PRIVATBANK GROUP

Interim Management Statement
for the Six Month Period
Ended 30 June 2016 (unaudited)

CONTENTS

CONSOLIDATED FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

In millions of Ukrainian hryvnias	Note	30 June 2016	31 December 2015
ASSETS			
Cash and cash equivalents and mandatory reserves	5	37,304	35,609
Other financial assets at fair value through profit or loss		-	238
Due from other banks	6	1,904	3,689
Loans and advances to customers	7	178,626	195,339
Embedded derivative assets	18, 19	23,239	30,673
Investment securities available-for-sale		1,862	2,060
Investment securities held to maturity		565	766
Current income tax prepayment		8	102
Goodwill		86	82
Premises, leasehold improvements, equipment and intangible assets		4,549	4,651
Other financial assets		187	289
Other assets		33,370	1,244
Non-current assets held for sale (or disposal groups)		206	192
TOTAL ASSETS		**281,906**	**274,934**
LIABILITIES			
Due to the NBU	9	24,351	27,079
Due to other banks and other financial institutions	10	4,538	4,476
Customer accounts	11	200,444	191,910
Debt securities in issue		9,488	9,145
Current income tax liability		10	-
Deferred income tax liability		962	1,012
Provisions for liabilities and charges, other financial and non-financial liabilities		2,915	2,801
Subordinated debt		7,874	9,466
TOTAL LIABILITIES		**250,582**	**245,889**
EQUITY			
Share capital	12	21,257	21,257
Share premium	12	23	23
Contributions received for new shares issued but not registered	12	2,008	-
Revaluation reserve for premises		562	568
Revaluation reserve of investment securities available-for-sale		1,368	1,493
Currency translation reserve		886	815
Retained earnings		4,509	4,312
Net assets attributable to the Bank's owners		**30,613**	**28,468**
Non-controlling interest		**711**	**577**
TOTAL EQUITY		**31,324**	**29,045**
TOTAL LIABILITIES AND EQUITY		**281,906**	**274,934**

Approved for issue and signed on __ August 2016.

Olexandr V. Dubilet	Lubov I. Korotina
Chairman of the Board	Chief Accountant

In millions of Ukrainian hryvnias	Note	Six months ended 30 June 2016	Six months ended 30 June 2015
Interest income	13	16,388	14,502
Interest expense	13	(15,052)	(12,669)
Net interest income		**1,336**	**1,833**
Provision for impairment of loans and advances to customers	7	279	(1,923)
Net interest income after provision for impairment of loans and advances to customers		**1,615**	**(90)**
Fee and commission income	14	4,783	2,953
Fee and commission expense	14	(1,073)	(754)
Gains less losses from embedded derivatives	19	(986)	8,048
Gains less losses/(Losses less gains) from trading in foreign currencies		898	(961)
Foreign exchange translation gains less losses/(losses less gains)		48	(5,475)
Other operating income		273	202
Other (losses less gains)/gains less losses		(746)	147
Gains from disposal of subsidiary		-	227
Administrative and other operating expenses		(4,596)	(4,079)
Profit before tax		**216**	**218**
Income tax expense		(29)	(124)
Profit		**187**	**94**
Other comprehensive income/(loss):			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale investments:			
- Gains less losses arising during the year		(213)	377
Income tax recorded directly in other comprehensive income		11	(68)
Exchange differences on translation to presentation currency:			
- Differences on translation to presentation currency arising during the year		98	475
- Differences on translation to presentation currency reclassified to profit or loss upon disposal of subsidiary		-	(254)
Other comprehensive (loss)/income		**(104)**	**530**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**83**	**624**
Profit/(loss) is attributable to			
Owners of the Bank		159	64
Non-controlling interest		28	30
Profit		**187**	**94**
Total comprehensive income is attributed to:			
Owners of the Bank		114	424
Non-controlling interest		(31)	200
Total comprehensive income		**83**	**624**
Earnings per share for profit attributable to the owners of the Bank, basic and diluted (expressed in UAH per share)	12	**2.09**	**0.94**

In millions of Ukrainian hryvnias	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		
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 (loss)/income		-	-	-	-	308	3	113	424	200	624
Contributions received for new shares issued but not registered	12	-	-	2,158	-	-	-	-	2,158	-	2,158
Registered contributions received for new shares		1,000	-	(1,000)	-	-	-	-	-	-	-
Disposal of subsidiary		-	-	-	-	-	-	-	-	(305)	(305)
Balance at 30 June 2015		**19,101**	**20**	**2,158**	**588**	**1,113**	**675**	**4,022**	**27,677**	**533**	**28,210**

In millions of Ukrainian hryvnias	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		
Balance at 1 January 2016		**21,257**	**23**	**-**	**568**	**1,493**	**815**	**4,312**	**28,468**	**577**	**29,045**
Profit/(loss) for the year		-	-		-	-	-	159	159	28	187
Other comprehensive income		-	-	-	-	(118)	52	21	(45)	(59)	(104)
Total other comprehensive income		-	-	-	-	(118)	52	180	114	(31)	83
Contributions received for new shares issued but not registered	12	-	-	2,008	-	-	-	-	2,008	-	2,008
Transfer of revaluation surplus on premises to retained earnings		-	-	-	(6)	-	-	6	-	-	-
Disposal of subsidiary		-	-	-	-	(7)	19	11	23	165	188
Balance at 30 June 2016		**21,257**	**23**	**2,008**	**562**	**1,368**	**886**	**4,509**	**30,613**	**711**	**31,324**

In millions of Ukrainian hryvnias	**Note**	**Six months ended 30 June 2016**	**Six months ended 30 June 2015**
Cash flows from operating activities			
Interest received		10,956	11,759
Interest paid		(14,958)	(12,835)
Fees and commissions received		4,783	2,953
Fees and commissions paid		(1,073)	(754)
Cost paid/income received from embedded derivatives		425	(8,511)
Cost paid/income received from derivatives arising from swap, forward and spot transactions		(886)	146
Cost paid/income received from trading in foreign currencies		898	(961)
Other operating income received		280	207
Staff costs paid		(1,650)	(1,713)
Administrative and other operating expenses paid, except for staff costs paid		(3,253)	(2,032)
Income tax paid		104	(60)
Cash flow from operating activities before changes in operating assets and liabilities		**(4,374)**	**(11,801)**
Changes in operating assets and liabilities			
Net decrease/(increase) in mandatory reserve balances		40	(74)
Net increase in other financial assets at fair value through profit or loss		238	-
Net decrease in due from other banks		2,489	13,316
Net increase in loans and advances to customers		(1,119)	(6,117)
Net decrease in other financial assets		303	372
Net decrease in other assets		232	79
Net decrease in due to other banks and other financing institutions		(48)	(819)
Net increase/(decrease) in customer accounts		5,728	(180)
Net increase in provisions for liabilities and charges, other financial and non-financial liabilities		46	70
Net cash used in operating activities		**3,535**	**(5,154)**
Cash flows from investing activities			
Acquisition of investment securities available-for-sale		-	(25)
Acquisition of investment securities held to maturity		-	(167)
Proceeds from redemption of investment securities held to maturity		211	60
Proceeds from premises, leasehold improvements and equipment		4	7
Acquisition of premises, leasehold improvements and equipment		(162)	(326)
Disposal of subsidiaries, net of disposed cash		165	(863)
Net cash from investing activities		**218**	**(1,314)**
Cash flows from financing activities			
Proceeds from NBU	9	-	9,700
Repayment to NBU	9	(2,600)	(953)
Issue of ordinary shares	12	-	2,158
Repayment of debt securities issued		-	(2,014)
Net cash (used in)/from financing activities		**(2,600)**	**8,891**
Effect of exchange rate changes on cash and cash equivalents		**584**	**1,763**
Net increase in cash and cash equivalents		**1,737**	**4,186**
Cash and cash equivalents at the beginning of the year	, 5	35,323	20,462
Cash and cash equivalents at the end of the year	5	**37,060**	**24,648**

Operating and financing 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 5.

1 Introduction

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards for the year ended 30 June 2016 for PJSC CB PRIVATBANK (the "Bank") and its subsidiaries (together referred to as the "Group" or "PRIVATBANK GROUP").

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 2016 and 2015 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 2016 owned directly and indirectly respectively 49.98% (31 December 2015: 49.99%) and 41.58% (31 December 2015: 41.59%) of the outstanding shares and neither of which individually controlled the Bank. The major shareholders of the Bank do not have a contractual agreement on joint control of the Bank.

As of 30 June 2016 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. V.I. Lisitskyi
	Mr. A.G. Martynov

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. O.V. Gorohovskiy
	Mr. T.Y. Novikov
	Mr. V.A. Yatsenko
Deputy Chairmen of the Management Board:	Mrs. L.I. Chmona
	Mr. D.A. Dubilet
	Mrs. T.M. Gurieva
	Mr. V.L. Kovalev
	Mr. S.V. Kryzhanovskiy
	Mr. R.M. Neginskiy
	Mrs. L.A. Shmalchenko
	Mr. A.P. Vitiaz
	Mr. V.G. Zavorotniy
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 2016 and 2015 Individuals Deposits Guarantee Fund guarantees repayment of individual deposits up to UAH 200 thousand per individual in case bank liquidation procedure is started.

As of 30 June 2016 the Bank had 30 branches and 2,531 outlets within Ukraine and a branch in Cyprus (31 December 2015: 30 branches, 2,589 outlets in Ukraine and a branch in Cyprus). Additionally, as at 30 June 2016 the Bank had the subsidiary bank in Latvia (31 December 2015: in Latvia) and representative office in Kyiv (Ukraine) and London (the United Kingdom), several consolidated structured entities in Ukraine and the United Kingdom. Consolidated structured entities in the United Kingdom are used for issue of Eurobonds.

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

	Nature of	Country of	Percentage of ownership	
Name	**business**	**registration**	**30 June 2016**	**31 December 2015**
AS PrivatBank	Banking	Latvia	46.54%	50.02%

1 Introduction (Continued)

As the parent company of AS PrivatBank didn't participated in the new share issue, its share in the capital of Latvian subsidiary diluted to 46,54%. Despite these changes, the Group still is one of the largest shareholders of AS PrivatBank and continues to exercise control over its Latvian subsidiary.

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. Refer to Note 4.

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 Hryvnya against major foreign currencies.

Nevertheless in the second quarter 2016 the exchange rate of Hryvnia began to strengthen and NBU lowered the discount rate to 16.5% per annum from 24 June 2016 (to 15.5% per annum from 29 July 2016). According to the NBU, the positive change in environmental conditions since the end of the first quarter 2016, including unlock transiting and rising in prices on world commodity markets, has returned the economy to the path of recovery. Accordingly, the NBU forecast of real GDP growth on 1.1% in 2016 remains relevant.

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 2015.

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.

3 Summary of Significant Accounting Policies (Continued)

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 2016, UAH	**Average 2016, UAH**	**31 December 2015, UAH**	**Average 2015, UAH**
1 US Dollar (USD)	24,854409	25,457780	24,000667	21,821706
1 Euro (EUR)	27,563540	28,414959	26,223129	24,200490

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies

The Group makes estimates and assumptions that affect the amounts recognised in the consolidated financial statements 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 consolidated financial statements 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. The fair value of collateral substantially contributes to the assessment of whether there is an impairment of loans issued to oil traders. As of 30 June 2016 the loans issued to oil traders were not impaired. 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 461 million or UAH 1015 million (30 June 2015: increase or decrease in loan impairment losses of UAH 588 million or UAH 714 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 1,407 million or UAH 1,769 million (30 June 2015: increase or decrease in loan impairment losses of UAH 1,310 million or UAH 1,650 million), respectively.

Accounting for assets and liabilities associated with operations in the Donetsk and Lugansk regions. As at 30 June 2016, 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 Note 7 for more details in relation to assets associated with the operations in these areas.

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

Provision associated with Crimea liabilities. As described in Note 17 the Group has recognised a provision of UAH 700 million relating to cessation of its operations in Crimea. Provision was assessed based on the probable future negative outcome of the claims presented against the Group and unfavourable resolution of the disputes the Group is being party to. Recognising the provision management made significant judgements by estimating the level of complaints, ability of plaintiff to present documents supporting deposits placement, enforceability of various courts decisions in Ukraine, related administrative and legal costs estimations. If the level of complaints had been 10% higher/(lower) and winning rate was 10% higher/(lower) than estimated then the provision as at 30 June 2016 would have been increased/(decreased) by approximately UAH 147 million (2015: UAH 147 million).

Tax legislation. Ukrainian tax, currency and customs legislation is subject to varying interpretations. Refer to Note 17.

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 2016 gross amount of such loans was UAH 41,008 million (31 December 2015: UAH 40,645 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. As of 30 June 2016 the loans issued to oil traders were not impaired. Please refer to Notes 7 and 19.

Fair value of embedded derivative assets. 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. The fair value of collateral substantially contributes to the assessment of a credit risk of a borrower. Changes in assumptions about these factors could affect reported fair values.

Starting from December 2015, the banks in Ukraine were required to apply IFRS in local accounts used for daily reporting to the National Bank of Ukraine and for regulatory purposes. At the same time, the local regulatory requirements on methodology of accounting of the embedded derivatives are subject to further clarification in course of transition to IFRS.

As of 30 June 2016 the Bank had loans and advances to customers totalling UAH 89,933 million (31 December 2015: UAH 91,318 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, part of them in amount UAH 64,117 million (2015: UAH 62,574 million) with yield limit. The contract to receive compensation was accounted for by the Bank as an embedded derivative assets with the fair value of UAH 23,239 million as at 30 June 2016 (31 December 2015: UAH 30,673 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 2016 to 2019, inclusive.

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

Going concern and compliance with local regulatory requirements. Due to significant further UAH devaluation in 2015 against major hard currencies (refer to Note 2), overall lack of trust to the banking system in Ukraine resulting in outflow of customer accounts in 2015 and preference of keeping money at short-term accounts rather than at long-term deposits, continuous negotiation with the NBU regarding the restructuring of term expensive debts, significant part of which was overdue based on contractual terms being in force at the year-end (refer to Note 11), and prolongation of loans and advance to borrowers to a later period resulted in a short-term liquidity gap up to one months of UAH 27,748 million and accumulative liquidity gap of up to one year of UAH 36,060 million (refer to Note). In accordance with the NBU regulation No.363 issued on 9 June 2015, Ukrainian banks were allowed to initiate the restructuring of refinancing loans, provided the bank's application for the restructuring will be supported by the detailed plan of the financial rehabilitation. In such case, the refinancing loan final maturity term can be postponed to June 2020, with gradual repayments starting from the second year of the restructured maturity term. In July 2015, the Bank applied to the NBU with developed Plan of Financial Rehabilitation, which included commitment to increase the share capital, gradual compliance with the regulatory norms of liquidity, regulatory capital and matching of assets and liabilities by maturity terms.

During 2015 and after the reporting date, the Bank was not in compliance with certain prudential ratios. On 24 February 2015, the NBU issued the regulation No.129 "On certain issues of the Banks' activities" which allowed non-compliance by all Ukrainian banks with certain ratios and requirements, including those breached by the Bank, provided the non-compliance was caused by losses incurred as a result of the negative impact of operating environment in Ukraine. Compliance with the NBU requirement on capital adequacy ratio is one of the debt covenants, however no early repayment or other sanctions are envisaged by the terms of these debts.

In 2015 the NBU identified a few instances of non-compliance with conditions of refinancing loans from the NBU. However, the NBU did not requested early repayment of the refinancing loans as at 30 June 2016 and subsequently in 2016.

As a result of that and further negotiations held by the Bank with the NBU about restructuring of refinancing loans, in February and March 2016 the NBU has approved new Restructuring Plan and its amendment, according to which the Bank was required to further increase the share capital, attract additional subordinated debt, repossess part of collateral by 1 April 2016, gradually decrease a share of loans issues to related parties and insiders of the Bank, obtain additional collateral for significant part of loans by 1 September 2016, gradually repay overdue principal and interest on the NBU refinancing loans by August 2017 and provide additional collateral for the NBU's refinancing loans. This plan also contains a number of limitations on the Bank's active and passive operations.

Following the approval of the Restructuring Plan the Bank actively commenced taking appropriate measures aimed at fulfilling the Plan:

a) as at the date of these consolidated financial statements, the Bank obtained a legal title for the required amount of collateral under the Plan and accounted for it in its consolidated balance sheet as repossessed collateral. However, due to long and complex legal procedure of collateral repossession in Ukraine and necessity of obtaining the NBU's permission for repossession of certain assets, which were already pledged in favour of the NBU for refinancing loans, the Bank was able to repossess the required part of collateral by early June rather than by 1 April 2016 as was stipulated by the NBU. The NBU has not applied any regulatory measures for late repossession of collateral by the date of these consolidated financial statements;

b) in 2016 the Bank repaid on time all interest due on refinancing loans from the NBU and principal according to the agreed schedule in total amount of UAH 4,508 million;

c) one of the Bank's shareholders, Mr. I.V. Kolomoysky, provided his personal guarantee confirming the Bank's ability to follow the Restructuring Plan.

Management has also prepared monthly cash flow projections for periods throughout 2016 and first six months of 2017. Judgements with regard to further UAH devaluation, sustainability of customers' balances, level of inflation in Ukraine, reduced tensions in the East of Ukraine, financial ability of borrowers to repay their loans and respective derivative amounts as they fall due, ability to negotiate additional collateral for the loans issues to the Bank's borrowers were required for the preparation of the cash flow projections. Further support and maintaining of constructive dialogue with the NBU, CBC and FCMC are crucial in the Bank's going concern assessment.

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

Events and conditions described above increase the Bank's and the Group's exposure to reputational, compliance and liquidity risks. Management is taking all appropriate actions to fulfil the Restructuring Plan, comply with the regulatory requirements of the countries where it operates and manage its liquidity gap. In case if the Bank would not be able to implement the Restructuring plan, further renegotiation of the restructuring terms with the NBU would be necessary. Management considers application of going concern assumption for the preparation of these consolidated financial statements is appropriate.

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. Judgement 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.

5 Cash and Cash Equivalents and Mandatory Reserves

In millions of Ukrainian hryvnias	**30 June 2016**	**31 December 2015**
Cash on hand	8,926	12,050
Cash balances with the Central Bank of Latvia	4,843	4,793
Cash balances with the NBU	3,558	3,766
Cash balances with the Central Bank of Cyprus	170	168
Correspondent accounts and overnight placements with other banks		
- Countries other than Ukraine	19,807	14,832
Total cash and cash equivalents and mandatory reserves	**37,304**	**35,609**

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 2015: 3 to 6.5 per cent) of its certain obligations.

As at 10 July 2016, according to the NBU requirements the Bank was to be compliant with required level of mandatory reserve balance of UAH 7,104 million.

As of 30 June 2016 the mandatory reserve balances of the Bank's subsidiary in Latvia and branch in Cyprus that should be kept with respective central banks were UAH 247 million (31 December 2015: Latvia and Cyprus; UAH 287 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 247 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 2015: UAH 287 million).

In millions of Ukrainian hryvnias	**30 June 2016**	**31 December 2015**
Total cash and cash equivalents and mandatory reserves	37,304	35,609
Less mandatory reserves balances	(247)	(287)
Cash and cash equivalents for the purposes of the consolidated statement of cash flows	**37,057**	**35,322**

As of 30 June 2016 UAH 1,294 million mandatory reserve balances with the NBU (31 December 2015: UAH 1,294 million) has been pledged as a collateral for the refinancing loan received from the NBU. Refer to Notes 9 and 17.

5 Cash and Cash Equivalents and Mandatory Reserves (Continued)

As of 30 June 2016 the Group had 2 banks (European and American) (31 December 2015: 2 banks) with aggregate balances of correspondent accounts and overnight placements in excess of 10% of the net assets or UAH 3,061 million (31 December 2015: UAH 2,916 million). The total aggregate amount of these balances was UAH 12,551 million with rated from Aa2 to Baa1 (31 December 2015: 11,402 million with rated from A1 to Baa1).

The credit quality of cash and cash equivalents balances may be summarised based on Moody's ratings at 30 June 2016 as follows:

In millions of Ukrainian hryvnias	**Cash on hand**	**Cash balances with the central banks, including mandatory reserves**	**Correspondent accounts and overnight placements with other banks**	**Total**
Neither past due nor impaired				
Cash on hand	8,926	-	-	8,926
Cash balances with the Central Banks	-	8,571	-	8,571
Aa1 to Aa3 rated	-	-	12,896	12,896
A1 to A3 rated	-	-	4,596	4,596
Baa1 to Baa3 rated	-	-	59	59
Ba2 to Ba3 rated	-	-	83	83
B1 to B3 rated	-	-	949	949
Unrated	-	-	1,224	1,224
Total cash and cash equivalents and mandatory reserves	**8,926**	**8,571**	**19,807**	**37,304**

The credit quality of cash and cash equivalents balances may be summarised based on Moody's ratings at 31 December 2015 as follows:

In millions of Ukrainian hryvnias	**Cash on hand**	**Cash balances with the central banks, including mandatory reserves**	**Correspondent accounts and overnight placements with other banks**	**Total**
Neither past due nor impaired				
Cash on hand	12,050	-	-	12,050
Cash balances with the Central Banks	-	8,727	-	8,727
Aa1 to Aa3 rated	-	-	2,731	2,731
A1 to A3 rated	-	-	6,994	6,994
Baa1 to Baa3 rated	-	-	4,615	4,615
Ba1 to Ba3 rated	-	-	154	154
B1 to B3 rated	-	-	113	113
Unrated	-	-	225	225
Total cash and cash equivalents and mandatory reserves	**12,050**	**8,727**	**14,832**	**35,609**

Operating and financing 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:

In millions of Ukrainian hryvnias	**30 June 2016**	**31 December 2015**
Non-cash operating activities		
Other assets	(110)	(281)
Recognition of finance lease receivables	110	281
Non-cash operating and financing activities	-	-

6 Due from Other Banks

In millions of Ukrainian hryvnias	**30 June 2016**	**31 December 2015**
Guarantee deposits with other banks	1,878	3,429
Placements with other banks	26	260
Total due from other banks	**1,904**	**3,689**

Refer to Note 17 for the information on pledged due from other banks balances.

No individual balances in excess of 10% of net assets are included into the total amount of balances due from other banks.

Analysis by credit quality of amounts due from other banks outstanding at 30 June 2016 is as follows:

In millions of Ukrainian hryvnias	**Placements with other banks**	**Guarantee deposits with other banks**	**Total**
Neither past due nor impaired			
- Aa3 rated	-	82	82
- A2 to A3 rated	-	1,789	1,789
- B1 rated	26	-	26
- Unrated	-	7	7
Total due from other banks	**26**	**1,878**	**1,904**

Analysis by credit quality of amounts due from other banks outstanding at 31 December 2015 is as follows:

In millions of Ukrainian hryvnias	**Placements with other banks**	**Guarantee deposits with other banks**	**Total**
Neither past due nor impaired			
- Aa2 to Aa3 rated	228	399	627
- A2 to A3 rated	-	1,111	1,111
- Baa1 to Baa2 rated	-	1,919	1,919
- B1 to B3 rated	24	-	24
- Ca rated	8	-	8
Total due from other banks	**260**	**3,429**	**3,689**

The primary factor that the Group considers in determining whether a balance is impaired is its overdue status.

As an active participant in the banking markets, the Group has a significant concentration of credit risk with other financial institutions. In total, credit risk exposure to financial institutions is estimated to have amounted to gross amount of UAH 39,000 million (31 December 2015: UAH 24,352 million) comprising cash and cash equivalents, due from other banks and gross receivables on financial derivatives arising on swap, forward and spot transactions. Refer to Notes 5 and 17.

Refer to Note 19 for the estimated fair value of each class of amounts due from other banks.

7 Loans and Advances to Customers

In millions of Ukrainian hryvnias	30 June 2016	31 December 2015
Corporate loans	171,307	188,764
Loans to individuals - cards	20,642	20,919
Loans to individuals - mortgage	9,407	9,363
Loans to individuals - auto	523	503
Loans to individuals - consumer	86	91
Loans to individuals - other	1,739	1,648
Loans to small and medium enterprises (SME)	2,517	2,252
Finance lease receivables due from corporate customers	343	329
Finance lease receivables due from individuals	208	264
Total loans and advances to customers, gross	**206,772**	**224,133**
Less: Provision for loan impairment	(28,146)	(28,794)
Total loans and advances to customers	**178,626**	**195,339**

As of 30 June 2016 interest income of UAH 9,944 million (31 December 2015: UAH 8,404 million) was accrued on impaired loans and advances to customers.

Movements in the provision for loan impairment during 2016 are as follows:

	Corpo-rate	Loans to individuals					SME	Finance lease	Total
In millions of Ukrainian hryvnias	loans	Cards	Mortgage	Auto	Consumer	Other		recei-vables	
Provision for loan impairment at 1 January 2016	**20,849**	**2,867**	**3,161**	**227**	**65**	**636**	**917**	**72**	**28,794**
Provision for impairment during the period	(1,701)	1,068	415	21	5	65	331	16	220
Amounts written off during the period as uncollectible	(696)	(18)	(157)	(9)	(1)	(1)	(38)	-	(920)
Currency translation differences	41	-	11	-	-	-	-	-	52
Provision for loan impairment at 30 June 2016	**18,493**	**3,917**	**3,430**	**239**	**69**	**700**	**1,210**	**88**	**28,146**

The provision for impairment during 2016 differs from the amount presented in profit or loss for the period due to UAH 499 million recovery of amounts previously written off as uncollectible, including UAH 173 million, UAH 128 million and UAH 120 million relating to recoveries of card loans, corporate loan and mortgage loans. The amount of the recovery was credited directly to provisions in profit or loss for the period.

7 Loans and Advances to Customers (Continued)

Movements in the provision for loan impairment during 2015 are as follows:

In millions of Ukrainian hryvnias	Corporate loans	Loans to individuals: Cards	Mortgage	Auto	Consumer	Other	SME	Finance lease receivables	Total
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 during 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.

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

In millions of Ukrainian hryvnias	30 June 2016 Amount	%	31 December 2015 Amount	%
Oil trading	41,008	20	40,645	18
Ferroalloy trading and production	35,854	17	32,527	15
Loans to individuals	32,605	16	32,788	15
Agriculture, agriculture machinery and food industry	31,031	15	29,522	13
Manufacturing and chemicals	24,939	12	27,953	12
Air transportation	12,670	6	14,136	6
Commerce, finance and securities trading	10,805	5	21,596	10
Real estate construction	7,824	4	7,919	4
Ski resort, tourism and football clubs	2,577	1	8,340	4
Small and medium enterprises (SME)	2,517	1	2,252	1
Other	4,942	3	6,455	2
Total loans and advances to customers, gross	**206,772**	**100**	**224,133**	**100**

Disclosed in oil trading industry are UAH 41,008 million or 20% of gross loans and advances (2015: UAH 40,645 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 2016 loans issued to these companies in Ukraine of UAH 39,843 million (2015: UAH 38,858 million) were collateralised with inventory of crude oil, oil and gas products and corporate rights for shares in the share capital of borrowers and their guarantors with the collateral value of UAH 51,298 million (2015: UAH 50,458 million).

Disclosed in manufacturing and chemicals industry are UAH 19,946 million of gross loans and advances to customers (2015: UAH 23,423 million) issued to companies in Ukraine combined in the structure that 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 in these markets. As at 30 June 2016 loans issued to these customers were collateralised with property rights with the collateral value of UAH 28,729 million (2015: UAH 30,385 million).

7 Loans and Advances to Customers (Continued)

Fair value of embedded derivative related to borrowers is disclosed in Notes 18 and 19.

As of 30 June 2016 the total aggregate amount of loans to the top 10 borrowers of the Group amounted to UAH 48,912 million (31 December 2015: UAH 54,562 million) or 24% of the gross loan portfolio (31 December 2015: 24%), provision for them is UAH 5,055 million (31 December 2015: UAH 4,850 million).

As of 30 June 2016 the Group had 6 borrowers (31 December 2015: 7 borrowers) with aggregate loan balances in excess of 10% of the net assets or UAH 3,132 million (31 December 2015: UAH 2,905 million). The total aggregate amount of these loans was UAH 38,840 million (31 December 2015: UAH 47,400 million) and provision for the borrowers created in amount of UAH 1,785 million (2014: UAH 2,567 million).

As of 30 June 2016 mortgage loans have not been pledged as collateral with respect to the mortgage bonds issued (31 December 2015: UAH 402 million). Please refer to Note 17.

As of 30 June 2016 loans issued to twenty eight corporate borrowers of UAH 17,470 million and card loans issued to individuals in amount of UAH 15,742 million gross value were pledged as a collateral under the NBU refinancing (31 December 2015: ninety one corporate borrowers of UAH 43,725 million). Please refer to Notes 9 and 17.

As of 30 June 2016 loans issued to 18 corporate borrowers (2015: 27 corporate borrowers) of UAH 22,687 million (2015:UAH 21,338 million) gross value were partly collateralised with the same collateral as the NBU refinancing loans with the collateral value of UAH 16,344 million (2015: UAH 16,739 million).

Finance lease receivables (gross investment in the leases) and their present values at 30 June 2016 are as follows:

In millions of Ukrainian hryvnias	**Due within 1 year**	**Due between 1 and 5 years**	**Due after 5 years**	**Total**
Finance lease payments receivables as at 30 June 2016	**313**	**359**	**3**	**675**
Unearned finance income	(32)	(90)	(1)	(123)
Impairment loss provision	(57)	(32)	-	(89)
Present value of lease payments receivables as at 30 June 2016	**224**	**237**	**2**	**463**

Finance lease receivables (gross investment in the leases) and their present values at 31 December 2015 are as follows:

In millions of Ukrainian hryvnias	**Due within 1 year**	**Due between 1 and 5 years**	**Due after 5 years**	**Total**
Finance lease payments receivables as at 31 December 2015	**344**	**473**	**3**	**820**
Unearned finance income	(80)	(146)	(1)	(227)
Impairment loss provision	(37)	(35)	-	(72)
Present value of lease payments receivables as at 31 December 2015	**227**	**292**	**2**	**521**

7 Loans and Advances to Customers (Continued)

Analysis by credit quality of loans outstanding at 30 June 2016 is as follows:

In millions of Ukrainian hryvnias	**Corporate loans**	**Loans to individuals: Cards**	**Mortgage**	**Auto**	**Con-sumer**	**Other**	**SME**	**Finance lease recei-vables**	**Total**
Neither past due nor impaired									
- Large borrowers with credit history with the Group over 2 years	54,325	-	-	-	-	634	-	2	54,961
- Large new borrowers with credit history with the Group less than 2 years	35,071	-	-	-	-	-	-	-	35,071
- Loans to medium size borrowers	2,583	-	-	-	-	22	135	164	2,904
- Loans to small borrowers	684	-	-	-	-	-	592	39	1,315
- Loans between UAH 1-100 million	-	108	275	-	-	-	-	2	385
- Loans less than UAH 1 million	-	17,802	963	249	15	465	-	129	19,623
Total neither past due nor impaired	**92,663**	**17,910**	**1,238**	**249**	**15**	**1,121**	**727**	**336**	**114,259**
Past due but not impaired									
- less than 30 days overdue	6,438	553	146	14	1	37	42	21	7,252
- 31 to 90 days overdue	1,429	226	59	1	-	34	33	12	1,794
- over 91 days overdue	6,615	-	10	-	-	-	-	-	6,625
Total past due but not impaired	**14,482**	**779**	**215**	**15**	**1**	**71**	**75**	**33**	**15,671**
Loans individually determined to be impaired (gross)									
- Not overdue	52,450	-	19	-	-	15	-	26	52,510
- less than 30 days overdue	902	-	37	2	-	-	-	-	941
- 31 to 90 days overdue	4,617	-	27	6	-	-	-	49	4,699
- 91 to 180 days overdue	545	203	129	5	1	36	37	33	989
- 181 to 360 days overdue	2,146	249	148	5	1	68	187	15	2,819
- over 361 days overdue	3,502	1,501	7,594	241	68	428	1,491	59	14,884
Total individually impaired loans (gross)	**64,162**	**1,953**	**7,954**	**259**	**70**	**547**	**1,715**	**182**	**76,842**
Less impairment provisions	(18,493)	(3,917)	(3,430)	(239)	(69)	(700)	(1,210)	(88)	(28,146)
Total loans and advances to customers	**152,814**	**16,725**	**5,977**	**284**	**17**	**1,039**	**1,307**	**463**	**178,626**

7 Loans and Advances to Customers (Continued)

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

In millions of Ukrainian hryvnias	Corporate loans	Loans to individuals					SME	Finance lease receivables	Total
		Cards	Mortgage	Auto	Consumer	Other			
Neither past due nor impaired									
- Large borrowers with credit history with the Group over 2 years	72,333	-	-	-	-	602	-	2	72,937
- Large new borrowers with credit history with the Group less than 2 years	26,322	-	-	-	-	-	-	-	26,322
- Loans to medium size borrowers	6,905	-	-	-	-	33	89	154	7,181
- Loans to small borrowers	523	-	-	-	-	-	464	47	1,034
- Loans between UAH 1-100 million	-	24	271	-	-	-	-	3	298
- Loans less than UAH 1 million	-	18,276	1,089	231	20	447	-	188	20,251
Total neither past due nor impaired	**106,083**	**18,300**	**1,360**	**231**	**20**	**1,082**	**553**	**394**	**128,023**
Past due but not impaired									
- less than 30 days overdue	203	552	151	17	2	35	34	43	1,037
- 31 to 90 days overdue	2,438	208	78	4	1	23	166	10	2,928
- over 91 days overdue	1,708	-	15	1	-	-	-	-	1,724
Total past due but not impaired	**4,349**	**760**	**244**	**22**	**3**	**58**	**200**	**53**	**5,689**
Loans individually determined to be impaired (gross)									
- Not overdue	64,091	-	14	-	-	13	1	75	64,194
- less than 30 days overdue	285	-	12	-	-	-	-	-	297
- 31 to 90 days overdue	171	-	37	4	-	-	-	-	212
- 91 to 180 days overdue	4,830	179	90	3	2	48	29	11	5,192
- 181 to 360 days overdue	4,804	393	421	9	6	109	72	5	5,819
- over 361 days overdue	4,151	1,287	7,185	234	60	338	1,397	55	14,707
Total individually impaired loans (gross)	**78,332**	**1,859**	**7,759**	**250**	**68**	**508**	**1,499**	**146**	**90,421**
Less impairment provisions	(20,849)	(2,867)	(3,161)	(227)	(65)	(636)	(917)	(72)	(28,794)
Total loans and advances to customers	**167,915**	**18,052**	**6,202**	**276**	**26**	**1,012**	**1,335**	**521**	**195,339**

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.

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 decrease in the fair value of related collateral and its realisability. As a result, the Group presents above an ageing analysis of loans that are individually determined to be impaired.

7 Loans and Advances to Customers (Continued)

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 624 million (31 December 2015: UAH 0 million), issue of which do not require any collateral.

The effect of collateral at 30 June 2016:

	Over-collateralised assets		**Under-collateralised assets**	
In millions of Ukrainian hryvnias	Carrying value of the assets	Expected cash flows from collateral realisation	Carrying value of the assets	Expected cash flows from collateral realisation
Corporate loans	136,342	184,929	16,472	13,590
Loans to individuals - mortgage	2,352	5,858	3,625	2,305
Loans to individuals - auto	230	339	54	4
Loans to individuals - other	679	1,598	361	19
Loans to small and medium enterprises (SME)	69	272	614	190
Finance lease receivables	438	724	25	22

The effect of collateral at 31 December 2015:

	Over-collateralised assets		**Under-collateralised assets**	
In millions of Ukrainian hryvnias	Carrying value of the assets	Expected cash flows from collateral realisation	Carrying value of the assets	Expected cash flows from collateral realisation
Corporate loans	150,083	189,027	17,832	12,931
Loans to individuals - mortgage	2,337	6,092	3,865	2,520
Loans to individuals - auto	239	378	38	3
Loans to individuals - other	673	1,566	339	27
Loans to small and medium enterprises (SME)	78	291	727	210
Finance lease receivables	502	916	19	11

As at 30 June 2016 loans issued to the borrowers in Ukraine other than those engaged in oil trading and manufacturing and chemicals industry of UAH 77,099 million (31 December 2015: UAH 73,684 million) were collateralised with corporate rights for shares in the share capital of these borrowers and their guarantors with the collateral value of UAH 73,797 million (31 December 2015: UAH 65,265 million). The loans are collateralised with corporate rights for shares of companies domiciled in Ukraine, EU and CEE; collateral agreements are concluded under the UK law. In addition these loans are collateralised by inventory and other assets.

Upon initial recognition of loans and advances to customers, the fair value of collateral is based on valuation techniques commonly used for the corresponding assets, market prices, indexes of similar assets.

7 Loans and Advances to Customers (Continued)

Refer to Note 19 for the estimated fair value of each class of loans and advances to customers. Geographical.Information on related party balances is disclosed in Note 20.

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

In millions of Ukrainian hryvnias	**30 June 2016**	**31 December 2015**
Loans to individuals - cards	2,151	2,229
Loans to individuals - mortgage	267	215
Loans to individuals - consumer	29	26
Loans to individuals - auto	23	22
Loans to individuals - other	6	7
Loans to small and medium enterprises (SME)	178	175
Finance lease receivables due from individuals	51	52
Total loans and advances to customers, gross	**2,705**	**2,726**
Less: Provision for loan impairment	(2,528)	(1,596)
Total	**177**	**1,130**

8 Other assets

In millions of Ukrainian hryvnias	**30 June 2016**	**31 December 2015**
Repossessed collateral	31,824	7
Inventory	1,071	1,029
Prepayments for services	20	20
Prepaid taxes other than income tax	7	18
Precious metals	1	1
Other	447	169
Total other assets	**33,370**	**1,244**

Repossessed collateral represents real estate assets acquired by the Group in settlement of overdue loans. The Group expects to dispose of the assets in the foreseeable future. The assets were initially recognised at fair value when acquired.

9 Due to the NBU

Balances due to the NBU are as follows:

In millions of Ukrainian hryvnias	**30 June 2016**	**31 December 2015**
Term borrowings from the NBU	24,351	27,079
Total due to the NBU	**24,351**	**27,079**

9 Due to the NBU (Continued)

In 2016 the Bank had UAH denominated refinancing loans from the National Bank of Ukraine of the following tranches:

In millions of Ukrainian hryvnias	**Bearing interest rate**	**Maturity date**	**Loan amount**
January 2015	21.00%	December 2016	1,669
February 2015	21.00%	December 2016	314
February 2015	21.00%	February 2017	2,318
March 2015	21.00%	December 2016	89
March 2015	31.50%	March 2017	1,735
April 2015	31.50%	March 2017	623
April 2015	31.50%	April 2017	22
February 2014	29.25%	December 2016	4,233
March 2014	19.50%	August 2017	2,542
April 2014	19.50%	August 2017	3,118
May 2014	14.25%	May 2016	2,274
July 2014	14.25%	May 2016	134
October 2014	18.75%	August 2016	1,205
December 2014	21.00%	December 2016	760
December 2012	21.50%	December 2016	3,315
Total			**24,351**

In 2015 the Bank had UAH denominated refinancing loans from the National Bank of Ukraine of the following tranches:

In millions of Ukrainian hryvnias	**Bearing interest rate**	**Maturity date**	**Loan amount**
January 2015	21.00%	December 2016	1,669
February 2015	21.00%	December 2016	315
February 2015	21.00%	February 2017	2,321
February 2015	31.50%	February 2017	599
March 2015	21.00%	December 2016	89
March 2015	31.50%	March 2017	1,738
April 2015	31.50%	March 2017	624
April 2015	31.50%	April 2017	1,102
February 2014	29.25%	December 2016	4,240
March 2014	19.50%	February 2015	3,036
April 2014	19.50%	March 2015	3,650
May 2014	14.25%	May 2016	2,276
July 2014	14.25%	May 2016	134
October 2014	18.75%	August 2016	1,206
December 2014	21.00%	December 2016	761
December 2012	21.50%	December 2016	3,319
Total			**27,079**

The contractual maturity of the NBU refinancing loan tranches outstanding as at 30 June 2016 with the total carrying amount of UAH 24,351 million varies from December 2016 to April 2017. Included in the total amount due to the NBU is the past due amount of UAH 14,159 million (2015: UAH 16,720 million).

In March 2016 for tranches were received in March 2014 and in April 2014 the maturity date was changed on August 2017.

9 Due to the NBU (Continued)

In February – March 2016 the revised payment schedule on the NBU refinancing loans was agreed between the Bank and the NBU. The Bank repays UAH 650 million monthly instalments starting from March 2016 in accordance with the revised payment schedule, with gradual increase of the amounts to be repaid, and the final maturity stated in August 2017. The total amount paid by the Bank to the NBU in 2016 up to the date of the approval of these consolidated financial statements for the issue comprises UAH 5,640 million, including the portion of main debt scheduled for repayment and the accrued interest. Refer to Note 4.

In March 2016, in course of the restructuring of the NBU refinancing loans, the interest rate on all the NBU refinancing loan tranches was fixed at level of interest rates set as of 9 June 2015, the date of the NBU regulation No.363, which allowed Ukrainian banks to initiate the restructuring of refinancing loans (refer to Note 4). Further amendments to the NBU refinancing loan tranche agreements should set the interest rate at level not higher than the NBU official interest rate plus 1.5% margin.

In 2016 the Bank repaid the refinancing loans in the amount of UAH 2,600 million (2015: UAH 1,493 million).

Assets pledged under the NBU refinancing loans are as follows:

In millions of Ukrainian hryvnias	Note	30 June 2016	31 December 2015
Mandatory reserve balance with the NBU	5	1,294	1,294
Loans and advances to customers	7	33,212	43,725
Premises		1,064	1,058
Assets owned by related and third parties		28,837	30,067
Financial guarantee		18,885	19,468
Total		**83,292**	**95,612**

As at 30 June 2016, 8.7 million shares of the Bank or 11.46% of the share capital are pledged as collateral for loans from the National Bank of Ukraine (31 December 2015: 8.7 million shares of the Bank or 11.46% of the share capital). Refer to Note 12.

Refer to Note 19 for the disclosure of the fair value of amounts due to the NBU.

In February-March 2015 one of the Group's shareholders gave his personal guarantee to secure return of the refinancing loans obtained from the NBU. In March 2016, the additional conditions for the restructuring of the refinancing loans were approved by the NBU, including revising of the repayment schedule, providing of additional collateral for the NBU refinancing loans and certain other operational terms to be adhered by the Bank. In accordance with the agreed conditions, one of the Bank's shareholders, Mr. I.V.Kolomoyskiy, reconfirmed providing of his personal guarantee in support the Bank's position and implementation of the Restructuring Plan.

10 Due to Other Banks and Other Financial Institutions

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

In millions of Ukrainian hryvnias	30 June 2016	31 December 2015
Term placements of other commercial banks	2,175	2,258
Long-term loans under the credit lines from other financial institutions	1,758	1,654
Correspondent accounts and overnight placements of other banks	602	560
Pledge deposits of other banks	3	4
Total due to other banks and other financial institutions	**4,538**	**4,476**

Term placements of other commercial banks represent placements of commercial banks in USD and EUR with maturities from July 2016 to July 2020 (31 December 2015: placements of commercial banks in USD and EUR with maturities from January 2016 to November 2019).

10 Due to Other Banks and Other Financial Institutions (Continued)

In October 2015 the Group received UAH denominated subordinated debt of USD 70 million (UAH 1,491 million at the exchange rate at the date of issue) at contractual rate of 11% per annum payable every six months with contractual maturity in February 2021. Subsequently to the year end this subordinated debt was registered by the NBU, however without permission to include it in the Tier 2 capital and, hence, was reclassified into due to other banks and other financial institutions as 30 June 2016 and at 31 December 2015 as the Group has considered it as an adjustable event. Terms and conditions have not been changed.

11 Customer Accounts

In millions of Ukrainian hryvnias	30 June 2016	31 December 2015
Individuals		
- Term deposits	116,566	111,773
- Current/demand accounts	36,724	32,418
Legal entities		
- Term deposits	16,172	17,105
- Current/settlement accounts	30,982	30,614
Total customer accounts	**200,444**	**191,910**

Economic sector concentrations within customer accounts are as follows:

	30 June 2016		31 December 2015	
In millions of Ukrainian hryvnias	Amount	%	Amount	%
Individuals	153,290	76	144,191	75
Trade	15,824	8	16,547	9
Services	10,343	5	7,434	4
Manufacturing	4,315	2	7,050	4
Agriculture	2,938	2	1,790	1
Transport and communication	2,703	2	2,185	1
Machinery	652	-	651	-
Other	10,379	5	12,062	6
Total customer accounts	**200,444**	**100**	**191,910**	**100**

At 30 June 2016 the aggregate balances of top 10 customers of the Group amount to UAH 10,973 million (31 December 2015: UAH 12,708 million) or 5% (31 December 2015: 7%) of total customer accounts.

At 30 June 2016 included in customer accounts are deposits of UAH 1,345 million (31 December 2015: UAH 1,410 million) held as collateral for loans and advances to customers with cash covered exposure of UAH 1,345 million (31 December 2015: UAH 1,410 million), issued by the Group.

According to the NBU regulation No.342 “On resolving the situation in the money and foreign exchange markets of Ukraine” dated 7 June 2016 banks are required to limit the withdrawal of cash through cash desks and ATMs within UAH equivalent of 100,000 in foreign currencies until 14 September 2016. The restriction on withdrawal of cash in hryvnia from bank accounts has been completely removed (previously a UAH 500,000 daily limit was in place).

12 Share Capital and other reserve funds

In millions of UAH except for number of shares	**Number of outstanding shares, in millions**	**Nominal amount**
As at 1 January 2015	**64.64**	**18,101**
Increase in the nominal amount of the shares through capitalization of dividends	11.28	3,156
As at 31 December 2015	**75.92**	**21,257**
As at 30 June 2016	**75.92**	**21,257**

The nominal registered amount of the Bank's issued share capital at 30 June 2016 is UAH 21,257 million (31 December 2015: UAH 21,257 million). The total authorised number of ordinary shares is 75.92 million shares (31 December 2015: 75.92 million shares) with a par value of UAH 280 per share (31 December 2015: UAH 280 per share). All issued ordinary shares are fully paid. Each ordinary share carries one vote.

As at 30 June 2016, 8.7 million shares of the Bank or 11.46% of share capital are pledged as collateral on loans from the National Bank of Ukraine (31 December 2015: 8.7 million shares of the Bank or 11.46% of share capital). Refer to Note 9.

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 2015: 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 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 June 2016 this subordinated debt was transferred into contributions received for new shares issued but not registered.

In June 2015 the shareholders of the Bank made a contribution received for a new share issue of UAH 2,159 million and in July 2015 it was registered as share capital and as share premium.

During the reporting period, no financial instruments with a dilutive effect were outstanding. Therefore, basic earnings per share equal diluted earnings per share. Earnings per share amounts are calculated by dividing profit for the period attributable to owners of the Bank by the weighted average number of ordinary shares outstanding during the year.

In millions of UAH except for number of shares	**Six months ended 30 June 2016**	**Six months ended 30 June 2015**
Profit for the period attributable to owners of the Bank	159	64
Profit for the period related to continuing operations attributable to owners of the Bank	159	79
Loss for the period related to discontinued operations attributable to owners of the Bank	-	(15)
Weighted average number of ordinary shares in issue, in millions	75.92	68.22
Earnings per share, basic and diluted (expressed in UAH per share)	2.09	0.94
Earnings per share from continuing operations (expressed in UAH per share)	2.09	1.16
Earnings per share from discontinued operations (expressed in UAH per share)	000	(0.23)

13 Interest Income and Expense

In millions of Ukrainian hryvnias	**Six months ended 30 June 2016**	**Six months ended 30 June 2015**
Interest income		
Loans and advances to legal entities	10,571	9,246
Loans and advances to individuals	5,212	5,034
Due from other banks	23	135
Other	582	87
Total interest income	**16,388**	**14,502**
Interest expense		
Term deposits of individuals	8,771	7,160
Due to the NBU	2,920	2,655
Term deposits of legal entities	1,031	996
Current/settlement accounts	964	823
Debt securities in issue	497	412
Subordinated debt	494	312
Due to other banks and other financing institutions	373	303
Other	2	8
Total interest expense	**15,052**	**12,669**
Net interest income	**1,336**	**1,833**

Information on interest income and expense from transactions with related parties is disclosed in Note 20.

14 Fee and Commission Income and Expense

In millions of Ukrainian hryvnias	**Six months ended 30 June 2016**	**Six months ended 30 June 2015**
Fee and commission income		
Settlement transactions	3,100	2,060
Cash collection and cash transactions	1,478	708
Other	205	185
Total fee and commission income	**4,783**	**2,953**
Fee and commission expense		
Cash and settlement transactions	1,070	752
Other	3	2
Total fee and commission expense	**1,073**	**754**
Net fee and commission income	**3,710**	**2,199**

Information on fee and commission income from transactions with related parties is disclosed in Note 20.

15 Segment Analysis

Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM), and for which discrete financial information is available. The CODM is the person - or group of persons - who allocates resources and assesses the performance for the entity. The functions of the CODM are performed by Management Board of the Group.

(a) Description of products and services from which each reportable segment derives its revenue

The Group is organised on the basis of four main business segments:

- Retail banking – representing private banking services, private customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages, derivative products.
- Corporate banking – representing direct debit facilities, current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency and derivative products.
- Investment banking – representing financial instruments trading, structured financing, corporate leasing, merger and acquisitions advice.
- Treasury – representing interbank loans, deposits, foreign currency exchange operations, arrangement of funding in the international markets, asset and liabilities management, issue of senior bonds and assets backed securities, project financing, negotiation of limits for trade financing with financial institutions.

Transactions between the business segments are on normal commercial terms and conditions. Funds are ordinarily reallocated between segments, resulting in funding cost transfers disclosed in operating income. Interest charged for these funds is based on the Group's cost of capital. There are no other material items of income or expense between the business segments. Segment assets and liabilities comprise operating assets and liabilities, being the majority of the balance sheet, but excluding taxation and head office overheads. Internal charges and transfer pricing adjustments have been reflected in the performance of each business segment.

(b) Factors that management used to identify the reportable segments

The Group's segments are strategic business units that focus on different customers. They are managed separately because each business unit requires different marketing strategies and service level.

Segment financial information reviewed by the CODM does not include information of the Group's subsidiaries and head office functional departments. Regular review of these subsidiary banks is delegated to the local management teams. The CODM obtains financial statements of the Group's subsidiaries. Management considered that information on subsidiary banks is available less frequently in concluding that segments exclude details of the subsidiaries. Head office functional departments do not earn revenues or earn revenues that are only incidental to the activities of the Group and is not considered by the CODM as an operating segment.

(c) Measurement of operating segment profit or loss, assets and liabilities

The CODM reviews financial information of the Bank prepared based on internal accounting rules adjusted to meet the requirements of NBU accounting rules and before consolidation of subsidiaries. Such financial information differs in certain aspects from International Financial Reporting Standards:

- funds are generally reallocated between segments at internal interest rates set by the treasury department, which are determined by reference to market interest rate benchmarks, contractual maturities for loans and observed actual maturities of customer accounts balances;
- income taxes are not allocated to segments;
- loan loss provisions are recognised based on the statutory accounting rules;
- loans and advances to customers are written-off based on statutory requirements;
- fair value of derivatives are not recognised in statutory accounts;
- managing its open currency position the Bank enters into swap transactions that are recognised at cost in segment reporting; and
- consolidation of subsidiaries.

For each business segment the CODM reviews interest income adjusted for intersegment result (net interest on transactions with other segments).

15 Segment Analysis (Continued)

(d) Information about reportable segment profit or loss, assets and liabilities

Segment information for the reportable segments for the six-month period ended and at 30 June 2016 is set out below:

In millions of Ukrainian hryvnias	**Retail banking**	**Corporate banking**	**Investment banking**	**Treasury**	**Total reportable segments**
Cash and cash equivalents and mandatory reserves	8,879	-	-	18,049	26,928
Due from other banks	-	-	-	5,004	5,004
Loans and advances to customers	23,082	143,418	-	-	166,500
Investment securities available-for-sale	-	-	1,675	-	1,675
Investment securities held to maturity	-	-	-	-	-
Investment property	-	-	17	-	17
Investment in subsidiaries	-	-	433	-	433
Intangible assets	11	3	-	3	17
Premises, leasehold improvements and equipment	1,789	539	11	443	2,782
Other financial assets	214	23,748	4	8,899	32,865
Other assets	561	31,926	-	145	32,632
Total reportable segment assets	**34,536**	**199,634**	**2,140**	**32,543**	**268,853**
Due to the NBU	-	-	-	24,351	24,351
Due to other banks and other financing institutions	107	-	-	14,220	14,327
Customer accounts	147,311	40,619	459	-	188,389
Debt securities in issue	-	2	-	-	2
Other financial liabilities	2,235	1,150	3	228	3,616
Other non-financial liabilities	522	106	3	70	701
Subordinated debt	-	1,146	-	6,321	7,467
Total reportable segment liabilities	**150,175**	**43,023**	**465**	**45,190**	**238,853**

15 Segment Analysis (Continued)

In millions of Ukrainian hryvnias	Retail banking	Corporate banking	Investment banking	Treasury	Total reportable segments
30 June 2016					
External revenues	8,586	12,518	30	792	21,926
Revenues from/(expenses on) other segments	9,496	(13,850)	106	4,248	-
Total revenues	**18,082**	**(1,332)**	**136**	**5,040**	**21,926**
Total revenues comprise:					
- Interest income	13,271	(3,058)	106	4,337	14,656
- Fee and commission income	4,034	1,152	23	40	5,249
- Other operating income	777	574	7	663	2,021
Total revenues	**18,082**	**(1,332)**	**136**	**5,040**	**21,926**
Interest expense	(9,501)	(1,318)	(2)	(4,231)	(15,052)
Provision for loan impairment	(1,497)	1,402	-	5	(90)
Gains less losses from embedded derivatives	-	(598)	-	(78)	(676)
Release of provision for credit related commitments	1	7	-	-	8
Fee and commission expense	(449)	-	(1)	(550)	(1,000)
Gains less losses from trading in foreign currencies	125	345	-	(602)	(132)
Administrative and other operating expenses	(2,707)	(789)	(12)	(634)	(4,142)
Depreciation and amortization charge	(149)	(45)	(1)	(37)	(232)
Segment result	**3,905**	**(2,328)**	**120**	**(1,087)**	**610**

15 Segment Analysis (Continued)

Segment information for the reportable segments for the year ended 31 December 2015 and at 30 June 2015 is set out below:

In millions of Ukrainian hryvnias	**Retail banking**	**Corporate banking**	**Investment banking**	**Treasury**	**Total reportable segments**
Cash and cash equivalents and mandatory reserves	12,007	-	-	19,796	31,803
Due from other banks	-	-	-	1,507	1,507
Loans and advances to customers	24,979	152,955	-	-	177,934
Investment securities available-for-sale	-	-	1,734	-	1,734
Investment securities held to maturity	-	-	-	216	216
Investment property	-	-	14	-	14
Investment in subsidiaries	-	-	435	-	435
Intangible assets	3	4	-	3	10
Premises, leasehold improvements and equipment	1,265	402	7	316	1,990
Other financial assets	58	27,304	3	14,933	42,298
Other assets	20	12	45	239	316
Total reportable segment assets	**38,332**	**180,677**	**2,238**	**37,010**	**258,257**
Due to the NBU	-	-	-	27,079	27,079
Due to other banks and other financing institutions	157	-	-	11,984	12,141
Customer accounts	138,007	39,379	206	-	177,592
Debt securities in issue	-	2	-	-	2
Other financial liabilities	1,499	1,024	-	48	2,571
Other non-financial liabilities	548	25	1	20	594
Subordinated debt	-	1,118	-	9,582	10,700
Total reportable segment liabilities	**140,211**	**41,548**	**207**	**48,713**	**230,679**

15 Segment Analysis (Continued)

In millions of Ukrainian hryvnias	Retail banking	Corporate banking	Investment banking	Treasury	Total reportable segments
30 June 2015					
External revenues	6,500	11,418	33	229	18,180
Revenues from/(expenses on) other segments	5,132	(8,549)	307	3,110	-
Total revenues	**11,632**	**2,869**	**340**	**3,339**	**18,180**
Total revenues comprise:					
- Interest income	7,965	2,175	306	3,289	13,735
- Fee and commission income	2,845	602	28	50	3,525
- Other operating income	822	92	6	-	920
Total revenues	**11,632**	**2,869**	**340**	**3,339**	**18,180**
Interest expense	(7,319)	(2,106)	(5)	(3,903)	(13,333)
Provision for loan impairment	713	(1,597)	-	54	(830)
Gain from disposal of investment in subsidiaries	-	-	608	-	608
Gains less losses from embedded assets	-	1,425	60	-	1,485
Release of provision for credit related commitments	-	(18)	-	-	(18)
Fee and commission expense	(325)	-	(1)	(399)	(725)
Gains less losses from trading in foreign currencies	(29)	862	-	(2,145)	(1,312)
Administrative and other operating expenses	(2,501)	(648)	(10)	(470)	(3,629)
Depreciation and amortization charge	(191)	(61)	(1)	(47)	(300)
Segment result	**1,980**	**726**	**991**	**(3,571)**	**126**

Reconciliation of reportable segment revenues, profit or loss, assets and liabilities

Total consolidated revenues comprise interest income, fee and commission income and other operating income.

In millions of Ukrainian hryvnias	Six months ended 30 June 2016	Six months ended 30 June 2015
Total revenues for reportable segments	**21,926**	**18,180**
(a) Recognition of embedded derivatives	-	(500)
(b) Consolidation adjustments	(405)	331
(c) Other adjustments	(77)	190
(d) Unallocated expenses	-	-
(e) Provision for impairment	-	(544)
Total consolidated revenues	**21,444**	**17,657**

15 Segment Analysis (Continued)

Reconciliation of reportable profit or loss:

In millions of Ukrainian hryvnias	**Six months ended 30 June 2016**	**Six months ended 30 June 2015**
Total reportable segment result	**610**	**126**
(a) Recognition of embedded derivatives	(619)	4,872
(b) Consolidation adjustments	(371)	(1,371)
(c) Other adjustments	(49)	(1,004)
(d) Unallocated expenses less revenues	-	-
(e) Release of provision/(provision) for impairment	645	(2,405)
Profit before tax	**216**	**218**

Reconciliation of reportable assets:

In millions of Ukrainian hryvnias	**30 June 2016**	**31 December 2015**
Total reportable segment assets	**268,853**	**258,257**
(a) Recognition of embedded derivatives	-	684
(b) Consolidation adjustments	12,932	16,325
(c) Other adjustments	252	(219)
(d) Unallocated assets	-	1,119
(e) Provision for impairment	-	(289)
(f) Swap and spot operations at fair value	-	(358)
(g) Reclassifications	(131)	(585)
Total consolidated assets	**281,906**	**274,934**

Reconciliation of reportable liabilities:

In millions of Ukrainian hryvnias	**30 June 2016**	**31 December 2015**
Total reportable segment liabilities	**238,853**	**230,679**
(a) Recognition of embedded derivatives	-	-
(b) Consolidation adjustments	11,678	14,788
(c) Other adjustments	606	166
(d) Unallocated liabilities	-	1,158
(f) Swap and spot operations at fair value	-	(479)
(g) Reclassifications	(555)	(584)
(h) Deferred income tax liability	-	161
Total consolidated liabilities	**250,582**	**245,889**

15 Segment Analysis (Continued)

Reconciliation of material items of income for the year ended 30 June 2016 is as follows:

In millions of Ukrainian hryvnias	**Interest income**	**Fee and commission income**	**Gains less losses from embedded and financial derivatives**
Total amount for all reportable segment	**14,656**	**5,249**	**-**
(a) Recognition of embedded derivatives	-	-	-
(b) Consolidation adjustments	99	172	-
(c) Other adjustments	(169)	-	(3)
(d) Unallocated revenues/(expenses)	-	-	-
(g) Reclassifications	1,802	(638)	(983)
As reported under IFRS	**16,388**	**4,783**	**(986)**

Reconciliation of material items of expense for the year ended 30 June 2016 is as follows:

In millions of Ukrainian hryvnias	**Interest expense**	**Provision for impairment of loans and advances to customers**	**Administrative and other operating expenses**
Total amount for all reportable segment	**(15,052)**	**(90)**	**(4,374)**
(b) Consolidation adjustments	(48)	40	(211)
(c) Other adjustments	(4)	(340)	(8)
(d) Unallocated revenues/(expenses)	-	-	-
(e) Provision for impairment	-	-	-
(g) Reclassifications	52	669	(3)
As reported under IFRS	**(15,052)**	**279**	**(4,596)**

Reconciliation of material items of income for the year ended 30 June 2015 is as follows:

In millions of Ukrainian hryvnias	**Interest income**	**Fee and commission income**	**Gains less losses from embedded derivatives**
Total amount for all reportable segment	**13,735**	**3,525**	**-**
(a) Recognition of embedded derivatives	(500)	-	8,048
(b) Consolidation adjustments	78	166	-
(c) Other adjustments	(189)	122	-
(d) Unallocated revenues/(expenses)	-	-	-
(g) Reclassifications	1,378	(860)	-
As reported under IFRS	**14,502**	**2,953**	**8,048**

15 Segment Analysis (Continued)

Reconciliation of material items of expense for the year ended 30 June 2015 is as follows:

In millions of Ukrainian hryvnias	Interest expense	Provision for impairment of loans and advances to customers	Administrative and other operating expenses
Total amount for all reportable segment	**(13,333)**	**(830)**	**(3,929)**
(b) Consolidation adjustments	(20)	(62)	(193)
(c) Other adjustments	1,775	(463)	131
(d) Unallocated	-	-	-
(e) (Provision)/release of provision for impairment	-	(356)	319
(g) Reclassifications	(1,091)	(212)	(407)
As reported under IFRS	**(12,669)**	**(1,923)**	**(4,079)**

Reconciliation of material assets as at 30 June 2016 is as follows:

In millions of Ukrainian hryvnias	Cash and cash equivalents and mandatory reserves	Due from other banks	Loans and advances to customers	Embedded derivative assets	Non-current assets held for sale (or disposal groups)	Other financial assets
Total amount for all reportable segment	**26,928**	**5,004**	**166,500**	**-**	**-**	**32,865**
(a) Recognition of embedded derivatives	-	-	33	30,765	-	(30,733)
(b) Consolidation adjustments	7,061	93	2,542	-	206	88
(c) Other adjustments	115	7	-	-	-	-
(e) Release of provision for impairment	-	-	368	-	-	-
(f) Swap and spot operations at fair value	-	-	-	-	-	-
(g) Reclassifications	3,200	(3,200)	9,183	(7,526)	-	(2,033)
As reported under IFRS	**37,304**	**1,904**	**178,626**	**23,239**	**206**	**187**

Reconciliation of material liabilities as at 30 June 2016 is as follows:

In millions of Ukrainian hryvnias	Due to other banks and other financing institutions	Customer accounts	Debt securities in issue	Provisions for liabilities and charges, other financial and non-financial liabilities	Subordinated debt
Total amount for all reportable segment	**14,327**	**188,389**	**2**	**4,317**	**7,467**
(b) Consolidation adjustments	(210)	11,024	(129)	587	407
(c) Other adjustments	36	86	-	471	-
(g) Reclassifications	(9,615)	945	9,615	(1,498)	-
As reported under IFRS	**4,538**	**200,444**	**9,488**	**3,877**	**7,874**

15 Segment Analysis (Continued)

Reconciliation of material assets as at 31 December 2015 is as follows:

In millions of Ukrainian hryvnias	Cash and cash equivalents and mandatory reserves	Due from other banks	Loans and advances to customers	Embedded derivative assets	Non-current assets held for sale (or disposal groups)	Other financial assets
Total amount for all reportable segment	**31,803**	**1,507**	**177,934**	**-**	**-**	**42,298**
(a) Recognition of embedded derivatives	-	-	29	30,673	-	(30,018)
(b) Consolidation adjustments	6,425	324	6,025	-	192	51
(c) Other adjustments	-	-	(262)	-	-	-
(e) Provision for impairment	-	-	(289)	-	-	-
(f) Swap and spot operations at fair value	-	-	(357)	-	-	-
(g) Reclassifications	(2,619)	1,858	12,259	-	-	(12,042)
As reported under IFRS	**35,609**	**3,689**	**195,339**	**30,673**	**192**	**289**

Reconciliation of material liabilities at 31 December 2015 is as follows:

In millions of Ukrainian hryvnias	Due to other banks and other financing institutions	Customer accounts	Debt securities in issue	Provisions for liabilities and charges, other financial and non-financial liabilities	Subor-dinated debt
Total amount for all reportable segment	**12,141**	**177,592**	**2**	**3,165**	**10,700**
(b) Consolidation adjustments	(152)	13,936	(126)	632	419
(c) Other adjustments	10	(38)	100	485	(9)
(f) Swap and spot operations at fair value	-	(478)	-	-	-
(g) Reclassifications	(7,523)	898	9,169	(1,481)	(1,644)
As reported under IFRS	**4,476**	**191,910**	**9,145**	**2,801**	**9,466**

The reconciling items are attributable to the following:

(a) Embedded derivative assets and embedded derivative liabilities are accounted for at fair value for IFRS purposes. In statutory accounts results from operations with embedded derivative assets are accounted for when cash is received within interest income. Embedded derivative liabilities are not accounted for in statutory accounts.

(b) Segment reporting is prepared before consolidation of subsidiaries.

(d) Unallocated balances, revenues and results represent amounts which relate to activities of head office functional departments and are not included in the reportable segments.

(e) Adjustments of provisions for impairment are related to the difference between the methodology applied to calculate provisions for loan impairment and reversal of accrued interest on impaired loans under the NBU accounting rules used for preparation of management reporting and the methodology used for IFRS reporting. The provision under the NBU accounting rules is calculated based mainly on formal criteria depending on the financial position of the borrower, quality of debt service and collateral, whereas the provision under IFRS requirement is calculated based on incurred loss model. The accrued interest on impaired loans under the NBU accounting rules is recognised at full amount whereas the accrued interest under IFRS requirement is recognised on recoverable amount only.

(f) The Bank presented swap and spot operations on gross basis in its segment reporting prepared in accordance with the NBU rules.

15 Segment Analysis (Continued)

(g) Reclassifications are done based on the economic substance of transactions. The Bank presented debt securities issued separately in IFRS financial statements. The Bank presented financial guarantees on gross basis in its segment reporting prepared in accordance with the NBU rules.

(h) In Segment reporting the CODM doesn't analyse taxation.

The Bank does not analyse the capital expenditure, current and deferred income tax in segment reporting.

(e) Analysis of revenues by products and services

The Group's revenues are analysed by products and services in Notes 13 (interest income), Note 14 (fee and commission income).

(f) Geographical information

Revenues for each individual country for which the revenues are material are reported separately as follows:

In millions of Ukrainian hryvnias	**Six months ended 30 June 2016**	**Six months ended 30 June 2015**
Ukraine	19,266	15,781
Other countries	2,178	1,876
Total consolidated revenues	**21,444**	**17,657**

The analysis is based on domicile of the customer. Revenues from off-shore companies of Ukrainian customers are reported as revenues from Ukraine. Revenues comprise interest income, fee and commission income and other operating income.

(g) Major customers

The Group does not have customers with the revenues exceeding 10% of the total revenue of the Group.

16 Management of Capital

Compliance with capital adequacy ratios set by the National Bank of Ukraine is monitored monthly with reports outlining their calculation reviewed and signed by the Chairman of the Board and Chief Accountant. Other objectives of capital management are evaluated annually. Under the current capital requirements set by the National Bank of Ukraine banks have to maintain a ratio of regulatory capital to risk weighted assets ("statutory capital ratio") above a prescribed minimum level.

a) The Bank is subject to minimum capital requirements established by covenants stated in loan agreements, including capital adequacy levels calculated in accordance with the requirements of the Basel Accord, as defined in the International Convergence of Capital Measurement and Capital Standards (updated April 1998) and Amendment to the Capital Accord to incorporate market risks (updated November 2005), commonly known as Basel I. The composition of the Bank's capital calculated in accordance with Basel Accord is as follows:

In millions of Ukrainian hryvnias	**30 June 2016**	**31 December 2015**
Tier 1 capital		
Share capital and share premium	21,280	21,280
Contributions received for new shares issued but not registered	2,008	-
Disclosed reserves	5,220	4,889
Cumulative translation reserve	886	815
Less: goodwill and intangible assets	(116)	(115)
Total tier 1 capital	**29,278**	**26,869**
Tier 2 capital		
Asset revaluation reserves	1,930	2,061
Subordinated debt	5,762	7,386
Total tier 2 capital	**7,692**	**9,447**
Total capital	**36,970**	**36,316**
Risk Weighted Assets		
Banking book	244,109	235,694
Trading book	15,021	8,661
Risk Weighted Assets	**259,130**	**244,355**
Tier 1 capital ratio	**11.30%**	**11,%00**
Capital adequacy ratio (%)	**14.27%**	**14.86%**

b) As at 30 June 2016, the National Bank of Ukraine requires banks to maintain a capital adequacy ratio of 10% of risk weighted assets calculated in accordance with the regulations of the National Bank of Ukraine (31 December 2015: 10%).

Regulatory capital in accordance with the NBU's regulations comprises:

In millions of Ukrainian hryvnias	**30 June 2016**	**31 December 2015**
Adjusted net assets	19,938	18,247
Plus subordinated debt	5,999	7,740
Less investments into subsidiaries	(435)	(435)
Total regulatory capital	**25,502**	**25,552**
Risk weighted assets	**246,172**	**236,087**
Open foreign currency position	**8,197**	**2,808**
Capital adequacy ratio (N2)	**10.03%**	**10.70%**

16 Management of Capital (Continued)

Net assets included in the table above are adjusted according to the NBU regulations, including the adjustment relating to the calculation of provision for loans and advances to customers in accordance with Regulation No. 23 of the Board of the National Bank of Ukraine dated 25 January 2012 "On Calculation of the Loan Loss Provision by Ukrainian Banks" ("Regulation No. 23").

The Group has complied with all externally imposed capital requirements as at 30 June 2016 and 31 December 2015.

17 Contingencies and Commitments

Capital expenditure commitments. At 30 June 2016 the Group has contractual capital expenditure commitments in respect of construction of premises and acquisition of computers and furniture and equipment totalling UAH 30 million (31 December 2015: UAH 56 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 Group is subject to certain covenants related to its foreign borrowings. In respect of foreign borrowings, the Bank is required to maintain a certain capital adequacy ratio according to local regulatory requirements. As at 30 June 2016 and 31 December 2015, the Bank was in compliance with the capital adequacy requirements set by the NBU for Ukrainian banks. Refer to Note 4.

The regulation on Credit vacation to repay the loan to the NBU for the banks was valid until 10 June 2015. The NBU issued the regulation No.363 "On measures to change the credit conditions of use to maintain the banks' liquidity and repo transactions" dated 9 June 2015, which allows banks to submit application for the review of conditions of contracts on loans from the NBU. According to this regulation, consideration of applications and signing contracts with the banks should have taken place prior to 25 December 2015, during the consideration of applications the sanctions were not applied to the banks.

As at 30 June 2016 the Bank was not under any sanctions.

The Bank is also subject to certain covenants related to refinancing loans obtained from the NBU. In 2015 and 2016 the NBU performed its reviews of the Bank's compliance with refinancing loan's covenants and didn't request early repayment of the loans.

In 2016, the NBU started its regular review of the Bank's activity for 2015. As at the date of these financial statements the Bank is in the process of discussing the results of the NBU's review.

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.

17 Contingencies and Commitments (Continued)

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:

In millions of Ukrainian hryvnias	**Note**	**30 June 2016**	**31 December 2015**
Guarantees issued		1,600	1,502
Import letters of credit		263	609
Irrevocable commitments to extend credit		200	217
Less: Cash covered letters of credit		(65)	(63)
Less: Provision for credit related commitments		(47)	(56)
Total credit related commitments and financial guarantees		**1,951**	**2,209**

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 2016 and 31 December 2015 was insignificant.

As of 30 June 2016 irrevocable commitments under letters of credit and guarantees issued by the Group of gross amount UAH 65 million (31 December 2015: UAH 63 million) are secured by customer accounts of UAH 65 million (31 December 2015: UAH 63 million).

Credit related commitments are denominated in currencies as follows:

In millions of Ukrainian hryvnias	**30 June 2016**	**31 December 2015**
US Dollars	989	902
Ukrainian Hryvnias	516	879
Euro	239	224
Other currencies	207	204
Total	**1,951**	**2,209**

As of 30 June 2016 the Group had undrawn credit limits on credit cards of UAH 21,549 million (31 December 2015: UAH 19,383 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 2016 and 31 December 2015.

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:

In millions of Ukrainian hryvnias	**30 June 2016 Nominal value**	**31 December 2015 Nominal value**
Shares of Ukrainian companies	6,542	6,512
Domestic corporate bonds	851	834
Investment certificates	337	283

17 Contingencies and Commitments (Continued)

Funds under trust management. Funds under trust management represent assets managed and held by the Group on behalf of customers. The Group earns commission income for holding such assets. The Group is not subject to interest, credit, liquidity and currency risk with respect of these assets in accordance with the agreements concluded with the customers. Loans are granted on behalf of customers who have remitted a deposit as collateral for the loans. As of 30 June 2016 assets under trust management amounted to UAH 5,552 million (31 December 2015: UAH 4,661 million).

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

In millions of Ukrainian hryvnias	**Note**	**30 June 2016** Asset pledged and restricted	**30 June 2016** Related liability/ commitment	**31 December 2015** Asset pledged and restricted	**31 December 2015** Related liability/ commitment
Gross receivables under swap, forward and spot agreements	18	17,289	17,337	5,831	5,791
Loans and advances to customers	7	-	-	402	14
Mandatory reserve balances with the NBU, premises and loans and advances to customers	5, 7, 9	35,570	24,351	46,077	27,079
Total		**52,859**	**41,688**	**52,310**	**32,884**

Gross receivables under swap, forward and spot agreements presented above are recognised on a net basis in the statement of financial position, giving rise to a derivative financial asset or liability within other financial assets or other financial liabilities, respectively.

Mandatory reserve balances in the amount of UAH 247 million (31 December 2015: UAH 287 million) represent mandatory reserve deposits which are not available to finance the Group’s day to day operations as disclosed in Note 5.

As disclosed in Note 6, balances due from other banks of UAH 1,878 million (31 December 2015: UAH 1,574 million) have been pledged as cover for letters of credit and international payments.

18 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.

	30 June 2016		**31 December 2015**	
In millions of Ukrainian hryvnias	**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 (+)	1,026	8,030	3,801	144
- USD payable on settlement (-)	(980)	(7,850)	(1,572)	(209)
- Euros receivable on settlement (+)	56	8,173	1,678	65
- Euros payable on settlement (-)	(87)	(22)	(1,142)	-
- UAH payable on settlement (-)	-	(8,398)	(2,595)	(146)
- RUB receivable on settlement (+)	-	4	-	27
- RUB payable on settlement (-)	-	-	(127)	-
- Other currencies receivable on settlement (+)	-	-	-	116
Net fair value of foreign exchange swaps, forwards and spots	**15**	**(63)**	**43**	**(119)**

At 30 June 2016, the Group had outstanding obligations from unsettled spot transactions with foreign currencies of UAH 7,929 million (31 December 2015: UAH 1,830 million). The net fair value of unsettled spot transactions is insignificant.

During the year ended 30 June 2016 the Group incurred a loss of UAH 886 million (2015: a loss UAH 293 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 2016 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 23,239 million (31 December 2015: UAH 30,673 million). This embedded derivative is represented by a currency option maturing in up to 3 years. The strike price was from UAH 23.27 to UAH 27.25 per USD 1 (31 December 2015: from UAH 15.75 to UAH 30.01 per USD 1).

During 2015 an embedded derivative liabilities, arising from the customer accounts, were recognised in the amount of UAH 3,947 million and repaid. Those customer accounts were received in UAH with the condition of compensation to be paid by the Bank in the event that the official exchange rate of UAH depreciates against USD.

19 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.

19 Fair Value of Financial Instruments (Continued)

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:

	30 June 2016				**31 December 2015**			
In millions of Ukrainian hryvnias	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
FINANCIAL ASSETS AT FAIR VALUE								
Other financial assets at fair value through profit or loss	0	0	0	0	0	238	0	238
Investment securities available-for-sale								
Government bonds	185	-	-	185	177	-	-	177
Unquoted shares	-	1,677	-	1,677	-	1,883	-	1,883
Embedded derivative assets	-	-	23,239	23,239	-	-	30,673	30,673
Other financial assets								
Financial derivatives arising from swap, forward and spot transactions	-	-	16	16	-	-	43	43
NON-FINANCIAL ASSETS								
Premises	-	-	2,239	2,239	-	-	2,294	2,294
TOTAL ASSETS RECCURING FAIR VALUE MEASUREMENT	**185**	**1,677**	**25,494**	**27,356-**	**177**	**2,121**	**33,010**	**35,308**
FINANCIAL LIABILITIES AT FAIR VALUE								
Other financial liabilities								
Financial derivatives arising from swap, forward and spot transactions	-	-	22	22	-	-	3	3
TOTAL LIABILITIES RECCURING FAIR VALUE MEASUREMENTS	**-**	**-**	**22**	**22-**	**-**	**-**	**3**	**3**

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.

19 Fair Value of Financial Instruments (Continued)

A reconciliation of movements in Level 3 of the fair value hierarchy of the embedded derivative assets for the period ended 30 June 2016 and 31 December 2015 is as follows:

In millions of Ukrainian hryvnias	**Embedded derivatives**
Fair value at 1 January 2015	**19,978**
Initial recognition of derivative	2,029
Cash received	(1,005)
Gains less losses from embedded derivative assets	9,671
Fair value of embedded derivative assets at 31 December 2015	**30,673**
Initial recognition of derivative	1,078
Gains less losses from embedded derivatives	(986)
Cash received	(425)
Reclassification to embedded derivative with confiscated collateral	(7,101)
Fair value of embedded derivative assets at 30 June 2016	**23,239**

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 Note 4 and 30 in its in profit or loss for 2014. In 2015, revaluation gain was recognised in the amount of UAH 793 million at final repayment of these embedded derivative liabilities.

During 2015 an embedded derivative liabilities, arising from the customer accounts, were recognised in the amount of UAH 3,947 million and repaid. Those customer accounts were received in UAH with the condition of compensation to be paid by the Bank in the event that the official exchange rate of UAH depreciates against USD.

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.

The expected UAH/USD exchange rates are provided by the Treasury. These rates are supported by the forecasts of reputable international agencies and ranged from 25 to 30 UAH/USD exchange rates for the next year. The used discount rate is calculated by the Treasury and represents a weighted coupon rates on available quoted bonds adjusted for risk premium which were issued in the Ukrainian market during the reporting period. The credit risks are determined by the Risk-Management Division on the individual basis for each borrower.

As at 30 June 2016 the management used the following inputs: expected exchange rates from 25.65 UAH/USD to 28.02 UAH/USD (31 December 2015: from 23.49 UAH/USD to 25.71 UAH/USD), discount rate of 15.21% (31 December 2015: 16.40%) and average provision under the credit risk for embedded derivative asset of 79.92% (31 December 2015: 65.17%). The sensitivity to valuation assumptions is disclosed in the Note 4.

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 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.

20 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 2016 and 31 December 2015, the outstanding balances with related parties were as follows:

	30 June 2016			31 December 2015		
In millions of Ukrainian hryvnias	Major share - holders	Manage- ment	Companies under control of major shareholders	Major share - holders	Manage- ment	Companies under control of major shareholders
Loans and advances to customers (contractual interest rate: 2016: UAH - 16%, USD - 10%, EUR - 9%; 2015: UAH - 16%, USD - 11%, EUR - 10%)	-	8	34,042	-	6	34,503
Loans and advances to customers written off as uncollectable	-	-	(125)	-	-	(516)
Embedded derivative assets	-	-	1,584	-	-	6,572
Investment securities available-for-sale	-	-	-	-	-	1
Other financial assets	-	-	-	-	-	-
Other assets	-	-	-	-	-	-
Customer accounts (contractual interest rate: 2016: UAH - 5%, USD - 8%, EUR - 4%; 2015: UAH - 5%, USD - 9%, EUR - 9%)	1,401	155	4,288	1,145	241	3,288
Due to other banks and other financial institutions	-	-	1,755	-	-	1,641
Subordinated debt (contractual interest rate: 2016: USD - 11%, EUR - 6%; 2015: USD - 11%, EUR - 6%)	-	-	323	-	-	2,251
Other financial liabilities	-	-	1	-	-	3

The income and expense items with related parties for the six-month period ended 30 June 2016 and 2015 were as follows:

	30 June 2016			30 June 2015		
In millions of Ukrainian hryvnias	Major share - holders	Manage- ment	Companies under control of major shareholders	Major share - holders	Manage- ment	Companies under control of major shareholders
Interest income	-	-	2,665	-	-	1,613
Interest expense	(50)	(20)	(192)	(44)	(62)	(598)
(Provision for loan impairment)/ reversal of provision	-	-	928	-	-	434
Fee and commission income	-	-	21	-	-	21
Losses less gains from financial derivatives	-	-	(1,044)	-	-	39
Foreign exchange translation (losses less gains)/gains less losses	-	-	830	-	-	4,494
Other operating income	-	-	7	-	-	4
Administrative and other operating expenses, excluding management remuneration	-	-	(3)	-	-	(98)

20 Related Party Transactions (Continued)

At 30 June 2016 and 31 December 2015, other rights and obligations with related parties were as follows:

	30 June 2016	31 December 2015
In millions of Ukrainian hryvnias	**Companies under control of major shareholders**	**Companies under control of major shareholders**
Guarantees issued	51	49
Irrevocable commitments to extend credit	-	17
Import letters of credit	-	5
Total credit related commitments and financial guarantees	**51**	**71**

In 2016, the remuneration of the members of the Management Board comprised salaries, discretionary bonuses, pension contributions and other short-term benefits totalling UAH 9 million (31 December 2015: UAH 18 million), including contributions into the State pension fund of UAH 1 million (31 December 2015: UAH 1 million).

Short-term bonuses fall due wholly within twelve months after the end of the period in which management rendered the related services.

As of 30 June 2016 assets under trust management amounted to UAH 1,141 million (31 December 2015: UAH 1,054 million). Refer to Note 17.

21 Events After the End of the Reporting Period

In August 2016 the Group repaid debt securities in issue of UAH 1,010 million (USD 40 million) on schedule.

During July-August 2016 the Bank repossessed collateral to settle loans and advances to customers of a total value of UAH 10,914 million as at the date of repossession.

In millions of Ukrainian hryvnias	**Repossessed collateral**	**Loans and advances to customers**
Gas station	6,037	6,037
Airplanes	4,145	4,145
Plot of land	477	477
Buildings	255	255
Total credit related commitments and financial guarantees	**10,914**	**10,914**

In July-August 2016 repossessed collateral in the amount of UAN 8,545 million were transferred to the finance leasing.

In August 2016 repossessed collateral in the amount of UAN 4,145 million were sold in installments over 10 years at an interest rate of 8% per annum.

In August 2016 repossessed collateral in the amount of UAN 453 million were transferred to premises.