ANNUAL REPORT 2016

CRÉDIT AGRICOLE

CONTENTS

“CREDIT AGRICOLE UKRAINE REMAINED PROFITABLE AND POSTED IN 2016 EXCELLENT POST-CRISIS RESULTS”

Dear clients and partners!

After almost 10 years as Chairman of the Supervisory Board of Credit Agricole Ukraine, first I would like to express my satisfaction regarding the past evolution of the bank and the work of its employees. The bank evolved positively, increasing the quality and the range of services it provides to its customers. Despite the difficult events of the years 2014 and 2015, Credit Agricole Ukraine remained profitable and posted in 2016 excellent post-crisis results. These results are not only excellent, they are also promising for the years to come and I am confident in the ability of the bank to generate high profits in the future.

Its financial strength allowed Credit Agricole Ukraine to improve its contribution to the recovery of the Ukrainian economy by significantly restarting its financing throughout its wide customer base, from private individuals, local companies of all sizes to multinationals. At the heart of our missions is also to deliver the best quality of services to our customers, and I observe with satisfaction the investments done by the bank in this direction, both in its distribution channels and at the technological level. In this respect, the new corporate signature of Credit Agricole Group “A whole bank just for you” takes all its sense also in Ukraine.

Financial results and strength of Credit Agricole Ukraine are very satisfactory, but the reasons of the presence of Credit Agricole Group go beyond its financial performance. Ukraine, as a key player on agricultural worldwide scene, is obviously a country of interest for Credit Agricole and the group supports the agri-agro focus of its subsidiary. Credit Agricole Ukraine also provides a high level of services to subsidiaries of key worldwide customers of the group, in consistence with the strategy of the group to reinforce synergies. Last but not least, Credit Agricole Ukraine, as a universal bank, is also developing its retail franchise, the core business of the group in France. The group is satisfied with its presence in Ukraine, willing to develop its subsidiary and demonstrated it in 2017 by deciding to reinvest a significant part of Credit Agricole Ukraine 2016 net results.

As a conclusion, I would like to express my satisfaction regarding the strategy of Credit Agricole Ukraine and my confidence that the bank will meet both the expectations of its customers and shareholders in the years to come.

Francois Pinchon,
Chairman of the Supervisory Board

"A WHOLE BANK JUST FOR YOU"

Dear clients and partners!

The year 2016 was marked by a more stable geopolitical and macroeconomic environment compared to 2015, with a positive GDP growth, an inflation much lower than the previous year and in line with the NBU target, and a FX market well under control of the Central bank with a slight devaluation of the UAH that is markedly different from what was observed in the past. The banking sector has continued its restructuring with the recent nationalization of Privatbank and the closure of over 85 banks over the past 3 years. These actions, together with determination, allow Ukraine to have a stronger and more stable banking system that is more capable of supporting the development of the country.

In this slightly more favorable environment, Credit Agricole Bank has demonstrated the resilience and adequacy of its business model in posting a very good net profit of UAH 808 M, which is an 83% increase versus 2015, allowing the bank to hold the 4th position among the most profitable banks in 2016. This result was achieved due to higher revenues confirming good business dynamics, strong monitoring of the expenses and strong improvement of the COR. The financial ratios have been retained at high level, which allowed Credit Agricole Bank to receive the highest rating among the banks operating in Ukraine from Fitch Ratings.

In parallel, the bank has strengthened its position in terms of loan and deposit market share and has increased its customer base in all clientele segments. As of the end of 2016, Credit Agricole Bank rendered services to around 300,000 active private customers, 1,000 MNC and large local companies, 1,500 middle corporate clients and 15,100 SME customers, confirming our positioning as a reference bank for the large international corporate segment, but also as an institution supporting the development of the local economy.

Credit Agricole Bank has also consolidated its position in agro-agri sector as one of the leading banks in Ukraine in this area of activity by sharing our recognized and creative expertise in this field with more than 3,100 customers in Ukraine.

Striving to provide our customers with the highest level of service, Credit Agricole Bank has initiated an ambitious plan of investment in different areas, such as digital transformation of the bank with the launch of a totally new e-banking platform for private individuals, progressive restructuring of our network based on a new branch model designed to allow our customers to benefit from a comprehensive multichannel approach in our outlets. The first branch of the future will open its doors in Kyiv in the 1HY of 2017. The bank has also decided to upgrade its IT systems and to centralize all back office operations in a single platform in Vinnytsia, and to reinforce its presence in Lviv by opening a dedicated MNC Desk, thus assisting in the development of the region and supporting the investors in their projects. This strong investment will be further continued in 2017.

In 2016, the new corporate signature of Credit Agricole Group was introduced in Ukraine. "A whole bank just for you" means that everyone in the bank joins their efforts to bring the best expertise existing in Credit Agricole Group and within Credit Agricole Bank to each customer – from PI to large multinational companies – maintaining true, transparent and long-term partnership relations with each of our customers.

Finally, I would like to thank our customers for their confidence in the bank and our employees – for their contribution to the development of Credit Agricole in Ukraine.

Jean-Paul Piotrowski,
CEO of Credit Agricole Bank

MACRO OVERVIEW. KEY TRENDS OF THE UKRAINIAN ECONOMY IN 2016

Agricultural sector is the key driver of Ukraine's GDP growth and the main avenue in medium-term outlook. Export has changed in favor of Food/Agro segment (40%) fully compensating the drop in metallurgic and services sectors with extra growth on top of that.

2016 was the first year of recovery after the post-crisis “bottom” reached in 2015. GDP has increased its positive value in Q1 2016 and has been following a positive trend and reached 2.3% by the year end. Some corrective slowdown to 1.9% is expected in 2017 and there is still room on the way back to the 2013 level.

Positive dynamics in FDIs (foreign direct investments): from USD 0.3 bln in 2014 to USD 4.5 bln in 2016. The Extended Fund Facility (EFF) from IMF amounting to USD 17.5 bln was a positive sign for foreign investors already operating in Ukraine as well as for the potential ones. Ukraine’s Current account worsened in the second half of 2016, but Capital account remained positive along with the FDI trend.

Very positive changes continue in Ukraine’s foreign trade activity. Export has been reshaping with growing share of Europe and Asia (39% and 32%, accordingly) in 2016. In merchandise structure, the Export has changed in favor of Food/Agro segment (40%) fully compensating the drop in metallurgic and services sectors with extra growth on top of that. Agricultural sector is the key driver of Ukraine’s GDP growth and the main avenue in medium-term outlook. Organic changes have taken place on the import side: 47% of import comes from Europe, while the share of Russia is still significant (22%) and is mostly related to the historical energy-source dependence.

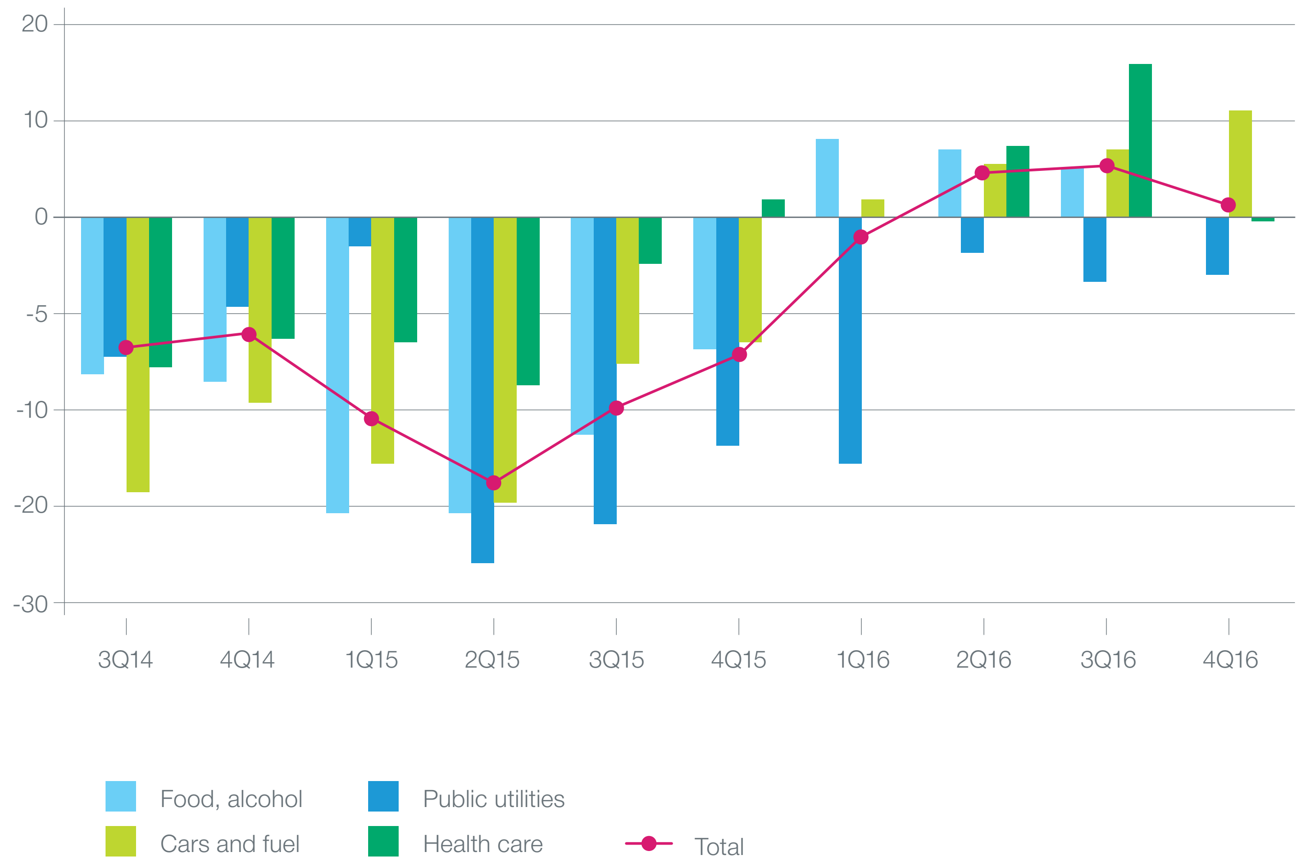
The important evidences of economic and social situation improvement are the dynamics of real household consumption and real wages. The YoY consumption at 5% level in 2016 versus the -27% in 2015 is quite a positive trend.

GDP DYNAMICS
BY EXPENDITURE COMPONENTS, YOY, %

Sources: State Statistics Committee, Credit-Agricole

REAL HOUSEHOLDS CONSUMPTION, YOY, %

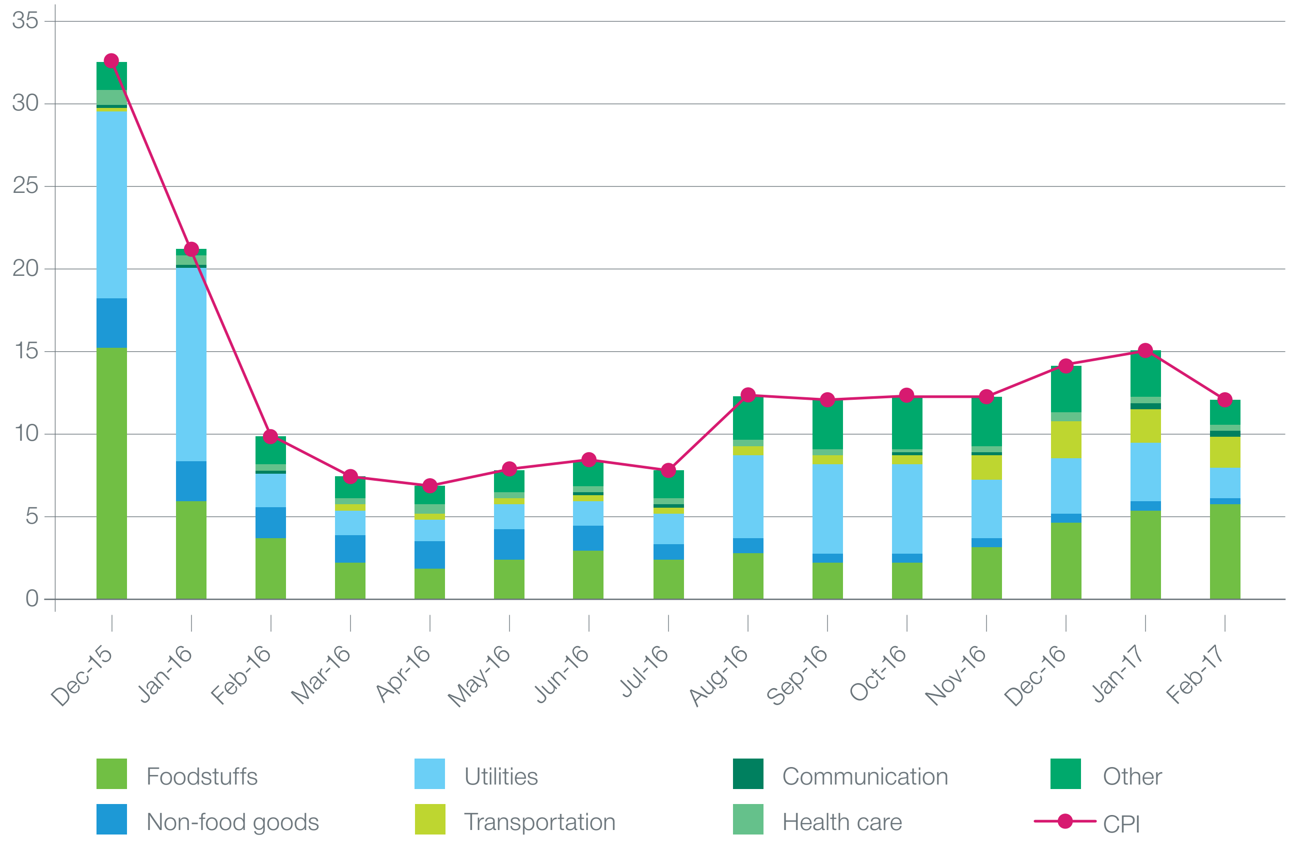
Sources: State Statistics Committee



The inflation (CPI) decreased to 12.4% in 2016 versus 43.3% in 2015. The drop resulted from the significantly weakened household demand after sharp devaluation of UAH and tough monetary policy as well as restrictive FX regulations of the National Bank of Ukraine. The moderate upward movement in the H2 2016 was driven by a sizable budget deficit and resumed lending by banks in retail segment specifically.

CPI BY ITS COMPONENTS, %

Sources: State Statistics Committee, Credit Agricole



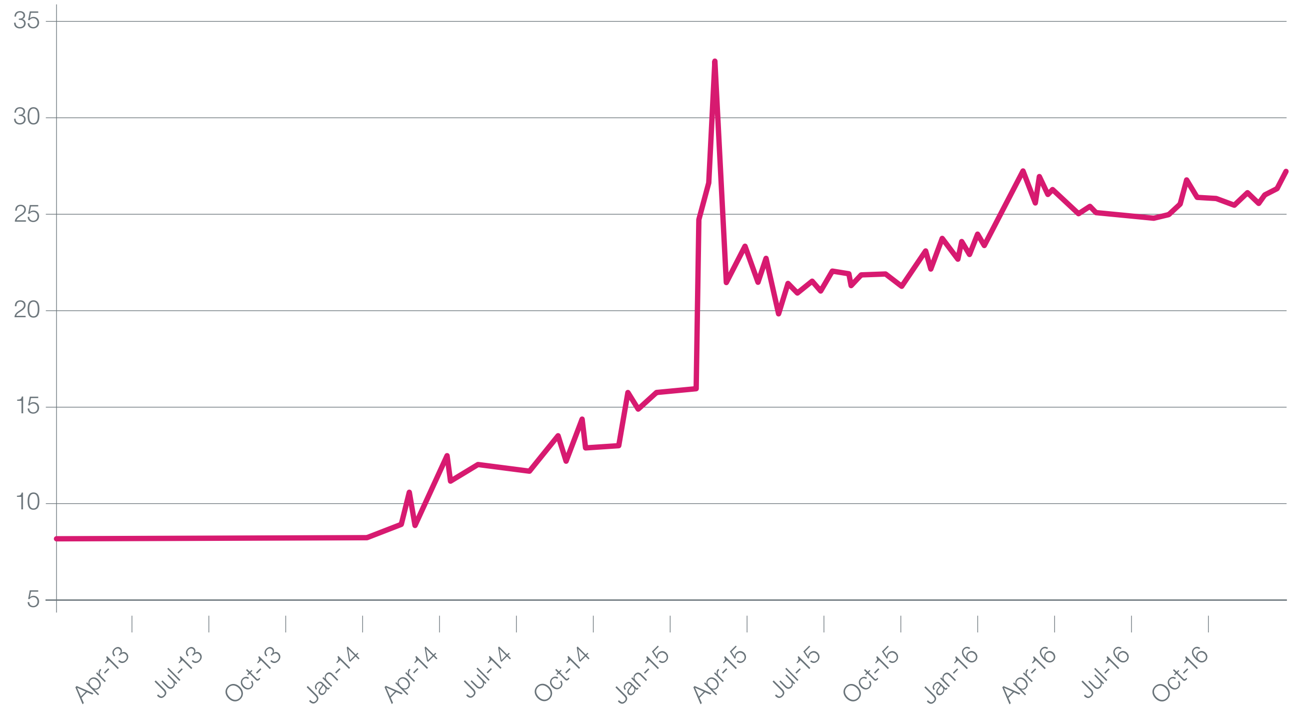
2016 was the year of dramatic changes in the Ukrainian banking system: high capitalization requirements, growing credit risk provisions, toughening banking supervision, global and domestic Compliance/Financial monitoring environment created additional challenges to economic situation in the country. In 2016, the National Bank of Ukraine declared 21 banks insolvent (33 in 2015 and 33 in 2014), thus decreasing the number of banks in Ukraine to 93 versus 180 in 2013. The process is to continue in 2017 with about 10 banks more. Furthermore, the nationalization of the biggest systemic bank in Ukraine (Privatbank) was the most significant event for the banking sector. For the next year (2017), the asset structure of the banking sector will be unprecedented with more than 50% share of state-owned banks.

In this challenging environment, the banking system resumed commercial lending (mostly in corporate segment) starting in Q3 2016 after the long period of restrained credit started in early 2014. The boost in Retail lending is expected in 2017.

The situation in the banking sector remains uncertain and complicated. Further decrease in the number of banks, new M&A and, respectively, new market players, state-owned banks privatization plans evidence that the process of Ukrainian banking system reshaping and business model transformation is not yet over and would last for at least two more years.

In 2016, financial markets (FX, Money market, M&A/Equity, bonds, etc.) remained under tough anti-crisis regulatory constraints imposed in 2014. The National Bank began to take moderate liberalization steps via softening previously set limitations for FX activity and divestments: companies were allowed to pay dividends for previous years, limits for cash exchange transactions were increased due to the stabilization of FX market, significantly lower USD/UAH rate volatility and reduction of devaluation expectations.

USD/UAH RATE



Cash exchange market was of net positive balance, i.e. FCY inflows from individuals to banks exceeded the outflows. However, there is still room for stabilization and improvement: the money market keeps showing significant price-segmentation and liquidity concentration in some groups and deficit in others. 2017 is expected to be the year of further liberalization in FX and investment legislation. Additionally, the reforms (scheduled and recommended by IMF for 2017-2018) in different domains shall boost real economy sector growth. For banks, it will be another year with another pattern to get adapted to and to reconsider some of their business models.

"2016: FIRST POST-CRISIS YEAR UNDER THE SIGN OF GROWTH AND PROFITABILITY"

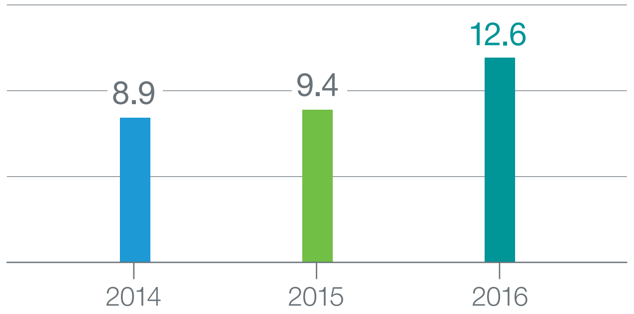
For the banking system, the year 2016 was a year of heavy restructuring and recapitalization efforts driven by the National Bank of Ukraine. For Credit Agricole Ukraine, 2016 will remain the first post-crisis year, both from business and financial standpoints, as the bank recorded a significant growth of its activities and increased its profits considerably.

Regis Lefevre, CFO of Credit Agricole Bank

Growing business

Leveraging on its solid liquidity and equity levels as well as taking the advantages of its risk monitoring system, Credit Agricole Ukraine restarted developing its business and improving its contribution to the Ukrainian economy, as the evolution of its UAH denominated loan portfolio shows:

UAH LOANS, BLN UAH



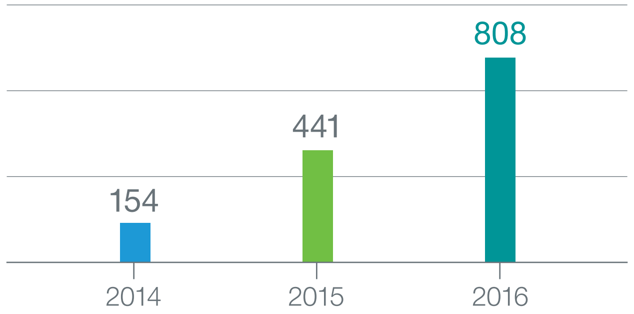
Credit Agricole Bank loan portfolio in UAH increased by 42% over the past 2 years and by 34% just in 2016.

If almost all Credit Agricole Bank businesses contributed to this growth, performance of Retail is to be noted with UAH denominated loans to individuals increasing by 51% in 2016, while the market decreased by 5%.

Confirmed and improved profitability

In 2016, Credit Agricole Ukraine continued to improve its profitability and realized a record net profit of UAH 808 M.

NET RESULT, M UAH

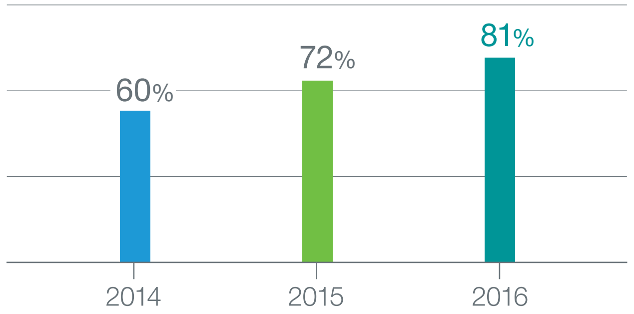


This record profitability will allow Credit Agricole Ukraine to pay dividends to its shareholders but also to reinforce its equity by increasing its reserves. The General shareholders meeting of the 27th of April, 2017 resolved to allocate UAH 485 M of 2016 profit to reserves, increasing the equity of the bank and paving the way to further growth of its loan portfolio.

Reinforced bank

Such an increase of the net result has not been achieved through a release of provisions. On the contrary, Credit Agricole Bank increased its coverage of bad debtors to the very high level of 81%.

NPL COVERAGE, %



This high level demonstrates the efforts undertaken by Credit Agricole Ukraine to cover the risks that arose from the 2014-2015 crisis. It allows the bank to be confident in its ability to generate high profits in the years to come.

Thinking about 2017

In 2016, recapitalization of most banks contributed to the improvement of the results of the Ukrainian banking system. In 2017, a normalizing environment will weight on their revenues; interest rates and margins will decrease and banks will be confronted with the efficiency of their business models. Leveraging on its strengths and its ability to generate healthy assets and diversify its revenues, Credit Agricole Bank is confident in its capability to address 2017 challenges for the benefit of its shareholders and the Ukrainian economy.

CREDIT AGRICOLE GROUP

CREDIT AGRICOLE GROUP

Thanks to its universal customer-focused banking model – based on close cooperation between its retail banks and its specialized business lines – reaffirmed by its new "A whole bank just for you" brand signature, Credit Agricole helps its customers to implement all their personal and business projects. It does so by offering them an extensive range of services consisting of day-to-day banking, loans, savings products, insurance, asset management, real estate, leasing and factoring, corporate and investment banking, issuer and investor services.

Serving 52 million customers worldwide, it also stands out on account of its distribution model, multichannel customer-focused banking, and the efforts of its 138,000 employees, who make Credit Agricole the Customer Relationship-based bank.

Built on its strong cooperative and mutual foundations and led by its 9.3 million members and almost 31,000 directors of its Local and Regional Banks, Credit Agricole's organizational model gives it stability and staying power. It also draws its strength from its values of transparency, customer focus, accountability and openness to the world and from local communities, which it has cultivated for over 120 years.

Credit Agricole's corporate social responsibility policy lies at the heart of its identity as a helpful and responsive bank over the long term. It is reflected in its products and services and informs the actions of its all business lines. It is a key factor contributing to overall performance and a powerful innovation driver.

Credit Agricole Group extends its leadership year after year. It is the number one provider of financing to the French economy and the number one insurer in France. It is also the first bancassurer in Europe, the first European asset manager and the world's second-largest provider of green financing.

A presence in
50
countries

52
million customers worldwide

138,000
employees in France and abroad

No. 1
bancassurer in Europe

No. 1
European asset manager

No. 2
worldwide player in "green" financing

The world's second-largest provider of green financing

CREDIT AGRICOLE BANK

CREDIT AGRICOLE BANK

Credit Agricole Bank is a modern universal bank and the oldest established foreign bank in Ukraine. The bank is owned by the leading financial group in Europe – Credit Agricole Group (France).

Credit Agricole Bank has been operating in the financial market of Ukraine since 1993. Nowadays, the bank offers the entire range of banking services to private individuals, including VIP clients, and corporate customers.

Credit Agricole Bank belongs to the group of the largest banks according to the classification of the National Bank of Ukraine. The bank ranks 11th in terms of assets among Ukrainian banks.

The regional network of the bank covers all regions of Ukraine with more than 155 outlets. Credit Agricole Bank's own ATM network comprises 300 ATMs.

Reliability and business reputation of Credit Agricole Bank is confirmed by the highest possible FITCH rating, leading positions in bank sustainability, bank deposit reliability and bank profitability rankings as well as by the rewards of the leading Ukrainian periodicals.

Over 300,000 active private and 18,000 corporate customers (including more than 1,000 international corporations and large corporate customers, more than 1,500 medium-size corporate companies and more than 15,000 representatives of small and medium business) entrusted Credit Agricole Bank with handling of their financial issues. This confirms the reliability and business reputation of the bank.

The bank renders the full range of services to business, paying special attention to cooperation with agricultural companies. Being a strategic partner to agri-agro segment, Credit Agricole Bank provides a combination of strong financial and agri-agro expertise as well as innovative solutions for the Ukrainian market.

Credit Agricole Bank holds solid positions and has sound expertise in car lending market. It was the first bank in Ukraine to launch partnership programs with car manufacturers back in 2008. Today, the bank cooperates with more than 400 car dealers and has exclusive partnership with car manufacturers. Credit Agricole Bank is the only bank in Ukraine holding ISO 9001 certificate in the area of car loans.

Credit Agricole Bank is a "safe haven" for VIP customers, the total number of which is nearly 3,000. Premium customers are offered an exclusive service at the VIP branch in the center of Kyiv as well as in Premium service centers in the regions.

Credit Agricole Bank aims to be among TOP-10 digital banks in Ukraine and makes a special focus on IT innovations. The bank offers its customers a wide range of digital solutions, such as internet and mobile banking, contactless payments and online transactions. 50% of customers are registered as internet banking users.

Credit Agricole Bank is named among TOP-10 Ukrainian companies caring about the nature and investing into the environment, according to the "Vlast Deneg" weekly magazine. The corporate social responsibility program "We Care!" launched in 2016 is focused on green initiatives, charity, employees, and ethical business.

The strong team of Credit Agricole Bank consists of 2,300 employees who share the bank's values. All of them are true professionals willing to provide high-quality service to customers.

RATINGS AND AWARDS

FITCH RATINGS

The highest possible rating in Ukraine: National Long-Term Rating

AAA (ukr)

Viability rating upgraded from b- to b

Long Term Foreign Currency IDR:

B-

stable outlook

BUSINESS MAGAZINE RATINGS

“Financial Oscar”

“The most Professional Bank”
“The best Product for Agrarians”
“The best Agrarian Bank”

“Reputation ACTIVists”

TOP-3

among the banks with the best reputation

TOP-10

companies with the highest level of reputational stability

“Best Bank for SME”

TOP-3

“Best Bank for SME”
“Best Product for SME”

Larysa Bondarieva in

TOP-3

of “Best Banker for SME”

FORINSURER INTERNET-PORTAL RATING

1st place

among the TOP-15 most reliable banks (2015-2016)

TOP 50 LEADING BANKS RATINGS

Credit Agricole Bank in

TOP-3

of “50 Leading Banks of Ukraine” (2015)

1st place

“Car loans” (2015-2016)

TOP-3

“SME loans” (2015, 2016)

TOP-5

“Overdrafts” (2015, 2016)
“Cash loans” (2015, 2016)

TOP-10

“Premium Banking” (2015, 2016)
“Mortgage Loan” (2016)
“Legal Entities Servicing” (2016)
“PIs Servicing in Outlets” (2016)
“Salary Projects” (2015)

Jean-Paul Piotrowski in

TOP-3

of “The Best Bank’s Top-Managers” (2015)

Larysa Bondarieva
“The Best Corporate Banker” (2014-2016)

Regis Lefevre
“The Best Financial Director” (2014-2015)

Galyna Zhukova in

TOP-3

of “The Best Retail Banker” (2015-2016)

SUPERVISORY BOARD

COMPOSITION
OF THE SUPERVISORY BOARD
AS OF 31.12.2016

Chairman of the Supervisory Board
Francois Pinchon

Deputy Chairman of the Supervisory Board (Independent)
Philippe Guidez

Member of the Supervisory Board
Laurent Bennet

Member of the Supervisory Board
Philippe Leonnard

Independent Member of the Supervisory Board
Gerard Marchand

MANAGEMENT BOARD

COMPOSITION
OF THE MANAGEMENT BOARD
AS OF 31.12.2016

Chairman of the Management Board
Jean-Paul Piotrowski

Member of the Management Board
Retail & Network
Galyna Zhukova

Member of the Management Board
Corporate & SME
Larysa Bondarieva

Member of the Management Board
Chief Operational Officer
Patrice Aubert

Member of the Management Board
Chief Financial Officer
Regis Lefevre

Member of the Management Board
Financial Markets
Vadym Ganah

Member of the Management Board
Chief Risk Officer
Hans Ferm

Member of the Management Board
Gunther Koller

Member of the Management Board,
Responsible Employee
Alla Bogun

CORPORATE BUSINESS

The activity of the corporate business is focused on the customers' segments with the acceptable risk and profitability combination and on synergy within the bank and Credit Agricole Group in order to build long-term relations and to satisfy the clients.

CORPORATE BUSINESS

Being a universal bank, Credit Agricole aims to provide its corporate clients with the full range of comprehensive banking services in line with the high European standards.

The bank serves international companies and large local business as well as small and medium-sized legal entities. It is worth mentioning that historically the bank cooperates with many foreign companies conducting business in Ukraine. Such companies require high-quality services, including diverse solutions for cash management and forex products.

Previously, a key factor determining the beginning of relations with the Ukrainian client was lending activity. However, currently the companies search for long-term relations with a multiservice partner with a stable financial position and a sound reputation. The corporate business team in Credit Agricole Bank is persistently developing the products and services to meet the customers' expectations and actively reviewing the value chains of the target audience and its needs.

The activity of the corporate business is focused on the customers' segments with the acceptable risk and profitability combination and on synergy within the bank and Credit Agricole Group in order to build long-term relations and to satisfy the clients.

The standards of corporate banking in Credit Agricole Bank, such as credit and risk policy, compliance approach, are considered as a reference on the market. Reactivation of economic and investing activities combined with stabilization of financial market facilitated an increased competition. In these circumstances, the banking service productivity required continuous significant efforts and resources to ensure a high level of servicing and control over all risks.

The bank is working on efficiency and constantly updating its processes, such as customer service process, lending process, business flows, document flows, etc. Organizational changes are also being implemented to build up an efficient and agile organization: agro-business support department, middle office, car platform. The bank is investing into new systems aimed at improving the communication processes vis-a-vis clients and within the organization itself: new internet banking, website, CRM system.

INTERNATIONAL AND LARGE LOCAL BUSINESSES

International companies were determined as a priority for the development of cooperation with Credit Agricole Group worldwide and in the Ukrainian market. The bank is aiming to keep a core bank status for the international companies working in Ukraine. For the reputable Ukrainian large local entities having international needs, the bank provides full range of services, thus supporting geographical expansion of the clients' activity.

During 2016, the bank continued to support business through lending to top international and major Ukrainian companies and giving preferences to borrowers with transparent activity and stable financial performance.

The loan and deposit portfolios demonstrated a regular proportional growth. As a result, a sustainable interest income was generated. The bank is focused on development of cash management products, specific financial offers (FX forwards, trade finance, factoring) and on effectiveness of internal processes.

To strengthen the relations with international investors operating in Western Ukraine, a specialized office (MNC Desk) was opened in Lviv to ensure proximity of banking services and advisory.

In 2016, international and large local businesses remained stable and profitable despite the increasing competition in the market, in line with the bank's strategy and bank-client "win-win" relations principles.

90
new accounts for entities were opened, including
70
for international ones

45%
UAH denominated loans extension y-o-y on 2015, focusing on agro sector with
57%
share of portfolio

57%
increase of UAH denominated liabilities

24%
commission income increase versus the previous year

MEDIUM CORPORATE BUSINESS

Medium corporate business is one of the biggest in the bank in view of the loan portfolio size. This line of business provides financial services for agri-agro industry, FMCG, inputs, pharmaceutical sectors, with the special focus on exporters and local producers of import substitutes.

The commercial teams cover corporate clients all over Ukraine and are located in each macroregion of the country.

The main targets in 2016 were to support existing clients, based on increased financial needs due to devaluation and natural business development, to control risks and to increase profitability. The targets were achieved due to focusing on segment leaders with solid activity and on profitability of relations. New customers were taken on board both for cash management operations and lending.

In 2016, the bank continued to make efforts aimed at optimizing services rendered to medium corporate customers. These measures covered the plan of strengthening the bank's position in this business segment and created the basis for prudent development in 2017.

288
new customers for cash management attracted by the business line

18%
commission growth versus the previous year

56%
of net profit level improvement compared to 2015

SMALL AND MEDIUM ENTERPRISES

Small and medium enterprises (SME) line substantially contributes to value chain support among all business segments of the bank with special focus on agri-agro sector. Therefore, development of SME remains one of the key priorities for Credit Agricole Bank. The services are provided by dedicated teams located in all regional centers of Ukraine.

During 2016, persistent efforts were made by the bank to attract new customers and animate the target sectors. The improvement of the Ukrainian economic environment together with further revival of the customers' demand for short- and long-term investments created a favorable background for active financing. Lending process was analyzed and optimized to have a competitive position on the market and, at the same time, to keep the cost of risk under control.

Ongoing improvement of available products allowed to meet specific customer requirements, while market orientation and IT progress enabled the bank to improve its services and to develop the best offers for customers.

13.5%
client base increase during 2016

55%
increase of assets in UAH against 2015 (assets almost doubled seasonally in mid-year due to the focus on agro sector). Agri loans were the main driver of portfolio growth, forming

~80%
of peak exposure.

22%
of portfolio on seasonal peak was formed by highly liquid promissory notes

32%
in UAH liabilities increase versus 2015

19%
commissions increase versus 2015

+17%
NBI versus 2015

AGRIBUSINESS

Agro sector is one of the strategic sectors for Credit Agricole Bank, which is a visible player in the Ukrainian agro market. During 2016, the bank won Financial Oscar Awards as "Leading Agricultural Bank in Ukraine" and "The Best Product for Agro Clients".

According to GFK survey, Credit Agricole Bank received customer recommendation index (CRI) of 68% in agro sector, the highest one on the market.

The bank cooperates with multinational corporations (inputs suppliers, traders, agro processing companies), large and highly efficient agricultural holdings, medium-sized agro enterprises and small farming entities that have a good reputation and professional management teams. The bank builds up long-term relations with its customers and develops the best service standards, specifically customized for the clients' needs.

Solid achievements of the bank in this segment are based on experience of Credit Agricole Group and creation of the dedicated agro team that has deep understanding of the agricultural production specifics, development strategy of agricultural business and conditions in which the customers operate, including climate, economic and technological ones.

In 2016, agro support department became a part of the corporate business. This department aims to provide the integrated professional agro expertise to the clients and divisions of the bank; organize agro trainings and educational webinars for employees; develop partnership programs for agricultural customers in cooperation with leading international and local producers of seeds, fertilizers, crop protection agents and equipment.

Credit Agricole Bank proposes a wide range of products to agro clients, such as seasonal pre-crop and stock financing; investment loans (financing of storage and drying facilities, agro machinery, etc.).

Credit Agricole Bank takes an active part in the development of Ukrainian agro sector, being not only a bank involved in financing, but also an organization that provides innovations to the Ukrainian market. In September 2016, Credit Agricole Bank, IFC, Syngenta and AXA Insurance launched a new insurance product for wheat and corn, which is a comprehensive program "Agro Insurance" tailored for agribusiness. This program is designed to increase the access of agrarians to financing facilities and to promote an extensive use of agricultural insurance products in Ukraine.

As a reference bank for market players, Credit Agricole Bank is fully engaged in agro conferences and forums and provides its expert opinion to the market. Annually, Credit Agricole Bank is a key participant of the Black Sea Grain conference, InterAgro exhibitions, conferences organized by the Ukrainian Club of Agrarian Business, etc. In addition, Credit Agricole Bank participates in agro expeditions together with the partners (8 events in 2016) to stay close to real business and its current needs.

Partnership programs enable the bank and its partners to provide the clients with attractive financing conditions. Currently, 13 programs for working capital financing and 28 programs for financing investment needs are running.

~7.2%
market share
in agri loans

21%
market share
in agri clientele

More than
3,000
of active
agro clients
as of 31.12.2016

14.6%
increase of total
exposure in agri-agro sector
against 2015

58%
of legal
entities assets

19%
of agri-agro
liabilities
in total corporate
portfolio

61%
absolute increase
in liabilities during
the year

Synergy is one of the key priorities for Credit Agricole Bank at both the Ukrainian and international levels.

Synergy is one of the key priorities for Credit Agricole Bank at both the Ukrainian and international levels.

A special focus is made on strengthening the relations with the Credit Agricole Group subsidiaries, especially CACIB divisions located in the UK, Italy, Germany, France, USA and Switzerland. Thus, 8 Group's customers opened accounts with Credit Agricole Bank in 2016, while international syndicated facilities were organized for 3 big Ukrainian customers.

Following the Group's Ambitions 2020 strategy, Credit Agricole Bank and Credit Agricole Bank Polska developed a joint program to facilitate cooperation between the countries and companies operating in Poland and Ukraine.

Understanding the importance of experience sharing, various meetings at intragroup level were held, and delegations from other countries and different business lines of Credit Agricole Group visited Credit Agricole Bank and its clients.

The internal synergy of Credit Agricole Bank has been chosen as an important focus of activity.

The bank continues investing in value-chain support within the corporate perimeter. The strong position in the agro SME segment allows facilitating the development of partnerships with international and local large agro clients. Therefore, loans within partnership programs form almost 1/3 of SME agri-agro portfolio.

Corporate business also shows growth in long-channel car loans financing. Thus, in 2016 total production of this product segment reached 276% against 2015 (or 211% more cars were financed), out of which 65% of loans were granted for SME segment.

For the purpose of internal synergy development, corporate business lines are actively supporting retail products offers to the owners, management and employees of their customers. Thus, the total number of salary projects within the corporate business increased by 23% against the previous year result, together with the expansion of VIP services offers.

RETAIL BUSINESS AND NETWORK

RETAIL BUSINESS AND NETWORK

Credit Agricole Bank is a universal customer-focused bank that holds solid positions and develops retail banking as one of the priority directions: in the retail market, Credit Agricole Bank shifts its focus towards more affluent and mass-affluent customers, holds a leading position in car lending market, and is valued by affluent and VIP customers for the quality of its banking services.

In 2016, Retail business line of Credit Agricole Bank was focused on the following strategic orientations and challenges:

- to keep leadership in car loans;
- to increase significantly the number of active clients while focusing on affluent and mass-affluent clients;
- a special focus was put on the development of VIP banking as Credit Agricole Bank is considered a "safe haven" on the market for savings of premium clients;
- to reactivate cash lending without compromising the quality of services and to be universal and proximate to its clients.

Credit Agricole Bank treats its target customers with an extensive commercial offer through a multichannel approach (outlets all over Ukraine, contact center, internet banking, partners' network).

But with the ambition to respond to changing clients' needs and behavior, Credit Agricole Bank also decided to start reorganization and reconfiguration of its sales network in order to have much lighter and more efficient network organization (adaptation, centralization and partial digitalization) concentrated in big and middle-size cities. These objectives can be achieved through maximizing synergy between all business lines (payroll for staff of international companies, bancassurance, etc.).

In 2016, the bank continued to successfully promote salary projects, to attract deposits from population, to issue and service payment and credit cards, to provide money transfer and other services to private individuals. Among the bank's priority areas of retail business in 2016 was a growth of lending to population, upgrading of card products and development of remote service channels.

Credit Agricole Bank focuses on enhancement and development of its remote service channels by expanding the range of banking services that can be offered to customers via the digital channel. During 2016, the bank implemented 2 large-scale releases of the internet banking system "i-Bank" that provided new opportunities to its customers to enable them to manage payment card services in a remote mode on a 24/7 basis. An additional functionality launched to enable customers to issue additional cards in their own names and handle money transfers in foreign currencies between their own accounts. This system functionality helps customers significantly save their time as they do not need to visit the bank's outlets for similar services.

Credit Agricole Bank does not limit the latest release to the above updates and continues to develop its digital service channel. The bank is going to implement a separate module for utility payments, to release a mobile application for Android and iOS devices and to continue development of the internet banking web-version "i-Bank" by implementing new functional modules.

Since September 2016, card holders of the bank could also benefit from the website's instant money transfer function based on the card number.

For the purpose of the customer accounts safety, the bank has implemented "Mastercard® Secure Code" and "Verified by Visa" services to provide high-level security arrangements for Internet payments.

As regards to the retail lending resuming process, the bank improved terms and conditions of cash loans and credit cards by increasing maximum maturity and maximum loan amount.

Credit Agricole Bank maintains its leading position in the car lending market. The bank continuously expands the list of its business partners and has already become one of the most active and successful banks involved in car lending. In 2011, the bank received a certificate of conformity of its car lending business with the International Standard ISO 9001:2008 in recognition of on-going quality enhancement of the bank's services. In 2016, Bureau Veritas, French inspection and certification company, conducted its regular inspection of the bank's quality management system in the car lending business line and extended the ISO 9001:2008 certificate once again. In 2016, the bank issued a record amount of car loans (over UAH 1.3 billion), which proves a high level of customer confidence in the bank. Overall, around 50% market share occupied by Credit Agricole Bank in the car lending market allows the bank to remain the most powerful player in this segment.

In 2016, Credit Agricole Bank engaged in significant transformation of sales network aiming at strengthening commercial activities and efforts in order to respond to changed clients' needs.

Significant adjustments were made in the areas of reshaping the network in terms of geographical localizations (new branches), expanding retail product range (bancassurance, dedicated VIP products and services), simplification of client-related processes, etc.

In this respect, the development of a new model branch concept was launched in 2016 with the target to open several new model branches in 2017.

300,000
private individual clients

121,000
internet banking users

20%
the increase of VIP customer base

50%
the highest market share in the segment of car loans

300
ATMs in own ATM network

90,000
insurance policies issued in 2016

1.3
billion UAH – the amount of car loans issued in 2016

155
branches all over Ukraine

40,000
car loan customers, over

400
dealers-partners

2%
retail market share

DIGITAL BANKING

2016 allowed Credit Agricole Bank to lay the foundations of work that will enable the bank to achieve a rapid and coherent digital transformation in the years to come.

In terms of Digital, 2016 was marked by the continuation of the digital transformation initiated by Credit Agricole Bank. Given that the local market was very competitive in the digital field, with strong players that have already implemented project structures and digital practices in their organizations, the boost of the digital transformation has been a priority for the bank's strategy in terms of projects engaged, business, organization or human resources.

The necessity of having an offer matching the market benchmark has forced Credit Agricole Bank to engage in crucial digital projects. The upgrading of our internet banking solution for private individuals, the launch of mobile banking app for private individuals and internet banking service for legal entities evidence the bank's ambition to enter the digital area. This digital transformation is driven by our ambition to hold an important position among TOP-10 digital banks by the end of 2018.

Apart from the project area, the implementation of a coherence and ambition in our digital business strategy has driven the year 2016. The main actions done in 2016 on the business side to be reinforced and upgraded in 2017:

- strong increase in the number of digital users thanks to vigorous actions in the network and the development plan and strong digital KPIs;
- transformation of the traditional branch into a 100% multichannel point of sales through our new branch model;
- enhancement of customer experience and satisfaction on the digital channels thanks to a perfect knowledge and control of customer journey;
- activation of customer acquisition online thanks to digital offers available on our website.

In 2016, Credit Agricole Bank began its digital transformation in order to become an important player in the Ukrainian market in terms of digital implementation and to meet a growing demand from the population willing to choose a digital-oriented bank as their primary bank.

2017 will be marked by important deliveries of digital projects with respect to private individuals and legal entities branch as well as the internal organization, but also by a significant amount of work on the identification and optimization of Credit Agricole Bank's processes.

Digital is also a question of mind with the company's employees. The creation of our first digital community within the bank has boosted the knowledge of the employees and the digital mindset in the organization. 25 community members representing 75% of the bank's units have made it possible by implementing concrete and coherent actions in order to strengthen the digital human resources component. 100% of the employees received special training on digital topics adapted to each type of department.

2016 allowed Credit Agricole Bank to lay the foundations of work that will enable the bank to achieve a rapid and coherent digital transformation in the years to come.

COMPLIANCE

Strict compliance with the laws of Ukraine ensures stability of the bank and consequent protection of the clients' assets.

As a universal bank servicing a large range of clients (from large international corporates to individuals and private entrepreneurs), Credit Agricole Bank is committed to apply the best standards in terms of compliance, ethics and transparency. Strict compliance with the laws of Ukraine ensures stability of the bank and consequent protection of the clients' assets. Ethical and transparent behavior creates confidence and explains the long-term relations Credit Agricole Bank has established with its customers. This approach has allowed a constant growth of clients during the 25 years of presence of Group Credit Agricole in Ukraine.

In that respect, Credit Agricole Ukraine is focused on delivering the complete and balanced information about its products or services. This is a guarantee for our clients to make the right choice and buy a product for their real needs. Ethical behavior means also internal rules within the bank to ensure that the bank behaves in a fair manner vis-a-vis its customers.

Besides, in a more challenging environment with various threats, protection of client data is a key issue. Credit Agricole takes actions to guarantee security of its clients' data as well as appropriate usage of those data.

In a very fast changing regulatory environment with new responsibilities for banks and also on the clients' side, Credit Agricole Bank will continue to upgrade its expertise and systems, based on the best international standards. Such expertise is praised and valued by our customers. Credit Agricole Bank will continue to put the clients' needs at the heart of its commercial strategy, in full compliance with the law and ethics.

CORPORATE SOCIAL RESPONSIBILITY

CORPORATE SOCIAL RESPONSIBILITY

CSR PROGRAM "WE CARE!"

Corporate social responsibility is an important element of corporate culture in Credit Agricole Bank. In 2016, the bank launched the program of corporate social responsibility "We care!" with the following strategic directions:

- Care for employees
- Charity and volunteering
- Care for the environment
- Sponsorship

PROFESSIONAL DEVELOPMENT OF EMPLOYEES

Credit Agricole Bank aims to provide the highest level of professional service to its customers, and therefore actively invests in the development and training of its employees. Total staff training and development costs in 2016 amounted to about 1.4% of the total staff costs, which is a significantly bigger investment in staff compared with previous years.

The bank provides employees with the opportunity to take part in internal trainings and training conferences among which there are both compulsory and voluntary ones. The catalogue of internal trainings of the bank comprises more than 15 programs for development of strategically important competences and skills of the employees. On average, employees of Credit Agricole Bank complete 7-8 courses per year to deepen their professional knowledge.

Credit Agricole Bank is proud of 2 ongoing programs for the development of talented employees. In total, around 5% of the bank's employees are participants of these programs and receive additional possibilities for professional and personal development on a regular basis. The development is realized by means of participating in training programs and conferences in Ukraine and abroad, participating in projects and peer learning, including programs at the level of Credit Agricole Group.

CARE FOR EMPLOYEES

Credit Agricole Bank cares for the health of its employees, and therefore it permanently expands its social package with additional options. Credit Agricole Bank is the only bank in Ukraine that currently provides its employees with the best life and critical illnesses insurance program. Medical insurance is paid by the bank for all categories of employees of the head office and the network. Also, the bank provides insurance for children of employees with large families, guardians, or single parents.

MOTIVATIONAL PROGRAMS

Credit Agricole Bank has implemented non-financial employee motivation programs, in particular programs of selecting the most efficient employees of the regional network and the head office under clear criteria. The winners of such motivational programs receive a reward in the form of trips to the countries of Credit Agricole Group presence. At least 30 employees receive bank recognition in the form of a motivational trip annually.

CHARITY AND VOLUNTEERING

Credit Agricole Bank supports and develops charity programs in Ukraine. The employees are regularly taking part in or initiating charitable activities, for example raising money for medical institutions and orphanages, participation in charitable sports events, free providing of office equipment. For more than 5 years, Credit Agricole Bank has been taking care of orphans who are students of agrarian universities within the framework of the program "Your future is in agrarian business".

CARE FOR THE ENVIRONMENT

Credit Agricole Bank is committed to high level of environmental responsibility. One of the manifestations of such responsibility is the introduction of a “green” or eco-office that has a minimal harmful effect on the environment. The bank has a permanent working group that develops and implements ecological and environmental initiatives at the level of the entire bank.

In 2016, numerous “green initiatives” were implemented: the use of office paper from recycled materials was introduced, the disposal of mercury lamps was organized, the use of phosphate detergents was minimized, and modern control systems for heating equipment were introduced. Employees of the bank regularly take part in all-Ukrainian actions on cleaning and gardening of cities.

In 2016, Credit Agricole Bank was listed among the TOP-10 Ukrainian companies that take care of nature and actively invest in the environment, according to the weekly magazine “Vlast Deneg”.

SUPPORT OF CULTURAL AND BUSINESS PROJECTS

For many years, Credit Agricole Bank has promoted the development of French-Ukrainian relations from an economic standpoint, provided support and opportunities for the development of Ukrainian business. The bank actively supports business communication through partnership and participation in thematic events, including those aimed at the development of agribusiness in Ukraine.

By supporting various projects that promote French culture in Ukraine, the bank actively invests in this area and gives Ukrainians the opportunity to get involved in French art in all its forms. For over 3 years, Credit Agricole has been a general sponsor of the annual festival “French Spring”, which has already become part of the bank’s identity.

1.4%
of the total staff costs spent on training and development of the bank’s staff in 2016

15
programs for the development of staff competencies and skills

5%
of the bank’s staff participating in the program for development of talented workers

30
bank employees annually receive recognition in the form of motivational trips

TOP-10
Ukrainian companies that care about nature and actively invest in the environment

The best life and critical illnesses insurance program in Ukraine

ANNUAL FINANCIAL STATEMENTS

PUBLIC JOINT STOCK COMPANY “CREDIT AGRICOLE BANK”

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31 DECEMBER 2016
WITH INDEPENDENT
AUDITOR’S REPORT

This version of financial statements is a translation from the original, which was prepared in Ukrainian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of financial statements takes precedence over this translation.

CONTENTS

INDEPENDENT AUDITOR'S REPORT

pwc

This version of our report is a translation from the original, which was prepared in Ukrainian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Independent Auditor's Report

To the Shareholders and Board of Directors of PUBLIC JOINT STOCK COMPANY "CREDIT AGRICOLE BANK"

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the PUBLIC JOINT STOCK COMPANY "CREDIT AGRICOLE BANK" (the "Bank) as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The Bank's financial statements comprise:

- the statement of financial position (balance sheet) as at 31 December 2016;
- the statement of profit or loss and comprehensive income (income statement) for the year then ended;
- the statement of changes in equity (equity statement) for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

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

Independence

We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Emphasis of matter

We draw your attention to Note 2 to the financial statements. The operations of the Bank and those of other entities in Ukraine have been affected and may continue to be affected in the foreseeable future by the continuing political and economic uncertainties in Ukraine.

Our opinion is not qualified in respect of this matter.

LLC AF "PricewaterhouseCoopers (Audit)", 75 Zhylyanska Str. Kyiv, 01032, Ukraine
T: +380 44 354 0404, F+380 44 354 0790, www.pwc.com/ua

Our audit approach

Overview

- Overall materiality: UAH 36 million.

- Our audit scope was the separate financial statements of the Bank as it has no subsidiary or associate entities

Key audit matter:

- Impairment of loans to customers

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the financial statements as a whole.

Overall materiality	UAH 36 million
How we determined it	We determined the above materiality as 1% of the Bank's total interest income and fee and commission income for the current year.
Rationale for the materiality benchmark applied	We chose total of interest income and fee and commission income as the benchmark because these incomes represent a more stable measure of the Bank's operations than profit in recent years given the current volatile economic environment in which the Bank operates. We chose 1%, which in our experience is within the range of acceptable quantitative materiality thresholds for this benchmark.

We report to the Audit Committee misstatements identified during our audit above UAH 3,6 million, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. The below matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Key audit matter	How our audit addressed the Key audit matter
Impairment of loans to customers We focused on this area because the management makes complex and subjective judgements over both timing of recognition of impairment and the estimation of the size of such impairment. • For significant corporate loans assessed for impairment on an individual basis such assumptions and judgements include identification of loss events, estimation of timing and amount of future cash flows, including those expected from realisation of collateral. • For retail and individually insignificant corporate loans, and unimpaired individually significant loans, which are assessed for impairment on a portfolio basis, such judgements include the period of historic losses used for calculation of the probability of default, loss given default and other data used in calculating impairment losses. Note 3 Basis of Preparation and Summary of Significant Accounting Policies, Note 4 Critical Accounting Estimates and Judgements in Applying Accounting Policies and Note 8 Loans and Advances to Customers included in the financial statements provide detailed information on the provision for impairment of loans to customers.	Our audit approach included the following. For individually significant corporate loans we selected a sample of borrowers which represented a significant portion of the total gross loan portfolio. Where we identified any signs of impairment we compared this to management's judgement and investigated any differences. For those significant borrowers with indications of impairment we examined the forecasts of future cash flows prepared by the management to support the calculation of the impairment, challenging their assumptions and comparing estimates to external evidence where available and tested the accuracy of the impairment calculation applying these assumptions. For all other loans, which are assessed for impairment on a portfolio basis, we recalculated the probability of default and loss given default for the entire population of such loans. We also tested the source data used in the models including the "bucketing" into segments / overdue bandings / "internal ratings", collateral data; and tested and applied sensitivities to the underlying critical assumptions. We found no material exceptions in these tests.

Other information

Management is responsible for the other information. The other information comprises the Bank's Annual Issuer information (but does not include the financial statements and our auditor's report thereon), which is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Bank's Annual Issuer information, if we conclude that there is a material misstatement or material inconsistency therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, 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.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lyudmyla Pakhucha.

LLC AF PricewaterhouseCoopers (Audit)

Kyiv, Ukraine

31 March 2017

Lyudmyla Pakhucha - partner
Bank auditor certificate #0025,
issued by the Audit Chamber of Ukraine,
valid until 1 January 2020

STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)

AT 31 DECEMBER 2016

(in UAH thousands)

Item	Notes	31 December 2016	31 December 2015
ASSETS			
Cash and cash equivalents	6	10,537,519	6,470,276
Due from other banks	7	2,603,671	2,437,553
Loans and advances to customers	8	15,505,337	13,823,958
Securities in the Bank's portfolio available for sale	9	648,395	910
Investment property	10	6,504	5,406
Property, equipment and intangible assets	11	498,935	442,507
Other financial and non-financial assets	12	85,138	48,225
Non-current assets held for sale and disposal groups	13	9,681	9,681
Total assets		**29,895,180**	**23,238,516**
LIABILITIES			
Due to other banks	14	391,669	854,992
Customer accounts	15	25,210,324	18,813,805
Debt securities in issue	16	-	101
Other borrowed funds	17	6,566	8,170
Current income tax liability		17,758	10,255
Deferred tax liabilities	27	7,881	34,723
Provisions for liabilities	18	119,522	60,031
Other financial and non-financial liabilities	19	296,177	166,588
Subordinated debt	20	1,369,649	1,207,419
Total liabilities		**27,419,546**	**21,156,084**
EQUITY			
Share capital	21	1,222,929	1,222,929
Retained earnings (accumulated deficit)		939,823	569,933
Reserves and other funds of the Bank		311,670	289,570
Revaluation reserves		1,212	-
Total equity		**2,475,634**	**2,082,432**
Total equity and liabilities		**29,895,180**	**23,238,516**

Signed and authorised for release
March 2017
Chairman of the Board J.-P. Piotrowski
Chief Accountant T.S. Solop

E.V. Teterina (044) 392-70-16

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (INCOME STATEMENT)

FOR THE YEAR ENDED 31 DECEMBER 2016

(in UAH thousands)

Item	Notes	2016	2015
Interest income	23	2,851,788	2,866,490
Interest expense	23	(989,115)	(837,128)
Net interest income		**1,862,673**	**2,029,362**
Commission income	24	781,781	647,130
Commission expense	24	(171,520)	(133,944)
Result from re-measurement of financial instruments recorded at fair value through profit or loss		174,598	(56,771)
Result from trading in foreign currencies		186,060	192,045
Foreign exchange translation result		88,277	141,410
Losses from initial recognition of financial assets at interest rates above or below market		(25,402)	(142,794)
Increase in provision for impairment of loans and due from other banks	8	(784,544)	(1,177,687)
Increase in provision for impairment of receivables and other financial assets	12	(4,357)	(3,308)
Increase in provisions for liabilities	18	(54,671)	(1,732)
Other operating income	25	30,257	9,788
Other operating expenses	25	(75,410)	(69,107)
Administrative expenses	26	(1,009,612)	(864,345)
Profit before tax		**998,130**	**570,047**
Income tax expenses	27	(190,344)	(128,686)
Profit for the year		**807,786**	**441,361**
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss:			
Revaluation of securities in the Bank's portfolio available for sale		1,478	-
Income tax relating to other comprehensive income		(266)	-
Other comprehensive income for the year after tax		**1,212**	**-**
Total comprehensive income for the year after tax		**808,998**	**441,361**
Earnings per share from continued operations:	28		
basic earnings per ordinary share for the year, UAH		0.66	0.36
diluted earnings per ordinary share, adjusted		0.66	0.36

Signed and authorised for release
March 2017
Chairman of the Board J.-P. Piotrowski
Chief Accountant T.S. Solop

E.V. Teterina (044) 392-70-16

STATEMENT OF CHANGES IN EQUITY (EQUITY STATEMENT)

FOR THE YEAR ENDED 31 DECEMBER 2016

(in UAH thousands)

Item	Notes	Share capital	Reserve and other funds	Revaluation reserves	Retained earnings	Total equity
Balance at 31 December 2014		**1,232,601**	**281,841**	-	126,629	1,641,071
Profit for the year		-	-	-	441,361	441,361
Total comprehensive income for the year		**-**	**-**	**-**	**441,361**	**441,361**
Distribution of prior year profit	21	-	7,729	-	(7,729)	-
Write-off of the effect of applying IAS 29	21	(9,672)	-	-	9,672	-
Balance at 31 December 2015		**1,222,929**	**289,570**	**-**	**569,933**	**2,082,432**
Profit for the year		-	-	-	807,786	807,786
Other comprehensive income for the year		-	-	1,212	-	1,212
Total comprehensive income for the year		**-**	**-**	**1,212**	**807,786**	**808,998**
Dividends	29	-	-	-	(415,796)	(415,796)
Distribution of prior year profit	21	-	22,100	-	(22,100)	-
Balance at 31 December 2016		**1,222,929**	**311,670**	**1,212**	**939,823**	**2,475,634**

Signed and authorised for release
March 2017
Chairman of the Board J.-P. Piotrowski
Chief Accountant T.S. Solop

E.V. Teterina (044) 392-70-16

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016 / DIRECT METHOD /

(in UAH thousands)

Item	Notes	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest income received		2,821,804	2,909,375
Interest expenses paid		(994,008)	(885,060)
Commission income received		774,700	643,870
Commission expenses paid		(171,318)	(157,818)
Result from transactions with derivatives		199,646	(53,386)
Result from trading in foreign currencies		186,060	192,045
Other operating income received		9,777	9,788
Other operating expenses paid		(85,561)	(82,786)
Staff costs paid		(528,940)	(504,748)
Administrative expenses paid		(354,602)	(267,395)
Recovery of loans previously written off	8	12,144	13,800
Income tax paid		(209,030)	(489)
Cash flows from operating activities before changes in operating assets and liabilities		**1,660,672**	**1,817,196**
Changes in operating assets and liabilities			
Net (increase)/decrease in due from other banks and the NBU		(188,403)	472,000
Net (increase)/decrease in loans and advances to customers		(1,817,260)	2,348,517
Net (increase)/decrease in other assets		(30,117)	1,229
Net increase/(decrease) in due to other banks		1,296	(3,795)
Net increase/(decrease) in customer accounts		5,229,812	(1,783,800)
Net increase in provisions for liabilities		-	58
Net increase/(decrease) in other liabilities		75,860	(15,927)
Net cash from operating activities		**4,931,860**	**2,835,478**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of investment property		-	2,482
Purchase of property and equipment		(90,946)	(102,086)
Proceeds from sale of property and equipment		10,202	1,033
Purchase of intangible assets		(51,552)	(25,251)
Purchase of investment securities		(639,703)	-
Net cash used in investing activities		**(771,999)**	**(123,822)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from sale of debt securities in issue		-	99
Repurchase/redemption of debt securities in issue		(100)	(21,333)
Return of other borrowed funds		(1,604)	(1,503)
Return of parent bank's financing		(777,789)	(537,746)
Dividends paid	29	(165,292)	-
Net cash used in financing activities		**(944,785)**	**(560,483)**
Effect of exchange rates changes on cash and cash equivalents		**852,167**	**1,255,598**
Net increase in cash and cash equivalents		4,067,243	3,406,771
Cash and cash equivalents at the beginning of the year		**6,470,276**	**3,063,505**
Cash and cash equivalents at the end of the year	6	**10,537,519**	**6,470,276**

Signed and authorised for release
March 2017
Chairman of the Board J.-P. Piotrowski
Chief Accountant T.S. Solop

E.V. Teterina (044) 392-70-16

NOTE 1 THE BANK AND ITS OPERATIONS

PUBLIC JOINT STOCK COMPANY "CREDIT AGRICOLE BANK" (the "Bank") was registered with the National Bank of Ukraine on 10 February 1993 (registration number 149). The Bank is a successor of Commercial Bank "Zolotyi Lev", Open Joint Stock Company Commercial Bank "Zolotyi Lev", Joint Stock Company "INDUSTRIAL AND EXPORT BANK" and Public Joint Stock Company "INDUSTRIAL AND EXPORT BANK", Joint Stock Company "Lyonnais Credit Ukraine", Joint Stock Company "Credit Lyonnais Ukraine", Joint Stock Company "Bank Credit Lyonnais Ukraine", Joint Stock Company "Calyon Bank Ukraine", Public Joint Stock Company "Calyon Bank Ukraine" and Public Joint Stock Company "Corporate and Investment Bank Credit Agricole" for all their rights and liabilities.

The Bank is domiciled in Ukraine. The registered address and place of business of the Bank: 42/4 Pushkinska Street, Kyiv 01004, Ukraine.

The registered and paid share capital of the Bank as at 31 December 2016 is UAH 1,222,929 thousand. As at 31 December 2016, the owner of the significant share in the Bank is a leading financial institution CREDIT AGRICOLE S.A. (France) that holds 99.9961% of the Bank's share capital. CREDIT AGRICOLE S.A. holds an official approval issued by the National Bank of Ukraine on 8 August 2006 No 305 for ownership of the significant share. Management does not own shares of the Bank and the Bank has no treasury shares repurchased.

During 2016, the Bank provided banking and financial services in money and currency markets in accordance with the banking licence No 99, General Licence for currency transactions No 99 and addendum to the General Licence for currency transactions No 99 issued by the National Bank of Ukraine on 12 October 2011, General Licence for currency transactions No 99-2 and addendum to the General Licence for currency transactions No 99-2 issued by the National Bank of Ukraine on 4 October 2016, and licences issued by the National Commission on Securities and Stock Market in Ukraine for depository, broker and dealer activities. The Bank participates in the state deposit insurance scheme. Credit Agricole Bank is a principal member of VISA and Mastercard® and an agent of international payment systems Western Union and MoneyGram. The Bank is a member of the united ATM network "ATMoSfera" consisting of more than 1,000 ATMs and has its own network of approximately 300 ATMs.

Credit Agricole Bank is a universal bank that provides a full range of financial services to all client categories – from private individuals to large international corporations – by drawing on its dedicated teams of specialists. The Bank provides services to 450 thousand private customers and 26 thousand corporate customers including major global and local corporations, industry leaders, financial organisations and diplomatic missions. The Bank has its regional multi-branch network of 155 outlets extended throughout Ukraine. Overall, the network is combined into 7 regional offices in Lviv, Vinnytsia, Odesa, Poltava, Dnipropetrovsk, Kharkiv and Kyiv. The Bank is part of the major financial group in Europe – CREDIT AGRICOLE GROUP ("Credit Agricole Group").

CREDIT AGRICOLE GROUP

Credit Agricole Group (CREDIT AGRICOLE GROUP) is a major business partner for the French economy and one of the largest banking groups in Europe: TOP 2 by share capital and TOP 3 by total assets (according to the annual world banks rating by The Banker, July 2015). In July 2015, Credit Agricole Group recorded the highest profit ever in its history as the Group's net income amounted to EUR 6 billion, and demonstrated that it has the strongest capital position among all French financial groups.

STRATEGIC DEVELOPMENT

On 9 March 2016, Credit Agricole Group made public its new Medium-term Strategic Plan "Strategic Ambition 2020" resulting from combined efforts of regional banks of JSC "Credit Agricole". Strategic Ambition 2020 is a realistic development plan to ensure customer-focused value proposition and to drive sustainable growth of Credit Agricole Group itself. The Medium-term Strategic Plan is fully consistent with the ten-year business plan developed in 2010 and is based on the performance results achieved in accordance with the previous Medium-term plan 2014-2016.

Strategic Ambition 2020 is a response of Credit Agricole Group to address challenges of the digital revolution and changes it has brought not only in relationships between a bank and its customers but also in a competitive environment. As part of the Strategic Ambition 2020 plan, the organisational structure of Credit Agricole Group will be streamlined to make it easy to understand by oversight and regulatory authorities.

In 2016, the Bank was implementing its three-year comprehensive programme focused on full reorganisation of the Bank's support functions including development of the host transaction processing platform to enhance customer experience and to implement cutting-edge digital technology in accordance with the strategic plan "HORIZON 2018".

AWARDS AND ACHIEVEMENTS OF THE BANK

The Bank continued to strengthen its position during 2016. The Bank gains high expert recognition and is at the top of the most reputable ratings.

- Credit Agricole Bank is ranked as a leading bank among 30 top banks in Ukraine according to the banks viability rating. The rating is assigned by Forbes Ukraine publication based on the performance results for first six months of 2016.

- For the third time running, the Bank is included in the group of banks with the highest level of viability (Group A) operating in Ukraine.

As mentioned in the publication, the five leading banks were selected on the basis of "the combination of quantitative indicators such as liquidity, profitability, capital adequacy, and qualitative factors such as continuity of payments, support to shareholders and risks of countries of their origin".

STRONG SEGMENT POSITIONS

> Retail business

In 2016, the Bank continued to successfully promote salary projects, to take deposits from population, to issue and service payment and credit cards, to make money transfers and to provide other services to private individuals. Among the Bank's priority areas in its retail business in 2017 are a growth of lending to population, an improvement of card products and a development of remoted service channels.

The Bank focuses on enhancement and development of its remote service channels by expanding a range of banking services that can be offered to customers via the digital channel. During 2016, the Bank implemented two large-scale releases of the Internet banking system "i-Bank" that provided new opportunities to its customers so that they are able to manage payment card services in a remote mode on a 24-hour basis: to activate/deactivate CVV2 code check, to manage SMS-informing service, to initiate prompt blocking/de-blocking of payment cards, and to fix individual limits on cash withdrawals, non-cash settlements in the sales and service network, payments in Internet and quasi-cash transactions both in Ukraine and overseas. Furthermore, an additional functionality was launched to enable issuance of an additional card in own name and money transfers in foreign currencies between own accounts. This system functionality contributed to significant time savings of customers as it reduced their need to address the Bank's outlets for similar services.

The Bank does not limit the latest release to the above updates and continues to develop its digital service channel. In 2017, the Bank anticipates to implement a separate module for utility payments, to release a mobile application for Android and iOs devices and to continue development of the Internet banking web-version "i-Bank" by implementing new functional modules.

The Bank also continues to develop its card business. In 4 quarter 2016, the Bank launched issuance of proximity cards – the new technology for settlements in the sales networks to become more user-friendly and faster. From September 2016, holders of the Bank's cards also benefited from instant money transfers based on the card number on the Bank's website.

For the purposes of the customer accounts safety, the Bank intends to introduce Mastercard® Secure and Verified by Visa services in 1 quarter 2017 to fix security arrangements for Internet payments to the highest level.

Furthermore, the Bank continues to enhance its product line. In 2016, Credit Agricole Bank certified a new premium card category Mastercard® Elite.

As part of the population lending recovery process, the Bank improved terms and conditions of cash loans and credit cards by extending the maximum lending life up to 5 years and by increasing the maximum loan amount from UAH 50,000 to UAH 100,000.

Credit Agricole Bank maintains its leading position in the auto lending markets. The Bank was first in Ukraine to become a business partner to the lending programme of Renault Finance and Nissan Finance later on. Car loans granted for Renault, Nissan, Toyota, Lexus, Mazda, Suzuki, Subaru, Hyundai, KIA, Mitsubishi, BMW and Peugeot brands became more affordable to Ukrainian car enthusiasts through cooperation of Credit Agricole Bank with their importers and official dealers in the Ukrainian market. The Bank continuously expands a list of its business partners and has already become one of the most active and successful banks involved in car lending. In 2011, the Bank received a certificate of conformity of its car lending business with the International Standard ISO 9001:2008 in recognition of on-going quality enhancement of the Bank's services. This year, Bureau Veritas, French inspection and certification company, conducted its regular inspection of the Bank's quality management system in the car lending business line and extended the ISO 9001:2008 certificate once again. In 2016, the Bank also issued a record amount of car loans (over UAH 1.3 billion), which proves a high level of customer confidence in the Bank. Overall, a 48% market share occupied by Credit Agricole Bank in the car lending market allows it to remain the most powerful player in this segment.

> Corporate business

>> Major and international corporate business

During 2016, the Bank continued to support business through lending to top international and major Ukrainian companies giving preferences to borrowers with the most stable financial performance and diversified business.

The loan and deposit portfolios demonstrated a regular proportional growth generating sustainable interest income and contributing to development of relevant products on forward and letter-of-credit terms. The Bank also focused on development of cash management products and effectiveness of internal processes.

A slow growth of economic and investing activities facilitated an increased competition resulting in minimisation of marginal conditions for banking products, specifically for liability-side and foreign exchange transactions. On the other hand, an expansion of regulatory requirements for borrower assessments and loan provision estimates limits lending efficiency to a certain extent. In these circumstances, the banking service productivity requires continuous significant efforts and resources to ensure a high level of servicing and control over all risks.

Priority business areas were determined and boosted over the year to address development of cooperation between Credit Agricole Group and its customers to whom the Bank renders a universal range of services that meet all business requirements.

As part of the Group's Strategic Ambitions 2020 focused, among other things, on income growth from the synergy of Credit Agricole Bank (Ukraine) and Credit Agricole Bank Polska S.A., the joint programme was developed to facilitate cooperation between the companies operating in Poland and Ukraine.

>> Medium corporate business

In 2016, the Bank continued to take efforts aimed at optimising services rendered to medium corporate business customers who experienced difficulties in their operations affected by economic environment including significant changes in foreign exchange rates in the past. At the same time, the Bank attracts new customers to provide financing facilities to their business, which contributes to growth of its loan portfolio. These measures are covered by the plan designed to strengthen the Bank's position in the medium corporate business segment and aim at prudent development of this segment in 2017.

Along with credit services, the Bank focuses on a higher level of customer engagement in cash management and daily transactions. This policy will enable to raise both absolute and relative levels of income not exposed to credit risk and to increase the liability base, which will become the future source of the medium corporate business lending facilitation in 2017.

The main focus is placed on cooperation of agricultural businesses, exporters, manufacturers of import-substituting products, food producers and FMCG manufacturers and distributors.

For the purpose of synergetic development of the Bank, this business line contributes to the Bank development by selling retail products to owners, management personnel and employees of its medium corporate business customers.

>> Small and medium-sized business

Development of the small and medium-sized business sector is one of the Bank's key priorities, therefore, customer services are provided by dedicated teams of specialists located in all regional centres in Ukraine. With the understanding that the small and medium-sized business sector is a key development drivers of the Ukrainian economy, the Bank pays much attention to provision of financing to existing and new customers and on-going maintenance of the loan portfolio quality. In the fourth quarter, the Bank experienced a natural decrease of its loan portfolio resulting from seasonal repayment of agribusiness loans that represent a material part of the total portfolio. This also is an indication of high payment discipline of borrowers. The deposit portfolio increased in 2016 due to the Bank's stability and unblemished reputation. Continuous market upgrades and IT progress allow the Bank to increasingly improve its services and to develop best customer service offerings. Due to the Bank's agricultural service focus, a dedicated team is actively involved in implementation of different financing arrangements with special terms under the business partner programmes and packages of daily transaction services, and special deposit offerings to its agricultural customers. Ongoing improvement of available products enables to meet specific customer requirements.

>> Agribusiness

The Bank won the Financial Oscar Award and was recognised the leading agricultural bank in Ukraine.

Solid achievements of the Bank in the agricultural segment result from regular reliance on successful experience of Credit Agricole Group in financing of agricultural companies and existence of the dedicated team who has deep understanding of the agricultural production specifics, development strategy of agricultural business and conditions in which the customers operate including climate, economic and technological conditions.

The Bank cooperates with large and highly efficient agricultural holdings, small and medium-sized businesses, and farming entities that have a good reputation and professional management teams. The Bank builds up long-term relations with its customers and develops best service standards specifically customised for its customers operating in this industry. In addition, the Bank is actively engaged in development of business partner programmes for agricultural customers in cooperation with leading international and local producers of seeds, fertilisers, crop protection agents and equipment, and offers new financing products to the market.

In September, Credit Agricole Bank, IFC, Syngenta and AXA Insurance announced a launch of a new insurance product for wheat – a comprehensive programme tailored for agribusiness "Your Harvest is Our Concern". This programme is designed to increase agrarians' access to financing facilities and to promote an extensive use of agricultural insurance products in Ukraine. As early as late 2016, a number of agreements under this programme were successfully signed.

NOTE 2 OPERATING ENVIRONMENT OF THE BANK

Ukraine remains in the process of negotiations with the IMF on potential disbursement of the new tranche under the Extended Fund Facility programme. Recent comments given by the IMF representatives support progress in these negotiations. Therefore, the new tranche is expected to be obtained in the first half of 2017.

Ukraine's economic indicators significantly improved at the end of 2016 compared to the prior year. The improvement is mainly driven by significant growth in the agricultural sector (66.4% in December of 2016).

The industrial production output increased by 2.4% in 2016 compared to 2015. The industrial production output increased by 4.5% in December of 2016 compared to December of 2015.

The balance of payments estimated during 2016 shows insignificant improvement in its surplus (USD 1.35 billion) against the prior year (USD 0.85 billion). However, certain indicators of the balance of payments account appeared to be more contradictory than in 2015. In particular, the current account deficit increased to USD 3.36 billion in 2016 compared to USD 0.19 billion in 2015.

The deteriorated situation in foreign trading had the highest adverse effect on the current account. The foreign trade deficit demonstrated a 3-times increase in 2016 compared to the prior year. This was driven by a 3.9% increase in imports though with a 4.1% decrease in exports.

The balance of the capital transactions account increased in 2016 (USD 4.71 billion compared to USD 1.04 billion in 2015) even despite negative foreign currency receipts for the sovereign debt (USD -0.85 billion). The capital transactions account was maintained by direct foreign investments (USD 3.35 billion) and excess foreign currency supply in the cash market (USD 4.67 billion).

The banking system remains fragile due to its inadequate capitalisation, its weakening asset quality caused by the economic situation, currency depreciation and other factors. During 2014-2016 more than 80 banks were declared by the NBU as insolvent due to various reasons and the largest private bank was nationalised in December 2016. The National Bank of Ukraine declared insolvent further 4 banks during 2017. Cleaning up of the commercial banking system has created significant pressure on the state budget. During 2014-2016 the Deposit Guarantee Fund repaid more than UAH 74 billion to depositors of insolvent banks and over UAH 150 billion were allocated to capitalisation of state-owned and nationalised banks.

16 March 2017 sanctions were imposed on five banks with Russian capital functioning in Ukraine. The proposal to introduce sanctions was made by the National Security and Defense Council on 15 March 2017. The sanctions come after Russian President Vladimir Putin's February 2017 decree ordering Russian authorities to recognize identity documents issued by separatists who hold parts of Ukraine's Donetsk and Luhansk regions. The sanctions ban the Ukrainian subsidiaries of Russian state-owned banks from transferring capital to their Russian parent banks.

The final resolution and the ongoing effects of the political and economic situation are difficult to predict but they may have further severe effects on the Ukrainian economy and the Bank's business.

NOTE 3 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation. These financial statements of the Bank have been prepared according to International Financial Reporting Standards ("IFRS") under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value, as well as revaluation of financial instruments available for sale and financial instruments recorded at fair value through profit or loss.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

The functional currency and the presentation currency of these financial statements is the Ukrainian hryvnia ("UAH"), unless otherwise stated.

Key measurement terms. Depending on their classification financial instruments are carried at fair value, cost 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 in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition and includes transaction costs. Measurement at cost is only applicable to investments in equity instruments that do not have a quoted market price and whose fair value cannot be reliably measured and derivatives that are linked to, and must be settled by, delivery of such unquoted equity instruments.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. 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 less any principal repayments, plus accrued interest, and for financial assets less 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 balance sheet.

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 of financial instruments. All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date on which the Bank commits to deliver a financial asset. All other purchases or sales of financial instruments are recognised when the Bank becomes a party to the contractual provisions of the instrument.

Derivatives are initially recorded at fair value. All other financial instruments are initially recorded at fair value plus transaction costs directly associated with the acquisition of issue of the financial asset or financial liability when the financial asset or financial liability is not recognised at fair value through profit or loss. Fair value at initial recognition is best evidenced by the transaction price. Where the active market is not available, the current fair value is based on recent transactions between unrelated parties. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

Depending on their classification financial instruments are subsequently carried at fair value, cost or amortised cost. Accounting policy for subsequent measurement of financial instruments is disclosed below.

DERECOGNITION OF FINANCIAL INSTRUMENTS

Financial assets. The Bank derecognises financial assets (or a part of the financial asset or part of a group of financial assets) when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Bank has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership, but not retaining control. 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 additional restrictions on the sale.

Financial liabilities. The Bank derecognises financial liabilities when the Bank's liabilities are settled, extinguished or expired. 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 profit or loss.

Cash and cash equivalents. Cash and cash equivalents are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents include unrestricted balances on correspondent accounts with the National Bank of Ukraine and other banks, which are readily convertible to known amounts of cash within the short period of time as well as deposits and overnight placements with other banks. Cash and cash equivalents are carried at amortised cost.

Mandatory restricted cash balances with the NBU. Mandatory restricted cash balances with the NBU are carried at amortised cost and represent mandatory reserve deposits.

Due from other banks. Amounts due from other banks are recorded when the Bank advances money to counterparty banks with no intention of trading the resulting unquoted non-derivative receivable due on fixed or determinable dates. Amounts due from other banks are carried at amortised cost. Placements with other banks are recorded net of the provision for impairment.

Loans and advances to customers. Loans and advances to customers are recorded when the Bank advances money to purchase or originate an unquoted non-derivative receivable from a customer due on fixed or determinable dates, and has no intention of trading the receivable.

Loans issued by the Bank are initially recorded at fair value plus transaction costs. Subsequently, loans are carried at amortised cost using the effective interest method. Loans issued to customers are recorded net of the provision for impairment. Any income received on the carrying amount of the impaired asset and measured by discounting estimated cash flows recoverable from the asset using the original effective interest rate is recognised within interest income in profit or loss. If the loan is issued at the floating rate, the current effective interest rate is used as the discount rate to estimate impairment loss.

The Bank accounts for any gain or loss at initial recognition as the difference between the fair value of the financial asset or the financial liability and the contract value with reference to the discount (premium) account if the effective interest rate on this instrument is above or below market.

Impairment of financial assets carried at amortised cost. Impairment losses are recognised in profit or loss when incurred.

The Bank assesses whether there is any objective evidence that a financial asset is impaired. A financial asset or a group of financial assets is deemed to be impaired and the impairment loss is incurred if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event(-s) has (have) an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

The Bank assesses whether objective evidence of impairment of financial assets exists at the end of the reporting period (on a monthly basis). If any such evidence exists, the Bank estimates provisions for a financial asset or a group of financial assets and decreases their carrying amount to recognise impairment losses. A loss event should meet the materiality criteria. If a loss event is not material, the Bank may not analyse its impact. The following factors are considered the loss event:

- number of days outstanding for the financial asset exceeds 90 days
- events resulting in a default rating assigned by Anadefi NCG (F or Z) (according to the Bank's internal classification)
- status of a forcedly restructured asset (forborne exposure) not serviced according to the EBA definition
- bad debt status for the financial asset where the Bank does not expect even its partial collection (for instance, after signing the partial debt forgiveness agreement with a borrower).

If there is evidence that any of the above factors is observed as of the reporting date, the financial asset is classified as impaired, otherwise it is classified as not impaired.

The Bank classifies its loan portfolio as follows:

- not impaired assets
- impaired assets
- individually significant assets
- insignificant impaired assets.

It may be impossible to identify an individual event that caused impairment. Several events may collectively result in impairment, therefore, the Bank estimates a cumulative effect of loss events on impairment of assets. Losses anticipated due to future events, irrespective of their likelihood, are not recognised.

If the Bank identifies objective evidence that the financial asset is impaired but this asset cannot be classified as impaired, the Bank estimates the provision on a collective basis.

The Bank applies different approaches to combine assets in groups with similar characteristics of credit risk for legal entities and individuals.

For the purposes of combining loans issued to legal entities in the group with similar characteristics of credit risk, the Bank considers the following:

- portfolio segment (corporate customers, small and medium enterprises)
- customer financial rating.

The Bank combines loans issued to individuals in groups of financial assets with similar characteristics of credit risks by:

- currency (local or foreign currency)
- product (auto, mortgage, cash, etc.)
- segment of overdue current payments.

If an asset is classified as the significant asset, the Bank analyses its cash flows for impairment on an individual basis. For insignificant financial assets that are impaired, the provision is estimated for groups of financial assets with similar characteristics.

If the terms of an impaired financial asset held at amortised cost are renegotiated or otherwise modified because of financial difficulties of the borrower, impairment is measured using the original effective interest rate before the modification of terms.

The carrying amount of the asset is written down and the loss is recognised in the Statement of profit or loss and other comprehensive income (Income Statement). 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.

If in a subsequent period the amount of the impairment loss from the financial asset carried at amortised cost decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account through profit or loss for the year.

Uncollectible assets are written off against the related impairment loss provision after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined.

Subsequent recoveries of amounts previously written off are credited to impairment loss account in profit or loss for the year.

Management regularly reviews renegotiated loans to ensure that all criteria are met and future payments are likely to be collected.

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 are included in premises and equipment, investment property, non-current assets held for sale 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.

Credit related commitments. The Bank enters into credit related commitments, including commitments to extend credit, letters of credit, financial guarantees and bill avalisation. 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 and commitments to provide a loan 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, except for commitments to originate loans if it is probable that the Bank will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination; such loan commitment fees are deferred and included in the carrying value of the loan on initial recognition. At the end of each reporting period, the commitments are measured at the higher of (i) the remaining unamortised balance of the amount at initial recognition and (ii) the best estimate of expenditure required to settle the commitment at the end of each reporting period.

Securities available for sale. The Bank classifies debt securities, shares and other securities with floating profit in the 'available-for-sale' category that are not classified as trading securities or securities held to maturity, namely: debt securities that the Bank has no intention or ability to hold until their maturity or if there are certain restrictions on accounting for them in the 'held-to-maturity' category; debt securities that the Bank is ready to sell in response to changes in the market interest rates or risks, liquidity needs, availability of and return from alternative investments, sources and conditions of financing or changes in the currency risk; shares and other securities with floating profit whose fair value cannot be estimated reliably.

The Bank initially recognises securities available for sale at fair value plus transactions costs.

Subsequently, the securities available for sale (except for securities with floating profit whose fair value cannot be estimated reliably) are carried at fair value. The fair valuation techniques are set out by the Bank's internal regulations.

Shares and other securities with floating profit whose fair value cannot be estimated reliably are stated at cost taking into account impairment.

Interest income earned on debt securities available for sale is recognised using the effective interest rate in profit or loss. The Bank recognises gains from securities with floating profit as dividends when the right to dividends is established.

Investment property. Investment property is property (land or a building, or part of a building, or both) held by the Bank to earn rentals or for capital appreciation or both, rather than for operating lease or administrative purpose, which is not occupied by the Bank.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the Bank's operations. For separate accounting for investment and operating properties, the Bank applies the following criteria if it uses the property for both purposes to recognise the investment property: the ability to sell a portion as functional item and to separate a portion from bank premises in terms of location. Subsequent expenditure related to investment property already recognised is capitalised only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost can be measured reliably. All other subsequent expenses such as repair and maintenance costs are expensed as incurred. If an investment property becomes owner-occupied, it is reclassified to property and equipment.

Investment property is subsequently measured at cost net of accumulated depreciation and impairment loss, if any. Depreciation is calculated using the straight-line method.

Investment property is derecognised in the Statement of Financial Position (Balance Sheet) upon its disposal. Reclassification from or to investment property is done when the intention of using the property changes.

PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

Property and equipment include tangible assets held by the Bank to use them in its operating activities or for administrative purposes with the useful lives of more than one year.

Property and equipment are stated at cost. The cost of purchased property and equipment and other non-current assets include costs incurred to purchase, bring, assemble and put them into operation. Costs of current repairs and maintenance are expensed when incurred and do not impact the carrying amount of non-current assets.

Intangible assets include identifiable assets without a tangible form that do not represent cash or assets to be received as fixed or known amounts of cash.

Intangible assets include acquired licences and computer software. Intangible assets are measured and carried at cost that comprises expenditure incurred to acquire (produce) and bring them in use as intended.

Intangible assets are amortised monthly using the straight-line method. All intangible assets have specific useful lives determined by the Bank independently using the following criteria: the Bank's experience of using the assets, recent software developments and operational characteristics.

Depreciation. Depreciation on acquired assets commences from the first day of a month following the month of acquisition; depreciation on disposed assets ceases from the first day of a month following the month of disposal. Depreciation is charged using the straight-line method over the estimated useful lives of assets.

Construction in progress is not depreciated. Depreciation on other items of premises and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives:

	Useful lives in years
Buildings and constructions	50
Transmission equipment and communication lines networks	10
ATMs	6
IT systems	4
Intangible assets	2-10

The Bank considers the following to estimate the useful lives of assets: the Bank's experience of operating the assets, current condition of the assets, repair and maintenance requirements and recent industry developments. 100% of depreciation is charged on low-value items over the first month when they are used.

As required by IAS 36, Impairment of Assets, the Bank tests its assets for impairment as part of its mandatory annual stock-count. The Bank has not identified any changes in the expected economic benefit from using intangible assets and property and equipment, therefore, no useful lives of its assets have been revised. The Bank has not recognised impairment of its property and equipment and intangible assets.

OPERATING AND FINANCE LEASES WHERE THE BANK IS A LESSOR AND/OR A LESSEE

Finance lease represents leases where all risks and rewards incidental to the ownership are substantially transferred to the lessee and the ownership right may be transferred to the lessee or may be held by the lessor. Whether leases are operating or financial leases depends on the substance of the transaction rather than on the form of the contract. Leases are classified as finance leases when:

- the ownership right is transferred to the lessee upon lease expiry according to the lease contract
- the lessee is able to purchase the asset at the price which is expected to be significantly lower than the fair value on the date of purchase when at the inception of the lease it is reasonably certain that the lessee will exercise the option
- the lease term is a bigger part of the asset useful life even if the ownership right is not transferred
- the present value of minimum lease payments at inception approximates the total fair value of the asset leased; and
- leased assets are specialised assets so that the lessee can only use them without any substantial modifications.

No property and equipment have been leased out under the finance lease during the reporting year.

Assets under finance lease are initially recognised at fair value specified in the finance lease contract with due consideration of the amount of goods, term of liability performance, payment terms that are normal for such transactions and other objective conditions that may have an impact on the price.

The Bank received motor vehicles under finance lease. The Bank (the lessee) recognises finance lease transactions in the Statement of Financial Position (Balance Sheet) as "Other borrowings".

Operating leases represent business transactions of the Bank where assets purchased or produced by the lessor are transferred to the lessee on terms and conditions other than those under the finance lease.

Where the Bank is a lessor, contractual rental income from the operating lease is recognised on a straight-line basis over the lease term. Where the Bank is a lessee, lease payments under the operating lease contracts are charged on a straight-line basis over the lease term, except where a different approach is more reflective of the time value of money.

The Bank's expenditure for leasehold improvements (modernisation, modification, finishing, refitting, reconstruction etc.) resulting in the increased future economic benefits from the asset are recorded as capital expenditure for creation (construction) of other non-current assets. Cost of maintenance of non-current assets received under the operating lease are recognised in the Statement of Profit or Loss and Other Comprehensive Income (Income Statement) as "Administrative expenses".

Under operating leases, assets continue to be recognised in the lessor's Statement of Financial Position (Balance Sheet). During the year, the Bank leased out premises, deposit boxes and safes under the operating lease. Accounting for property and equipment leased out under operating leases is maintained on separate analytical accounts with the depreciation being charged on a straight-line basis over the useful lives of the specific group of assets. No changes in economic benefits from using property and equipment leased out under the operating lease have been identified.

Derivative financial instruments. Derivative financial instruments, including currency swaps, forwards, spot foreign exchange contracts and hybrid derivatives are carried at their fair value.

A financial derivative is recognised as a financial asset or a financial liability upon origination of the contractual purchase or sale commitment. All derivative instruments are carried as assets when fair value is positive, and as liabilities when fair value is negative. Changes in the fair value of derivative financial instruments are included in profit or loss for the year.

The fair value of derivatives not traded in an active market is determined using valuation techniques.

During the year, the Bank did not apply hedge accounting.

Non-current assets held for sale. The Bank classifies assets as non-current assets held for sale if their carrying amount is recovered principally through a sale transaction rather than through the operation. For this purpose, non-current assets should be available for immediate sale in their present condition that is typical for such assets offered for sale, it is highly probable that these assets will be sold and management of the Bank has an intention and ability to sell them.

If assets are classified as non-current assets held for sale, the Bank initiates an approved programme to complete the sale at fair value within one year.

Prior to recognition, the Bank measures the carrying amount of the assets to be classified as held for sale group at the lower of their carrying amount and fair value less costs to sell as required by IFRS 5, Non-Current Assets Held for Sale.

No depreciation is charged on non-current assets held for sale.

BORROWED FUNDS

Due to other banks. Amounts due to other banks are recorded when money is advanced to the Bank by counterparty banks. The non-derivative liability is carried at amortised cost.

Customer accounts. Customer accounts are non-derivative liabilities to state and corporate customers and individuals, and are carried at amortised cost.

Debt securities in issue. Debt securities in issue include bonds issued by the Bank. Bonds are carried at amortised cost.

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

Provisions for liabilities. Provisions for liabilities are accrued 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.

Provisions for contingent liabilities are measured in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" which requires management's judgements and estimates.

Contingent liabilities are not recognised in the Statement of Financial Position (Balance Sheet) but disclosed in the notes to the financial statements if the possibility of an outflow of resources embodying economic benefits is high. A contingent asset is not recognised in the Statement of Financial Position (Balance Sheet) but disclosed in the notes to the financial statements when an inflow of economic benefits is probable.

Subordinated debt. Subordinated debt represents ordinary unsecured debt instruments with contractual maturities over five years. The debt ranks after all other creditors in case of liquidation or bankruptcy. Subordinated debt is recorded at amortised cost.

Income taxes. Current income tax and deferred income tax are accounted and reported in the financial statements separately.

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. Taxable profits or losses are based on estimates if the financial statements are authorised prior to filing relevant tax returns. Taxes other than on income are recorded within administrative and other operating expenses.

Deferred tax is the tax expected to be paid or recovered on differences between the carrying values of assets and liabilities in financial statements and related taxation bases used in calculating taxable profit and is provided using the balance sheet liability method. Deferred tax liabilities are generally recorded for all taxable temporary differences and deferred tax assets are recorded for deductible temporary differences only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised. Deferred taxes are not recorded for temporary differences in a transaction if the transaction affects neither accounting nor taxable profit.

The list of all temporary differences is disclosed in Note 27.

Carrying value of deferred tax assets is reviewed at each reporting date and decreased to the extent that it is no longer probable that future taxable profit will be available against which the asset can be fully or partially recovered.

Deferred tax is calculated using taxation rates expected to be effective in the period when respective assets are realised or recovered. Deferred tax is recognised in the Statement of profit and loss and other comprehensive income (Statement of financial results) except if it is recognised directly in equity or other comprehensive income because it relates to transactions that are also recognised directly in equity or other comprehensive income.

Deferred tax assets and liabilities are recognised at tax rates expected to be used in the period when the asset is realised or the liability is settled.

Share capital. Share capital represents the cash contribution commitments paid in by the shareholders that subscribed for shares in capital whose amount is registered as required by law.

Recognition of income and expense. Interest income and expense are recorded for all debt instruments on an accrual basis using the effective interest method.

This method defers, as part of interest income or expense, 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.

Fees integral to the effective interest rate include fee and commission income/expenses received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents. Commitment fees received by the Bank to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Bank will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination. The Bank does not designate loan commitments as financial liabilities at fair value through profit or loss.

When loans and other debt instruments become doubtful of collection, they are written down to the present value of expected cash inflows and interest income is thereafter recorded for the unwinding of the present value discount based on the asset's effective interest rate which was used to measure the impairment loss. All other fees, commissions and other income and expense items 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.

FOREIGN CURRENCY TRANSLATION

The functional currency of the Bank is the currency of the primary economic environment in which the entity operates. The functional currency of the Bank and the Bank's presentation currency is the national currency of Ukraine, Hryvnia ("UAH").

Monetary assets and liabilities are translated into the Bank's functional currency at the official exchange rate of the NBU at the end of the respective reporting period. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation of monetary assets and liabilities into the Bank's functional currency at year-end official exchange rates of the NBU, are recognised in profit or loss for the year (as foreign exchange translation gains less losses). Translation at year-end rates does not apply to non-monetary items that are measured at historical cost.

Effects of exchange rate changes on non-monetary items measured at fair value in a foreign currency are recorded as part of the fair value gain or loss.

Currency exchange rates used by the Bank to prepare these financial statements are:

	31 December 2016	31 December 2015
UAH / 1 US dollar (USD)	27.190858	24.000667
UAH / 1 Euro (EUR)	28.422604	26.223129

Offsetting of assets and liabilities. Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position (Balance Sheet) only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) the event of default and (iii) the event of insolvency or bankruptcy.

No assets and liabilities were offset during the reporting year.

OPERATING SEGMENT INFORMATION

Operating segment is a component of an entity:

(a) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity)

(b) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and

(c) for which discrete financial information is available.

The Bank's primary format for reporting segment information is business segment as the risks and profitability of the Bank are mainly impacted by the products and services it provides.

The chief operating decision maker (CODM) is the person – or group of persons – who allocates resources and assesses the performance for the entity. The functions of the CODM are performed by the Board of the Bank.

The Bank does not analyse capital investments in Note "Segment information".

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

The Bank is organised on the basis of the following main business segments:

- Corporate banking – representing corporate current accounts, deposits, overdrafts, card accounts, loan and other credit facilities, foreign currency transactions and trade finance focusing on customers that require individual approach

- Retail banking – representing private customer current accounts, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages, money transfers focusing on customers that usually do not require individual approach by providing products and services in a standardised way (i.e. according to the approved rates and standard procedures).

- Treasury operations and capital market transactions include:
  - treasury operations – trading of financial instruments, operations on interbank market, operations with securities, foreign currencies and banknotes to generate income
  - capital market transactions – operations with securities and foreign currencies to sustain the Bank's liquidity position, debt securities in issue
  - cash balances, correspondent accounts with the NBU.

Additionally, unallocated items are presented separately and represent other amounts that cannot be reasonably allocated:

- "Unallocated assets" – representing investment property, accounts receivable on current income tax, deferred tax asset, PPE and intangible assets, other financial and non-financial assets

- "Unallocated liabilities" – representing other borrowings, current income tax liability, deferred tax liabilities, provisions for liabilities, other financial and non-financial liabilities

- "Unallocated expenses" – representing administrative expenses and increase in provisions for liabilities.

Each business segment may include several product business lines that engage in selling banking services categorised by customers, industries, etc.

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

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

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

Income and expense items are allocated to business segments on the following basis:

Reportable segment income represent the portion of income earned by the Bank from sales to external counterparties and internal settlements in the course of the segment's normal business that is directly attributable (or determined by allocation on a reasonable and consistent basis) to the reportable segment.

Reportable segment expenses represent the portion of expenses incurred by the Bank in the course of the segment's normal business that is directly attributable (or determined by allocation on a reasonable and consistent basis) to the reportable segment. Expenses are allocated to each segment based on internal allocation of direct and indirect expenses.

Reportable segments can change as a result of changes in the structure of CREDIT AGRICOLE GROUP (France); or if new segments meeting the segment recognition criteria need to be recorded; or if similar segments are aggregated. In this case, prior period comparatives are presented on the same basis.

Chief operating decision-maker assesses performance of each segment on the basis of profit before tax.

Earnings per share. Basic earnings per share are determined by dividing the net profit or loss attributable to owners of the Bank by the weighted average number of ordinary shares outstanding during the reporting year excluding treasury shares. The Bank had no dilutive potential ordinary shares during the reporting period.

NOTE 4 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 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 advances. Estimates of provisions for impairment loss require significant judgement. The Bank regularly reviews its loan portfolios to assess impairment. The Bank estimates impairment provisions in order to maintain the provision at the level that in management's opinion will be adequate to cover loss incurred in respect of the Bank's loan portfolio. Provisions for loss on impaired financial assets are estimated based on estimated future cash flows from these assets. These estimates use case-by-case analysis of future cash flows for all significant assets that are impaired and statistical techniques based on historical experience for the remaining assets. In certain instances, future cash flows from significant assets that are not impaired are also estimated on a case-by-case basis.

A 10% increase or decrease in actual future cash flows from individually significant loans would result in a decrease or increase in the provision for impairment by UAH 101,280 thousand (2015: UAH 129,951 thousand).

A 10% statistical error in the statistical techniques used for the remaining assets would result in an increase or decrease of the provision for impairment by UAH 38,606 thousand (2015: UAH 83,760 thousand).

Fair value of assets pledged as collateral. Fair valuation of assets pledged as collateral was used to estimate the loan loss provisions based on the reports of independent appraisers and internal specialists of the Bank who have appropriate qualification certificates and are not related parties of the Bank. The basis for their work was the value of assets estimated on the basis of specialists' views. As there is no active market for real estate properties as of 31 December 2016 and the existing valuation standards and rules do not include the calculation methods for market value in crisis environment, the valuation of collateral was actually based on specialists' views rather than on the market factors. Fair valuation of assets pledged as collateral requires professional judgements and assumptions about comparability of assets and other factors. Based on the above, the valuation of collateral influenced by crisis developments or crisis implications may impact the provision for impairment of loans. Accounting estimates used in the valuation of real estate properties in a situation where no observable prices from an active market are available represent a major source of uncertainty in valuation because: (i) it is sensitive to high fluctuations from period to period and (ii) changes in accounting estimates may have a significant impact.

Initial recognition of transactions with related parties. The Bank engages in transactions with related parties in the normal course of business. IAS 39 requires recording financial instruments at initial recognition at fair value. Judgement is used to determine whether such transactions are at market or non-markets prices and rates where there is no active market for these transactions. Basis for this judgement is pricing for similar financial instruments and transactions, including the effective interest rate analysis and conditions of agreements. Conditions of the transactions with related parties disclosed in Note 37.

NOTE 5 ADOPTION OF NEW AND REVISED STANDARDS

NEW AND REVISED IFRSs ADOPTED DURING THE REPORTING YEAR

New and revised standards and interpretations listed below were adopted during the reported year but had no material effect on these financial statements.

- IFRS 14, Regulatory deferral accounts (issued in January 2014 and effective for annual periods beginning on or after 1 January 2016).
- Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11 (issued on 6 May 2014 and effective for the periods beginning on or after 1 January 2016).
- Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38 (issued on 12 May 2014 and effective for the periods beginning on or after 1 January 2016).
- Agriculture: Bearer plants – Amendments to IAS 16 and IAS 41 (issued on 30 June 2014 and effective for annual periods beginning 1 January 2016).
- Equity Method in Separate Financial Statements – Amendments to IAS 27 (issued on 12 August 2014 and effective for annual periods beginning 1 January 2016).
- Annual Improvements to IFRSs 2014 (issued on 25 September 2014 and effective for annual periods beginning on or after 1 January 2016).
- Disclosure Initiative Amendments to IAS 1 (issued in December 2014 and effective for annual periods beginning on or after 1 January 2016).
- Applying the Consolidation Exception Amendment to IFRS 10, IFRS 12 and IAS 28 (issued in December 2014 and effective for annual periods beginning on or after 1 January 2016).

NEW AND REVISED IFRSs ISSUED BUT NOT YET EFFECTIVE

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2017 or later, and which the Bank has not early adopted.

IFRS 9 "Financial Instruments: Classification and Measurement" (issued in July 2014 and effective for annual periods beginning on or after 1 January 2018). Key features of the new standard are:

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL)
- Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition
- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income
- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables
- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

The standard is expected to have significant effect on loss provisions created by the Bank. The Bank is currently assessing the impact of the new standard on its financial statements.

IFRS 15, Revenue from Contracts with Customers (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2018). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed. The Bank is currently assessing the impact of the new standard on its financial statements.

IFRS 16 "Leases" (issued in January 2016 and effective for annual periods beginning on or after 1 January 2019). The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The Bank is currently assessing the impact of the new standard on its financial statements.

Disclosure Initiative – Amendments to IAS 7 (issued on 29 January 2016 and effective for annual periods beginning on or after 1 January 2017). The amended IAS 7 will require disclosure of a reconciliation of movements in liabilities arising from financing activities. The Bank is currently assessing the impact of the amendment on its financial statements.

The following other new pronouncements are not expected to have any material impact on the Bank when adopted:

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after the date determined by IASB).
- Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12 (issued on 19 January 2016 and effective for annual periods beginning on or after 1 January 2017).
- Amendments to IFRS 15, Revenue from Contracts with Customers (issued on 12 April 2016 and effective for the periods beginning on or after 1 January 2018).
- Amendments to IFRS 2, Share-Based Payments (issued on 20 June 2016 and effective for the periods beginning on or after 1 January 2018).
- Amendments to IFRS 4 (issued on 12 September 2016 and effective for the periods beginning on or after 1 January 2018).
- Annual Improvements to IFRSs 2014-2016 cycle (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2017 for amendments to IFRS 12, and on or after 1 January 2018 for amendments to IFRS 1 and IAS 28).
- IFRIC 22 – Foreign Currency Transactions and Advance Consideration (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).
- Transfers of Investment Property – Amendments to IAS 40 (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Bank's financial statements.

NOTE 6 CASH AND CASH EQUIVALENTS

TABLE 6.1. CASH AND CASH EQUIVALENTS

(in UAH thousands)

Item	2016	2015
Cash on hand	485,924	408,121
Cash balances with the NBU	1,193,524	1,109,749
Correspondent accounts, overnight deposits and loans with banks	8,858,071	4,952,406
Total cash and cash equivalents	**10,537,519**	**6,470,276**

All cash balances of the Bank on correspondent accounts with other banks are placed with investment grade counterparts or other banks that are neither bankrupt nor being liquidated nor subject to temporary administration nor located in offshore areas. Geographical concentration is disclosed in Note 31.

TABLE 6.2. ANALYSIS BY CREDIT QUALITY OF CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER 2016

(in UAH thousands)

Item	Cash on hand	Cash balances with the NBU	Correspondent accounts, overnight deposits and loans with banks	Total
Neither past due nor impaired:				
with the National Bank of Ukraine	-	1,193,524	-	1,193,524
with 20 largest banks of Ukraine	-	-	24,320	24,320
with foreign banks AAA to A rated	-	-	8,751,728	8,751,728
with foreign banks BBB to B- rated	-	-	82,023	82,023
on hand	485,924	-	-	485,924
Total cash and cash equivalents	**485,924**	**1,193,524**	**8,858,071**	**10,537,519**

TABLE 6.3. ANALYSIS BY CREDIT QUALITY OF CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER 2015

(in UAH thousands)

Item	Cash on hand	Cash balances with the NBU	Correspondent accounts, overnight deposits and loans with banks	Total
Neither past due nor impaired:				
with the National Bank of Ukraine	-	1,109,749	-	1,109,749
with 20 largest banks of Ukraine	-	-	34,448	34,448
with foreign banks AAA to A rated	-	-	4,812,248	4,812,248
with foreign banks BBB to B- rated	-	-	105,710	105,710
on hand	408,121	-	-	408,121
Total cash and cash equivalents	**408,121**	**1,109,749**	**4,952,406**	**6,470,276**

The credit ratings are based on Fitch Ratings, Moody's Investors Services and Standard & Poors. If ratings assigned by multiple rating agencies are available, the lower rating was used.

NOTE 7 DUE FROM OTHER BANKS AND THE NBU

TABLE 7.1. DUE FROM OTHER BANKS AND THE NBU

(in UAH thousands)

Item	2016	2015
Deposits with other banks:		
long-term deposits	190	168
Short-term placements with the NBU:		
Deposit certificates issued by the National bank of Ukraine	2,603,481	2,437,385
Total due from other banks and the NBU	**2,603,671**	**2,437,553**

TABLE 7.2. ANALYSIS BY CREDIT QUALITY OF AMOUNTS DUE FROM OTHER BANKS AND THE NBU AS AT 31 DECEMBER 2016

(in UAH thousands)

Item	Deposits	Total
Neither past due nor impaired:		
with 20 largest banks of Ukraine	190	190
with the NBU	2,603,481	2,603,481
Total due from other banks and the NBU	**2,603,671**	**2,603,671**

As at 31 December 2015, the Bank's maximum credit exposure to a single counterparty in respect of due from other banks totalled UAH 2,437,385 thousand. As at 31 December 2016, this amount increased to UAH 2,603,481 thousand. At both dates, this amount comprised deposit certificates issued by the National bank of Ukraine in the Bank's portfolio.

TABLE 7.3. ANALYSIS BY CREDIT QUALITY OF AMOUNTS DUE FROM OTHER BANKS AND THE NBU AS AT 31 DECEMBER 2015

(in UAH thousands)

Item	Deposits	Total
Neither past due nor impaired:		
with 20 largest banks of Ukraine	168	168
with the NBU	2,437,385	2,437,385
Total due from other banks and the NBU	**2,437,553**	**2,437,553**

NOTE 8 LOANS AND ADVANCES TO CUSTOMERS

TABLE 8.1. LOANS AND ADVANCES TO CUSTOMERS

(in UAH thousands)

Item	2016	2015
Corporate loans	16,851,269	15,033,044
Mortgage loans to individuals	232,322	273,600
Consumer loans to individuals	1,957,424	1,345,741
Provision for loan impairment	(3,535,678)	(2,828,427)
Total loans less provisions	**15,505,337**	**13,823,958**

According to the Bank's internal policies, all loans of business segment "Small and Medium-sized Enterprises and Corporations" are classified in corporate loans regardless of their purpose or whether a borrower is an entity under its constituent documents.

Mortgage loans to individuals include loans granted to buy real estate properties on the primary or secondary markets.

Consumer loans to individuals include mainly car loans and unsecured cash loans.

Maximum exposure to top ten borrowers as at 31 December 2016 totalled UAH 7,423,782 thousand (31 December 2015: UAH 5,237,777 thousand). Maximum credit exposure to a single counterparty/related party group (including credit-related commitments) as at 31 December 2016 totalled UAH 1,206,159 thousand. The credit risk exposure increased by UAH 140,138 thousand compared to 31 December 2015 (at 31 December 2015: UAH 1,066,021 thousand).

As at 31 December 2016, no repo transactions with customers were recognised.

TABLE 8.2. ANALYSIS OF CHANGES IN PROVISIONS FOR LOANS FOR THE YEAR ENDED 31 DECEMBER 2016

(in UAH thousands)

Movements in provisions	Corporate loans	Mortgage loans to individuals	Consumer loans to individuals	Total
Balance at 1 January 2016	**(2,543,998)**	**(168,514)**	**(115,915)**	**(2,828,427)**
(Increase)/decrease of impairment provision for the period	(783,882)	(3,231)	(9,575)	(796,688)
Bad debt write-off against provisions	169,092	28,658	23,503	221,253
Debt write-off under the claim assignment and factoring agreements	46,113	5,301	23,327	74,741
Effect of translation to presentation currency	(177,598)	(14,090)	(14,869)	(206,557)
Balance at 31 December 2016	**(3,290,273)**	**(151,876)**	**(93,529)**	**(3,535,678)**

In 2016, customers repaid some amounts under loans written off in previous years by the Bank against provisions raised totalling UAH 112,144 thousand (2015: UAH 13,800 thousand).

TABLE 8.3. ANALYSIS OF CHANGES IN PROVISIONS FOR LOANS FOR THE YEAR ENDED 31 DECEMBER 2015

(in UAH thousands)

Movements in provisions	Corporate loans	Mortgage loans to individuals	Consumer loans to individuals	Total
Balance at 1 January 2015	**(1,017,270)**	**(89,539)**	**(234,604)**	**(1,341,413)**
(Increase)/decrease of impairment provision for the period	(1,129,803)	(46,255)	(15,429)	(1,191,487)
Bad debt write-off against provisions	41,380	11,788	10,405	63,573
Debt write-off under the claim assignment and factoring agreements	-	3,759	153,585	157,344
Effect of translation to presentation currency	(438,305)	(48,267)	(29,872)	(516,444)
Balance at 31 December 2015	**(2,543,998)**	**(168,514)**	**(115,915)**	**(2,828,427)**

TABLE 8.4. LOANS BY TYPES OF ECONOMIC ACTIVITY

(in UAH thousands)

Type of economic activity	2016		2015	
	Amount	%	Amount	%
Wholesale and retail trade	7,867,604	41.32	4,739,970	28.46
Processing	4,565,087	23.98	4,885,594	29.34
Agriculture, hunting, forestry	3,874,735	20.35	4,665,676	28.02
Individuals	2,187,361	11.49	1,619,341	9.72
Transportation, warehousing, postal and courier services	314,611	1.65	293,919	1.77
Real estate transactions	102,547	0.54	123,787	0.74
Administrative and supporting services	5,878	0.03	177,063	1.06
Other	123,192	0.64	147,035	0.89
Total loans and advances to customers (before provisions)	**19,041,015**	**100.00**	**16,652,385**	**100.00**

TABLE 8.5. LOANS BY TYPE OF COLLATERAL AS AT 31 DECEMBER 2016

(in UAH thousands)

Item	Corporate loans	Mortgage loans to individuals	Consumer loans to individuals	Total
Unsecured loans	3,637,508	148,065	639,050	4,424,623
Loans collateralised by:				
cash	59,468	148	1,605	61,221
immovable properties	2,488,028	84,109	33,831	2,605,968
including residential real estate	75,376	79,350	23,210	177,936
guarantees and sureties	6,591,547	-	317	6,591,864
movable properties	3,728,870	-	1,282,621	5,011,491
rights to property	345,848	-	-	345,848
Total loans and advances to customers (before provisions)	**16,851,269**	**232,322**	**1,957,424**	**19,041,015**

TABLE 8.6. LOANS BY TYPE OF COLLATERAL AS AT 31 DECEMBER 2015

(in UAH thousands)

Item	Corporate loans	Mortgage loans to individuals	Consumer loans to individuals	Total
Unsecured loans	4,274,757	146,072	473,432	4,894,261
Loans collateralised by:				
cash	35,687	-	2,694	38,381
immovable properties	2,678,948	127,340	61,387	2,867,675
including residential real estate	45,081	119,369	50,529	214,979
guarantees and sureties	4,859,616	-	234	4,859,850
movable properties	3,117,867	188	807,994	3,926,049
rights to property	66,169	-	-	66,169
Total loans and advances to customers (before provisions)	**15,033,044**	**273,600**	**1,345,741**	**16,652,385**

Movable properties mainly include goods for sale or goods in process, cars, equipment and vehicles (other than cars). The disclosure above represents the lower of the carrying value of the loan or collateral taken; the remaining part is disclosed within the unsecured exposures. The carrying value of loans was allocated based on liquidity of the assets taken as collateral.

TABLE 8.7. ANALYSIS BY CREDIT QUALITY OF LOANS OUTSTANDING AT 31 DECEMBER 2016

(in UAH thousands)

Item	Corporate loans	Mortgage loans to individuals	Consumer loans to individuals	Total
Neither past due nor impaired:	12,697,118	75,079	1,827,637	14,599,834
large borrowers with credit history of over 2 years	11,255,396	-	-	11,255,396
new large borrowers	401,059	-	-	401,059
loans to medium borrowers	621,136	-	-	621,136
loans to small borrowers	419,527	-	-	419,527
loans to individuals	-	75,079	1,827,637	1,902,716
- class A	-	16,671	875,116	891,787
- class B	-	58,408	951,995	1,010,403
- class C	-	-	526	526
Past due but not impaired*	335,593	2,427	37,911	375,931
less than 31 days overdue	224,946	677	31,928	257,551
32 to 92 days overdue	110,647	1,750	5,983	118,380
Impaired loans:	3,818,558	154,816	91,876	4,065,250
Not past due and less than 31 days overdue	1,111,877	2,575	1,715	1,116,167
32 to 92 days overdue	186,959	2,902	30	189,891
93 to 183 days overdue	184,190	2,871	2,248	189,309
184 to 365 days overdue	490,957	10,280	3,122	504,359
over 366 days overdue	1,844,575	136,188	84,761	2,065,524
Gross amount of loans before deducting provisions	16,851,269	232,322	1,957,424	19,041,015
Provision for loan impairment	(3,290,273)	(151,876)	(93,529)	(3,535,678)
Total loans less provisions	**13,560,996**	**80,446**	**1,863,895**	**15,505,337**

* – Past due but not impaired loans include secured loans where the fair value of collateral covers overdue interest and principal payments. Amounts shown as past due and not impaired represent the whole outstanding balance of such loans rather than individual instalments past due.

TABLE 8.8. ANALYSIS BY CREDIT QUALITY OF LOANS OUTSTANDING AT 31 DECEMBER 2015

(in UAH thousands)

Item	Corporate loans	Mortgage loans to individuals	Consumer loans to individuals	Total
Neither past due nor impaired:	11,432,861	101,276	1,172,588	12,706,725
large borrowers with credit history of over 2 years	10,457,435	-	-	10,457,435
new large borrowers	324,557	-	-	324,557
loans to medium borrowers	382,885	-	-	382,885
loans to small borrowers	267,984	-	-	267,984
loans to individuals	-	101,276	1,172,588	1,273,864
- class A	-	38,213	576,687	614,900
- class B	-	62,946	595,249	658,195
- class C	-	-	136	136
- class D	-	117	516	633
Past due but not impaired*	648,754	6,274	37,065	692,093
less than 31 days overdue	648,698	3,591	30,160	682,449
32 to 92 days overdue	56	2,683	6,905	9,644
Impaired loans:	2,951,429	166,050	136,088	3,253,567
Not past due and less than 31 days overdue	482,670	4,958	3,709	491,337
32 to 92 days overdue	227,358	-	1,983	229,341
93 to 183 days overdue	352,384	8,932	4,616	365,932
184 to 365 days overdue	471,735	36,316	43,905	551,956
over 366 days overdue	1,417,282	115,844	81,875	1,615,001
Gross amount of loans before deducting provisions	15,033,044	273,600	1,345,741	16,652,385
Provision for loan impairment	(2,543,998)	(168,514)	(115,915)	(2,828,427)
Total loans less provisions	**12,489,046**	**105,086**	**1,229,826**	**13,823,958**

The Bank classifies retail loans by credit quality in accordance with the following credit risk characteristics and based on the internal classification:

- class A – borrowers with good financial position and high solvency
- class B – borrowers with satisfactory financial position and increased likelihood of late payment
- class C – borrowers with unsatisfactory financial position and high likelihood of late payment
- class D – borrowers with critical financial position and high likelihood of default.

* – Past due but not impaired loans include secured loans where the fair value of collateral covers overdue interest and principal payments. Amounts shown as past due and not impaired represent the whole outstanding balance of such loans rather than individual instalments past due.

TABLE 8.9. IMPACT OF COLLATERAL VALUE ON CREDIT QUALITY AT 31 DECEMBER 2016

(in UAH thousands)

Item	Carrying value	Value of collateral	Net risk
Corporate loans	16,851,269	10,248,404	6,602,865
Mortgage loans to individuals	232,322	62,957	169,365
Consumer loans to individuals	1,957,424	926,798	1,030,626
Total loans	**19,041,015**	**11,238,159**	**7,802,856**

TABLE 8.10. IMPACT OF COLLATERAL VALUE ON CREDIT QUALITY AT 31 DECEMBER 2015

(in UAH thousands)

Item	Carrying value	Value of collateral	Net risk
Corporate loans	15,033,044	8,114,051	6,918,993
Mortgage loans to individuals	273,600	80,944	192,656
Consumer loans to individuals	1,345,741	636,333	709,408
Total loans	**16,652,385**	**8,831,328**	**7,821,057**

Tables 8.9 and 8.10 are based on the assessed quality of collateral used to cover the credit risk exposure according to the Bank's credit risk management policies. The following types of collateral are considered in determining the value of collateral:

- cash coverage, coverage by investment class guarantees, standby letters of credit from investment grade issuers – in full
- movable properties if the related loan is less than 2 years overdue – with 65% discount
- residential and non-residential real estate properties if the related loan is less than 3 years overdue – with 65% discount.

Collateral is considered in the amount that does not exceed the carrying amount of loan under each agreement secured by corresponding collateral.

NOTE 9 SECURITIES AVAILABLE FOR SALE

TABLE 9.1. SECURITIES AVAILABLE FOR SALE

(in UAH thousands)

Item	2016	2015
Debt securities in issue:	**647,485**	**-**
government bonds	647,485	-
Corporate shares and other non-fixed-income securities:	**910**	**910**
at cost (whose fair value cannot be reliably measured)	910	910
Total available-for-sale securities less provisions	**648,395**	**910**

During 2016, the Bank acquired government bonds of six series with the total nominal value of UAH 670.2 million and average time to maturity of 1 year (with the maximum time to maturity of 13 months), namely:

- coupon government bonds with the nominal value of UAH 19 million, effective interest rate of 16.9% p.a. and maturity on 19 April 2017
- discount government bonds with the nominal value of UAH 181 million, effective interest rate of 16.85% p.a. and maturity on 17 May 2017
- discount government bonds with the nominal value of UAH 100 million, effective interest rate of 16.70% p.a. and maturity on 22 March 2017
- discount government bonds with the nominal value of UAH 200 million, effective interest rate of 16.85% p.a. and maturity on 21 June 2017
- discount government bonds with the nominal value of UAH 108.7 million, effective interest rate of 15.7% p.a. and maturity on 17 May 2017
- coupon government bonds with the nominal value of UAH 61.5 million, effective interest rate of 15.6% p.a. and maturity on 10 January 2018.

The Bank uses the coupon-free yield curve calculated and published by the National Bank of Ukraine on the Thomson Reuters information portal. Therefore, the carrying value of government bonds held in the available-for-sale portfolio as at the end of 2016 and adjusted for the discount, accrued interest and revaluation totalled UAH 647,485 thousand.

In addition, the Bank continues holding shares in the National Depository of Ukraine and CJSC Ukrainian Interbank Currency Exchange acquired for the purpose of being involved in operations of the above organisations.

There are no securities used for collaterisation or repurchase transactions as at 31 December 2016.

TABLE 9.2. MAJOR EQUITY INVESTMENTS AND OTHER NON-FIXED-INCOME SECURITIES IN THE BANK'S PORTFOLIO AVAILABLE FOR SALE

(in UAH thousands)

Name	Nature of business	Country of registration	Carrying value	
			2016	2015
National Depository of Ukraine	Financial market management	Ukraine	10	10
CJSC UICE	Financial market management	Ukraine	900	900
Total			**910**	**910**

NOTE 10 INVESTMENT PROPERTY

TABLE 10.1. INVESTMENT PROPERTY MEASURED AT COST

(in UAH thousands)

Item	Buildings	Part of building	Total
Balance at 1 January 2015	**3,444**	**4,142**	**7,586**
Cost	4,242	5,033	9,275
Depreciation	(798)	(891)	(1,689)
Amortisation	(62)	(92)	(154)
Disposals	(1,661)	-	(1,661)
- Cost	(2,078)	-	(2,078)
- Depreciation	417	-	417
Reclassification to property and equipment	-	(365)	(365)
- Cost	-	(458)	(458)
- Depreciation	-	93	93
Balance at 31 December 2015	**1,721**	**3,685**	**5,406**
Cost	2,164	4,575	6,739
Depreciation	(443)	(890)	(1,333)
Amortisation	(40)	(95)	(135)
Reclassification from property and equipment	1,233	-	1,233
- Cost	1,447	-	1,447
- Depreciation	(214)	-	(214)
Balance at 31 December 2016	**2,914**	**3,590**	**6,504**
Cost	3,611	4,575	8,186
Depreciation	(697)	(985)	(1,682)

Integral property items, apartments and parts of owned properties that meet the definition of investment property according to the Bank's accounting policies are accounted for by the Bank in investment property and leased out. Parts of property items that are leased out but do not meet the criteria of differentiation between investment and operating property when the same item is utilised as both investment and operating property are neither recognised nor accounted for in investment property. There are no contractual commitments to purchase, build or develop the investment property, or repair, maintain or improve the exiting investment property.

The ability to dispose of the investment property or to receive proceeds is not limited.

Depreciation is calculated on a straight-line basis. The estimated useful life is 50 years.

TABLE 10.2. AMOUNTS RECOGNISED IN THE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(in UAH thousands)

Income and expense	2016	2015
Rental income from investment property	2,930	2,420
Direct operating expenses (including repairs and maintenance costs) from investment property generating rental income	(130)	(131)
Losses from disposal of investment property	-	(142)

As at 31 December 2016, the Bank as a lessor does not have any non-cancellable operating leases.

NOTE 11 PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

(in UAH thousands)

Item	Land	Buildings, constructions and transmission equipment	Machinery and equipment	Vehicles	Tools, fittings and furniture	Other fixed assets	Other non-current tangible assets	Capital investments in progress in property, plant and equipment and intangible assets	Total property and equipment	Intangible assets	Total
Carrying amount at 1 January 2015:	**100**	**278,061**	**49,858**	**10,749**	**12,875**	**13,072**	**4,025**	**2,523**	**371,263**	**38,199**	**409,462**
Cost	100	353,631	154,284	18,898	35,046	21,994	34,741	2,523	621,217	90,257	711,474
Depreciation	-	(75,570)	(104,426)	(8,149)	(22,171)	(8,922)	(30,716)	-	(249,954)	(52,058)	(302,012)
Additions		7,687	32,167	534	8,762	773	6,759	28,169	84,851	16,757	101,608
Capital investments to complete construction											
in progress of PPE and improve intangible assets	-	-	16,932	-	3	203	97	-	17,235	8,494	25,729
Transfers to non-current assets											
held for sale and disposal groups:	-	(2,027)	-	-	-	-	-	-	(2,027)	-	(2,027)
cost (transferred to assets held for sale)	-	(2,538)	-	-	-	-	-	-	(2,538)	-	(2,538)
depreciation (transferred to assets held for sale)	-	511	-	-	-	-	-	-	511	-	511
Other transfers:	-	365	-	-	-	-	-	-	365	-	365
cost (transferred from investment property)	-	458	-	-	-	-	-	(25)	433	-	433
depreciation (transferred from investment property)	-	(93)	-	-	-	-	-	-	(93)	-	(93)
Disposals:	-	(101)	(5)	(545)	(166)	(25)	-	(25,729)	(26,571)	-	(26,571)
disposals (cost)	-	(402)	(4,822)	(1,850)	(1,707)	(605)	(901)	(25,729)	(36,016)	(6,342)	(42,358)
disposals (depreciation)	-	301	4,817	1,305	1,541	580	901	-	9,445	6,342	15,787
Depreciation charge	-	(10,762)	(19,436)	(3,388)	(4,279)	(2,016)	(5,002)	-	(44,883)	(21,227)	(66,110)
Reversal of impairment	-	-	76	-	-	-	-	-	76	-	76
Carrying amount at 31 December 2015:	**100**	**273,223**	**79,592**	**7,350**	**17,195**	**12,007**	**5,879**	**4,938**	**400,284**	**42,223**	**442,507**
Cost	100	358,836	198,561	17,582	42,104	22,365	40,696	4,938	685,182	109,166	794,348
Depreciation	-	(85,613)	(118,969)	(10,232)	(24,909)	(10,358)	(34,817)	-	(284,898)	(66,943)	(351,841)
Additions	-	14,276	21,834	-	2,656	1,997	6,061	74,417	121,241	22,456	143,697
Capital investments to complete construction											
in progress of PPE and improve intangible assets	-	1,241	33,698	-	-	614	86	-	35,639	17,201	52,840
Other transfers:	-	(1,232)	-	-	-	-	-	-	(1,232)	-	(1,232)
cost (transferred from investment property)	-	(1,447)	-	-	-	-	-	-	(1,447)	-	(1,447)
depreciation (transferred from investment property)	-	215	-	-	-	-	-	-	215	-	215
Disposals:	-	(845)	(30)	(161)	(32)	(4)	(24)	(52,840)	(53,936)	-	(53,936)
disposals (cost)	-	(1,527)	(7,130)	(1,026)	(528)	(475)	(2,653)	(52,840)	(66,179)	(15,559)	(81,738)
disposals (depreciation)	-	682	7,100	865	496	471	2,629	-	12,243	15,559	27,802
Depreciation charge	-	(12,872)	(24,192)	(3,191)	(5,303)	(1,905)	(7,290)	-	(54,753)	(30,188)	(84,941)
Carrying amount at 31 December 2016:	**100**	**273,791**	**110,902**	**3,998**	**14,516**	**12,709**	**4,712**	**26,515**	**447,243**	**51,692**	**498,935**
Cost	100	371,379	246,963	16,556	44,232	24,501	44,190	26,515	774,436	133,264	907,700
Depreciation at the end of reporting period	-	(97,588)	(136,061)	(12,558)	(29,716)	(11,792)	(39,478)	-	(327,193)	(81,572)	(408,765)

As at 31 December 2016, the Bank does not have:

- any PPE and intangible assets whose possession, use or disposal is restricted by the effective laws or whose ownership is not properly documented
- any PPE that are pledged as collateral.

The cost of fully depreciated PPE and intangible assets is UAH 165,486 thousand, out of which UAH 42,673 thousand represents the cost of intangible assets (37% of total intangible assets). The Bank makes use of these assets in its activity and incurs costs of their technical maintenance and upgrade received from suppliers. The Bank does not account for separate intangible assets that are material to its financial position.

Vehicles are held by the Bank under financial leases. The cost of PPE received under financial lease is UAH 13,151 thousand with their book value amounting to UAH 3,550 thousand. Financial leases provide for the option to buy the leased items at residual value upon expiry of the agreement. The Bank has 19 financial leases signed as at the balance sheet date.

NOTE 12 OTHER ASSETS

TABLE 12.1. OTHER ASSETS

(in UAH thousands)

Item	2016	2015
Other financial assets	**49,888**	**24,174**
Accrued income for services	32,230	13,086
Accounts receivable for card operations	14,924	9,716
Accounts receivable for transfers via international payment systems	6,846	5,276
Derivative financial assets in the Bank's trading portfolio	2,808	923
Other accounts receivable	1,606	221
Accounts receivable on trading in foreign currencies	855	-
Provision for impairment of other financial assets	(9,381)	(5,048)
Other non-financial assets	**35,250**	**24,051**
Deferred expenses	27,169	16,432
Accounts receivable on purchase of assets	5,757	4,189
Prepayments for services	1,160	2,311
Accounts receivable on taxes and contribution to funds	753	1,119
Other assets	629	454
Provision for impairment of other non-financial assets	(218)	(454)
Total other financial and non-financial assets, gross	94,737	53,727
Provision for impairment of other financial and non-financial assets	(9,599)	(5,502)
Total other financial and non-financial assets less provisions	**85,138**	**48,225**

TABLE 12.2. ANALYSIS OF CHANGES IN PROVISIONS FOR IMPAIRMENT OF OTHER ASSETS FOR THE YEAR ENDED 31 DECEMBER 2016

(in UAH thousands)

Movements in provisions	Other financial assets	Accounts receivable on purchase of assets	Prepayments for services	Other assets	Total
At 1 January 2016	**(5,048)**	**(15)**	**(416)**	**(23)**	**(5,502)**
(Increase)/decrease of impairment provision for the period	(4,593)	15	220	1	(4,357)
Bad debt write-off	265	-	-	-	265
Effect of translation to presentation currency	(5)	-	-	-	(5)
At 31 December 2016	**(9,381)**	**-**	**(196)**	**(22)**	**(9,599)**

TABLE 12.3. ANALYSIS OF CHANGES IN PROVISIONS FOR IMPAIRMENT OF OTHER ASSETS FOR THE YEAR ENDED 31 DECEMBER 2015

(in UAH thousands)

Movements in provisions	Other financial assets	Accounts receivable on purchase of assets	Prepayments for services	Other assets	Total
At 1 January 2015	**(2,643)**	**(55)**	**(77)**	**(82)**	**(2,857)**
(Increase)/decrease of impairment provision for the period	(2,981)	40	(339)	(35)	(3,315)
Bad debt write-off	574	-	-	94	668
Effect of translation to presentation currency	2	-	-	-	2
At 31 December 2015	**(5,048)**	**(15)**	**(416)**	**(23)**	**(5,502)**

TABLE 12.4. ANALYSIS BY CREDIT QUALITY OF OTHER FINANCIAL ASSETS AT 31 DECEMBER 2016

(in UAH thousands)

Item	Derivative financial assets in the Bank's trading portfolio	Accounts receivable for card operations	Other financial assets	Total
Neither past due nor impaired exposure to:	**2,808**	**14,924**	**30,050**	**47,782**
Large customers and banks with credit history of over 2 years	2,776	2,339	21,507	26,622
New large customers	32	-	246	278
Medium companies	-	-	175	175
Small companies	-	-	1,437	1,437
Individuals	-	12,585	6,685	19,270
Individually impaired:	**-**	**-**	**11,487**	**11,487**
less than 31 days overdue	-	-	3,471	3,471
32 to 92 days overdue	-	-	241	241
93 to 183 days overdue	-	-	74	74
184 to 365 days overdue	-	-	415	415
over 366 days overdue	-	-	7,286	7,286
Total other financial assets, gross	**2,808**	**14,924**	**41,537**	**59,269**
Provision for impairment of other financial assets	-	-	(9,381)	(9,381)
Total other financial assets less provision	**2,808**	**14,924**	**32,156**	**49,888**

TABLE 12.5. ANALYSIS BY CREDIT QUALITY OF OTHER FINANCIAL ASSETS AT 31 DECEMBER 2015

(in UAH thousands)

Item	Derivative financial assets in the Bank's trading portfolio	Accounts receivable for card operations	Other financial assets	Total
Neither past due nor impaired exposure to:	**923**	**9,716**	**12,800**	**23,439**
Large customers and banks with credit history of over 2 years	35	8,373	7,151	15,559
New large customers	888	-	191	1,079
Medium companies	-	-	34	34
Small companies	-	-	89	89
Individuals	-	1,343	5,335	6,678
Individually impaired:	**-**	**-**	**5,783**	**5,783**
less than 31 days overdue	-	-	808	808
32 to 92 days overdue	-	-	118	118
93 to 183 days overdue	-	-	52	52
184 to 365 days overdue	-	-	410	410
over 366 days overdue	-	-	4,395	4,395
Total other financial assets, gross	**923**	**9,716**	**18,583**	**29,222**
Provision for impairment of other financial assets	-	-	(5,048)	(5,048)
Total other financial assets less provision	**923**	**9,716**	**13,535**	**24,174**

NOTE 13 NON-CURRENT ASSETS HELD FOR SALE

(in UAH thousands)

Item	2016	2015
Property, plant and equipment	9,681	9,681
Total non-current assets held for sale	**9,681**	**9,681**

The Bank includes non-residential real estate reclassified from property and equipment and the repossessed collateral, namely: land plot, residential and non-residential real estate in non-current assets held for sale. During 2016 the Bank announced tenders for sale of this real estate. Part of the proposals received were rejected due to lack of required evidence for the arrangement of the agreements from potential buyers, the Bank continue negotiations with other part of potential buyers in respect of purchase of assets. As at 01.01.2017 there is a high probability of sale of these objects according to the sales plan for 2017.

No impairment of non-current assets held for sale was recorded during 2016 as a result of assessment performed by experts.

NOTE 14 DUE TO OTHER BANKS

(in UAH thousands)

Item	2016	2015
Correspondent accounts and overnight deposits of other banks	253,620	1,621
Loans received:		
Long-term	138,049	853,371
Total due to other banks	**391,669**	**854,992**

As at 31 December 2016, the Bank has balances of funds borrowed from the parent company Credit Agricole S.A. in the amount of UAH 135,954 thousand, or 0.5% of the Bank's liabilities. They mature in 2017.

NOTE 15 CUSTOMER ACCOUNTS

TABLE 15.1. CUSTOMER ACCOUNTS

(in UAH thousands)

Item	2016	2015
Government organisations:	**59**	**13**
Current accounts	59	13
Other legal entities	**19,044,746**	**13,337,615**
Current accounts	10,843,909	8,402,444
Terms deposits	8,200,837	4,935,171
Individuals	**6,165,519**	**5,476,177**
Current accounts	2,104,332	1,354,314
Terms deposits	4,061,187	4,121,863
Total customer accounts	**25,210,324**	**18,813,805**

As at 31 December 2016, current accounts included funds of top ten customers in the amount of UAH 5,785,936 thousand, or 22.95% of customer accounts (2015: UAH 3,168,349 thousand, or 16.84%).

As at 31 December 2016, the carrying amount of customer accounts that secure credit transactions, non-cancellable commitments under import letters of credit, guarantees, and sureties is UAH 1,647,649 thousand (2015: UAH 716,045 thousand).

TABLE 15.2. CUSTOMER ACCOUNTS BY TYPE OF ECONOMIC ACTIVITY

(in UAH thousands)

Type of economic activity	2016		2015	
	Amount	%	Amount	%
Wholesale and retail trade	8,312,690	32.97	5,093,952	27.08
Individuals	6,165,519	24.46	5,476,177	29.11
Processing	3,197,153	12.68	2,657,360	14.12
Agriculture, hunting, forestry	2,468,710	9.79	1,661,899	8.83
Information and communications	1,159,581	4.60	459,679	2.44
Financial and insurance services	999,975	3.97	907,935	4.83
Professional, scientific and technical activities	588,829	2.34	394,480	2.10
Mining and quarry development	522,467	2.07	541,006	2.88
Transportation, warehousing, postal and courier services	455,063	1.81	369,488	1.96
Health and social care	353,090	1.40	241,644	1.28
Other services	325,528	1.29	468,861	2.49
Administrative and supporting services	138,571	0.55	204,381	1.09
Other	523,148	2.07	336,943	1.79
Total customer accounts	**25,210,324**	**100.00**	**18,813,805**	**100.00**

NOTE 16 DEBT SECURITIES IN ISSUE

(in UAH thousands)

Item	2016	2015
Bonds	-	101
Total	**-**	**101**

As at 31 December 2016, PJSC “Credit Agricole Bank” had no bonds in issue recognised on its balance sheet following redemption of bonds previously in issue at maturity. Bonds of the following series were redeemed during the reporting period:

- 100,000 registered bonds of series B with the nominal value of UAH 1,000.00 each totalling UAH 100,000 thousand with maturity on 9 January 2016.
- 100,000 registered bonds of series C with the nominal value of UAH 1,000.00 each totalling UAH 100,000 thousand with maturity on 9 February 2016.
- 100,000 registered bonds of series D with the nominal value of UAH 1,000.00 each totalling UAH 100,000 thousand with maturity on 8 March 2016.
- 100,000 registered bonds of series E with the nominal value of UAH 1,000.00 each totalling UAH 100,000 thousand with maturity on 9 April 2016.
- 100,000 registered bonds of series F with the nominal value of UAH 1,000.00 each totalling UAH 100,000 thousand with maturity on 13 May 2016.

NOTE 17 OTHER BORROWINGS

TABLE 17.1. OTHER BORROWINGS

(in UAH thousands)

Item	2016	2015
Financial lease commitments	6,566	8,170
Total	**6,566**	**8,170**

TABLE 17.2. INFORMATION ABOUT MINIMUM LEASE PAYMENTS TO BE MADE UNDER FINANCIAL LEASE AND THEIR PRESENT VALUE AT 31 DECEMBER 2016

(in UAH thousands)

Item	Within 1 year	From 1 to 5 years	Total
Minimum lease payments	5,491	3,383	8,874
Future financial charges	(1,593)	(715)	(2,308)
Present value of minimum lease payments at 31 December 2016	**3,898**	**2,668**	**6,566**

Vehicles are held by the Bank under financial leases. Financial leases provide for the option to buy the leased items at residual value upon expiry of the agreement.

No price changes are set out in the agreements. All the improvements and repairs must be agreed with the lessor.

TABLE 17.3. INFORMATION ABOUT MINIMUM LEASE PAYMENTS TO BE MADE UNDER FINANCIAL LEASE AND THEIR PRESENT VALUE AT 31 DECEMBER 2015

(in UAH thousands)

Item	Within 1 year	From 1 to 5 years	Total
Minimum lease payments	6,949	4,959	11,908
Future financial charges	(2,081)	(1,657)	(3,738)
Present value of minimum lease payments at 31 December 2015	**4,868**	**3,302**	**8,170**

NOTE 18 PROVISIONS FOR LIABILITIES

TABLE 18.1. CHANGES IN PROVISIONS FOR LIABILITIES IN 2016

(in UAH thousands)

Movements in provisions	Credit-related commitments	Tax risks	Provisions for operational risks	Provisions for litigation and other	Total
Opening balance	**59,431**	**465**	**-**	**135**	**60,031**
Charge/(decrease) and/or increase of provision	18,556	(465)	36,190	390	54,671
Utilisation of provision	-	-	-	(525)	(525)
Effect of translation to presentation currency	5,345	-	-	-	5,345
Closing balance	**83,332**	**-**	**36,190**	**-**	**119,522**

Provisions for liabilities include the provisions for court claims against the Bank, provisions for operational risks and other provisions where likelihood of cash outflow in the next year is rated high.

The Bank raised a provision for possible losses arising from operating activities in case such losses are revealed by law enforcement authorities and confirmed in the procedure prescribed by law. The Bank does not expect to get any compensation from third parties.

TABLE 18.2. CHANGES IN PROVISIONS FOR LIABILITIES IN 2015

(in UAH thousands)

Movements in provisions	Credit-related commitments	Tax risks	Provisions for litigation and other	Total
Opening balance	**40,776**	**1,165**	**1,588**	**43,529**
Charge/(decrease) and/or increase of provision	2,210	-	(478)	1,732
Utilisation of provision	-	(700)	(975)	(1,675)
Effect of translation to presentation currency	16,445	-	-	16,445
Closing balance	**59,431**	**465**	**135**	**60,031**

NOTE 19 OTHER LIABILITIES

(in UAH thousands)

Item	2016	2015
Other financial liabilities	**142,141**	**61,840**
Deferred consideration received under guarantees and other financial instruments	66,690	1,205
Derivative financial liabilities in the Bank's trading portfolio (Note 34)	31,241	4,308
Accounts payable for technical and information support services	21,269	29,192
Accounts payable on transfers and other client operations	6,333	8,842
Accounts payable for card operations	4,875	2,397
Accounts payable under operating lease	3,562	260
Accrued expenses on agency services	2,302	1,055
Accounts payable for audit services	1,824	473
Accounts payable for services of international communication systems	1,449	680
Charged commission fees on guarantees and letters of credit	1,229	13,428
Accounts payable on trading in foreign currencies	310	-
Accounts payable on purchase of assets	1,057	-
Other non-financial liabilities	**154,036**	**104,748**
Accounts payable on settlements with employees	80,477	48,545
Accounts payable on charges and taxes other than income tax	26,125	21,896
Deferred income	23,772	16,994
Accounts payable for contributions to Individuals' Deposits Guarantee Fund	12,141	10,496
Other accounts payable	11,521	6,817
Total other financial and non-financial liabilities	**296,177**	**166,588**

NOTE 20 SUBORDINATED DEBT

(in UAH thousands)

Name of corporate investor	Origination date	Maturity date	Amount and type of interest rate	2016	2015
CREDIT AGRICOLE, SA (France)	12.09.2006	27.09.2022	6m USD LIBOR + 3.24% (floating)	536,563	472,669
CREDIT AGRICOLE, SA (France)	18.12.2008	19.12.2018	7% (fixed)	327,115	288,624
CREDIT AGRICOLE, SA (France)	03.11.2014	14.11.2023	6m USD LIBOR + 3.10% (floating)	246,140	217,027
CREDIT AGRICOLE, SA (France)	03.11.2014	14.11.2024	6m USD LIBOR + 3.15% (floating)	259,831	229,099
Total				**1,369,649**	**1,207,419**

During 2016 there were no changes in the structure of the Bank's subordinated debt.

NOTE 21 SHARE CAPITAL AND SHARE PREMIUM

(in UAH thousands)

Item	Number of outstanding shares in thousands of shares	Ordinary shares	Adjusted for hyperinflation	Preferred shares	Total
At 1 January 2015	**1,222,929**	**1,222,927**	**9,672**	**2**	**1,232,601**
Adjusted for hyperinflation	-	-	(9,672)	-	(9,672)
At 31 December 2015	**1,222,929**	**1,222,927**	**-**	**2**	**1,222,929**
At 31 December 2016	**1,222,929**	**1,222,927**	**-**	**2**	**1,222,929**

As at 31 December 2016, the Bank's share capital is UAH 1,222,928 thousand. The share capital is divided into 1,222,928,760 shares, out of which 1,222,926,760 are ordinary registered shares with nominal value of UAH 1.00 each and 2,000 are preferred registered shares with nominal value of 1.00 each. The share issues are registered. The shares are fully paid and outstanding.

The nominal amount of share capital was adjusted to reflect the effect of hyperinflation on contributions made before 1 January 2001. The respective amount of UAH 9,672 thousand was reclassified from retained earnings to share capital. During 2015 pursuant to the decision of the Board of Directors, the share capital of the Bank in the financial statements for the year ended 31 December 2015 was decreased by UAH 9,672 thousand, through the write-off of the effect of applying IAS 29 "Financial Reporting in Hyperinflationary Economies" recognised in the financial statements according to the account balances as at 31 December 2000.

Ordinary registered shares entitle their holders to engage in managing the Bank, obtain dividends and part of the Bank's property in case of its liquidation. Each ordinary registered share has a voting right at the General Shareholders' Meeting, except for cumulative voting. Preferred registered shares give their holders a preferred right to obtain dividends, benefits in case of the Bank's liquidation and convert their shares into other securities. Each preferred share has a voting right at the General Shareholders' Meeting in the cases laid down in the Charter. Dividends are paid to shareholders for each share of the given class owned by them from the net profit for the reporting year and/or retained earnings in the amount to be approved by the General Shareholders' Meeting within 6 months after the end of the reporting year for preferred share and within 6 months after the end of the reporting year for ordinary registered shares. The Bank pays dividends solely in cash.

In 2016 the Bank distributed 5% of profit earned in 2015 in the amount of UAH 22,100 thousand according to the decision of the General Shareholders' Meeting. In 2015 the Bank distributed 5% of profit earned in 2014 in the amount of UAH 7,729 thousand according to the decision of the General Shareholders' Meeting.

NOTE 22 ANALYSIS OF ASSETS AND LIABILITIES BY MATURITY

(in UAH thousands)

Item	Notes	31 December 2016			31 December 2015		
		Amounts expected to be recovered or settled			Amounts expected to be recovered or settled		
		less than 12 months	more than 12 months	Total	less than 12 months	more than 12 months	Total
Assets							
Cash and cash equivalents	6	10,537,519	-	10,537,519	6,470,276	-	6,470,276
Due from other banks and the NBU	7	2,603,481	190	2,603,671	2,437,385	168	2,437,553
Loans and advances to customers	8	13,018,225	2,487,112	15,505,337	11,853,518	1,970,440	13,823,958
Securities in the Bank's portfolio available for sale	9	578,769	69,626	648,395	-	910	910
Investment property	10	-	6,504	6,504	-	5,406	5,406
Property, equipment and intangible assets	11	-	498,935	498,935	-	442,507	442,507
Other financial assets		49,888	-	49,888	24,174	-	24,174
Other assets	12	35,250	-	35,250	24,051	-	24,051
Non-current assets held for sale	13	9,681	-	9,681	9,681	-	9,681
Total assets		**26,832,813**	**3,062,367**	**29,895,180**	**20,819,085**	**2,419,431**	**23,238,516**
Liabilities							
Due to other banks	14	391,669	-	391,669	734,989	120,003	854,992
Customer accounts	15	25,188,443	21,881	25,210,324	18,786,593	27,212	18,813,805
Debt securities in issue	16	-	-	-	101	-	101
Other borrowed funds	17	3,898	2,668	6,566	4,868	3,302	8,170
Current income tax payable		17,758	-	17,758	10,255	-	10,255
Deferred tax liabilities		7,881	-	7,881	15,026	19,697	34,723
Provisions for liabilities	18	119,522	-	119,522	60,031	-	60,031
Other financial liabilities		87,602	54,539	142,141	61,516	324	61,840
Other liabilities	19	154,036	-	154,036	104,748	-	104,748
Subordinated debt	20	10,106	1,359,543	1,369,649	7,386	1,200,033	1,207,419
Total liabilities		**25,980,915**	**1,438,631**	**27,419,546**	**19,785,513**	**1,370,571**	**21,156,084**

NOTE 23 INTEREST INCOME AND EXPENSES

(in UAH thousands)

Item	2016	2015
INTEREST INCOME:		
Loans and advances to customers	2,442,142	2,546,021
Debt securities in the Bank's portfolio available for sale	391,045	-
Correspondent accounts with other banks	15,242	2,256
Due from other banks and the NBU	3,359	318,213
Total interest income	**2,851,788**	**2,866,490**
INTEREST EXPENSES:		
Term deposits of legal entities	(563,510)	(414,879)
Term deposits of individuals	(200,777)	(229,299)
Current accounts	(132,980)	(99,294)
Subordinated debt	(62,140)	(47,046)
Term deposits of other banks	(20,978)	(41,016)
Financial lease commitments	(4,575)	(4,453)
Correspondent accounts	(4,149)	-
Debt securities in issue	(6)	(1,141)
Total interest expenses	**(989,115)**	**(837,128)**
Net interest income	**1,862,673**	**2,029,362**

NOTE 24 FEE AND COMMISSION INCOME AND EXPENSES

(in UAH thousands)

Item	2016	2015
FEE AND COMMISSION INCOME:		
Cash and settlement transactions	373,839	300,459
Fee and commission income from currency market transactions	231,061	217,527
Fees from insurance companies	74,609	45,951
Guarantees issued and letters of credit	70,169	49,950
Fee and commission income from off balance-sheet client operations (other than guarantees and letters of credit issued)	14,018	10,804
Other fee and commission income from client operations	8,379	6,148
Fee and commission income from credit service	8,150	13,861
Securities trading	1,076	2,045
Cash collection	480	385
Total fee and commission income	**781,781**	**647,130**
FEE AND COMMISSION EXPENSES:		
Fee and commission expenses from transactions with IPC	(62,452)	(36,035)
Cash and settlement transactions	(51,524)	(37,971)
Guarantees received	(47,776)	(54,023)
Securities trading	(325)	(318)
Other fee and commission expenses	(9,443)	(5,597)
Total fee and commission expenses	**(171,520)**	**(133,944)**
Net fee and commission income	**610,261**	**513,186**

NOTE 25 OTHER OPERATING INCOME AND EXPENSES

(in UAH thousands)

Item	Notes	2016	2015
Other operating income:			
Income from disposal of property, plant and equipment and intangible assets		8,923	166
Income from consulting services provided to partners		8,577	637
Other operating income		3,453	402
Income from other card operations		3,084	2,209
Rental income from investment property	10	2,930	2,420
Operating income from maintenance of movable and immovable property register		1,291	728
Income from operating leasing (rent)		778	855
Profit from sale of assets held for sale		-	962
Other income		1,221	1,409
Total other operating income		**30,257**	**9,788**
Other operating expenses:			
Costs to make contributions to Individuals' Deposits Guarantee Fund		(47,586)	(39,537)
Expenses for collection of doubtful balances		(16,727)	(12,540)
Banking risk insurance costs		(4,302)	(3,544)
Credit related registration service costs		(1,361)	(1,244)
Membership costs		(901)	(638)
Investment property depreciation costs	10	(135)	(154)
Impairment of non-current assets held for sale (or disposal groups)		-	(4,850)
Losses from disposal of investment property		-	(142)
Other operating expenses		(4,398)	(6,458)
Total other operating expenses		**(75,410)**	**(69,107)**

NOTE 26 ADMINISTRATIVE EXPENSES

(in UAH thousands)

Item	Notes	2016	2015
Staff costs		(565,328)	(506,227)
Maintenance of premises, leasehold improvements and equipment, telecommunication and other operating services		(146,621)	(119,502)
Depreciation of property, plant and equipment	11	(54,753)	(44,883)
Operating lease costs		(34,695)	(32,682)
Amortisation of software and other intangible assets	11	(30,188)	(21,227)
Marketing and advertising costs		(20,020)	(6,745)
Professional services		(18,989)	(15,116)
Utilities		(18,242)	(15,875)
Payment of charges and taxes other than income tax		(16,053)	(14,792)
Business travel and entertainment costs		(15,082)	(10,330)
Security costs		(15,054)	(12,872)
(Impairment)/reversal of impairment of property, plant and equipment and intangible assets	11	-	76
Other		(74,587)	(64,170)
Total administrative expenses		**(1,009,612)**	**(864,345)**

Included in staff costs is unified social contribution of UAH 80,667 thousand (2015: UAH 99,036 thousand). No discretionary pensions and other post-employment benefits are provided by the Bank to its employees.

NOTE 27 INCOME TAX EXPENSES

TABLE 27.1. INCOME TAX EXPENSES

(in UAH thousands)

Item	2016	2015
Current income tax	(217,452)	(100,759)
Change in deferred income tax due to:		
origination and reversal of temporary differences	27,108	(27,927)
Total income tax expense	**(190,344)**	**(128,686)**

In 2016, the applicable corporate income tax rate in Ukraine is 18% (2015: 18%).

TABLE 27.2 RECONCILIATION BETWEEN THE TAX EXPENSE AND PROFIT/(LOSS) MULTIPLIED BY APPLICABLE TAX RATE

(in UAH thousands)

Item	2016	2015
Profit before tax	998,130	570,047
Theoretical tax charge at a respective tax rate	(179,663)	(102,608)
Adjustment of accounting profit:		
Differences in expenses that are non-deductible in tax accounting but recognised in financial accounting, including:	**(10,681)**	**(26,078)**
other expenses	94	(1,427)
loans written off/forgiven	(7,271)	(6,769)
charge to loss provision	(3,462)	(547)
differences in depreciation charge	(42)	360
effect of changes in tax legislation	-	(17,695)
Income tax	**(190,344)**	**(128,686)**

TABLE 27.3 TAX EFFECT OF RECOGNITION OF DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES AT 31 DECEMBER 2016

(in UAH thousands)

Item	Balance at 31 December 2015	Credited/ charged to profit or loss	Credited/ charged to equity	Balance at 31 December 2016
Tax effect of deductible/(taxable) temporary differences and tax losses carried forward				
Property, plant and equipment	4,161	1,221	-	5,382
Revaluation of securities in the Bank's portfolio available for sale	-	-	(266)	(266)
Provisions for loans, other assets and liabilities	(39,393)	19,697	-	(19,696)
Income on credit transactions recognised by discounting	509	(324)	-	185
Provisions for liabilities	-	6,514	-	6,514
Net deferred tax asset/(liability)	**(34,723)**	**27,108**	**(266)**	**(7,881)**

TABLE 27.4 TAX EFFECT OF RECOGNITION OF DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES AT 31 DECEMBER 2015

(in UAH thousands)

Item	Balance at 31 December 2014	Credited/charged to profit or loss	Balance at 31 December 2015
Tax effect of deductible/(taxable) temporary differences and tax losses carried forward			
Property, plant and equipment	2,029	2,132	4,161
Tax losses carried forward	13,870	(13,870)	-
Provisions for loans, other assets and liabilities	(41,395)	2,002	(39,393)
Income on credit transactions recognised by discounting	2,016	(1,507)	509
Provisions for future employee benefits	10,915	(10,915)	-
Accrued expenses	5,769	(5,769)	-
Net deferred tax asset/(liability)	**(6,796)**	**(27,927)**	**(34,723)**

NOTE 28 EARNINGS PER SHARE

TABLE 28.1. EARNINGS PER ORDINARY AND PREFERRED SHARE, NET AND ADJUSTED

(in UAH thousands)

Item	2016	2015
Profit attributable to holders of ordinary shares	807,785	441,360
Profit attributable to holders of preferred shares	1	1
Profit for the year	807,786	441,361
Average number of outstanding ordinary shares in thousands of shares	1,222,927	1,222,927
Average number of outstanding preferred shares in thousands of shares	2	2
Earnings per ordinary share in UAH, net and adjusted	0.66	0.36
Earnings per preferred share in UAH, net and adjusted	0.66	0.36

NOTE 29 DIVIDENDS

(in UAH thousands)

Item	2016		2015	
	for ordinary shares	for preferred shares	for ordinary shares	for preferred shares
Opening balance	**21**	**-**	**21**	**-**
Dividends announced to be paid during the year	415,795	1	-	-
Dividends transferred to Credit Agricole S.A.'s account in the Bank, of which:	(415,779)	(1)	-	-
paid during the period	(165,291)	(1)	-	-
Closing balance	**37**	**-**	**21**	**-**
Dividends per share in UAH announced to be paid during the year	0.34	0.34	-	-

Decisions on payment and amount of dividends are made by the General Shareholder Meeting. The Bank pays dividends solely in cash. The General Shareholder Meeting made a decision to pay dividends to holders of preferred shares on 27 April 2016. Dividends to holders of preferred shares are paid from the net profit for the reporting year and/or retained earnings within 6 months after the end of the reporting year. The General Shareholder Meeting made a decision to pay dividends to holders of ordinary shares on 29 August 2016. Dividends to holders of ordinary shares are paid from the net profit for the reporting year and/or retained earnings within 6 months after approval of the decision to pay dividends by the General Shareholder Meeting. Dividends to holders of preferred and ordinary registered shares payable according to the General Shareholder Meeting decision amount to UAH 0.34 per ordinary or preferred share (totalling UAH 415,796 thousand). Dividends are payable directly to shareholders following the procedure prescribed by Ukrainian law. Dividends are payable by paying the full amount of dividend declared.

In accordance with the restrictions on the purchase, transfer of foreign currency with the purpose to return to the foreign investor dividends imposed by the Regulation "On settlement of the situation in the money and foreign exchange markets of Ukraine" approved by the National Bank of Ukraine Board on 14.09.2016 number 386, during each calendar month since September 2016 the Bank purchased and transfered foreign currency with the purpose to return dividends abroad within the total amount which does not exceed 10% of the total amount of dividends to be returned abroad. Thus in 2016 the Bank purchased and transferred foreign currency to the foreign investor in the amount of UAH 165,292 thousand. In 2017, the Bank continues to purchase and transfer foreign currency with the purpose to return dividends and plans to fully complete its obligations to foreign investors in June 2017.

NOTE 30 SEGMENT INFORMATION

TABLE 30.1. REPORTABLE SEGMENT INCOME, EXPENSES AND PERFORMANCE FOR THE YEAR ENDED 31 DECEMBER 2016

(in UAH thousands)

Item	Reportable segment			Unallocated	Total
	corporate banking	retail banking	treasury operations and capital market transactions		
Income from external customers:					
Interest income	2,092,044	350,650	409,094	-	2,851,788
Commission income	467,320	278,249	36,212	-	781,781
Other operating income	-	3,062	27,195	-	30,257
Total segment income	**2,559,364**	**631,961**	**472,501**	**-**	**3,663,826**
Interest expense	(645,825)	(251,039)	(92,251)	-	(989,115)
Increase in provision for impairment of loans and due to other banks	(772,401)	(12,143)	-	-	(784,544)
Increase in provision for impairment of receivables	-	-	(4,357)	-	(4,357)
Result from transactions with other financial instruments at fair value through profit or loss	-	-	174,598	-	174,598
Result from trading in foreign currencies	156,020	30,040	-	-	186,060
Result from translation of transactions in foreign currencies	-	-	88,277	-	88,277
Gains/(losses) from initial recognition of financial assets at interest rates above or below market	(25,402)	-	-	-	(25,402)
Commission expense	(47,535)	(91,439)	(32,546)	-	(171,520)
Increase in provisions for liabilities	-	-	-	(54,671)	(54,671)
Administrative and other operating expenses	-	-	(5,384)	(1,079,638)	(1,085,022)
Segment profit/(loss)	**1,224,221**	**307,380**	**600,838**	**(1,134,309)**	**998,130**

TABLE 30.2. REPORTABLE SEGMENT INCOME, EXPENSES AND PERFORMANCE FOR THE YEAR ENDED 31 DECEMBER 2015

(in UAH thousands)

Item	Reportable segment			Unallocated	Total
	corporate banking	retail banking	treasury operations and capital market transactions		
Income from external customers:					
Interest income	2,344,445	369,906	152,139	-	2,866,490
Commission income	400,052	208,846	38,232	-	647,130
Other operating income	-	1,894	7,894	-	9,788
Total segment income	**2,744,497**	**580,646**	**198,265**	**-**	**3,523,408**
Interest expense	(473,637)	(270,501)	(92,990)	-	(837,128)
Increase in provision for impairment of loans and due to other banks	(1,116,741)	(60,946)	-	-	(1,177,687)
Increase in provision for impairment of receivables	-	-	(3,308)	-	(3,308)
Result from transactions with other financial instruments at fair value through profit or loss	-	-	(56,771)	-	(56,771)
Result from trading in foreign currencies	215,815	(23,770)	-	-	192,045
Result from translation of transactions with foreign currencies	-	-	141,410	-	141,410
Gains/(losses) on initial recognition of financial assets at interest rates above or below market	(142,794)	-	-	-	(142,794)
Commission expense	(53,822)	(60,103)	(20,019)	-	(133,944)
Increase in provisions for liabilities	-	-	(1,732)	-	(1,732)
Administrative and other operating expenses	-	(1,298)	(67,809)	(864,345)	(933,452)
Segment profit/(loss)	**1,173,318**	**164,028**	**97,046**	**(864,345)**	**570,047**

TABLE 30.3. REPORTABLE SEGMENT ASSETS AND LIABILITIES FOR 2016

(in UAH thousands)

Item	Reportable segment			Unallocated	Total
	corporate banking	retail banking	treasury operations and capital market transactions		
SEGMENT ASSETS					
Segment assets	13,561,752	1,945,002	13,788,168	-	29,294,922
Non-current assets held for sale	-	-	9,681	-	9,681
Total segment assets	13,561,752	1,945,002	13,797,849	-	29,304,603
Unallocated assets	-	-	-	590,577	590,577
Total assets	**13,561,752**	**1,945,002**	**13,797,849**	**590,577**	**29,895,180**
SEGMENT LIABILITIES					
Segment liabilities	19,044,805	6,165,519	391,669	-	25,601,993
Total segment liabilities	19,044,805	6,165,519	391,669	-	25,601,993
Unallocated liabilities	-	-	-	1,817,553	1,817,553
Total liabilities	**19,044,805**	**6,165,519**	**391,669**	**1,817,553**	**27,419,546**

TABLE 30.4. REPORTABLE SEGMENT ASSETS AND LIABILITIES FOR 2015

(in UAH thousands)

Item	Reportable segment			Unallocated	Total
	corporate banking	retail banking	treasury operations and capital market transactions		
SEGMENT ASSETS					
Segment assets	12,489,045	1,334,913	8,908,739	-	22,732,697
Non-current assets held for sale	-	-	9,681	-	9,681
Total segment assets	12,489,045	1,334,913	8,918,420	-	22,742,378
Unallocated assets	-	-	-	496,138	496,138
Total assets	**12,489,045**	**1,334,913**	**8,918,420**	**496,138**	**23,238,516**
SEGMENT LIABILITIES					
Segment liabilities	13,337,615	5,476,190	855,093	-	19,668,898
Total segment liabilities	13,337,615	5,476,190	855,093	-	19,668,898
Unallocated liabilities	-	-	-	1,487,186	1,487,186
Total liabilities	**13,337,615**	**5,476,190**	**855,093**	**1,487,186**	**21,156,084**

>> Income analysed by product and service

Analysis of income by banking product and service is provided in Note 23 (Interest Income) and Note 24 (Commission Income).

>> Major customers

During 2016 the Bank had revenues from transactions with a single external customer that accounted for more than 10% of the Bank's total income, namely UAH 391,045 thousand. Revenue from transactions with the external customer is reflected in the segment "treasury operations and capital market transactions".

>> Geographical concentrations

Most revenues and capital expenditure relate to Ukraine. The Bank has no significant revenue from other countries. Geographical analysis of assets and liabilities is disclosed in Note 31.

NOTE 31 FINANCIAL RISK MANAGEMENT

The Bank developed and implemented risk management and monitoring procedures. The risk management process is based on experience of the parent bank, Credit Agricole S.A., and relevant regulations issued by the National Bank of Ukraine. Risk management process comprises prevention, identification, measurement, analysis, recommended action, control and monitoring, reporting.

The Bank's risk management system is designed to ensure meeting business objectives in line with the Bank's development and value strategy, achieving the appropriate balance between opportunities and risk, size of capital and rate of growth.

The Bank achieves the identified targets through the comprehensive risk management system that requires alignment of all activities carried out by business units with the common risk management strategy approved by the Supervisory Board.

Risk management function is structured to involve the Supervisory Board, the Management Board, board committees and specialised risk management units.

Business units ensure that risks are accepted and relevant transactions are carried out only within the limits set for them and approved procedures and policies. Specialised risk management units are responsible for:

- analysis, measurement and management of individual risks
- membership in all governance bodies of the Bank
- support for management decision-making and core business committees
- periodic and timely communication of the approved procedures, restrictions, and limits to business units and compliance checks
- methodological support
- identification of the appropriate balance between models for individual financial risks and the integrated risk model.

Risk management unit's veto right is realised through the rule to approve resolutions of credit committees only through unanimous voting.

The Bank developed and implemented the PJSC "Credit Agricole Bank" Credit Risk Policy dated 9 July 2012 (approved by the Board resolution No. 89) that regulates risk management and acceptable risks within the Bank. This policy covers the following key risks:

- credit risk
- market risk
- liquidity risk
- country risk.

> Credit risk

The Bank follows established lending policies **in order to manage credit risk arising from transactions with corporate and retail customers:**

- investing only in high-quality credit assets
- using a balanced approach to lending to corporate customers based on analysis of financial performance, business, markets, and industry trends
- applying Know Your Customer principle for customer identification
- decisions to provide the loan are based on analysis of the borrower's expected creditworthiness, sources of repayment and business development potential
- diversifying the loan portfolio taking into account industry risks, exposure to impact of global trend, export orientation, market volatility and diversification by region.

The system in place for assessment of acceptable risks is updated on an annual basis. The Bank's policy introduced business rules in order to mitigate credit risk in loan transactions with customers:

- the Bank does not refinance overdue loans in other banks
- the Bank does not finance acquisition of assets sold by related parties
- the Bank does not finance initial incorporation and increases in capital
- the Bank does not finance cash collateral to be pledged for loans from the Bank or other banks
- the Bank does not finance entities reporting continuous real loss, determined as loss-making performance in each of the last 4 quarters, or negative accumulated loss over the last 4 quarters
- the Bank does not finance entities with negative capital balance. In estimating the capital, the Bank accepts subordinated debt of shareholders as part of capital on a case-by-case basis
- the Bank does not finance entities subject to bankruptcy proceedings or entities risking bankruptcy if the loan application is refused
- the Bank does not finance customers with negative credit history (loans extended over 90 days, past due loans, past due interest over 30 days) except customers for which the overdue loans were restructured and principal and interest on the restructured loan were repaid on a timely basis
- the Bank does not finance customers who have a history of using loans for purposes other than the declared purpose; selling collateral under partial or full pledge; breaching their contractual obligations.

There is a ban on business with the following segments:

- companies engaged in making and distribution of weapons
- companies in which central, regional or municipal authorities hold an interest over 25%
- night clubs and casinos, pawn brokers
- investment funds
- religious organisations
- investments abroad
- in most cases: industries not meeting the Bank's compliance criteria.

Credit risk arising from exposures to financial institutions. Relationship is initiated by the Bank or the customer within the limits established by the Bank. Limits for financial institutions are established and reviewed at least annually.

Credit risk arising from investment business. During the reporting year, the Bank invested solely in Ukrainian government bonds. Investment in corporate securities is not allowed for the Bank as these securities are considered to have unacceptable level of risk.

Credit risk monitoring. Monitoring of accepted risk is equally important for transactions with all types of counterparties (individuals or corporates). The Bank uses different approaches:

- for corporate customers risk assessment requires a case-by-case approach based on assessment of the customer's business and analysis of expected creditworthiness
- for retail customers, risk assessment is generally performed using scoring cards that are initially based on statistical research findings. Adaptation of the existing decision-making policies in respect of disbursement of loans is performed by monitoring and analysis of the portfolio and statistical decision-making tools.

Credit risk monitoring on a portfolio basis. Credit risk monitoring process relies on the loan analysis procedure, subsequent tracking of any changes in the borrower's creditworthiness and identification of steps required to prevent or resolve issues. In order to ensure an efficient structure of asset portfolio exposing the Bank to credit risk (primarily the loan portfolio), the Bank uses an internal reporting system that allows for:

- monitoring of trends in the structure of transactions with assets
- assessing quality of individual banking products
- assessing quality of individual industry, where special attention is given to analysing loans to agricultural producers
- forecasting the level of expected loss
- stress testing the loan portfolio.

These reports represent the source of information required by management to make informed decisions on development of transactions with assets.

To meet its tactical and strategic objectives, the Bank uses the following tools to manage the structure of its loan portfolio:

- limits for individual transactions
- loan decision authority hierarchy for collective bodies
- expected loss assessment and forecasting and provisioning system
- updating banking products based on performance assessment
- stress testing of the loan portfolio.

Credit risk coverage. The Bank uses the following credit risk coverage tools in its operations: requiring security (collateral/mortgage, cash coverage, financial guarantees, sureties), provisions for credit risk etc.

There is a collateral/mortgage system in place comprising the following stages:

- market valuation at the time of loan origination
- revaluation of collateral/mortgage to market value in case of significant changes in the loan agreement
- revaluation of collateral/mortgage to market value in case of significant changes in market conditions, UAH currency exchange rate etc.
- periodic revaluation of collateral/mortgage to market value
- monitoring of existence and condition of assets at the time of loan origination
- periodic monitoring of existence and condition of collateral
- portfolio-based revaluation for homogenous collateral/mortgage.

Monitoring and valuation of collateral/mortgage not only covers collateral/mortgage pledged under lending or other transactions but also tracks and analyses current environment in the market of the pledged collateral.

Key principles and conditions of acceptance, evaluation, revaluation and monitoring of assets offered/accepted as a security of credit transactions in the Bank are governed by the loan collateral management procedure (the "Procedure").

Evaluation, revaluation and monitoring of assets offered/accepted as a security of credit transactions is facilitated by the Collateral Valuation Function (CVF) and Collateral Monitoring and Reporting Function (CMRF). CMRF monitors collateral pledged by customers of the head office and oversees the monitoring of collateral throughout the Bank with a view to establishing the existence and condition of assets accepted as a security of credit transactions. CVF either generates an evaluation report (i.e. opinion on the market value of assets) based on the reports produced by valuers contracted by the Bank for cooperation and interaction, or determines the market value of assets, when such reports are not provided for in Product Standards or not required. CVF is also responsible for revaluation of collateral.

Provisioning for potential loss on transactions with assets in an important credit risk coverage tool.

The Bank uses provisioning on both individual and portfolio basis under IFRS.

There were no significant changes in the Bank's credit risk management policy and risk assessment methodology compared to the previous period.

Credit risk concentrations. In assessing the customer's financial position to determine an appropriate individual limit, the Bank takes into account risk concentrations for a specific industry, business segment and loan currency. The Bank aims to diversify risk between various loan portfolio segments based on the traditional customer pool, experience working with this industry and economy development trends in the country. Therefore, the Bank establishes specific levels of concentration acceptable for the following loan portfolio segments.

Compliance with credit risk ratios. The Bank closely monitors compliance with regulatory ratios, particularly compliance with credit risk ratios, N7 to N9.

As at 1 January 2017, regulatory ratios applicable to the Bank were as follows:

- minimum amount of regulatory capital (N1): UAH 2,835,412 thousand
- regulatory capital adequacy (N2): 18.20
- instant liquidity ratio (N4): 91.11
- current liquidity ratio (N5): 84.08
- short-term liquidity ratio (N6): 103.68
- maximum credit risk exposure per counterparty (N7): 20.11
- large credit risks ratio (N8): 121.78
- maximum credit exposure to one insider (N9): 0.84
- investments in securities by institution (N11): 0.07
- total amount of investments (N12): 0.07.

The regulatory ratios are calculated based on daily accounting data, before period-end adjustments. The Bank was in compliance with the above regulatory ratios throughout the reporting period.

For significant lending transactions that may cause exceeding the required level of N7 ratio, the Bank only accepts loan applications with first class collateral, such as cash coverage or standby letters of credit issued by investment-grade-rated banks.

> Market risk

>> Currency risk

Principal currency risk management techniques and models are set out in the formal Currency Risk Management Policy adopted by PJSC "Credit Agricole Bank".

The risk of financial loss and the probability of decline in the value of capital as a result of changes in exchange rates that are adverse to the existing open currency positions is an important risk that arises in the course of banking operations. The level of potential financial loss depends on the size of open currency position and extent of fluctuations in exchange rates of relevant currencies. VaR (including stress testing of VaR) and GARCH models are used to analyse the impact of changes in exchange rates on the Bank's profit or loss.

The Bank has limits in place for the total open currency position by currency. Currency risk limits are set based on estimated value at risk (VaR methodology) as a percentage of the Bank's capital and taking into account estimated profitability of transactions.

Currency risk management methodology and tools are continuously updated. In addition, the Bank performs stress testing of its currency risk exposure, both overall for the Bank and by business (portfolio held by the Capital Market Department), using scenarios based on historical exchange rate shocks for the minimum period of 10 preceding years.

Currency risk management process requires daily monitoring of the maximum open currency positions based on the acceptable ratio of capital at risk to the set limits of open currency positions, monitoring of exchange rate volatility and exposure to currency risk in normal and stress conditions.

The Bank has a standing specialised Market Risk Management Committee. The Committee meets on a monthly basis. Additional ad-hoc meetings may be held as required. The role of the Committee includes overview and in-depth analysis of all market risk indicators, decisions on the Bank's market risk management strategy, revision of limits and internal procedures and arrangements, adoption of new stress-testing models and scenarios.

TABLE 31.1. CURRENCY RISK ANALYSIS

(in UAH thousands)

Currency	At 31 December 2016				At 31 December 2015			
	monetary assets	monetary liabilities	derivatives	net position	monetary assets	monetary liabilities	derivatives	net position
USD	11,005,955	9,901,327	(1,163,764)	(59,136)	8,416,871	8,195,714	(268,636)	(47,479)
EUR	1,926,121	1,726,023	(192,340)	7,758	1,644,082	1,511,532	(97,026)	35,524
GBP	13,816	14,035	-	(219)	10,500	11,029	-	(529)
Other	96,848	94,727	(3,414)	(1,293)	78,792	79,207	-	(415)
UAH	16,298,352	15,436,328	1,341,205	2,203,229	12,604,793	11,203,968	367,746	1,768,571
Total	**29,341,092**	**27,172,440**	**(18,313)**	**2,150,339**	**22,755,038**	**21,001,450**	**2,084**	**1,755,672**

In Table 31.1. the Bank disclosed monetary assets, monetary liabilities and gross value of derivatives translated into Ukrainian hryvnya equivalent by NBU exchange rate as at 31 December 2016.

TABLE 31.2. CHANGES IN PROFIT OR LOSS AND EQUITY AS A RESULT OF REASONABLE CHANGES IN CLOSING EXCHANGE RATE AT THE END OF THE REPORTING PERIOD WITH ALL OTHER VARIABLES HELD CONSTANT

(in UAH thousands)

Item	At 31 December 2016		At 31 December 2015	
	Impact on profit/(loss)	Impact of equity	Impact on profit/(loss)	Impact of equity
USD strengthening by 10% (2015: 50%)	(5,914)	(5,914)	(23,740)	(23,740)
USD weakening by 5%	2,957	2,957	2,374	2,374
EUR strengthening by 10% (2015: 50%)	776	776	17,762	17,762
EUR weakening by 5%	(388)	(388)	(1,776)	(1,776)
GBP strengthening by 10% (2015: 50%)	(22)	(22)	(265)	(265)
GBP weakening by 5%	11	11	26	26
Other strengthening by 10% (2015: 50%)	(129)	(129)	(208)	(208)
Other weakening by 5%	65	65	21	21

>> Interest rate risk

The Bank takes on exposure to the risk of loss as a result of adverse impact of unforeseen changes in interest rates on its income and/or equity. One of the main sources of risk for a financial instrument is the risk of changes in market interest rates, or the interest rate risk, i.e. the probability that loss will eventuate as a result of changes in market interest rates over a specific period of time. Risk can be mitigated by targeted strategies and actions, however, it cannot be eliminated. Manageable positions in interest-bearing assets and liabilities by time horizon and adequate forecasting of movements in interest rates are an important element of interest risk management.

Principal interest rate risk management techniques and models are given in the formal Interest Rate Risk Management Policy adopted by PJSC "Credit Agricole Bank".

The Bank uses the following tools to measure and manage its interest rate risk:

- gap analysis: estimation of gaps between assets and liabilities on specific time horizons (the methodology has been developed by ALC and approved by the parent)
- maximum loss (NPV) that may be incurred by the Bank as a result of adverse changes in interest rates (with exposures quantified separately for UAH and foreign currency to allow for using specific assumptions in order to improve accuracy of data)
- stress testing (the Bank uses various stress scenarios in the process of budgeting to analyse and develop long-term strategies for managing its balance sheet position).

Management receives periodic information on the Bank's exposure to interest rate risk and market rate forecasts and analyses.

TABLE 31.3 GENERAL ANALYSIS OF INTEREST RATE RISK

(in UAH thousands)

Item	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	Over 1 year	Non-interest-bearing	Total
2016						
Total financial assets	17,106,846	5,876,379	1,978,027	2,550,533	1,833,025	29,344,810
Total financial liabilities	11,272,457	2,689,423	423,128	345,609	12,473,064	27,203,681
Net interest sensitivity gap as at 31 December 2016	**5,834,389**	**3,186,956**	**1,554,899**	**2,204,924**	**(10,640,039)**	**2,141,129**
2015						
Total financial assets	12,417,712	4,977,149	1,723,415	1,968,900	1,669,695	22,756,871
Total financial liabilities	9,590,574	1,827,737	378,032	430,594	8,778,821	21,005,758
Net interest sensitivity gap as at 31 December 2015	**2,827,138**	**3,149,412**	**1,345,383**	**1,538,306**	**(7,109,126)**	**1,751,113**

TABLE 31.4. MONITORING OF EFFECTIVE INTEREST RATES ON FINANCIAL INSTRUMENTS

Item	At 31 December 2016				At 31 December 2015			
	UAH	USD	EUR	Other	UAH	USD	EUR	Other
Assets								
Cash and cash equivalents	0.0%	0.5%	0.4%	0.0%	0.0%	0.0%	0.0%	0.0%
Due from other banks and the NBU	13.4%	0.0%	-	-	20.3%	3.0%	-	-
Loans and advances to customers	16.4%	7.3%	7.9%	12.0%	20.4%	8.6%	8.9%	12.0%
Debt securities in the Bank's portfolio available for sale	16.4%	-	-	-	-	-	-	-
Liabilities								
Due to other banks	0.0%	4.4%	0.0%	-	0.0%	4.2%	0.6%	-
Customer accounts:	5.7%	0.5%	0.1%	0.0%	4.5%	1.8%	0.6%	0.0%
current accounts	2.7%	0.0%	0.0%	0.0%	1.2%	0.3%	0.0%	0.0%
terms deposits	9.4%	1.1%	0.4%	-	8.1%	3.4%	1.1%	-
Debt securities in issue	-	-	-	-	16.1%	-	-	-
Subordinated debt	-	5.1%	-	-	-	4.5%	-	-

The sign "-" in the table above means that the Bank does not have the respective assets or liabilities in the corresponding currency.

A part of loans and advances to customers and subordinated debt bears a floating interest rate. All other items bear fixed interest rates.

In October 2016, the interest rate on USD-denominated balances due from other banks changed from 3% to 0%.

A positive gap, i.e. the excess of sensitive assets over liabilities, for the given period of time results in changes in interest income following the same direction as changes in interest rates. A negative gap results in changes in interest income following the opposite direction from changes in interest rates.

The Bank's exposure to interest rate risk in 2015:

- if interest rates decrease by 1 percentage point, net interest income will decrease up to UAH 73,219 thousand a year
- if interest rates increase by 1 percentage point, net interest income will increase up to UAH 73,219 thousand a year.

The Bank's exposure to interest rate risk in 2016:

- if interest rates decrease by 1 percentage point, net interest income will decrease up to UAH 105,762 thousand a year
- if interest rates increase by 1 percentage point, net interest income will increase up to UAH 102,968 thousand a year.

The Bank seeks to cover the above risk by implementing floating interest rates in loan agreements. The Bank periodically changes the interest rate for the borrower based on the NBU interest rate and the Ukrainian index of rates on individual deposits.

The Bank can change the interest rate for the borrower in case of changes in interest rates in the Ukrainian lending market, including as a result of any decisions made by relevant national authorities that affect, directly or indirectly, the state of the lending market in Ukraine. However, the interest rate cannot be changed unilaterally and should be accepted by the borrower.

>> Other price risk

Price risk is the risk arising from changes in market prices of a financial instrument and the probability of pricing changes resulting from currency and interest rate risks.

Price risk is a component of the market risk, therefore it is measured by the Bank using VaR as a principal methodology.

Market risk is defined as the risk of financial loss and the probability of decline in the value of capital as a result of adverse effects of changes in market quotations on securities, equity instruments, currency exchange rates and interest rates etc. in respect of financial instruments in the Bank's trading and available-for-sale portfolios.

The Bank's trading portfolio is analytically separated from other portfolios (namely, interest, currency etc.) and managed directly by the Capital Market Department.

The Bank includes in its trading portfolio derivatives, namely, customer currency forwards and currency swaps with banks performed for the purpose of hedging currency forwards.

The market rate risk exposure of the trading portfolio is monitored based on a complex system of financial indicators using the following methodologies:

- VaR methodology (historical approach)
- VaR stress testing (similar to the previous indicator but using a significantly larger historical data horizon, namely, previous 10 years, in order to assess the worst possible scenario, whereas regular VaR estimation is based on a 1-year horizon and looks at potential loss in normal market conditions)
- Short-term liquidity limit
- Interest rate sensitivity per 1 bp (limiting time gaps of portfolios), by main currency and both on a net basis (offsetting of opposite sensitivities) and on a gross basis (ignoring the offsetting effect)
- Open currency position of the gross trading portfolio
- Other financial indicators.

Similarly to the trading portfolio, the Bank's available-for-sale portfolio is also analytically separated from other portfolios; however, as its ultimate purpose is placement of temporary idle cash, this portfolio is overseen and directly managed by the Asset/Liability Department.

The Bank includes in its available-for-sale portfolio investments in securities, namely, government bonds (investments in other securities are currently not allowed for the Bank as these securities are considered to have unacceptable level of risk).

Risk exposure of this portfolio is monitored based on a system of the following financial indicators:

- Maximum nominal amount of the portfolio (at nominal value of government bonds)
- Maximum period to maturity of securities
- VaR methodology (historical approach)
- VaR stress testing (similar to the methodology described for the trading portfolio above, however the single historical maximum adverse shock of 2,000 bp per day is used)
- Allowed currency (during the reporting period, the Bank was allowed to hold government bonds denominated in UAH only)
- Interest rate sensitivity per 1 bp.

>> Geographical risk

TABLE 31.5. ANALYSIS OF GEOGRAPHICAL CONCENTRATIONS OF FINANCIAL ASSETS AND LIABILITIES IN 2016

(in UAH thousands)

Item	Ukraine	OECD	Non-OECD	Total
Assets				
Cash and cash equivalents	1,703,768	8,801,886	31,865	10,537,519
Due from other banks and the NBU	2,603,671	-	-	2,603,671
Loans and advances to customers	15,505,006	61	270	15,505,337
Securities in the Bank's portfolio available for sale	648,395	-	-	648,395
Other financial assets	46,595	3,293	-	49,888
Total financial assets	**20,507,435**	**8,805,240**	**32,135**	**29,344,810**
Liabilities				
Due to other banks	702	390,937	30	391,669
Customer accounts	24,754,124	411,177	45,023	25,210,324
Other borrowed funds	6,566	-	-	6,566
Provision for liabilities	83,332	-	-	83,332
Other financial liabilities	117,885	24,256	-	142,141
Subordinated debt	-	1,369,649	-	1,369,649
Total financial liabilities	**24,962,609**	**2,196,019**	**45,053**	**27,203,681**
Net balance sheet position	(4,455,174)	6,609,221	(12,918)	2,141,129
Credit-related commitments	2,995,704	1,690	28,445	3,025,839

TABLE 31.6. ANALYSIS OF GEOGRAPHICAL CONCENTRATIONS OF FINANCIAL ASSETS AND LIABILITIES IN 2015

(in UAH thousands)

Item	Ukraine	OECD	Non-OECD	Total
Assets				
Cash and cash equivalents	1,552,318	4,904,474	13,484	6,470,276
Due from other banks and the NBU	2,437,553	-	-	2,437,553
Loans and advances to customers	13,823,938	20	-	13,823,958
Securities in the Bank's portfolio available for sale	910	-	-	910
Other financial assets	23,523	651	-	24,174
Total financial assets	**17,838,242**	**4,905,145**	**13,484**	**22,756,871**
Liabilities				
Due to other banks	901	853,758	333	854,992
Customer accounts	18,263,044	440,000	110,761	18,813,805
Debt securities in issue	101	-	-	101
Other borrowed funds	8,170	-	-	8,170
Provision for liabilities	59,431	-	-	59,431
Other financial liabilities	18,540	43,300	-	61,840
Subordinated debt	-	1,207,419	-	1,207,419
Total financial liabilities	**18,350,187**	**2,544,477**	**111,094**	**21,005,758**
Net balance sheet position	(511,945)	2,360,668	(97,610)	1,751,113
Credit-related commitments	1,902,566	1,834	39,411	1,943,811

Assets, liabilities and credit related commitments have been classified based on the country in which the counterparty is located. Cash on hand has been allocated based on the country in which it is physically held.

> Liquidity risk

The Bank has a liquidity risk management model in place that allows to continuously monitor the level of liquidity risk, manage the flows of assets and liabilities to prevent increase in exposure to liquidity risk. The Bank also has a plan in place to maintain sufficient liquidity in case of pre-crisis and crisis situations in the Ukrainian banking sector.

To assess the level of liquidity risk, the Bank uses the liquidity gap technique. Liquidity gap is estimated as a difference between total assets and total liabilities in each time interval. Liquidity gap is estimated using the methodology approved by the parent bank. Liquidity gap estimates are prepared both for each time interval and cumulatively (cumulative total) on a monthly basis by Asset/Liability Department by principal currency.

In order to determine the gap between assets and liabilities, the Bank uses conventions for balance sheet items defined by ALC and approved by the parent bank. Since 2013, Credit Agricole Group implemented estimation of LCR (Liquidity Coverage Ratio) based on the Basel III framework. The Bank significantly exceeded this ratio during 2016. This average level for the year was 259% with the minimum required ratio of 100%.

During 2016, in a complicated economic environment, the Bank demonstrated strong liquidity position, had no past due payables, met all of its liabilities on time and in full thanks to the use of a stress-scenario for liquidity management and identification of available liquidity (the methodology is approved by the parent). As a result, the Bank secured with its customers its good reputation, trust and recognition.

The table below shows liabilities at 31 December 2016 by their remaining contractual maturities. The liabilities disclosed in the maturity table are the contractual undiscounted cash flows, including gross loan commitments and financial guarantees. Such undiscounted cash flows differ from the amount included in the statement of financial position because the amount in the statement of financial position is based on discounted cash flows.

TABLE 31.7 ANALYSIS OF FINANCIAL LIABILITIES BY CONTRACTUAL MATURITIES FOR 2016

(in UAH thousands)

Item	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years	Over 5 years	Total
Due to other banks	253,620	-	142,152	-	-	395,772
Customer accounts:	23,377,361	1,099,493	763,440	17,346	7,742	25,265,382
individuals	4,731,463	738,386	706,870	14,850	7,742	6,199,311
other	18,645,898	361,107	56,570	2,496	-	19,066,071
Other borrowed funds	3,297	332	269	2,668	-	6,566
Subordinated debt	-	11,839	57,508	536,476	1,114,069	1,719,892
Provision for liabilities	-	-	4,627	78,705	-	83,332
Other financial liabilities	52,215	2,996	1,151	54,539	-	110,901
Currency forwards, inflow	(1,098,405)	(83,097)	(42,767)	-	-	(1,224,269)
Currency forwards, outflow	1,127,597	83,989	43,924	-	-	1,255,510
Financial guarantees	9,692	295,029	432,380	246,558	-	983,659
Other credit-related commitments	134,836	305,080	1,563,985	19,931	18,348	2,042,180
Total potential future payments for financial liabilities	**23,860,213**	**1,715,661**	**2,966,669**	**956,223**	**1,140,159**	**30,638,925**

TABLE 31.8 ANALYSIS OF FINANCIAL LIABILITIES BY CONTRACTUAL MATURITIES FOR 2015

(in UAH thousands)

Item	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years	Over 5 years	Total
Due to other banks	1,622	367,195	381,223	125,474	-	875,514
Customer accounts:	17,584,164	492,014	723,581	20,729	13,010	18,833,498
individuals	4,878,849	215,854	374,722	16,547	9,750	5,495,722
other	12,705,315	276,160	348,858	4,182	3,261	13,337,776
Debt securities in issue	-	3	102	-	-	105
Other borrowed funds	47	475	4,346	3,302	-	8,170
Subordinated debt	-	8,734	45,911	468,508	1,007,185	1,530,338
Provision for liabilities	-	-	-	59,431	-	59,431
Other financial liabilities	55,180	1,447	581	324	-	57,532
Currency forwards, inflow	(166,325)	(85,620)	-	-	-	(251,945)
Currency forwards, outflow	169,862	86,391	-	-	-	256,253
Financial guarantees	19,090	274,049	164,907	274,441	-	732,487
Other credit-related commitments	68,340	535,358	511,720	76,641	19,265	1,211,324
Total potential future payments for financial liabilities	**17,731,980**	**1,680,046**	**1,832,371**	**1,028,850**	**1,039,460**	**23,312,707**

The above tables shows the timing of expiry dates of financial guarantees and other credit-related commitments of the Bank according to the respective agreements. The Bank expects that not all of financial guarantees and other credit-related commitments will be drawn before their expiry.

TABLE 31.9 ANALYSIS OF FINANCIAL INSTRUMENTS BY EXPECTED MATURITIES FOR 2016

(in UAH thousands)

Item	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years	Over 5 years	Total
Assets						
Cash and cash equivalents	10,537,519	-	-	-	-	10,537,519
Due from other banks and the NBU	2,603,481	-	-	190	-	2,603,671
Loans and advances to customers	5,739,380	3,349,746	3,929,099	2,298,810	188,302	15,505,337
Securities in the Bank's portfolio available for sale	-	96,948	480,911	69,626	910	648,395
Other financial assets	47,663	1,552	673	-	-	49,888
Total financial assets	**18,928,043**	**3,448,246**	**4,410,683**	**2,368,626**	**189,212**	**29,344,810**
Liabilities						
Due to other banks	44,710	83,156	263,803	-	-	391,669
Customer accounts	20,685,615	1,925,581	2,535,420	51,920	11,788	25,210,324
Other borrowed funds	3,297	332	269	2,668	-	6,566
Provision for liabilities	-	-	4,627	78,705	-	83,332
Other financial liabilities	81,547	3,747	2,308	54,539	-	142,141
Subordinated debt	-	6,341	3,765	326,290	1,033,253	1,369,649
Total financial liabilities	**20,815,169**	**2,019,157**	**2,810,192**	**514,122**	**1,045,041**	**27,203,681**
Net liquidity gap as at 31 December	**(1,887,126)**	**1,429,089**	**1,600,491**	**1,854,504**	**(855,829)**	**2,141,129**
Cumulative liquidity gap as at 31 December	**(1,887,126)**	**(458,037)**	**1,142,454**	**2,996,958**	**2,141,129**	**-**

TABLE 31.10 ANALYSIS OF FINANCIAL INSTRUMENTS BY EXPECTED MATURITIES FOR 2015

(in UAH thousands)

Item	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years	Over 5 years	Total
Assets						
Cash and cash equivalents	6,470,276	-	-	-	-	6,470,276
Due from other banks and the NBU	2,173,545	263,840	-	168	-	2,437,553
Loans and advances to customers	5,410,537	3,604,580	2,838,402	1,758,511	211,928	13,823,958
Securities in the Bank's portfolio available for sale	-	-	-	-	910	910
Other financial assets	24,174	-	-	-	-	24,174
Total financial assets	**14,078,532**	**3,868,420**	**2,838,402**	**1,758,679**	**212,838**	**22,756,871**
Liabilities						
Due to other banks	1,622	364,835	368,532	120,003	-	854,992
Customer accounts	14,738,381	1,805,509	2,189,815	68,504	11,596	18,813,805
Debt securities in issue	-	-	101	-	-	101
Other borrowed funds	47	475	4,346	3,302	-	8,170
Provision for liabilities	-	-	-	59,431	-	59,431
Other financial liabilities	58,717	2,218	581	324	-	61,840
Subordinated debt	-	4,656	2,730	288,008	912,025	1,207,419
Total financial liabilities	**14,798,767**	**2,177,693**	**2,566,105**	**539,572**	**923,621**	**21,005,758**
Net liquidity gap as at 31 December	**(720,235)**	**1,690,727**	**272,297**	**1,219,107**	**(710,783)**	**1,751,113**
Cumulative liquidity gap as at 31 December	**(720,235)**	**970,492**	**1,242,789**	**2,461,896**	**1,751,113**	**-**

The maturity analysis does not reflect the historical stability of current accounts. In the table above current accounts are reflected in the Amount due to customers in "On demand and less one month" maturity bucket. It should be noted that historically substantial portion of funds have remained on the current accounts for longer periods.

NOTE 32 MANAGEMENT OF CAPITAL

The NBU requires banks to maintain a capital adequacy ratio of 10% of the amount of risk-weighted assets, computed in accordance with the NBU accounting rules.

As at 31 December 2016, the Bank's regulatory capital (calculated based on accounting data before annual adjustments) was as follows:

(in UAH thousands)

Regulatory capital components	2016	2015
Paid-in registered statutory capital	1,222,929	1,222,929
Disclosed reserves created or increased from retained earnings	311,670	289,570
Deductions from primary capital (intangible assets less amortisation; capital investments in intangible assets)	(73,206)	(46,012)
Primary capital (tier 1 capital)	**1,461,393**	**1,466,487**
Provisions for standard balances due from other banks, loans to customers and credit-related commitments	23,242	34,334
Estimated current year profit before UCR adjustment	915,358	542,200
Prior year profit	132,037	128,571
Uncovered credit risk (UCR)	(860,387)	-
Qualifying subordinated debt	1,163,769	1,084,830
Additional capital (tier 2 capital)	**1,374,019**	**1,789,935**
Qualifying additional capital (AC)	**1,374,019**	**1,466,487**
Total regulatory capital	**2,835,412**	**2,932,974**

The Bank's objectives when managing capital are:

- to comply with the capital requirements set by the National Bank of Ukraine
- to safeguard the Bank's ability to continue as a going concern
- to cover adverse effects of crisis conditions.

To ensure stable operations of the Bank, maintain regulatory capital that complies with the NBU requirements and minimum capital requirement of Basel Committee on Banking Supervision and to determine size and monitor adequacy of capital taking into account all risks for sustainable operation of all businesses within the Bank, the Bank implemented a system for internal control over the capital adequacy.

To determine the level of capital, the Bank evaluates the level of regulatory capital and capital adequacy ratios. Regulatory capital is the critical performance indicators for banks. Its main purpose is to cover adverse effects of various risks accepted by the Bank in its operations and to safeguard deposits, financial sustainability and stability of the Bank.

The Bank's capital includes foreign currency-denominated subordinated debt recorded in additional capital (tier 2 capital) net of amortisation. The foreign currency-denominated subordinated debt partially mitigates the impact of exchange rate fluctuations on regulatory capital.

During 2016, the NBU revised the capital calculation methodology, in particular, relating to quantification and application of the uncovered credit risk amount. In calculating its regulatory capital, the Bank deducts the amount of uncovered credit risk from profit, namely:

- retained earnings
- current and reporting year result (profit).

If uncovered credit risk is in excess of profit, the amount of such excess is deducted from primary capital.

Regulatory capital adequacy ratio reflects the Bank's ability to settle obligations in time and in full resulting from trade, loan and other monetary transactions. The higher regulatory capital ratio means the higher percentage of risk accepted by equity holders of the Bank, and vice versa: the lower regulatory capital ratio means the higher percentage of risk accepted by creditors/depositors of the Bank.

The regulatory capital adequacy ratio is set to avoid excessive transfer of credit and default risk to creditors/depositors of the Bank.

The Bank complied with the capital requirements as at 31 December 2016.

Asset/Liability Department prepares forecasts of regulatory capital adequacy using methodologies and requirements of the NBU on a regular basis. These estimates are considered by management to make management decisions on adequate asset and liability position. Regulatory and Financial Reporting Directorate monitors capital adequacy on a daily basis.

Capital requirements are planned on an annual basis as part of the budgeting exercise. The Bank's budget allows the Bank to meet minimum capital adequacy requirements and details forecasted growth in capital and assets, dividend payments, future growth of business, loss on bad loans and expected income. This plan also supports capital adequacy under the NBU requirements.

NOTE 33 CONTINGENCIES AND COMMITMENTS

Legal proceedings. As at 31 December 2016, pending litigation comprises 5 claims to the Bank. According to the Legal Department assessment, the majority of these cases have low probability of unfavourable outcome.

As at 31 December 2016 law enforcement authority is investigating a customer request. The Bank's evaluation of likely outcome of the investigation is described in Note 18.

Tax contingencies. Ukrainian legislation and regulations regarding taxation and other operational matters, including currency exchange control and custom regulations, continue to evolve. 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. Management 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 transactions and interpretations that have not been challenged in the past may be challenged by the authorities in the future, although this risk significantly reduces with the 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.

Management made a decision to provide for potential tax liabilities in the cases when the Bank disputes with tax authorities regarding income tax payable based on tax audit findings. As at the reporting date, taxes and charges payable assessed by tax authorities were not challenged by the Bank.

Capital expenditure commitments. As at 31 December 2016, capital expenditure commitments amounted to UAH 6,872 thousand and represented contractual commitments related to development and implementation of intangible assets (Call Centre data processing software, integration of information from banking systems and iBanking for corporate customers).

Operating lease commitments. As at 31 December 2016, the Bank does not have any non-cancellable operating leases.

The Bank as a lessee has 262 agreements of operating lease of property and equipment. Major categories of agreements include:

- lease of space for ATMs: 167 agreements
- lease of premises for branches: 92 agreements.

Guarantee deposits paid in respect of operating leases total UAH 927 thousand. Minimum monthly lease payments total UAH 3,111 thousand. Total operating lease commitments amount to UAH 71,378 thousand, of which UAH 30,507 thousand are payable within 1 year; UAH 39,651 thousand are payable within 5 years and UAH 1,220 thousand are payable over 5 years. All operating lease agreements have an early termination and priority prolongation clauses.

TABLE 33.1. STRUCTURE OF CREDIT-RELATED COMMITMENTS

(in UAH thousands)

Item	2016	2015
Commitments to extend loans	306,157	445,981
Export letters of credit	60,757	49,203
Import letters of credit	1,758,598	775,570
Guarantees issued	983,659	732,487
Provision for credit-related commitments	(83,332)	(59,430)
Total credit-related commitments net of provisions	**3,025,839**	**1,943,811**

NOTE 34 DERIVATIVE FINANCIAL INSTRUMENTS

(in UAH thousands)

Item	2016		2015	
	Contracts with positive fair value	Contracts with negative fair value	Contracts with positive fair value	Contracts with negative fair value
Currency exchange forwards				
USD payable on settlement (-)	(45,744)	(1,072,082)	(109,293)	(159,213)
EUR payable on settlement (-)	(58,136)	(181,150)	-	(97,040)
UAH receivable on settlement (+)	106,688	1,224,269	110,216	251,945
other payable on settlement (-)	-	(2,278)	-	-
Total fair value of derivatives	**2,808**	**(31,241)**	**923**	**(4,308)**

The Bank estimates the fair value of derivatives using a valuation technique based on analysis of quotations of similar financial instruments, which represents level 2 fair value measurement.

NOTE 35 FAIR VALUE

Fair value measurements are analysed and categorised by level in the fair value hierarchy as follows: (i) level 1 are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level 2 measurements are valuations techniques with all material inputs observable for the asset or liability, either directly or indirectly (that is, as prices), and (iii) level 3 measurements are valuations not based on solely observable market data (that is, based on unobservable inputs). Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

(A) ASSETS AND LIABILITIES NOT MEASURED AT FAIR VALUE FOR WHICH FAIR VALUE IS DISCLOSED

TABLE 35.1. ANALYSIS OF FINANCIAL INSTRUMENTS CARRIED AT COST AND AMORTISED COST

(in UAH thousands)

Item	2016		2015	
	fair value	carrying value	fair value	carrying value
Cash and cash equivalents and balances with the NBU:	**10,537,519**	**10,537,519**	**6,470,276**	**6,470,276**
cash on hand	485,924	485,924	408,121	408,121
balances with the National Bank of Ukraine	1,193,524	1,193,524	1,109,749	1,109,749
correspondent accounts, overnight deposits and loans with banks	8,858,071	8,858,071	4,952,406	4,952,406
Due from other banks and the NBU:	**2,603,671**	**2,603,671**	**2,437,553**	**2,437,553**
deposits with other banks	190	190	168	168
deposit certificates issued by the NBU	2,603,481	2,603,481	2,437,385	2,437,385
Loans and advances to customers:	**15,676,648**	**15,505,337**	**13,892,811**	**13,823,958**
corporate loans	13,665,494	13,560,996	12,536,156	12,489,046
mortgage loans to individuals	85,277	80,446	106,665	105,086
consumer loans to individuals	1,925,877	1,863,895	1,249,990	1,229,826
Securities in the Bank's portfolio available for sale	**-**	**910**	**-**	**910**
Other financial assets	**47,080**	**47,080**	**24,174**	**24,174**
Total financial assets carried at cost and amortised cost	**28,864,918**	**28,694,517**	**22,824,814**	**22,756,871**
Due to other banks:	**388,821**	**391,669**	**844,233**	**854,992**
correspondent accounts and overnight deposits of other banks	253,620	253,620	1,621	1,621
long-term loans from other banks	135,201	138,049	842,612	853,371
Customer accounts:	**25,215,931**	**25,210,324**	**18,816,333**	**18,813,805**
current accounts of legal entities	10,843,968	10,843,968	8,402,457	8,402,457
term deposits of legal entities	8,202,415	8,200,837	4,935,260	4,935,171
current accounts of individuals	2,104,332	2,104,332	1,354,314	1,354,314
term deposits of individuals	4,065,216	4,061,187	4,124,302	4,121,863
Debt securities in issue	**-**	**-**	**101**	**101**
Other borrowed funds	**6,566**	**6,566**	**8,170**	**8,170**
Provisions for liabilities	**83,332**	**83,332**	**59,431**	**59,431**
Other financial liabilities	**110,900**	**110,900**	**57,532**	**57,532**
Subordinated debt	**1,140,656**	**1,369,649**	**795,936**	**1,207,419**
Total financial liabilities carried at cost and amortised cost	**26,946,206**	**27,172,440**	**20,581,736**	**21,001,450**

TABLE 35.2. ANALYSIS OF FAIR VALUE BY HIERARCHY LEVELS FOR FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE AT 31 DECEMBER 2016

(in UAH thousands)

Item	Level 1	Level 2	Level 3	Carrying value
ASSETS				
Cash and cash equivalents and balances with the NBU:	**1,679,448**	**8,858,071**	**-**	**10,537,519**
cash on hand	485,924	-	-	485,924
cash balances with the National Bank of Ukraine	1,193,524	-	-	1,193,524
correspondent accounts, overnight deposits and loans with banks	-	8,858,071	-	8,858,071
Due from other banks and the NBU:	**-**	**2,603,671**	**-**	**2,603,671**
deposits with other banks	-	190	-	190
deposit certificates issued by the NBU	-	2,603,481	-	2,603,481
Loans and advances to customers:	**-**	**-**	**15,676,648**	**15,505,337**
corporate loans	-	-	13,665,494	13,560,996
mortgage loans to individuals	-	-	85,277	80,446
consumer loans to individuals	-	-	1,925,877	1,863,895
Securities in the Bank's portfolio available for sale	**-**	**-**	**-**	**910**
Other financial assets	**-**	**-**	**47,080**	**47,080**
Total financial assets	**1,679,448**	**11,461,742**	**15,723,728**	**28,694,517**
LIABILITIES				
Due to other banks:	**-**	**388,821**	**-**	**391,669**
correspondent accounts and overnight deposits of other banks	-	253,620	-	253,620
long-term loans from other banks	-	135,201	-	138,049
Customer accounts:	**-**	**12,948,300**	**12,267,631**	**25,210,324**
current accounts of legal entities	-	10,843,968	-	10,843,968
term deposits of legal entities	-	-	8,202,415	8,200,837
current accounts of individuals	-	2,104,332	-	2,104,332
term deposits of individuals	-	-	4,065,216	4,061,187
Debt securities in issue	**-**	**-**	**-**	**-**
Other borrowed funds	**-**	**6,566**	**-**	**6,566**
Provisions for liabilities	**-**	**-**	**83,332**	**83,332**
Other financial liabilities	**-**	**110,900**	**-**	**110,900**
Subordinated debt	**-**	**-**	**1,140,656**	**1,369,649**
Total financial liabilities	**-**	**13,454,587**	**13,491,619**	**27,172,440**

TABLE 35.3. ANALYSIS OF FAIR VALUE BY HIERARCHY LEVELS FOR FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE AT 31 DECEMBER 2015

(in UAH thousands)

Item	Level 1	Level 2	Level 3	Carrying value
ASSETS				
Cash and cash equivalents and balances with the NBU:	**1,517,870**	**4,952,406**	**-**	**6,470,276**
cash on hand	408,121	-	-	408,121
cash balances with the National Bank of Ukraine	1,109,749	-	-	1,109,749
correspondent accounts, overnight deposits and loans with banks	-	4,952,406	-	4,952,406
Due from other banks and the NBU:	**-**	**2,437,553**	**-**	**2,437,553**
deposits with other banks	-	168	-	168
deposit certificates issued by the NBU	-	2,437,385	-	2,437,385
Loans and advances to customers:	**-**	**-**	**13,892,811**	**13,823,958**
corporate loans	-	-	12,536,156	12,489,046
mortgage loans to individuals	-	-	106,665	105,086
consumer loans to individuals	-	-	1,249,990	1,229,826
Shares in available-for-sale portfolio	**-**	**-**	**-**	**910**
Other financial assets	**-**	**24,174**	**-**	**24,174**
Total financial assets	**1,517,870**	**7,414,133**	**13,892,811**	**22,756,871**
LIABILITIES				
Due to other banks:	**-**	**844,233**	**-**	**854,992**
correspondent accounts and overnight deposits of other banks	-	1,621	-	1,621
long-term loans from other banks	-	842,612	-	853,371
Customer accounts:	**-**	**9,756,771**	**9,059,562**	**18,813,805**
current accounts of legal entities	-	8,402,457	-	8,402,457
term deposits of legal entities	-	-	4,935,260	4,935,171
current accounts of individuals	-	1,354,314	-	1,354,314
term deposits of individuals	-	-	4,124,302	4,121,863
Debt securities in issue	**-**	**101**	**-**	**101**
Other borrowed funds	**-**	**8,170**	**-**	**8,170**
Provisions for liabilities	**-**	**-**	**59,431**	**59,431**
Other financial liabilities	**-**	**57,532**	**-**	**57,532**
Subordinated debt	**-**	**-**	**795,936**	**1,207,419**
Total financial liabilities	**-**	**10,666,807**	**9,914,929**	**21,001,450**

Techniques and assumptions used in determining fair value. The fair values in level 2 and level 3 of fair value hierarchy were estimated using the discounted cash flows valuation technique. The fair value of unquoted floating and fixed interest rate instruments was estimated based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

For assets, the Bank used assumptions about counterparty's incremental borrowing rate and prepayment rates. Liabilities were discounted at the Bank's own incremental borrowing rate.

Liabilities due on demand were discounted from the first date that the amount could be required to be paid by the Bank.

The estimated fair value of floating rate instruments that are not quoted in an active market was estimated to be equal to their carrying amount.

(B) RECURRING FAIR VALUE MEASUREMENTS

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

TABLE 35.4. ANALYSIS OF FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE BY MEASUREMENT LEVELS FOR 2016

(in UAH thousands)

Item	Fair value by valuation model			Total fair value	Total carrying value
	Level I	Level II	Level III		
Securities in the Bank's portfolio available for sale	-	647,485	-	647,485	647,485
Derivative financial assets (Note 34)	-	2,808	-	2,808	2,808
Total financial assets	**-**	**650,293**	**-**	**650,293**	**650,293**
Derivative financial liabilities (Note 34)	-	31,241	-	31,241	31,241
Total financial liabilities	**-**	**31,241**	**-**	**31,241**	**31,241**

TABLE 35.5. ANALYSIS OF FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE BY MEASUREMENT LEVELS FOR 2015

(in UAH thousands)

Item	Fair value by valuation model			Total fair value	Total carrying value
	Level I	Level II	Level III		
Derivative financial assets (Note 34)	-	923	-	923	923
Total financial assets	**-**	**923**	**-**	**923**	**923**
Derivative financial liabilities (Note 34)	-	4,308	-	4,308	4,308
Total financial liabilities	**-**	**4,308**	**-**	**4,308**	**4,308**

TABLE 35.6. VALUATION TECHNIQUES AND INPUTS USED IN THE FAIR VALUE MEASUREMENT FOR LEVEL 2 MEASUREMENTS AT 31 DECEMBER 2016

(in UAH thousands)

Item	Fair value	Valuation technique	Inputs used
ASSETS AT FAIR VALUE			
Financial assets			
Securities in the Bank's portfolio available for sale	647,485	DCF	Expected profitability
Other financial assets			
- Forward assets in the Bank's trading portfolio	2,808	DCF	KyivPrime, LIBOR rates
Total recurring fair value measurements for level 2 financial assets	**650,293**		
LIABILITIES CARRIED AT FAIR VALUE			
Financial liabilities			
Other financial liabilities			
- Derivative financial liabilities in the Bank's trading portfolio	31,241	DCF	KyivPrime, LIBOR rates
Total recurring fair value measurements for level 2 financial liabilities	**31,241**		

The Bank determines fair value of currency swaps and forwards using the future cash flow discounting factor (NPV) on a contract-by-contract basis. The basis for NPV calculations represents interest rates available in the market for the respective period and for the respective currency. The calculation is done by Kondor+ system based on Reuters data. At each reporting date, the Bank records remeasurement/MtM of contracts by reversing the previously determined value of future cash flows and recording the current value.

There were no changes in valuation technique for level 2 recurring fair value measurements during the years ended 31 December 2016 and 2015.

NOTE 36 PRESENTATION OF FINANCIAL INSTRUMENTS BY MEASUREMENT CATEGORY

For the purposes of measurement, IAS 39 classifies financial assets into the following categories: (a) loans and receivables; (b) available-for-sale financial assets; (c) held-to-maturity financial assets and (d) financial assets at fair value through profit or loss ("FVTPL"). Financial assets at fair value through profit or loss have two sub-categories: (i) assets designated as such upon initial recognition, and (ii) those classified as held for trading.

TABLE 36.1. FINANCIAL ASSETS BY MEASUREMENT CATEGORIES FOR 2016

(in UAH thousands)

Item	Loans and receivables	Available-for-sale assets	Financial assets at fair value through profit or loss	Total
Cash and cash equivalents and balances with the NBU	10,537,519	-	-	10,537,519
Due from other banks and the NBU:	2,603,671	-	-	2,603,671
deposits with other banks	190	-	-	190
deposit certificates issued by the NBU	2,603,481	-	-	2,603,481
Loans and advances to customers:	15,505,337	-	-	15,505,337
corporate loans	13,560,996	-	-	13,560,996
mortgage loans to individuals	80,446	-	-	80,446
consumer loans to individuals	1,863,895	-	-	1,863,895
Securities available for sale	-	648,395	-	648,395
Other financial assets	47,080	-	2,808	49,888
Total financial assets	**28,693,607**	**648,395**	**2,808**	**29,344,810**

TABLE 36.2. FINANCIAL ASSETS BY MEASUREMENT CATEGORIES FOR 2015

(in UAH thousands)

Item	Loans and receivables	Available-for-sale assets	Financial assets at fair value through profit or loss	Total
Cash and cash equivalents and balances with the NBU	6,470,276	-	-	6,470,276
Due from other banks and the NBU:	2,437,553	-	-	2,437,553
deposits with other banks	168	-	-	168
deposit certificates issued by the NBU	2,437,385	-	-	2,437,385
Loans and advances to customers:	13,823,958	-	-	13,823,958
corporate loans	12,489,046	-	-	12,489,046
mortgage loans to individuals	105,086	-	-	105,086
consumer loans to individuals	1,229,826	-	-	1,229,826
Securities available for sale	-	910	-	910
Other financial assets	23,251	-	923	24,174
Total financial assets	**22,755,038**	**910**	**923**	**22,756,871**

As at 31 December 2016 and 2015, all financial liabilities were carried at amortised cost, except for derivative financial liabilities carried at fair value through profit or loss.

NOTE 37 RELATED PARTY TRANSACTIONS

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

Related parties may enter into transactions which unrelated parties might not. The terms and conditions of such transactions may differ from those between unrelated parties.

Other related parties include family members of key management personnel of the Bank and entities under control of the ultimate parent, as well as entities controlled or managed by these family members.

TABLE 37.1. RELATED PARTY BALANCES FOR 2016

(in UAH thousands)

Item	Parent company	Key management personnel	Other related parties
Cash and cash equivalents	8,668,631	-	55,441
Loans and advances to customers	-	9,477	7,234
Provision for loans as at 31 December	-	(1)	(229)
Other assets	673	-	2,606
Due to other banks	388,537	-	-
Customer accounts	-	33,165	31,530
Other borrowed funds	-	-	30
Other liabilities	17,277	-	6,670
Subordinated debt	1,369,649	-	-

Borrowing from parent were obtained on the following conditions: for long-term USD-denominated loans: interest rates between 3.92% and 4.47% depending on maturity; for subordinated debt: 7% for subordinated debt obtained in 2008 and the floating rates in the range 3.77-4.48% for subordinated debt obtained in 2006 and 3.7-4.36% for subordinated debt obtained in 2014.

Interest rates on loans granted to key management personnel match interest rates available to staff, and for other related parties interest rates match standard interest rates for respective loans and individual deposits.

TABLE 37.2. INCOME AND EXPENSE ITEMS WITH RELATED PARTIES FOR 2016

(in UAH thousands)

Item	Parent company	Key management personnel	Other related parties
Interest income	12,661	813	981
Interest expense	(84,051)	(1,293)	(1,277)
Commission income	-	122	9,158
Commission expense	(7,886)	-	(42,571)
Other income	1,004	-	7,574
Administrative Expenses	(23,702)	-	(11,847)

TABLE 37.3. OTHER RIGHTS AND OBLIGATIONS WITH RELATED PARTIES FOR 2016

(in UAH thousands)

Item	Parent company	Other related parties
Guarantees received	-	4,469,806

TABLE 37.4. AMOUNTS LENT TO AND REPAID BY RELATED PARTIES DURING 2016

(in UAH thousands)

Item	Key management personnel	Other related parties
Amounts granted to related parties during the period	4,306	181,814
Amounts repaid by related parties during the period	4,294	198,833

TABLE 37.5. RELATED PARTY BALANCES FOR 2015

(in UAH thousands)

Item	Parent company	Key management personnel	Other related parties
Cash and cash equivalents	4,587,258	-	49,197
Loans and advances to customers	-	4,354	29,873
Provision for loans as at 31 December	-	-	(171)
Other assets	-	-	637
Due to other banks	853,371	-	-
Customer accounts	-	28,320	32,138
Other borrowed funds	-	-	30
Other liabilities	24,659	-	18,641
Subordinated debt	1,207,419	-	-

TABLE 37.6. INCOME AND EXPENSE ITEMS WITH RELATED PARTIES FOR 2015

(in UAH thousands)

Item	Parent company	Key management personnel	Other related parties
Interest income	288	450	1,741
Interest expense	(87,662)	(1,114)	(1,448)
Commission income	-	106	3,577
Commission expense	(6,966)	-	(41,445)
Other income	-	-	637
Administrative expenses	(28,958)	-	(12,924)

TABLE 37.7. OTHER RIGHTS AND OBLIGATIONS WITH RELATED PARTIES FOR 2015

(in UAH thousands)

Item	Parent company	Other related parties
Guarantees received	-	4,109,484

TABLE 37.8. AMOUNTS LENT TO AND REPAID BY RELATED PARTIES DURING 2015

(in UAH thousands)

Item	Key management personnel	Other related parties
Amounts granted to related parties during the period	3,340	55,865
Amounts repaid by related parties during the period	5,731	34,234

TABLE 37.9. KEY MANAGEMENT PERSONNEL COMPENSATION

(in UAH thousands)

Item	2016		2015	
	expense	accrued liability	expense	accrued liability
Short-term employee benefits	98,363	3,321	85,628	3,551
Termination benefits	2,420	-	1,113	-