

Translation from Ukrainian original

**PUBLIC JOINT STOCK COMPANY
“FIRST UKRAINIAN INTERNATIONAL BANK”**

Financial statements

*Year ended 31 December 2015
Together with independent auditor's report*

PUBLIC JOINT STOCK COMPANY “FIRST UKRAINIAN INTERNATIONAL BANK”
2015 FINANCIAL STATEMENTS

Contents

Independent auditor’s report

Statement of financial position	1
Income statement.....	2
Statement of comprehensive income	3
Statement of cash flows.....	4
Statement of changes in equity.....	5

Notes to the financial statements

1. Principal activities	6
2. Operating environment of the Bank	6
3. Basis of preparation.....	7
4. Summary of significant accounting policies.....	7
5. Critical accounting estimates and judgements in applying accounting policies	21
6. Cash and cash equivalents.....	22
7. Balance with the National Bank of Ukraine	23
8. Due from other banks	23
9. Securities	25
10. Loans to customers	26
11. Property and equipment, investment property and intangible assets.....	33
12. Other assets.....	35
13. Due to the National Bank of Ukraine.....	35
14. Due to other banks	36
15. Customer accounts.....	36
16. Eurobonds issued.....	37
17. Other borrowed funds.....	37
18. Other liabilities.....	37
19. Subordinated debt	38
20. Derivative financial instruments.....	38
21. Share capital and other reserves.....	39
22. Segment analysis	39
23. Interest income and expense	42
24. Fee and commission income and expense	43
25. Other income.....	43
26. Operating expenses	43
27. Income taxes.....	44
28. Risk management.....	45
29. Fair value measurements.....	54
30. Contingencies and commitments.....	57
31. Pledged financial assets	59
32. Related party transactions	59
33. Earnings per share	61
34. Capital	61



Translation from Ukrainian original

Ernst & Young Audit Services LLC
Khreschatyk Street, 19A
Kyiv, 01001, Ukraine
Tel: +380 (44) 490 3000
Fax: +380 (44) 490 3030
Ukrainian Chamber of Auditors
Certificate: 3516
www.ey.com/ua

ТОВ «Ернст енд Янг
Аудиторські послуги»
Україна, 01001, Київ
вул. Хрещатик, 19А
Тел.: +380 (44) 490 3000
Факс: +380 (44) 490 3030
Свідоцтво Аудиторської
Палати України: 3516

INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Management Board of
PUBLIC JOINT STOCK COMPANY "FIRST UKRAINIAN INTERNATIONAL BANK"

We have audited the accompanying financial statements of PUBLIC JOINT STOCK COMPANY "FIRST UKRAINIAN INTERNATIONAL BANK" (further - the "Bank"), which comprise the statement of financial position as at 31 December 2015, and the statements of income, of comprehensive income, of cash flows and of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

As disclosed in Note 5, the Bank did not revalue its non-residential premises with the carrying amounts of UAH 339,723 thousand included in property, plant and equipment and UAH 29,255 thousand included in investment properties as at 31 December 2014, while there were a number of factors that indicated that the fair value of non-residential premises materially differed from their carrying amount. As at 31 December 2015, the Bank revalued these non-residential premises. The effect of non-valuation on the carrying amount of property, plant and equipment and investment properties as at 31 December 2014 and on loss on revaluation for 2015 and 2014 cannot be determined.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

We draw attention to Note 2 to the financial statements, which describes the current political and economic situation in Ukraine. The circumstances referred to in Note 2 could continue to adversely affect the Bank's financial position and performance in a manner not currently determinable. Our opinion is not qualified in respect of this matter.

Ernst & Young Audit Services LLC

31 March 2016

Translation from Ukrainian original

PUBLIC JOINT STOCK COMPANY "FIRST UKRAINIAN INTERNATIONAL BANK"
Statement of financial position as at 31 December 2015

(in thousands of Ukrainian hryvnias)

	Notes	2015	2014
Assets			
Cash on hand and in transit	6	1,244,442	1,053,915
Balance with the National Bank of Ukraine	7	897,908	1,513,095
Due from other banks	8	4,283,476	2,484,584
Securities:			
– at fair value through profit or loss	9	263,387	–
– available-for-sale	9	2,320,493	1,947,384
Loans to customers	10	26,287,616	28,355,608
Current income tax asset		45,405	37,585
Other assets	12	383,496	404,926
Property and equipment	11	1,209,023	1,365,946
Investment property	11	188,554	96,151
Intangible assets	11	243,299	172,085
Deferred tax asset	27	276,992	–
Total assets		37,644,091	37,431,279
Liabilities			
Due to the National Bank of Ukraine	13	485,426	1,190,046
Due to other banks	14	224,827	244,119
Customer accounts	15	27,584,757	26,272,519
Eurobonds issued	16	4,722,461	3,272,979
Other borrowed funds	17	26,289	25,725
Other liabilities	18	441,508	295,679
Deferred tax liability	27	–	105,745
Subordinated debt	19	492,174	492,825
Total liabilities		33,977,442	31,899,637
Equity			
Share capital	21	3,294,492	3,427,350
Share premium	21	101,660	56,798
Merger reserve	21	–	34,266
Revaluation reserve for property and equipment	21	538,213	642,188
Revaluation reserve for securities available-for-sale	21	(2,153)	17,873
Reserve fund	21	1,475,430	–
(Accumulated deficit) / Retained earnings		(1,740,993)	1,353,167
Total equity		3,666,649	5,531,642
Total liabilities and equity		37,644,091	37,431,279

Signed on behalf of the Management Board on 31 March 2016

S.P. Chernenko (Chairman of the Management Board)

I.O. Kozhevin (Chief Financial Officer)

O.O. Poleschuk (Chief Accountant)

The notes set out on pages 6 to 62 form an integral part of these financial statements.

Translation from Ukrainian original

PUBLIC JOINT STOCK COMPANY "FIRST UKRAINIAN INTERNATIONAL BANK"
Income statement for the year ended 31 December 2015

(in thousands of Ukrainian hryvnias)

	Notes	2015	2014
Interest income	23	5,247,732	4,988,555
Interest expense	23	(3,101,233)	(2,643,865)
Net interest income		2,146,499	2,344,690
Allowance for loan impairment	8, 10	(4,821,208)	(2,862,519)
Net interest loss after allowance for loan impairment		(2,674,709)	(517,829)
Fee and commission income	24	1,222,954	1,114,199
Fee and commission expense	24	(313,665)	(280,084)
Net fee and commission income		909,289	834,115
<i>Net gains from operations with foreign currencies:</i>			
- dealing		587,132	507,729
- translation differences		940,275	951,624
<i>Net gains/(losses) from securities designated at fair value through profit or loss:</i>			
- dealing		4,752	(160,238)
- change in fair value		11,373	-
<i>Net (losses)/gains from securities available-for-sale:</i>			
- dealing		(2,426)	36,999
- impairment losses		(1,519)	-
Gains less losses on revaluation of investment property	11	(44,243)	11,610
Net losses from derivative financial instruments		(332,246)	(311,037)
Net losses on restructuring of mortgage loans to individuals in foreign currency	10	(29,346)	-
Charge to provision for credit related commitments	30	(22)	(8,648)
Other income	25	121,868	132,712
Operating (loss)/income		(509,822)	1,476,992
Operating expenses	26	(1,645,628)	(1,650,015)
Loss before income tax benefit		(2,155,450)	(173,023)
Income tax benefit	27	402,980	37,217
Net loss for the year		(1,752,470)	(135,806)
Losses per share (in Ukrainian hryvnias per share)	33	(122.35)	(9.48)

Signed on behalf of the Management Board on 31 March 2016

S.P. Chernenko (Chairman of the Management Board)

I.O. Kozhevin (Chief Financial Officer)

O.O. Poleschuk (Chief Accountant)

The notes set out on pages 6 to 62 form an integral part of these financial statements.

Translation from Ukrainian original

PUBLIC JOINT STOCK COMPANY "FIRST UKRAINIAN INTERNATIONAL BANK"
Statement of comprehensive income for the year ended 31 December 2015

(in thousands of Ukrainian hryvnias)

	Note	2015	2014
Net loss for the year		(1,752,470)	(135,806)
Other comprehensive income			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
- Unrealised (losses)/gains on investment securities available-for-sale		(24,077)	89,368
- Realised gains/(losses) on investment securities available-for-sale reclassified to the income statement		2,426	(36,999)
- Income tax effect		1,625	(4,486)
Net other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods		(20,026)	47,883
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>			
- Revaluation of buildings		(70,629)	79,683
- Income tax effect		(21,868)	(20,642)
Net other comprehensive (loss)/income not to be reclassified to profit or loss in subsequent periods		(92,497)	59,041
Other comprehensive (loss)/income for the year, net of tax		(112,523)	106,924
Total comprehensive loss for the year		(1,864,993)	(28,882)

Signed on behalf of the Management Board on 31 March 2016

S.P. Chernenko (Chairman of the Management Board)

I.O. Kozhevin (Chief Financial Officer)

O.O. Poleschuk (Chief Accountant)

The notes set out on pages 6 to 62 form an integral part of these financial statements.

Translation from Ukrainian original

PUBLIC JOINT STOCK COMPANY "FIRST UKRAINIAN INTERNATIONAL BANK"
Statement of cash flows for the year ended 31 December 2015

(in thousands of Ukrainian hryvnias)

	2015	2014
Cash flows from operating activities		
Interest income received	4,112,750	4,768,114
Interest expense paid	(3,175,852)	(2,761,217)
Fee and commission income received	1,243,386	1,077,795
Fee and commission expense paid	(297,320)	(263,854)
Income received from trading in foreign currencies	587,132	507,729
Gains from securities	4,752	(123,053)
Gains less losses from financial derivatives	(337,419)	(306,256)
Other income received	109,345	79,385
Operating expenses paid	(1,397,788)	(1,481,113)
Income tax paid	-	(36,624)
Cash flows from operating activities before changes in operating assets and liabilities	848,986	1,460,906
<i>Net (increase)/decrease in operating assets:</i>		
Mandatory reserve balance with the National Bank of Ukraine	489,340	542,283
Due from other banks	(558,298)	199,610
Securities designated at fair value through profit or loss	(230,745)	346,387
Loans to customers	3,756,302	(721,332)
Other assets	207,661	183,498
<i>Net increase/(decrease) in operating liabilities:</i>		
Due to the National Bank of Ukraine	(704,620)	127,931
Due to other banks	(88,599)	(915,247)
Customer accounts	(3,473,965)	(3,772,765)
Other liabilities	112,063	(68,787)
Net cash from / (used in) operating activities	358,125	(2,617,516)
Cash flows from investing activities		
Purchase of property and equipment and intangible assets	(506,838)	(188,910)
Proceeds from sale of property and equipment and intangible assets	159,732	18,648
Purchase of securities available-for-sale	(57,719,046)	(31,996,756)
Proceeds from sale of securities available-for-sale	58,575,344	34,137,765
Net cash from investing activities	509,192	1,970,747
Cash flows from financing activities		
Redemption of bonds issued	-	(105)
Redemption of other borrowed funds	(238,075)	(819,194)
Net cash used in financing activities	(238,075)	(819,299)
Effect of exchange rate changes on cash and cash equivalents	940,276	1,984,302
Net increase in cash and cash equivalents	1,569,518	518,234
Cash and cash equivalents at the beginning of the year	4,180,350	3,662,116
Cash and cash equivalents at the end of the year (Note 6)	5,749,868	4,180,350

Signed on behalf of the Management Board on 31 March 2016

S.P. Chernenko (Chairman of the Management Board)

I.O. Kozhevin (Chief Financial Officer)

O.O. Poleschuk (Chief Accountant)

The notes set out on pages 6 to 62 form an integral part of these financial statements.

Translation from Ukrainian original

PUBLIC JOINT STOCK COMPANY "FIRST UKRAINIAN INTERNATIONAL BANK"
Statement of changes in equity for the year ended 31 December 2015

(in thousands of Ukrainian hryvnias)

	Share capital	Share premium	Merger reserve	Revaluation reserve for property and equipment	Revaluation reserve for securities available-for-sale	Reserve fund	Retained earnings	Total equity
Balance at 1 January 2014	3,427,350	56,798	34,266	597,471	(30,010)	-	1,485,653	5,571,528
Net profit for the year	-	-	-	-	-	-	(135,806)	(135,806)
Other comprehensive loss for the year	-	-	-	59,041	47,883	-	-	106,924
Total comprehensive income for the year	-	-	-	59,041	47,883	-	(135,806)	(28,882)
Transfer of property and equipment revaluation	-	-	-	(14,324)	-	-	14,324	-
Acquisition of a subsidiary (Note 1)	-	-	-	-	-	-	(11,004)	(11,004)
Balance at 31 December 2014	3,427,350	56,798	34,266	642,188	17,873	-	1,353,167	5,531,642
Net profit for the year	-	-	-	-	-	-	(1,752,470)	(1,752,470)
Other comprehensive losses for the year	-	-	-	(92,497)	(20,026)	-	-	(112,523)
Total comprehensive income for the year	-	-	-	(92,497)	(20,026)	-	(1,752,470)	(1,864,993)
Transfer of the amount of IAS 29 application effect (Note 21)	(132,858)	44,862	-	-	-	-	87,996	-
Transfer of merger reserve (Note 21)	-	-	(34,266)	-	-	-	34,266	-
Transfer to reserve fund	-	-	-	-	-	1,475,430	(1,475,430)	-
Transfer of premises revaluation surplus	-	-	-	(11,478)	-	-	11,478	-
Balance at 31 December 2015	3,294,492	101,660	-	538,213	(2,153)	1,475,430	(1,740,993)	3,666,649

Signed on behalf of the Management Board on 31 March 2016

S.P. Chernenko (Chairman of the Management Board)

I.O. Kozhevin (Chief Financial Officer)

O.O. Poleschuk (Chief Accountant)

The notes set out on pages 6 to 62 form an integral part of these financial statements.

PUBLIC JOINT STOCK COMPANY "FIRST UKRAINIAN INTERNATIONAL BANK"
Notes to the financial statements for the year ended 31 December 2015

(in thousands of Ukrainian hryvnias)

1. Principal activities

PUBLIC JOINT STOCK COMPANY "FIRST UKRAINIAN INTERNATIONAL BANK" (the "Bank") was established on 20 November 1991 and commenced operations in April 1992. The Bank provides a full range of banking services, including taking deposits and granting loans, investing in securities, transfer of payments in Ukraine and abroad, exchange of currencies and issuance and processing of payment cards.

The Bank is a member of Individuals Deposits Guarantee Fund starting from 2 September 1999 (registration certificate #102 dated 29 September 2009), which operates according to the Law of Ukraine #2740-III "On Individuals Deposits Guarantee Fund". As at 31 December 2015 the Individuals Deposits Guarantee Fund guarantees repayment of individual deposits up to UAH 200 thousand per individual (31 December 2014: UAH 200 thousand).

As at 31 December 2015 and 2014, the Bank's shareholders are "SCM FINANCE" (92.2% of share capital), SCM HOLDINGS LIMITED (Cyprus) (7.7% of share capital) and an individual (0.1% of share capital). The ultimate controlling party of the Bank is a Ukrainian citizen, Mr. R.L. Akhmetov.

The Bank's legal address is: 4 Andriivska Street, Kyiv, Ukraine. As at 31 December 2015, the Bank had 6 regional centers throughout Ukraine (31 December 2014: 7 regional centers throughout Ukraine).

On 12 December 2013, the Bank acquired 100% of shares of PUBLIC JOINT-STOCK COMPANY "BANK RENAISSANCE CAPITAL" (the "PJSC "BRC"). The principal activity of PJSC "BRC" was provision of banking services to private individuals in Ukraine. On 27 October 2014, the General shareholders meeting of PUBLIC JOINT STOCK COMPANY "FIRST UKRAINIAN INTERNATIONAL BANK" decided to merge the two banks. On 15 March 2015, balances on accounts of the "PJSC "BRC" were transferred to the Bank's accounting system.

2. Operating environment of the Bank

The Bank conducts its operations in Ukraine. The Ukrainian economy while deemed to be of market status continues to display certain characteristics consistent with that of an economy in transition. These characteristics include, but are not limited to, low levels of liquidity in the capital markets, high inflation, and significant imbalances in the public finance and foreign trade.

In 2015, Ukrainian political and economic situation continued to deteriorate significantly. The political and social unrest, which began in late 2013 and developed in 2014, combined with regional tensions led to the secession of the Autonomous Republic of Crimea to the Russian Federation and to full-fledged armed confrontations with separatists in certain parts of the Donetsk and Lugansk regions. These factors have contributed to the decline of key economic indices, increase of the state budget deficit, depletion of the NBU's foreign currency reserves and, as a result, further downgrading of the Ukrainian sovereign debt credit ratings.

Political tensions adversely affected the financial market of Ukraine, which led to a substantial restriction of the capacity of Ukrainian enterprises and banks to attract financing on international stock and credit markets. This situation led to further devaluation of the hryvnia against major currencies.

During 2015, official UAH/US dollar exchange rate established by the National Bank of Ukraine has increased by 52.21% from UAH/US dollar 15.768556 as at 1 January 2015 to UAH/US dollar 24.000667 as at 31 December 2015. As some of the loans were issued in foreign currencies, UAH depreciation against these currencies has a negative impact on borrowers' ability to service the loans. In addition, factors such as decrease of liquidity and profitability of the corporate sector adversely affect debt servicing level of the Bank's loan portfolio. Events taking place in the economy, also lead to a decrease in the value of collateral for loans and other active operations of the Bank. Management analyzes credit impairment considering the above mentioned risk factors.

In 2015, the banking system of Ukraine continued to be characterized by a structural surplus of liquidity, significant outflow of foreign currency denominated funds, high cost of resources, low capitalization level and suffered losses. The level of decline of deposits in foreign currency (in US dollar equivalent) reached 32.1% in annual terms. The demand for credit resources during 2015 remained weak, which was due to low economic activity, high interest rates and the strengthening of banks' claims on borrowers. However, an important factor that influenced the decrease in balances of loans of the banking system of Ukraine, especially in late 2015, was a statistical effect due to the liquidation of a number of banks. During 2015 the downward tendency in lending in foreign currency also continued to prevail – an average of 20.3% per annum.

PUBLIC JOINT STOCK COMPANY "FIRST UKRAINIAN INTERNATIONAL BANK"
Notes to the financial statements for the year ended 31 December 2015

(in thousands of Ukrainian hryvnias)

2. Operating environment of the Bank (continued)

Since 2014 the Bank was not able to carry out its operating activities in the Crimea and certain areas of the Donetsk and Lugansk regions and was forced to relocate its activities from these regions. After the annexation of the Crimea, the Bank has closed all of its 10 branches in the area. Additionally, the Bank closed 42 branches that were located in regions outside the control of the Government of Ukraine in Donetsk and Lugansk regions. As a result, since the beginning of the conflict up to 31 December 2015, the Bank lost control over certain assets, such as cash, with the carrying amount of UAH 39,030 thousand, which were fully impaired as at 31 December 2015. As at 31 December 2015 the carrying value of loans to customers who operate in conflict zones is UAH 2,923,245 thousand (11.12% of the carrying value of loans to customers) (as of 2014 – 2,195,967 thousand, 7.75% of the carrying value of loans to customers).

The Government has committed to direct its policy towards the association with the European Union, to implement a set of reforms aiming at the removal of the existing imbalances in the economy, public finance and public governance, and the improvement of the investment climate.

Stabilization of the Ukrainian economy in the foreseeable future depends on success of actions undertaken by the Government and securing continued financial support of Ukraine by international donors and international financial institutions.

Known and estimated results of the above factors on the financial position and performance of the Bank during the reporting period were taken into account while preparing these financial statements. The Bank's management monitors the developments in the current environment and taking actions, where appropriate, to minimize any negative effects to the extent possible. Further negative developments in the political, macroeconomic and/or international trade conditions may further adversely affect the Bank's financial position and performance in a manner not currently determinable.

3. Basis of preparation

General

These financial statements are prepared in accordance with the International Financial Reporting Standards (the "IFRS") under the historical cost convention except for financial instruments and investment property carried at fair value and premises and works of arts carried at revalued amount. These policies have been consistently applied by the Bank to all the periods presented, unless otherwise stated.

Inflation accounting

The Ukrainian economy was regarded as being hyperinflationary for the ten-year period ended 31 December 2000. As such, the Bank has applied IAS 29 "Financial reporting in hyper-inflationary economies". The effect of applying IAS 29 is that non-monetary items were restated using the Consumer Price Index to measuring units current at 31 December 2000, and these restated values were used as a basis for accounting in subsequent accounting periods.

4. Summary of significant accounting policies

The Bank has adopted the following amended IFRS which are effective for annual periods beginning on or after 1 January 2015:

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is not relevant to the Bank, since the Bank does not have defined benefit plans with contributions from employees or third parties.

PUBLIC JOINT STOCK COMPANY “FIRST UKRAINIAN INTERNATIONAL BANK”
Notes to the financial statements for the year ended 31 December 2015

(in thousands of Ukrainian hryvnias)

4. Summary of significant accounting policies (continued)

Annual improvements 2010-2012 cycle

These improvements are effective from 1 July 2014 and the Bank has applied these amendments for the first time in these financial statements. They include:

IFRS 2 Share-based Payment

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- ▶ a performance condition must contain a service condition;
- ▶ a performance target must be met while the counterparty is rendering service;
- ▶ a performance target may relate to the operations or activities of an entity, or to those of another entity in the same group;
- ▶ a performance condition may be a market or non-market condition;
- ▶ if the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

These amendments had no impact on the Bank's financial position or performance.

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable). This amendment does not impact the Bank's accounting policy.

IFRS 8 Operating Segments

The amendments are applied retrospectively and clarifies that:

- ▶ an entity must disclose the judgments made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are “similar”;
- ▶ the reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

The Bank has applied the aggregation criteria in IFRS 8.12 and disclosed the information required by the amendment in Note 22 to these financial statements. The Bank has presented the reconciliation of segment assets to total assets in previous periods and continues to disclose the same in Note 22 in these financial statements as the reconciliation is reported to the chief operating decision maker for the purpose of her decision making.

IFRS 13 Short-term Receivables and Payables – Amendments to IFRS 13

This amendment to IFRS 13 clarifies in the Basis for Conclusions that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This is consistent with the Bank's current accounting policy, and thus this amendment does not impact the Bank's accounting policy.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset. This amendment does not impact the Bank's accounting policy.

IAS 24 Related Party Disclosures

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This amendment is not relevant for the Bank as it does not receive any management services from other entities.

PUBLIC JOINT STOCK COMPANY "FIRST UKRAINIAN INTERNATIONAL BANK"
Notes to the financial statements for the year ended 31 December 2015

(in thousands of Ukrainian hryvnias)

4. Summary of significant accounting policies (continued)

Annual improvements 2011-2013 cycle

These improvements are effective from 1 July 2014 and the Bank has applied these amendments for the first time in these financial statements. They include:

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:

- ▶ joint arrangements, not just joint ventures, are outside the scope of IFRS 3;
- ▶ this scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

The Bank is not a joint arrangement, and thus this amendment is not relevant for the Bank.

IFRS 13 Fair Value Measurement

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable). The Bank does not apply the portfolio exception in IFRS 13.

IAS 40 Investment Property

The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or business combination. In previous periods, the Bank has relied on IFRS 3, not IAS 40, in determining whether an acquisition is of an asset or is a business acquisition. Thus, this amendment does not impact the accounting policy of the Bank.

Meaning of "Effective IFRSs" – Amendments to IFRS 1

The amendment clarifies in the Basis for Conclusions that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first IFRS financial statements. This amendment to IFRS 1 had no impact on the Bank, since the Bank is an existing IFRS preparer.

Combination of business under common control

Combinations of businesses under common control are accounted for using the predecessor values method. Under this method, amounts are presented in the financial statements after the business combination as combined amounts of the two entities from the beginning of the earliest period presented. Assets and liabilities of an acquired entity are recognised in the financial statements of a combined entity similarly to consolidation of the corresponding items of a subsidiary in the financial statements of a parent company after eliminating all interbank balances and transactions. Any difference between the combined amounts and consolidated amounts of assets and liabilities determined under the predecessor values method is recognised as changes in equity in a separate reserve. No goodwill arises on the combination of businesses under common control accounted for under the predecessor values method.

Financial assets

Key measurement terms

Depending on their classification financial instruments are carried at fair value or amortised cost as described below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction on the principal (or in the absence of a principal, in the most advantageous) market under current market conditions (i.e. an exit price), using either quoted prices or valuation techniques.

PUBLIC JOINT STOCK COMPANY "FIRST UKRAINIAN INTERNATIONAL BANK"
Notes to the financial statements for the year ended 31 December 2015

(in thousands of Ukrainian hryvnias)

4. Summary of significant accounting policies (continued)

Financial assets (continued)

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- ▶ Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- ▶ Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- ▶ Level 3 inputs – unobservable inputs for the asset or liability.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- ▶ in the principal market for the asset or liability; or
- ▶ in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Bank. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition plus accrued interests less any principal repayments and any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

Initial recognition

Financial assets are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Bank determines the classification of its financial assets upon initial recognition.

Date of recognition

All regular way purchases and sales of financial assets are recognised on the settlement date i.e. the date that an asset is delivered to or by the Bank. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

PUBLIC JOINT STOCK COMPANY "FIRST UKRAINIAN INTERNATIONAL BANK"
Notes to the financial statements for the year ended 31 December 2015

(in thousands of Ukrainian hryvnias)

4. Summary of significant accounting policies (continued)

Financial assets (continued)

Measurement at the reporting date

Financial assets at fair value through profit or loss and financial assets available-for-sale are measured at fair value, and other financial assets are measured at amortised cost.

Impairment of financial assets

The Bank assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a Bank of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the financial asset (an incurred "loss event") and that loss event (or events) has an impact on the amount or timing of the estimated future cash flows of the financial asset or Bank of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a Bank of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in overdue amounts or economic conditions that correlate with inability to settle a liability (default).

Classification of financial assets

Financial assets at fair value through profit or loss

Financial assets held for trading are included in the category "financial assets at fair value through profit or loss". Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated and effective hedging instruments. Gains or losses on financial assets held for trading are recognised in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as financial assets at fair value through profit or loss or designated as available-for-sale financial assets. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, income is recognised through the amortisation process.

Securities available-for-sale

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as financial assets at fair value through profit or loss, held-to-maturity financial assets or loans and receivables. After initial recognition available-for-sale financial assets are measured at fair value, except for shares carried at cost, with gains or losses being recognised in other comprehensive income until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in other comprehensive income is included in the profit or loss. Interest calculated using the effective interest method is recognised in the income statement.

Cash and cash equivalents

Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. For an investment to qualify as a cash equivalent it must be readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value. Cash and cash equivalents include balances on correspondent accounts and overnight deposits due from other banks, deposit certificates issued by National Bank of Ukraine with maturity up to 1 working day, cash on hand and in transit and balances with the NBU, excluding mandatory reserve balances and accrued interests. Mandatory cash balances with the NBU are carried at amortised cost and represent mandatory reserve deposits which are not available to finance the Bank's day to day operations and hence are not considered as part of cash and cash equivalents for the purposes of the statement of cash flows.

PUBLIC JOINT STOCK COMPANY "FIRST UKRAINIAN INTERNATIONAL BANK"
Notes to the financial statements for the year ended 31 December 2015

(in thousands of Ukrainian hryvnias)

4. Summary of significant accounting policies (continued)

Classification of financial assets (continued)

Sale and repurchase agreements

Sale and repurchase agreements ("repo agreements") are treated as secured financing transactions. Securities sold under sale and repurchase agreements are retained in the statement of financial position. The securities are not reclassified in the statement of financial position unless the transferee has the right by contract or custom to sell or re-pledge the securities, in which case they are reclassified as securities pledged under sale and repurchase agreements. The corresponding liability is presented within amounts due to other banks or other borrowed funds.

Securities purchased under agreements to resell ("reverse repo") are recorded as amounts due from other banks or loans to customers as appropriate. The difference between sale and repurchase price is treated as interest income and accrued over the life of repo agreements using the effective interest yield method.

Promissory notes

Promissory notes are included in securities available-for-sale or in loans to customers, depending on their substance and are recognised and subsequently remeasured and accounted in accordance with the accounting policies for these categories of assets.

Impairment of financial assets

Due from other banks and loans to customers

For due from other banks and loans to customers carried at amortised cost, the Bank first assesses whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence exists that impairment was incurred for an individually assessed financial asset, whether significant or not, it includes the asset in a Bank of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Bank. If an exposure written off is later recovered, the recovery is credited to allowance for loan impairment in the income statement.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are Banked on the basis of the Bank's internal credit grading system that considers credit risk characteristics such as asset type, industry, collateral type, past-due status and other relevant factors.

Future cash flows in a Bank of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the Bank. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect past periods on which historical loss experience is based and to remove the effects of past conditions that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the Bank or their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

PUBLIC JOINT STOCK COMPANY "FIRST UKRAINIAN INTERNATIONAL BANK"
Notes to the financial statements for the year ended 31 December 2015

(in thousands of Ukrainian hryvnias)

4. Summary of significant accounting policies (continued)

Impairment of financial assets (continued)

Available-for-sale financial investments

For available-for-sale financial investments, the Bank assesses at each statement of financial position date whether there is objective evidence that an investment or a Bank of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement – is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement.

Restructure of financial assets

Where possible, the Bank seeks to restructure loans rather than to take possession of collateral with the help of extending maturity and agreeing new loan terms. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. Results on restructuring are recognised in the income statement.

Derecognition of financial assets

The Bank derecognises financial assets (or, where applicable, a part of a financial asset or part of a Bank of similar financial assets) when (i) the contractual rights to the cash flows from the financial asset expire or (ii) the Bank transfers its contractual rights to receive the cash flows of the financial asset, or retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay these cash flows of the financial asset and (iii) the Bank either (a) transfers substantially all the risks and rewards of ownership of the financial asset, or (b) neither transferred nor retained substantially all risks and rewards of ownership of the financial asset but has not retained control of this asset. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose restrictions on the sale.

Financial liabilities

Initial recognition

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities, as appropriate. Financial liabilities are measured at fair value on initial recognition less, in case of a liability not at fair value through profit or loss, directly attributable transaction costs. The Bank determines the classification of its financial liabilities upon initial recognition.

Classification of financial liabilities

Borrowings

Issued financial instruments or their components are classified as liabilities, where the substance of the contractual arrangements results in the Bank having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than for a fixed amount of cash or another financial asset for a fixed number of own equity instruments. Such instruments include liabilities due to the National Bank of Ukraine, due to other banks, customer accounts, subordinated debt, Eurobonds issued and other borrowed funds. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the borrowings are derecognised, expense is recognised through the amortisation process.

PUBLIC JOINT STOCK COMPANY "FIRST UKRAINIAN INTERNATIONAL BANK"
Notes to the financial statements for the year ended 31 December 2015

(in thousands of Ukrainian hryvnias)

4. Summary of significant accounting policies (continued)

Classification of financial liabilities (continued)

Subordinated debt

Subordinated debt represents long-term borrowing agreements that, in case of the Bank's default, would be secondary to the Bank's primary debt obligations. Subordinated debt is carried at amortised cost.

Financial guarantees

Financial guarantees represent irrevocable assurances to make payments in the event that a customer cannot meet its obligations to third parties and carry the same credit risk as loans. Financial guarantees are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the commitment. At each reporting date, the financial guarantees are measured at the higher of (i) the unamortised balance of the amount at initial recognition and (ii) the best estimate of expenditure required to settle the commitment at the reporting date. Any increase in the liability relating to financial guarantees is taken to the income statement.

Other credit related commitments

In the normal course of business, the Bank enters into other credit related commitments including loan commitments and letters of credit. When a loss is considered probable, provisions are recorded against other credit related commitments.

Measurement at the reporting date

Financial liabilities at fair value through profit or loss are measured at fair value, and other financial liabilities are measured at amortised cost.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

Derivative financial instruments

In the normal course of business, the Bank enters into various derivative financial instruments including forwards and swaps in the foreign exchange and capital markets. Such financial instruments are held for trading and are recorded at fair value. The fair values are estimated based on quoted market prices or pricing models that take into account the current market and contractual prices of the underlying instruments and other factors. Derivatives are carried as assets when their fair value is positive and as liabilities when it is negative. Gains and losses resulting from these instruments are included in the income statement as gains less losses from financial derivatives.

Precious metals

The Bank has a practice of taking delivery of precious metals and selling them within a short period after delivery, for the purpose of generating a profit from short-term fluctuations in price or dealer's margin. Precious metals are recognised in other assets with gains or losses recognised in other income.

PUBLIC JOINT STOCK COMPANY "FIRST UKRAINIAN INTERNATIONAL BANK"
Notes to the financial statements for the year ended 31 December 2015

(in thousands of Ukrainian hryvnias)

4. Summary of significant accounting policies (continued)

Repossessed collateral

Repossessed collateral represents financial and non-financial assets acquired by the Bank in settlement of overdue loans. The assets are initially recognised at fair value when acquired and included in premises and equipment, other financial assets or inventories within other assets depending on their nature and the Bank's intention in respect of recovery of these assets and are subsequently remeasured and accounted for in accordance with the accounting policies for these categories of assets.

Property and equipment

Property and equipment, other than premises and items of arts, acquired after 31 December 2000 are stated at cost, less accumulated depreciation and any accumulated impairment, where required.

Following initial recognition at cost, the Bank's premises and works of arts are carried at revalued amount, which is the fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Any revaluation surplus is credited to other comprehensive income, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the income statement, in which case the increase is recognised in the income statement. A revaluation deficit is recognised in the income statement, except that a deficit directly offsetting a previous surplus on the same asset is directly offset against the surplus in the revaluation reserve for premises and recognised in other comprehensive income.

When an item of premises is revalued, any accumulated depreciation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

The revaluation reserve is transferred directly to retained earnings when the surplus is realised, i.e. either on the retirement or disposal of the asset, or as the asset is used by the Bank; in the latter case, the amount of the surplus realised is the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost.

Construction in progress is carried at cost, less provision for any impairment in value. Upon completion, assets are transferred to premises or leasehold improvements at their carrying value. Construction in progress is not depreciated until the asset is available for use.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists, management of the Bank estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss for the year. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in profit or loss for the year (within other operating income or expenses).

Costs related to repairs and renewals are charged when incurred and included in other operating expenses, unless they qualify for capitalisation.

Depreciation is calculated on a straight line basis over the estimated useful lives of the assets using the following annual rates:

Premises	2%-5%	
Leasehold improvements	20%	or over the term of lease if shorter than 5 years
Computers and other equipment	20-33%	

Works of arts are not amortised. The asset's residual values, useful lives and methods are reviewed, and adjusted as appropriate, at each financial year-end.

PUBLIC JOINT STOCK COMPANY "FIRST UKRAINIAN INTERNATIONAL BANK"
Notes to the financial statements for the year ended 31 December 2015

(in thousands of Ukrainian hryvnias)

4. Summary of significant accounting policies (continued)

Intangible assets

All of the Bank's intangible assets have a definite useful life and include capitalised computer software and licences.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Development costs that are directly associated with identifiable and unique software controlled by the Bank are recorded as intangible assets if inflow of incremental economic benefits exceeding costs is probable. Capitalised costs include staff costs of the software development team and an appropriate portion of relevant overheads. All other costs associated with computer software, e.g. its maintenance, are expensed when incurred. Capitalised computer software and licences are amortised on a straight line basis over expected useful lives of 3 to 10 years.

Investment property

Investment property is property, which is held by and not occupied by the Bank, to earn rental income or for capital appreciation.

Investment property is initially recognised at cost and subsequently measured at fair value, which reflects market conditions at the reporting date.

Gains and losses resulting from changes in the fair value of investment property are recorded in the income statement in gains less losses on revaluation of investment property in the year in which they arise.

If an investment property becomes owner-occupied, it is reclassified to premises and equipment, and its carrying amount at the date of reclassification becomes its deemed cost to be subsequently depreciated.

Trade and other payables

Trade payables are accrued when the counterparty has performed its obligations under the contract and are carried at amortised cost.

Share capital

Ordinary shares are classified as equity. Share premium represents the excess of contributions over the nominal value of the shares issued. Gains and losses arising on the sale of treasury shares are shown as adjustments to share premium.

Foreign currency translation

The Ukrainian hryvnia is the Bank's functional currency as it is the currency of the primary economic environment in which the Bank operates. Transactions in other currencies are treated as transactions in foreign currencies. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the official exchange rate of the NBU at the end of the respective reporting period. Gains and losses resulting from the translation of foreign currency transactions are recognised in the income statement as foreign exchange translation results. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Recognition of income and expenses

Interest and similar income and expense

Interest income and expense are recorded in the income statement for all financial instruments measured at amortised cost and interest bearing securities at the effective interest method. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment option) but does not consider future credit losses. The calculation includes all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once the recorded value of a financial asset or a Bank of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the original effective interest rate applied to the new carrying amount.

PUBLIC JOINT STOCK COMPANY "FIRST UKRAINIAN INTERNATIONAL BANK"
Notes to the financial statements for the year ended 31 December 2015

(in thousands of Ukrainian hryvnias)

4. Summary of significant accounting policies (continued)

Recognition of income and expenses (continued)

Fee and commission income

Fees, commissions and other income and expense items, including fees for issuance of guarantees, are generally recorded on an accrual basis by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. Commitment fees for loans or borrowings which are probable of being drawn down, are deferred (together with related direct costs) and recorded as an adjustment to the effective interest on the loan or borrowings. Commissions and fees arising from negotiating, or participating in the negotiation of a transaction for a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses, are recorded on completion of the underlying transaction.

Income taxes

Income taxes have been provided for in the financial statements in accordance with Ukrainian legislation enacted or substantively enacted by the end of reporting period. The income tax charge comprises current tax and deferred tax and is recognised in the income statement except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxes, other than on income, are recorded within operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax balances are measured at tax rates enacted or substantively enacted at the reporting date which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Fiduciary activities

Assets and liabilities held by the Bank in its own name, but on the account of third parties, are not reported on the statement of financial position. Commissions received from such business are shown in fee and commission income within the income statement.

Provisions for contingencies

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Retirement and other employee benefit obligations

The Bank pays the unified social tax and contributes to the social insurance funds to the state budget in respect of its employees. The Bank's contributions are expensed as incurred. The Bank has no other post-retirement benefit plans.

Operating leases

Leases of assets under which the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. If the Bank is a lessee, then lease payments under an operating lease are recognised as expenses on a straight-line basis over the lease term and included into other operating expenses.

If the Bank is a lessor, assets subject to operating leases are presented in the statement of financial position according to the nature of the asset. Lease income from operating leases is recognised in the income statement on a straight-line basis over the lease term as other income. The direct costs incurred in modernisation are added to the carrying amount of the leased asset.

PUBLIC JOINT STOCK COMPANY "FIRST UKRAINIAN INTERNATIONAL BANK"
Notes to the financial statements for the year ended 31 December 2015

(in thousands of Ukrainian hryvnias)

4. Summary of significant accounting policies (continued)

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Bank's Management Board, that is defined as chief operating decision maker. Segments whose revenue, result or assets are ten percent or more of all the segments are reported separately. The analysis of geographical information is based on domicile of the customer.

Amendments of the financial statements after issue

The Bank's shareholders have the power to amend the financial statements after issue.

New accounting pronouncements

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

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* which reflects all phases of the financial instruments project and replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 is permitted if the date of initial application is before 1 February 2015. The adoption of IFRS 9 will have an effect on the classification and measurement of the Bank's financial assets, but no impact on the classification and measurement of the Bank's financial liabilities.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Revenue arising from lease contracts within the scope of IAS 17 *Leases*, insurance contracts within the scope of IFRS 4 *Insurance Contracts* and financial instruments and other contractual rights and obligations within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* (or IFRS 9 *Financial Instruments*, if early adopted) is out of IFRS 15 scope and is dealt by respective standards.

Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Bank is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

IFRS 14 Regulatory Deferral Accounts

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

The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. IFRS 14 is effective for annual periods beginning on or after 1 January 2016. Since the Bank is an existing IFRS preparer, this standard would not apply.

PUBLIC JOINT STOCK COMPANY "FIRST UKRAINIAN INTERNATIONAL BANK"
Notes to the financial statements for the year ended 31 December 2015

(in thousands of Ukrainian hryvnias)

4. Summary of significant accounting policies (continued)

New accounting pronouncements (continued)

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

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

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

Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

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

Amendments to IAS 27 Equity Method in Separate Financial Statements

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will not have any impact on the Bank's financial statements.

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the acknowledged inconsistency between the requirements in IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. The amendments clarify that an investor recognises a full gain or loss on the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture. The amendments are applied prospectively to transactions occurring in annual periods beginning on or after the date which will be determined by IASB. Earlier application is permitted. These amendments will not have any impact on the Bank's financial statements.

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 *Presentation of Financial Statements* clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- ▶ the materiality requirements in IAS 1;
- ▶ that specific line items in the statements of profit or loss and OCI and the statement of financial position may be disaggregated;
- ▶ that entities have flexibility as to the order in which they present the notes to financial statements;
- ▶ that the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Bank.

PUBLIC JOINT STOCK COMPANY "FIRST UKRAINIAN INTERNATIONAL BANK"
Notes to the financial statements for the year ended 31 December 2015

(in thousands of Ukrainian hryvnias)

4. Summary of significant accounting policies (continued)

New accounting pronouncements (continued)

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

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. These amendments must be applied retrospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Bank.

Annual improvements 2012-2014 cycle

These improvements are effective on or after 1 January 2016 and are not expected to have a material impact on the Bank. They include:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – changes in methods of disposal

Assets (or disposal groups) are generally disposed of either through sale or through distribution to owners. The amendment to IFRS 5 clarifies that changing from one of these disposal methods to the other should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in IFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification. The amendment must be applied prospectively to changes in methods of disposal that occur in annual periods beginning on or after 1 January 2016, with earlier application permitted.

IFRS 7 Financial Instruments: Disclosures – servicing contracts

IFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognised in its entirety. The Board was asked whether servicing contracts constitute continuing involvement for the purposes of applying these disclosure requirements. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in paragraphs IFRS 7.B30 and IFRS 7.42C in order to assess whether the disclosures are required. The amendment must be applied for annual periods beginning on or after 1 January 2016, with earlier application permitted. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.

IFRS 7 Financial Instruments: Disclosures – applicability of the offsetting disclosures to condensed interim financial statements

In December 2011, IFRS 7 was amended to add guidance on offsetting of financial assets and financial liabilities. In the effective date and transition for that amendment IFRS 7 states that "An entity shall apply those amendments for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods". The interim disclosure standard, IAS 34, does not reflect this requirement, however, and it is not clear whether those disclosures are required in the condensed interim financial report. The amendment removes the phrase "and interim periods within those annual periods", clarifying that these IFRS 7 disclosures are not required in the condensed interim financial report. The amendment must be applied retrospectively for annual periods beginning on or after 1 January 2016, with earlier application permitted.

IAS 19 Employee Benefits – regional market issue regarding discount rate

The amendment to IAS 19 clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

The amendment must be applied for annual periods beginning on or after 1 January 2016, with earlier application permitted.

PUBLIC JOINT STOCK COMPANY "FIRST UKRAINIAN INTERNATIONAL BANK"
Notes to the financial statements for the year ended 31 December 2015

(in thousands of Ukrainian hryvnias)

4. Summary of significant accounting policies (continued)

New accounting pronouncements (continued)

IAS 34 Interim Financial Reporting – disclosure of information “elsewhere in the interim financial report”

The amendment states that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). The Board specified that the other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is incomplete. The amendment should be applied retrospectively for annual periods beginning on or after 1 January 2016, with earlier application permitted.

5. Critical accounting estimates and judgements in applying accounting policies

The Bank makes estimates and assumptions that affect the amounts recognised in the financial statements and the carrying amounts of assets and liabilities within the next financial year. 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 of the Bank 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 financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Impairment losses on loans and receivables

The Bank regularly reviews its loan portfolios to assess impairment. In determining whether an impairment loss should be recorded in profit or loss for the year, the Bank 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. 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 Bank regularly assesses assets pledged as collateral for the individually impaired loans to estimate the amount of losses likely to be incurred. The amount of the future cash flow from sale of assets is influenced by the value of the assets and the expected term of sale. A simultaneous 10% decrease in the value of assets held by the Bank as collateral on loans and 50% increase in the expected term of assets' sale would result in an increase in impairment losses of UAH 127,725 thousand (2014: UAH 154,279 thousand) on loans individually determined to be impaired.

A 10% increase in the value of collateral for individually impaired loans would result in a decrease of impairment loss of UAH 68,379 thousand (2014: UAH 178,314 thousand).

Impairment loss on corporate loans, which are collectively assessed for impairment, may be influenced by the probability of borrower's default (PD) and the level of loss incurred when a borrower defaults (LGD). A simultaneous 10% increase in PD and 10% decrease in LGD would result in an increase in impairment losses of UAH 64,624 thousand (2014: UAH 23,387 thousand). A simultaneous 10% decrease in PD and increase in LGD would result in a decrease in impairment losses of UAH 59,286 thousand (2014: UAH 21,160 thousand).

Impairment loss on collectively assessed retail loans may be influenced by the probability of borrower's default (PD) and recovery rate (RR). A simultaneous 10% increase in PD and 10% decrease in RR would result in an increase in impairment losses of UAH 58,728 thousand (2014: UAH 73,939 thousand). A simultaneous 10% decrease in PD and increase in RR would result in a decrease in impairment losses of UAH 61,040 thousand (2014: UAH 74,680 thousand).

PUBLIC JOINT STOCK COMPANY “FIRST UKRAINIAN INTERNATIONAL BANK”
Notes to the financial statements for the year ended 31 December 2015

(in thousands of Ukrainian hryvnias)

5. Critical accounting estimates and judgements in applying accounting policies (continued)

Fair value of own use premises, works of arts and investment property

As stated in Note 4, the Bank’s premises, works or arts and investment property are subject to revaluation on a regular basis. Such revaluations are based on the results of work of an independent appraiser. Sales comparison approach is the basis for valuation and it further confirmed by the income approach. When performing the revaluation certain judgments and estimates are applied by the appraisers in determination of the comparable premises to be used in the sales comparison approach, the useful life of the assets revalued and capitalisation level used in the income approach. In 2015, the Bank performed revaluation of own premises by engaging independent appraisers. If the price per square meter is 5% higher or lower, the fair value of own premises would be UAH 49,152 thousand higher or lower, respectively, and the fair value of investment property would be UAH 9,428 thousand higher or lower, respectively.

Fair value of own use premises, works of arts and investment property (continued)

In 2014, the Bank performed revaluation of own premises by engaging independent appraisers, excluding own premises and investment property with a carrying value of UAH 339,723 thousand and UAH 29,255 thousand respectively, located in the antiterrorist operation area (hereinafter, “ATO”). The Bank’s management considers that as at 31 December 2014 the Bank was not able to conduct a fair market valuation of real estate in the ATO and therefore, the carrying value of these items remained unchanged.

Related party transactions

In the normal course of business the Bank enters into transactions with its related parties. IAS 39 requires initial recognition of financial instruments at their fair values. Judgement 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 such judgement is the pricing for similar types of transactions with unrelated parties and effective interest rate analysis. Terms of related party transactions are disclosed in Note 32.

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Additional details are provided in Note 29.

6. Cash and cash equivalents

For the purpose of the cash flow statement cash and cash equivalents comprised the following:

	2015	2014
Cash on hand and in transit	1,244,442	1,053,915
Current accounts and overnight deposits with other banks (Note 8)	3,007,605	1,903,500
Current accounts and overnight deposits with other banks – interest income accrued (Note 8)	(87)	(820)
Current account with the National Bank of Ukraine (Note 7)	897,908	1,513,095
Current account with the National Bank of Ukraine – mandatory reserve balance (Note 7)	–	(489,340)
Deposit certificates (Note 9)	600,295	200,041
Deposit certificates – interest income accrued	(295)	(41)
Total cash and cash equivalents	5,749,868	4,180,350

Translation from Ukrainian original

PUBLIC JOINT STOCK COMPANY “FIRST UKRAINIAN INTERNATIONAL BANK”
Notes to the financial statements for the year ended 31 December 2015

(in thousands of Ukrainian hryvnias)

7. Balance with the National Bank of Ukraine

	2015	2014
<i>Current account with the National Bank of Ukraine, including:</i>	897,908	1,513,095
- part of mandatory reserve balance	-	489,340
Total balance with the National Bank of Ukraine	897,908	1,513,095

In accordance with the NBU requirements, the Bank's mandatory reserve balance is computed as a percentage of certain Bank liabilities for the prior provisioning period.

The Bank shall ensure availability of daily balance at the beginning of the day on the correspondent account with the National Bank of Ukraine of 40% of the mandatory reserve for the previous month, as at 31 December 2015 is 570,903 thousand (31 December 2014: UAH 607,452 thousand).

As at 31 December 2015 the Bank was allowed to cover its mandatory reserve requirements by 100% of the Bank's accounts balances with PJSC “Settlements center on agreements servicing on financial markets” and 75% of cash balances on hand in local currency (31 December 2014: by 100% of the Bank's accounts balances with PJSC “Settlements center on agreements servicing on financial markets” and 10% of carrying value of Ukrainian State bonds nominated in foreign currency). As at 31 December 2015 those balances with PJSC “Settlements center on agreements servicing on financial markets” were UAH 57 thousand (31 December 2014: UAH 57 thousand) and balances of cash in national currency in the Bank's cash department used by the Bank to cover mandatory reserves amounted to UAH 682,896 thousand (31 December 2014: the carrying amount of the Ukrainian State Bonds used by the Bank to cover mandatory reserves amounted to UAH 118,703 thousand).

8. Due from other banks

	2015	2014
<i>Current accounts and overnight deposits with other banks</i>		
- OECD countries	2,608,497	1,257,798
- domestic	34,776	64,158
- other countries	364,332	581,544
Total current accounts and overnight deposits with other banks	3,007,605	1,903,500
Including interest income accrued	87	820
<i>Term deposits with other banks, including:</i>		
- OECD countries	984,607	374,987
- domestic	219,779	180,566
- other countries	39,019	25,531
- reverse sale and repurchase agreements with other banks	186,204	-
- less allowance for impairment	(153,738)	-
Total term deposits with other banks	1,275,871	581,084
Total due from other banks	4,283,476	2,484,584

Translation from Ukrainian original

PUBLIC JOINT STOCK COMPANY “FIRST UKRAINIAN INTERNATIONAL BANK”
Notes to the financial statements for the year ended 31 December 2015

(in thousands of Ukrainian hryvnias)

8. Due from other banks (continued)

Placements were made with Ukrainian and foreign banks. Analysis by credit quality of due from other banks outstanding at 31 December 2015 is as follows:

	Current accounts and overnight deposits with other banks	Term deposits with other banks	Total
<i>Neither past due nor impaired</i>			
- AA- to AA+ rated	449,411	-	449,411
- A- to A+ rated	1,754,775	505,301	2,260,076
- BBB- to BBB+ rated	585,096	450,613	1,035,709
- B- to B+ rated	206	-	206
- CCC- to CCC+ rated	24,085	-	24,085
- unrated	194,032	254,069	448,101
Total neither past due nor impaired	3,007,605	1,209,983	4,217,588
<i>Individually impaired loans</i>			
- more than 360 days overdue	-	219,626	219,626
Total individually impaired	-	219,626	219,626
Less allowance for impairment	-	(153,738)	(153,738)
Total due from other banks	3,007,605	1,275,871	4,283,476

The credit ratings were based on the ratings assigned by the international rating agencies Fitch. Counterparties included in the category of “unrated” are represented by banks, considered to be mid-size or small banks by size of total assets.

The analysis by credit quality of due from other banks outstanding at 31 December 2014 is as follows:

	Current accounts and overnight deposits with other banks	Term deposits with other banks	Total
<i>Neither past due nor impaired</i>			
- AA- to AA+ rated	16,286	-	16,286
- A- to A+ rated	1,241,512	374,987	1,616,499
- BBB- to BBB+ rated	4,803	22,965	27,768
- BB- to BB+ rated	576,581	-	576,581
- B- to B+ rated	78	2,566	2,644
- CCC- to CCC+ rated	82	-	82
- CC- to CC+ rated	51,496	63	51,559
- unrated	12,662	180,503	193,165
Total neither past due nor impaired	1,903,500	581,084	2,484,584
Total due from other banks	1,903,500	581,084	2,484,584

Movements in the allowance for impairment of due from other banks during the year were as follows:

	2015	2014
	Term deposits with other banks	Term deposits with other banks
Allowance for impairment as at 1 January	-	-
Charge during the year	152,873	-
Translation differences	865	-
Allowance for impairment as at 31 December	153,738	-

As at 31 December 2015, term deposits placed with other banks in OECD and other countries of UAH 1,023,626 thousand (31 December 2014: UAH 400,518 thousand) represented security deposits against import letters of credit and guarantees issued by the Bank in favour of its clients.

PUBLIC JOINT STOCK COMPANY "FIRST UKRAINIAN INTERNATIONAL BANK"
Notes to the financial statements for the year ended 31 December 2015

(in thousands of Ukrainian hryvnias)

8. Due from other banks (continued)

As at 31 December 2015, UAH 1,090,344 thousand on current accounts and overnight deposits with other banks representing 25% of the total amount due from other banks were placed with one OECD bank with AAA- to AAA+ rating confirmed by the international rating agencies (31 December 2014: UAH 842,090 thousand representing 34% of the total amounts due from other banks were placed with one OECD bank with A- to A+ rating confirmed by the international rating agencies).

9. Securities

Securities at fair value through profit or loss

	2015	2014
Ukrainian Government debt securities	263,387	-
Total securities at fair value through profit or loss	263,387	-

Securities available-for-sale

	2015	2014
Ukrainian Government debt securities	171,181	1,650,968
Deposit certificates issued by the NBU including accrued interest income	2,142,255	200,041
Corporate bonds	44,875	41
	-	89,318
Total debt securities	2,313,436	1,940,327
Shares	7,057	7,057
Total securities available-for-sale	2,320,493	1,947,384

Analysis by credit quality of debt securities outstanding as at 31 December 2015 was as follows:

	Ukrainian Government debt securities	Deposit certificates issued by the NBU	Corporate bonds	Total
<i>Neither past due nor impaired</i>				
- CCC- to CCC+ rated	171,181	2,142,255	-	2,313,436
- Unrated	-	-	-	-
Total neither past due nor impaired	171,181	2,142,255	-	2,313,436
Total debt securities	171,181	2,142,255	-	2,313,436

Analysis by credit quality of debt securities outstanding as at 31 December 2014 was as follows:

	Ukrainian Government debt securities	Deposit certificates issued by the NBU	Corporate bonds	Total
<i>Neither past due nor impaired</i>				
- CCC- to CCC rated	1,650,968	200,041	-	1,851,009
- Unrated	-	-	87,799	87,799
Total neither past due nor impaired	1,650,968	200,041	87,799	1,938,808
<i>Balances individually determined to be impaired</i>				
- more than 360 days overdue	-	-	1,519	1,519
Total individually impaired securities	-	-	1,519	1,519
Total debt securities	1,650,968	200,041	89,318	1,940,327

Translation from Ukrainian original

PUBLIC JOINT STOCK COMPANY "FIRST UKRAINIAN INTERNATIONAL BANK"
Notes to the financial statements for the year ended 31 December 2015

(in thousands of Ukrainian hryvnias)

The credit ratings for Ukrainian Government debt securities' issuers and deposit certificates issued by the NBU are based on sovereign rating of Ukraine.

The primary factor that the Bank considers in determining whether a debt security is impaired is its overdue status.

As at 31 December 2015 deposit certificates issued by the NBU with nominal value of UAH 600,000 thousand (31 December 2014: UAH 200,000 thousand) with maturity date up to 1 working day are classified by the Bank as cash and cash equivalents (Note 6).

As at 31 December 2015, the Ukrainian Government debt securities include state treasury bonds with maturity dates from 27 April 2016 to 14 August 2019 and the effective interest rates from 8% to 25% p.a. (31 December 2014: with maturity dates from 7 January 2015 to 14 August 2019 and the effective interest rates from 5% to 23% p.a.), and deposit certificate issued by the NBU with maturity date from 5 January 2016 to 25 March 2016 and effective interest rate from 20% to 23% p.a. (31 December 2014: with maturity date on 6 January 2015 and effective interest rate of 8% p.a.).

As at 31 December 2015, securities were not pledged (31 December 2014, state debt securities with carrying value of UAH 769,347 thousand were pledged as collateral for the loans received from the National Bank of Ukraine).

10. Loans to customers

	2015	2014
Corporate loans	29,058,094	25,860,295
Less allowance for impairment	(5,985,411)	(2,090,666)
Total corporate loans	23,072,683	23,769,629
Loans to individuals		
Mortgage loans	3,527,969	2,970,899
Consumer loans	2,853,449	3,385,574
Car loans	333,027	346,404
Other loans	1,046,291	881,523
Less allowance for impairment	(4,545,803)	(2,998,421)
Total loans to individuals	3,214,933	4,585,979
Total loans to customers	26,287,616	28,355,608

Included in gross loans to customers as at 31 December 2015 were loans with fixed interest rates of UAH 36,038,103 thousand (31 December 2014: UAH 32,806,055 thousand) and loans with floating interest rates of UAH 780,727 thousand (31 December 2014: UAH 638,640 thousand).

Movements in allowance for loan impairment

Movements in the allowance for impairment of the loan portfolio during the year ended 31 December 2015 were as follows:

	Corporate loans	Mortgage loans	Car loans	Consumer loans	Other loans to individuals	Total
Allowance for loan impairment as at 1 January 2015	2,090,666	1,642,331	167,361	1,027,082	161,647	5,089,087
Charge during the year	3,543,683	622,064	35,460	356,390	127,432	4,685,029
Recovery of loans written off in previous years	(425)	(194)	(108)	(9,993)	(5,974)	(16,694)
Loans written off during the year as uncollectable	(285,145)	(216,705)	(4,756)	(82,169)	(262)	(589,037)
Translation differences	636,632	646,254	61,128	11,715	7,100	1,362,829
Allowance for loan impairment as at 31 December 2015	5,985,411	2,693,750	259,085	1,303,025	289,943	10,531,214

Translation from Ukrainian original

PUBLIC JOINT STOCK COMPANY "FIRST UKRAINIAN INTERNATIONAL BANK"
Notes to the financial statements for the year ended 31 December 2015

(in thousands of Ukrainian hryvnias)

10. Loans to customers (continued)

Movements in allowance for loan impairment (continued)

For the year ended 31 December 2015, the Bank refinanced mortgage loans to individuals in foreign currency into consumer loans in local currency. The carrying value of such loans as at 31 December 2015 was UAH 38,407 thousand. Net losses on restructuring of mortgage loans to individuals in foreign currency for the year ended 31 December 2015 was UAH 29,346 thousand (31 December 2014: nil).

In 2015, the Bank changed its methodology for calculating the IFRS allowance to standardize the approaches for credit portfolios of the Bank. The application of these changes resulted in the increase in allowance as at 31 December 2015 for UAH 14,584 thousand.

Analysis of allowance for impairment by type and effective allowance rate as at 31 December 2015 was as follows:

	Corporate loans	Mortgage loans	Car loans	Consumer loans	Other loans to individuals	Total
Allowance recognised for loans individually determined to be impaired	5,379,279	882,300	4,138	-	-	6,265,717
Allowance recognised for loans collectively determined to be impaired	339,201	1,801,374	254,245	1,247,642	269,279	3,911,741
Allowance recognised on collective basis for loans without specific sign of impairment	266,931	10,076	702	55,383	20,664	353,756
Total recognised allowance for loan impairment	5,985,411	2,693,750	259,085	1,303,025	289,943	10,531,214
Gross amount of loans individually determined to be impaired, before deducting any impairment allowance	10,234,915	1,147,820	4,138	-	-	11,386,873
Gross amount of loans collectively determined to be impaired, before deducting any impairment allowance	440,765	2,122,443	278,484	1,279,764	278,026	4,399,482
Gross amount of loans without specific sign of impairment, before deducting any impairment allowance	18,382,414	257,706	50,405	1,573,685	768,265	21,032,475
Gross amount of loans before deducting any impairment allowance	29,058,094	3,527,969	333,027	2,853,449	1,046,291	36,818,830
Provisioning rate for individually impaired loans	53%	77%	100%	-	-	55%
Provisioning rate for collectively impaired loans	77%	85%	91%	97%	97%	89%
Provisioning rate for loans without specific sign of impairment	1%	4%	1%	4%	3%	2%

Translation from Ukrainian original

PUBLIC JOINT STOCK COMPANY "FIRST UKRAINIAN INTERNATIONAL BANK"
Notes to the financial statements for the year ended 31 December 2015

(in thousands of Ukrainian hryvnias)

10. Loans to customers (continued)

Movements in allowance for loan impairment (continued)

Movements in the allowance for impairment of the loan portfolio during the year ended 31 December 2014 were as follows:

	Corporate loans	Mortgage loans	Car loans	Consumer loans	Other loans to individuals	Total
Allowance for impairment of loan portfolio at 1 January 2014	1,442,960	894,592	83,883	262,520	44,878	2,728,833
Charge during the year	909,825	401,207	51,660	1,203,438	301,668	2,867,798
Recovery of loans written off in previous years	-	(34)	(242)	(5,003)	-	(5,279)
Loans written off during the year as uncollectable	(895,508)	(295,648)	(30,829)	(435,224)	(191,170)	(1,848,379)
Translation differences	633,389	642,214	62,889	1,351	6,271	1,346,114
Allowance for impairment of loan portfolio at 31 December 2014	2,090,666	1,642,331	167,361	1,027,082	161,647	5,089,087

Analysis of allowance for impairment by type and effective allowance rate as at 31 December 2014 was as follows:

	Corporate loans	Mortgage loans	Car loans	Consumer loans	Other loans to individuals	Total
Allowance recognised for loans individually determined to be impaired	1,781,251	625,389	2,740	-	-	2,409,380
Allowance recognised for loans collectively determined to be impaired	203,495	983,433	158,581	953,725	141,299	2,440,533
Allowance recognised on collective basis for loans without specific sign of impairment	105,920	33,509	6,040	73,357	20,348	239,174
Total recognised allowance for loan impairment	2,090,666	1,642,331	167,361	1,027,082	161,647	5,089,087
Gross amount of loans individually determined to be impaired, before deducting any impairment allowance	4,785,759	1,036,132	2,740	-	-	5,824,631
Gross amount of loans collectively determined to be impaired, before deducting any impairment allowance	393,743	1,424,651	205,839	1,190,819	179,413	3,394,465
Gross amount of loans without specific sign of impairment, before deducting any impairment allowance	20,680,793	510,116	137,825	2,194,755	702,110	24,225,599
Gross amount of loans before deducting any impairment allowance	25,860,295	2,970,899	346,404	3,385,574	881,523	33,444,695
Provisioning rate for individually impaired loans	37%	60%	100%	-	-	41%
Provisioning rate for collectively impaired loans	52%	69%	77%	80%	79%	72%
Provisioning rate for loans without specific sign of impairment	1%	7%	4%	3%	3%	1%

Collateral and other credit enhancements

PUBLIC JOINT STOCK COMPANY "FIRST UKRAINIAN INTERNATIONAL BANK"
Notes to the financial statements for the year ended 31 December 2015

(in thousands of Ukrainian hryvnias)

The amount and type of collateral required by the Bank depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

- ▶ for securities lending and reverse repurchase transactions: securities;
- ▶ for commercial lending: charges over real estate property, inventory and trade receivables, deposits;
- ▶ for retail lending: property rights for movable and immovable property, deposits.

The Bank also obtains guarantees from parent companies for loans to their subsidiaries.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for loan impairment.

As at 31 December 2015, loans were secured by customer deposits with the Bank of UAH 333,115 thousand (31 December 2014: UAH 1,221,554 thousand) (Note 15).

Credit quality of the loan portfolio

The loan portfolio quality is managed by using the Bank's internal credit ratings. It is the Bank's policy to maintain accurate and consistent risk ratings across the credit portfolio. This facilitates focused management of the applicable risks and the comparison of credit exposures across all lines of business, geographic regions and products. The rating system is supported by a variety of financial analytics, combined with processed market information to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are tailored to the various categories and are derived in accordance with the Bank's rating policy. The attributable risk ratings are assessed and updated regularly.

The following data is analysed by the Bank while determining borrower's rating:

- ▶ existence of first class collateral;
- ▶ rating, calculated under internal rating model.

High rating (loans with first class cash coverage) has the following characteristics: expanding operating activity of a borrower, stable financial position (sufficient equity, low dependency of external sources of funding), high efficiency of business model. The entities with high rating are either the market leaders or have stable market position, highly effective management and organisational structure. The risk of loan quality deterioration is minimal, credit history – excellent.

Standard rating is assigned to borrowers with stable volumes of operating activity, with performance effectiveness at industry average. There is some dependency on external sources of funding. The risk of default is low. The entities with standard rating have stable market position at the regional and national level. These are entities with adequate management and organisational structure. Credit history is positive, with insignificant technical delays in repayment of borrowings.

Below standard rating is assigned to the borrowers with unstable or decreasing operational activities, low business efficiency, high dependency of external sources of funding, repayment of loan with cash inflows might be problematic and therefore the risk of default is high. Credit history may contain significant delays in repayment of borrowings. Market position is not stable, the decrease or loss of market share is possible.

The description of internal credit ratings used by the Bank for retail borrowers is provided below.

High rating is assigned to the borrowers with strong financial position. Creditworthiness and solvency are significantly above loan servicing level. Risk of creditworthiness deterioration is minimal.

Standard rating is assigned to the borrowers with stable financial position. Creditworthiness and solvency are sufficient for the loan servicing. The risk of default is low.

Translation from Ukrainian original

PUBLIC JOINT STOCK COMPANY “FIRST UKRAINIAN INTERNATIONAL BANK”
Notes to the financial statements for the year ended 31 December 2015

(in thousands of Ukrainian hryvnias)

10. Loans to customers (continued)

Credit quality of the loan portfolio (continued)

Below standard rating is assigned to the borrowers with unstable or worsening financial position. Creditworthiness and solvency are marginally sufficient for the loan servicing. The risk of default is increasing due to negative impact of external factors on cash flows available for the repayment of loan.

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

	Corporate loans	Mortgage loans	Car loans	Consumer loans	Other loans to individuals	Total
Without individual signs of impairment						
<i>Neither past due nor impaired</i>						
- high rating	4,453,072	60,292	34,799	67,932	81,201	4,697,296
- standard rating	3,071,370	67,506	7,787	1,008,938	332,269	4,487,870
- below standard rating	10,143,876	92,054	2,803	341,028	320,703	10,900,464
Total neither past due nor impaired	17,668,318	219,852	45,389	1,417,898	734,173	20,085,630
<i>Past due but not impaired</i>						
- less than 30 days overdue	194,522	21,077	3,761	102,118	6,221	327,699
- 31 to 90 days overdue	6,348	16,777	1,255	40,527	21,574	86,481
- 91 to 180 days overdue	513,227	-	-	13,122	6,221	532,570
- 181 to 360 days overdue	-	-	-	1	43	44
- more than 360 days overdue	-	-	-	21	30	51
Total past due but not impaired	714,097	37,854	5,016	155,789	34,090	946,845
With individual signs of impairment						
<i>Loans determined to be impaired individually or collectively</i>						
- less than 30 days overdue	5,619,098	32,264	137	5,548	1,925	5,658,972
- 31 to 90 days overdue	1,165,785	28,803	62	2,515	558	1,197,723
- 91 to 180 days overdue	44,267	24,671	1,429	38,270	16,550	125,187
- 181 to 360 days overdue	1,146,875	88,716	4,109	178,860	60,111	1,478,671
- more than 360 days overdue	2,699,654	3,095,809	276,885	1,054,569	198,885	7,325,802
Loans determined to be impaired individually or collectively	10,675,679	3,270,263	282,622	1,279,762	278,028	15,786,355
Less allowance for impairment	(5,985,411)	(2,693,750)	(259,085)	(1,303,025)	(289,943)	(10,531,214)
Total loans to customers	23,072,683	834,219	73,942	1,550,424	756,348	26,287,616

Translation from Ukrainian original

PUBLIC JOINT STOCK COMPANY "FIRST UKRAINIAN INTERNATIONAL BANK"
Notes to the financial statements for the year ended 31 December 2015

(in thousands of Ukrainian hryvnias)

10. Loans to customers (continued)

Credit quality of the loan portfolio (continued)

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

	Corporate loans	Mortgage loans	Car loans	Consumer loans	Other loans to individuals	Total
Without individual signs of impairment						
<i>Neither past due nor impaired</i>						
- high rating	8,712,336	100,078	90,503	1,899,525	638,737	11,441,179
- standard rating	4,400,913	145,637	28,585	35,657	24,514	4,635,306
- below standard rating	7,474,458	167,918	3,282	182,178	22,637	7,850,473
Total neither past due nor impaired	20,587,707	413,633	122,370	2,117,360	685,888	23,926,958
<i>Past due but not impaired</i>						
- less than 30 days overdue	86,315	56,911	9,390	50,165	8,085	210,866
- 31 to 90 days overdue	1,350	39,575	6,065	27,229	8,137	82,356
- 91 to 180 days overdue	5,422	-	-	-	-	5,422
Total past due but not impaired	93,087	96,486	15,455	77,394	16,222	298,644
With individual signs of impairment						
<i>Loans determined to be impaired individually or collectively</i>						
- less than 30 days overdue	2,641,423	54,203	1,739	130,223	18,422	2,846,010
- 31 to 90 days overdue	129,327	6,316	288	127,058	34,447	297,436
- 91 to 180 days overdue	693,424	131,793	18,608	338,945	107,434	1,290,204
- 181 to 360 days overdue	793,612	196,693	20,656	509,250	12,262	1,532,473
- more than 360 days overdue	921,715	2,071,775	167,288	85,344	6,848	3,252,970
Loans determined to be impaired individually or collectively	5,179,501	2,460,780	208,579	1,190,820	179,413	9,219,093
Less allowance for impairment	(2,090,666)	(1,642,331)	(167,361)	(1,027,082)	(161,647)	(5,089,087)
Total loans to customers	23,769,629	1,328,568	179,043	2,358,492	719,876	28,355,608

Translation from Ukrainian original

PUBLIC JOINT STOCK COMPANY “FIRST UKRAINIAN INTERNATIONAL BANK”
Notes to the financial statements for the year ended 31 December 2015

(in thousands of Ukrainian hryvnias)

10. Loans to customers (continued)

Concentration of loans to customers

As at 31 December 2015, the Bank's 20 largest borrowers, with aggregate loan amount of UAH 14,270,963 thousand, represented 39% of the gross loan portfolio (31 December 2014: UAH 10,216,212 thousand and 31% respectively).

The loan portfolio of the Bank by economic sectors, the credit risk of which has an impact on the credit quality, is as follows:

	2015	2014
Individuals	7,760,736	7,584,400
Trade and agency services	6,352,432	5,681,936
Property development	5,043,864	5,454,575
Food industry and agriculture	4,988,003	6,403,639
Mining	4,434,604	1,367,761
Machine building	2,957,391	1,963,514
Metallurgy	1,941,691	1,063,203
Non-banking financial institutions	929,933	1,508,461
Woodworking	842,772	784,658
Transport, communication and infrastructure	590,036	690,790
Chemical	193,202	128,206
Other	784,166	813,552
Total loans to customers (gross amount)	36,818,830	33,444,695

The Bank's lending activities are conducted in Ukraine. The ability of borrowers to repay their debt is dependent on a number of factors including the overall financial health of the borrower and the Ukrainian economy.

The financial effect of collateral is presented by disclosing collateral values separately for:

- ▶ those financial assets where collateral and other credit enhancements are equal to, or exceed, carrying value of the asset (“over-collateralised assets”); and
- ▶ those financial assets where collateral and other credit enhancements are less than the carrying value of the asset (“under-collateralised assets”).

Effect of collateral as at 31 December 2015 is as follows:

	Over-collateralised assets		Under-collateralised assets	
	Carrying value net of allowance	Fair value of collateral	Carrying value net of allowance	Fair value of collateral
Corporate loans	4,464,969	7,598,428	18,607,714	5,518,256
Mortgage loans	473,402	4,869,566	360,817	103,352
Car loans	62,967	465,218	10,975	877
Consumer loans	37,470	184,491	1,512,955	43,183
Other loans (overdrafts)	1,708	75,074	754,639	1,442
Total	5,040,516	13,192,777	21,247,100	5,667,110

Effect of collateral as at 31 December 2014 is as follows:

	Over-collateralised assets		Under-collateralised assets	
	Carrying value net of allowance	Fair value of collateral	Carrying value net of allowance	Fair value of collateral
Corporate loans	8,757,484	14,281,220	15,012,145	5,579,342
Mortgage loans	1,056,622	2,871,853	271,946	171,614
Car loans	170,175	654,032	8,868	5,247
Consumer loans	698	1,781	2,357,794	-
Other loans (overdrafts)	25,675	65,550	694,201	-
Total	10,010,654	17,874,436	18,344,954	5,756,203

Increase in under-collateralised loans in 2015 as compared to 2014 is due to denomination of collateral in UAH while carrying value of foreign currency denominated loans have increased as a result of UAH depreciation.

Translation from Ukrainian original

PUBLIC JOINT STOCK COMPANY "FIRST UKRAINIAN INTERNATIONAL BANK"
Notes to the financial statements for the year ended 31 December 2015

(in thousands of Ukrainian hryvnias)

11. Property and equipment, investment property and intangible assets

	Premises	Leasehold improvements	Works of arts	Computers and other equipment	Capital investments in property and equipment	Total property and equipment	Intangible assets	Total
Cost or revalued amount at 1 January 2014	1,330,142	46,328	9,108	549,053	9,584	1,944,215	264,917	2,209,132
Accumulated depreciation and amortisation	(279,001)	(35,642)	-	(382,576)	-	(697,219)	(114,701)	(811,920)
Carrying amount at 1 January 2014	1,051,141	10,686	9,108	166,477	9,584	1,246,996	150,216	1,397,212
Additions	6,840	5,554	-	39,423	68,952	120,769	71,444	192,213
Disposals/write-offs	(4,296)	(1,795)	-	(4,341)	-	(10,432)	-	(10,432)
Transfers to another category	-	14,891	-	4,829	(19,720)	-	-	-
Transfers to investment property	(1,602)	-	-	-	-	(1,602)	-	(1,602)
Revaluation (Note 5)	107,747	-	-	-	-	107,747	-	107,747
Impairment of fixed assets in ATO area	-	-	-	(4,028)	-	(4,028)	-	(4,028)
Depreciation and amortisation charge	(23,296)	(8,294)	-	(61,914)	-	(93,504)	(49,575)	(143,079)
Carrying amount at 31 December 2014	1,136,534	21,042	9,108	140,446	58,816	1,365,946	172,085	1,538,031
Cost or revalued amount at 31 December 2014	1,453,925	56,347	9,108	564,324	58,816	2,142,520	311,572	2,454,092
Accumulated depreciation and amortization	(317,391)	(35,305)	-	(423,878)	-	(776,574)	(139,487)	(916,061)
Carrying amount at 1 January 2015	1,136,534	21,042	9,108	140,446	58,816	1,365,946	172,085	1,538,031
Additions	-	1,939	-	14,962	66,586	83,487	124,536	208,023
Disposals/write-offs	-	(3,922)	-	(4,072)	-	(7,994)	-	(7,994)
Transfers to another category	4,326	11,994	-	84,202	(100,522)	-	-	-
Transfers to investment property	(15,595)	-	-	-	-	(15,595)	-	(15,595)
Revaluation (Note 5)	(116,832)	-	7,906	-	-	(108,926)	-	(108,926)
Impairment of fixed assets in ATO area	(955)	-	-	-	-	(955)	-	(955)
Depreciation and amortisation charge	(24,443)	(10,807)	-	(71,690)	-	(106,940)	(53,322)	(160,262)
Carrying amount at 31 December 2015	983,035	20,246	17,014	163,848	24,880	1,209,023	243,299	1,452,322
Cost or revalued amount at 31 December 2015	1,264,999	59,138	17,014	638,240	24,880	2,004,271	436,026	2,440,297
Accumulated depreciation and amortisation	(281,964)	(38,892)	-	(474,392)	-	(795,248)	(192,727)	(987,975)
Carrying amount at 31 December 2015	983,035	20,246	17,014	163,848	24,880	1,209,023	243,299	1,452,322

As at 31 December 2015, the Bank's own premises, furniture, equipment, leasehold improvements and ATMs, with a net book value of UAH 1,284,924 thousand (31 December 2014: UAH 1,507,414 thousand), were insured against risks of natural disasters, robbery, fire and unlawful acts of third parties.

As at 31 December 2015, the Bank's premises with a carrying value of UAH 820,721 thousand (31 December 2014: UAH 766,877 thousand) and investment property with a carrying value of UAH 53,564 thousand (31 December 2014: UAH 39,755 thousand) were pledged as collateral for loans received from the NBU (Note 13).

Translation from Ukrainian original

PUBLIC JOINT STOCK COMPANY "FIRST UKRAINIAN INTERNATIONAL BANK"
Notes to the financial statements for the year ended 31 December 2015

(in thousands of Ukrainian hryvnias)

11. Property and equipment, investment property and intangible assets (continued)

As at 31 December 2015, the carrying amount of premises and works of art would have been UAH 409,808 thousand (31 December 2014: UAH 472,471 thousand) had these assets been measured using the cost model. The amount reconciles to the carrying value of the premises and works of art as follows:

	2015	2014
Premises at revalued amount in the statement of financial position	983,035	1,136,534
Revaluation reserve presented in equity, net of tax	(526,574)	(637,032)
Deferred tax liability on revaluation of premises	(49,473)	(29,851)
Premises at cost less accumulated depreciation and impairment	406,988	469,651
Works of art at revalued amount in the statement of financial position	17,014	9,108
Revaluation reserve on works of art presented in equity, net of tax	(11,639)	(5,156)
Deferred tax liability on revaluation of works of art	(2,555)	(1,132)
Works of art at cost less accumulated depreciation and impairment	2,820	2,820
Total	409,808	472,471

Changes in carrying value of investment property were as follows:

	2015	2014
Fair value of investment property at 1 January	96,151	82,939
Sale	(63,640)	-
Transfer from owner-occupied premises	15,595	1,602
Transfer from repossessed property collateral	184,691	-
Fair value gains	10,349	22,698
Fair value losses	(54,592)	(11,088)
Fair value of investment property at 31 December	188,554	96,151

The rental income received from investment property in 2015 was UAH 4,812 thousand (2014: UAH 4,860 thousand) (Note 25.) The operating and maintenance expenses on investment property in 2015 were UAH 3,295 thousand (2014: UAH 2,644 thousand.)

Losses less gains on revaluation of investment property of UAH 44,243 thousand were recognised in the income statement in 2015 (2014: gains less losses of UAH 11,610 thousand).

Translation from Ukrainian original

PUBLIC JOINT STOCK COMPANY “FIRST UKRAINIAN INTERNATIONAL BANK”
Notes to the financial statements for the year ended 31 December 2015

(in thousands of Ukrainian hryvnias)

12. Other assets

	2015	2014
Financial assets		
Settlements on card operations	142,422	54,478
Accrued income and settlements	129,749	31,533
Settlements on cooperation agreements	31,475	38,965
Derivative financial instruments (Note 20)	17,376	351
Receivables on transfers and payments	13,730	5,886
Purchase of foreign currency	1,809	442
Other financial assets	26,015	24,994
Allowance for impairment	(48,906)	(35,554)
Total financial assets	313,670	121,095
Non-financial assets		
Prepayments for property and equipment and intangible assets	27,650	10,268
Prepaid expenses, including for assets insurance	22,734	20,907
Precious metals	8,761	6,628
Repossessed real estate collateral	1,480	225,771
Prepayments for services	128	6,664
Other non-financial assets	9,560	13,750
Allowance for impairment	(487)	(157)
Total non-financial assets	69,826	283,831
Total other assets	383,496	404,926

Movements in allowance for impairment of other financial assets during the year were as follows:

	2015	2014
Allowance for impairment as at 1 January	35,554	7,528
Charge for impairment	15,759	29,819
Assets written off during the year as uncollectible	(2,665)	(3,143)
Translation differences	258	1,350
Allowance for impairment as at 31 December	48,906	35,554

Movements in allowance for impairment of other non-financial assets during the year were as follows:

	2015	2014
Allowance for impairment as at 1 January	157	674
(Recovery of) / charge for impairment	330	(413)
Assets written off during the year as uncollectible	-	(104)
Allowance for impairment as at 31 December	487	157

13. Due to the National Bank of Ukraine

As at 31 December 2015, the Bank had two loans due to the National Bank of Ukraine in total amount UAH 485,426 thousand.

In January 2009, the Bank obtained a liquidity support loan of UAH 500,000 thousand. In August 2015 the maturity of the loan was extended to June 2020 with a change in the interest rate to 21.5%. In 2015 the Bank repaid part of the loan of UAH 44,015 thousand. As at 31 December 2015, the carrying amount of this loan was UAH 167,187 thousand bearing 21.5% p.a. (31 December 2014: 211,202 thousand and 16% p.a. respectively).

In March 2009, the Bank obtained from the NBU a further liquidity support loan of UAH 1,336,900 thousand. In August 2015 the maturity of the loan was extended to June 2020 with a change in the interest rate to 21.5%. In 2015 the Bank repaid part of the loan of UAH 83,755 thousand. As at 31 December 2015, the carrying amount of this loan was UAH 318,239 thousand bearing 21.5% p.a. (31 December 2014: UAH 401,994 thousand and 16% p.a. respectively).

As at as at 31 December 2015 these loans are secured by Bank's premises and investment property with a fair value of UAH 874,285 thousand (Note 11) (31 December 2014: loans to the Bank's customers with a carrying amount of UAH 1,590,171 thousand and the Bank's premises and investment property with a fair value of UAH 766,877 thousand and UAH 39,755 thousand respectively).

Translation from Ukrainian original

PUBLIC JOINT STOCK COMPANY “FIRST UKRAINIAN INTERNATIONAL BANK”
Notes to the financial statements for the year ended 31 December 2015

(in thousands of Ukrainian hryvnias)

14. Due to other banks

	2015	2014
Current accounts of other banks		
- Domestic	51,157	76,060
- OECD countries	5	-
- Non-OECD countries	65	133
Total current accounts of other banks	51,227	76,193
Term deposits of other banks		
- Domestic	173,600	167,926
Total term deposits of other banks	173,600	167,926
Total amounts due to other banks	224,827	244,119

As at 31 December 2015, placements of 10 largest banks of UAH 167,688 thousand made 75% of total amounts due from other banks (31 December 2014: UAH 179,037 thousand, 73%).

15. Customer accounts

	2015	2014
Legal entities		
- Current accounts	9,345,616	8,636,399
- Term deposits	4,239,587	4,972,357
Individuals		
- Current accounts	2,942,664	2,513,302
- Term deposits	11,056,890	10,150,461
Total customer accounts	27,584,757	26,272,519

As at 31 December 2015, the Bank's 10 largest customers, with an aggregate amount of accounts of UAH 4,334,759 thousand represented 16% of customer accounts (31 December 2014: UAH 5,430,702 thousand or 21%).

As at 31 December 2015, included in customer accounts were deposits of UAH 333,115 thousand (31 December 2014: UAH 1,221,554 thousand) held as part of collateral for loans to customers (Note 10) and credit related commitments with a carrying amount of UAH 65,420 thousand (31 December 2014: UAH 1,850,117 thousand). In addition, UAH 974,084 thousand (31 December 2014: UAH 136,060 thousand) is held as collateral for commitments under import letters of credit, guarantees and promissory notes endorsements (Note 30).

Economic sector concentrations within customer accounts were as follows:

	2015	2014
Individuals	13,999,554	12,663,763
Trade and agency services	2,648,232	2,610,915
Transport and infrastructure	2,241,026	1,371,703
Metallurgy	1,494,305	1,117,316
Machine building	1,424,384	1,452,126
Mining and energy	1,286,510	3,751,504
Property development	715,240	374,324
Non-banking financial institutions	605,703	408,276
Food industry and agriculture	230,909	325,787
Chemical	159,581	215,853
Woodworking	100,350	63,139
Other	2,678,963	1,917,813
Total customer accounts	27,584,757	26,272,519

Translation from Ukrainian original

PUBLIC JOINT STOCK COMPANY “FIRST UKRAINIAN INTERNATIONAL BANK”
Notes to the financial statements for the year ended 31 December 2015

(in thousands of Ukrainian hryvnias)

16. Eurobonds issued

In February and May 2007, the Bank obtained a loan of USD 275,000 thousand from Standard Bank Plc being UAH 1,388,750 thousand in the equivalent as at the receipt date. This loan with original maturity in February 2010 was funded by 9.75% loan participation notes (“Eurobonds”) issued by, but without recourse to, Standard Bank Plc, for the sole purpose of funding the loan to the Bank.

In December 2009, as a result of the restructuring of the Bank’s borrowings, the loan was replaced by a loan with interest rate of 11% p.a. and the maturity in December 2014. During 2010, the Bank repaid a part of the loan in the amount of USD 22,512 thousand being UAH 179,828 thousand in the equivalent as at the repayment date.

In December 2014, as a result of the restructuring of the Bank’s borrowings, the creditor under the loan was changed to Green Finance Plc. In addition, certain changes were made to the schedule of repayment. The loan should be repaid by December 2018.

According to the repayment schedule, in December 2014 the Bank repaid part of the loan of USD 44,928 thousand being UAH 708,450 thousand in the equivalent as at the repayment date. In December 2015 the Bank repaid part of the loan of USD 10,000 thousand being UAH 238,075 thousand in the equivalent as at the repayment date. As at 31 December 2015, the carrying value of the loan is UAH 4,722,461 thousand (31 December 2014: UAH 3,272,979 thousand).

17. Other borrowed funds

	2015	2014
Landesbank Berlin AG	26,289	25,725
Total other borrowed funds	26,289	25,725

The loan from Landesbank Berlin AG is denominated in Euros and bears interest at a weighted average rate of EURIBOR + 0.25% p.a. on the outstanding amount with maturity on 6 September 2018. The interest is accrued on the outstanding amount of the loan. The loan was received for the purpose of financing the acquisition of imported equipment by Bank’s customers.

18. Other liabilities

	2015	2014
Financial liabilities		
Amounts in the course of settlements	115,393	54,563
Deferred income on credit lines	28,653	26,411
Payable under operations with plastic cards	23,000	24,880
Provision for credit related commitments (Note 30)	14,969	13,028
Derivative financial liabilities (Note 20)	13,878	–
Other financial liabilities	27,486	14,256
Total financial liabilities	223,379	133,138
Non-financial liabilities		
Amounts payable to employees	106,217	89,726
Other taxes payable	28,622	21,009
Contributions to Individuals Deposits Guarantee Fund	30,891	26,941
Amounts payable for services	29,937	13,255
Cost of software payable under licensing agreements	2,207	1,227
Other financial liabilities	20,255	10,383
Total non-financial liabilities	218,129	162,541
Total other liabilities	441,508	295,679

Translation from Ukrainian original

PUBLIC JOINT STOCK COMPANY "FIRST UKRAINIAN INTERNATIONAL BANK"
Notes to the financial statements for the year ended 31 December 2015

(in thousands of Ukrainian hryvnias)

19. Subordinated debt

As at 31 December 2015, the Bank had three deposits attracted under subordinated debt terms.

The first subordinated loan in UAH was attracted by the Bank from a Ukrainian company in 2009 in the amount of UAH 127,300 thousand carrying an interest rate of 12.75% p.a. and maturing in November 2014. In September 2014, the additional agreement was signed extending maturity of the loan till 1 September 2021. As at 31 December 2015, the carrying value of the attraction was UAH 128,864 thousand (31 December 2014: UAH 128,877 thousand).

The second subordinated loan was attracted by the Bank from a Ukrainian company in 2009 in the amount of UAH 135,000 thousand bearing 12.75% p.a. and maturing in November 2014. In September 2014, the additional agreement was signed extending maturity of the loan till 1 September 2021. As at 31 December 2015, the carrying value of the attraction was UAH 136,657 thousand (31 December 2014: UAH 136,671 thousand).

The third subordinated loan was attracted by the Bank from a Ukrainian company in 2009 in the amount of UAH 220,000 thousand carrying an interest rate of 9.5% p.a. and maturing in October 2015. In September 2014, the additional agreement was signed extending maturity of the loan till 1 September 2021. As at 31 December 2015, the carrying value of the attraction was UAH 226,653 thousand (31 December 2014: UAH 227,277 thousand).

20. Derivative financial instruments

The table below shows the fair values of derivative financial instruments recorded as assets or liabilities.

The Bank had outstanding foreign exchange contracts with banks as at 31 December 2015:

	Notional amount at fair value of assets receivable	Notional amount at fair value of liabilities payable	Positive fair value of assets	Negative fair value of liabilities
Forward currency contracts				
Placement of UAH / Attraction of USD	712,150	(696,122)	17,376	(1,348)
Total forward currency contracts	712,150	(696,122)	17,376	(1,348)
Forward contracts on securities				
To sell securities	217,123	(228,372)	-	(11,250)
To buy securities	260,928	(262,209)	-	(1,280)
Total forward contracts on securities	478,051	(490,581)	-	(12,530)

The Bank had outstanding foreign exchange contracts with banks 31 December 2014:

	Notional amount at fair value of assets receivable	Notional amount at fair value of liabilities payable	Positive fair value of assets	Negative fair value of liabilities
Forward currency contracts				
Placement of UAH / Attraction of USD	1,561,505	(1,561,154)	351	-
Total forward currency contracts	1,561,505	(1,561,154)	351	-
Forward contracts on securities				
To sell securities	604,032	(604,032)	-	-
Total forward contracts on securities	604,032	(604,032)	-	-

PUBLIC JOINT STOCK COMPANY "FIRST UKRAINIAN INTERNATIONAL BANK"
Notes to the financial statements for the year ended 31 December 2015

(in thousands of Ukrainian hryvnias)

21. Share capital and other reserves

As at 31 December 2015, the Bank's approved and authorised share capital comprised 14,323,880 ordinary shares with a nominal value of UAH 230 per share. All shares have equal voting rights. As at 31 December 2015, all shares were fully paid and registered.

As at 31 December 2014 the Bank's financial statements included amounts of paid capital and share premium at cost, listed to reflect the impact of hyperinflation for the period ended 31 December 2000. In December 2015 the General Meeting of Shareholders decided to restore the accounting of share capital and share premium at nominal value resulting in the amount of influence of the application of IAS 29 *Financial Reporting in Hyperinflationary Economies* has been removed from the retained earnings with simultaneous decreasing of the share capital.

Also, the General Meeting of Shareholders decided to transfer the merger reserve which was recognized as a result of the accession of PJSC "Dongorbank" in the amount of UAH 34,266 thousand to the retained earnings.

Nature and purpose of reserves

Revaluation reserve for property and equipment

Revaluation reserve for property and equipment is used to reflect the fair value of premises and works of art, and its decrease, but to the extent this reduction relates to increasing the value of the same asset previously recognized in equity.

Unrealized gains from securities available-for-sale

This reserve reflects the fair value of securities available-for-sale.

Bank's reserve fund

The Bank's reserve fund is created under the Constitution and the laws of Ukraine up to reaching 25 percent of regulatory capital at the beginning of each year. The size of deductions to the reserve fund is not less than 5 percent of the annual income of the Bank. The reserve fund is created to cover general banking risks, including future losses and other unforeseen losses in all asset items and off-balance sheet liabilities.

In December 2015 the General Meeting of Shareholders decided to allocate from the retained earnings the reserve fund in the amount of UAH 1,475,430 thousand, as according to the laws of Ukraine, the fund is not subject to distribution to the shareholders.

22. Segment analysis

The information on main banking segments of the Bank as at 31 December 2015 is set out below:

2015	Corporate banking	Retail banking (VIP and wealth clients)	Retail banking (mass segment)	Distressed assets management	Investment banking and unallocated	Total
Segment assets	20,442,525	589,594	1,963,212	3,331,189	11,317,571	37,644,091
Including						
Loans to customers, net	20,429,547	575,563	1,954,788	3,327,720	(2)	26,287,616
- loans to customers, gross	21,422,669	692,551	3,257,278	11,446,332	-	36,818,830
- allowance	(993,122)	(116,988)	(1,302,490)	(8,118,612)	(2)	(10,531,214)
Other financial statements items	12,978	14,031	8,424	3,469	11,317,573	11,356,475
Segment liabilities	13,620,206	13,863,147	198,674	-	6,295,415	33,977,442
Including						
Customer accounts	13,585,203	13,819,729	179,825	-	-	27,584,757
Other financial statements items	35,003	43,418	18,849	-	6,295,415	6,392,685

Translation from Ukrainian original

PUBLIC JOINT STOCK COMPANY "FIRST UKRAINIAN INTERNATIONAL BANK"
Notes to the financial statements for the year ended 31 December 2015

(in thousands of Ukrainian hryvnias)

22. Segment analysis (continued)

The information on profit and loss of the reportable operating segments of the Bank for 2015 is set out below:

2015	Corporate banking	Retail banking (VIP and wealth clients)	Retail banking (mass segment)	Distressed assets manage- ment	Investment banking and unallocated	Total
Interest income	3,347,379	240,626	827,670	510,198	321,859	5,247,732
Interest expense	(1,068,426)	(1,390,577)	(57,029)	-	(585,201)	(3,101,233)
Transfers	(1,263,981)	1,719,306	(368,872)	(676,576)	590,123	-
Net interest income	1,014,972	569,355	401,769	(166,378)	326,781	2,146,499
Net fee and commission income	332,591	125,800	237,096	-	213,802	909,289
Trading income	136,977	33,553	486	-	1,036,325	1,207,341
Operating expenses and other income/expenses	(260,726)	(598,795)	(110,165)	(240,377)	(357,962)	(1,568,025)
Net losses on restructuring of mortgage loans to individuals in foreign currency	-	-	(29,346)	-	-	(29,346)
Allowances	(1,957,455)	(223,514)	(293,839)	(2,193,400)	(153,000)	(4,821,208)
Segment result	(733,641)	(93,601)	206,001	(2,600,155)	1,065,946	(2,155,450)
Income taxes	137,161	17,500	(38,514)	486,121	(199,288)	402,980
Profit/(loss) for the year	(596,480)	(76,101)	167,487	(2,114,034)	866,658	(1,752,470)

The information on main banking segments of the Bank as at 31 December 2014 is set out below:

2014	Corporate banking	Retail banking (VIP and wealth clients)	Retail banking (mass segment)	Distressed assets manage- ment	Investment banking and unallocated	Total
Segment assets	20,923,211	954,522	3,553,961	3,363,088	8,636,497	37,431,279
Including						
Loans to customers, net - loans to customers, gross	20,904,655	918,992	3,394,643	3,137,318	-	28,355,608
- allowance	21,076,863	1,421,099	4,366,860	6,579,873	-	33,444,695
Other financial statements items	(172,208)	(502,107)	(972,217)	(3,442,555)	-	(5,089,087)
Other financial statements items	18,556	35,530	159,318	225,770	8,636,497	9,075,671
Segment liabilities	12,557,923	12,400,618	1,460,581	-	5,480,515	31,899,637
Including						
Customer accounts	12,527,170	12,367,263	1,378,086	-	-	26,272,519
Other financial statements items	30,753	33,355	82,495	-	5,480,515	5,627,118

Translation from Ukrainian original

PUBLIC JOINT STOCK COMPANY “FIRST UKRAINIAN INTERNATIONAL BANK”
Notes to the financial statements for the year ended 31 December 2015

(in thousands of Ukrainian hryvnias)

22. Segment analysis (continued)

The information for profit and loss of the reportable operating segments of the Bank for 2014 is set out below:

2014	Corporate banking	Retail banking (VIP and wealth clients)	Retail banking (mass segment)	Distressed assets manage- ment	Investment banking and unallocated	Total
Interest income	2,771,405	416,199	1,236,592	185,636	378,723	4,988,555
Interest expense	(788,176)	(1,057,356)	(162,353)	-	(635,980)	(2,643,865)
Transfers	(1,096,998)	982,522	(427,311)	(393,356)	935,143	-
Net interest income	886,231	341,365	646,928	(207,720)	677,886	2,344,690
Net fee and commission income	220,788	181,402	238,945	(2,346)	195,326	834,115
Trading income	-	33,064	8,916	-	1,294,320	1,336,300
Operating expenses and other income/expenses	(268,250)	(499,246)	(393,076)	(68,365)	(596,672)	(1,825,609)
Allowances	(653,306)	(410,280)	(1,303,904)	(495,029)	-	(2,862,519)
Segment result	185,463	(353,695)	(802,191)	(773,460)	1,570,860	(173,023)
Income taxes	(38,782)	73,961	153,952	161,737	(313,651)	37,217
Profit/(loss) for the year	146,681	(279,734)	(648,239)	(611,723)	1,257,209	(135,806)

The respective operating segments were formed according to the Bank's approved business development and management.

The information concerns services rendered within segments and is presented to the management of the Bank responsible for decision making for the purpose of resources allocation and segment performance assessment.

For the purpose of internal management reporting, the transactions of the Bank are split into the following segments:

Corporate business: this business segment includes serving current accounts of legal entities, attraction of deposits, granting credit lines in “overdraft” form, serving card accounts, granting loans and other types of finance as well as foreign exchange and trade finance transactions.

The corporate business segment consists of the following sub-segments: LCC (large corporate clients with annual turnover from UAH 400,000 thousand or official insiders of the Bank), MCC (medium-size corporate clients with annual turnover from UAH 80,000 thousand to UAH 400,000 thousand or the limit of asset transactions per client from UAH 16,000 thousand), SCC (small and micro corporate clients with annual turnover up to UAH 80,000 thousand or the limit of asset transactions per client up to UAH 16,000 thousand), SC (state-owned companies with a share of state or communal ownership not less than 10% of the charter capital).

Retail business (VIP and affluent clients): provision of banking services to private individuals. This segment includes the same types of banking services as the segment of corporate banking servicing as well as the services of opening and maintenance of accounts of private entrepreneurs and individuals, including the accounts for personal usage, current and saving accounts, attraction of deposits, servicing of credit and debit cards under salary projects, mortgage and car lending.

Retail business (mass): provision of banking services to private individuals. This segment includes services of credit and debit cards maintenance on the open market, consumer finance and sale finance in trade networks.

Distressed asset management: this business segment includes the workout of corporate, retail (VIP and affluent) loans and securities having the following signs of impairment:

- ▶ individual assessments of impairment;
- ▶ payment delay (from 180 days of principal amount delay for retail (VIP and affluent) and 30 days for corporate clients);
- ▶ other signs of impairment according to the internal assessments by the management.

This business segment renders services of restructuring and past-due debt collection.

PUBLIC JOINT STOCK COMPANY "FIRST UKRAINIAN INTERNATIONAL BANK"
Notes to the financial statements for the year ended 31 December 2015

(in thousands of Ukrainian hryvnias)

22. Segment analysis (continued)

Investment business and unallocated items: this segment covers investment banking activity (financial instruments trade, transactions on the inter-bank market, transactions on capital markets, transactions with securities, foreign exchange and banknotes for the purpose of income gaining); asset and liability management center (is a main regulator of transfer pricing in the Bank and includes the transactions aimed at liquidity support of the Bank's activity); Head Office (this segment includes fixed assets, corporate rights, deferred tax assets, advances and receivables related to administrative and economic activity of the Bank); and the Processing Center (this segment includes informational and technical support to payment card settlements).

Capital expenditure is not included into the segment information reviewed by the Management Board. Capital expenditure represents additions to non-current assets other than financial instruments, deferred tax assets, post-employment benefit assets and rights arising under insurance contracts.

Revenues for each individual country are not reported to the chief operational decision maker as they are mainly represented by revenues from Ukraine, including revenues from off-shore companies of Ukrainian customers, based on the domicile of the customer. Revenues from other countries do not exceed 10% of total revenues of the Bank. Revenues include interest and commission income.

The Bank has no customer for which the revenue represents 10% or more of the total revenues.

23. Interest income and expense

	2015	2014
Interest income		
<i>Loans to customers</i>		
- legal entities	3,741,535	3,030,415
- individuals	1,186,215	1,582,401
Securities	296,039	241,536
Due from other banks	23,943	134,203
Total interest income	5,247,732	4,988,555
Interest expense		
<i>Individuals</i>		
- term deposits	(1,394,062)	(1,061,748)
- current accounts	(4,252)	(4,327)
<i>Legal entities</i>		
- term deposits	(517,703)	(528,848)
- current accounts	(451,554)	(407,890)
Eurobonds issued	(511,854)	(372,801)
Loans from the NBU	(148,926)	(157,980)
Subordinated debt	(53,692)	(65,766)
Due to other banks	(17,634)	(29,785)
Other borrowed funds	(1,556)	(14,720)
Total interest expense	(3,101,233)	(2,643,865)
Net interest income	2,146,499	2,344,690

Information on interest income and expenses from transactions with related parties is set out in Note 32.

Translation from Ukrainian original

PUBLIC JOINT STOCK COMPANY “FIRST UKRAINIAN INTERNATIONAL BANK”
Notes to the financial statements for the year ended 31 December 2015

(in thousands of Ukrainian hryvnias)

24. Fee and commission income and expense

	2015	2014
Payment cards	379,749	395,963
Servicing loans, including under cooperation agreements	291,038	308,798
Settlement transactions with customers	268,573	142,133
Conversion operations	171,468	135,086
Documentary operations	54,911	66,181
Cash deposits and withdrawals	44,978	35,961
Fiduciary activities	2,524	1,819
Other	9,713	28,258
Fee and commission income	1,222,954	1,114,199
Payment cards	(238,422)	(233,797)
Servicing loans	(39,531)	(7,879)
Settlement transactions	(17,353)	(11,296)
Purchase and collection of cash	(11,208)	(21,612)
Documentary operations	(4,529)	(2,983)
Fiduciary activities	(297)	(351)
Other	(2,325)	(2,166)
Fee and commission expense	(313,665)	(280,084)
Net fee and commission income	909,289	834,115

Information on fee and commission income and expenses from transactions with related parties is set out in Note 32.

25. Other income

	2015	2014
Penalties received	46,893	32,481
Other rental income	20,501	18,678
Revaluation of fixed assets	12,411	37,124
Income from disposal of fixed assets and investment property	11,870	15,557
Return of interest paid in past years due to early cancellation of deposit agreement	7,042	10,764
Insurance repayments	6,409	122
Rental income from investment properties (Note 11)	4,812	4,860
Other income	11,930	13,126
Total other income	121,868	132,712

26. Operating expenses

	2015	2014
Salary, employee benefits and compulsory contributions to State funds	730,255	778,747
Depreciation and amortisation (Note 11)	160,262	143,079
Contributions to Individuals Deposits Guarantee Fund	136,186	91,477
Non-performing loans settlement expenses	102,912	19,716
Lease of premises	91,955	86,777
Maintenance of premises and equipment	86,015	71,585
Communication	47,070	46,983
Advertising, entertainment expenses	40,564	57,351
Audit, legal, consulting services	36,346	25,862
State duties and taxes, other than on income	25,192	110,670
Provision for impairment of assets located in the area of ATO (Note 11)	955	4,028
Provision / (reversal of provision) for impairment of other assets (Note 12)	16,089	29,406
Security services	11,328	13,676
Staff training	5,543	11,118
Charitable contributions	194	233
Other	154,762	159,307
Total operating expenses	1,645,628	1,650,015

Included in salary, employee benefits and compulsory contributions to State funds was the unified social tax in the amount of UAH 146,399 thousand (2014: UAH 110,643 thousand).

Translation from Ukrainian original

PUBLIC JOINT STOCK COMPANY "FIRST UKRAINIAN INTERNATIONAL BANK"
Notes to the financial statements for the year ended 31 December 2015

(in thousands of Ukrainian hryvnias)

27. Income taxes

Income tax expense was comprised of the following:

	2015	2014
Current tax charge	–	13,437
Deferred tax (benefit)/expense	(402,980)	(50,654)
Income tax benefit for the year	(402,980)	(37,217)

The income of the Bank for 2015 is taxable at the rate of 18% (2014: 18%). The reconciliation between the expected and the actual income tax expense is provided below:

	2015	2014
Loss before income tax benefit	(2,155,450)	(173,023)
Theoretical tax benefit at the applicable statutory rate	(387,981)	(31,144)
<i>Tax effect of items which are not deductible or assessable for taxation purposes:</i>		
– Income recognized only in tax accounting	–	5,818
– Non-deductible expenses	5,223	15,075
– Expenses recognized only in tax accounting	(34,582)	(5,055)
– Change of tax accounting rules starting from 1 January 2015	14,539	16,978
– Other non-temporary differences	(179)	184
– Indexation of carrying value of fixed assets from the purpose of tax accounting	–	(30,773)
– Change in income tax amount for income tax rate applicable in future	–	(8,300)
Income tax benefit for the year	(402,980)	(37,217)

The differences between the national and IFRS taxation result in specific temporary differences arising between the carrying values of some assets and liabilities for the purposes of financial reporting and their tax bases. The tax effect of changes in such temporary differences shall be accounted for at the income tax rates expected to be applied in the period of realization of such differences.

Deferred tax assets and liabilities as at 31 December 2015 and 31 December 2014 and their movements for the respective years are as follows:

	31 December 2014	Credited/ (charged) to other comprehensive income	Credited/ (charged) to income statement	31 December 2015
Tax effect of deductible and taxable temporary differences				
Allowances for loan impairment and credit related commitments	(174,516)	–	60,587	(113,929)
Securities available-for-sale	13,806	1,625	(14,958)	473
Property and equipment and investment property	(26,616)	(21,868)	58,117	9,633
Other	23,655	–	(19,361)	4,294
Estimated net deferred tax liability	(163,671)	(20,243)	84,385	(99,529)
Tax losses carry forward	57,926	–	318,595	376,521
Net deferred tax (liability)/asset	(105,745)	(20,243)	402,980	276,992

Translation from Ukrainian original

PUBLIC JOINT STOCK COMPANY “FIRST UKRAINIAN INTERNATIONAL BANK”
Notes to the financial statements for the year ended 31 December 2015

(in thousands of Ukrainian hryvnias)

27. Income taxes (continued)

	31 December 2013	Credited/ (charged) to other comprehensive income	Credited/ (charged) to statement of income	31 December 2014
Tax effect of deductible and taxable temporary differences				
Allowances for loan impairment and credit related commitments	(293,135)	–	118,619	(174,516)
Securities available-for-sale	28,192	(4,486)	(9,900)	13,806
Property and equipment and investment property	(29,132)	(20,642)	23,158	(26,616)
Accrued interest and commission income	131,359	–	(131,359)	–
Accrued interest and commission expense	(3,580)	–	3,580	–
Other	21,517	2,415	(277)	23,655
Estimated net deferred tax liability	(144,779)	(22,713)	3,821	(163,671)
Tax losses carry forward	11,093	–	46,833	57,926
Net deferred tax liability	(133,686)	(22,713)	50,654	(105,745)

28. Risk management

Introduction

Risk is inherent to banking and it is managed through the process of ongoing identification, measurement and control, subject to risk limits and other controls. The process of risk management is critical to the Bank’s continuing profitability, and each individual within the Bank is accountable for the risk exposures relating to his or her responsibilities. The Bank is exposed to credit risk, liquidity risk and market risk, the latter being subdivided into trading and non-trading risks. It is also subject to operational risks.

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

Risk Management Process

The risk management policy, monitoring and control are conducted by a number of specialised bodies and units within the Bank. The unit most actively involved in such management is the Risk Management Division of the Bank subordinated to the Deputy Chairman of the Management Board on Risks and reporting to the Management Board of the Bank, the Credit Council of the Bank and the Assets and Liabilities Management Committee of the Bank as well as the Committee on Operational Risk Management of the Bank.

Supervisory Board of the Bank

The Supervisory Board of the Bank has the highest degree of authority with respect to the risk management of the Bank, and is empowered through the Bank’s Charter to approve any transactions on behalf of the Bank for amounts in excess of UAH 1,500 million.

Management Board

The Management Board of the Bank is generally responsible for the activities of the Bank, including those relating to risk management. The Management Board of the Bank delegates its powers with respect to the overall asset and liability management to the Assets and Liabilities Management Committee of the Bank, authorities on operational risk management – to the Committee On Operational Risk Management of the Bank and approves the composition of these Committees. In addition, the Management Board of the Bank is responsible for development and preliminary approval of the Bank’s credit policy. Final approval of credit policy is within the competence of the Supervisory Board. The Management Board accepts Credit Council decisions on projects of lending to the Bank’s related individuals with limit credit risk more than 3% of regulatory capital, calculated on the next date before the decision.

PUBLIC JOINT STOCK COMPANY “FIRST UKRAINIAN INTERNATIONAL BANK”
Notes to the financial statements for the year ended 31 December 2015

(in thousands of Ukrainian hryvnias)

28. Risk management (continued)

Introduction (continued)

Credit Council of the Bank

The Credit Council of the Bank approves loans issued with the maximum credit exposure of UAH 1,500 million and sets limits on interbank deals. A representative of the shareholders is a member of the Credit Council of the Bank. The decisions taken by the Credit Council of the Bank in terms of projects which maximum credit exposures exceeding UAH 200 million shall become valid if four positive votes are in place, one being of the Credit Council's member from the Supervisory Board of the Bank. The decisions made by the Credit Council in terms of projects which maximum credit exposures below UAH 200 million shall become valid if four positive votes are in place, one being of the Credit Council's member from the Supervisory Board or of an external expert (a representative of the shareholder). The Council meets twice a week.

Credit Committee of the Bank

The Credit Committee is responsible for the decisions on restructuring and issue of loans with a maximum credit exposure of UAH 50 million. Also, the Credit Committee of the Bank approves issuance of loans which bear no credit risk covered by cash collateral. The Committee meets several times per week when the need arises.

Assets and Liabilities Management Committee of the Bank

The Assets and Liabilities Management Committee is responsible for managing the Bank's assets and liabilities and the overall financial structure. It is also primarily responsible for monitoring of the interest rate, currency and liquidity risks of the Bank.

Operational Risk Management Committee of the Bank

Operational Risk Management Committee of the Bank is responsible for operational risk management with the aim to decrease operational losses, banking processes, systems and technologies improvement, approval and implementation of measures aimed at assurance of going concern of the Bank.

For the purpose of operative management and reactions identified operational risks and managing factors of operational risks, the Bank has established five subcommittees based on the Operational Risk Management Committee.

Subcommittee “Personnel”

Subcommittee “Personnel” analyses matters on intentional and unintentional actions of personnel, errors made by personnel, qualification and personnel sufficiency assessment etc.

Subcommittee “Processes”

Subcommittee “Processes” analyses matters of processes organization, quality of communications, existing processes effectiveness and of the required optimization.

Subcommittee “External factors”

Subcommittee “External factors” analyses incidents of intentional actions of third parties, liquidation of repercussions of force majeure and intentional damage of the Bank's reputation.

Subcommittee “Systems”

Subcommittee “Systems” analyses IT systems quality issues, common understanding of IT risks and development of balanced decisions as to IT risks with consideration the specifics and interests of the business units of the Bank.

Subcommittee “Informational security”

Subcommittee “Informational security” considers matters of development of IT security management system, development of IT risks management culture, IT incidents management.

PUBLIC JOINT STOCK COMPANY "FIRST UKRAINIAN INTERNATIONAL BANK"
Notes to the financial statements for the year ended 31 December 2015

(in thousands of Ukrainian hryvnias)

28. Risk management (continued)

Introduction (continued)

Risk Management Division of the Bank

The Risk Management Division is responsible for the development of credit risk management methodologies, procedures and reporting allowing the Bank to perform quantitative assessment of credit, interest, currency, operational and liquidity risks. This business unit is responsible for implementation of procedures related to risk management. The Risk Management Division of the Bank performs current control of the above risks on a permanent basis and controls the execution of the decisions made by the Credit bodies of the Bank, the Assets and Liabilities Management Committee of the Bank, the Operational Risk Management Committee.

Risk measurement and reporting systems

The Bank's risks are measured using a method which reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical and expert models. The models make use of probabilities derived from historical experience, adjusted to reflect the current economic environment. The Bank also runs worst case scenarios that would arise should extreme events, which are unlikely to occur, do, in fact, occur.

Risk monitoring and control are primarily performed based on the limits established by the Bank. These limits reflect the business strategy and market environment of the Bank as well as the level of the risk that the Bank is willing to accept, with additional emphasis on selected industries. In addition, the Bank monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities. The information compiled from all the businesses is examined and processed in order to analyse, control and early identify the risks. This information is presented and explained to the Management Board of the Bank, Assets and Liabilities Management Committee of the bank, Operational Risk Management Committee of the Bank, Credit Council of the Bank and the head of each respective business division. The report includes the information on the aggregate credit exposure, credit metric forecasts, limit exceptions, liquidity and interest rate risks and risk profile changes, information on operational risk. On a monthly basis, the detailed reporting on liquidity, currency, interest and operational rate risks, industry, customer and geographic risks is prepared. The senior management assesses the appropriateness of the allowance for credit losses on a quarterly basis.

Risk mitigation

As a part of its overall financial risk management process, for the purpose of interest, currency, credit and liquidity risks management the Bank uses a system of limits and restrictions that ensures that actual risk measures are at the levels that do not exceed the Bank's tolerance to those risks.

The Bank actively uses collateral to reduce its credit risks (see below for more detail).

To mitigate market risks the Bank may use derivatives to a limited extent.

Credit risk

The Bank takes on the exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or Banks of borrowers. Such risks are monitored on a continuous basis and are subject to a regular review. Limits on the level of credit risk per borrower are approved regularly by the Credit Council of the Bank and the Credit Committee of the Bank.

The exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and principal repayment obligations and by changing these lending limits where appropriate. The exposure to credit risk is also managed, in part, by obtaining collateral and corporate guarantees.

Derivative financial instruments

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in the statement of financial position.

PUBLIC JOINT STOCK COMPANY "FIRST UKRAINIAN INTERNATIONAL BANK"
Notes to the financial statements for the year ended 31 December 2015

(in thousands of Ukrainian hryvnias)

28. Risk management (continued)

Credit risk (continued)

Credit-related commitments risks

The Bank makes guarantees and letters of credit available to its customers which may require that the Bank make payments on their behalf. They expose the Bank to similar risks as loans and these are mitigated by the same control processes and policies.

The maximum exposure to credit risk for the components of the statement of financial position, including derivatives before the effect of mitigation through the use of master netting or collateral agreements, is shown in their carrying values as accurately as possible.

If recorded at fair value, their carrying values represent the current credit risk exposure but not the maximum risk exposure that could arise in future as a result of changes in values.

For more detail on the maximum exposure to credit risk for each class of financial instruments, references shall be made to the specific notes. The effect of collateral and other risk mitigation techniques is shown below.

Credit quality of financial assets

The credit quality of financial assets is managed by using both external and the Bank's internal credit ratings. The credit quality by class of asset for loan-related statement of financial position lines, based on the external ratings and the Bank's credit rating system is presented in Note 8, Note 9 and Note 10.

Impairment assessment

The main considerations for the loan impairment assessment include whether any payments of principal or interest are overdue by more than 30 days or there are any known difficulties in the cash flows of counterparties, credit rating downgrades, or infringement of the original terms of the contract. The Bank addresses the impairment assessment in two areas: individually assessed allowances and collectively assessed allowances.

Individually assessed allowances

The Bank determines the allowances appropriate for each individually significant loan on an individual basis. The items considered when determining the allowance amounts include the feasibility of the counterparty's business plan, its ability to improve the performance once a financial difficulty has arisen, projected receipts and the expected dividend payment in case of bankruptcy, the availability of other financial support, the realisable value of collateral, and the timing of the expected cash flows. The impairment losses are evaluated at each reporting date, unless any unforeseen circumstances require more careful attention.

Collectively assessed allowances

Allowances are assessed collectively for losses on loans to customers that are not individually significant (including credit cards, residential mortgages and unsecured consumer lending) and for individually significant loans where there is no yet objective evidence of impairment. The allowances are evaluated at each reporting date, with each segment of loan portfolio receiving a separate review. The collective assessment takes account of the impairment that is likely to be present in the portfolio even though there is no yet any objective evidence of impairment in an individual assessment. The impairment losses are estimated by taking into consideration the following information: historical losses on the portfolio, current economic conditions, the appropriate delay between the time the loss is likely to have been incurred and the time it will be identified as requiring an individually assessed impairment allowance, and expected receipts and recoveries once impaired. The impairment allowance is then reviewed by the credit management to ensure its alignment with the Bank's overall policy.

Financial guarantees and letters of credit are assessed based on the methods applied for loans; when the loss is considered probable, provisions are recorded against other credit related commitments.

PUBLIC JOINT STOCK COMPANY "FIRST UKRAINIAN INTERNATIONAL BANK"
Notes to the financial statements for the year ended 31 December 2015

(in thousands of Ukrainian hryvnias)

28. Risk management (continued)

Liquidity risk and funding management

Liquidity risk is the risk that the Bank will be unable to discharge its payment obligations when due in the course of usual economic activity and under stress circumstances. To limit this risk, the management has ensured diversified funding sources in addition to the Bank's core deposit base, manages assets in compliance with its liquidity principles and monitors future cash flows and liquidity on a daily basis.

The Bank, with the view to ensuring proper discharge of both its own and clients' obligations, has implemented the policy aimed at maintaining the liquid assets at the level sufficient to cover any unplanned withdrawal of a part of the client deposits placed with the Bank as a precaution against further deterioration in the economic situation. The liquidity risk is measured by the Bank by using the gap analysis and forecasts of the expected future cash flows during a 1-year term. In addition, the stress tests scenarios are applied to the forecasted future cash flows developed based on the statistical data of the Ukrainian banks' results under the conditions of the financial crisis.

In addition, the liquidity position is assessed and managed by the Bank based on certain liquidity ratios established by the NBU. As at 31 December, these ratios were as follows:

Ratio	2015, %	2014, %
N4 "Instant Liquidity Ratio" (cash and balances on correspondent accounts / liabilities repayable on demand) (minimum required by the NBU – 20%)	52.69	37.22
N5 "Current Liquidity Ratio" (assets receivable or realisable within 31 days / liabilities repayable within 31 days) (minimum required by the NBU – 40%)	72.38	56.40
N6 "Short-term Liquidity Ratio" (certain assets with original maturity up to 1 year / liabilities with original maturity up to 1 year including off-balance sheet commitments) (minimum required by the NBU – 60%)	113.93	106.90

Analysis of financial liabilities by remaining contractual maturities

The table below summarises the maturity profile of the Bank's financial liabilities at 31 December 2015 based on contractual undiscounted repayment obligations except for gross settled derivatives which are shown by contractual maturity. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Bank expects that many customers will not request repayment on the earliest date the Bank could be required to pay and the table does not reflect the expected cash flows indicated by the Bank's deposit retention history.

At 31 December 2015	Up to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 12 months	Total
Due to the National Bank of Ukraine	8,864	17,156	26,020	52,612	844,848	949,500
Due to other banks	224,827	–	–	–	–	224,827
Customer accounts	18,176,060	5,059,674	2,871,052	1,923,015	82,085	28,111,886
Eurobonds issued	44,298	85,738	130,036	262,930	5,784,718	6,307,720
Other borrowed funds	184	73	111	224	26,890	27,482
Gross settled derivative financial instruments:						
- amounts payable	620,715	–	–	–	–	620,715
- amounts receivable	(634,593)	–	–	–	–	(634,593)
Other financial liabilities	237,257	–	–	–	–	237,257
Subordinated debt	9,231	8,933	13,549	27,395	736,150	795,258
Total undiscounted financial liabilities	18,686,843	5,171,574	3,040,768	2,266,176	7,474,691	36,640,052

Translation from Ukrainian original

PUBLIC JOINT STOCK COMPANY “FIRST UKRAINIAN INTERNATIONAL BANK”
Notes to the financial statements for the year ended 31 December 2015

(in thousands of Ukrainian hryvnias)

28. Risk management (continued)

Liquidity risk and funding management (continued)

At 31 December 2014	Up to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 12 months	Total
Due to the National Bank of Ukraine	326,128	280,112	24,461	49,459	711,039	1,391,199
Due to other banks	604,105	-	-	-	-	604,105
Customer accounts	16,635,451	5,412,659	3,113,123	1,310,371	228,812	26,700,416
Eurobonds issued	18,508	99,497	90,005	338,644	3,759,649	4,306,303
Other borrowed funds	197	71	110	222	26,748	27,348
Other financial liabilities	151,540	13,255	-	-	-	164,795
Subordinated debt	9,231	8,784	13,549	27,395	790,642	849,601
Total undiscounted financial liabilities	17,745,160	5,814,378	3,241,248	1,726,091	5,516,890	34,043,767

The table below shows the contractual expiry of the Bank's financial commitments and contingencies.

	Up to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 12 months	Total
2015	213,921	1,238,712	620,805	632,483	131,555	2,837,476
2014	270,643	445,418	575,854	954,564	454,420	2,700,899

Financial commitments and contingences include guarantees, letters of credit and credit limits on overdrafts, with the expected draw-down at any time starting from the reporting date till the date of contractual expiry. The Bank expects that not all of the contingent liabilities or commitments will be drawn before the expiry of the commitments.

The table below shows the analysis of carrying values of assets and liabilities according to when they are expected to be recovered or settled as at 31 December 2015:

	Up to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 12 months	Total
Assets						
Cash on hand and in transit	1,244,442	-	-	-	-	1,244,442
Balance with the National Bank of Ukraine	897,908	-	-	-	-	897,908
Due from other banks	3,270,504	507,520	433,710	69,771	1,971	4,283,476
Securities designated at fair value through profit or loss	192,434	-	70,953	-	-	263,387
Securities available-for-sale	1,125,010	1,144,867	50,616	-	-	2,320,493
Loans to customers	6,538,321	8,004,896	4,710,679	4,303,911	2,729,809	26,287,616
Other financial assets	313,670	-	-	-	-	313,670
Total financial assets	13,582,289	9,657,283	5,265,958	4,373,682	2,731,780	35,610,992
Liabilities						
Due to the National Bank of Ukraine	-	-	-	-	485,426	485,426
Due to other banks	224,827	-	-	-	-	224,827
Customer accounts	17,937,640	4,945,526	2,779,723	1,845,541	76,327	27,584,757
Eurobonds issued	-	-	-	-	4,722,461	4,722,461
Subordinated debt	-	-	-	-	492,174	492,174
Other borrowed funds	-	-	-	-	26,289	26,289
Other financial liabilities	223,379	-	-	-	-	223,379
Total financial liabilities	18,385,846	4,945,526	2,779,723	1,845,541	5,802,677	33,759,313
Liquidity gap arising from financial instruments	(4,803,557)	4,711,757	2,486,235	2,528,141	(3,070,897)	1,851,679

Translation from Ukrainian original

PUBLIC JOINT STOCK COMPANY “FIRST UKRAINIAN INTERNATIONAL BANK”
Notes to the financial statements for the year ended 31 December 2015

(in thousands of Ukrainian hryvnias)

28. Risk management (continued)

Liquidity risk and funding management (continued)

The table below shows the analysis of carrying values of assets and liabilities according to when they are expected to be recovered or settled as at 31 December 2014:

	Up to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 12 months	Total
Assets						
Cash on hand and in transit	1,053,915	-	-	-	-	1,053,915
Balance with the National Bank of Ukraine	1,513,095	-	-	-	-	1,513,095
Due from other banks	2,077,424	-	362,361	41,081	3,718	2,484,584
Loans to customers	4,957,251	7,019,558	4,446,347	7,181,915	4,750,537	28,355,608
Securities available for-sale	611,857	87,800	808,574	263,578	175,575	1,947,384
Other financial assets	121,095	-	-	-	-	121,095
Total financial assets	10,334,637	7,107,358	5,617,282	7,486,574	4,929,830	35,475,681
Liabilities						
Due to the National Bank of Ukraine	313,750	263,100	-	-	613,196	1,190,046
Due to other banks	244,119	-	-	-	-	244,119
Customer accounts	16,506,443	5,281,992	3,016,452	1,253,973	213,659	26,272,519
Eurobonds issued	-	-	-	157,686	3,115,293	3,272,979
Other borrowed funds	-	-	-	-	25,725	25,725
Subordinated debt	-	-	-	-	492,825	492,825
Other financial liabilities	119,884	13,254	-	-	-	133,138
Total financial liabilities	17,184,196	5,558,346	3,016,452	1,411,659	4,460,698	31,631,351
Liquidity gap arising from financial instruments	(6,849,559)	1,549,012	2,600,830	6,074,915	469,132	3,844,330

The maturity analysis does not reflect the historical stability of current liabilities. Their realisation historically took place within the period exceeding the one indicated in the table above. These balances are included in the table above as the amounts with the maturity dates in the period of up to 1 month.

The Bank's ability to repay its liabilities depends on its ability to attract the equivalent amount of assets within the same period of time. The current volume of liquid assets will enable the Bank to operate in a stable manner even under a situation when there may be a partial withdrawal of clients' deposits from the Bank and in case of further deterioration of the economic situation.

The management of the Bank believes that in spite of a substantial portion of the customers demand accounts, the diversification of these deposits by number and type of depositors, and the past experience of the Bank would indicate that these customer accounts provide a long-term and stable source of funding for the Bank.

Included in "Customer accounts" are term deposits of individuals. Pursuant to the Ukrainian legislation, the Bank is obliged to repay such deposits upon the depositor's demand (Note 15). Management of the bank believes that majority of term deposits of individuals will not be withdrawn till the date of maturity, thus customer accounts are disclosed by contractual maturity.

Market risk – non-trading

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, exchange rates and other prices. The Bank manages its exposures to market risk for non-trading portfolios. Non-trading positions are managed and monitored using the sensitivity analysis.

**PUBLIC JOINT STOCK COMPANY "FIRST UKRAINIAN INTERNATIONAL BANK"
Notes to the financial statements for the year ended 31 December 2015**

(in thousands of Ukrainian hryvnias)

28. Risk management (continued)

Liquidity risk and funding management (continued)

Interest rate risk

Interest rate risk is a potential menace of losses incurrence, decrease in income or decrease in cost of capital of the Bank as a result of unfavourable changes in interest rates in the market. The risk appears primarily as a result of differences in maturities of assets and liabilities of the Bank by terms of sensitivity to changes in interest rates. Thus, the interest rate risk is the result of the unbalanced structure of statement of financial position by assets and liabilities by residual term to re-pricing date that are sensitive to changes in interest rates.

The sensitivity of the income statement is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating interest rate of non-trading financial assets and financial liabilities held at 31 December, taking into account the re-pricing periods according to the contractual terms on the respective assets and liabilities.

To assess its interest risk the Bank uses gap analysis of interest-bearing assets and liabilities, performs analysis of sensitivity of interest-bearing assets and liabilities to changes in interest rates.

Interest risk control is performed in accordance with the report of spread and margin changes.

The Bank assess interest rate risk by scenario of parallel shift of yield curve towards the increase in interest rates by 100 bps in major currencies (UAH, USD, EUR). As at 31 December 2015 the Bank is exposed to interest rate risk, whose realization may impact net interest income within 1-year horizon – a possible decrease by UAH 50,443 thousand (31 December 2014: decrease by UAH 74,665 thousand).

The Bank assesses the above level of the interest rate risk as acceptable and controllable, which is not to affect significantly the Bank's yield and stable financial position. Interest rates are set by the Tariff Commercial Committee of the Bank taking into consideration transfer interest rates and cost of risks set by the Bank's Assets and Liabilities Management Committee. In accordance with the internal policies of the Bank, the delegation of authority regarding the change of interest rates is established. The control over transaction effectiveness with interest-bearing instruments is performed by the Tariff Commercial Committee of the Bank on a monthly basis.

Currency risk

Currency risk is the risk connected with the impact of foreign exchange rates fluctuation on the value of financial instruments .

The Bank performs currency risk assessment using Value-at-Risk assessment methodology (VaR) taking into consideration recommendations of International Convergence of Capital Measurement and Capital Standards, June 2006 and Revision to Basel II market risk framework, December 2010. VaR allows to assess maximum possible extent of losses with set confidence level for a certain period of time.

The Bank performs VaR calculation using historical modelling method so as to assess the currency risk in normal and stressed conditions of financial market development. VaR calculation is based on 251 days disregarding historical data on market currency rates; the calculation period during which the Bank would be probably able to close open foreign currency positions is 10 days and one-sided confidence level is 99%.

Disregarding the fact that VaR allows to accept a currency risk assessment, it is necessary to consider the following weaknesses of the method:

- ▶ the use of past currency and banking metals exchange rates does not allow to fully estimate possible currency and banking metals rates fluctuations in the future;
- ▶ the use of 10-days calculation period stipulates that all open positions in foreign currencies and banking metals may be closed within 10 trading days. This estimation may inaccurately reflect the currency risk value in the periods of diminishing market liquidity whereby the period of positions closure by the Bank may increase;
- ▶ the use of 99% one-sided confidence level does not allow to estimate the volume of losses expected with 1% probability;
- ▶ VaR calculation is performed based on open positions of the Bank in foreign currencies and banking metals as at the end of the day and may not reflect the risk accepted by the Bank during the day.

PUBLIC JOINT STOCK COMPANY “FIRST UKRAINIAN INTERNATIONAL BANK”
Notes to the financial statements for the year ended 31 December 2015

(in thousands of Ukrainian hryvnias)

28. Risk management (continued)

Currency risk (continued)

The results of currency risk calculation using VaR method as at 31 December 2015 are as follows:

Index	2015	2014
<i>Currency risk without diversification consideration:</i>		
- USD	61,965	105,695
- EUR	25,826	44,009
- RUB	10,666	4,324
- other currencies	17,185	7,915
Total currency risk without diversification	115,642	161,943
Diversification effect	(61,212)	(18,253)
Currency risk with diversification consideration	54,430	143,690

The above data is calculated based on internal management accounts of the Bank based on the operational financial statements prepared in accordance with IFRS.

Since VaR model is an integral part of the Bank strategy in currency risk management, currency risk value calculated based on VaR model is monitored daily.

Assets and Liabilities Committee of the Bank examines the results of currency risk assessment on a monthly basis.

Operational risk

The Bank calculates the value of accepted operational risk – “risk appetite” – on an annual basis.

Risk appetite value is approved by the Operational Risk Management Division.

The calculation of actual losses caused by operational risks and monitoring of the Bank’s compliance with the set “risk appetite” is performed on a monthly basis.

It should be noted that the calculation of risk appetite does not include past events that had one-off force-majeure nature and/or that are not expected to arise in the future due to elimination of their causes.

PUBLIC JOINT STOCK COMPANY "FIRST UKRAINIAN INTERNATIONAL BANK"
Notes to the financial statements for the year ended 31 December 2015

(in thousands of Ukrainian hryvnias)

29. Fair value measurements

Fair value of financial assets and liabilities not carried at fair value

Set out below is the comparison by class of the carrying amounts and fair values of the Bank's financial instruments that are carried at amortised cost in the financial statements. The table does not include the fair values of non-financial assets and non-financial liabilities.

	2015			2014		
	Carrying value	Fair value	Unrecognized gain/(loss)	Carrying value	Fair value	Unrecognized gain/(loss)
Financial assets						
Cash on hand	1,244,442	1,244,442	-	1,053,915	1,053,915	-
Balance with the National Bank of Ukraine	897,908	897,908	-	1,513,095	1,513,095	-
<i>Due from other banks</i>						
- Current accounts and overnight deposits	3,007,605	3,007,605	-	1,903,500	1,903,500	-
- Term deposits with other banks	1,275,871	1,275,871	-	581,084	581,084	-
<i>Loans to customers</i>						
- Corporate loans	23,072,683	22,972,086	(100,597)	23,769,629	23,444,733	(324,896)
- Consumer loans	1,550,424	1,550,424	-	2,358,492	2,358,492	-
- Mortgage loans	834,219	779,100	(55,119)	1,328,568	1,317,331	(11,237)
- Car loans	73,942	49,570	(24,372)	179,043	141,591	(37,452)
- Other loans (overdrafts)	756,348	756,348	-	719,876	719,876	-
Financial liabilities						
Due to the National Bank of Ukraine	485,426	485,426	-	1,190,046	1,190,046	-
<i>Due to other banks</i>						
- Current accounts of other banks	51,227	51,227	-	76,193	76,193	-
- Term deposits of other banks	173,600	173,600	-	167,926	167,926	-
<i>Customer accounts</i>						
- legal entities	13,585,203	13,597,302	(12,099)	13,608,756	13,578,527	30,229
- individuals	13,999,554	14,042,718	(43,164)	12,663,763	12,450,810	212,953
Eurobonds issued	4,722,461	3,305,723	1,416,738	3,272,979	2,397,457	875,522
Other borrowed funds	26,289	26,289	-	25,725	25,725	-
Subordinated debt	492,174	292,000	200,174	492,825	383,185	109,640
Total unrecognized change in unrealized fair value			1,381,561			854,759

The following describes the methodologies and assumptions used to determine the fair values for those financial instruments which are not already recorded at fair value in the financial statements.

Assets for which fair value approximates carrying value

For the financial assets and financial liabilities that are liquid or have a short term maturity (less than three months), it is assumed that their carrying amounts approximate their fair values. This assumption is also applied to demand deposits, savings accounts without a specific maturity and variable rate financial instruments.

Financial assets and financial liabilities carried at amortised cost

For quoted debt issued the fair values are calculated based on quoted market prices at reporting date. For those instruments where quoted market prices are not available, and for those ones for which fair value differs from carrying amount, namely loans to customers, due from other banks, balances with the National Bank of Ukraine, due to other banks, customer accounts, other financial assets and liabilities, a discounted cash flow model is used based on a current market rates offered for similar financial instruments with similar provisions, similar credit risk and maturity.

PUBLIC JOINT STOCK COMPANY “FIRST UKRAINIAN INTERNATIONAL BANK”
Notes to the financial statements for the year ended 31 December 2015

(in thousands of Ukrainian hryvnias)

29. Fair value measurements (continued)

Financial instruments recorded at fair value or fair value of which is disclosed

All the assets and liabilities whose fair value is measured or disclosed in the financial statements are classified by fair value sources hierarchy level presented below on the lowest level input that is significant to the fair value measurement as a whole:

- ▶ Level 1: quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- ▶ Level 2: valuation techniques for which all inputs which have a significant effect on the recorded fair value belong to the lowest hierarchy level and are directly or indirectly based on market data; and
- ▶ Level 3: valuation techniques which use inputs which have a significant effect on the recorded fair value belong to the lowest hierarchy level and are not observable on the market.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Bank determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Bank has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

31 December 2015	Date of valuation	Fair value measurement using			Total
		Level 1	Level 2	Level 3	
Assets measured at fair value					
State bonds	31 December 2015	-	434,568	-	434,568
Forward currency contracts	31 December 2015	-	17,376	-	17,376
NBU deposit certificates	31 December 2015	-	2,142,255	-	2,142,255
Property and equipment – premises	1 June 2015	-	-	983,035	983,035
Works of art	1 December 2015	-	-	17,014	17,014
Investment property	1 December 2015	-	-	188,554	188,554
Assets for which fair values are disclosed					
Cash on hand and in transit	31 December 2015	1,244,442	-	-	1,244,442
Balance with the National Bank of Ukraine	31 December 2015	-	897,908	-	897,908
Due from other banks	31 December 2015	-	4,283,476	-	4,283,476
Loans to customers	31 December 2015	-	-	26,107,528	26,107,528
Shares	31 December 2015	-	-	7,057	7,057
Liabilities measured at fair value					
Forward currency contracts	31 December 2015	-	13,878	-	13,878
Liabilities for which fair values are disclosed					
Due to the National Bank of Ukraine	31 December 2015	-	485,426	-	485,426
Due to other banks	31 December 2015	-	224,827	-	224,827
Customer accounts	31 December 2015	-	-	27,640,020	27,640,020
Eurobonds issued	31 December 2015	3,305,723	-	-	3,305,723
Other borrowed funds	31 December 2015	-	26,289	-	26,289
Subordinated debt	31 December 2015	-	292,000	-	292,000

Information about changes of value of premises, work of art and investment property during 2015 has been disclosed in Note 11.

Translation from Ukrainian original

PUBLIC JOINT STOCK COMPANY “FIRST UKRAINIAN INTERNATIONAL BANK”
Notes to the financial statements for the year ended 31 December 2015

(in thousands of Ukrainian hryvnias)

29. Fair value measurements (continued)

Financial instruments recorded at fair value (continued)

31 December 2014	Date of valuation	Fair value measurement using			Total
		Level 1	Level 2	Level 3	
Assets measured at fair value					
State bonds	31 December 2014	–	1,650,968	–	1,650,968
Corporate bonds	31 December 2014	–	89,318	–	89,318
Forward currency contracts	31 December 2014	–	351	–	351
NBU deposit certificates	31 December 2014	–	200,041	–	200,041
Property and equipment – premises	1 December 2014	–	–	1,136,534	1,136,534
Works of art	31 December 2012	–	–	9,108	9,108
Investment property	1 December 2014	–	–	96,151	96,151
Assets for which fair values are disclosed					
Cash on hand and in transit	31 December 2014	1,053,915	–	–	1,053,915
Balance with the National Bank of Ukraine	31 December 2014	–	1,513,095	–	1,513,095
Due from other banks	31 December 2014	–	2,484,584	–	2,484,584
Loans to customers	31 December 2014	–	–	27,982,023	27,982,023
Shares	31 December 2014	–	–	7,057	7,057
Liabilities for which fair values are disclosed					
Due to the National Bank of Ukraine	31 December 2014	–	1,190,046	–	1,190,046
Due to other banks	31 December 2014	–	244,119	–	244,119
Customer accounts	31 December 2014	–	–	26,029,337	26,029,337
Eurobonds issued	31 December 2014	2,397,457	–	–	2,397,457
Other borrowed funds	31 December 2014	–	25,725	–	25,725
Subordinated debt	31 December 2014	–	383,185	–	383,185

The following is the description of the determination of fair value for the financial instruments which are recorded at fair value using the valuation techniques. These incorporate the Bank's estimate of assumptions that a market participant would make when valuing the instruments.

Derivative financial instruments

The derivatives valued using a valuation technique with market observable inputs are mainly currency swaps and forward foreign exchange contracts. The most frequently applied valuation techniques include forward pricing and swap models, using the present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves.

Securities

The securities valued using a valuation technique or pricing models primarily consist of unquoted debt securities. These securities are valued using discounted cash flows models which sometimes only incorporate the data observable in the market, such as interest rates, and at other times use both observable and non-observable data. The non-observable inputs to the models include the assumptions regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry in which the investee operates.

Premises, works of art and investment property

The basis for their work is the sales comparisons approach, which is further confirmed by the income approach. When performing the revaluation certain judgments and estimates are applied by the appraisers in determination of the comparable premises to be used in the sales comparison approach, the useful life of the assets revalued, the capitalization rate to be applied for the income approach.

During 2015 and 2014, the Bank did not transfer any financial assets or financial liabilities between fair value hierarchy levels

During 2015 and 2014, the Bank recognised neither changes in the carrying values of the Level 3 financial assets at fair value nor resulting profit or loss.

PUBLIC JOINT STOCK COMPANY "FIRST UKRAINIAN INTERNATIONAL BANK"
Notes to the financial statements for the year ended 31 December 2015

(in thousands of Ukrainian hryvnias)

30. Contingencies and commitments

Litigations

The Bank is involved in various legal proceedings in the ordinary course of business. On the basis of its own estimates and internal professional advice, the management does not believe the result of any such actions will have a material adverse effect on the Bank's financial position or results of operations. Thus, during the reporting period, the Bank was a subject of litigation with tax authorities for UAH 80,446 thousand. The Bank disagreed with the findings of the tax authorities and appealed to the District Administrative Court of Kyiv and all tax notifications and decisions were deemed illegal and completely cancelled. As of the date of this financial statements, the decree of Administrative Court of Kyiv is in force, but in accordance with the current legislation of the High Administrative Court of Ukraine the tax authority has the right to appeal. The Bank has not received information on the appeal of the decree of the court of the first instance by the supervisory authority. Management of the Bank believes that cash outflow is not possible, that is why no liabilities have been recognized.

Tax and other regulatory compliance

Ukrainian legislation and regulations regarding taxation and other operational matters, including currency exchange control and custom regulations, continue to evolve. The legislation and regulations are not always clearly written and are subject to varying interpretations by local, regional and national authorities, and other governmental bodies. Instances of inconsistent interpretations are not unusual. The management of the Bank believes that its interpretation of the relevant legislation is appropriate, and that the Bank has complied with all regulations and paid or accrued all taxes and withholdings that are applicable.

At the same time, there is a risk that the transactions and interpretations not challenged in the past may be challenged by the authorities in the future, although this risk significantly diminishes with passage of time. It is not practical to determine the amount of unasserted claims that may manifest, if any, or the likelihood of any unfavourable outcome.

Capital expenditure commitments

As at 31 December 2015, the Bank had capital expenditure commitments in respect of purchase of equipment of UAH 23,443 thousand (31 December 2014: UAH 23,644 thousand). The Bank's management has already allocated the necessary resources in respect of these commitments. The Bank's management believes that the future income and funding will be sufficient to cover these commitments and any similar commitments.

Compliance with covenants

The Bank is subject to certain covenants related primarily to Eurobonds issued, due to the National Bank of Ukraine and other borrowed funds. The non-compliance with such covenants may result in negative consequences for the Bank including the growth in the cost of borrowings and declaration of default. In particular, the Bank is required to maintain a certain level of equity, capital adequacy ratio, liquid to total assets ratio, maximum exposure to a single party to capital ratio, maximum exposure to a single party which is a related party to the Bank to capital ratio, operating expenses to operating results ratio, fixed and intangible assets to capital ratio. The failure to comply with these requirements could lead to early withdrawal of funds by the creditors upon their discretion. The management believed that the Bank was in compliance with all covenants as at 31 December 2015 and 31 December 2014.

Credit related commitments

The guarantees and standby letters of credit, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the risk of the clients' defaults or inability to perform the contracts with third parties. The Bank manages its risk of loss by requiring a significant proportion of guarantees to be secured with deposits in the Bank. Documentary and commercial letters of credit, which are written undertakings by the Bank on behalf of the customers authorising third parties to draw drafts on the Bank up to a stipulated amount under the 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 direct borrowings.

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 the credit risk on commitments to extend credit, the Bank is potentially exposed to loss. However, due to its revocable nature the Bank is able to refuse to issue the loans, guarantees or letters of credit to the customer due to the deterioration of the customer's solvency.

The total outstanding contractual amount of undrawn credit lines, letters of credit and guarantees does not necessarily represent future cash needs, as these financial instruments may expire or terminate without being funded.

Translation from Ukrainian original

PUBLIC JOINT STOCK COMPANY "FIRST UKRAINIAN INTERNATIONAL BANK"
Notes to the financial statements for the year ended 31 December 2015

(in thousands of Ukrainian hryvnias)

30. Contingencies and commitments (continued)

Credit related commitments (continued)

The letters of credit issued by the Bank are as follows:

	2015	2014
Confirmed export letters of credit	836,660	11,187
Import letters of credit	158,614	334,218
Cash collateral (Note 15)	(851,628)	(92,196)
Provision for import letters of credit	(1,497)	(3,473)
Total letters of credit	142,149	249,736

The guarantees issued are as follows:

	2015	2014
Guarantees and promissory note endorsements	1,222,613	1,585,192
Cash collateral (Note 15)	(122,456)	(43,964)
Provision for guarantees	(13,472)	(9,555)
Total guarantees	1,086,685	1,531,673

The Bank's outstanding irrevocable commitments to extend credit were as follows:

	2015	2014
Commitments to extend credit	619,588	770,302
Cash collateral	(34,634)	(83,244)
Total irrevocable commitments to extend credit	584,954	687,058

The amount of undrawn revocable commitments to extend credit issued by the Bank as at 31 December 2015 was UAH 4,522,309 thousand (31 December 2014: UAH 7,381,561 thousand). The management considers the commitments to extend credit as revocable due to the fact that the Bank can stop further financing of the client or early cancel the credit limit funds based on the agreements providing for a wide range of the trigger events for early cancellation of credit limits, such as worsening of the client's financial condition, decrease in volume of cash inflows to the clients' current accounts, loss of collateral or substantial decrease in its fair value, decisions of the regulatory bodies impacting the Ukrainian money market.

The movements in the provision for the letters of credit and guarantees were as follows:

	2015	2014
Provision for credit related commitments as at 1 January	13,028	2,488
Charge for provision for credit related commitments during the year	22	8,648
Translation differences	1,919	1,892
Provision for letters of credit and guarantees as at 31 December (Note 18)	14,969	13,028

Operating lease commitments

Where the Bank is the lessee, the future minimum lease payments under cancellable operating leases of premises were as follows:

	2015	2014
Within 1 year	61,480	27,553
From 1 to 5 years	33,659	20,771
Later than 5 years	1,480	-
Total operating lease commitments	96,619	48,324

Translation from Ukrainian original

PUBLIC JOINT STOCK COMPANY “FIRST UKRAINIAN INTERNATIONAL BANK”
Notes to the financial statements for the year ended 31 December 2015

(in thousands of Ukrainian hryvnias)

31. Pledged financial assets

As at 31 December 2015, the Bank did not pledge financial assets.

The table below shows financial assets pledged, but still recognised by the Bank as at 31 December 2014:

	State bonds available-for-sale	Loans to customers	Total
<i>Carrying value of assets:</i>			
- Securities available-for-sale	769,347	–	769,347
- Loans to customers	–	1,590,171	1,590,171
Total	769,347	1,590,171	2,359,518
<i>Carrying value of liabilities:</i>			
- Due to the National Bank of Ukraine	–	–	1,190,046
Total	–	–	1,190,046

Securities disclosed in the table above were assets pledged under loans received from the National Bank of Ukraine for liquidity maintenance as at 31 December 2014.

Loans to customers were assets, property rights on which were transferred by the Bank as a collateral under loans received from the National Bank of Ukraine for liquidity maintenance as at 31 December 2014.

32. Related party transactions

For the purposes of these financial statements, parties are generally considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence over the other party in making financial or operational decisions as defined by IAS 24 “Related Party Disclosures”. In considering each possible related party relationship, attention is paid to the substance of the relationship, not merely the legal form.

In the normal course of business, the Bank enters into transactions with significant shareholders, companies under common control and other related parties. These transactions include settlements, loans, deposits, trade finance and foreign currency transactions. The outstanding balances as at 31 December 2015 and as at 31 December 2014 and income and expenses for 2015 and 2014 are as follows:

As at and for the year ended 31 December 2015	Parent company	Entities under common control	Management	Other related parties
Assets				
Loans to customers (interest rate, % p.a.)	–	1,518,050 (15.76)	184 (23.13)	1
Allowance for loan impairment	–	(17,188)	–	–
Other assets	–	381	–	–
Liabilities				
Customer accounts (interest rate, % p.a.)	(47)	(4,836,942) (10.47)	(26,218) (13.18)	(57,875) (11.32)
Other liabilities	–	(619)	(3)	(9)
Credit related commitments				
Revocable commitments to extend credit	–	156,542	197	357
Guarantees and avals	–	4,250	–	–
Letters of credit	–	12,821	–	–
Income/(expense)				
Interest income	–	144,762	26	1
Interest expense	–	(394,681)	(2,580)	(4,917)
Fee and commission income	9	205,602	18	327
Fee and commission expense	–	(419)	(1)	(5)
Other income	–	354,213	1	3
Allowance for loan impairment	–	(15,303)	–	–
Operating expenses	–	(4,871)	(731)	(6)

Translation from Ukrainian original

PUBLIC JOINT STOCK COMPANY "FIRST UKRAINIAN INTERNATIONAL BANK"
Notes to the financial statements for the year ended 31 December 2015

(in thousands of Ukrainian hryvnias)

32. Related party transactions (continued)

As at and for the year ended 31 December 2014	Parent company	Entities under common control	Management	Other related parties
Assets				
Loans to customers		1,690,608	240	
(interest rate, % p.a.)	-	(14.70)	(21)	-
Allowance for loan impairment	-	(1,885)	(6)	-
Other assets	-	260	-	-
Liabilities				
Customer accounts		(7,078,615)	(25,487)	(36,265)
(interest rate, % p.a.)	(54)	(18)	(10.05)	(15.01)
Other liabilities	-	(96)	-	-
Credit related commitments				
Revocable commitments to				
extend credit	-	214,994	380	732
Guarantees and avals	-	19,576	-	-
Letters of credit	-	29,664	-	-
Income/(expense)				
Interest income	-	177,134	24	-
Interest expense	(8)	(492,046)	(1,582)	(692)
Fee and commission income	-	237,914	62	7
Other income	-	273	-	-
Other expense	-	(241)	(931)	-
Allowance for loan impairment	-	-	-	-
Operating expenses	-	(6,439)	(36,787)	-

The allowance for loan impairment in respect of loans to related parties has been assessed on a portfolio basis in respect of the majority of loans.

Aggregate amounts lent to and repaid by related parties during 2015 were as follows:

	Parent company	Entities under common control	Management	Other related parties
Amounts lent to related parties				
during the year	-	728,724	35	1
Amounts repaid by related parties				
during the year	-	(1,203,269)	(91)	-
Other change	-	301,988	-	-

Aggregate amounts lent to and repaid by related parties during 2014 were as follows:

	Parent company	Entities under common control	Management	Other related parties
Amounts lent to related parties				
during the year	-	1,058,787	66	-
Amounts repaid by related parties				
during the year	-	(535,135)	(61)	(10)
Other change	-	461,695	44	10

In 2015, the remuneration of the members of the Management Board comprised salaries of UAH 60,473 thousand (2014: UAH 36,787 thousand), compulsory contributions to the State funds of UAH 1,045 thousand (2014: UAH 990 thousand). In 2015 and 2014, there was no remuneration to the members of the Supervisory Board.

Translation from Ukrainian original

PUBLIC JOINT STOCK COMPANY “FIRST UKRAINIAN INTERNATIONAL BANK”
Notes to the financial statements for the year ended 31 December 2015

(in thousands of Ukrainian hryvnias)

33. Earnings per share

Basic earnings per share shall be calculated by dividing profit or loss attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the period. The Bank does not have converted preferred shares, thus diluted earnings per share is equal to basic earnings per share.

	2015	2014
Loss for the year	(1,752,470)	(135,806)
Weighted average number of ordinary shares outstanding during the period	14,323,880	14,323,880
Losses per share, basic (in hryvnia per share)	(122.35)	(9.48)

34. Capital

The Bank maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Bank's capital is monitored using, among other measures, the ratios established by the Basel Capital Accord 1988 and the ratios established by the NBU in supervising the Bank. The Bank considers the total capital under management to be the total regulatory capital. The amount of the capital that the Bank manages is UAH 3,796,256 thousand as at 31 December 2015 (31 December 2014: UAH 5,688,065 thousand).

The primary objectives of the Bank's capital management are to ensure that the Bank complies with externally imposed capital requirements and that the Bank maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise the shareholders' value.

The Bank manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amounts of dividend payments to the shareholders, return the capital to the shareholders or issue capital securities. No changes were made in the objectives, policies and processes since the previous years.

NBU capital adequacy ratio

The NBU requires banks to maintain a capital adequacy ratio of 10% of risk-weighted assets, computed based on the Ukrainian accounting rules. As at 31 December 2015 and 2014, the Bank's capital adequacy ratio on this basis was as follows:

	2015	2014
Main capital	2,882,280	4,056,294
Additional capital	913,976	1,631,771
Withdrawals	(5,735)	(300,786)
Excess of N9 prudential ratio	-	(385,329)
Total equity	3,790,521	5,001,950
Risk-weighted assets	33,562,398	33,055,170
Capital adequacy ratio	11.29%	15.13%

The regulatory capital consists of the main capital, which comprises paid-in registered share capital, share premium, reserves created in accordance with the Ukrainian legislation less net book value of intangible assets and losses of current and prior years decreased by the amount of accrued income overdue for more than 30 days net of the provision for overdue accrued interest. In addition, the main capital is decreased for the amount by which uncovered credit risk exceeds the prior year income. The other component of the regulatory capital is additional capital, which includes standard provisions for interbank and customer loans, property revaluation reserve, current year profit decreased by the amount of accrued income overdue for more than 30 days net of the provision for overdue accrued interest, long-term subordinated debt, retained earnings of prior years decreased for the amount of the uncovered credit risk.

As at 31 December 2015 and 2014, the Bank is compliant with the regulatory requirements to capital.

The Bank is also subject to minimum capital requirements established by the covenants stated in the loan agreements, including the 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 in April 1998) and the Amendment to the Capital Accord to incorporate market risks (updated in November 2005), commonly known as Basel I. The Bank complied with such requirements.

Translation from Ukrainian original

PUBLIC JOINT STOCK COMPANY "FIRST UKRAINIAN INTERNATIONAL BANK"
Notes to the financial statements for the year ended 31 December 2015

(in thousands of Ukrainian hryvnias)

34. Capital (continued)

NBU capital adequacy ratio (continued)

As at 31 December 2015 and 2014, the Bank's capital adequacy ratio calculated in accordance with the Basel I requirements was as follows:

	2015	2014
Tier 1 capital		
Share capital	3,294,492	3,427,350
Share premium	101,660	56,798
Reserve fund	1,475,430	-
Merger reserve	-	34,266
Retained earnings	(1,740,993)	1,353,167
Total tier 1 capital	3,130,589	4,871,581
Tier 2 capital		
Asset revaluation reserves	536,060	660,061
Eligible subordinated debt	492,174	492,825
Total tier 2 capital	1,028,234	1,152,886
Total equity	4,158,823	6,024,467
Capital adequacy ratio at 31 December		
Risk-weighted assets	31,507,812	34,661,728
Total equity	4,158,823	6,024,467
Capital adequacy ratio (%)	13.20%	17.38%

Signed on behalf of the Management Board on 31 March 2016

S.P. Chernenko (Chairman of the Management Board)

I.O. Kozhevin (Chief Financial Officer)

O.O. Poleschuk (Chief Accountant)