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

For the 1st quarter ended 31 March 2017

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For the 1st quarter ended 31 March 2017
(thousands of Ukrainian Hryvnia)

	Notes	*31 March 2017 (unaudited)*	*31 December 2016*
Assets			
Cash and cash equivalents	4	20,772,316	21,378,517
Due from credit institutions	5	1,385,352	1,544,476
Loans to customers	6	57,097,294	58,469,531
Investment securities:	7		
- designated at fair value through profit or loss		27,514,288	24,064,110
- available-for-sale		52,181,428	48,193,549
- held-to-maturity		112,749	139,098
Current income tax assets		99,601	101,677
Investment property		1,344,074	1,344,074
Property and equipment		2,109,432	2,120,672
Intangible assets		25,994	26,778
Deferred income tax asset		2,322,000	2,322,000
Other assets		722,980	697,747
Total assets		**165,687,508**	**160,402,229**
Liabilities			
Amounts due to the National Bank of Ukraine	9	1,259	659
Amounts due to credit institutions	10	26,716,950	27,930,729
Amounts due to customers	11	83,670,681	85,788,952
Eurobonds issued	12	37,357,669	37,562,345
Subordinated debt		3,400,163	3,495,895
Provision for other losses	8	6,113	5,137
Other liabilities		261,162	258,246
Total liabilities		**151,413,997**	**155,041,963**
Equity			
Share capital	13	34,030,041	31,008,041
Unregistered contributions to share capital	13,19	4,700,001	-
Revaluation reserves		955,480	725,335
Result from operations with shareholder		635,104	-
Accumulated deficit		(26,210,041)	(26,536,036)
Reserve and other funds		162,926	162,926
Total equity		**14,273,511**	**5,360,266**
Total equity and liabilities		**165,687,508**	**160,402,229**

Authorised for release and signed
18 May 2017

Chairman of the Board **O.V. Hrytsenko**

Head of Accounting and Reporting Department – Chief Accountant **N.A. Potemska**

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS (CONSOLIDATED INCOME STATEMENT)
For the 1st quarter ended 31 March 2017
(thousands of Ukrainian Hryvnia)

	Notes	For the period ended 31 March 2017		For the period ended 31 March 2016	
		current quarter	current quarter on a cumulative basis from the beginning of the year	respective quarter of the previous year	respective quarter of the previous year, on a cumulative basis from the beginning of the year
		(unaudited)			
Interest income					
Loans to customers		1,810,694	1,810,694	2,171,554	2,171,554
Investment securities other than designated at fair value through profit or loss		864,523	864,523	935,837	935,837
Due from credit institutions		23,200	23,200	140,287	140,287
Amounts due from the National Bank of Ukraine		67,313	67,313	234,317	234,317
		2,765,730	2,765,730	3,481,995	3,481,995
Investment securities designated at fair value through profit or loss		282,785	282,785	166,916	166,916
		3,048,515	**3,048,515**	**3 648 911**	**3 648 911**
Interest expense					
Amounts due to customers		(1,037,702)	(1,037,702)	(1,398,385)	(1,398,385)
Eurobonds issued		(884,159)	(884,159)	(860,100)	(860,100)
Amounts due to the National Bank of Ukraine		-	-	(117,303)	(117,303)
Amounts due to credit institutions		(292,944)	(292,944)	(162,033)	(162,033)
Subordinated debt		(69,621)	(69,621)	(273,737)	(273,737)
		(2,284,426)	**(2,284,426)**	**(2,811,558)**	**(2,811,558)**
Net interest income		**764,089**	**764,089**	**837,353**	**837,353**
Allowance for loan impairment charge	5,6	(553,148)	(553,148)	(1,259,745)	(1,259,745)
Net interest gains / (losses) after allowance for loan impairment		**210,941**	**210,941**	**(422,392)**	**(422,392)**
Commission income		219,413	219,413	280,311	280,311
Commission expense		(74,415)	(74,415)	(101,842)	(101,842)
Commission income, net		**144,998**	**144,998**	**178,469**	**178,469**
Net (losses)/gains from investment securities designated at fair value through profit and loss		(58,892)	(58,892)	1,581,075	1,581,075
Net losses from available-for-sale investment securities:					
- losses on impairment		(12,703)	(12,703)	-	-
Net gains/(losses) from foreign currencies:					
- dealing		117,585	117,585	139,256	139,256
- translation differences		224,351	224,351	(2,524,051)	(2,524,051)
Net gains/(losses) from precious metals:					
- dealing		35	35	219	219
- revaluation		(589)	(589)	(4,004)	(4,004)
Other income		30,910	30,910	29,107	29,107
Gains from initial recognition of financial instruments		-	-	15,889	15,889
Non-interest income		**300,697**	**300,697**	**(762,509)**	**(762,509)**
Personnel expenses	15	(170,699)	(170,699)	(170,384)	(170,384)
Depreciation and amortisation		(25,781)	(25,781)	(25,732)	(25,732)
Provisions for impairment of other assets and for covering other losses	8	6,331	6,331	(6,392)	(6,392)
Other operating expenses	15	(144,358)	(144,358)	(163,193)	(163,193)
Non-interest expense		**(334,507)**	**(334,507)**	**(365,701)**	**(365,701)**
Profit/(Loss) before tax		**322,129**	**322,129**	**(1,372,133)**	**(1,372,133)**
Income tax expenses		**(665)**	**(665)**	**-**	**-**
Profit/(Loss) for the period		**321,464**	**321,464**	**(1,372,113)**	**(1,372,133)**

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18 May 2017

Chairman of the Board **O.V. Hrytsenko**

Head of Accounting and Reporting Department – Chief Accountant **N.A. Potemska**

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the 1st quarter ended 31 March 2017
(thousands of Ukrainian Hryvnia)

		For the period ended 31 March 2017		***For the period ended 31 March 2016***	
	Notes	*current quarter*	*current quarter on a cumulative basis from the beginning of the year*	*respective quarter of the previous year*	*respective quarter of the previous year, on a cumulative basis from the beginning of the year*
		(unaudited)			
Profit / (loss) for the period		**321,464**	**321,464**	**(1,372,133)**	**(1,372,133)**
Other comprehensive profit / (loss):					
Other comprehensive gains / (losses) to be reclassified in next periods through the consolidated statement of profit and loss:					
Net profit / (loss) on investment securities available-for-sale		234,676	234,676	(193,194)	(193,194)
Other comprehensive profit / (loss) for the period		**234,676**	**234,676**	**(193,194)**	**(193,194)**
Total comprehensive profit / (loss) for the period		**556,140**	**556,140**	**(1,565,327)**	**(1,565,327)**

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONSOLIDATED EQUITY STATEMENT)
For the 1st quarter ended 31 March 2017
(thousands of Ukrainian Hryvnia)

	Share capital	*Unregistered contributions to share capital*	*Revaluation reserve*	*Result from operations with shareholder*	*Accumulated deficit*	*Reserve and other funds*	*Total capital*
As at 1 January 2016	**21,689,042**	**-**	**664,823**	**-**	**(25,577,130)**	**162,926**	**(3,060,339)**
Loss for the period	-	-	-	-	(1,372,133)	-	(1,372,133)
Other comprehensive loss for the period	-	-	(193,194)	-	-	-	(193,194)
Total comprehensive loss for the period	**-**	**-**	**(193,194)**	**-**	**(1,372,133)**	**-**	**(1,565,327)**
Amortisation of revaluation reserve, net of tax	-	-	(4,600)	-	4,600	-	-
Increase in share capital		9,318,999	-	-	-	-	9,318,999
As at 31 March 2016 (unaudited)	**21,689,042**	**9,318,999**	**467,029**	-	**(26,944,663)**	**162,926**	**4,693,333**
As at 1 January 2017	**31,008,041**	**-**	**725,335**	**-**	**(26,536,036)**	**162,926**	**5,360,266**
Profit for the period	-	-	-	-	321,464	-	321,464
Other comprehensive profit for the period	-	-	234,676	-	-	-	234,676
Total comprehensive profit for the period	**-**	**-**	**234,676**	**-**	**321,464**	**-**	**556,140**
Effect of initial recognition of Ukrainian state bonds obtained as the shareholder's contribution	**-**	**-**	**-**	**635,104**	**-**	**-**	**635,104**
Amortisation of revaluation reserve, net of tax	-	-	(4,531)		4,531	-	-
Increase in share capital (Note 13, 19)	3,022,000	4,700,001	-	-	-	-	7,722,001
As 31 March 2017 (unaudited)	**34,030,041**	**4,700,001**	**955,480**	**635,104**	**(26,210,041)**	**162,926**	**14,273,511**

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Head of Accounting and Reporting Department – Chief Accountant **N.A. Potemska**

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the 1st quarter ended 31 March 2017
(direct method)
(thousands of Ukrainian Hryvnia)

	Notes	***For the period ended 31 March*** ***2017***	***2016***
		(unaudited)	
Cash flows from operating activities			
Interest received		2,936,597	2,919,420
Interest paid		(2,224,611)	(2,753,302)
Commissions received		220,221	205,504
Commissions paid		(74,152)	(99,771)
Result from dealing in foreign currencies and precious metals		117,620	139,475
Personnel expenses		(187,092)	(180,338)
Other operating income		30,908	29,123
Other operating and administrative expenses		(144,607)	(160,764)
Cash flow from operating activities before changes in operating assets and liabilities		**674,884**	**99,347**
Net (increase)/decrease in operating assets:			
Due from credit institutions		155,804	2,583,135
Loans to customers		986,193	1,459,015
Other assets		(17,286)	(39,954)
Net increase / (decrease) in operating liabilities:			
Amounts due to credit institutions		(530,092)	(133,164)
Amounts due to the National Bank of Ukraine		600	(962,575)
Amounts due to customers		(1,960,981)	(1,631,482)
Other liabilities		21,710	35,937
Net cash (paid)/received from operating activities before income tax		**(669,168)**	**1,410,259**
Net cash (paid)/received from operating activities		**(669,168)**	**1,410,259**
Cash flows from investing activities			
Proceeds from sale and redemption of investment securities		509,903	16,503,694
Purchase of investment securities		-	(9,330,281)
Purchases of property, equipment and intangible assets		(13,757)	(14,742)
Net cash flows from investing activities		**496,146**	**7,158,671**
Cash flows from financing activities			
Proceeds from borrowings from credit institutions		311,850	454,553
Repayment of borrowings from credit institutions		(792,132)	(763,965)
Net cash flows used in financing activities		**(480,282)**	**(309,412)**
Effect of exchange rates changes on cash and cash equivalents		47,103	1,291,911
Net change in cash and cash equivalents		**(606,201)**	**9,551,429**
Cash and cash equivalents, 1 January		**21,378,517**	**24,241,179**
Cash and cash equivalents, 31 March	4	**20,772,316**	**33,792,608**

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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 license No.2 dated 05.10.2011 and a General License to Conduct Foreign Currency Transactions No. 2 dated 05.10.2011.

As at 31 March 2017 and 31 December 2016, 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 24 branches and 58 operating outlets (31 December 2016: 24 branches and 59 operating outlets) and two 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 individuals and legal entities, and makes loans, payments within Ukraine and transfers abroad, 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 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 registered in Ukraine, and operates 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 1st quarter ended 31 March 2017 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 2016, 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 2016 financial year, except for the introduction of new IFRS as described in Note 2 to the annual consolidated financial statements of the Bank for 2016 financial year and income tax accounting as described below.

The new standards, interpretations and amendments to the existing standards which are effective for the Bank from 1 January 2017 and have been disclosed in the Bank’s consolidated financial statements for the year ended 31 December 2016 have no impact on these interim condensed consolidated financial statements.

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. Deteriorated conditions of economic cooperation with the Customs Union's countries and continued low commodity prices in the global markets; loss of business assets in the east of the country and responsive suspension of cargo movements through the battle line within certain districts of Donetsk and Luhansk Oblasts (CDDLO) have resulted in the reduced export of goods and services, as well as increase in the current account deficit. In the 1st quarter of this year the industrial production in Ukraine decreased by 0.7% (compared to the 1st quarter of 2016).

No new loans from the IMF and other international financial institutions (IFIs) had no critical adverse impact on the national currency exchange rate in the 1st quarter of this year. As at 31 March 2017 the official exchange rate of Hryvnia against US Dollar was UAH 26.98 to 1 US Dollar (compared to UAH 27.19 as at 31 December 2016).

Increase in administratively regulated tariffs, retail prices (by industrial producers), cost of motor fuel and services resulted in the acceleration of consumer inflation up to 3.9% according to the results of the 1st quarter of this year (compared to December 2016).

The growth of NPLs, the high levels of existing debt burden carried by the enterprises and the respective high risks of asset-side transactions result in the low lending activity of banks in Ukraine. At that the banking institutions used their available significant liquidity, mainly, for investing in low risk instruments, in particular for purchase of government bonds.

At the same time, the threat of growing unemployment against a background of administratively increased minimum wage and the low business activity, the excess of household spending over income received, the companies’ low liquidity and performance 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 and takes appropriate measures to support the sustainability of its business, including through optimization and cutting of costs.

However, possible further deterioration in the areas described above against a background of the escalation of tension in the east of the country (in some areas of Donetsk and Luhansk Oblasts) as well as the deterioration of the political situation will negatively affect the Bank’s operating and financial activity.

Changes in accounting policies

The following amended standards became effective for the Bank from 1 January 2017

Amendments to IAS 12 “Income Taxes”

In January 2016 the IFRS Advisory Council issued amendments to IAS 12 “Income Tax” clarifying the accounting procedure for deferred tax assets related to debt instruments, which for the purpose of accounting are measured at fair value, and for the purpose of tax accounting – at initial value.

The above amendments have no material impact on the financial statements.

Amendments to IAS 7 “Statement of Cash Flows”

In January 2016 the IFRS Advisory Council issued amendments to IAS 7 “Statement of Cash Flows” in order to improve disclosure by the companies of information concerning their financial performance and provide the customers with more accurate picture of the liquidity position of companies. Under the new requirements, the company will disclose information about the changes in liabilities resulting from financial activities, including changes caused by cash flows and changes not caused thereby (for example, as a result of foreign-exchange fluctuations). Amendments shall come into effect on 1 January 2017.

The Bank applies the above amendments in preparation of the 2017 annual financial statements.

Future changes in accounting policies

Certain new standards and interpretations were promulgated that are mandatory for the annual periods beginning on or after 1 January 2018, and which were not early adopted by the Bank.

IFRS 9 “Financial Instruments”

In July 2014 the IFRS Advisory Council issued the final version of IFRS 9 “Financial Instruments” that includes all stages of preparation of drafts for financial instruments and supersedes IAS 39 “Financial Instruments: Recognition and Measurement” and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting.

As to classification and measurement the new standard requires that evaluation of all financial assets, excluding equity and derivatives, to be performed through the combined approach based on the business model used by the organization for financial assets management and characteristics of the financial asset related to the cash flows stipulated by the agreement. The following categories of financial instruments were introduces instead of categories established by IAS 39: measured at fair value through profit or loss (income statement), at fair value through other comprehensive income and amortized value. IFRS 9 also enables companies to continue assignment of (but without subsequent reclassification) financial instruments recognized as measured at amortized value or at fair value through other comprehensive income to the category of financial instruments measured at fair value through profit or loss, if it allows for elimination or significant reduction of inconsistency of approaches towards measurement or recognition.

Equity instruments that are not held for sale may be assigned (without subsequent reclassification) to the category of instruments measured at fair value through other comprehensive income, and gains or losses under such instruments will no longer be reflected in the income statement. The accounting of financial liabilities is in general similar to IAS 39 requirements.

IFRS 9 fundamentally changes the approach towards accounting of impaired loans. The estimated approach requiring reflection of expected credit losses was introduced instead of the approach based on the incurred losses under IAS 39. The Bank shall be obliged to recognize the assessed reserve for expected loan losses under all loans and other debt financial assets that are not measured at fair value through profit or loss, as well as under the commitments to extend loans and financial guarantees.

The reserve should be assessed in the amount equal to the expected loan losses caused by the probability of default over the next 12 months. In cases where credit risk under the instrument has increased significantly since its initial recognition, the reserve is assessed based on the probability of default during the whole term of the asset.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018. Earlier application is allowed. Retrospective application is required, but the presentation of comparative information is not required. The impact of the standard application as at the date of migration (1 January 2018) should be reflected in retained earnings.

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

IFRS 15 issued in May 2014 introduces a new five-level model applied to revenue from contracts with customers. Revenue from lease contracts, insurance contracts, as well as revenue from financial instruments and other contractual rights and obligations related to spheres where IAS 17 – Leases, IFRS 4 – Insurance Contracts and IAS 39 – Financial Instruments: Recognition and Measurement (or in case of early application, IFRS 9 – Financial Instruments) are applied, respectfully does not fall within the scope of IFRS 15 and is regulated by respective standards.

Revenue under IFRS 15 is recognized in the amount that reflects the reward the company estimates to receive in exchange for transferring goods or rendering services to a customer. The principles of IFRS 15 ensure more structured approach to measurement and recognition of revenue.

The new standard applies to all companies and will substitute all current IFRS requirements to revenue recognition. Full or modified retrospective application is required for annual reporting periods starting from January 1, 2018 or after that date. Early application is allowed.

The Bank is currently assessing the impact of the new standard on its financial statements.

IFRS 16, Leases

In January 2016, the IFRS Advisory Council issued a new standard IFRS 16 – Leases that regulates accounting of lease contracts. According to the new standard, the procedure of accounting lease contracts will not substantially change for leasers. Although for lessees a requirement is introduced to recognize the majority of lease contracts through booking lease obligation and respective assets in form of right of use on the balance. Lessees shall apply the unified model for all recognized lease contracts, although they are entitled not to recognize short-term lease and lease of low-cost underlying assets. The procedure for recognizing revenues or losses under all recognizes lease contracts in general corresponds to the current procedure for recognizing financial lease, whereas interest and amortization expenses shall be recognized separately in the financial results statement.

IFRS 16 comes into force for annual reporting periods starting from January 1, 2019 or after that date. Early application is allowed if the company starts applying the new standard of accounting of revenue IFRS 15 starting from the same date.

The Bank is currently assessing the impact of the new standard on its financial statements.

Amendments to IFRS 2 – Share-based Payments

The IFRS Advisory Council issued amendments to IFRS – Share-based Payments, which are related to classification and assessment of share-based payments transactions. The amendments are intended to eliminate discrepancies in the practice of applying the standard, yet they address a limited range of issues only related to classification and measurement. The amendments clarify the requirements in three main spheres:

- impact of conditions of transfer of rights to measure share-based payments transactions with cash settlements;
- classification of share-based payments transaction, conditions of which allow the company to withhold a share of equity instruments subject to transfer to an employee, in order to fulfill the obligation of paying the respective tax for such an employee;
- accounting procedure in cases where modification of share-based payment transaction conditions requires re-assignment thereof from the category of cash settlement transactions into the category of equity instruments settlement transactions.

The above amendments come into effect for annual reporting periods starting from January 1, 2018 or after that date. The application of amendments does not require companies to re-measure data for previous periods; retrospective application is allowed if the company decides to apply all the three amendments simultaneously and meets certain other criteria. Early application is allowed as well.

The Bank is currently assessing the impact of the new standard on its financial statements.

Amendments to IFRS 4 – Application of IFRS 9 – Financial Instruments Simultaneously with IFRS 4 – Insurance Contracts

The amendments are intended to eliminate issues that arise in relation to application of the new standard for financial instruments, IFRS 9, until the moment when companies start applying the new standard for accounting insurance contracts, which is currently being developed by the IRFS Advisory Council to substitute IFRS 4. According to the amendments, the companies that enter into insurance agreements may select from two options: temporary exemption from IFRS 9 application or application of the overlay method. Temporary exemption from IFRS 9 application may be used by the companies whose business is mainly related to insurance. Such companies may continue applying IAS 39 – Financial Instruments: Recognition and Measurement and postpone application of IFRS 9 till January 1, 2021, but no later than that date. The compensatory approach envisages mandatory correction of profit or losses in order to exclude their additional volatility that may arise due to simultaneous application of IFRS 9 and IFRS 4.

Temporary exemption is allowed to be used for the first time within the periods starting from January 1, 2018 of after that date. The compensatory approach may be selected by a company upon the first application of IFRS 9 and should be applied retrospectively to financial assets assigned into a certain category upon migration to IFRS 9.

The Bank is currently assessing the impact of the new standard on its financial statements.

IFRIC 22 - Foreign Currency Transactions and Advance Consideration

The clarification resolves the issue on transaction date determination in order to determine the currency exchange rate; it applies upon initial recognition of a respective asset, expenses or income (of a part thereof) upon de-recognition of a non-cash asset of a non-cash liability arisen due to advance payment in foreign currency. According to IAS 21, the transaction date for the purpose of determining the currency exchange rate applied upon the initial recognition of a respective asset, losses or income (or a part thereof) is the date on which an organization first records a non-cash asset or a non-cash liability arisen due to advance consideration in foreign currency. In case of several payments or revenues effected on a prepaid basis, an organization shall determine each date of payment or revenue effected on a prepaid basis in foreign currency. IFRIC 22 applies only in cases when an organization recognizes a non-cash asset or a non-cash liability arisen due to advance payment. IFRIC 22 does not contain a practical guide to determination of an accounting item as cash or non-cash. In general, a payment or receipt of consideration effected on a prepaid basis leads to recognition of a non-cash asset of a non-cash liability, although they may as well lead to creation of a cash asset or liability. An organization may need to obtain professional opinion in order to determine if a certain accounting item is cash or non-cash.

Transfer to or out of the category of investment property – Amendments to IAS 40

The amendments clarify requirement for transfer of objects under construction to / out of the category of investment property. Before the amendments were issued, IAS 40 did not contain a separate guide on transfer of objects under construction to / out of the category of investment property. The amendment clarifies that there was no intention to forbid transferring to the category of investment property of investment properties under construction or development and are classified as reserves, in case of obvious change of pattern of use. IAS 40 was supplemented in order to enhance the procedure of applying the principles of transferring to / out of the category of investment property in accordance with IAS 40 with a clarification that transferring to / out of the category of investment property may only be performed in case of change of pattern of real estate use; and such change of pattern of use shall require assessment of possibility of classifying the real estate as investment one. Such change of pattern of use shall be supported by facts.

(thousands of Ukrainian Hryvnia, unless otherwise stated)

The Bank is currently assessing the impact of the new standard on its financial statements.

Unless otherwise is indicated above, no material impact of these new standards and interpretations on the Bank’s financial statements are expected.

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 2016.

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.

During the three months ended 31 March 2017, 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 1,055,975 thousand (31 March 2016: UAH 932,350 thousand). Revenues from transactions with this external customer are reflected in the “Inter-bank and investments business” segment.

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 2017 (unaudited):

(thousands of Ukrainian Hryvnia, unless otherwise stated)

	Retail banking	***Corporate banking***	***Interbank and investments***	***Unallocated***	***Total***
External					
Interest income	109,147	1,706,737	1,232,631	-	3,048,515
Commission income	123,895	89,361	6,157	-	219,413
Other income	3,915	24,362	11	2,622	30,910
Net gains from operations with foreign currencies	33,369	40,825	53,078	214,664	341,936
Net gains from operations with precious metals	47	-	3,825	-	3,872
Gains from investment securities available-for-sale	-	-	-	4,716	4,716
Reversal of loan impairment provisions	27,400	-	-	-	27,400
Reversal of provisions for impairment of other assets and for covering other losses	-	7,639	31	-	7,670
Income from other segments	**687,559**	**660,760**	**1,389,463**	**(2,737,782)**	**-**
Total income	**985,332**	**2,529,684**	**2,685,196**	**(2,515,780)**	**3,684,432**
Interest expenses	(511,798)	(525,223)	(1,247,405)	-	(2,284,426)
Commission expense	(44,753)	(26,401)	(3,162)	(99)	(74,415)
Loan impairment charge	-	(575,056)	(5,492)	-	(580,548)
Net loss from operations with precious metals	-	-	-	(4,426)	(4,426)
Loss from investment securities available-for-sale	-	(5)	(17,414)	-	(17,419)
Loss from change of fair value of investment securities designated at fair value through profit and loss	-	-	-	(58,892)	(58,892)
Personnel expenses	(68,796)	(57,455)	(20,190)	(24,258)	(170,699)
Depreciation and amortization	(13,888)	(7,475)	(1,837)	(2,581)	(25,781)
Other operating expenses	(93,730)	(31,194)	(4,985)	(14,449)	(144,358)
Charge for impairment of other assets and for covering other losses	(1,304)	-	-	(35)	(1,339)
Expenses from other segments	**(77,172)**	**(1,362,214)**	**(1,170,134)**	**2,609,520**	**-**
Segment results	**173,891**	**(55,339)**	**214,577**	**(11,000)**	**322,129**
Income tax expenses					(665)
Loss for the period					**321 464**
Assets and liabilities as at 31 March 2017					
Segment assets	4,768,822	57,892,214	100,574,484		162,935,520
Unallocated assets				2,751,988	2,751,988
Total assets					**165,687,508**
Segment liabilities	33,348,884	50,582,045	67,438,488		151,369,417
Unallocated liabilities				44,580	44,580
Total liabilities					**151,413,997**
Other segment information					
Capital expenditure	(6,220)	(3,340)	(821)	(1,154)	(11,535)

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

(thousands of Ukrainian Hryvnia, unless otherwise stated)

	Retail banking	***Corporate banking***	***Interbank and investments***	***Unallocated***	***Total***
External					
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 precious metals	439	-	4	-	443
Loss from change of 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
Income from other segments	**874,029**	**909,811**	**1,602,645**	**(3,386,485)**	**-**
Total income	**1,136,243**	**3,186,288**	**3,185,675**	**(1,788,816)**	**5,719,390**
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 from precious 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)
Expenses from other segments	**(87,920)**	**(1,668,573)**	**(1,454,385)**	**3,210,878**	**-**
Segment results	**124,176**	**(608,014)**	**293,953**	**(1,182,248)**	**(1,372,133)**
Loss for the period					**(1,372,133)**
Assets and liabilities as at 31 December 2016					
Segment assets	4,897,657	58,936,051	93,890,451		157,724,159
Unallocated assets				2,678,070	2,678,070
Total assets					**160,402,229**
Segment liabilities	34,059,319	52,575,312	68,328,691		154,963,322
Unallocated liabilities				78,641	78,641
Total liabilities					**155,041,963**
Other segment information					
Capital expenditure	(6,898)	(2,226)	(398)	(613)	(10,135)

The main share of revenues for three months of 2017 and 2016 from investment securities designated at fair value through profit or loss is related to adjustment of internal state bonds against the currency exchange rate changes.

(thousands of Ukrainian Hryvnia, unless otherwise stated)

4. Cash and cash equivalents

Cash and cash equivalents comprise:

	31 March 2017 (unaudited)	*31 December 2016*
Current accounts with other credit institutions	9,062,395	8,884,608
Current account with the National Bank of Ukraine	5,408,657	5,372,785
Overnight deposits with other credit institutions	4,094,426	1,894,306
Cash on hand	1,206,170	1,219,953
Time deposits with the National Bank of Ukraine up to 90 days	1,000,668	4,006,865
Cash and cash equivalents	**20,772,316**	**21,378,517**

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.

As at 31 March 2017 and 31 December 2016 the Bank meets all the NBU’s mandatory reserve requirements.

Financial and investment transactions that did not envisage use of cash and cash equivalent and were excluded from the interim condensed consolidated report of cash flows are the following:

	For the period ended March 31	
	2017 (unaudited)	*2016*
Non-cash financial and investment transactions		
Issue of ordinary shares in exchange for state securities	7,722,001	9,318,999
Total non-cash financial and investment transactions	**7,722,001**	**9,318,999**

5. Due from credit institutions

Amounts due from credit institutions comprise:

	31 March 2017 (unaudited)	*31 December 2016*
Loans and deposits		
Ukrainian banks	1,557,347	1,706,729
OECD banks	495,579	518,053
CIS and other banks	67,459	43,989
	2,120,385	**2,268,771**
Due from other credit institutions		
Current accounts with other credit institutions in precious metals	114,565	121,567
Other amounts due from credit institutions	460	3
	2,235,410	**2,390,341**
Less: Allowance for impairment	(850,058)	(845,865)
Due from credit institutions	**1,385,352**	**1,544,476**

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

	Loans and deposits
As at 1 January 2017	**845,865**
Charge for the period	5,328
Translation differences	(1,135)
As at 31 March 2017 (unaudited)	**850,058**

(thousands of Ukrainian Hryvnia, unless otherwise stated)

	Loans and deposits
As at 1 January 2016	**548,746**
Reversal for the period	(354)
Translation differences	3,721
As at 31 March 2016 (unaudited)	**552,113**

6. Loans to customers

Loans to customers comprise:

	31 March 2017 (unaudited)	*31 December 2016*
Commercial loans	102,579,989	103,403,198
Overdrafts	388,934	456,206
Financial lease receivables	85,107	94,664
Promissory notes	48,072	66,270
	103,102,102	**104,020,338**
Less: Allowance for impairment	(46,004,808)	(45,550,807)
Loans to customers	**57,097,294**	**58,469,531**

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

	31 March 2017 (unaudited)	*31 December 2016*
Private entities	82,433,778	82,390,783
State entities	19,078,724	20,039,806
Individuals	1,331,794	1,333,388
Municipal entities	257,806	256,361
	103,102,102	**104,020,338**

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

	Commercial loans	*Overdrafts*	*Financial lease receivables*	*Promissory notes*	*Total*
As at 1 January 2017	**45,512,446**	**31,920**	**5,135**	**1,306**	**45,550,807**
Charge/(reversal) for the period	561,812	(13,529)	-	(463)	547,820
Recoveries	3,663	-	-	-	3,663
Amounts written-off	-	-	(152)	-	(152)
Translation differences	(97,330)	-	-	-	(97,330)
As at 31 March 2017 (unaudited)	**45,980,591**	**18,391**	**4,983**	**843**	**46,004,808**

	Commercial loans	*Overdrafts*	*Financial lease receivables*	*Promissory notes*	*Total*
As at 1 January 2016	**40,806,110**	**23,916**	**17,736**	**449**	**40,848,211**
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
As at 31 March 2016 (unaudited)	**45,200,590**	**23,105**	**17,757**	**690**	**45,242,142**

(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.

	Neither past due nor individually impaired			*Past due or individually impaired*		
As at 31 March 2017 (unaudited)	***High Rating***	***Standard Rating***	***Substandard Rating***	***Standard and Substandard Rating***	***Low Rating***	***Total***
Loans to corporate customers:						
Commercial loans	9,999,529	20,828,614	5,855,601	22,194,381	42,370,070	101,248,195
Overdrafts	84,859	240,524	1,846	61,705	-	388,934
Finance lease receivables	74,373	-	5,751	-	4,983	85,107
Promissory notes	38,927	9,145	-	-	-	48,072
	10,197,688	21,078,283	5,863,198	22,256,086	42,375,053	101,770,308
Loans to individuals	5,635	37,450	12,981	232,920	1,042,808	1,331,794
Total	**10,203,323**	**21,115,733**	**5,876,179**	**22,489,006**	**43,417,861**	**103,102,102**
Provision for impairment	(122,340)	(777,672)	(520,727)	(7,832,437)	(36,751,632)	(46,004,808)
Total after provision for impairment	**10,080,983**	**20,338,061**	**5,355,452**	**14,656,569**	**6,666,229**	**57,097,294**

	Neither past due nor individually impaired			*Past due or individually impaired*		
As at 31 December 2016 (unaudited)	***High Rating***	***Standard Rating***	***Substandard Rating***	***Standard and Substandard Rating***	***Low Rating***	***Total***
Loans to corporate customers:						
Commercial loans	9,132,815	21,269,325	7,516,521	25,175,588	38,975,561	102,069,810
Overdrafts	86,577	205,730	31,863	132,036	-	456,206
Finance lease receivables	82,378	-	7,151	-	5,135	94,664
Promissory notes	57,098	9,172	-	-	-	66,270
	9,358,868	21,484,227	7,555,535	25,307,624	38,980,696	102,686,950
Loans to individuals	7,371	46,352	13,932	171,969	1,093,764	1,333,388
Total	**9,366,239**	**21,530,579**	**7,569,467**	**25,479,593**	**40,074,460**	**104,020,338**
Provision for impairment	(113,889)	(843,220)	(626,024)	(8,193,535)	(35,774,139)	(45,550,807)
Total after provision for impairment	**9,252,350**	**20,687,359**	**6,943,443**	**17,286,058**	**4,300,321**	**58,469,531**

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:

(thousands of Ukrainian Hryvnia, unless otherwise stated)

As at 31 March 2017 (unaudited)	***Less than 30 days***	***From 31 to 60 days***	***From 61 to to 90 days***	***Total***
Loans to customers:				
Loans to corporate customers	508,478	3,985	17,567	530,030
Loans to individuals	41,245	10,838	4,024	56,107
Total	**549,723**	**14,823**	**21,591**	**586,137**

As at 31 December 2016	***Less than 30 days***	***From 31 to 60 days***	***From 61 to to 90 days***	***Total***
Loans to customers:				
Loans to corporate customers	11,913	275	1,843	14,031
Loans to individuals	11,071	9,283	1,562	21,922
Total	**22,984**	**9,564**	**3,405**	**35,953**

7. Investment securities

As at 31 March 2017, investment securities designated at fair value through profit and loss represented by 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. The Bank decided not to separate an embedded derivative instrument and to evaluate an instrument as a whole at its fair value, recognizing revaluation through profit or loss.

Available-for-sale investment securities comprise:

	31 March 2017 (unaudited)	***31 December 2016***
Ukrainian state bonds	50,247,374	46,163,120
Corporate bonds	1,917,653	2,018,739
Corporate shares	16,401	11,690
Available-for-sale investments	**52,181,428**	**48,193,549**

Held-to-maturity investment securities comprise:

	31 March 2017 (unaudited)		***31 December 2016***	
	Nominal value	*Carrying value*	*Nominal value*	*Carrying value*
Ukrainian state bonds	122,405	112,749	147,246	139,098
Held-to-maturity investments		**112,749**		**139,098**

8. Allowances for impairment and other allowances

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

	Other assets	***Guarantees and commitments***	***Total***
As at 1 January 2017	**400,408**	**5,137**	405,545
Charge/(reversal) for the period	(7,292)	961	(6, 331)
Translation differences	45	15	60
Amounts written-off	(2,155)	-	(2,155)
As at 31 March 2017 (unaudited)	**391,006**	**6,113**	**397,119**

	Other assets	***Guarantees and commitments***	***Total***
As at 1 January 2016	**255,304**	**22,213**	**277,517**
Charge for the period	2,428	3,964	6,392
Translation differences	4,178	1,663	5,841
As at 31 March 2016 (unaudited)	**261,910**	**27,840**	**289,750**

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

(thousands of Ukrainian Hryvnia, unless otherwise stated)

9. Amounts due to the National Bank of Ukraine

As at 31 March 2017 amounts due to the National Bank of Ukraine included the correspondent account balance in the amount of UAH 1,259 thousand (31 December 2016: UAH 659 thousand).

10. Amounts due to credit institutions

Amounts due to credit institutions comprise:

	31 March 2017 (unaudited)	*31 December 2016*
Current accounts		
Ukrainian banks	2,031,712	2,544,634
CIS and other banks	828	826
	2,032,540	**2,545,460**
Loans and deposits		
International financial institutions	21,318,692	21,878,151
OECD banks	3,282,290	3,390,535
Ukrainian banks	83,407	116,309
	24,684,389	**25,384,995**
Other amounts due to credit institutions	21	274
Amounts due to credit institutions	**26,716,950**	**27,930,729**
Held as security against guarantees (Note 14)		24,528

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:

	31 March 2017 (unaudited)	*31 December 2016*
Current accounts		
- Legal entities	15,116,222	17,638,612
- Budget organizations	5,402,523	4,424,952
- Individuals	3,459,986	3,516,537
- Funds under the Bank's management	1	8,077
	23,978,732	**25,588,178**
Time deposits		
- Legal entities	38,693,436	39,218,415
- Individuals	20,741,342	20,982,359
- Budget organizations	257,171	-
	59,691,949	**60,200,774**
Amounts due to customers	**83,670,681**	**85,788,952**
Held as security against letters of credit (Note 14)	1,010,624	979,840
Held as security against loans to customers	452,979	445,349
Held as security against guarantees and avals (Note 14)	353,987	446,921
Held as security against undrawn loan commitments (Note 14)	3,050	1,805

12. Eurobonds issued

	31 March 2017 (unaudited)		*31 December 2016*	
	Nominal value (thousand of USD)	***Carrying value***	***Nominal value (thousand of USD)***	***Carrying value***
April 2010 issue	500,000	14,002,188	500,000	13,786,149
October 2010 issue	250,000	7,001,094	250,000	6,893,074
January 2013 issue	500,000	13,628,656	500,000	14,069,268
April 2013 issue	100,000	2,725,731	100,000	2,813,854
Eurobonds issued		**37,357,669**		**37,562,345**

13. Equity

As at 31 March 2017, the Bank's authorised issued share capital comprised 23,275,725 (31 December 2016: 21,208,750) ordinary shares with a nominal value of UAH 1,462.04 per share (31 December 2016: 1,462.04 per share). As at 31 March 2017, 23,275,725 shares were fully paid and registered (31 December 2016: all shares were fully paid and registered).

In February 2017 according to the Resolution of the Cabinet of Ministers of Ukraine No 54 dated 01 February 2017, the Bank’s share capital was increased by UAH 3,022,000 thousand through issue of 2,066,975 additional shares with the existing nominal value of UAH 1,462.04 each with 100 percent of these shares kept by the State. In March 2017 these shares were registered.

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 3,022,001 thousand with 10-year maturity and interest rate of 6% p.a..

As at the date of initial recognition, the difference between nominal and fair value of Ukrainian state bonds obtained as the shareholder’s contribution was UAH 635,104 thousand.

In March 2017 according to the Resolution of the Cabinet of Ministers of Ukraine No 123 dated 6 March 2017, the Bank’s share capital was increased by UAH 4,700,001 thousand through issue of 3,214,687 additional 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 4,700,001 thousand with 15-year maturity and interest rate of 9% p.a..

14. Commitments and contingent liabilities

Commitments and contingent financial liabilities comprise:

	31 March 2017 (unaudited)	***31 December 2016***
Guarantees	3,529,259	3,748,869
Letters of credit	1,050,310	1,115,770
Undrawn loan commitments	372,560	273,651
Avals on promissory notes	333,450	117,620
	5,285,579	**5,255,910**
Less – Provisions	(6,113)	(5,137)
Financial commitments and contingencies (before deducting collateral)	**5,279,466**	**5,250,773**
Less — cash held as security against letters of credit, avals and guarantees, and undrawn loan commitments (Note 10, Note 11)	(1,367,661)	(1,453,094)
Financial commitments and contingencies	**3,911,805**	**3,797,679**

15. Personnel expenses and other operating expenses

Personnel expenses and other operating expenses comprise:

(thousands of Ukrainian Hryvnia, unless otherwise stated)

	For the period ended 31 March 2017		***For the period ended 31 March 2016***	
	current quarter	***current quarter on a cumulative basis from the beginning of the year***	***respective quarter of the previous year***	***respective quarter of the previous year, on a cumulative basis from the beginning of the year***
	(unaudited)			
Salaries and bonuses	139,111	139,111	139,213	139,213
Charges on the payroll	31,588	31,588	31,171	31,171
Personnel expenses	**170,699**	**170,699**	**170,384**	**170,384**

Payables to the Individual Deposit Guarantee Fund	53,618	53,618	57,483	57,483
Repair and maintenance of fixed assets	19,438	19,438	23,399	23,399
Operating taxes	13,907	13,907	15,177	15,177
Maintenance of premises	12,870	12,870	10,943	10,943
Security	10,357	10,357	7,127	7,127
Rent of premises	6,014	6,014	7,226	7,226
Expenses for cash collection	5,411	5,411	5,330	5,330
Household expenses	5,319	5,319	4,722	4,722
Electronic and data processing expenses	4,294	4,294	6,443	6,443
Communication services	3,203	3,203	3,025	3,025
Business travel and related expenses	759	759	1,492	1,492
Legal and advisory services	741	741	12,349	12,349
Representative offices expenses	738	738	1,387	1,387
Marketing and advertising	543	543	1,389	1,389
Charity	182	182	206	206
Other	6,964	6,964	5,495	5,495
Other operating expenses	**144,358**	**144,358**	**163,193**	**163,193**

Expenses for payments to the non-state pension fund for the period ended 31 March 2017 amounted to UAH 2,546 thousand (31 March 2016: UAH 2,527 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.

	31 March 2017 (unaudited)			***31 December 2016***		
	Carrying value	***Fair value***	***Unrecognised gain / (loss)***	***Carrying value***	***Fair value***	***Unrecognised gain / (loss)***
Financial assets						
Cash and cash equivalents	20,772,316	20,772,116	-	21,378,517	21,378,517	-
Amounts due from credit institutions	1,270,787	1,270,787	-	1,422,909	1,422,909	-
Loans to customers	57,097,294	56,847,158	(250,136)	58,469,531	58,414,201	(55,330)
Securities held to maturity	112,749	116,015	3,266	139,098	142,295	3,197
Other assets	380,410	380,410	-	355,715	355,715	-
Financial liabilities						
Amounts due to the National Bank of Ukraine	1,259	1,259	-	659	659	-
Amounts due to credit institutions	26,716,950	26,716,950	-	27,930,729	27,930,729	-
Amounts due to customers	83,501,825	83,390,027	111,798	85,622,585	85,592,252	30,333
Eurobonds issued	37,357,669	37,808,421	(450,752)	37,562,245	37,014,419	547,926

(thousands of Ukrainian Hryvnia, unless otherwise stated)

	31 March 2017 (unaudited)			*31 December 2016*		
	Carrying value	*Fair value*	*Unrecognised gain / (loss)*	*Carrying value*	*Fair value*	*Unrecognised gain / (loss)*
Subordinated debt	3,400,163	3,138,169	261,994	3,495,895	2,961,457	534,438
Other liabilities	69,454	69,454	-	46,853	46,853	-
Total unrecognized change in unrealized fair value			**(323,830)**			**1,060,564**

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

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:

	Fair value recurring measurements		
As at 31 March 2017 (unaudited)	***Level 2***	***Level 3***	***Total***
Current accounts with other credit institutions in precious metals	114,565	-	114,565
Investment securities at fair value through profit or loss	27,514,288	-	27,514,288
Available-for-sale investment securities	52,165,027	16,401	52,181,428
Total assets	**79,793,880**	**16,401**	**79,810,821**
Amounts due to customers in precious metals	168,856	-	168,856
Total liabilities	**168,856**	**-**	**168,856**

	Fair value recurring measurements		
As at 31 December 2016	***Level 2***	***Level 3***	***Total***
Current accounts with other credit institutions in precious metals	121,567	-	121,567
Investment securities at fair value through profit or loss	24,064,110	-	24,064,110
Available-for-sale investment securities	48,181,859	11,690	48,193,549
Total assets	**72,367,536**	**11,690**	**72,379,236**
Amounts due to customers in precious metals	166,367	-	166,367
Total liabilities	**166,367**	**-**	**166,367**

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 31 March 2017, the Bank did not transfer financial assets from one level of the fair value hierarchy to another level of the fair value hierarchy.

(thousands of Ukrainian Hryvnia, unless otherwise stated)

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 and liabilities, which is recorded at fair value (unaudited):

	As at 1 January 2017	***Profit recorded in the interim condensed consolidated statement of profit and loss***	***As at 31 March 2017 (unaudited)***
Available-for-sale investment securities	11,690	4,711 [a]	16,401
Total assets	**11,690**	**4,711**	**16,401**

[a] three months of 2017: UAH 4,711 thousand of gain (reversal of impairment losses) included in “Losses on impairment of available-for-sale investment securities”.

The table below shows the quantitative information as at 31 March 2017 about significant unobservable inputs used for the fair valuation of financial instruments classified as those of the 3 level of the fair value hierarchy:

As at 31 March 2017 (unaudited)	***Carrying value***	***Valuation technique***	***Unobservable parameter***	***Range of parameter values***
Available-for-sale investment securities	16,401	Discounted cash flows	Expected profitability	Corporate: 9.32%-15.90%
			Risk factor	Corporate: 0 – 1.0

As at 31 December 2016	***Carrying value***	***Valuation technique***	***Unobservable parameter***	***Range of parameter values***
Available-for-sale investment securities	11,690	Discounted cash flows	Expected profitability	Corporate: 13.50% - 32.00%
			Risk factor	Corporate: 0 – 1.0

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

	For the period ended 31 March 2017 (unaudited)	
	Unrealised gains	***Total***
Total gains included in profit and loss for the period	4,771	4,771

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 2016: +/-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 they 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 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.

The outstanding balances of key management personnel as at 31 March 2017 and 31 December 2016 and related income and expense for three months ended 31 March 2017 and 2016, are as follows:

(thousands of Ukrainian Hryvnia, unless otherwise stated)

	31 March 2017 (unaudited)	***31 December 2016***
	Key management personnel	***Key management personnel***
***Loans to customers,* total**	149	401
Less - provisions for impairment	(16)	(269)
***Loans to customers,* net**	**133**	**132**
Current accounts	4,660	4,399
Time deposits	6,295	5,511
Amounts due to customers	**10,955**	**9,910**
Other liabilities	(13)	(7)

	For the period ended 31 March	
	2017 (unaudited)	***2016 (unaudited)***
	Key management personnel	***Key management personnel***
Interest income on loans	6	6
Interest expense on customers' deposits	(55)	(57)
Commission income	4	-
Translation differences	50	(1,980)

For three months ended 31 March 2017, the total remuneration and other benefits paid to key management personnel amounted to UAH 3,745 thousand (including UAH 59 thousand of payment to the non-state pension fund) (31 March 2016: UAH 4,429 thousand (including UAH 77 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 2017 (unaudited) are disclosed below:

Client	***Sector***	***Cash and cash equivalents***	***Loans to customers***	***Amounts due to customers***	***Amounts due to the NBU***	***Amounts due to credit institutions***	***Guarantees issued***
Client 1	State entities	-	-	2,425,781	-	-	-
Client 2	State entities	-	-	1,866,971	-	-	-
Client 3	Agriculture and food industry	-	-	27,419,523	-	-	-
Client 4	Extractive industry	-	10,165,650	-	-	-	-
Client 5	Finance	5, 408, 658	-	-	1,259	70,372	-
Client 6	Finance	-	-	-	-	-	-
Client 7	Mechanical engineering	-	3,978,510	-	-	-	-
Client 8	Trade	-	-	1,123,106	-	-	1,319,163
Client 9	Trade	-	-	-	-	-	784,280
Client 10	Trade	-	-	-	-	-	124,712
Client 11	Power engineering	-	2,413,007	-	-	-	311,216
Other	-	-	606,086	7,652,387	-	-	-

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

(thousands of Ukrainian Hryvnia, unless otherwise stated)

Client	***Sector***	***Cash and cash equivalents***	***Loans to customers***	***Amounts due to customers***	***Amounts due to the NBU***	***Due to credit institu-tions***	***Guaran-tees issued***
Client 1	State entities	-	-	1,820,863	-	-	-
Client 2	State entities	-	-	1,514,166	-	-	-
Client 3	Agriculture and food industry	-	-	27,358,937	-	-	-
Client 4	Extractive industry	-	10,581,585	-	-	-	-
Client 12	Extractive industry	-	1,173, 526	-	-	-	-
Client 5	Finance	5,372,785	-	-	659	-	-
Client 13	Finance	-	-	-	-	364,134	-
Client 8	Trade	-	-	1,644,607	-	-	1,357,720
Client 9	Trade	-	-	-	-	-	847,445
Client 7	Power engineering	-	3,452,694	-	-	-	-
Client 11	Mechanical engineering	-	2,290,686	-	-	-	311,872
Other	-	-	-	7,376,726	-	-	-

For the three month ended 31 March 2017, the Bank recorded UAH 579,038 thousand (31 March 2016: UAH 819,638 thousand) of interest income, including interest income of UAH 67,313 thousand (31 March 2016: UAH 234,317 thousand) from transactions with the NBU deposit certificates with maturity up to 90 days as well as UAH 360,010 thousand (31 March 2016: UAH 625,704 thousand) of interest expenses from material transactions with the government-related entities.

As at 31 March 2017 and 31 December 2016 the Bank's investments in debt securities issued by the government or the government-related corporate entities were as follows:

	31 March 2017 (unaudited)	***31 December 2016***
Available-for-sale investment securities	52,180,192	48,192,169
Investment securities designated at fair value through profit or loss	27,514,288	24,064,110
Investment securities held to maturity	112,749	139,098

For the three-month period ended 31 March 2017, the Bank recorded UAH 1,055,975 thousand (31 March 2016: UAH 932,350 thousand) of interest income from transactions with government bonds, and UAH 91,333 thousand (31 March 2016: UAH 116,886 thousand) of interest income from transactions with other investment securities.

18. Capital adequacy

The Bank performs efficient capital adequacy management for protection against risks typical for its activity. The Bank capital adequacy ratios are controlled by application of regulations approved by the NBU and the Basel Capital Accord 1988.

The main goal of the Bank capital management is to insure compliance with the external requirements regarding capital adequacy and maintaining of high credit ratings and adequate capital adequacy ratios required for carrying out business activities and maximization of shareholder value.

The Bank manages the capital structure and respectively introduces alterations in it subject to changes in economic conditions and risk profiles related to its activity.

NBU capital adequacy ratio

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 are applied.

(thousands of Ukrainian Hryvnia, unless otherwise stated)

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

	31 March 2017 (unaudited)	*31 December 2016*
Main capital	6,222,546	3,908,734
Additional capital, calculated	4,005,838	4,589,478
Additional capital, included in calculation of total capital (limited to main capital)	4,005,838	3,908,734
Total capital	**10,228,384**	**7,817,468**
Risk weighted assets	**66,939,422**	**79,030,619**
Capital adequacy ratio	**15.28%**	**9.89%**

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 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:

	31 March 2017 (unaudited)	*31 December 2016*
Tier 1 capital	12,665,812	4,634,931
Tier 2 capital, calculated	4,962,591	3,042,801
Tier 2 capital, included in calculation of total capital	4,962,591	3,042,801
Total capital	**17,628,403**	**7,677,732**
Risk weighted assets	**74,050,594**	**79,994,257**
Tier 1 capital adequacy ratio	17.1%	5.8%
Total capital adequacy ratio	23.8%	9.6%

19. Events occurred after the reporting period

In April 2017, 3,214,687 additional shares in the amount of UAH 4,700,001 thousand were registered.