

Joint Stock Company
“The State Export-Import Bank of Ukraine”
Interim Condensed Consolidated
Financial Statements
As at 30 June 2016
Together with the Review Report

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REVIEW REPORT

To the Shareholders and Board of Directors of Joint Stock Company "The State Export-Import Bank of Ukraine":

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Joint Stock Company "The State Export-Import Bank of Ukraine" and its subsidiaries (the "Bank") as at 30 June 2016 and the related interim condensed consolidated statements of profit and loss, comprehensive income, changes in equity and cash flows for the six-month period then ended. Management is responsible for the preparation and presentation of this interim condensed consolidated financial statements in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information 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 International Accounting Standard 34 "Interim Financial Reporting".

Emphasis of matter

We draw your attention to Note 2 to the accompanying interim condensed consolidated financial statements. The operations of the Bank, and those of other entities in Ukraine, have been affected and may continue to be affected for the foreseeable future by the continuing political and economic uncertainties in Ukraine. Our conclusion is not qualified in respect of this matter.

LLC AF PricewaterhouseCoopers (Audit)

31 August 2016
Kyiv, Ukraine

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

(thousands of Ukrainian hryvnia)

	Notes	30 June 2016 (unaudited)	31 December 2015
Assets			
Cash and cash equivalents	4	25,735,487	24,241,179
Due from credit institutions	5	1,623,368	4,083,743
Loans to customers	6	55,772,494	55,099,903
Investment securities:	7		
- designated at fair value through profit or loss		19,923,523	9,924,610
- available-for-sale		42,639,891	41,191,570
- held-to-maturity		212,759	230,912
Current income tax assets	8	117,527	293,122
Investment property		1,551,460	1,566,942
Property and equipment		2,143,994	2,170,944
Intangible assets		16,332	17,584
Deferred income tax asset	8	2,094,029	1,730,750
Other assets	10	925,948	797,253
Total assets		152,756,812	141,348,512
Liabilities			
Amounts due to the National Bank of Ukraine	11	1,018,651	2,979,775
Amounts due to credit institutions	12	20,736,651	19,298,870
Amounts due to customers	13	81,800,241	79,317,943
Eurobonds issued	14	34,308,871	33,122,294
Subordinated debt		9,724,619	9,375,369
Provisions for other losses	9	8,117	22,213
Other liabilities		311,031	292,387
Total liabilities		147,908,181	144,408,851
Equity			
Share capital	15	31,008,041	21,689,042
Revaluation reserves	15	585,872	664,823
Accumulated deficit		(26,908,208)	(25,577,130)
Reserve and other funds		162,926	162,926
Total equity		4,848,631	(3,060,339)
Total equity and liabilities		152,756,812	141,348,512

Authorised for release and signed

31 August 2016

Chairman of the Board

Head of Accounting and Reporting Department –
Chief Accountant




O.V. Hrytsenko

N.A. Potemka

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS

For six months ended 30 June 2016
(thousands of Ukrainian hryvnia)

	Notes	For six months ended 30 June 2016	2015
		(unaudited)	
Interest income			
Loans to customers		4,257,350	3,538,079
Investment securities other than designated at fair value through profit or loss		2,053,217	2,496,795
Due from credit institutions		207,586	318,233
Amounts due from the National Bank of Ukraine		326,104	12,945
		6,844,257	6,366,052
Investment securities designated at fair value through profit or loss		376,859	149,654
		7,221,116	6,515,706
Interest expense			
Amounts due to customers		(2,794,080)	(2,614,353)
Eurobonds issued		(1,687,261)	(1,282,180)
Amounts due to the National Bank of Ukraine		(196,572)	(621,567)
Amounts due to credit institutions		(357,239)	(606,988)
Subordinated debt		(543,359)	(417,814)
		(5,578,511)	(5,542,902)
Net interest income		1,642,605	972,804
Allowance for loan impairment charge	5,6	(2,433,078)	(5,088,366)
Net interest expense after allowance for loan impairment		(790,473)	(4,115,562)
Commission income		536,391	530,519
Commission expense		(190,132)	(196,097)
Commission income, net		346,259	334,422
Net gains from investment securities designated at fair value through profit and loss		508,137	3,492,243
Net gains/(losses) from available-for-sale investment securities:			
- dealing		-	31,204
- losses on impairment		-	(472,931)
Net gains/(losses) from foreign currencies:			
- dealing		234,634	554,174
- translation differences		(940,248)	(4,423,435)
Net gains/(losses) from precious metals:			
- dealing		323	8,920
- revaluation		(4,247)	(12,917)
Other income		54,641	42,800
Gains from initial recognition of financial instruments		16,322	-
Non-interest income		(130,438)	(779,942)
Personnel costs	17	(368,977)	(419,440)
Depreciation and amortisation		(51,961)	(53,230)
Charge to other impairment and provisions	9	(31,185)	(202,432)
Other operating expenses	17	(313,502)	(255,196)
Non-interest expense		(765,625)	(930,298)
Loss before tax		(1,340,277)	(5,491,380)
Loss for the period		(1,340,277)	(5,491,380)

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Head of Accounting and Reporting Department –
Chief Accountant

O.V. Hrytsenko

N.A. Potemskina

**INTERIM CONDENSED CONSOLIDATED
 STATEMENT OF COMPREHENSIVE INCOME**

For six months ended 30 June 2016

(thousands of Ukrainian hryvnia)

	<i>For six months ended 30 June</i>	
	<i>2016</i>	<i>2015</i>
	<i>(unaudited)</i>	
Loss for the period	(1,340,277)	(5,491,380)
Other comprehensive loss:		
Other comprehensive (loss)/income to be reclassified through the consolidated statement of profit and loss:		
Net (losses)/gains on investment securities available-for-sale	(69,752)	1,896,454
Other comprehensive (loss)/income for the period, net of tax	<u>(69,752)</u>	<u>1,896,454</u>
Total comprehensive loss for the period	<u><u>(1,410,029)</u></u>	<u><u>(3,594,926)</u></u>

Authorised for release and signed

31 August 2016

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Head of Accounting and Reporting Department –
 Chief Accountant




O.V. Hrytsenko

N.A. Potemskya

**INTERIM CONDENSED CONSOLIDATED
STATEMENT OF CHANGES IN EQUITY**

For six months ended 30 June 2016
(thousands of Ukrainian hryvnia)

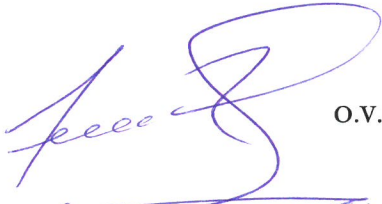
	<i>Share capital</i>	<i>Unregiste- red contribu- tions to share capital</i>	<i>Revaluaion reserve</i>	<i>Accumula- ted deficit</i>	<i>Reserve and other funds</i>	<i>Total capital</i>
At 1 January 2015	16,689,042	5,000,000	1,255,595	(11,531,985)	162,926	11,575,578
Loss of the period	-	-	-	(5,491,380)	-	(5,491,380)
Other comprehensive income for the period	-	-	1,896,454	-	-	1,896,454
Total comprehensive (loss)/income for the period	-	-	1,896,454	(5,491,380)	-	(3,594,926)
Depreciation of revaluation reserve, net of tax	-	-	(9,411)	9,411	-	-
Increase in share capital (Note 15)	5,000,000	(5,000,000)	-	-	-	-
As at 30 June 2015 (unaudited)	21,689,042	-	3,142,638	(17,013,954)	162,926	7,980,652
At 1 January 2016	21,689,042	-	664,823	(25,577,130)	162,926	(3,060,339)
Loss of the period	-	-	-	(1,340,277)	-	(1,340,277)
Other comprehensive loss for the period	-	-	(69,752)	-	-	(69,752)
Total comprehensive loss for the period	-	-	(69,752)	(1,340,277)	-	(1,410,029)
Depreciation of revaluation reserve, net of tax	-	-	(9,199)	9,199	-	-
Increase in share capital (Note 15)	9,318,999	-	-	-	-	9,318,999
As at 30 June 2016 (unaudited)	31,008,041	-	585,872	(26,908,208)	162,926	4,848,631


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31 August 2016

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Chief Accountant


O.V. Hrytsenko


N.A. Potemka

**INTERIM CONDENSED CONSOLIDATED
STATEMENT OF CASH FLOWS**

For six months ended 30 June 2016

(direct method)

(thousands of Ukrainian hryvnia)

Notes	For six months ended 30 June	
	2016	2015
	(unaudited)	
Cash flows from operating activities		
Interest received	5,506,836	5,607,696
Interest paid	(5,439,453)	(4,975,333)
Commissions received	424,738	506,497
Commissions paid	(187,269)	(193,982)
Result from dealing in foreign currencies and precious metals	234,957	563,094
Personnel costs	(384,759)	(406,049)
Other operating income	52,501	42,800
Other operating and administrative expenses	(330,310)	(210,869)
Cash flow from operating activities before changes in operating assets and liabilities	(122,759)	933,854
<i>Net (increase)/decrease in operating assets:</i>		
Due from credit institutions	2,660,150	30,301
Loans to customers	(16,433)	1,782,791
Other assets	(155,642)	(373,112)
<i>Net increase / (decrease) in operating liabilities</i>		
Amounts due to credit institutions	898,762	(1,929,620)
Amounts due to the National Bank of Ukraine	(1,961,337)	(1,200,550)
Amounts due to customers	223,838	(3,408,498)
Other liabilities	70,407	113,241
Net cash flows from operating activities received/(paid) before income tax	1,596,986	(4,051,593)
Income tax paid	(192,630)	(44,220)
Net cash flows from operating activities received/(paid)	1,404,356	(4,095,813)
Cash flows from investing activities		
Proceeds from sale and redemption of investment securities	18,976,206	10,815,767
Purchase of investment securities	(19,058,414)	(8,710,791)
Purchases of property, equipment and intangible assets	(23,834)	(7,474)
Proceeds from sale of property and equipment	17,610	-
Net cash flows (used in)/from investing activities	(88,432)	2,097,502
Cash flows from financing activities		
Proceeds from borrowings from credit institutions	1,149,606	388,416
Repayment of borrowings from credit institutions	(1,265,693)	(1,774,662)
Net cash flows used in financing activities	(116,087)	(1,386,246)
Effect of exchange rates changes on cash and cash equivalents	294,471	3,985,081
Net change in cash and cash equivalents	1,494,308	600,524
Cash and cash equivalents, 1 January	24,241,179	16,790,414
Cash and cash equivalents, 30 June	25,735,487	17,390,938

Authorised for release and signed

31 August 2016

Chairman of the Board

Head of Accounting and Reporting Department –
Chief Accountant

Selected notes on pages 6-26 form an integral part of these interim condensed consolidated financial statements

O.V. Hrytsenko

N.A. Potemskaya

1. Principal activities

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

As at 30 June 2016 and 31 December 2015, 100% of UkrEximBank's shares were owned by the Cabinet Ministers of Ukraine on behalf of the State of Ukraine.

UkrEximBank's head office is in Kyiv at 127 Antonovycha Str. It has 24 branches and 64 operating outlets (31 December 2015: 27 branches and 75 operating outlets) and 2 representative offices located in London and New-York. UkrEximBank and its branches form a single legal entity.

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

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

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

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

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

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

2. Basis of preparation and summary of accounting policies

Basis of preparation

These interim condensed consolidated financial statements for six months ended 30 June 2016 have been prepared in accordance with the International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34").

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

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

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

Income taxes

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

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

Going concern

Management prepared these consolidated financial statements on a going concern basis. Going concern assumption is supported by strong liquidity position of the Bank, support provided by the government (refer to Note 15), capitalisation program and three-year business plan, prepared by management.

Ukreximbank incurred loss of UAH 1,340,277 thousand during 6 months ended 30 June 2016 mainly due to significant impairment charge of UAH 2,464,263 thousand and loss from translation differences on operations in foreign currencies of UAH 940,248 thousand, which is partially offset by net profit from investment securities designated at fair value through profit and loss of UAH 508,137 thousand.

Impairment provision increase was caused by the recent economic crisis in Ukraine, especially by loss of certain regions (Crimea, "ATO zone"), impact of hryvnia depreciation on borrowers with loans in foreign currencies. Loss from translation differences in foreign currencies was caused by devaluation of Ukrainian hryvnia during 6 months ended 30 June 2016 (from UAH 24.0007 for USD 1 as at 31 December 2015 to UAH 24.8544 for USD 1 as at 30 June 2016).

Ukrainian government being the owner of the Bank demonstrates readiness to provide support in form of additional contributions to the Bank's capital and actually made it in the amount of UAH 5 bln in the end of 2014 (registered in March 2015) and in the amount of UAH 9.3 bln in January 2016. According to the State Banks Strategy announced in February 2016 by Ukrainian government, Ukreximbank will remain the state-owned system-bank for at least next several years.

In addition, the Bank prepared and agreed with the Government and the NBU capitalisation plan till the end of 2018, which contains increase of share capital already done in January 2016 and further increase till the end of 2018. Accordingly, at the time of issue of these financial statements the Bank complies with the capitalisation plan and the NBU capital requirements.

Regulatory capital adequacy ratio of the Bank was 9.22% as at 30 June 2016. Capital adequacy ratio according to Basel requirements was 9.0% as at 30 June 2016. According to the NBU Regulation #260 dated 15/04/2015 the Bank as well as all top-20 Ukrainian banks should have positive equity till 1 April 2016, capital adequacy (N2) not lower than 5% till 1 September 2016, N2 not lower than 7% till 1 January 2018 and 10% till 1 January 2019.

The Bank has sufficient liquidity to fulfil its obligations within a foreseeable future: UAH 25.7 billion of cash and cash equivalents and UAH 62.6 billion of investment securities except held to maturity (UAH 59.5 bln of which are government securities).

Management of the Bank is confident about the ability of the Bank to operate as a going concern in the long run and about renewed profitability of its operations in future. The losses incurred during the last two years should be considered rather as "one-off" event caused by the political and economical instability in Ukraine.

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, and 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. The further deterioration of conditions of economic cooperation with the Customs Union's countries and the loss of assets in the East

of the country and continued low commodity prices in the global markets have resulted in the reduced export of commodities and services.

The funds received from international financial organizations (IFO) and the net inflow of direct foreign investments (mainly to the banking sector – recapitalization of banks with foreign capital by their parent institutions) had positive influence on the financial account of balance of payments in January-May of current year.

Limited domestic consumer demand against a background of reduction in volatility of the national currency exchange rate (as at 30 June 2016 the official NBU exchange rate of Hryvnia against US Dollar was UAH 24.8544 to 1 US Dollar, compared to UAH 24.0007 to 1 US Dollar as at 31 December 2015) have contributed to significant slowdown of inflation in Ukraine to 4.9% in January-June 2016 (as compared to December 2015). Also in January-June 2016 the industrial production growth in Ukraine was observed for the first time in 3 recent years at the level of 2.0% (compared to January-June 2015).

The positive impact of previously mentioned factors supported general stabilisation of the Ukrainian economy in the 1st half a year of 2016. According to the information of the State statistics service of Ukraine in the 1st quarter of 2016 the gross domestic product (GDP) increased by 0,1% compared to the similar quarter of 2015 (for the first time since 2013). Against a background of economical stabilisation of situation in the country in the 1st half of a year of 2016 the NBU scaled down the discount rate for three times and liberalised the currency exchange regulation.

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.

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

A significant amount of impaired due from banks, high level of existing debt obligations of enterprises and the high risks of active transactions do not contribute to the resumption of lending in the Ukrainian economy by banks. The liquidity of banking system is directed mainly in instruments with low risk such as Ukrainian state bonds and deposit certificates of the NBU.

The threat of growing unemployment, the companies' low liquidity and economic efficiency together with increased number of insolvent legal entities and individuals adversely affect the borrowers' ability to service their loans with the Bank and result in devaluation of loan collateral. After receiving respective information the Bank promptly reviews the future estimated cash flows, takes appropriate measures to support the sustainability of the Bank's business, including the structural optimisation and cost reduction.

Changes in accounting policies

The following new standards and interpretations became effective for the Bank from 1 January 2016, however they do not have any material effect on the Bank:

- IFRS 14 — "Regulatory Deferral Accounts" (issued in January 2014 and effective for annual periods beginning on or after 1 January 2016).
- Accounting for Acquisitions of Interests in Joint Operations - Amendments to IFRS 11 (issued on 6 May 2014 and effective for the annual periods beginning on or after 1 January 2016).
- Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments to IFRS 16 and IFRS 38 (issued on 12 May 2014 and effective for the annual periods beginning on or after 1 January 2016).
- Agriculture: Bearer Plants - Amendments to IFRS 16 and IFRS 41 (issued on 30 June 2014 and effective for the annual periods beginning on 1 January 2016).
- Equity Method in Separate Financial Statements - Amendments to IFRS 27 (issued on 12 August 2014 and effective for annual periods beginning on 1 January 2016).
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IFRS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after 1 January 2016).
- Annual Improvements to IFRSs 2014 (issued on 25 September 2014 and effective for annual periods beginning on or after 1 January 2016).
- Disclosure Initiative Amendments to IFRS 1 (issued in December 2014 and effective for annual periods beginning on or after 1 January 2016).

- Investment Entities: Applying the Consolidation Exception Amendment to IFRS 10, IFRS 12 and IFRS 28 (issued in December 2014 and effective for annual periods beginning on or after 1 January 2016).

Future changes in accounting policies

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

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

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

The standard is expected to have a significant impact on the Bank's loan impairment provisions. The Bank is currently assessing the impact of the new standard on its financial statements.

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

IFRS 16 'Lease' (issued in January 2016 and effective for annual periods beginning on or after 1 January 2019). The standard supersedes the existing IFRS 17 and eliminates the classification of leases as either operating leases or finance leases. The new standard requires that a lease liability representing future lease payments and a right-of-use asset should be recognized for all lease contracts. The new model is based on the logic that in economic terms a lease agreement is identical to purchase of the right-of-use asset paid for in instalments. Lessors recognize interest expenses on the lease liability and amortize the right-of-use asset. An exception is made only for certain short-term lease agreements and lease of low-value assets. However, that exception can only be used by lessors. For lessees the accounting basically remains the same as under

IFRS 17. In addition to that new disclosure requirements have been introduced. The Bank is currently assessing the impact of the new standard on its financial statements.

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

Disclosure Initiative - Amendments to IAS 7 (issued on 29 January 2016 and effective for annual periods beginning on or after 1 January 2017). Amendments to IAS 7 require disclosure of changes in liabilities arising from financial activity. The Bank is currently assessing the impact of the amendment on its financial statements.

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

Significant accounting judgements and estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these condensed interim consolidated financial statements, the significant judgements made by management in applying the Bank's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2015.

3. Segment information

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

Retail banking	Business Unit focussing 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 focussing on corporate customers selling products that require individual approach and are mainly offered to corporate clients.
Interbank and investments business	Business Unit focussing 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 lines, 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 six months ended 30 June 2016 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 2,116,970 thousand (30 June 2015: UAH

1,738,261 thousand). Revenues from transactions with this external customer is reflected in the segment "Interbank and investments business".

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

Geographical information. Most revenues and capital expenditure relates to Ukraine. The Bank has no significant revenue from other countries.

The following table presents income and expenses, profit and loss, asset and liabilities information regarding the Bank's operating segments for six months ended 30 June 2016 (unaudited):

	<i>Retail banking</i>	<i>Corporate banking</i>	<i>Interbank and investments business</i>	<i>Unallocated</i>	<i>Total</i>
External					
Interest income	229,753	4,047,276	2,944,087	-	7,221,116
Commission income	239,090	287,230	10,071	-	536,391
Other income	7,304	27,039	5,402	14,896	54,641
Net gains from transactions with foreign currencies	63,832	76,824	117,865	-	258,521
Net gains from operations with banking metals	255	2	11,000	-	11,257
Gain from changes in the fair value of investment securities designated at fair value through profit and loss	-	-	508,137	-	508,137
Gain from initial recognition of financial instruments	-	-	16,322	-	16,322
Reversal of loan impairment provisions	128,118	-	-	-	128,118
Reversal of provisions for impairment of other assets and for covering other losses	-	-	2,127	-	2,127
Income from other segments	1,695,961	1,853,271	3,113,598	(6,662,830)	-
Total income	2,364,313	6,291,642	6,728,609	(6,647,934)	8,736,630
Interest expenses	(1,320,544)	(1,473,975)	(2,783,992)	-	(5,578,511)
Commission expense	(68,906)	(116,780)	(4,307)	(139)	(190,132)
Loan impairment charge	-	(2,451,577)	(109,619)	-	(2,561,196)
Net loss from operations with foreign currencies	-	-	-	(964,135)	(964,135)
Net loss from operations with banking metals	-	-	-	(15,181)	(15,181)
Personnel expenses	(176,273)	(110,835)	(33,739)	(48,130)	(368,977)
Depreciation and amortisation	(32,249)	(13,556)	(2,424)	(3,732)	(51,961)
Other operating expenses	(212,618)	(56,771)	(13,585)	(30,528)	(313,502)
Charge for impairment of other assets and for covering other losses	(931)	(29,433)	-	(2,948)	(33,312)
Expenses from other segments	(184,807)	(3,115,765)	(2,831,580)	6,132,152	-
Segment results	367,985	(1,077,050)	949,363	(1,580,575)	(1,340,277)
Loss for the period					(1,340,277)
Assets and liabilities as at 30 June 2016					
Segment assets	5,238,443	56,384,048	88,680,899		150,303,390
Unallocated assets				2,453,422	2,453,422
Total assets					152,756,812
Segment liabilities	32,529,235	49,864,549	65,449,499		147,843,283
Unallocated liabilities				64,898	64,898

	<i>Retail banking</i>	<i>Corporate banking</i>	<i>Interbank and investments business</i>	<i>Unallocated</i>	<i>Total</i>
Total liabilities					147,908,181
Other segment information					
Capital expenditure	(12,572)	(4,472)	(800)	(1,232)	(19,076)

The following table presents income and expenses, profit and loss information for six months ended 30 June 2015 (unaudited), and total assets and liabilities information regarding the Bank's operating segments as at 31 December 2015:

	<i>Retail banking</i>	<i>Corporate banking</i>	<i>Interbank and investments business</i>	<i>Unallocated</i>	<i>Total</i>
External					
Interest income	126,218	3,440,353	2,949,135	-	6,515,706
Commission income	221,017	298,354	11,148	-	530,519
Other income	8,541	8,889	20,694	4,676	42,800
Net gains from transactions with foreign currencies	116,717	85,012	427,985	-	629,714
Net gains from operations with banking metals	333	-	7,697	-	8,030
Gain from investment securities available-for-sale	-	-	31,204	-	31,204
Gain from changes in the fair value of investment securities designated at fair value through profit and loss	-	-	3	3,492,240	3,492,243
Income from other segments	1,719,095	1,545,706	3,085,915	(6,350,716)	-
Total income	2,191,921	5,378,314	6,533,781	(2,853,800)	11,250,216
Interest expenses	(1,356,864)	(1,253,019)	(2,933,019)	-	(5,542,902)
Commission expense	(63,742)	(125,858)	(6,497)	-	(196,097)
Loan impairment charge	(29,375)	(4,646,578)	(412,413)	-	(5,088,366)
Loss from operations with foreign currencies	-	-	-	(4,498,975)	(4,498,975)
Loss from operations from banking metals	-	-	-	(12,027)	(12,027)
Personnel expenses	(202,584)	(125,045)	(38,522)	(53,289)	(419,440)
Depreciation and amortisation	(34,732)	(13,150)	(2,165)	(3,183)	(53,230)
Other operating expenses	(181,605)	(6,332)	(26,366)	(40,893)	(255,196)
Loss from investment securities available-for-sale	(140)	(472,790)	(1)	-	(472,931)
Charge for impairment of other assets and for covering other losses	(294)	(201,080)	(66)	(992)	(202,432)
Expenses from other segments	(159,409)	(3,904,842)	(2,883,118)	6,947,369	-
Segment results	163,176	(5,370,380)	231,614	(515,790)	(5,491,380)
Loss for the period					(5,491,380)
Assets and liabilities as at 31 December 2015					
Segment assets	4,746,994	56,142,419	78,222,914		139,112,327
Unallocated assets				2,236,185	2,236,185
Total assets					141,348,512
Segment liabilities	32,198,018	47,560,991	64,580,236		144,339,245
Unallocated liabilities				69,606	69,606
Total liabilities					144,408,851
Other segment information					
Capital expenditure	(6,429)	(1,684)	(301)	(443)	(8,857)

4. Cash and cash equivalents

Cash and cash equivalents comprise:

	<i>30 June 2016</i> <i>(unaudited)</i>	<i>31 December 2015</i>
Current accounts with other credit institutions	13,125,969	9,593,295
Current account with the National Bank of Ukraine (other than restricted mandatory reserves)	7,813,990	2,184,195
Overnight deposits with other credit institutions	2,784,390	4,265,831
Cash on hand	1,124,637	1,109,948
Deposits certificates of the National Bank of Ukraine up to 90 days	602,852	6,255,946
Time deposits with credit institutions up to 90 days	283,649	831,964
Cash and cash equivalents	25,735,487	24,241,179

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

Since August 2008, Ukrainian banks were required to deposit 20% of funds raised from non-residents in foreign currency for a period of less than 183 days on a separate account with the NBU, in the form of non-interest bearing cash deposit. Starting from August 2014 the reserve requirement for funds raised from non-residents in foreign currency is set by the NBU at 0%. As at 30 June 2016 no funds were placed by the Bank on this account.

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

As at 30 June 2016 and 31 December 2015 the Bank meets all the NBU's mandatory reserve requirements.

Financing and investment transactions that did not require the use of cash and cash equivalents, and were excluded from the interim condensed consolidated statement of cash flows are as follows:

	<i>For six months</i> <i>ended 30 June 2016</i> <i>(unaudited)</i>
Non-cash financing and investment activities	
Issue of ordinary shares in exchange for government securities	9,318,999
Total non-cash financing and investment activities	9,318,999

5. Due from credit institutions

Amounts due from credit institutions comprise:

	<i>30 June 2016</i> <i>(unaudited)</i>	<i>31 December 2015</i>
Loans and deposits due from other banks		
Ukrainian banks	1,907,057	4,296,113
OECD banks	199,604	192,748
CIS and other banks	40,209	36,650
	2,146,870	4,525,511
Amounts due from other credit institutions		
Current accounts with other credit institutions in precious metals	129,784	106,968
Other amounts due from credit institutions	5,002	10
	2,281,656	4,632,489
Less: Allowance for impairment	(658,288)	(548,746)
Due from credit institutions	1,623,368	4,083,743

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

	<i>Loans and deposits</i>
As 1 January 2016	548,746
Charge for the period	108,155
Translation differences	1,387
As 30 June 2016 (unaudited)	658,288
As 1 January 2015	118,983
Charge for the period	412,413
Translation differences	9,514
As 30 June 2015 (unaudited)	540,910

6. Loans to customers

Loans to customers comprise:

	<i>30 June 2016 (unaudited)</i>	<i>31 December 2015</i>
Commercial loans	99,585,176	95,509,668
Overdrafts	338,533	273,354
Promissory notes	56,988	21,545
Financial lease receivables	126,295	143,547
	100,106,992	95,948,114
Less: Allowance for impairment	(44,334,498)	(40,848,211)
Loans to customers	55,772,494	55,099,903

Loans have been extended to the following types of customers:

	<i>30 June 2016 (unaudited)</i>	<i>31 December 2015</i>
Private entities	80,855,323	76,228,940
State entities	17,696,525	18,158,597
Individuals	1,297,681	1,303,048
Municipal entities	257,463	257,529
	100,106,992	95,948,114

As at 31 December 2015, loans to customers with a carrying value of UAH 5,088,445 thousand are pledged as collateral for loans received from the NBU (Note 11).

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

	<i>Commercial loans</i>	<i>Overdrafts</i>	<i>Financial lease receivables</i>	<i>Promissory notes</i>	<i>Total</i>
As 1 January 2016	40,806,110	23,916	17,736	449	40,848,211
Charge/(reversal) for the period	2,328,093	(3,277)	(422)	529	2,324,923
Recoveries	23,509	-	-	-	23,509
Amounts written off	-	-	(84)	-	(84)
Translation differences	1,137,939	-	-	-	1,137,939
As 30 June 2016 (unaudited)	44,295,651	20,639	17,230	978	44,334,498

	<i>Commercial loans</i>	<i>Overdrafts</i>	<i>Financial lease receivables</i>	<i>Promissory notes</i>	<i>Total</i>
As 1 January 2015	23,164,123	5,444	17,238	304	23,187,109
Charge/(reversal) for the period	4,678,131	(2,608)	371	59	4,675,953
Recoveries	5,465	-	-	-	5,465

	<i>Commercial loans</i>	<i>Overdrafts</i>	<i>Financial lease receivables</i>	<i>Promissory notes</i>	<i>Total</i>
Amounts written off	-	-	(2)	-	(2)
Translation differences	4,851,112	371	-	-	4,851,483
As 30 June 2015 (unaudited)	32,698,831	3,207	17,607	363	32,720,008

Credit quality by category of financial assets

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

	<i>Neither past due nor individually impaired</i>			<i>Past due or individually impaired</i>		<i>Total</i>
	<i>High Rating</i>	<i>Standard Rating</i>	<i>Substandard Rating</i>	<i>Standard and Substandard Rating</i>	<i>Low Rating</i>	
As at 30 June 2016 (unaudited)						
Loans to corporate customers:						
Commercial loans	5,497,973	19,690,580	5,028,696	25,629,889	42,440,357	98,287,495
Overdrafts	58,988	142,885	3,713	132,947	-	338,533
Finance lease receivables	98,385	1,427	-	8,155	18,328	126,295
Promissory notes	47,820	9,168	-	-	-	56,988
	5,703,166	19,844,060	5,032,409	25,770,991	42,458,685	98,809,311
Loans to individuals	7,055	53,356	21,481	183,039	1,032,750	1,297,681
Total	5,710,221	19,897,416	5,053,890	25,954,030	43,491,435	100,106,992
Provision for impairment	(70,333)	(766,192)	(355,754)	(5,879,485)	(37,262,734)	(44,334,498)
Total after provision for impairment	5,639,888	19,131,224	4,698,136	20,074,545	6,228,701	55,772,494
	<i>Neither past due nor individually impaired</i>			<i>Past due or individually impaired</i>		<i>Total</i>
	<i>High Rating</i>	<i>Standard Rating</i>	<i>Substandard Rating</i>	<i>Standard and Substandard Rating</i>	<i>Low Rating</i>	
As at 31 December 2015						
Loans to corporate customers:						
Commercial loans	9,318,389	18,832,198	7,170,623	22,363,090	36,522,320	94,206,620
Overdrafts	48,188	64,111	140,497	20,558	-	273,354
Finance lease receivables	51,033	63,361	2,006	15,331	11,816	143,547
Promissory notes	12,390	-	9,155	-	-	21,545
	9,430,000	18,959,670	7,322,281	22,398,979	36,534,136	94,645,066
Loans to individuals	9,581	71,755	152,582	28,572	1,040,558	1,303,048
Total	9,439,581	19,031,425	7,474,863	22,427,551	37,574,694	95,948,114
Provision for impairment	(105,330)	(756,712)	(757,782)	(7,065,637)	(32,162,750)	(40,848,211)
Total after provision for impairment	9,334,251	18,274,713	6,717,081	15,361,914	5,411,944	55,099,903

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 tailored to the various categories and are derived in accordance with the Bank's rating policy. The attributable risk ratings are assessed and updated regularly.

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

<i>As 30 June 2016 (unaudited)</i>	<i>Less than 30 days</i>	<i>From 31 to 60 days</i>	<i>From 61 to to 90 days</i>	<i>Total</i>
Loans to customers:				
Loans to corporate customers	1,241,155	6,251	297	1,247,703
Loans to individuals	31,062	20,780	9,934	61,776
Total	1,272,217	27,031	10,231	1,309,479

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

7. Investment securities

As at 30 June 2016, investment securities designated at fair value through profit and loss presented Ukrainian state bonds, nominal value of which will be indexed according to increases in the average interbank exchange rate of Hryvnia to US dollar per month, prior to the month of issue, and the average exchange rate of Hryvnia to US dollar per month, prior to maturity month. The Bank decided not to separate an embedded derivative instrument and to evaluate an instrument as a whole at its fair value, recognising revaluation as profit or loss.

Available-for-sale investment securities comprise:

	<i>30 June 2016 (unaudited)</i>	<i>31 December 2015</i>
Ukrainian state bonds	39,622,598	37,163,276
Corporate bonds	2,268,227	2,388,565
Municipal bonds	737,352	1,628,039
Corporate shares	11,714	11,690
Available-for-sale investments	42,639,891	41,191,570

As at 30 June 2016, available-for-sale investment securities with a carrying value of UAH 3,621,829 thousand are pledged as collateral under loans received from the NBU (31 December 2015: UAH 3,620,028 thousand) (Note 11).

Held-to-maturity investment securities comprise the following:

	<i>30 June 2016 (unaudited)</i>		<i>31 December 2015</i>	
	<i>Nominal value</i>	<i>Carrying value</i>	<i>Nominal value</i>	<i>Carrying value</i>
Ukrainian state bonds	223,942	212,759	248,483	230,912
Held-to-maturity investments		212,759		230,912

8. Income tax

The corporate income tax charge comprises:

	<i>For six months ended 30 June 2016 (unaudited)</i>
Current tax charge	363,279
Deferred tax credit	(363,279)
Income tax credit	-

As at 30 June 2016, Ukrainian corporate income tax was calculated as taxable income less allowable expenses at the rate of 18% (31 December 2015: 18%).

Income tax assets consist of the following:

	<i>30 June 2016 (unaudited)</i>	<i>31 December 2015</i>
Deferred income tax assets	2,094,029	1,730,750
Current tax assets	117,527	293,122
Income tax assets	2,211,556	2,023,872

9. Other impairment and provisions

The movements in other impairment and provisions are as follows:

	<i>Other assets</i>	<i>Guarantees and commitments</i>	<i>Total</i>
At 1 January 2016	255,304	22,213	277,517
Charge/(reversal) for the period	46,215	(15,030)	31,185
Translation differences	1,602	934	2,536
At 30 June 2016 (unaudited)	303,121	8,117	311,238
At 1 January 2015	230,695	400	231,095
Charge for the period	48,254	154,178	202,432
Translation differences	2,373	(14,797)	(12,424)
At 30 June 2015 (unaudited)	281,322	139,781	421,103

Allowances for impairment of assets are deducted from the related assets. Provisions are recognised in liabilities.

10. Other assets

Other assets comprise:

	<i>30 June 2016 (unaudited)</i>	<i>31 December 2015</i>
<i>- other financial assets:</i>		
Other accrued income	336,864	29,106
Transit accounts in respect of card operations	218,465	163,371
Receivables on transactions with customers	213,217	210,074
Service fee on financial guarantees issued	7,617	202,107
Other	110	-
	776,273	604,658
Less: Allowance for impairment (Note 9)	(243,742)	(200,476)
Other financial assets	532,531	404,182

	<i>30 June 2016</i> <i>(unaudited)</i>	<i>31 December 2015</i>
- other assets:		
Other tax assets, except those related to income tax	271,852	277,925
Precious metals	75,545	62,587
Prepayments	49,450	53,087
Cash and cash equivalents, the presence of which is not confirmed	31,711	30,740
Inventories	22,601	21,425
Other	1,637	2,135
	<u>452,796</u>	<u>447,899</u>
Less: Allowance for impairment (Note 9)	(59,379)	(54,828)
Other assets	<u>393,417</u>	<u>393,071</u>
Total other assets	<u>925,948</u>	<u>797,253</u>

11. Amounts due to the National Bank of Ukraine

Amounts due to the National Bank of Ukraine were as follows:

	<i>30 June 2016</i> <i>(unaudited)</i>	<i>31 December 2015</i>
Loans due to the National Bank of Ukraine	1,015,540	2,977,827
Correspondent account	3,111	1,948
Amounts due to the National Bank of Ukraine	<u>1,018,651</u>	<u>2,979,775</u>

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

12. Amounts due to credit institutions

Amounts due to credit institutions comprise:

	<i>30 June 2016</i> <i>(unaudited)</i>	<i>31 December 2015</i>
Current accounts		
Ukrainian banks	2,197,278	1,149,586
CIS and other banks	9,082	2,835
	<u>2,206,360</u>	<u>1,152,421</u>
Loans and deposits		
International financial institutions	14,621,285	14,045,679
OECD banks	3,779,180	3,860,311
Ukrainian banks	129,617	240,436
	<u>18,530,082</u>	<u>18,146,426</u>
Other amounts due to credit institutions	209	23
Amounts due to credit institutions	<u>20,736,651</u>	<u>19,298,870</u>
Held as security against guarantees (Note 16)	24,528	29,705

For the purposes of the consolidated cash flow statement presentation, the Bank allocates funds attracted from credit institutions between 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 longer-term funding purposes – for financing activities.

13. Amounts due to customers

Amounts due to customers comprise:

	<i>30 June 2016</i> <i>(unaudited)</i>	<i>31 December 2015</i>
<i>Current accounts</i>		
Legal entities	14,633,040	13,526,606
Budget organizations	4,191,035	4,699,932
Individuals	3,303,855	3,002,802
Funds under the Bank's management	7,050	13,718
	22,134,980	21,243,058
<i>Time deposits</i>		
Legal entities	37,818,290	36,643,285
Individuals	21,262,673	21,431,600
Budget organizations	584,298	-
	59,665,261	58,074,885
Amounts due to customers	81,800,241	79,317,943
Held as security against loans to customers	405,934	912,330
Held as security against letters of credit (Note 16)	787,826	444,464
Held as security against guarantees and avals (Note 16)	356,594	535,733
Held as security against undrawn loan commitments (Note 16)	3,844	1,978

14. Eurobonds issued

	<i>30 June 2016</i> <i>(unaudited)</i>		<i>31 December 2015</i>	
	<i>Nominal value</i> <i>(thousand of</i> <i>USD)</i>	<i>Carrying value</i>	<i>Nominal value</i> <i>(thousand of</i> <i>USD)</i>	<i>Carrying value</i>
April 2010 issue	500,000	12,592,028	500,000	12,158,478
October 2010 issue	250,000	6,296,014	250,000	6,079,239
January 2013 issue	500,000	12,850,691	500,000	12,403,814
April 2013 issue	100,000	2,570,138	100,000	2,480,763
Eurobonds issued		34,308,871		33,122,294

15. Equity

As at 30 June 2016, the Bank's authorised issued share capital comprised 21,208,750 (31 December 2015: 14,834,780) ordinary inscribed shares with a nominal value of UAH 1,462.04 per share (31 December 2015: 1,462.04 per share). Flootation of preferred shares was not expected. As at 30 June 2016, 21,208,750 shares were fully paid and registered (31 December 2015: all shares were fully paid and registered).

In January 2016 according to the Resolution of the Cabinet of Ministers of Ukraine No 33 dated 27 January 2016, the Bank's share capital was increased by UAH 9,318,999 thousand through issue of 6,373,970 new shares with the nominal value of UAH 1,462.04 each with 100 percent of these shares kept by the State. In April 2016 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 indexed bonds with the nominal value of UAH 9,319,000 thousand with 10-year maturity and interest rate of 6% p.a.

Movements in revaluation reserves

Movements in revaluation reserves were as follows:

	<i>Property revaluation reserve</i>	<i>Unrealised gains/(losses) on investment securities available for sale</i>	<i>Revaluation reserves</i>
At 1 January 2016	1,040,263	(375,440)	664,823
Depreciation of revaluation reserve, net of tax	(9,199)	-	(9,199)
Net unrealised losses on available-for-sale investment securities	-	(69,752)	(69,752)
At 30 June 2016 (unaudited)	1,031,064	(445,192)	585,872
At 1 January 2015	1,058,890	196,705	1,255,595
Depreciation of revaluation reserve, net of tax	(9,411)	-	(9,411)
Gains on investment securities available-for-sale reclassified to the consolidated statement of profit and loss (consolidated income statement) upon disposal	-	(31,204)	(31,204)
Net unrealised gains on available-for-sale investment securities	-	1,927,658	1,927,658
At 30 June 2015 (unaudited)	1,049,479	2,093,159	3,142,638

Nature and purpose of revaluation reserves

Property revaluation reserve

The revaluation reserve for property and equipment is used to record increases in the fair value of buildings and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in equity.

Unrealised losses on investment securities available-for-sale

This reserve records changes in fair value of available-for-sale investments.

16. Commitments and contingent financial liabilities

Commitments and contingent financial liabilities comprise:

	<i>30 June 2016 (unaudited)</i>	<i>31 December 2015</i>
Guarantees	3,085,069	5,866,577
Letters of credit	987,495	463,133
Undrawn loan commitments	355,016	181,127
Avals on promissory notes	247,365	34,184
	4,674,945	6,545,021
Less – Provisions	(8,117)	(22,213)
Financial commitments and contingencies (before deducting collateral)	4,666,828	6,522,808
Less — cash held as security against letters of credit, avals and guarantees, and undrawn loan commitments (Notes 12,13)	(1,172,792)	(1,011,880)
Financial commitments and contingencies	3,494,036	5,510,928

17. Personnel and other operating expenses

Personnel and other operating expenses comprise:

	<i>For six months ended 30 June (unaudited)</i>	
	<i>2016</i>	<i>2015</i>
Salaries and bonuses	305,533	325,029
Charges on payroll	63,444	94,411

	<i>For six months ended 30 June (unaudited)</i>	
	<i>2016</i>	<i>2015</i>
Personnel expenses	368,977	419,440
Payables to the Individual Deposit Guarantee Fund	112,939	107,050
Repair and maintenance of fixed assets	45,717	24,609
Operating taxes	33,609	12,386
Maintenance of premises	16,873	15,337
Legal and advisory services	15,778	9,489
Security	15,685	12,879
Rent of premises	13,928	12,819
Electronic and data processing expenses	12,635	10,681
Expenses for cash collection	11,002	13,152
Household expenses	8,731	7,932
Communication services	6,167	4,439
Business travel and related expenses	3,622	3,026
Marketing and advertising	2,950	2,266
Representative offices expenses	2,540	3,449
Charity	654	3,122
Other	10,672	12,560
Other operating expenses	313,502	255,196

Expenses for payment to the non-state pension fund for 6 months ended 30 June 2016 comprised UAH 5,206 thousand (30 June 2015: UAH 5,016 thousand).

18. Fair value of assets and liabilities

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

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

	<i>30 June 2016 (unaudited)</i>			<i>31 December 2015</i>		
	<i>Carrying value</i>	<i>Fair value</i>	<i>Unrecognised gain / (loss)</i>	<i>Carrying value</i>	<i>Fair value</i>	<i>Unrecognised gain / (loss)</i>
Financial assets						
Cash and cash equivalents	25,735,487	25,735,487	-	24,241,179	24,241,179	-
Amounts due from credit institutions	1,493,584	1,493,584	-	3,976,775	3,976,775	-
Loans to customers	55,772,494	54,849,026	(923,468)	55,099,903	52,878,035	(2,221,868)
Securities held to maturity	212,759	207,882	(4,877)	230,912	225,113	(5,799)
Other assets	532,531	532,531	-	404,182	404,182	-
Financial liabilities						
Amounts due to the National Bank of Ukraine	1,018,651	1,018,651	-	2,979,775	2,979,775	-
Amounts due to credit institutions	20,736,651	20,736,651	-	19,298,870	19,298,870	-
Amounts due to customers	81,572,795	81,619,071	(46,276)	79,133,185	79,184,522	(51,337)
Eurobonds issued	34,308,871	33,844,291	464,580	33,122,294	30,124,193	2,998,101
Subordinated debt	9,724,619	9,228,276	496,343	9,375,369	8,658,438	716,931
Other liabilities	115,973	115,973	-	86,281	86,281	-
Total unrecognized change in unrealized fair value			(13,698)			1,436,028

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 as a result of 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 inputs, the Bank uses measurement techniques using unobservable inputs that have material impact on reported fair values of financial instruments. This approach is appropriate for investments in non-listed shares and debt securities.

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

	<i>Fair value recurring measurements</i>		
	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
As 30 June 2016 (unaudited)			
Current accounts with other credit institutions in precious metals	129,784	-	129,784
Investment securities at fair value through profit or loss	19,923,523	-	19,923,523
Available-for-sale investment securities	42,628,177	11,714	42,639,891
Total assets	62,681,484	11,714	62,693,198
Amounts due to customers in precious metals	227,446	-	227,446
Total liabilities	227,446	-	227,446
	<i>Fair value recurring measurements</i>		
	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
As 31 December 2015			
Current accounts with other credit institutions in precious metals	106,968	-	106,968
Investment securities at fair value through profit or loss	9,924,610	-	9,924,610
Available-for-sale investment securities	41,179,880	11,690	41,191,570
Total assets	51,211,458	11,690	51,223,148
Amounts due to customers in precious metals	184,758	-	184,758
Total liabilities	184,758	-	184,758

The Bank assesses whether any transfers between levels of the fair value hierarchy are required at the end of each reporting period. During six months ended 30 June 2016, the Bank did not transfer any financial assets from one level of the fair value hierarchy to another level of the fair value hierarchy.

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

Movements in level 3 assets measured at fair value

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

	<i>At 01 January 2016</i>	<i>Total gain recorded in interim condensed consolidated statement of profit and loss</i>	<i>As at 30 June 2016 (unaudited)</i>
Available-for-sale investment securities	11,690	24 ^(a)	11,714
Total assets	11,690	24	11,714

	<i>At 01 January 2015</i>	<i>Total loss recorded in interim condensed consolidated statement of profit and loss</i>	<i>Proceeds</i>	<i>As at 30 June 2015 (unaudited)</i>
Available-for-sale investment securities	487,748	(453,282) ^(a)	(22,776)	11,690
Total assets	487,748	(453,282)	(22,776)	11,690

^(a)) for six months ended 30 June 2016 UAH 24 thousand of gain is included in "Other income" (for six months ended 30 June 2015: UAH 19,649 thousand included in "Interest income from Investment securities other than designated at fair value through profit or loss", and UAH 472,931 thousand of loss is included in losses from available-for-sale investment securities "Losses on impairment").

The table below shows the quantitative information as at 30 June 2016 about significant unobservable inputs used for the fair valuation of assets classified as those of the 3 level of the fair value hierarchy:

<i>As 30 June 2016 (unaudited)</i>	<i>Carrying value</i>	<i>Valuation technique</i>	<i>Unobservable parameter</i>	<i>Range of parameter values</i>
Available-for-sale investment securities	11,714	Discounted cash flows	Expected profitability	Corporate: 13.50% - 32.00 %
			Risk factor	Corporate: 0 – 1.0

<i>As 31 December 2015</i>	<i>Carrying value</i>	<i>Valuation technique</i>	<i>Unobservable parameter</i>	<i>Range of parameter values</i>
Available-for-sale investment securities	11,690	Discounted cash flows	Expected profitability	Corporate: 5% - 32%
			Risk factor	Corporate: 0 – 1.0

Total gains and losses included and profit or loss for the period:

	<i>For six months 2016 (unaudited)</i>	
	<i>Unrealised gains</i>	<i>Total</i>
Total gains included in profit and loss for the period	24	24

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

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

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% (30 June 2015: +/- 30%) of the level as at the end of the reporting period.

19. 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 financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

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

Transactions and balances with related parties comprise transactions with entities owned, both directly and indirectly, by Ukrainian government, and key management personnel.

The outstanding balances with key management personnel as at 30 June 2016 and 31 December 2015, and related income and expense for six months ended 30 June 2016 and 30 June 2015 are as follows:

	<i>30 June 2016 (unaudited)</i>	<i>31 December 2015</i>
	<i>Key management personnel</i>	<i>Key management personnel</i>
Loans to customers, gross	431	170
Less: allowance for impairment	(57)	(23)
Loans to customers, net	374	147
Current accounts	15,862	21,758
Time deposits	4,679	2,666
Amounts due to customers	20,541	24,424

	<i>For six months ended 30 June 2016</i>	<i>2015</i>
	<i>(unaudited)</i>	
Interest income on loans	8	1
Interest expense on customers' deposits	(98)	(71)
Commission income	2	-
Translation differences	(956)	(7,630)

The total remuneration and other benefits paid to key management personnel for six months ended 30 June 2016 is UAH 10,089 thousand (including UAH 156 thousand of payment to the non-state pension fund) (for six months ended 30 June 2015: UAH 10,908 thousand (including UAH 149 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 30 June 2016 (unaudited) are disclosed below:

<i>Client</i>	<i>Sector</i>	<i>Cash and cash equivalents</i>	<i>Loans to customers</i>	<i>Amounts due to customers</i>	<i>Amounts due to the NBU</i>	<i>Amounts due to credit institution</i>	<i>Guarantees issued</i>
Client 1	State entities	-	-	1,571,136	-	-	-
Client 2	State entities	-	-	1,599,615	-	-	-
Client 3	Agriculture and food industry	-	-	28,530,071	-	-	-

<i>Client</i>	<i>Sector</i>	<i>Cash and cash equivalents</i>	<i>Loans to customers</i>	<i>Amounts due to customers</i>	<i>Amounts due to the NBU</i>	<i>Amounts due to credit institution</i>	<i>Guarantees issued</i>
Client 4	Extractive industry	-	9,750,582	-	-	-	-
Client 5	Extractive industry	-	1,079,753	-	-	-	-
Client 6	Finance	8,416,843	-	-	1,018,651	-	-
Client 7	Finance	-	-	-	-	265,587	-
Client 8	Mechanical engineering	-	2,224,765	-	-	-	388,420
Client 9	Trade	-	-	942,859	-	-	867,965
Client 10	Trade	-	-	-	-	-	738,365
Client 11	Power engineering	-	1,611,631	-	-	-	-
Other	-	-	1,069,501	6,861,254	-	-	-

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

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

For the six-month period ended 30 June 2016, the Bank recorded UAH 1,427,545 thousand (six months 2015: UAH 1,108,770 thousand) of interest income, including interest income from operations with the NBU deposit certificates with maturity up to 90 days – UAH 326,104 thousand (for the six month period 2015: 12,945) and UAH 1,270,175 thousand (six months 2015: UAH 1,477,239 thousand) of interest expenses from transactions with the government-related entities.

As at 30 June 2016 and 31 December 2015, the Bank's investments in debt securities issued by the government or the government-related corporate entities were as follows:

	<i>30 June 2016 (unaudited)</i>	<i>31 December 2015</i>
Available-for-sale investment securities	41,901,159	39,562,151
Investment securities at fair value through profit or loss	19,923,523	9,924,610
Investment securities held to maturity	212,759	230,912

For the six-month period ended 30 June 2016, the Bank recorded UAH 2,116,970 thousand (for the six month period 2015: UAH 1,738,261 thousand) of interest income from transactions with government bonds, and UAH 231,548 thousand from transactions with other investment securities (for the six-month period 2015: UAH 441,462 thousand).

20. Capital adequacy

In 2015 the NBU stress-tested 20 largest Ukrainian banks, including the Bank. Special requirements to minimum regulatory capital adequacy ratio of the stress-tested banks were introduced (Note 2).

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

	<i>30 June 2016</i> <i>(unaudited)</i>	<i>31 December 2015</i>
Main capital	3,668,857	1,141,141
Additional capital, calculated	7,902,543	8,709,529
Additional capital, included in calculation of total capital (limited to main capital)	3,668,857	1,141,141
Total capital	7,337,714	2,282,282
Risk weighted assets	79,605,730	94,789,952
Capital adequacy ratio	9.22%	2.41%

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

Capital adequacy ratio under Basel Capital Accord 1988

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

	<i>30 June 2016</i> <i>(unaudited)</i>	<i>31 December 2015</i>
Tier 1 capital	4,262,759	(3,725,162)
Tier 2 capital, calculated	2,717,252	664,823
Tier 2 capital, included in calculation of total capital	2,717,252	-
Total capital	6,980,011	(3,725,162)
Risk weighted assets	77,644,950	89,889,011
Tier 1 capital adequacy ratio	5.5%	-4.1%
Total capital adequacy ratio	9.0%	-4.1%

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

21. Subsequent events

In July 2016 "UkrEximBank" repaid the full amount of due to the National Bank of Ukraine with maturity date in June 2020.

As at 28 July 2016 EBRD and "UkrEimBank" finished the process of converting subordinated debt provided by EBRD to "UkrEximBank" in the amount of USD 250 mln to the loan in the amount of USD 200 mln with early repayment of part of the debt in the amount of USD 50 mln.