

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

30 June 2009

Together with the Report on Review of Interim Condensed Consolidated Financial Statements

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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

TO THE SHAREHOLDERS AND THE BOARD OF DIRECTORS OF JOINT STOCK COMPANY "THE STATE EXPORT-IMPORT BANK OF UKRAINE" -

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Joint Stock Company "The State Export-Import Bank of Ukraine" and its subsidiaries (the "Bank") as at 30 June 2009, comprising of interim condensed consolidated statement of financial position as at 30 June 2009 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended and selected explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34, "Interim Financial Reporting" ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Statements Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young Audit Services LLC

08 September 2009

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2009

(Thousands of Ukrainian hryvnia)

	Notes	30 June 2009 (unaudited)	31 December 2008
Assets			
Cash and cash equivalents	5	8,497,207	6,308,694
Amounts due from credit institutions	6	1,381,259	963,014
Loans to customers	7	40,869,437	36,608,067
Investment securities:			
- designated at fair value through profit and loss	8	774,731	965,404
- available-for-sale	8	1,435,817	857,268
- held-to-maturity	8	294,207	192,767
Current tax assets		656,574	-
Investment property		130,109	-
Assets held for sale	9	186,547	-
Property and equipment		1,473,652	1,450,409
Intangible assets		8,949	10,159
Deferred income tax assets		25,711	16,323
Other assets		190,615	217,097
Total assets		55,924,815	47,589,202
Liabilities			
Amounts due to the National Bank of Ukraine	10	8,081,441	1,408,000
Amounts due to credit institutions	11	8,630,741	15,475,954
Amounts due to customers		19,081,154	16,599,704
Eurobonds issued	12	7,712,215	7,851,856
Debt securities issued	13	785,856	1,062,149
Current income tax liabilities		-	15,561
Subordinated debt	14	2,881,701	977,738
Provisions		3,567	102,742
Other liabilities		137,148	156,072
Total liabilities		47,313,823	43,649,776
Equity			
Share capital	15	9,066,747	3,775,865
Revaluation reserve		613,529	655,340
Accumulated deficit		(1,069,284)	(491,779)
Total equity		8,610,992	3,939,426
Total liabilities and equity		55,924,815	47,589,202

Signed and authorised for release on behalf of the Board of the Bank

Victor Kapustin



Chairman of the Board

Nataliya Potemskaya



Chief Accountant

08 September 2009

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the six-month period ended 30 June 2009

(Thousands of Ukrainian hryvnia)

	<i>For the six-month period ended 30 June</i>	
	<i>2009</i>	<i>2008</i>
<i>Notes</i>	<i>unaudited</i>	
Interest income		
Loans to customers	3,006,958	1,551,230
Investment securities	133,569	20,184
Amounts due from credit institutions	91,101	87,195
	<u>3,231,628</u>	<u>1,658,609</u>
Securities at fair value through profit and loss	47,651	69,277
	<u>3,279,279</u>	<u>1,727,886</u>
Interest expense		
Amounts due to customers	(649,583)	(471,456)
Amounts due to the National Bank of Ukraine	(370,462)	(3,717)
Eurobonds issued	(286,626)	(188,525)
Amounts due to credit institutions	(191,368)	(257,775)
Subordinated debt	(64,621)	(61,088)
Debt securities issued	(50,580)	(26,675)
	<u>(1,613,240)</u>	<u>(1,009,236)</u>
Net interest income	<u>1,666,039</u>	<u>718,650</u>
Loan impairment charge	6, 7 (1,495,209)	(157,869)
Net interest income after allowance for loan impairment	<u>170,830</u>	<u>560,781</u>
Fee and commission income	249,445	209,375
Fee and commission expense	(26,869)	(21,192)
Fees and commissions, net	<u>222,576</u>	<u>188,183</u>
Net gains/(losses) from investment securities	(2,591)	18,020
Net gains/(losses) from foreign currencies and precious metals:		
- dealing	141,152	118,652
- translation differences	(13,442)	(10,801)
Other income	7,334	41,634
Non interest income	<u>132,453</u>	<u>167,505</u>
Personnel expenses	(294,818)	(312,502)
Change in fair value of investment securities designated at fair value through profit and loss	(115,281)	(1,612)
Other administrative and operating expenses	(110,764)	(79,600)
Depreciation and amortisation	(28,746)	(23,628)
Reversal / (charge) of impairment of other assets and provisions	35,295	(6,747)
Non interest expense	<u>(514,314)</u>	<u>(424,089)</u>
Profit before income tax expense	<u>11,545</u>	<u>492,380</u>
Income tax expense	(3,427)	(131,137)
Profit for the period	<u><u>8,118</u></u>	<u><u>361,243</u></u>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME**

For the six-month period ended 30 June 2009

	<i>For the six-month period ended 30 June</i>	
	<i>2009</i>	<i>2008</i>
Profit for the period	8,118	361,243
Other comprehensive (loss)/income:		
Net (losses)/gains on investment securities available-for-sale, net of tax	15 (36,551)	1,784
Revaluation of property, net of tax	15 -	229,505
Other comprehensive (loss)/income for the period, net of tax	(36,551)	231,289
Total comprehensive (loss)/income for the period	(28,433)	592,532

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six-month period ended 30 June 2009

(Thousands of Ukrainian hryvnia)

	<i>Attributable to the shareholder of the Bank</i>			
	<i>Share capital</i>	<i>Revaluation reserve</i>	<i>Accumulated deficit</i>	<i>Total</i>
1 January 2008	2,199,232	441,239	(150,925)	2,489,546
Other comprehensive income		231,289		231,289
Profit for the six-month period			361,243	361,243
Depreciation of revaluation reserve, net of tax (Note 15)	-	(6,204)	6,204	-
Disposal of property, net of tax (Note 15)	-	(15)	15	-
Increase in share capital	476,635	-	(476,635)	-
30 June 2008 (unaudited)	2,675,867	666,309	(260,098)	3,082,078
1 January 2009	3,775,865	655,340	(491,779)	3,939,426
Other comprehensive income	-	(36,551)		(36,551)
Profit for the six-month period			8,118	8,118
Depreciation of revaluation reserve, net of tax (Note 15)	-	(5,231)	5,231	-
Disposal of property, net of tax (Note 15)	-	(29)	29	-
Increase in share capital (Note 15)	5,290,882	-	(590,883)	4,699,999
30 June 2009 (unaudited)	9,066,747	613,529	(1,069,284)	8,610,992

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six-month period ended 30 June 2009

(Thousands of Ukrainian hryvnia)

	<i>For the six-month period ended</i>	
	30 June	
	2009	2008
	(unaudited)	
Cash flows from operating activities		
Interest, fees and commissions received	2,752,311	1,803,148
Interest, fees and commissions paid	(1,878,447)	(908,372)
Gains less losses from dealing in foreign currencies and securities	141,151	118,654
Other operating income received	1,306	41,354
Salaries and benefits	(289,601)	(253,889)
Other operating and administrative expenses paid	(114,708)	(75,935)
Cash flow from operating activities before changes in operating assets and liabilities	612,012	724,960
<i>Net (increase)/ decrease in operating assets:</i>		
Amount due from credit institutions	(253,976)	(41,386)
Loans to customers	(5,201,190)	(2,036,246)
Other assets	(44,624)	(81,894)
<i>Net increase/ (decrease) in operating liabilities:</i>		
Amounts due to credit institutions	(237,978)	(98,160)
Amounts due to the National Bank of Ukraine	6,673,441	-
Amounts due to customers	2,393,343	2,644,762
Other liabilities	(20,318)	22,717
Net cash flows from operating activities before income tax	3,920,710	1,134,753
Income tax paid	(672,134)	(107,549)
Net cash flows from operating activities	3,248,576	1,027,204
Cash flows from investing activities		
Proceeds from sale and redemption of investments in securities	11,851,366	1,564,147
Purchase of investments in securities	(7,841,166)	(1,327,227)
Disposal of subsidiary, net of cash disposed	22,390	-
Purchases of property, equipment and intangible assets	(51,115)	(82,106)
Proceeds from sale of property and equipment	349	756
Net cash from investing activities	3,981,824	155,570
Cash flows from financing activities		
Redemption of bonds issued	(275,000)	(23,680)
Redemption of eurobonds issued	(70,184)	-
Proceeds from subordinated debt issued	1,904,750	
Proceeds from borrowings from credit institutions	3,182,290	5,460,236
Repayment of borrowings from credit institutions	(9,915,850)	(4,644,360)
Net cash (used in) / from financing activities	(5,173,994)	792,196
Effect of exchange rate changes on cash and cash equivalents	132,107	(91,065)
Net change in cash and cash equivalents	2,188,513	1,883,905
Cash and cash equivalents at the beginning of the period (Note 5)	6,308,694	3,460,104
Cash and cash equivalents at the end of the period (Note 5)	8,497,207	5,344,009

The accompanying selected explanatory notes are an integral part of these interim condensed consolidated financial statements

1. Principal activities

The State Export-Import Bank of Ukraine (“EximBank”) was founded in 1992. It was registered at the National Bank of Ukraine (the “NBU”) on 23 January 1992 and on 18 September 2000 was re-registered as joint stock company. Currently, EximBank operates under general banking licence #2 renewed by the NBU on 25 December 2001, which provides EximBank with the right to conduct banking operations, including currency operations.

As at 30 June 2009 and 31 December 2008, 100% of EximBank’s shares were owned by the Cabinet Ministers of Ukraine on behalf of the State of Ukraine.

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

In addition to the main banking activities, one of the activities of EximBank is to facilitate, on behalf of the Ukrainian Government, the administration of loan agreements entered into between the Ukrainian Government and other foreign governments. EximBank acts as an agent on behalf of the Ukrainian Government with respect to loans from foreign financial institutions based on the aforementioned agreements. The loan proceeds are advanced to various enterprises within Ukraine on the basis of separate loan agreements between EximBank and Ukrainian enterprises.

A letter from the Cabinet of Ministers dated 4 August 1995, which was subsequently formalised in an Agency Agreement dated 19 September 1996, confirms that the responsibility of EximBank is to act as an agent of the Ukrainian Government for the above described activities and thereby the loan obligations and related risks belong to the Government.

These interim condensed consolidated financial statements comprise EximBank, 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 leasing business. The Bank is the main customer of and provider of finance to this company.

“Eximleasing” Ltd, a 100% owned subsidiary was founded in 2006 operates in Ukraine in the leasing business.

2. 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, but are not limited to, low levels of liquidity in the capital markets, high inflation and the existence of currency controls which cause the national currency to be illiquid outside of Ukraine. The stability of the Ukrainian economy will be significantly impacted by the Government’s policies and actions with regard to administrative, legal, and economic reforms. As a result, operations in Ukraine involve risks that are not typical for developed markets.

The Ukrainian economy is vulnerable to market downturns and economic slowdowns elsewhere in the world. The ongoing global financial crisis has resulted in considerable instability in the capital markets, significant deterioration in the liquidity of banks, much tighter credit conditions where credit is available, and significant devaluation of the national currency against major currencies. Furthermore, in 2009 international agencies continue to downgrade the country’s credit ratings. Whilst the Ukrainian Government is introducing various stabilisation measures aimed at providing liquidity for Ukrainian banks, there continues to be uncertainty regarding access to capital and its cost for the Bank and its counterparties. These factors could affect the Bank’s financial position, results of operations and business prospects.

In addition, the borrowers of the Bank may have been affected by a deterioration in their own liquidity, which could in turn impact their ability to repay the amounts due to the Bank. Due to the decrease in values in the Ukrainian real estate market may affect recoverability of the Bank’s loans secured by pledges of property. To the extent that information is available, the Bank has reflected revised estimates of expected future cash flows in its impairment assessment.

Whilst management believes it is taking appropriate measures to support the sustainability of the Bank’s business in the current circumstances, unexpected further deterioration in the areas described above could negatively affect the Bank’s results and financial position in a manner not currently determinable.

3. Basis of preparation and accounting policies

Basis of preparation

These interim condensed consolidated financial statements for the six-month period ended 30 June 2009 have been prepared in accordance with IAS 34 “Interim Financial Reporting”.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with Bank’s annual consolidated financial statements for the year ended 31 December 2008.

These interim condensed consolidated financial statements are presented in thousands of Ukrainian hryvnia (“UAH”) unless otherwise indicated.

Changes in accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Bank’s annual financial statements for the year ended 31 December 2008, except for the adoption of new standards and interpretations noted below.

In 2009 the Bank acquired real estate which were classified either as investment property or assets held for sale.

Investment property

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

Investment property is initially recognized at cost, including transaction costs, and subsequently remeasured at fair value based on its market value. Market value of the Bank’s investment property is obtained from reports of independent appraisers, who hold a recognized and relevant professional qualification and who have recent experience in valuation of property of similar location and category.

Assets held for sale

The Bank classifies a non-current asset as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the non-current asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and its sale must be highly probable.

The sale qualifies as highly probable if the Bank’s management is committed to a plan to sell the non-current asset and an active program to locate a buyer and complete the plan must have been initiated. Further, the non-current asset must have been actively marketed for a sale at price that is reasonable in relation to its current fair value and in addition the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification of the non-current asset as held for sale.

IFRS 8 “Operating Segments”

This standard requires disclosure of information about the Bank’s operating segments and replaces the requirement to determine primary (business) and secondary (geographical) reporting segments of the Bank. Adoption of this Standard did not have any effect on the financial position or performance of the Bank. The Bank determined that the operating segments were the same as the business segments previously identified under IAS 14 “Segment Reporting”. Additional disclosures about each of these segments are shown in Note 4, including comparative information.

IAS 1 (Revised) “Presentation of Financial Statements”

The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Bank has elected to present two statements.

The accompanying selected explanatory notes are an integral part of these interim condensed consolidated financial statements

Improvements to IFRS

In May 2008 International Accounting Standards Board issued its first omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. Amendments included in May 2008 “Improvements to IFRS” did not have any impact on the accounting policies, financial position or performance of the Bank, except for the amendment to IAS 20 “Accounting for Government Grants and Disclosure of Government Assistance”, as described below.

IAS 20 has been amended to require that loans received from the government that have a below-market rate of interest be recognized and measured in accordance with IAS 39 “Financial Instruments: Recognition and Measurement”. The benefit of the government loan is measured at the inception of the loan as the difference between the cash received and the amount at which the loan is initially recognised in the statement of financial position. This benefit is accounted for in accordance with IAS 20. The amendment is applied prospectively to government loans received on or after 1 January 2009.

The following new or revised standards and interpretations effective from 2009 did not have any impact on the accounting policies, financial position or performance of the Bank:

Amendment to IFRS 2 “Share-based Payment – Vesting Conditions and Cancellations”

Amendment to IAS 32 “Financial Instruments: Presentation” and IAS 1 “Puttable Financial Instruments and Obligations Arising on Liquidation”

Amendments to IFRIC 9 “Reassessment of Embedded Derivatives” and to IAS 39 “Financial Instruments: Recognition and Measurement”

IFRIC 13 “Customer Loyalty Programmes”

IFRIC 15 “Agreements for the Construction of Real Estate”

IFRIC 16 “Hedges of a Net Investment in a Foreign Operation”.

4. Segment information

The primary segment reporting format is determined to be business segments as the Bank’s risks and rates of return are affected predominantly by differences in the products and services produced. Secondary information is not reported geographically due to the fact that the Bank operates solely on the territory of the Ukraine, which determines primary location of the Bank’s assets and location of its clients. The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The business segmentation in the Bank is based on its financial structure. The financial structure of the Bank is organised into the following business segments:

Retail banking	Includes products offered on standard terms and conditions (as per the tariffs approved in the standard procedures) that do not require individual approach and are mainly offered to retail customers;
Corporate banking	Includes complex products that require individual approach and are mainly offered to corporate customers;
Financial institutions	Includes products for securities transactions or for rendering services to financial and investments market participants (interbank operations, stock market, etc.);
Other/Unallocated	Other not directly allocated operation.

For the purpose of segment reporting, interest is allocated based on a pool rate determined by Assets and Liabilities Committee based on the Bank’s cost of borrowing.

Business segments

The following table presents income and profit, certain assets and liabilities information regarding the Bank’s business segments for the six-month period ended 30 June 2009:

	<i>Retail banking</i>	<i>Corporate banking</i>	<i>Financial institutions and investments</i>	<i>Other/ Unallocated</i>	<i>Total</i>
Interests income	163,765	2,862,502	253,012	-	3,279,279
Interests expenses	(460,425)	(335,358)	(817,457)	-	(1,613,240)
Loan impairment charge	(107,384)	(1,378,213)	(9,612)	-	(1,495,209)
Income from other segments	564,327	521,853	1,094,501	2,740,265	4,920,946
Expenses of other segments	(138,929)	(2,279,772)	(321,564)	(2,180,681)	(4,920,946)
Net interest income after loan impairment charge	21,354	(608,988)	198,880	559,584	170,830
Net fee and commission income	165,842	47,758	8,979	(3)	222,576
Other non-interest income	24,581	3,313	142,991	(38,432)	132,453
Non-interest expense	(237,406)	(24,223)	(161,999)	(90,686)	(514,314)
Segment results	(25,629)	(582,140)	188,851	430,463	11,545
Income tax expense					(3,427)
Profit for the period					8,118
Assets and liabilities					
Segment assets	3,761,247	39,953,016	11,315,296	-	55,029,559
Unallocated assets				895,256	895,256
Total assets					55,924,815
Segment liabilities	10,253,085	15,038,350	21,983,660	-	47,275,095
Unallocated liabilities				38,728	38,728
Total liabilities					47,313,823
Other segment information					
Capital expenditure	(37,410)	(6,698)	(1,252)	(6,122)	(51,482)
Depreciation and amortisation	(21,345)	(3,523)	(659)	(3,219)	(28,746)
Other impairment and provisions	-	51,960	(23,645)	6,980	35,295

The following table presents income and profit for the six-month period ended 30 June 2008 and certain assets and liabilities information regarding the Bank’s business segments as at 31 December 2008:

	<i>Retail banking</i>	<i>Corporate banking</i>	<i>Financial institutions and investments</i>	<i>Other/ Unallocated</i>	<i>Total</i>
Interests income	84,075	1,470,693	173,118	-	1,727,886
Interests expenses	(334,203)	(217,793)	(457,240)	-	(1,009,236)
Loan impairment charge	(8,672)	(149,197)	-	-	(157,869)
Income from other segments	433,683	299,303	600,404	1,341,736	2,675,126
Expenses of other segments	(63,585)	(1,133,221)	(144,928)	(1,333,392)	(2,675,126)
Net interest income after loan impairment charge	111,298	269,785	171,354	8,344	560,781
Net fee and commission income	131,778	48,512	7,898	(5)	188,183
Other non-interest income	20,942	38,042	133,350	(24,829)	167,505
Non-interest expense	(217,273)	(82,403)	(25,866)	(98,547)	(424,089)
Segment results	46,745	273,936	286,736	(115,037)	492,380
Income tax expense					(131,137)
Profit for the period					361,243
Assets and liabilities					
Segment assets	4,130,282	35,342,888	7,888,867	-	47,362,037
Unallocated assets				227,165	227,165
Total assets					47,589,202
Segment liabilities	10,475,963	12,094,630	21,039,541	-	43,610,134
Unallocated liabilities				39,642	39,642
Total liabilities					43,649,776
Other segment information					
Capital expenditure	(61,892)	(9,763)	(1,748)	(8,276)	(81,679)
Depreciation and amortization	(17,444)	(3,053)	(546)	(2,585)	(23,628)
Other impairment and provisions	-	(7,943)	1,196	-	(6,747)

5. Cash and cash equivalents

Cash and cash equivalents comprised the following:

	30 June 2009 (unaudited)	31 December 2008
Cash on hand	506,462	538,834
Current account with the National Bank of Ukraine	1,176,192	2,255,045
Current accounts with other credit institutions	4,735,805	2,064,340
Overnights deposits with other credit institutions	2,058,736	783,339
Time deposits with credit institutions up to 90 days	20,012	667,136
Cash and cash equivalents	8,497,207	6,308,694

6. Amounts due from credit institutions

Amounts due from credit institutions consisted of the following:

	30 June 2009 (unaudited)	31 December 2008
Loans and deposits		
Ukrainian banks	1,342,507	431,598
CIS and other foreign banks	5,214	5,262
OECD banks	49,334	503,853
	1,397,055	940,713
Other amounts due from credit institutions	1,665	22,301
	1,398,720	963,014
Less – Allowance for impairment	(17,461)	-
Due from credit institutions	1,381,259	963,014

7. Loans to customers

Loans to customers consisted of the following:

	30 June 2009 (unaudited)	31 December 2008
Loans to customers	43,729,879	37,807,859
Overdrafts	486,064	695,783
Finance lease receivables	195,454	190,064
Promissory notes	120,627	114,267
	44,532,024	38,807,973
Less – Allowance for impairment	(3,662,587)	(2,199,906)
Loans to customers	40,869,437	36,608,067

Loans have been extended to the following types of customers:

	30 June 2009 (unaudited)	31 December 2008
Private entities	37,088,183	33,416,744
State and municipal entities	5,603,011	3,282,019
Individuals	1,840,830	2,109,210
Total loans to customers	44,532,024	38,807,973

As at 30 June 2009, loans to customers with a gross carrying value of UAH 12,305,373 thousand were pledged as collateral under loans received from the NBU (2008: UAH 2,420,122) (Note 11).

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

	<i>Loans to customers</i>	<i>Overdrafts</i>	<i>Finance lease receivables</i>	<i>Promissory notes</i>	<i>Total</i>
At 1 January 2009	2,170,908	11,071	8,227	9,700	2,199,906
Charge for the year	1,488,688	(2,494)	263	(8,709)	1,477,748
Recoveries	5	-	-	-	5
Amounts written off	(1,699)	-	(400)	-	(2,099)
Translation differences	(12,912)	(17)	(44)	-	(12,973)
At 30 June 2009 (unaudited)	3,644,990	8,560	8,046	991	3,662,587

	<i>Loans to customers</i>	<i>Overdrafts</i>	<i>Finance lease receivables</i>	<i>Promissory notes</i>	<i>Total</i>
At 1 January 2008	719,393	6,848	5,598	1,129	732,968
Charge for the year	151,403	4,528	1,298	640	157,869
Recoveries	5,486	-	-	-	5,486
Amounts written off	(104,347)	-	(34)	-	(104,381)
Translation differences	(16,301)	(16)	(84)	-	(16,401)
At 30 June 2008 (unaudited)	755,634	11,360	6,778	1,769	775,541

8. Investment securities

Investment securities designated at fair value through profit or loss as at 30 June 2009 and 31 December 2008 comprise the following:

	<i>30 June 2009 (unaudited)</i>	<i>31 December 2008</i>
Corporate bonds	227,933	397,158
Ukrainian State bonds	546,798	568,246
Investment securities designated at fair value	774,731	965,404

Available-for-sale investment securities comprise:

	<i>30 June 2009 (unaudited)</i>	<i>31 December 2008</i>
Corporate shares	2,012	2,303
Corporate bonds	411,552	278,617
Ukrainian State bonds	1,022,253	576,348
Available-for-sale investment securities	1,435,817	857,268

Held-to-maturity investment securities comprise the following:

	<i>30 June 2009 (unaudited)</i>		<i>31 December 2008</i>	
	<i>Nominal value</i>	<i>Carrying value</i>	<i>Nominal value</i>	<i>Carrying value</i>
Corporate bonds	290,000	294,207	190,000	192,767
Held-to-maturity investments		294,207		192,767

9. Assets held for sale

During 2009 the Bank received real estate objects as a part of consideration of loan repayment. The Bank decided to dispose the assets and classified them as non-current assets held for sale. As at 30 June 2009 the assets were measured at lower of their carrying amount and fair value less costs to sell.

Assets held for sale comprised the following:

	30 June 2009 (unaudited)	31 December 2008
Land	149,841	-
Buildings and property	36,486	-
Other	220	-
Non-current assets held for sale	186,547	-

10. Amounts due to the National Bank of Ukraine

In February and March 2009, EximBank obtained two loans from the NBU. The first one (carrying value as of 30/06/2009 is UAH 2,100,000 thousand) matures in 362 days and bears interest at 14% per annum. The second (UAH 4,723,018 thousand) matures in 358 days and bears interest at 16.5% per annum. These loans are secured by loans issued by Eximbank to its customers (Note 7).

11. Amounts due to credit institutions

Amounts due to credit institutions comprised:

	30 June 2009 (unaudited)	31 December 2008
Current accounts		
Ukrainian banks	310,582	461,946
OECD banks	13,332	407
CIS and other foreign banks	1,024	882
	324,938	463,235
Loans and deposits		
International financial organisations	1,410,537	2,329,123
OECD banks	6,556,804	12,237,963
CIS and other foreign banks	7,638	9,994
Ukrainian banks	324,407	435,639
	8,299,386	15,012,719
Other amounts due to credit institutions	6,417	-
Amounts due to credit institutions	8,630,741	15,475,954

For the purpose of cash flow statement presentation, the Bank segregates funds attracted from credit institutions into operating and financing activities. Funds attracted from Ukrainian banks were included in operating activity and from other banks – in financing activity.

12. Eurobonds issued

	30 June 2009 (unaudited)		31 December 2008	
	Nominal value	Carrying value	Nominal value	Carrying value
September 2004 issue	1,144,545	1,154,469	1,155,000	1,163,198
February 2005 issue	763,030	791,363	770,000	798,483
October 2005 issue	1,865,608	1,888,826	1,925,000	1,947,961
September 2006 issue	2,670,605	2,729,379	2,695,000	2,753,170
November 2006 issue	1,116,313	1,148,178	1,155,000	1,189,044
Eurobonds issued		7,712,215		7,851,856

13. Debt securities issued

In June 2009, the Bank redeemed series D local bonds for the nominal amount of UAH 275,000 thousand before maturity.

14. Subordinated debt

In May 2009, the Bank obtained a loan amounting to USD 250,000 thousand (UAH 1,907,575 thousand) from European Bank for Reconstruction and Development (“EBRD”) (carrying value of UAH 1,911,959 thousand as at 30 June 2009). This loan bears interest at 13.21% per annum. The loan matures in May 2019 with an interest rate change in 2014. Interest payments are made semi-annually in arrears on 28 July and 28 January of each year, commencing on 28 July 2009. This debt is subject to various covenants and restrictions.

15. Equity

As at 30 June 2009, EximBank’s authorised issued share capital comprised 8,353,515 (31 December 2008: 3,062,633) ordinary shares, with a nominal value of UAH 1,320.75 per share. All shares have equal voting rights. As at 30 June 2009, 7,353,515 issued shares were fully paid and registered and 1,000,000 were fully paid, and registered 6 August 2009 (31 December 2008: 3,062,633 shares were fully paid and registered).

In January 2009, according to the Resolution of the Cabinet of Ministers of Ukraine dated 17 December 2008, the Bank’s share capital was increased by UAH 3,699,999 thousand. The increase was financed by Ukrainian State bonds. In February – March 2009, these Ukrainian State bonds were sold to the National Bank of Ukraine at nominal value.

In May 2009, the Eximbank’s Supervisory Board approved a decision to increase the share capital through capitalisation of profit for 2008 in the amount of UAH 590,883 thousand. This decision was approved by the Cabinet of Ministers of Ukraine on 15 April 2008. As at 30 June 2009, share capital increase was approved and registered by all Ukrainian authorities.

In June 2009, according to the Resolution of the Cabinet of Ministers of Ukraine dated May 2009, Eximbank’s share capital was increased by UAH 1,000,000 thousand. The increase was financed by Ukrainian State bonds. As at 30 June 2009, share capital increase was approved but not registered by all required Ukrainian authorities.

Movements in revaluation reserve

Movements in reserve were as follows:

	<i>Property revaluation reserve</i>	<i>Unrealised gains/(losses) on investment securities available- for-sale</i>	<i>Total</i>
1 January 2008	441,239	-	441,239
Revaluation of buildings	306,007		306,007
Tax effect of revaluation of buildings	(76,502)		(76,502)
Depreciation of revaluation reserve, net of tax	(6,204)		(6,204)
Disposal of property, net of tax	(15)		(15)
Net unrealised gain on available-for-sale investments		2,379	2,379
Tax effect of net gains on investment securities available-for-sale		(595)	(595)
30 June 2008 (unaudited)	664,525	1,784	666,309
1 January 2009	657,236	(1,896)	655,340
Depreciation of revaluation reserve, net of tax	(5,231)		(5,231)
Disposal of property, net of tax	(29)		(29)
Net unrealised losses on available-for-sale investments		(48,735)	(48,735)
Tax effect of net gains on investment securities available-for-sale		12,184	12,184

The accompanying selected explanatory notes are an integral part of these interim condensed consolidated financial statements

30 June 2009 (unaudited)	<u>651,976</u>	<u>(38,447)</u>	<u>613,529</u>
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16. Financial commitments and contingencies

Financial commitments and contingencies as at 30 June 2009 and 31 December 2008 comprise:

	<u>30 June 2009</u> <u>(unaudited)</u>	<u>31 December 2008</u>
Letters of credit	517,908	1,016,741
Guarantees	1,259,220	2,117,327
Avals on promissory notes	152,978	76,678
Undrawn loan commitments	237,351	546,381
	<u>2,167,457</u>	<u>3,757,127</u>
Less – Provisions	(3,567)	(102,741)
Financial commitments and contingencies (before deducting collateral)	2,163,890	3,654,386
Less – cash held as security against letters of credit, avals and guarantees, and undrawn loan commitments	(442,351)	(328,821)
Financial commitments and contingencies	<u>1,721,539</u>	<u>3,325,565</u>

17. Related party transactions

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 financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. All state-owned and controlled entities are considered as related parties of the Bank.

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

The outstanding balances and turnover of related party transactions as at 30 June 2009 and 31 December 2008, and related expense and income for the six month periods ended 30 June 2008 and 2007 are as follows:

	<u>2009</u>		<u>2008</u>	
	<i>State controlled entities</i>	<i>Key management personnel</i>	<i>State controlled entities</i>	<i>Key management personnel</i>
Current account with the NBU	1,176,192	-	2,255,045	-
Amounts due from credit institutions	6	-	5	-
State bonds designated at fair value through profit and loss at 1 January	568,246	-	755,808	-
Purchase of securities	-	-	-	-
Sale of securities	(21,674)	-	(6,806)	-
Other movements	226	-	165	-
State bonds designated at fair value through profit and loss at 30 June	<u>546,798</u>	-	<u>749,167</u>	-
Held-to-maturity State bonds at 1 January	-	-	14,689	-
Purchase of State bonds	-	-	-	-
Redemption of State bonds	-	-	(12,616)	-

The accompanying selected explanatory notes are an integral part of these interim condensed consolidated financial statements

	2009		2008	
	State controlled entities	Key management personnel	State controlled entities	Key management personnel
Other movements	-	-	(28)	-
Held-to-maturity State bonds at 30 June	-	-	2,045	-
Held-to-maturity the NBU deposit certificates at 1 January	-	-	300,074	-
Purchase of the NBU deposit certificates	-	-	850,000	-
Redemption of deposit certificates	-	-	(1,150,000)	-
Other movements	-	-	(74)	-
Held-to-maturity the NBU deposit certificates at 30 June	-	-	-	-
Held-to-maturity other corporate bonds at 1 January	192,767	-	193,263	-
Purchase of other corporate bonds	100,000	-	-	-
Redemption of other corporate bonds	-	-	-	-
Other movements	1,440	-	(289)	-
Held-to-maturity other corporate bonds at 30 June	294,207	-	192,974	-
State bonds classifies as available-for-sale at 1 January	576,348	-	-	-
Purchase of other corporate bonds	7,071,777	-	-	-
Redemption of other corporate bonds	(6,641,681)	-	-	-
Other movements	15,809	-	-	-
State bonds classifies as available-for-sale at 30 June	1,022,253	-	-	-
Corporate bonds classifies as available-for-sale at 1 January	40,587	-	-	-
Purchase of securities	77,215	-	20,000	-
Other movements	1,079	-	284	-
Corporate bonds classifies as available-for-sale at 30 June	118,881	-	20,284	-
Loans outstanding at 1 January, gross (less overdrafts)	3,246,627	-	1,753,479	129
Loans issued during the six-month period	3,152,619	-	4,161,240	-
Loan repayments during the six-month period	(971,790)	-	(3,794,832)	(128)
Other movements	46,472	-	(26,137)	(1)
Overdrafts at 30 June	129,084	317	109,549	326
Loans outstanding at 30 June, gross	5,603,011	317	2,203,299	326
Less: allowance for impairment at 30 June	(224,217)	-	(177,406)	-
Loans outstanding at 30 June, net	5,378,794	317	2,025,893	326
Overdrafts	129,084	317	35,393	317
Other assets at 30 June	6,779	-	2,366	-
Loans due to the NBU at 1 January	1,408,000	-	-	-
Loans received during the six-month period	8,956,000	-	-	-
Loans repaid during the six-month period	(2,282,559)	-	-	-
Other movements	-	-	-	-
Loans due to the NBU at 30 June	8,081,441	-	-	-
Amounts due to credit institutions	2,673	-	1,225	-

The accompanying selected explanatory notes are an integral part of these interim condensed consolidated financial statements

	2009		2008	
	<i>State controlled entities</i>	<i>Key management personnel</i>	<i>State controlled entities</i>	<i>Key management personnel</i>
Current accounts at 30 June	4,837,537	32	2,101,164	1,705
Time deposits as at 1 January	232,791	52,682	130,288	38,489
Time deposits received during the six-month period	3,592,482	29,437	641,388	15,032
Time deposits repaid during the six-month period	(2,935,922)	(26,583)	(428,130)	(10,430)
Other movements	105	111	(535)	52
Time deposits as at 30 June	889,456	55,647	343,011	43,143
Amounts due to customers	5,726,993	55,679	2,333,955	54,387
Debt securities issued	102,774	-	102,803	-
Other liabilities	5,002	-	3,639	-
Provisions	7,100	-	22,220	-
Commitments and guarantees issued	758,259	-	954,074	-
Interest income on loans	345,229	-	119,481	-
Interest income on securities	146,531	-	43,054	-
Interest income on amounts due from the NBU	-	-	-	-
Interest income on amounts due from credit institutions	531	-	76	-
Interest income	492,291	-	162,611	-
Interest expenses on amounts due to credit institutions	-	-	(916)	-
Interest expense on clients' deposits	(62,293)	(991)	(16,874)	(445)
Interest expenses on debt securities issued	(3,637)	-	(5,250)	-
Interest expenses on amounts due to the NBU	(370,463)	-	(3,717)	-
Interest expenses	(436,393)	(991)	(26,757)	(445)
Commission income	28,074	24	18,925	-
Commission expenses	-	-	(39)	-
Translation differences	154,866	(263)	(73,537)	(205)
Other operating income	1	-	34	-
Other operating and administrative expenses	(425)	-	(109)	-

The aggregate remuneration and other benefits paid to eleven members of the Management Board for the six-month period ended 30 June 2009 is UAH 19,819 thousand (UAH 418 thousand payment to non-state pension fund) (six-month period ended 30 June 2008: UAH 17,335 thousand (UAH 714 thousand payment to non-state pension fund)).

All transactions with related parties have been effected on the same terms and conditions as transactions between unrelated parties.

18. Disposal of subsidiary

In February 2009, the Bank sold the investment certificates of the investment fund “Agat” to a third party for UAH 97,390 thousand. As a result of the deal the Bank lose control over the entity. The Bank has recorded a gain from disposal of “Agat” in the amount of UAH 22,390 thousand within “Net gains/(losses) from investment securities” caption.

19. Capital adequacy

NBU capital adequacy ratio

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

As at 30 June 2009 and 31 December 2008, the Bank’s capital adequacy ratio on this basis was as follows:

	30 June 2009 (unaudited)	31 December 2008
Main capital	7,297,912	3,162,978
Additional capital	3,597,712	1,781,134
Less: deductions from capital	-	-
Total capital	10,895,624	4,944,112
Risk weighted assets	47,504,246	45,922,299
Capital adequacy ratio	22.94%	10.77%

Regulatory capital of Tier 1 comprises Tier 1 capital (Main capital) consisting of paid-in registered share capital, reserves less expected losses, and Tier 2 capital (Additional capital), consisting of credit risk provisions, asset revaluation provision, current profit, subordinated capital and retained earnings. Tier 2 capital is limited to 100% of Tier 1 capital. Subordinated capital is limited to 50% of Tier 1 capital.

Capital adequacy ratio under Basel Capital Accord 1988

The Eximbank’s capital adequacy ratio, computed in accordance with the Basel Capital Accord 1988, with subsequent amendments including the amendment to incorporate market risks, as at 30 June 2009 and 31 December 2008, comprised:

	30 June 2009 (unaudited)	31 December 2008
Tier 1 capital	7,997,463	3,284,086
Tier 2 capital	3,495,231	1,286,590
Total capital	11,492,694	4,570,676
Risk weighted assets	47,582,387	41,641,190
Tier 1 capital ratio	16.81%	7.89%
Total capital ratio	24.15%	10.98%

20. Events after reporting period

As at 6 August 2009 the increase of share capital by UAH 1,000,000 thousand was registered by all Ukrainian authorities.

On 17 July and 12 August 2009, the Cabinet of Ministers of Ukraine issued Resolutions to increase EximBank’s share capital by UAH 1,000,000 thousand and UAH 649,999 thousand, respectively.

In July 2009 the EximBank obtained an unsecured loan from the EBRD for the amount of USD 134,500 thousand. The first part of the loan (“A”) of USD 50,000 thousand matures in 2 years and the second (“B”) of USD 84,500 thousand in 364 days after the date of issue. The parts bear interest at Libor+8.5% and Libor+7.5% per annum, respectively.