited)****18 Contingencies and Commitments (Continued)**

As of 30 June 2015 the Group had undrawn credit limits on credit cards of UAH 20,752 million (31 December 2014: UAH 23,870 million) that are available to credit cardholders. These credit limits are revocable. The Group on a regular basis monitors activity on the cards and based on the frequency and pattern of withdrawals and repayments done by borrowers is able to reduce limits on credit cards unilaterally. Provision for undrawn credit limits on credit cards was not significant as at 30 June 2015 and 31 December 2014.

Fiduciary assets. These assets are not included in the Group's consolidated statement of financial position as they are not assets of the Group. Nominal values disclosed below are normally different from the fair values of respective securities. The fiduciary assets held by the Group on behalf of its customers fall into the following categories:

<i>In millions of Ukrainian hryvnias</i>	30 June 2015 (unaudited)	31 December 2014
	Nominal value	Nominal value
Shares of Ukrainian companies	5,710	6,353
Domestic corporate bonds	1,157	1,606
Investment certificates	810	387

Assets pledged and restricted. The Group had assets pledged as collateral with the following carrying value:

<i>In millions of Ukrainian hryvnias</i>	Note	30 June 2015 (unaudited)		31 December 2014	
		Asset pledged and restricted	Related liability/commitment	Asset pledged and restricted	Related liability/commitment
Gross receivables under swap, forward and spot agreements	19	20,229	20,166	31,139	31,120
Loans and advances to customers	7, 12	325	74	256	98
Premises and loans and advances to customers	7, 9	53,249	27,926	50,206	18,357
Total		73,803	48,166	81,601	49,575

Mandatory reserve balances in the amount of UAH 306 million (31 December 2014: UAH 446 million) represent mandatory reserve deposits which are not available to finance the Group's day to day operations as disclosed in Note 6.

Balances due from other banks of UAH 1,340 million (31 December 2014: UAH 1,022 million) have been pledged as cover for letters of credit and international payments.

As of 30 June 2015 remaining amount of guarantee deposits with other banks of UAH 3,316 million represents a guarantee deposit with the OECD bank that is pledged under the loan issued by this OECD bank to a corporate client. These loan proceeds were used by corporate client to purchase Bank's UAH denominated bonds in last periods. As of 30 June 2015 this amounts are on the customer accounts of this corporate client.

As of 31 December 2014 remaining amount of guarantee deposits with other banks of UAH 12,063 million represents a guarantee deposit with the OECD bank that is pledged under the loan issued by this OECD bank to a corporate client. These loan proceeds were used by corporate client to purchase Bank's UAH denominated bonds. The bonds have a condition of compensation in the case of the official exchange rate of UAH devaluation against USD. Refer to Note 4.

PRIVATBANK GROUP**Selected Explanatory Notes to the Interim Management Statement for the Six Month Period Ended 30 June 2015 (Unaudited)****19 Derivative Financial Instruments**

Foreign exchange and other derivative financial instruments entered into by the Group are generally traded in an over-the-counter market with professional market counterparties on standardised contractual terms and conditions. Derivatives have potentially favourable (assets) or unfavourable (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 end of the reporting period, of currencies receivable or payable under foreign exchange forward contracts entered into by the Group and presented within other financial assets and other financial liabilities. The table reflects gross positions before the netting of any counterparty positions (and payments) and covers the contracts with settlement dates after the respective end of the reporting period. The contracts are short term in nature.

<i>In millions of Ukrainian hryvnias</i>	30 June 2015 (unaudited)		31 December 2014	
	Contracts with positive fair value	Contracts with negative fair value	Contracts with positive fair value	Contracts with negative fair value
Foreign exchange swaps and spots: fair values, at the end of the reporting period date, of				
- USD receivable on settlement (+)	27	6,983	-	10,048
- USD payable on settlement (-)	(12,479)	(39)	(20,450)	(506)
- Euros receivable on settlement (+)	13,141	35	20,597	1
- Euros payable on settlement (-)	(634)	(6,290)	(30)	(9,107)
- UAH receivable on settlement (+)	21	-	-	-
- UAH payable on settlement (-)	-	(720)	-	(984)
- RUB receivable on settlement (+)	-	-	-	493
- RUB payable on settlement (-)	-	-	(43)	-
- Other currencies receivable on settlement (+)	18	4	-	-
- Other currencies payable on settlement (-)	(4)	-	-	-
Net fair value of foreign exchange swaps, forwards and spots	90	(27)	74	(55)

At 30 June 2015, the Group had outstanding obligations from unsettled spot transactions with foreign currencies of UAH 18,779 million (31 December 2014: UAH 29,546 million). The net fair value of unsettled spot transactions is insignificant.

During the six month period ended 30 June 2015 the Group incurred a gain of UAH 148 million (30 June 2014: a gain of UAH 467 million) resulting from foreign exchange spots, forwards and swaps that is accounted for in other gains less losses of the consolidated statement of profit or loss and other comprehensive income.

As disclosed in Note 4, as at 30 June 2015 the Group had outstanding derivatives embedded in loans issued to customers which were separated from the host instrument and carried at fair value of UAH 26,950 million (31 December 2014: UAH 19,978 million). This embedded derivative is represented by a currency option maturing in up to 3 years. The strike price was from UAH 15.75 to UAH 30.01 per USD 1 (31 December 2014: UAH 7.99 to UAH 15.85 per USD 1).

PRIVATBANK GROUP**Selected Explanatory Notes to the Interim Management Statement for the Six Month Period Ended 30 June 2015 (Unaudited)****20 Fair Value of Financial Instruments**

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

Recurring fair value measurements.

Recurring fair value measurements are those that the accounting standards require or permit in the consolidated statement of financial position at the end of each reporting period. The level in the fair value hierarchy into which the recurring fair value measurements are categorised are as follows:

<i>In millions of Ukrainian hryvnias</i>	30 June 2015 (unaudited)				31 December 2014			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS AT FAIR VALUE								
<i>Investment securities available-for-sale</i>								
Government bonds	157	-	-	157	277	-	-	277
Banking bonds	-	202	-	202	-	-	-	-
Unquoted shares	-	1,360	-	1,360	-	985	-	985
<i>Embedded derivative assets</i>	-	-	26,950	26,950	-	-	19,978	19,978
<i>Other financial assets</i>								
Financial derivatives arising from swap, forward and spot transactions	-	-	90	90	-	-	74	74
NON-FINANCIAL ASSETS								
Premises	-	-	2,302	2,302	-	-	2,116	2,116
TOTAL ASSETS RECCURING FAIR VALUE MEASUREMENT								
	157	1,562	29,342	31,061	277	985	22,168	23,430
FINANCIAL LIABILITIES AT FAIR VALUE								
<i>Embedded derivative liabilities</i>								
	-	-	-	-	-	-	10,047	10,047
<i>Other financial liabilities</i>								
Financial derivatives arising from swap, forward and spot transactions	-	-	27	27	-	-	55	55
TOTAL LIABILITIES RECCURING FAIR VALUE MEASUREMENTS								
	-	-	27	27	-	-	10,102	10,102

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Selected Explanatory Notes to the Interim Management Statement for the Six Month Period Ended 30 June 2015 (Unaudited)

20 Fair Value of Financial Instruments (Continued)

Valuation technique used for level 2 measurements is linked to market prices of quoted shares of the same companies on active market.

Embedded derivative assets and liabilities are classified into level 3 instruments because these instruments require management to make assumptions about credit risk of the counterparty which are not supportable by observable market data.

A reconciliation of movements in Level 3 of the fair value hierarchy of the embedded derivative assets for the six-month period ended 30 June 2015 and twelve-month period ended 31 December 2014 is as follows:

<i>In millions of Ukrainian hryvnias</i>	Embedded derivatives
Fair value at 1 January 2014	3,816
Initial recognition of derivative	1,912
Cash received	(2,519)
Gains less losses from embedded derivatives	16,769
Fair value of embedded derivative assets at 31 December 2014	19,978
Initial recognition of derivative	461
Cash received	(744)
Gains less losses from embedded derivatives	7,255
Fair value of embedded derivative assets at 30 June 2015	26,950

In addition to the amount of gains less losses from embedded derivatives disclosed above, the Group recognised a loss of UAH 10,047 million in respect of embedded derivative liabilities as disclosed in its in profit or loss for 2014. As at 30 June 2015 this embedded derivative liabilities is closed.

The fair value valuation of embedded derivative assets and liabilities is reviewed on a regular basis by the Bank. The management considers the appropriateness of the valuation model inputs, as well as the valuation result. Embedded derivative assets and liabilities arise in the loan agreements and private placements of UAH bonds, respectively issued at fixed interest rates in local currency (UAH) but indexed to changes in UAH/USD exchange rate. The embedded derivatives are valued at the net present value of estimated future cash flows. The fair value model is based on the observable data, such as expected UAH/USD exchange rates, discount rate and non-observable data such as credit risk.

As at 30 June 2015 the management used the following inputs: expected exchange rates from 22.85 UAH/USD to 27.93 UAH/USD (31 December 2014: from 16.47 UAH/USD to 21.72 UAH/USD), discount rate of 15.79% (31 December 2014: 15.96%) and average provision under the credit risk for embedded derivative asset of 82.01% (31 December 2014: 71.12%).

PRIVATBANK GROUP**Selected Explanatory Notes to the Interim Management Statement for the Six Month Period Ended 30 June 2015 (Unaudited)****20 Fair Value of Financial Instruments (Continued)**

Economic and business sector risk concentrations within the financial derivative are as follows:

<i>In millions of Ukrainian hryvnias</i>	30 June 2015 (unaudited)		31 December 2014	
	Amount	%	Amount	%
Oil trading	10,703	40	3,503	18
Ferroalloy trading and production	8,428	31	5,960	30
Manufacturing and chemicals	5,511	20	9,448	47
Ski resort, tourism and football clubs	1,847	7	-	-
Agriculture, agriculture machinery and food industry	139	1	138	1
Air transportation	50	-	68	-
Other	272	1	861	4
Total embedded derivative assets	26,950	100	19,978	100

The financial effect of collateral is presented by disclosing collateral values separately for (i) those assets where collateral and other credit enhancements are equal to or exceed fair value of the asset (“over-collateralised assets”) and (ii) those assets where collateral and other credit enhancements are less than the fair value of the asset (“under-collateralised assets”).

The effect of collateral at 30 June 2015:

<i>In millions of Ukrainian hryvnias</i>	Over-collateralised assets		Under-collateralised assets	
	Fair value of the derivative	Expected cash flows from collateral realisation	Fair value of the derivative	Expected cash flows from collateral realisation
Corporate loans	26,696	29,867	254	123

The effect of collateral at 31 December 2014:

<i>In millions of Ukrainian hryvnias</i>	Over-collateralised assets		Under-collateralised assets	
	Fair value of the derivative	Expected cash flows from collateral realisation	Fair value of the derivative	Expected cash flows from collateral realisation
Corporate loans	19,428	20,667	550	390

The fair value of financial derivatives arising from swap, forward and spot transactions was estimated based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

PRIVATBANK GROUP**Selected Explanatory Notes to the Interim Management Statement for the Six Month Period Ended 30 June 2015 (Unaudited)****21 Related Party Transactions**

Parties are generally considered to be related if the parties are under common control, joint control or one party has the ability to control the other party or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

At 30 June 2015 and 31 December 2014, the outstanding balances with related parties were as follows:

<i>In millions of Ukrainian hryvnias</i>	30 June 2015 (unaudited)			31 December 2014		
	Major share - holders	Management	Companies under control of major shareholders	Major share - holders	Management	Companies under control of major shareholders
Loans and advances to customers (contractual interest rate: 30 June 2015: UAH - 17%, USD - 16%, EUR - 17%; 31 December 2014: UAH - 15%, USD - 17%, EUR - 15%)	-	-	24,442	-	1	18,530
Loans and advances to customers written off as uncollectable	-	-	-	-	-	(1,576)
Embedded derivative assets	-	-	608	-	-	449
Other financial assets	-	-	50	-	-	2
Other assets	-	-	57	-	-	63
Customer accounts (contractual interest rate: 30 June 2015: UAH - 14%, USD - 9%, EUR - 10%; 31 December 2014: UAH - 6%, USD - 8%, EUR - 11%)	1,012	214	4,890	1,024	168	3,324
Subordinated debt (contractual interest rate: 30 June 2015: USD - 10%; 31 December 2014: USD - 6%)	-	-	1,955	-	-	206

The income and expense items with related parties for the six month period ended 30 June 2015 and 30 June 2014 were as follows:

<i>In millions of Ukrainian hryvnias</i>	30 June 2015 (unaudited)			30 June 2014 (unaudited)		
	Major share - holders	Management	Companies under control of major shareholders	Major share - holders	Management	Companies under control of major shareholders
Interest income	-	-	1,613	-	-	590
Interest expense	(44)	(62)	(598)	(53)	(8)	(172)
(Provision for loan impairment)/ reversal of provision	-	-	434	-	-	678
Fee and commission income	-	-	21	-	-	21
Losses less gains from financial derivatives	-	-	39	-	-	(103)
Foreign exchange translation (losses less gains)/gains less losses	-	-	4,494	-	-	2,874
Other operating income	-	-	4	-	-	6
Administrative and other operating expenses, excluding management remuneration	-	-	(98)	-	-	(70)

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Selected Explanatory Notes to the Interim Management Statement for the Six Month Period Ended 30 June 2015 (Unaudited)

21 Related Party Transactions (Continued)

At 30 June 2015 and 31 December 2014, other rights and obligations with related parties were as follows:

<i>In millions of Ukrainian hryvnias</i>	30 June 2015 (unaudited)	31 December 2014
	Companies under control of major shareholders	Companies under control of major shareholders
Guarantees issued	-	76
Import letters of credit	93	143
Irrevocable commitments to extend credit	31	-
Total credit related commitments	93	219

In 2015, the remuneration of the members of the Management Board comprised salaries, discretionary bonuses, pension contributions and other short-term benefits totalling UAH 8 million (30 June 2014: UAH 9 million).

22 Events After the End of the Reporting Period

In September 2015 at the meeting of the holders of the Bank's Eurobonds with a par value of USD 200 million investors supported the extension of Eurobonds to January 2016 and coupon rate was set at 10.25% per annum.

In July 2015 increase of share capital by UAH 2,158 million was fully registered.