

**Joint Stock Company  
“The State Export-Import Bank of Ukraine”  
Interim Condensed Consolidated Financial  
Statements**

As at 31 March 2016

*(thousands of Ukrainian Hryvnia, unless otherwise stated)*

## CONTENTS

### INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Interim condensed consolidated statement of financial position	1
Interim condensed consolidated statement of profit and loss	2
Interim condensed consolidated statement of comprehensive income	3
Interim condensed consolidated statement of changes in equity	4
Interim condensed consolidated statement of cash flows	5

### SELECTED NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1.	Principal activities	6
2.	Basis of preparation of financial statements and summary of accounting policies	6
3.	Segment information	9
4.	Cash and cash equivalents	12
5.	Due from credit institutions	12
6.	Loans to customers	13
7.	Investment securities	15
8.	Allowances for impairment and other allowances	15
9.	Amounts due to the National Bank of Ukraine	16
10.	Amounts due to credit institutions	16
11.	Amounts due to customers	16
12.	Eurobonds issued	17
13.	Equity	17
14.	Commitments and contingencies	17
15.	Personnel and other operating expenses	17
16.	Fair value of assets and liabilities	18
17.	Related party disclosures	20
18.	Capital adequacy	22

Joint Stock Company

"The State Export-Import Bank of Ukraine"

Interim Condensed Consolidated Financial Statements

*(thousands of Ukrainian Hryvnia, unless otherwise stated)***INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION****As at 31 March 2016***(thousands of Ukrainian Hryvnia)*

	<i>Notes</i>	<i>31 March 2016 (unaudited)</i>	<i>31 December 2015</i>
<b>Assets</b>			
Cash and cash equivalents	4	33,792,608	24,241,179
Due from credit institutions	5	1,883,158	4,083,743
Loans to customers	6	56,903,859	55,099,903
Investment securities:	7		
- designated at fair value through profit or loss		20,851,288	9,924,610
- available-for-sale		37,033,892	41,191,570
- held-to-maturity		205,814	230,912
Current income tax assets		290,220	293,122
Investment property		1,566,929	1,566,942
Property and equipment		2,161,393	2,170,944
Intangible assets		16,070	17,584
Deferred income tax asset		1,730,750	1,730,750
Other assets		862,890	797,253
<b>Total assets</b>		<b>157,298,871</b>	<b>141,348,512</b>
<b>Liabilities</b>			
Amounts due to the National Bank of Ukraine	9	2,017,287	2,979,775
Amounts due to credit institutions	10	20,705,095	19,298,870
Amounts due to customers	11	83,290,683	79,317,943
Eurobonds issued	12	36,276,927	33,122,294
Subordinated debt		9,976,388	9,375,369
Provision for other losses	8	27,840	22,213
Other liabilities		311,318	292,387
<b>Total liabilities</b>		<b>152,605,538</b>	<b>144,408,851</b>
<b>Equity</b>			
Share capital	13	21,689,042	21,689,042
Unregistered contributions to share capital	13	9,318,999	-
Revaluation reserves		467,029	664,823
Accumulated deficit		(26,944,663)	(25,577,130)
Reserve and other funds		162,926	162,926
<b>Total equity</b>		<b>4,693,333</b>	<b>(3,060,339)</b>
<b>Total equity and liabilities</b>		<b>157,298,871</b>	<b>141,348,512</b>

**Authorised for release and signed**

25 April 2016

**Chairman of the Board****O.V. Hrytsenko****Head of Accounting and Reporting Department –****Chief Accountant****N.A. Potemka**

*(thousands of Ukrainian Hryvnia, unless otherwise stated)***INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS**

For three months ended 31 March 2016

*For three months ended 31 March**(thousands of Ukrainian Hryvnia)*

<i>Notes</i>	<i>2016</i>	<i>2015</i>
	<i>(unaudited)</i>	
<b>Interest income</b>		
Loans to customers	2,171,554	1,701,801
Investment securities other than designated at fair value through profit or loss	935,837	1,230,602
Due from credit institutions	140,287	156,369
Amounts due from the National Bank of Ukraine	234,317	5,953
	<u>3,481,995</u>	<u>3,094,725</u>
Investment securities designated at fair value through profit or loss	166,916	76,293
	<u>3,648,911</u>	<u>3,171,018</u>
<b>Interest expense</b>		
Amounts due to customers	(1,398,385)	(1,351,336)
Eurobonds issued	(860,100)	(645,181)
Amounts due to the National Bank of Ukraine	(117,303)	(367,714)
Amounts due to credit institutions	(162,033)	(281,867)
Subordinated debt	(273,737)	(211,155)
	<u>(2,811,558)</u>	<u>(2,857,253)</u>
<b>Net interest income</b>	<b>837,353</b>	<b>313,765</b>
Allowance for loan impairment charge	5,6 (1,259,745)	(3,103,403)
<b>Net interest margin after allowance for loan impairment</b>	<b>(422,392)</b>	<b>(2,789,638)</b>
Commission income	280,311	263,559
Commission expense	(101,842)	(101,115)
<b>Commission income, net</b>	<b>178,469</b>	<b>162,444</b>
Net gains from investment securities designated at fair value through profit and loss	1,581,075	5,079,462
Net gains/(losses) from available-for-sale investment securities:		
- dealing	-	31,204
- losses on impairment	-	(472,931)
Net gains/(losses) from foreign currencies:		
- dealing	139,256	316,820
- translation differences	(2,524,051)	(6,616,491)
Net gains/(losses) from precious metals:		
- dealing	219	9,690
- revaluation	(4,004)	(15,810)
Other income	29,107	23,843
Gains from initial recognition of financial instruments	15,889	-
<b>Non-interest income</b>	<b>(762,509)</b>	<b>(1,644,213)</b>
Personnel expenses	15 (170,384)	(213,536)
Depreciation and amortisation	(25,732)	(26,747)
Charge to other impairment and provisions	8 (6,392)	(149,520)
Other operating expenses	15 (163,193)	(124,606)
<b>Non-interest expense</b>	<b>(365,701)</b>	<b>(514,409)</b>
<b>Loss before tax</b>	<b>(1,372,133)</b>	<b>(4,785,816)</b>
<b>Loss for the period</b>	<b>(1,372,133)</b>	<b>(4,785,816)</b>

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25 April 2016

Chairman of the Board

O.V. Hrytsenko

Head of Accounting and Reporting Department – Chief Accountant

N.A. Potemaska

*Notes on pages 6-23 form an integral part of these interim condensed consolidated financial statements*

Joint Stock Company

"The State Export-Import Bank of Ukraine"

Interim Condensed Consolidated Financial Statements

*(thousands of Ukrainian Hryvnia, unless otherwise stated)***INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

For three months ended 31 March 2016

*(thousands of Ukrainian Hryvnia)*

	<i>For three months ended</i>		
	<i>31 March</i>		
	<i>Notes</i>	<i>2016</i>	<i>2015</i>
		<i>(unaudited)</i>	
Loss for the period		(1,372,133)	(4,785,816)
<b>Other comprehensive loss:</b>			
<b>Other comprehensive loss to be reclassified in next periods through the consolidated statement of profit and loss:</b>			
Net loss on investment securities available-for-sale		(193,194)	(126,180)
<b>Other comprehensive loss for the period, net of tax</b>		<b>(193,194)</b>	<b>(126,180)</b>
<b>Total comprehensive loss for the period</b>		<b>(1,565,327)</b>	<b>(4,911,996)</b>

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Chief Accountant

N.A. Potemka

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Interim Condensed Consolidated Financial Statements

*(thousands of Ukrainian Hryvnia, unless otherwise stated)***INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For three months ended 31 March 2016

*(thousands of Ukrainian Hryvnia)*

	<i>Share capital</i>	<i>Unregistered contributions to share capital</i>	<i>Revaluation reserve</i>	<i>Accumulated deficit</i>	<i>Reserve and other funds</i>	<i>Total capital</i>
<b>As at 1 January 2015</b>	<b>16,689,042</b>	<b>5,000,000</b>	<b>1,255,595</b>	<b>(11,531,985)</b>	<b>162,926</b>	<b>11,575,578</b>
Loss for the period	-	-	-	(4,785,816)	-	(4,785,816)
Other comprehensive loss for the period	-	-	(126,180)	-	-	(126,180)
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>-</b>	<b>(126,180)</b>	<b>(4,785,816)</b>	<b>-</b>	<b>(4,911,996)</b>
Depreciation of revaluation reserve, net of tax	-	-	(4,771)	4,771	-	-
Increase in share capital (Note 13)	5,000,000	(5,000,000)	-	-	-	-
<b>As at 31 March 2015 (unaudited)</b>	<b>21,689,042</b>	<b>-</b>	<b>1,124,644</b>	<b>(16,313,030)</b>	<b>162,926</b>	<b>6,663,582</b>
<b>As at 1 January 2016</b>	<b>21,689,042</b>	<b>-</b>	<b>664,823</b>	<b>(25,577,130)</b>	<b>162,926</b>	<b>(3,060,339)</b>
Loss for the period	-	-	-	(1,372,133)	-	(1,372,133)
Other comprehensive loss for the period	-	-	(193,194)	-	-	(193,194)
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>-</b>	<b>(193,194)</b>	<b>(1,372,133)</b>	<b>-</b>	<b>(1,565,327)</b>
Depreciation of revaluation reserve, net of tax	-	-	(4,600)	4,600	-	-
Increase in share capital (Note 13)	-	9,318,999	-	-	-	9,318,999
<b>As 31 March 2016 (unaudited)</b>	<b>21,689,042</b>	<b>9,318,999</b>	<b>467,029</b>	<b>(26,944,663)</b>	<b>162,926</b>	<b>4,693,333</b>

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"The State Export-Import Bank of Ukraine"

Interim Condensed Consolidated Financial Statements

*(thousands of Ukrainian Hryvnia, unless otherwise stated)***INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

For three months ended 31 March 2016

*(direct method)**(thousands of Ukrainian Hryvnia)*

	<i>For three months ended 31</i>	
	<i>March</i>	
<i>Notes</i>	<i>2016</i>	<i>2015</i>
	<i>(unaudited)</i>	
<b>Cash flows from operating activities</b>		
Interest received	2,919,420	2,658,418
Interest paid	(2,753,302)	(2,393,816)
Commissions received	205,504	232,543
Commissions paid	(99,771)	(101,115)
Result from dealing in foreign currencies and precious metals	139,475	326,510
Personnel expenses	(180,338)	(194,291)
Other operating income	29,123	23,692
Other operating and administrative expenses	(160,764)	(75,298)
<b>Cash flow from operating activities before changes in operating assets and liabilities</b>	<b>99,347</b>	<b>476,643</b>
<i>Net (increase)/decrease in operating assets:</i>		
Due from credit institutions	2,583,135	(210,746)
Loans to customers	1,459,015	796,592
Other assets	(39,954)	(262,059)
<i>Net increase / (decrease) in operating liabilities:</i>		
Amounts due to credit institutions	(133,164)	(1,074,652)
Amounts due to the National Bank of Ukraine	(962,575)	(48,975)
Amounts due to customers	(1,631,482)	(2,028,046)
Other liabilities	35,937	89,946
<b>Net cash (used in)/received from operating activities before income tax</b>	<b>1,410,259</b>	<b>(2,261,297)</b>
Income tax paid	-	(34,747)
<b>Net cash (used in)/received from operating activities</b>	<b>1,410,259</b>	<b>(2,296,044)</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale and redemption of investment securities	16,503,694	8,845,418
Purchase of investment securities	(9,330,281)	(7,647,306)
Purchases of property, equipment and intangible assets	(14,742)	(1,564)
Proceeds from sale of property and equipment	-	150
<b>Net cash flows from investing activities</b>	<b>7,158,671</b>	<b>1,196,698</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings from credit institutions	454,553	325,381
Repayment of borrowings from credit institutions	(763,965)	(524,018)
<b>Net cash flows used in financing activities</b>	<b>(309,412)</b>	<b>(198,637)</b>
Effect of exchange rates changes on cash and cash equivalents	1,291,911	5,473,887
<b>Net change in cash and cash equivalents</b>	<b>9,551,429</b>	<b>4,175,904</b>
<b>Cash and cash equivalents, 1 January</b>	<b>24,241,179</b>	<b>16,790,414</b>
<b>Cash and cash equivalents, 31 March</b>	<b>33,792,608</b>	<b>20,966,318</b>

4

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O.V. Hrytsenko

Head of Accounting and Reporting Department – Chief Accountant

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Joint Stock Company

"The State Export-Import Bank of Ukraine"

Selected Notes to the Interim Condensed Consolidated Financial Statements for 3 Months Ended 31 March 2016

*(thousands of Ukrainian Hryvnia, unless otherwise stated)*

## **1. Principal activities**

Joint Stock Company "The State Export-Import Bank of Ukraine" (hereinafter – "UkrEximBank" or the "Bank") was founded in 1992. UkrEximBank operates under banking licence No.2 dated 5 October 2011 and a general licence to conduct foreign currency transactions No. 2 dated 5 October 2011.

As at 31 March 2016 and 31 December 2015, 100% of UkrEximBank's shares were owned by the Cabinet Ministers of Ukraine on behalf of the State of Ukraine.

UkrEximBank's head office is in Kyiv at 127 Antonovycha Str. It has 27 branches and 71 operating outlets (31 December 2015: 27 branches and 75 operating outlets) and 2 representative offices located in London and New-York. UkrEximBank and its branches form a single legal entity.

Traditionally the main focus of UkrEximBank's operations was the servicing of various export-import transactions. Currently UkrEximBank's customer base is diversified and includes a number of large industrial and State owned enterprises. UkrEximBank accepts deposits from the public and makes loans, transfers payments in Ukraine and internationally, exchanges currencies, invests funds and provides cash and settlements, and other banking services to its customers.

One of the main activities of UkrEximBank is to facilitate, on behalf of the Ukrainian Government, the administration of loan agreements entered into by the Ukrainian Government with other foreign governments. UkrEximBank acts as an agent, on behalf of the Ukrainian Government, with respect to loans from foreign financial institutions based on the aforementioned agreements.

The Bank's aim is to provide financing to investment projects (public and private) supporting the development of high value-adding industries and to manufacturers of export-oriented and import-substituting products, to raise foreign credit facilities to improve the economic development of Ukraine (including implementation of energy-saving technologies), to service foreign economic operations of its customers and to act as a financial agent on behalf of the Ukrainian Government.

These interim condensed consolidated financial statements comprise UkrEximBank and its subsidiaries (together referred to as the "Bank"). A list of consolidated subsidiaries is as follows:

"Ukreximleasing", a 100% owned subsidiary was founded in 1997 and operates in Ukraine in the trading and leasing business.

"Eximleasing" Ltd, a 100% owned subsidiary was founded in 2006 and registered in Ukraine.

## **2. Basis of preparation and summary of accounting policies**

### **Basis of preparation**

These interim condensed consolidated financial statements for three months ended 31 March 2016 have been prepared in accordance with the International Accounting Standard 34 "Interim Financial Reporting".

These interim condensed consolidated financial statements do not include all information and data subject to disclosure in the annual financial statements and should be read in conjunction with the Bank's annual consolidated financial statements as at 31 December 2015, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

These interim condensed consolidated financial statements are presented in thousands of Ukrainian Hryvnia ("UAH" thousands), unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of these interim condensed consolidated financial statements are consistent with those followed in the preparation of the Bank's annual consolidated financial statements for the year ended 31 December 2015, except for the introduction of new standards as described in Note 2 to the annual consolidated financial statements of the Bank for the year ended 31 December 2015 and income tax accounting as described below.

The new standards, amendments to the standards and interpretations which are effective for the Bank from 1 January 2016 and have been disclosed in the Bank's consolidated financial statements for the year ended 31 December 2015 do not have any material impact on these interim condensed consolidated financial statements.



Joint Stock Company

"The State Export-Import Bank of Ukraine"

Selected Notes to the Interim Condensed Consolidated Financial Statements for 3 Months Ended 31 March 2016

*(thousands of Ukrainian Hryvnia, unless otherwise stated)*

### **Income tax**

Income tax expenses are recognized in every interim period based on estimated average-weighted annual tax rate expected to apply throughout the financial year. Amounts accrued as income tax expenses in an interim period may be adjusted in a subsequent interim period of the same financial year if changes of the estimated annual income tax rate took place. Income tax expenses in an interim period are accrued with the use of the tax rate applied to the expected total annual profit, i.e. the estimated annual average effective income tax rate is applied to the profit before tax in the interim period.

### **Operating environment**

The Ukrainian economy while deemed to be of market status continues to display certain characteristics consistent with that of an economy in transition. These characteristics include low levels of liquidity in the capital markets and the existence of restrictive currency controls which cause the national currency to be illiquid outside of Ukraine.

The stabilization and further recovery of the Ukrainian economy will be significantly impacted by the settlement of the conflict in the east of the country, further receiving of the international financial aid, external commodity markets conditions, and the policies and decisions of the Verhovna Rada, the Government, the NBU and the Administration of the President with regard to social and economic reforms.

As a result, banking operations in Ukraine involve high risks that are not typical for developed markets.

The Ukrainian economy is open and vulnerable to changes in the global commodity and capital markets. Increased volatility of international financial markets, deteriorated conditions of economic cooperation with the Customs Union's countries and continued low commodity prices in the global markets have resulted in the reduced export of commodities and services, and together with complication of the domestic political situation had devaluation pressure on the national currency in the first quarter of 2016.

Continued tight monetary policy by the NBU and limited domestic consumer demand against a background of gradual stabilization of the national currency exchange rate have contributed to significant slowdown of inflation in Ukraine to 1.5% in January-March 2016 (as compared to December 2015).

According to the State Statistics Service of Ukraine, in January-March 2016 the industrial production growth in Ukraine was observed for the first time in 3 recent years (3.7% compared to January-March 2015). As at 31 March 2016 the official NBU exchange rate of Hryvnia against US Dollar was UAH 26.2181 to 1 US Dollar, compared to UAH 24.0007 to 1 US Dollar as at 31 December 2015.

Thus, the lower inflation, the continued trend of balanced state budget and stabilization of the industrial output contributed to the overall stabilization of the operating environment in the first quarter of the year.

At the same time, the threat of growing unemployment, the companies' low liquidity and loss-making together with increased number of insolvent legal entities and individuals adversely affect the borrowers' ability to service their loans with the Bank and result in devaluation of loan collateral. After receiving respective information the Bank promptly reviews the future estimated cash flows.

Recurrent escalation of tension in the east of the country (in some areas of Donetsk and Lugansk Oblasts) prevent the Ukrainian banking system from resumption of its full-scale work in the region and disrupt the restoration of the usual business of the structural units of the Bank in particular.

Whilst the Government and the management of Ukreximbank take appropriate measures to support the sustainability of the Bank's business in the current circumstances, possible continued further deterioration in the areas described above against a background of the unsettled political crisis could negatively affect the Bank's results and financial position.

### **Future changes in accounting policies**

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2016 or later, and which the Bank has not early adopted.

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

Joint Stock Company

"The State Export-Import Bank of Ukraine"

Selected Notes to the Interim Condensed Consolidated Financial Statements for 3 Months Ended 31 March 2016

(thousands of Ukrainian Hryvnia, unless otherwise stated)

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortized 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.
- Revised hedge accounting requirements provide accounting to be aligned 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 a significant impact on the Bank's loan impairment provisions. 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 'Lease' (issued in January 2016 and effective for annual periods beginning on or after 1 January 2019).*** The standard supersedes the existing IFRS 17 and eliminates the classification of leases as either operating leases or finance leases. The new standard requires that a lease liability representing future lease payments and a right-of-use asset should be recognized for all lease contracts. The new model is based on the logic that in economic terms a lease agreement is identical to purchase of the right-of-use asset paid for in instalments. Lessors recognize interest expenses on the lease liability and amortize the right-of-use asset. An exception is made only for certain short-term lease agreements and lease of low-value assets. However, that exception can only be used by lessors. For lessees the accounting basically remains the same as under IFRS 17. In addition to that new disclosure requirements have been introduced. The Bank is currently assessing the impact of the new standard on its financial statements.

***Recognition of deferred tax assets for unrealized losses - amendments to IFRS 12 (issued in January 2016 and effective for annual periods beginning on or after 1 January 2017).*** The amendment clarifies the requirements for recognition of deferred tax assets for unrealized losses on debt instruments. The entity will have to recognize a tax asset for unrealized losses that arise as a result of discounting cash flows of debt instruments at market interest rates, even if it expects to hold the instrument to maturity and no tax will be payable upon collecting the principal amount. The economic benefits embodied in the deferred tax asset arise from the debt instrument holder's ability to achieve future gains (unwinding of the discounting effects) without paying taxes on those gains. The Bank is currently assessing the impact of the amendments 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).*** Amendments to IAS 7 require disclosure of changes in liabilities arising from financial activity. The Bank is currently assessing the impact of the amendment on its financial statements.

The following other new accounting standards are not expected to have any material effect on the Bank when adopted:

Joint Stock Company

"The State Export-Import Bank of Ukraine"

Selected Notes to the Interim Condensed Consolidated Financial Statements for 3 Months Ended 31 March 2016

*(thousands of Ukrainian Hryvnia, unless otherwise stated)*

- 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 annual periods beginning on or after 1 January 2016).
- Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments to IFRS 16 and IFRS 38 (issued on 12 May 2014 and effective for the annual periods beginning on or after 1 January 2016).
- Agriculture: Bearer Plants - Amendments to IFRS 16 and IFRS 41 (issued on 30 June 2014 and effective for the annual periods beginning on 1 January 2016).
- Equity Method in Separate Financial Statements - Amendments to IFRS 27 (issued on 12 August 2014 and effective for annual periods beginning on 1 January 2016).
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IFRS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after 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 IFRS 1 (issued in December 2014 and effective for annual periods beginning on or after 1 January 2016).
- Investment Entities: Applying the Consolidation Exception Amendment to IFRS 10, IFRS 12 and IFRS 28 (issued in December 2014 and effective for annual periods beginning on or after 1 January 2016).

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

### Significant accounting judgments and estimates

Preparation of the interim condensed consolidated financial statements requires from the management of the Bank to make judgments, estimates and assumptions affecting the accounting policy, recognition of assets, liabilities, revenues and expenses. The actual results can differ from such estimates. In preparing the present interim condensed consolidated financial statements, the most significant judgments used by the management in applying the Bank's accounting policies and the key sources of estimation uncertainty were similar to those used in preparing the annual consolidated financial statements for the year ended 31 December 2015.

### 3. Segment information

For management purposes, the Bank recognizes the following operating segments (business units):

Retail banking	Business Unit focusing on servicing retail customers on the full list of products, and selling products that are mainly in standardized form (as per the tariffs approved and the standard procedures) and generally do not require individual approach.
Corporate banking	Business Unit focusing on servicing corporate customers and selling products that require individual approach and are mainly offered to corporate clients.
Inter-bank and investments business	Business Unit focusing on the provision of services to participants in the financial markets (money, currency, stock, etc.) and the sale of products related to transactions on the financial markets.

The Board monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance, as explained in the table below, is measured taking into account income and expenses from other segments.

Unallocated amounts include:

- income tax receivables and payables, the share of assets and costs associated with the work of the Bank's top management, i.e. personnel performing general management functions at the level of the whole Bank's system and the Bank's staff, supporting directly the work of top management;
- the result of the revaluation of open currency position;
- the difference between inter-segment revenues and costs of all business units, obtained as a result of transfer rates.

For the purposes of segment reporting interest is split on the basis of uniform transfer rates set by the Assets and Liabilities Committee based on the borrowing rate of the Bank.

Joint Stock Company

"The State Export-Import Bank of Ukraine"

Selected Notes to the Interim Condensed Consolidated Financial Statements for 3 Months Ended 31 March 2016

*(thousands of Ukrainian Hryvnia, unless otherwise stated)*

During the three months ended 31 March 2016 and 2015, the Bank had revenues from transactions with a single external customer that accounted for more than 10% of the total income of the Bank, namely UAH 932,350 thousand (31 March 2015: UAH 862,062 thousand). Revenues from transactions with this external customer are reflected in the segment "Interbank and investments business".

Analysis of income of the Bank from banking products and services is presented in the Interest income and expenses of the interim condensed consolidated statement of profit and loss.

### Geographical information

Most revenues and capital expenditures relate to Ukraine. The Bank has no significant revenues from other countries.

The following table presents income and expenses, profit and loss, and total asset and liabilities information regarding the Bank's operating segments for three months ended 31 March 2016 (unaudited):

	<i>Retail banking</i>	<i>Corporate banking</i>	<i>Interbank and investments</i>	<i>Unallocated</i>	<i>Total</i>
<b>External</b>					
Interest income	106,951	2,074,173	1,467,787	-	3,648,911
Commission income	114,844	160,096	5,371	-	280,311
Other income	3,585	4,574	4,354	16,594	29,107
Net gains from operations with foreign currencies	32,790	37,634	88,854	-	159,278
Net gains from operations with banking metals	439	-	4	-	443
Gain from changes in the fair value of investment securities designated at fair value through profit and loss	-	-	-	1,581,075	1,581,075
Gain from initial recognition of financial instruments	-	-	15,889	-	15,889
Reversal of loan impairment provisions	3,605	-	8	-	3,613
Reversal of provisions for impairment of other assets and for covering other losses	-	-	763	-	763
<b>Income from other segments</b>	<b>874,029</b>	<b>909,811</b>	<b>1,602,645</b>	<b>(3,386,485)</b>	<b>-</b>
<b>Total income</b>	<b>1,136,243</b>	<b>3,186,288</b>	<b>3,185,675</b>	<b>(1,788,816)</b>	<b>5,719,390</b>
Interest expenses	(684,843)	(713,808)	(1,412,907)	-	(2,811,558)
Commission expense	(28,086)	(65,479)	(906)	(7,371)	(101,842)
Loan impairment charge	-	(1,263,358)	-	-	(1,263,358)
Net loss from operations with foreign currencies	-	-	-	(2,544,073)	(2,544,073)
Net loss from operations with banking metals	-	-	-	(4,228)	(4,228)
Personnel expenses	(81,362)	(51,224)	(15,577)	(22,221)	(170,384)
Depreciation and amortization	(15,971)	(6,713)	(1,200)	(1,848)	(25,732)
Other operating expenses	(112,565)	(20,197)	(6,747)	(23,684)	(163,193)
Charge for impairment of other assets and for covering other losses	(1,320)	(4,950)	-	(885)	(7,155)
<b>Expenses from other segments</b>	<b>(87,920)</b>	<b>(1,668,573)</b>	<b>(1,454,385)</b>	<b>3,210,878</b>	<b>-</b>
<b>Segment results</b>	<b>124,176</b>	<b>(608,014)</b>	<b>293,953</b>	<b>(1,182,248)</b>	<b>(1,372,133)</b>
<b>Loss for the period</b>					<b>(1,372,133)</b>
<b>Assets and liabilities as at 31 March 2016</b>					
Segment assets	4,981,387	57,731,815	92,351,609		155,064,811
Unallocated assets				2,234,060	2,234,060
<b>Total assets</b>					<b>157,298,871</b>
Segment liabilities	33,407,252	50,344,944	68,779,523		152,531,719
Unallocated liabilities				73,819	73,819
<b>Total liabilities</b>					<b>152,605,538</b>
<b>Other segment information</b>					
Capital expenditure	(6,898)	(2,226)	(398)	(613)	(10,135)

Joint Stock Company

"The State Export-Import Bank of Ukraine"

Selected Notes to the Interim Condensed Consolidated Financial Statements for 3 Months Ended 31 March 2016

*(thousands of Ukrainian Hryvnia, unless otherwise stated)*

The following table presents income and expenses, profit and loss information for three months ended 31 March 2015 (unaudited), and total assets and liabilities information regarding the Bank's operating segments as at 31 December 2015:

	<i>Retail banking</i>	<i>Corporate banking</i>	<i>Interbank and investments</i>	<i>Unallocated</i>	<i>Total</i>
<b>External</b>					
Interest income	19,332	1,710,184	1,441,502	-	3,171,018
Commission income	118,093	140,068	5,398	-	263,559
Other income	3,327	(1,499)	19,817	2,198	23,843
Net gains from operations with foreign currencies	141,500	43,514	336,324	-	521,338
Net gains from operations with banking metals	228	-	12,148	-	12,376
Gain from investment securities available-for-sale	-	-	31,204	-	31,204
Gain from changes in the fair value of investment securities designated at fair value through profit and loss	-	-	-	5,079,462	5,079,462
Reversal of loan impairment provisions	12,562	-	-	-	12,562
Reversal of provisions for impairment of other assets and for covering other losses	-	-	-	1,189	1,189
<b>Income from other segments</b>	<b>894,521</b>	<b>804,222</b>	<b>1,540,975</b>	<b>(3,239,718)</b>	<b>-</b>
<b>Total income</b>	<b>1,189,563</b>	<b>2,696,489</b>	<b>3,387,368</b>	<b>1,843,131</b>	<b>9,116,551</b>
Interest expenses	(697,425)	(652,203)	(1,507,625)	-	(2,857,253)
Commission expense	(33,930)	(64,087)	(3,098)	-	(101,115)
Loan impairment charge	-	(2,703,687)	(412,278)	-	(3,115,965)
Net loss from operations with foreign currencies	-	-	-	(6,821,009)	(6,821,009)
Net loss from operations from banking metals	-	-	-	(18,496)	(18,496)
Personnel expenses	(102,793)	(63,511)	(19,881)	(27,351)	(213,536)
Depreciation and amortization	(17,480)	(6,598)	(1,072)	(1,597)	(26,747)
Other operating expenses	(91,283)	5,036	(20,568)	(17,791)	(124,606)
Loss from investment securities available-for-sale	(140)	(472,790)	(1)	-	(472,931)
Charge for impairment of other assets and for covering other losses	(737)	(149,829)	(143)	-	(150,709)
<b>Expenses from other segments</b>	<b>(76,448)</b>	<b>(2,004,390)</b>	<b>(1,475,324)</b>	<b>3,556,162</b>	<b>-</b>
<b>Segment results</b>	<b>169,327</b>	<b>(3,415,570)</b>	<b>(52,622)</b>	<b>(1,486,951)</b>	<b>(4,785,816)</b>
<b>Loss for the period</b>					<b>(4,785,816)</b>
<b>Assets and liabilities as at 31 December 2015</b>					
Segment assets	4,746,994	56,142,419	78,222,914		139,112,327
Unallocated assets				2,236,185	2,236,185
<b>Total assets</b>					<b>141,348,512</b>
Segment liabilities	32,198,018	47,560,991	64,580,236		144,339,245
Unallocated liabilities				69,606	69,606
<b>Total liabilities</b>					<b>144,408,851</b>
<b>Other segment information</b>					
Capital expenditure	(1,442)	(601)	(106)	(159)	(2,308)

Joint Stock Company

"The State Export-Import Bank of Ukraine"

Selected Notes to the Interim Condensed Consolidated Financial Statements for 3 Months Ended 31 March 2016

*(thousands of Ukrainian Hryvnia, unless otherwise stated)***4. Cash and cash equivalents****Cash and cash equivalents comprise:**

	<i>31 March 2016</i> <i>(unaudited)</i>	<i>31 December</i> <i>2015</i>
Current accounts with other credit institutions	14,498,426	9,593,295
Overnight deposits with other credit institutions	8,622,044	4,265,831
Current account with the National Bank of Ukraine (other than restricted mandatory reserve)	5,123,977	2,184,195
Deposit certificates of the National Bank of Ukraine up to 90 days	3,914,491	6,255,946
Cash on hand	1,067,398	1,109,948
Time deposits with other credit institutions up to 90 days	566,272	831,964
<b>Cash and cash equivalents</b>	<b>33,792,608</b>	<b>24,241,179</b>

Since August 2014 Ukrainian banks are required to keep mandatory reserves on a correspondent account with the National Bank Ukraine. Since January 2015, the amount of mandatory reserves that should be kept at the beginning of each operational day on a correspondent account with the National Bank of Ukraine should be no less than 40% of the reserve base (representing the average arithmetic sum of funds calculated for the period of determination in accordance with the mandatory reserve requirements for that period) that is calculated for the relevant period of allowance.

Since January 2015 the banks have been allowed to cover the mandatory reserves, that should be formed and kept on a correspondent account of a bank with the NBU, with 50% of UAH cash on hand, from March 2015 – 100% of UAH cash on hand, from November 2015 – 75% of UAH cash on hand, from January 2016 – 0% of UAH cash on hand, as well as with 100% of correspondent account balances with PJSC "Clearing Centre".

Since August 2008, Ukrainian banks were required to deposit 20% of funds raised from non-residents in foreign currency for a period of less than 183 days on a separate account with the NBU, in the form of non-interest bearing cash deposit. Starting from August 2014 the reserve requirement for funds raised from non-residents in foreign currency is set by the NBU at 0%. As at 31 March 2016 no funds were placed by the Bank on this account.

Since 2009, Ukrainian banks were required to deposit an amount equivalent to the amount of impairment allowance (defined in accordance with the NBU regulations) created for loans granted in foreign currencies to borrowers with no foreign currency income, on a separate account with the NBU in the form of non-interest bearing cash deposit. Starting from February 2014 the NBU temporarily allowed not to keep such reserves on a separate account with the NBU.

As at 31 March 2016 and 31 December 2015 the Bank meets all the NBU's mandatory reserve requirements.

**5. Due from credit institutions**

Amounts due from credit institutions comprise:

	<i>31 March 2016 (unaudited)</i>	<i>31 December 2015</i>
<b>Loans and deposits</b>		
Ukrainian banks	2,052,847	4,296,113
OECD banks	210,556	192,748
CIS and other banks	40,037	36,650
	<b>2,303,440</b>	<b>4,525,511</b>
<b>Due from other credit institutions</b>		
Current accounts with other credit institutions in precious metals	129,571	106,968
Other amounts due from credit institutions	2,260	10
	<b>2,435,271</b>	<b>4,632,489</b>
Less: Allowance for impairment	(552,113)	(548,746)
<b>Due from credit institutions</b>	<b>1,883,158</b>	<b>4,083,743</b>

The movements in allowance for impairment of amounts due from credit institutions are as follows:

Joint Stock Company

"The State Export-Import Bank of Ukraine"

Selected Notes to the Interim Condensed Consolidated Financial Statements for 3 Months Ended 31 March 2016

(thousands of Ukrainian Hryvnia, unless otherwise stated)

	<i>Loans and deposits</i>
<b>As at 1 January 2016</b>	<b>548,746</b>
Reversal for the period	(354)
Translation differences	3,721
<b>As at 31 March 2016 (unaudited)</b>	<b>552,113</b>
<b>As at 1 January 2015</b>	<b>118,983</b>
Charge for the period	412,278
Translation differences	13,584
<b>As at 31 March 2015 (unaudited)</b>	<b>544,845</b>

## 6. Loans to customers

Loans to customers comprise:

	<i>31 March 2016</i>	<i>31 December 2015</i>
	<i>(unaudited)</i>	
Commercial loans	101,625,423	95,509,668
Overdrafts	356,003	273,354
Promissory notes	31,100	21,545
Financial lease receivables	133,475	143,547
	<b>102,146,001</b>	<b>95,948,114</b>
Less: Allowance for impairment	(45,242,142)	(40,848,211)
<b>Loans to customers</b>	<b>56,903,859</b>	<b>55,099,903</b>

Loans and advances have been extended to the following types of customers:

	<i>31 March 2016</i>	<i>31 December 2015</i>
	<i>(unaudited)</i>	
Private entities	81,711,297	76,228,940
State entities	18,796,177	18,158,597
Individuals	1,380,863	1,303,048
Municipal entities	257,664	257,529
	<b>102,146,001</b>	<b>95,948,114</b>

As at 31 December 2015, loans to customers with a carrying value of UAH 5,088,445 thousand are pledged as collateral for loans received from the NBU (Note 9).

A reconciliation of the allowance for impairment of loans to customers by class is as follows:

	<i>Commercial loans</i>	<i>Overdrafts</i>	<i>Financial lease receivables</i>	<i>Promissory notes</i>	<i>Total</i>
<b>As at 1 January 2016</b>	<b>40,806,110</b>	<b>23,916</b>	<b>17,736</b>	<b>449</b>	<b>40,848,211</b>
Charge/(reversal) for the period	1,260,648	(811)	21	241	1,260,099
Recoveries	1,073	-	-	-	1,073
Translation differences	3,132,759	-	-	-	3,132,759
<b>As at 31 March 2016 (unaudited)</b>	<b>45,200,590</b>	<b>23,105</b>	<b>17,757</b>	<b>690</b>	<b>45,242,142</b>
<b>As at 1 January 2015</b>	<b>23,164,123</b>	<b>5,444</b>	<b>17,238</b>	<b>304</b>	<b>23,187,109</b>
Charge/(reversal) for the period	2,692,701	(1,779)	178	25	2,691,125
Recoveries	1,274	-	-	-	1,274
Translation differences	7,391,353	372	-	-	7,391,725
<b>As at 31 March 2015 (unaudited)</b>	<b>33,249,451</b>	<b>4,037</b>	<b>17,416</b>	<b>329</b>	<b>33,271,233</b>

Joint Stock Company

"The State Export-Import Bank of Ukraine"

Selected Notes to the Interim Condensed Consolidated Financial Statements for 3 Months Ended 31 March 2016

*(thousands of Ukrainian Hryvnia, unless otherwise stated)**Credit quality by category of financial assets*

In 2015, the bank introduced a system of calculation of probability of default (PD) for corporate borrowers, which involves the calculation of probability of default (PD) and rating class (PD-Rate) ranging from 1 to 17 (17 grades). In the table below, for loans that are neither past due nor individually impaired, high rating means the minimum level of credit risk. Other borrowers with good financial position and high debt service quality are included in the standard credit rating. Rating which is lower than standard have lower credit quality compared to previous ratings, but loans included into this category are not necessarily individually impaired. For loans that are past due or individually impaired, standard and substandard rating indicates that there is a possibility of delays in loan repayment as a result of adverse changes in commercial, financial and economic conditions. Low rating means that there is a high probability of default of loan, the borrower's activity is poor, loss making or ceased. For the exposures of foreign credit institutions, high rating is equal to or higher than BBB- rating by Fitch, standard rating is below BBB-, but higher than CCC+, substandard rating is equal to or lower than CCC+ by Fitch.

	<i>Neither past due nor individually impaired</i>			<i>Past due or individually impaired</i>		
	<i>High Rating</i>	<i>Standard Rating</i>	<i>Substandard Rating</i>	<i>Standard and Substandard Rating</i>	<i>Low Rating</i>	<i>Total</i>
<b>As at 31 March 2016 (unaudited)</b>						
Loans to corporate customers:						
Commercial loans	7,571,834	18,714,258	10,607,474	17,803,707	45,547,287	100,244,560
Overdrafts	57,599	107,678	171,346	19,380	-	356,003
Finance lease receivables	47,488	58,901	1,442	6,789	18,855	133,475
Promissory notes	21,942	-	9,158	-	-	31,100
	7,698,863	18,880,837	10,789,420	17,829,876	45,566,142	100,765,138
Loans to individuals	7,504	62,017	160,709	58,846	1,091,787	1,380,863
<b>Total</b>	<b>7,706,367</b>	<b>18,942,854</b>	<b>10,950,129</b>	<b>17,888,722</b>	<b>46,657,929</b>	<b>102,146,001</b>
Provision for impairment	(112,802)	(766,159)	(1,003,726)	(5,480,755)	(37,878,700)	(45,242,142)
<b>Total after provision for impairment</b>	<b>7,593,565</b>	<b>18,176,695</b>	<b>9,946,403</b>	<b>12,407,967</b>	<b>8,779,229</b>	<b>56,903,859</b>

	<i>Neither past due nor individually impaired</i>			<i>Past due or individually impaired</i>		
	<i>High Rating</i>	<i>Standard Rating</i>	<i>Substandard Rating</i>	<i>Standard and Substandard Rating</i>	<i>Low Rating</i>	<i>Total</i>
<b>As at 31 December 2015 (unaudited)</b>						
Loans to corporate customers:						
Commercial loans	9,318,389	18,832,198	7,170,623	22,363,090	36,522,320	94,206,620
Overdrafts	48,188	64,111	140,497	20,558	-	273,354
Finance lease receivables	51,033	63,361	2,006	15,331	11,816	143,547
Promissory notes	12,390	-	9,155	-	-	21,545
	9,430,000	18,959,670	7,322,281	22,398,979	36,534,136	94,645,066
Loans to individuals	9,581	71,755	152,582	28,572	1,040,558	1,303,048
<b>Total</b>	<b>9,439,581</b>	<b>19,031,425</b>	<b>7,474,863</b>	<b>22,427,551</b>	<b>37,574,694</b>	<b>95,948,114</b>
Provision for impairment	(105,330)	(756,712)	(757,782)	(7,065,637)	(32,162,750)	(40,848,211)
<b>Total after provision for impairment</b>	<b>9,334,251</b>	<b>18,274,713</b>	<b>6,717,081</b>	<b>15,361,914</b>	<b>5,411,944</b>	<b>55,099,903</b>

The Bank's policy is to maintain accurate and consistent risk ratings across the credit portfolio. The rating system is supported by a variety of financial analytics, combined with processed market information to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are derived in accordance with the Bank's rating policy. The respective risk ratings are assessed and updated regularly.

The ageing analysis of past due but not impaired loans is provided below:



Joint Stock Company

"The State Export-Import Bank of Ukraine"

Selected Notes to the Interim Condensed Consolidated Financial Statements for 3 Months Ended 31 March 2016

*(thousands of Ukrainian Hryvnia, unless otherwise stated)*

<b>As at 31 March 2016</b> <b>(unaudited)</b>	<b>Less than</b> <b>30 days</b>	<b>From 31</b> <b>to 60 days</b>	<b>From 61 to</b> <b>to 90 days</b>	<b>Total</b>
Loans to customers:				
Loans to corporate customers	14,199	404,750	168,566	587,515
Loans to individuals	49,872	2,881	4,146	56,899
<b>Total</b>	<b>64,071</b>	<b>407,631</b>	<b>172,712</b>	<b>644,414</b>

  

<b>As at 31 December 2015</b>	<b>Less than</b> <b>30 days</b>	<b>From 31</b> <b>to 60 days</b>	<b>From 61 to</b> <b>to 90 days</b>	<b>Total</b>
Loans to customers:				
Loans to corporate customers	1,574,277	1,123,307	16,108	2,713,692
Loans to individuals	22,390	3,009	2,330	27,729
<b>Total</b>	<b>1,596,667</b>	<b>1,126,316</b>	<b>18,438</b>	<b>2,741,421</b>

## 7. Investment securities

As at 31 March 2016, investment securities designated at fair value through profit and loss presented by Ukrainian state bonds, nominal value of which will be indexed according to increases in the average interbank exchange rate of Hryvnia to US dollar per month, prior to the month of issue, and the average exchange rate of Hryvnia to US dollar per month, prior to maturity month. The Bank decided not to separate an embedded derivative instrument and to evaluate an instrument as a whole at its fair value, recognising revaluation through profit or loss.

Available-for-sale investment securities comprise:

	<b>31 March 2016</b> <b>(unaudited)</b>	<b>31 December 2015</b>
Ukrainian state bonds	33,967,701	37,163,276
Corporate bonds	2,330,940	2,388,565
Municipal bonds	723,561	1,628,039
Corporate shares	11,690	11,690
<b>Available-for-sale investments</b>	<b>37,033,892</b>	<b>41,191,570</b>

As at 31 March 2016, available-for-sale investment securities with a carrying value of UAH 3,671,258 thousand are pledged as collateral under loans received from the NBU (31 December 2015: UAH 3,620,028 thousand) (Note 9).

Held-to-maturity investment securities comprise:

	<b>31 March 2016</b> <b>(unaudited)</b>		<b>31 December 2015</b>	
	<b>Nominal value</b>	<b>Carrying value</b>	<b>Nominal value</b>	<b>Carrying value</b>
Ukrainian state bonds	223,942	205,814	248,483	230,912
<b>Held-to-maturity investments</b>		<b>205,814</b>		<b>230,912</b>

## 8. Allowances for impairment and other allowances

The movements in impairment allowances and other allowances are as follows:

	<b>Other assets</b>	<b>Guarantees and liabilities</b>	<b>Total</b>
<b>As at 1 January 2015</b>	<b>230,695</b>	<b>400</b>	<b>231,095</b>
Translation differences	3,445	-	3,445
Charge for the period	4,435	145,085	149,520
<b>As at 31 March 2015 (unaudited)</b>	<b>238,575</b>	<b>145,485</b>	<b>384,060</b>
<b>As at 1 January 2016</b>	<b>255,304</b>	<b>22,213</b>	<b>277,517</b>
Translation differences	4,178	1,663	5,841
Charge for the period	2,428	3,964	6,392
<b>As at 31 March 2016 (unaudited)</b>	<b>261,910</b>	<b>27,840</b>	<b>289,750</b>

Allowances for impairment of assets are deducted from carrying value of respective assets. Allowances for guarantees and liabilities are recognised in liabilities.

Joint Stock Company

"The State Export-Import Bank of Ukraine"

Selected Notes to the Interim Condensed Consolidated Financial Statements for 3 Months Ended 31 March 2016

*(thousands of Ukrainian Hryvnia, unless otherwise stated)***9. Amounts due to the National Bank of Ukraine**

Amounts due to the National Bank of Ukraine comprise:

	<i>31 March 2016</i> <i>(unaudited)</i>	<i>31 December 2015</i>
Loans due to the National Bank of Ukraine	2,015,413	2,977,827
Correspondent account	1,874	1,948
<b>Amounts due to the National Bank of Ukraine</b>	<b>2,017,287</b>	<b>2,979,775</b>

Loans due to the NBU are secured with loans to customers (Note 6) and investment securities (Note 7).

**10. Amounts due to credit institutions**

Amounts due to credit institutions comprise:

	<i>31 March 2016</i> <i>(unaudited)</i>	<i>31 December 2015</i>
<b>Current accounts</b>		
Ukrainian banks	1,200,492	1,149,586
CIS and other banks	1,867	2,835
	<b>1,202,359</b>	<b>1,152,421</b>
<b>Loans and deposits</b>		
International financial institutions	15,241,605	14,045,679
OECD banks	4,074,120	3,860,311
Ukrainian banks	186,963	240,436
	<b>19,502,688</b>	<b>18,146,426</b>
Other amounts due to credit institutions	48	23
<b>Amounts due to credit institutions</b>	<b>20,705,095</b>	<b>19,298,870</b>
Held as security against guarantees (Note 14)	24,528	29,705

For the purposes of the consolidated cash flow statement preparation, the Bank allocates funds attracted from credit institutions between the funds for operating and financing activities. Funds raised from the Ukrainian banks include guarantee deposits taken and were included in the category of funds for operational activities; and funds from foreign banks, received for long-term funding purposes – for financing activities.

**11. Amounts due to customers**

Amounts due to customers comprise:

	<i>31 March 2016</i> <i>(unaudited)</i>	<i>31 December 2015</i>
<b>Current accounts</b>		
- Legal entities	13,184,833	13,526,606
- Budget organizations	4,870,946	4,699,932
- Individuals	3,200,777	3,002,802
- Funds under the Bank's management	18,611	13,718
	<b>21,275,167</b>	<b>21,243,058</b>
<b>Time deposits</b>		
- Legal entities	38,836,288	36,643,285
- Individuals	22,881,447	21,431,600
- Budget organizations	297,781	-
	<b>62,015,516</b>	<b>58,074,885</b>
<b>Amounts due to customers</b>	<b>83,290,683</b>	<b>79,317,943</b>
Held as security against loans to customers	415,124	912,330
Held as security against guarantees and avals (Note 14)	636,525	535,733
Held as security against letters of credit (Note 14)	440,078	444,464
Held as security against undrawn loan commitments (Note 14)	3,179	1,978

Joint Stock Company

"The State Export-Import Bank of Ukraine"

Selected Notes to the Interim Condensed Consolidated Financial Statements for 3 Months Ended 31 March 2016

*(thousands of Ukrainian Hryvnia, unless otherwise stated)***12. Eurobonds issued**

	<i>31 March 2016 (unaudited)</i>		<i>31 December 2015</i>	
	<i>Nominal value (thousand of USD)</i>	<i>Carrying value</i>	<i>Nominal value (thousand of USD)</i>	<i>Carrying value</i>
April 2010 issue	500,000	13,599,328	500,000	12,158,478
October 2010 issue	250,000	6,799,664	250,000	6,079,239
January 2013 issue	500,000	13,231,613	500,000	12,403,814
April 2013 issue	100,000	2,646,322	100,000	2,480,763
<b>Eurobonds issued</b>		<b>36,276,927</b>		<b>33,122,294</b>

**13. Equity**

As at 31 March 2016, the Bank's authorised issued share capital comprised 14,834,780 (31 December 2015: 14,834,780) ordinary shares with a nominal value of UAH 1,462.04 per share (31 December 2015: 1,462.04 per share). All ordinary shares have equal voting rights. As at 31 March 2016, 14,834,780 shares were fully paid and registered (31 December 2015: all shares were fully paid and registered).

In January 2016 according to the Resolution of the Cabinet of Ministers of Ukraine No 33 dated 27 January 2016, the Bank's share capital was increased by UAH 9,318,999 thousand through issue of 6,373,970 new shares with the nominal value of UAH 1,462.04 each with 100 percent of these shares kept by the State.

The State of Ukraine acquired the additional issue of shares, that increased the share capital of the Bank, by exchanging them to Ukrainian state bonds with the indexed value of UAH 9,319,000 thousand with 10-year maturity and interest rate of 6% p.a..

**14. Commitments and contingent liabilities**

Commitments and contingent financial liabilities comprise:

	<i>31 March 2016 (unaudited)</i>	<i>31 December 2015</i>
Guarantees	5,630,959	5,866,577
Letters of credit	445,560	463,133
Undrawn loan commitments	254,142	181,127
Avals on promissory notes	121,647	34,184
	<b>6,452,308</b>	<b>6,545,021</b>
Less – Provisions	(27,840)	(22,213)
Financial commitments and contingencies (before deducting collateral)	<b>6,424,468</b>	<b>6,522,808</b>
Less — cash held as security against letters of credit, avals and guarantees, and undrawn loan commitments (Note 10, Note 11)	(1,104,310)	(1,011,880)
<b>Financial commitments and contingencies</b>	<b>5,320,158</b>	<b>5,510,928</b>

**15. Personnel expenses and other operating expenses**

Personnel expenses and other operating expenses comprise:

	<i>31 March 2016 (unaudited)</i>	<i>31 March 2015 (unaudited)</i>
Salaries and bonuses	139,213	167,117
Charges on the payroll	31,171	46,419
<b>Personnel expenses</b>	<b>170,384</b>	<b>213,536</b>

Joint Stock Company

"The State Export-Import Bank of Ukraine"

Selected Notes to the Interim Condensed Consolidated Financial Statements for 3 Months Ended 31 March 2016

*(thousands of Ukrainian Hryvnia, unless otherwise stated)*

	<i>31 March 2016</i> <i>(unaudited)</i>	<i>31 March 2015</i> <i>(unaudited)</i>
Payables to the Individual Deposit Guarantee Fund	57,483	55,124
Repair and maintenance of fixed assets	23,399	11,062
Operating taxes	15,177	5,495
Legal and advisory services	12,349	6,426
Maintenance of premises	10,943	9,368
Rent of premises	7,226	6,185
Security	7,127	6,208
Electronic and data processing expenses	6,443	5,083
Expenses for cash collection	5,330	5,691
Household expenses	4,722	4,368
Communication services	3,025	2,087
Business travel and related expenses	1,492	1,318
Marketing and advertising	1,389	1,936
Representative offices expenses	1,387	1,734
Charity	206	440
Other	5,495	2,081
<b>Other operating expenses</b>	<b>163,193</b>	<b>124,606</b>

Expenses for payments to the non-state pension fund as at 31 March 2016 amounted to UAH 2,527 thousand (31 March 2015: UAH 2,434 thousand).

## 16. Fair value of assets and liabilities

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

Set out below is a comparison by class of the carrying amounts and fair values of the Bank's financial instruments that are not carried at fair value in the interim condensed consolidated statement of financial position. The table does not include the fair values of non-financial assets and non-financial liabilities.

	<i>31 March 2016</i> <i>(unaudited)</i>			<i>31 December 2015</i>		
	<i>Carrying value</i>	<i>Fair value</i>	<i>Unrecognised gain / (loss)</i>	<i>Carrying value</i>	<i>Fair value</i>	<i>Unrecognised gain / (loss)</i>
<b>Financial assets</b>						
Cash and cash equivalents	33,792,608	33,792,608	-	24,241,179	24,241,179	-
Amounts due from credit institutions	1,753,587	1,753,587	-	3,976,775	3,976,775	-
Loans to customers	56,903,859	55,665,344	(1,238,515)	55,099,903	52,878,035	(2,221,868)
Securities held to maturity	205,814	198,196	(7,618)	230,912	225,113	(5,799)
Other assets	461,102	461,102	-	404,182	404,182	-
<b>Financial liabilities</b>						
Amounts due to the National Bank of Ukraine	2,017,287	2,017,287	-	2,979,775	2,979,775	-
Amounts due to credit institutions	20,705,095	20,705,095	-	19,298,870	19,298,870	-
Amounts due to customers	83,061,030	83,087,572	(26,542)	79,133,185	79,184,522	(51,337)
Eurobonds issued	36,276,927	32,542,030	3,734,897	33,122,294	30,124,193	2,998,101
Subordinated debt	9,976,388	9,183,741	792,647	9,375,369	8,658,438	716,931
Other liabilities	104,546	104,546	-	86,281	86,281	-
<b>Total unrecognized change in unrealized fair value</b>			<b>3,254,869</b>			<b>1,436,028</b>

The following describes the methodologies and assumptions used to determine fair values for the financial instruments that are not recorded at fair value in the interim condensed consolidated statement of financial position.

*Assets for which fair value approximates carrying value*

Joint Stock Company

"The State Export-Import Bank of Ukraine"

Selected Notes to the Interim Condensed Consolidated Financial Statements for 3 Months Ended 31 March 2016

*(thousands of Ukrainian Hryvnia, unless otherwise stated)*

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

*Fixed rate financial instruments*

The fair values of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates at the date when they were first recognised with current market rates offered for similar financial instruments. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and maturity. For listed debt issued the fair values are calculated based on quoted market prices. For those notes issued where quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity.

*Fair value of financial assets and liabilities carried at fair value*

The Bank uses the following hierarchy of measurement techniques to determine and disclose fair values of financial assets, including changes in fair value due to certain alternative assumptions used in the measurement model:

- Level 2: where no market quotations are available for a financial instrument, the fair value is measured using valuation techniques based on assumptions supported by observable market prices and rates available at the reporting date, i.e. either directly or indirectly based on observable market inputs;
- Level 3: for financial instruments whose fair values cannot be measured using market quotations or measurement models with observable market inputs, the Bank uses measurement techniques using unobservable inputs that have material impact on reported fair values of financial instruments. This approach is appropriate for investments in non-listed shares and debt securities.

Analysis of financial instruments measured at fair value by level in the fair value hierarchy is presented in the table below:

<i>As at 31 March 2016 (unaudited)</i>	<i>Fair value recurring measurements</i>		
	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Current accounts with other credit institutions in precious metals	129,571	-	129,571
Investment securities at fair value through profit or loss	20,851,288	-	20,851,288
Available-for-sale investment securities	37,022,202	11,690	37,033,892
<b>Total assets</b>	<b>58,003,061</b>	<b>11,690</b>	<b>58,014,751</b>
Amounts due to customers in precious metals	229,653	-	229,653
<b>Total liabilities</b>	<b>229,653</b>	<b>-</b>	<b>229,653</b>

<i>As at 31 December 2015</i>	<i>Fair value recurring measurements</i>		
	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Current accounts with other credit institutions in precious metals	106,968	-	106,968
Investment securities at fair value through profit or loss	9,924,610	-	9,924,610
Available-for-sale investment securities	41,179,880	11,690	41,191,570
<b>Total assets</b>	<b>51,211,458</b>	<b>11,690</b>	<b>51,223,148</b>
Amounts due to customers in precious metals	184,758	-	184,758
<b>Total liabilities</b>	<b>184,758</b>	<b>-</b>	<b>184,758</b>

The Bank assesses whether any transfers between levels of the fair value hierarchy are required at the end of each reporting period. During three months ended on 31 March 2016, the Bank did not transfer financial assets from one level of the fair value hierarchy to another level of the fair value hierarchy.

The Bank measures financial assets by discounting cash flows from these instruments using the rates determined on the basis of non-observable data.

*Movements in level 3 assets measured at fair value*

The following table shows a reconciliation of the opening and closing amount of Level 3 assets which is recorded at fair value (unaudited):

Joint Stock Company

"The State Export-Import Bank of Ukraine"

Selected Notes to the Interim Condensed Consolidated Financial Statements for 3 Months Ended 31 March 2016

*(thousands of Ukrainian Hryvnia, unless otherwise stated)*

	<i>As at 1 January 2015</i>	<i>Loss recorded in the consolidated statement of profit and loss</i>	<i>Settlements</i>	<i>As at 31 March 2015</i>
Available-for-sale investment securities	487,748	(453,282) <sup>(a)</sup>	(22,776)	11,690
<b>Total assets</b>	<b>487,748</b>	<b>(453,282)</b>	<b>(22,776)</b>	<b>11,690</b>

<sup>(a)</sup> three months of 2015: UAH 19,649 thousand included in "Interest income from Investment securities other than designated at fair value through profit or loss", and UAH 472,931 thousand of loss is included in losses from available-for-sale investment securities "Losses on impairment of available-for-sale investment securities".

The table below shows the quantitative information as at 31 March 2016 about significant unobservable inputs used for the fair valuation of financial instruments classified as those of the 3 level of the fair value hierarchy:

<i>As at 31 March 2016 (unaudited)</i>	<i>Carrying value</i>	<i>Valuation technique</i>	<i>Unobservable parameter</i>	<i>Range of parameter values</i>
Available-for-sale investment securities	11,690	Discounted cash flows	Expected profitability Risk factor	Corporate: 32.00% Corporate: 0 – 1.0
<i>As at 31 December 2015</i>	<i>Carrying value</i>	<i>Valuation technique</i>	<i>Unobservable parameter</i>	<i>Range of parameter values</i>
Available-for-sale investment securities	11,690	Discounted cash flows	Expected profitability Risk factor	Corporate: 5.00% - 32.00% Corporate: 0 – 1.0

Losses under level 3 financial instruments included into the interim condensed consolidated statements of profit and loss:

	<i>For three months 2015 (unaudited)</i>		
	<i>Realised gains</i>	<i>Unrealised losses</i>	<i>Total</i>
Total gains and losses included in profit and loss for the period	14,161	(467,443)	(453,282)

*Impact of changes to key assumptions on fair value of level 3 financial instruments measured at fair value*

In order to determine possible alternative assumptions, the Bank uses key unobservable inputs as follows:

- For equities, the Bank adjusted the assumptions as to the possibility of bankruptcy or losses that were used to determine the credit component in fair value. The adjustment made was to increase the assumption up to 100% subject to individual characteristics of the investee;
- For debt securities classified as level 3, the Bank adjusted the probability of changes in interest rate assumption applied for discounting cash flows from debt securities within the range of +/- 30% (31 March 2015: +/-30%) of the level as at the end of the reporting period.

## 17. Related party disclosures

In accordance with IAS 24 "Related Party Disclosures", parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making operational or financial 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.

Transactions and balances with related parties comprise transactions with entities controlled by the state of Ukraine (directly or indirectly, or significantly influenced by the state), and key management personnel.

Joint Stock Company

"The State Export-Import Bank of Ukraine"

Selected Notes to the Interim Condensed Consolidated Financial Statements for 3 Months Ended 31 March 2016

*(thousands of Ukrainian Hryvnia, unless otherwise stated)*

The outstanding balances of key management personnel as at 31 March 2016 and 31 December 2015 and related income and expense for three months ended on 31 March 2016 and 2015, are as follows:

	<b>31 March 2016</b>		<b>31 December 2015</b>	
	<i>(unaudited)</i>			
	<i>Key management personnel</i>		<i>Key management personnel</i>	
<b>Loans to customers, total</b>	331		170	
Less - provisions for impairment	(44)		(23)	
<b>Loans to customers, net</b>	<b>287</b>		<b>147</b>	
Current accounts	20,028		21,758	
Time deposits	2,891		2,666	
<b>Amounts due to customers</b>	<b>22,919</b>		<b>24,424</b>	

	<b>For three months that ended on 31 March</b>	
	<b>2016</b>	<b>2015</b>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Interest income on loans	6	-
Interest expense on customers' deposits	(57)	(35)
Translation differences	(1,980)	(10,346)

For three months ended 31 March 2016, the total remuneration and other benefits paid to key management personnel amounted to UAH 4,429 thousand (including UAH 77 thousand of payment to the non-state pension fund) (for three months ended 31 March 2015: UAH 5,191 thousand (including UAH 70 thousand of payment to the non-state pension fund.)).

In the normal course of business, the Bank enters into contractual agreements with the Government of Ukraine and entities controlled, either directly or indirectly, or significantly influenced by the state. The Bank provides the government-related entities with a full range of banking service including, but not limited to, lending, deposit-taking, issue of guarantees, transactions with securities, cash and settlement transactions.

Balances with government-related entities which are individually significant in terms of the carrying amount as at 31 March 2016 (unaudited) are disclosed below:

<b>Client</b>	<b>Sector</b>	<b>Cash and cash equivalents</b>	<b>Loans to customers</b>	<b>Amounts due to customers</b>	<b>Amounts due to the NBU</b>	<b>Guarantees issued</b>
Client 1	State entities	-	-	1,726,631	-	-
Client 2	State entities	-	-	2,034,920	-	-
Client 3	Agriculture and food industry	-	-	28,697,221	-	-
Client 4	Extractive industry	-	10,265,824	-	-	-
Client 5	Extractive industry	-	1,179,872	-	-	-
Client 6	Finance	9,038,468	-	-	2,017,287	-
Client 7	Mechanical engineering	-	2,294,333	-	-	518,649
Client 8	Trade	-	-	918,250	-	1,073,528
Client 9	Trade	-	-	-	-	794,117
Client 10	Power engineering	-	1,681,966	-	-	-
Client 11	Road construction	-	790,647	-	-	-
Other	-	-	580,847	6,266,072	-	59,770

Balances with government-related entities which are individually significant in terms of the carrying amount as at 31 December 2015 are disclosed below:

Joint Stock Company

"The State Export-Import Bank of Ukraine"

Selected Notes to the Interim Condensed Consolidated Financial Statements for 3 Months Ended 31 March 2016

*(thousands of Ukrainian Hryvnia, unless otherwise stated)*

<i>Client</i>	<i>Sector</i>	<i>Cash and cash equivalents</i>	<i>Due from credit institutions</i>	<i>Loans to customers</i>	<i>Amounts due to customers</i>	<i>Amounts due to the NBU</i>	<i>Due to credit institutions</i>	<i>Guarantees issued</i>
Client 1	State entities	-	-	-	1,958,950	-	-	-
Client 2	State entities	-	-	-	1,838,815	-	-	-
Client 3	Agriculture and food industry	-	-	-	25,459,305	-	-	-
Client 6	Finance	8,440,141	-	-	-	2,979,775	-	-
Client 12	Finance	-	2,262,063	-	-	-	-	-
Client 4	Extractive industry	-	-	9,436,665	-	-	-	-
Client 5	industry	-	-	1,080,080	-	-	-	-
Client 8	Trade	-	-	538,455	851,219	-	-	1,538,646
Client 9	Trade	-	-	-	-	-	-	722,621
Client 7	Mechanical engineering	-	-	2,002,138	-	-	-	472,454
Client 10	Power engineering	-	-	1,543,572	-	-	-	-
Client 11	Road construction	-	-	1,053,974	-	-	-	-
Other	-	-	-	560,884	6,828,540	-	238,378	-

For the three month ended 31 March 2016, the Bank recorded UAH 819,638 thousand (three months 2015: UAH 221,777 thousand) of interest income, including interest income of UAH 234,317 thousand (three month 2015: UAH 5,953 thousand) from transactions with the NBU deposit certificates with maturity up to 90 days as well as UAH 625,704 thousand (three month 2015: UAH 590,978 thousand) of interest expenses from material transactions with the government-related entities.

As at 31 March 2016 and 31 December 2015 the Bank's investments in debt securities issued by the government or the government-related corporate entities were as follows:

	<i>31 March 2016 (unaudited)</i>	<i>31 December 2015</i>
Available-for-sale investment securities	36,308,951	39,562,151
Investment securities at fair value through profit or loss	20,851,288	9,924,610
Investment securities held to maturity	205,814	230,912

For the three-month period ended on 31 March 2016, the Bank recorded UAH 932,350 thousand (three month 2015: UAH 862,062 thousand) of interest income from transactions with government bonds, and UAH 116,886 thousand (three month 2015: UAH 74,923 thousand) from transactions with other investment securities.

## 18. Capital adequacy

In 2015 the NBU stress-tested 20 largest Ukrainian banks, including the Bank. Special requirements to minimum regulatory capital adequacy ratio of the stress-tested banks were introduced.

The Bank's regulatory capital adequacy ratio was as follows:

	<i>31 March 2016 (unaudited)</i>	<i>31 December 2015</i>
Main capital	4,175,653	1,141,141
Additional capital, calculated	9,960,026	8,709,529
Additional capital, included in calculation of total capital (limited to main capital)	4,175,653	1,141,141
<b>Total capital</b>	<b>8,351,306</b>	<b>2,282,282</b>



Joint Stock Company

"The State Export-Import Bank of Ukraine"

Selected Notes to the Interim Condensed Consolidated Financial Statements for 3 Months Ended 31 March 2016

(thousands of Ukrainian Hryvnia, unless otherwise stated)

	<i>31 March 2016</i> <i>(unaudited)</i>	<i>31 December 2015</i>
<b>Risk weighted assets</b>	<b>87,037,275</b>	<b>94,789,952</b>
Capital adequacy ratio	9.60%	2.41%

Regulatory capital comprises Tier 1 capital (Main capital) consisting of paid-in registered share capital plus reserves less expected losses, and Tier 2 capital (Additional capital), consisting of provisions against highest quality credit operations, asset revaluation reserve, current profit, subordinated debt and retained earnings. For regulatory capital calculation purposes the qualifying Tier 2 capital amount is limited to 100% of Tier 1 capital.

*Capital adequacy ratio under Basel Capital Accord 1988*

The Bank's capital adequacy ratios, computed in accordance with the Basel Capital Accord 1988 were as follows:

	<i>31 March 2016</i> <i>(unaudited)</i>	<i>31 December</i> <i>2015</i>
Tier 1 capital	4,226,304	(3,725,162)
Tier 2 capital, calculated	2,580,181	664,823
Tier 2 capital, included in calculation of total capital	2,580,181	-
<b>Total capital</b>	<b>6,806,485</b>	<b>(3,725,162)</b>
<b>Risk weighted assets</b>	<b>83,251,008</b>	<b>89,889,011</b>
Tier 1 capital adequacy ratio	5.08%	-4.14%
Total capital adequacy ratio	8.18%	-4.14%

As disclosed in Note 7, the Bank's securities portfolio includes investment securities designated at fair value through profit and loss which represent Ukrainian state bonds, principal of which will be indexed according to increases in the average interbank exchange rate of Hryvnia to US dollar per month, prior to the month of issue, and the average exchange rate of Hryvnia to US dollar per month, prior to maturity month. At maturity of the above Ukrainian state bonds the respective translation difference shall be compensated with monetary funds. Taking this into account, the Bank considers these bonds as a hedging instrument and thus includes them in the calculation of currency risk for the purposes of capital adequacy ratio.