

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

As at 31 March 2015

Together with the Review Report

CONTENTS

REVIEW REPORT

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

SELECTED NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Principal activities	6
2. Basis of preparation and summary of accounting policies	6
3. Segment information	10
4. Cash and cash equivalents	13
5. Mandatory reserves with the National Bank of Ukraine	13
6. Due from credit institutions	13
7. Loans to customers	14
8. Investment securities	16
9. Investment property	17
10. Amounts due to the National Bank of Ukraine	17
11. Amounts due to credit institutions	17
12. Amounts due to customers	18
13. Eurobonds issued	18
14. Equity	19
15. Commitments and contingent liabilities	19
16. Fair value of financial instruments	20
17. Related party disclosures	22
18. Capital adequacy	24
19. Subsequent events	25



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 "Group") as at 31 March 2015 and the related interim condensed consolidated statements of profit and loss, comprehensive income, changes in equity and cash flows for the three-month period then ended. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim condensed consolidated financial information 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 information is 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 information. The operations of the Group, 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)

28 May 2015
Kyiv, Ukraine

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2015

(thousands of Ukrainian hryvnia)

	Notes	31 March 2015 (unaudited)	31 December 2014
Assets			
Cash and cash equivalents	4	20,966,318	16,790,414
Due from credit institutions	6	2,420,401	1,967,651
Loans to customers	7	62,507,412	49,973,792
Investment securities:	8		
- designated at fair value through profit or loss		11,971,932	6,882,115
- available-for-sale		50,255,816	40,426,199
- held-to-maturity		562,500	820,866
Income tax assets		724,487	691,771
Investment property	9	1,986,087	1,986,087
Property and equipment		2,227,638	2,251,643
Intangible assets		12,900	14,078
Deferred income tax asset		1,307,279	1,307,279
Other assets		516,427	418,288
Total assets		155,459,197	123,530,183
Liabilities			
Amounts due to the National Bank of Ukraine	10	5,338,789	5,248,980
Amounts due to credit institutions	11	23,082,289	16,556,455
Amounts due to customers	12	78,589,101	61,995,129
Eurobonds issued	13	32,421,464	21,764,479
Current income tax liabilities		23,150	25,181
Subordinated debt		8,899,480	6,140,035
Other liabilities		441,342	224,346
Total liabilities		148,795,615	111,954,605
Equity			
Share capital	14	21,689,042	16,689,042
Unregistered contributions to share capital		-	5,000,000
Revaluation reserves		1,124,644	1,255,595
Accumulated deficit		(16,313,030)	(11,531,985)
Reserve and other funds		162,926	162,926
Total equity		6,663,582	11,575,578
Total equity and liabilities		155,459,197	123,530,183

Authorised for release and signed

28 May 2015

Chairman of the Board



O.V. Hrytsenko

Head of Accounting and Reporting Department –
Chief Accountant



N.A. Potemskaya

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS

For three months ended 31 March 2015

(thousands of Ukrainian hryvnia)

	Notes	For three months ended 31 March 2015	2014
		(unaudited)	
Interest income			
Loans to customers		1,701,801	1,351,431
Investment securities other than designated at fair value through profit or loss		1,230,602	832,991
Due from credit institutions		156,369	39,068
Amounts due from the National Bank of Ukraine		5,953	2,497
		3,094,725	2,225,987
Investment securities designed at fair value through profit or loss		76,273	76,279
		3,171,018	2,302,266
Interest expense			
Amounts due to customers		(1,351,336)	(818,118)
Eurobonds issued		(645,181)	(290,777)
Amounts due to the National Bank of Ukraine		(367,714)	(205,543)
Amounts due to credit institutions		(281,867)	(109,437)
Subordinated debt		(211,155)	(96,580)
		(2,857,253)	(1,520,455)
Net interest income		313,765	781,811
Allowance for loan impairment charge	6,7	(3,103,403)	(950,683)
Net interest margin after allowance for loan impairment		(2,789,638)	(168,872)
Commission income		263,559	123,784
Commission expense		(101,115)	(36,212)
Commission income, net		162,444	87,572
Net gains from investment securities designated at fair value through profit and loss		5,079,462	1,732,843
Net gains/(losses) from available-for-sale investment securities:			
- dealing		31,204	10,623
- losses on impairment		(472,931)	(5,937)
Net gains/(losses) from foreign currencies:			
- dealing		316,820	192,857
- translation differences		(6,616,491)	(1,434,821)
Net gains/(losses) from precious metals:			
- dealing		9,690	2,486
- revaluation		(15,810)	17,569
Other income		23,843	15,302
Non-interest (loss) / income		(1,644,213)	530,922
Personnel costs		(213,536)	(216,716)
Depreciation and amortisation		(26,747)	(25,179)
Other operating expenses		(124,606)	(95,390)
Charge to other impairment and provisions		(149,520)	(44,962)
Non-interest expense		(514,409)	(382,247)
(Loss)/profit before tax		(4,785,816)	67,375
Income tax expense		-	(18,718)
(Loss)/profit for the period		(4,785,816)	48,657

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**INTERIM CONDENSED CONSOLIDATED
STATEMENT OF COMPREHENSIVE INCOME**

For three months ended 31 March 2015

(thousands of Ukrainian hryvnia)

<i>Notes</i>	For three months ended 31 March	
	2015	2014
	<i>(unaudited)</i>	
(Loss)/profit for the period	(4,785,816)	48,657
Other comprehensive income:		
Other comprehensive income to be reclassified through the consolidated statement of profit and loss:		
Disposal gains on investment securities available-for-sale reclassified to the consolidated statement of profit and loss	(31,204)	(10,623)
Net (losses) / gains on revaluation of investment securities available-for-sale	(94,976)	20,622
Income tax relating to components of other comprehensive income	-	(1,000)
Other comprehensive (loss)/income for the period, net of tax	(126,180)	8,999
Total comprehensive (loss)/income for the period	(4,911,996)	57,656

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O.V. Hrytsenko

N.A. Potemskaya

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

For three months ended 31 March 2015

(thousands of Ukrainian hryvnia)

	<i>Share capital</i>	<i>Unregiste- red contribu- tions to share capital</i>	<i>Revalua- tion reserve</i>	<i>Accumula- ted deficit</i>	<i>Reserve and other funds</i>	<i>Total capital</i>
At 1 January 2014	16,514,051	-	974,461	(28,394)	151,203	17,611,321
Profit for the period	-	-	-	48,657	-	48,657
Other comprehensive income for the period	-	-	8,999	-	-	8,999
Total comprehensive income for the period	-	-	8,999	48,657	-	57,656
Depreciation of revaluation reserve, net of tax	-	-	(4,114)	4,114	-	-
As 31 March 2014 (unaudited)	16,514,051	-	979,346	24,377	151,203	17,668,977
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	-	-	-	(4,785,816)	-	(4,785,816)
Other comprehensive loss for the period	-	-	(126,180)	-	-	(126,180)
Total comprehensive loss for the period	-	-	(126,180)	(4,785,816)	-	(4,911,996)
Depreciation of revaluation reserve, net of tax	-	-	(4,771)	4,771	-	-
Increase in share capital (Note 14)	5,000,000	(5,000,000)	-	-	-	-
As 31 March 2015 (unaudited)	21,689,042	-	1,124,644	(16,313,030)	162,926	6,663,582

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**INTERIM CONDENSED CONSOLIDATED
STATEMENT OF CASH FLOWS**

For three months ended 31 March 2015

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

	For three months ended 31 March	
<i>Notes</i>	2015	2014
	<i>(unaudited)</i>	
Cash flows from operating activities		
Interest received	2,658,418	1,793,344
Interest paid	(2,393,816)	(1,544,826)
Commissions received	232,543	122,109
Commissions paid	(101,115)	(36,212)
Result from dealing in foreign currencies and precious metals	326,510	195,343
Personnel costs	(194,291)	(196,290)
Other operating income	23,692	15,316
Other operating and administrative expenses	(75,298)	(94,362)
Cash flow from operating activities before changes in operating assets and liabilities	476,643	254,422
<i>Net (increase)/ decrease in operating assets:</i>		
Due from credit institutions	(210,746)	(32,898)
Deposit with the National Bank of Ukraine	-	409,449
Loans to customers	796,592	487,188
Other assets	(262,059)	5,847
<i>Net increase / (decrease) in operating liabilities</i>		
Amounts due to credit institutions	(1,074,652)	358,663
Amounts due to the National Bank of Ukraine	(48,975)	(1,021,380)
Amounts due to customers	(2,028,046)	(2,402,863)
Other liabilities	89,946	33,706
Net cash used in operating activities before income tax	(2,261,297)	(1,907,866)
Income tax paid	(34,747)	(53,605)
Net cash used in operating activities	(2,296,044)	(1,961,471)
Cash flows from investing activities		
Proceeds from sale and redemption of investment securities	8,845,418	7,172,589
Purchase of investment securities	(7,647,306)	(4,355,556)
Purchases of property, equipment and intangible assets	(1,564)	(52,153)
Proceeds from sale of property and equipment	150	33
Net cash flows from investing activities	1,196,698	2,764,913
Cash flows from financing activities		
Redemption of Eurobonds issued	-	(2,385,050)
Proceeds from borrowings from credit institutions	325,381	769,907
Repayment of borrowings from credit institutions	(524,018)	(764,382)
Net cash flows used in financing activities	(198,637)	(2,379,525)
Effect of exchange rates changes on cash and cash equivalents	5,473,887	1,809,506
Net change in cash and cash equivalents	4,175,904	233,423
Cash and cash equivalents, 1 January	16,790,414	8,321,070
Cash and cash equivalents, 31 March	20,966,318	8,554,493

Authorised for release and signed

28 May 2015

Chairman of the Board

Head of Accounting and Reporting Department –
Chief Accountant

O.V. Hrytsenko

N.A. Potemskas

Selected notes on pages 6-25 form an integral part of these interim condensed consolidated financial statements

1. Principal activities

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

As at 31 March 2015 and 31 December 2014, 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 Gorky Str. It has 27 branches and 93 operating outlets (31 December 2014: 27 branches and 93 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. Due to this role the Bank has significant exposure to Ukrainian Government and state-owned entities as disclosed in Note 31.

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

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

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

2. Basis of preparation and summary of accounting policies

Basis of preparation

These interim condensed consolidated financial statements for three months ended 31 March 2015 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 2014, 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 2014, 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 2014.

The new standards, amendments to the standards and interpretations which are effective for the Bank from 1 January 2015 and have been disclosed in the Bank's consolidated financial statements for the year ended 31 December 2014 do not have any material impact on these interim condensed consolidated financial statements.

Operating environment

The Ukrainian economy while deemed to be of market status continues to display certain characteristics consistent with that of an economy in transition. These characteristics include low levels of liquidity in the capital markets and the existence of restrictive currency controls which cause the national currency to be illiquid outside of Ukraine. The stabilisation and recovery of the Ukrainian economy will be significantly impacted by the duration and implications of the conflict in the east of the country, the amount of the international financial aid and the policies and decisions of the Government and the NBU with regard to administrative, legal and economic reforms. As a result, banking operations in Ukraine involve political and economic risks that are not typical for developed markets.

The Ukrainian economy is vulnerable to changes in the global financial and commodity markets. Deteriorated conditions of economic cooperation with the Customs Union's countries have resulted in the reduced export of commodities and accompanying services. A sharp devaluation of the national currency, acceleration of inflation, reduction of personal disposable income, decrease of revenue proceeds and capital investments, and capital outflow from the Ukrainian economy in the light of the annexation of Crimea and the "anti-terrorist" operation ("ATO") conducted in the east of the country have resulted in a decline in the gross domestic product. In particular, decrease of industrial production in January- March 2015 in the Donetsk region was 52.5%, Lugansk - 88%.

Events during the first quarter 2015, such as ceasefire in the east of Ukraine and active cooperation with the IMF, contributed to stabilisation of operating environment. On 11 March, the IMF Board approved a four-year Extended Fund Facility (EFF) for the total amount of USD 17.5 billion. On 13 March, the first tranche of approximately USD 5 billion was drawn under this facility. Along with the range of tightened administrative measures implemented by the NBU and the increase of the official discount rate to 30%, this contributed to stabilisation of the currency market.

Whilst the Ukrainian Government continues to introduce various stabilisation measures aimed at supporting the State finances, banking sector and liquidity of Ukrainian banks and companies, an actual lack of access to capital markets for the Bank and its counterparties has an adverse impact on the Bank's financial position, results of operations and business prospects in the medium term.

In addition, factors such as the growth of unemployment in Ukraine, lower levels of liquidity and profitability in the corporate sector and a threat of a significant increase in the number of instances where legal entities and individuals become insolvent had a negative effect on the borrowers' ability to repay the amounts owed to the Bank. Negative developments in the economic environment have also resulted in a reduced value of collateral pledged for loans. After receiving the relevant information, the Bank promptly revises its estimates of expected future cash flows in impairment assessments.

Continuing tension and high probability of further military actions in some areas of Donetsk and Lugansk regions inhibit normal operations of the Bank's branches and outlets located in those areas, complicate servicing of debt for borrowers and have overall negative impact on the Bank's business.

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

According to the operative assessment State Statistics Service of Ukraine, GDP decline in Ukraine for the first quarter 2015 reached 17.6% in real terms, followed by the manufacturing decline of 21.4% and consumer price inflation increased to 20.3% (compared to December 2014). As at 31 March 2015 the official NBU exchange rate of Hryvnia against US dollar was UAH 23,44 per USD 1, compared to UAH 15,77 per USD 1 as at 31 December 2014.

After the reporting date Ukrainian hryvnia strengthened against major foreign currencies, in particular exchange rate UAH/USD decreased to UAH 21,04 per USD 1 as at 28 May 2015 compared to UAH 23,44 as at 31 March 2015. During January-April 2015 consumer price inflation accelerated to 37.1% (compared to December 2014) as a result of high inflationary and devaluation expectations.

Changes in accounting policies

The following new standards and interpretations became effective for the Bank from 1 January 2015:

A – “Defined benefit plans: Employee contributions” (issued in November 2013 and effective for annual periods beginning 1 July 2014). The amendment allows entities to recognise employee contributions as a reduction in the service cost in the period in which the related employee service is rendered, instead of attributing the contributions to the periods of service, if the amount of the employee contributions is independent of the number of years of service. The amendment did not have any material impact on the Bank’s financial statements.

Annual Improvements to IFRSs 2012 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014, unless otherwise stated below). The improvements consist of changes to seven standards. IFRS 2 was amended to clarify the definition of a ‘vesting condition’ and to define separately ‘performance condition’ and ‘service condition’. The amendment is effective for share-based payment transactions for which the grant date is on or after 1 July 2014. IFRS 3 was amended to clarify that (1) an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in IAS 32, and (2) all non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognised in profit and loss. Amendments to IFRS 3 are effective for business combinations where the acquisition date is on or after 1 July 2014. IFRS 8 was amended to require (1) disclosure of the judgements made by management in aggregating operating segments, including a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics, and (2) a reconciliation of segment assets to the entity’s assets when segment assets are reported. The basis for conclusions on IFRS 13 was amended to clarify that deletion of certain paragraphs in IAS 39 upon publishing of IFRS 13 was not made with an intention to remove the ability to measure short-term receivables and payables at invoice amount where the impact of discounting is immaterial. IAS 16 and IAS 38 were amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model. IAS 24 was amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity (‘the management entity’), and to require to disclose the amounts charged to the reporting entity by the management entity for services provided. The amendment did not have material impact on the Bank’s financial statements.

Annual Improvements to IFRSs 2013 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014). The improvements consist of changes to four standards. The basis for conclusions on IFRS 1 is amended to clarify that, where a new version of a standard is not yet mandatory but is available for early adoption; a first-time adopter can use either the old or the new version, provided the same standard is applied in all periods presented. IFRS 3 was amended to clarify that it does not apply to the accounting for the formation of any joint arrangement under IFRS 11. The amendment also clarifies that the scope exemption only applies in the financial statements of the joint arrangement itself. The amendment of IFRS 13 clarifies that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including contracts to buy or sell non-financial items) that are within the scope of IAS 39 or IFRS 9. IAS 40 was amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive. The guidance in IAS 40 assists preparers to distinguish between investment property and owner-occupied property. Preparers also need to refer to the guidance in IFRS 3 to determine whether the acquisition of an investment property is a business combination. The amendment did not have material impact on the Bank’s financial statements.

Future changes in accounting policies

Standards and interpretations issued but not yet effective

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

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

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).
- Classification for debt instruments is driven by the entity’s business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets’ cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.
- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.

- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.
- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.
- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

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

Accounting for Acquisitions of Interests in Joint Operations - Amendments to IFRS 11 (issued on 6 May 2014 and effective for the periods beginning on or after 1 January 2016). This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business.

Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments to IAS 16 and IAS 38 (issued on 12 May 2014 and effective for the periods beginning on or after 1 January 2016). In this amendment, the IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The Bank is currently assessing the impact of the amendments 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 2017). 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.

Equity Method in Separate Financial Statements - Amendments to IAS 27 (issued on 12 August 2014 and effective for annual periods beginning 1 January 2016). The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after 1 January 2016). These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary. The Bank is currently assessing the impact of the amendments on its financial statements.

Annual Improvements to IFRSs 2014 (issued on 25 September 2014 and effective for annual periods beginning on or after 1 January 2016). The amendments impact 4 standards. IFRS 5 was amended to clarify that change in the manner of disposal (reclassification from "held for sale" to "held for distribution" or vice versa) does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such. The amendment to IFRS 7 adds guidance to help management determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement, for the purposes of disclosures required by IFRS 7. The amendment also clarifies that the offsetting disclosures of IFRS 7 are not specifically required for all interim periods, unless required by IAS 34. The amendment to IAS 19 clarifies that for post-employment benefit obligations, the decisions regarding discount rate, existence of deep market in high-quality corporate bonds, or which government bonds to use as a basis, should be based on the currency that the liabilities are denominated in, and not the country where they arise. IAS 34 will require a cross reference from the interim financial statements to the location of "information disclosed elsewhere in the interim financial report". The Bank is currently assessing the impact of the amendments on its financial statements.

Disclosure Initiative Amendments to IAS 1 (issued in December 2014 and effective for annual periods on or after 1 January 2016). The Standard was amended to clarify the concept of materiality and explains that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, even if the IFRS contains a list of specific requirements or describes them as minimum requirements. The Standard also provides new

guidance on subtotals in financial statements, in particular, such subtotals (a) should be comprised of line items made up of amounts recognised and measured in accordance with IFRS; (b) be presented and labelled in a manner that makes the line items that constitute the subtotal clear and understandable; (c) be consistent from period to period; and (d) not be displayed with more prominence than the subtotals and totals required by IFRS standards.

Investment Entities: Applying the Consolidation Exception Amendment to IFRS 10, IFRS 12 and IAS 28 (issued in December 2014 and effective for annual periods on or after 1 January 2016). The Standard was amended to clarify that an investment entity should measure at fair value through profit or loss all of its subsidiaries that are themselves investment entities. In addition, the exemption from preparing consolidated financial statements if the entity's ultimate or any intermediate parent produces consolidated financial statements available for public use was amended to clarify that the exemption applies regardless whether the subsidiaries are consolidated or are measured at fair value through profit or loss in accordance with IFRS 10 in such ultimate or any intermediate parent's financial statements.

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

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.
Inter-bank 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 three months ended 31 March 2015 and 2014, 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 862,062 thousand (31 March 2014: UAH 349,726 thousand). Revenues from transactions with this external customer is reflected in the segment "Inter-bank and in

Analysis of income of the Bank from banking products and services is presented in the interim condensed statement 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 profit, asset and liabilities information regarding the Bank's operating segments for three months ended 31 March 2015 (unaudited):

	<i>Retail banking</i>	<i>Corporate banking</i>	<i>Interbank and investments business</i>	<i>Unallocated</i>	<i>Total</i>
External					
Interest income	19,332	1,710,184	1,441,502	-	3,171,018
Commission income	118,093	140,068	5,398	-	263,559
Other income	3,327	(1,499)	19,817	2,198	23,843
Net gains from transactions with foreign currencies	97,536	-	311,982	-	409,518
Net gains from operations with banking metals	228	-	12,148	-	12,376
Gain from investment securities available-for-sale	-	-	31,204	-	31,204
Gain from changes in the fair value of investment securities designated at fair value through profit and loss	-	-	-	5,079,462	5,079,462
Reversal of provisions for covering loans	12,562	-	-	-	12,562
Reversal of provisions for impairment of other assets and for covering other losses	-	-	-	1,189	1,189
Income from other segments	894,521	804,222	1,540,975	(3,239,718)	-
Total income	1,145,599	2,652,975	3,363,026	1,843,131	9,004,731
Interest expenses	(697,425)	(652,204)	(1,507,625)	-	(2,857,254)
Commission expense	(33,930)	(64,087)	(3,098)	-	(101,115)
Loan impairment charge	-	(2,703,686)	(412,278)	-	(3,115,964)
Loss from operations with foreign currencies	-	(1,058,276)	-	(5,650,913)	(6,709,189)
Loss from operations from banking metals	-	-	-	(18,496)	(18,496)
Personnel expenses	(102,793)	(63,511)	(19,881)	(27,351)	(213,536)
Depreciation and amortisation	(17,480)	(6,598)	(1,072)	(1,597)	(26,747)
Other operating expenses	(91,283)	5,036	(20,568)	(17,791)	(124,606)
Loss from investment securities available-for-sale	(140)	(472,790)	(1)	-	(472,931)
Charge for impairment of other assets and for covering other losses	(737)	(149,829)	(143)	-	(150,709)
Expenses from other segments	(76,448)	(2,004,390)	(1,475,324)	3,556,162	-
Segment results	125,363	(4,517,360)	(76,964)	(316,855)	(4,785,816)
Income tax expense					-
Loss for the period					(4,785,816)
Assets and liabilities as at 31 March 2015					
Segment assets	4,793,693	63,309,691	85,102,697		153,206,081
Unallocated assets				2,253,116	2,253,116
Total assets					155,459,197
Segment liabilities	32,641,956	46,440,307	69,624,092		148,706,355
Unallocated liabilities				89,260	89,260
Total liabilities					148,795,615
Other segment information					
Capital expenditure for three months ended 31 March 2015	(1,442)	(601)	(106)	(159)	(2,308)

The following table presents income and profit, certain asset and liabilities information regarding the Bank's operating segments for three months ended 31 March 2014 (unaudited):

	<i>Retail banking</i>	<i>Corporate banking</i>	<i>Interbank and investments business</i>	<i>Unallocated</i>	<i>Total</i>
External					
Interest income	50,540	1,337,483	914,243	-	2,302,266
Commission income	64,712	55,831	3,241	-	123,784
Other income	2,484	4,732	6,452	1,634	15,302
Net gains from transactions with foreign currencies	45,734	-	102,777	-	148,511
Net gains from operations with banking metals	2,592	-	8,983	8,480	20,055
Gain from investment securities available-for-sale	-	-	4,686	-	4,686
Gain from changes in the fair value of investment securities designated at fair value through profit and loss	-	-	2	1,732,841	1,732,843
Reversal of provisions for covering loans	9,369	-	1,531	-	10,900
Reversal of provisions for impairment of other assets and for covering other losses	-	-	124	159	283
Income from other segments	578,619	460,896	824,070	(1,863,585)	-
Total income	754,050	1,858,942	1,866,109	(120,471)	4,358,630
Interest expenses	(455,497)	(350,806)	(714,152)	-	(1,520,455)
Commission expense	(21,468)	(11,885)	(2,806)	(53)	(36,212)
Loan impairment charge	-	(961,583)	-	-	(961,583)
Loss from operations with foreign currencies	-	(107,738)	-	(1,282,737)	(1,390,475)
Personnel expenses	(93,788)	(65,127)	(23,174)	(34,627)	(216,716)
Depreciation and amortisation	(16,452)	(6,255)	(980)	(1,492)	(25,179)
Other operating expenses	(64,068)	(12,220)	(9,950)	(9,152)	(95,390)
Charge for impairment of other assets and for covering other losses	(2,296)	(42,949)	-	-	(45,245)
Expenses from other segments	(53,235)	(1,330,754)	(926,132)	2,310,121	-
Segment results	47,246	(1,030,375)	188,915	861,589	67,375
Income tax expense					(18,718)
Profit for the period					48,657
Assets and liabilities as at 31 December 2014					
Segment assets	4,480,413	51,716,657	65,105,666		121,302,736
Unallocated assets				2,227,997	2,227,997
Total assets					123,530,733
Segment liabilities	27,778,522	34,471,891	49,500,438		111,750,851
Unallocated liabilities				203,514	203,514
Total liabilities					111,954,365
Other segment information					
Capital expenditure for three months ended 31 March 2014	(17,475)	(5,900)	(1,031)	(1,570)	(25,976)

4. Cash and cash equivalents**Cash and cash equivalents comprise:**

	31 March 2015 (unaudited)	31 December 2014
Cash on hand	984,230	934,393
Current account with the National Bank of Ukraine (other than restricted mandatory reserves)	2,823,571	2,128,691
Current accounts with other credit institutions	13,867,898	10,598,929
Overnight deposits with other credit institutions	1,373,503	1,300,449
Time deposits with credit institutions up to 90 days	1,917,116	1,827,952
Cash and cash equivalents	20,966,318	16,790,414

5. Mandatory reserves with the National Bank of Ukraine

Since August 2014 Ukrainian banks are required to keep mandatory reserves on a correspondent account with the NBU. Starting from 3 January 2015, the Bank is required to maintain the daily reserve balance on correspondent account with the National Bank of Ukraine at the level not less than 40%, at the beginning of each banking day, of the mandatory reserve balance (representing the arithmetic mean of balances for the period calculated in accordance with the mandatory reserve requirements applicable in that period) calculated for the relevant period.

Previously Ukrainian banks were required to hold certain percentage of mandatory reserves on a separate account with the NBU (2014: 40% until 23 February 2014; 20% after 23 February 2014).

Starting from January 2015, the mandatory reserve requirement on the correspondent account with the NBU may be satisfied with 50% of UAH-denominated cash balances in cash (since March 2015: 100%) and 100% of balances on correspondent account with PJSC "Payment Centre". Previously the Ukrainian banks have been allowed to cover the mandatory reserve balance held on a separate correspondent account with the NBU with the purchased foreign-currency denominated Ukrainian state bonds amounting to 10% of their carrying value in the hryvnia equivalent and long-term national currency denominated Ukrainian state bonds with the maturity of more than 3,600 days according to the initial offering terms amounting to 100% of their carrying value. In addition, the Ukrainian banks can use placements on a correspondent account opened with PJSC "Clearing Centre".

Since August 2008, Ukrainian banks were required to deposit 20% of funds raised from non-residents in foreign currency for a period of less than 183 days on a separate account with the NBU, in the form of non-interest bearing cash deposit. Starting from August 2014 the reserve requirement for funds raised from non-residents in foreign currency is set by the NBU at 0%. As at 31 March 2015 no funds were placed by the Bank on this account.

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

As at 31 December 2014 and 31 March 2015 the Bank meets all the NBU's mandatory reserve requirements.

6. Due from credit institutions**Amounts due from credit institutions comprise:**

	31 March 2015 (unaudited)	31 December 2014
Loans and deposits due to other banks		
Ukrainian banks	2,293,295	1,829,996
OECD banks	188,266	126,636
CIS and other banks	106,954	3,771
	2,588,515	1,960,403
Amounts due from other credit institutions		
Current accounts with other credit institutions in precious metals	143,084	116,908

	31 March 2015 (unaudited)	31 December 2014
Other amounts due from credit institutions	233,647	9,323
	2,965,246	2,086,634
Less: Allowance for impairment	(544,845)	(118,983)
Due from credit institutions	2,420,401	1,967,651

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

	Loans and deposits
As 1 January 2015	118,983
Charge for the period	412,278
Translation differences	13,584
As 31 March 2015	544,845
As 1 January 2014	11,542
Charge for the period	(1,531)
Translation differences	4,277
As 31 March 2014	14,288

7. Loans to customers

Loans to customers comprise:

	31 March 2015 (unaudited)	31 December 2014
Commercial loans	95,497,465	72,818,138
Overdrafts	241,344	304,580
Promissory notes	18,767	16,001
Financial lease receivables	21,069	22,182
	95,778,645	73,160,901
Less: Allowance for impairment	(33,271,233)	(23,187,109)
Loans to customers	62,507,412	49,973,792

Loans have been extended to the following types of customers:

	31 March 2015 (unaudited)	31 December 2014
Private entities	74,574,940	57,196,728
State entities	19,316,234	14,408,725
Individuals	1,335,187	1,001,516
Municipal entities	552,284	553,932
Total loans to customers	95,778,645	73,160,901

As at 31 March 2015, loans to customers with a carrying value of UAH 5,599,969 thousand are pledged as collateral for loans received from the NBU (31 December 2014: UAH 6,899,998 thousand) (Note 10).

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

	Commercial loans	Overdrafts	Financial lease receivables	Promissory notes	Total
As 1 January 2015	23,164,123	5,444	17,238	304	23,187,109
Charge/(reversal) for the period	2,692,701	(1,779)	178	25	2,691,125
Recoveries	1,274	-	-	-	1,274
Translation differences	7,391,353	372	-	-	7,391,725
As 31 March 2015 (unaudited)	33,249,451	4,037	17,416	329	33,271,233

(thousands of Ukrainian hryvnia, unless otherwise stated)

	<i>Commercial loans</i>	<i>Overdrafts</i>	<i>Financial lease receivables</i>	<i>Promissory notes</i>	<i>Total</i>
As 1 January 2014	8,711,816	6,684	10,608	29,621	8,758,729
Charge/(reversal) for the period	955,045	(3,728)	407	490	952,214
Recoveries	38,807	-	-	-	38,807
Amounts written off	(215)	-	-	-	(215)
Translation differences	1,276,527	-	-	-	1,276,527
As 31 March 2014 (unaudited)	10,981,980	2,956	11,015	30,111	11,026,062

Credit quality by category of financial assets

The Bank uses an internal system of credit ratings from A + to F (16 grades), where the highest rating of A+ is characterized by good ability of the borrower to fulfil its debt obligations, and the worst rating F is for borrowers who have stopped work and/or are bankrupt. In the table below, for loans that are not past due and not individually impaired, rating A and B mean the lowest level of credit risk. Ratings C and D have lower credit quality compared to previous ratings, but loans are not necessarily individually impaired. For loans that are past due or individually impaired, rating D and higher indicates that there is a possibility of delays in loan repayment as a result of adverse changes in commercial, financial and economic conditions. Rating E and F or no rating means that there is a high probability of default of loan, the borrower's financial position is poor, activity is loss making or ceased.

For the exposures of foreign credit institutions: rating A and B is equal to the Fitch rating BBB- and higher, rating C is equal to lower than BBB- , but higher than CCC+, and rating D and lower is equal to rating CCC+ and lower.

	<i>Neither past due nor individually impaired</i>			<i>Past due or individually impaired</i>		<i>Total</i>
	<i>Rating A and B</i>	<i>Rating C</i>	<i>Rating D and lower</i>	<i>Rating D and higher</i>	<i>Rating E and F or no rating</i>	
As 31 March 2015						
Loans to corporate customers:						
Commercial loans	5,315,728	18,495,534	19,822,972	12,697,929	37,830,835	94,162,998
Overdrafts	93,188	136,859	9,858	719	-	240,624
Finance lease receivables	-	9,952	639	-	10,478	21,069
Promissory notes	-	9,629	9,138	-	-	18,767
	5,408,916	18,651,974	19,842,607	12,698,648	37,841,313	94,443,458
Loans to individuals	28,918	105,174	221,695	33,332	946,068	1,335,187
Total	5,437,834	18,757,148	20,064,302	12,731,980	38,787,381	95,778,645
Provision for impairment	(38,134)	(414,653)	(1,152,503)	(2,857,761)	(28,808,182)	(33,271,233)
Total after provision for impairment	5,399,700	18,342,495	18,911,799	9,874,219	9,979,199	62,507,412

	<i>Neither past due nor individually impaired</i>			<i>Past due or individually impaired</i>		<i>Total</i>
	<i>Rating A and B</i>	<i>Rating C</i>	<i>Rating D and lower</i>	<i>Rating D and higher</i>	<i>Rating E and F or no rating</i>	
At 31 December 2014						
Loans to corporate customers:						
Commercial loans	5,382,773	16,824,599	18,260,493	15,376,714	15,972,826	71,817,405
Overdrafts	97,868	184,064	11,440	10,425	-	303,797
Finance lease receivables	-	11,097	633	-	10,452	22,182
Promissory notes	6,740	-	9,261	-	-	16,001
	5,487,381	17,019,760	18,281,827	15,387,139	15,983,278	72,159,385
Loans to individuals	20,989	103,363	182,893	26,095	668,176	1,001,516
Total	5,508,370	17,123,123	18,464,720	15,413,234	16,651,454	73,160,901
Provision for impairment	(37,807)	(239,092)	(1,147,496)	(8,767,225)	(12,995,489)	(23,187,109)
Total after provision for impairment	5,470,563	16,884,031	17,317,224	6,646,009	3,655,965	49,973,792

It is the Bank's policy 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 31 March 2015</i>	<i>Less than 30 days</i>	<i>From 31 to 60 days</i>	<i>From 61 to to 90 days</i>	<i>Over 90 days</i>	<i>Total</i>
Loans to customers:					
Loans to corporate customers	3,804,294	29,435	10,684	18,998	3,863,411
Loans to individuals	44,148	9,468	4,320	1,394	59,330
Total	3,848,442	38,903	15,004	20,392	3,922,741

<i>As 31 December 2014</i>	<i>Less than 30 days</i>	<i>From 31 to 60 days</i>	<i>From 61 to to 90 days</i>	<i>Over 90 days</i>	<i>Total</i>
Loans to customers:					
Loans to corporate customers	2,154,058	85,530	20,342	62,075	2,322,005
Loans to individuals	23,067	2,667	1,432	1,375	28,541
Total	2,177,125	88,197	21,774	63,450	2,350,546

8. Investment securities

As at 31 March 2015, investment securities designated at fair value through profit and loss presented Ukrainian state bonds, principal of which will be indexed according to increases in the average interbank exchange rate of Hryvnia to United States dollar per month, prior to the month of issue, and the average exchange rate of Hryvnia to United States 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.

Investment securities designated at fair value through profit and loss also include investments into corporate bonds with zero fair value. This portfolio is managed based on fair value taking into account risks involved, and the results are reported on this basis to key management personnel.

Available-for-sale investment securities comprise:

	<i>31 March 2015 (unaudited)</i>	<i>31 December 2014</i>
Ukrainian state bonds	40,529,452	30,214,641
Corporate bonds	6,650,741	7,156,304
Municipal entities	3,063,933	3,043,563
Corporate shares	11,690	11,691
Available-for-sale investments	50,255,816	40,426,199

As at 31 March 2015, available-for-sale investment securities with a carrying value of UAH 3,317,645 thousand are pledged as collateral under loans received from the NBU (31 December 2014: UAH 1,635,455 thousand) (Note 10).

As at 31 March 2015, available-for-sale investment securities with a carrying value of UAH 819,208 thousand are pledged as collateral under repurchase agreements with the NBU (31 December 2014: UAH 808,541 thousand) (Note 10).

The Bank recognised UAH 476,057 thousand impairment loss as of 31 December 2014 for included in available-for-sale investments bonds of one Ukrainian bank, which was recognised as insolvent in March 2015. Further impairment loss of UAH 472,930 thousand was booked during 1 quarter 2015. As at 31 March 2015 carrying value of these bonds was zero.

Held-to-maturity investment securities comprise the following:

	<i>31 March 2015 (unaudited)</i>		<i>31 December 2014</i>	
	<i>Nominal value</i>	<i>Carrying value</i>	<i>Nominal value</i>	<i>Carrying value</i>
Corporate bonds	503,416	562,500	776,183	820,866
Held-to-maturity investments		562,500		820,866

As at 31 March 2015, held-to-maturity investment securities with a carrying value of UAH 562,500 thousand are pledged as collateral under loans received from the NBU (31 December 2014: UAH 820,866 thousand) (Note 10).

9. Investment property

The movements of investment property are as follows:

	<i>For three months ended 31 March</i>	
	<i>2015</i>	<i>2014</i>
Investment property as at 1 January	1,986,087	3,666,666
Disposals	-	(190)
Investment property as at 31 March	1,986,087	3,666,476

The Bank leased out a portion of its investment property under operating lease agreements. Future minimum receivables under non-cancellable operating leases comprise the following:

	<i>31 March 2015</i> <i>(unaudited)</i>	<i>31 December 2014</i>
Less than 1 year	22,499	15,487
From 1 to 5 years	32,541	20,106
Future minimum receivables under non-cancellable operating lease	55,040	35,593

During three months ended 31 March 2015 the Bank has recognised rental income of UAH 7,615 thousand (three months ended 31 March 2014: UAH 7,807 thousand), included in other income in the consolidated statement of profit and loss (the consolidated income statement).

10. Amounts due to the National Bank of Ukraine

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

	<i>31 March 2015</i> <i>(unaudited)</i>	<i>31 December 2014</i>
Loans due to the National Bank of Ukraine	4,522,074	4,445,182
Repurchase agreements	814,747	801,784
Correspondent account	1,968	2,014
Amounts due to the National Bank of Ukraine	5,338,789	5,248,980

As at 31 March 2015, the Bank entered into repurchase agreements with the NBU for the amount of UAH 814,747 thousand (31 December 2014: UAH 801,784 thousand). The subject of this agreement is Ukrainian state bonds with the fair value of UAH 819,208 thousand (31 December 2014: UAH 808,541 thousand) (Note 8).

Loans due to the NBU are secured with loans to customers (Note 7) and investment securities (Note 8).

11. Amounts due to credit institutions

Amounts due to credit institutions comprise:

	<i>31 March 2015</i> <i>(unaudited)</i>	<i>31 December 2014</i>
Current accounts		
Ukrainian banks	1,752,897	1,888,478
OECD banks	13,274	854
CIS and other banks	1,997	33,365
	1,768,168	1,922,697
Loans and deposits		
OECD banks	4,386,013	3,176,271
International financial institutions	16,715,288	11,191,711

	31 March 2015 (unaudited)	31 December 2014
Ukrainian banks	211,174	264,652
	21,312,475	14,632,634
Other amounts due to credit institutions	1,646	1,124
Amounts due to credit institutions	23,082,289	16,556,455
Held as security against guarantees (Note 15)	43,872	44,557

For the purposes of the consolidated cash flow statement presentation, the Bank allocates funds attracted from credit institutions between operating and financing cash flows. Funds raised from the Ukrainian banks consist of guarantee deposits and are included in the category of funds for operational activities, and funds from foreign banks, received for longer-term funding purposes, for financing activities.

12. Amounts due to customers

Amounts due to customers comprise:

	31 March 2015 (unaudited)	31 December 2014
Current accounts		
Legal entities	13,781,591	10,368,656
Budget organizations	3,295,343	2,390,125
Individuals	3,081,712	2,479,182
Funds under the Bank's management	14,450	17,055
	20,173,096	15,255,018
Time deposits		
Legal entities	35,515,241	27,444,607
Individuals	22,881,689	19,295,504
Budget organizations	19,075	-
	58,416,005	46,740,111
Amounts due to customers	78,589,101	61,995,129
Held as security against loans to customers	914,273	907,144
Held as security against letters of credit (Note 15)	293,565	188,135
Held as security against guarantees and avals (Note 15)	624,045	291,110
Held as security against undrawn loan commitments (Note 15)	764	19,932

13. Eurobonds issued

	31 March 2015 (unaudited)		31 December 2014	
	Nominal value (thousand of USD)	Ca	Nominal value (thousand of USD)	Ca
April 2010 issue	500,000	12,139,997	500,000	7,998,928
October 2010 issue	250,000	6,069,999	250,000	3,999,464
January 2013 issue	500,000	11,842,890	500,000	8,138,406
April 2013 issue	100,000	2,368,578	100,000	1,627,681
Eurobonds issued		32,421,464		21,764,479

In April 2010, the Bank, through BIZ Finance PLC (consolidated structured company registered in the United Kingdom), issued Eurobonds in the form of loan participation notes with a par value of USD 500,000 thousand (UAH 3,996,500 thousand at the exchange rate at the date of issue). The bonds carry a fixed coupon rate of 8.375% p.a. and mature in April 2015.

In October 2010, the Bank, through BIZ Finance PLC, issued Eurobonds in the form of loan participation notes with a par value of USD 250,000 thousand (UAH 1,998,250 thousand at the exchange rate at the date of issue). The bonds carry a fixed coupon rate of 8.375% p.a. and mature in April 2015 and were consolidated and form a single series with the notes issued in

April 2010.

On 27 March 2015 BIZ Finance PLC, at the request and under the instructions of the Bank, commenced consent solicitation from the holders of the notes in order to extend the maturity on the notes by three months and grant certain waivers. For further information refer to Note 19.

In February 2011, the Bank, through BIZ Finance PLC, issued Eurobonds in the form of deposit linked notes in UAH 1,250 thousand denominations with a total nominal value for the issue of UAH 2,385,050 thousand. The bonds carry a fixed coupon rate of 11% p.a. The bonds were repaid on maturity in February 2014.

In January 2013, the Bank, through BIZ Finance PLC, issued Eurobonds in the form of loan participation notes with a par value of USD 500,000 thousand (UAH 3,996,500 thousand at the exchange rate at the date of issue). The bonds carry a fixed coupon rate of 8.75% p.a. and mature in January 2018.

In April 2013, the Bank, through BIZ Finance PLC, issued Eurobonds in the form of loan participation notes with a par value of USD 100,000 thousand (UAH 799,300 thousand at the exchange rate at the date of issue). The bonds carry a fixed coupon rate of 8.75% p.a. The bonds mature in January 2018 and were consolidated and form a single series with the notes issued in January 2013.

All Eurobonds issued are subject to various covenants and restrictions.

14. Equity

As at 31 March 2015, the Bank's authorised issued share capital comprised 14,834,780 (31 December 2014: 11,414,901) ordinary shares with a nominal value of UAH 1,462.04 per share (31 December 2014: 1,462.04 per share). All shares have equal voting rights. As at 31 March 2015 14,834,780 shares were fully paid and registered (31 December 2014: shares were fully paid and registered).

In May 2014, in accordance with the legislation of Ukraine, the Bank made a profit distribution to shareholders in the amount of UAH 100,310 thousand.

In December 2014, according to the Resolution of the Cabinet of Ministers of Ukraine No 713 dated 29 December 2014 the Bank's share capital was increased by UAH 5,000,000 thousand through issue of 3,419,879 new shares with nominal value of UAH 1,462.04 each with 100% of these shares kept by the State. As at 31 December 2014 these shares were not yet registered and therefore were included in "Unregistered contributions to share capital". In March 2015 after shares registration share capital was increased by UAH 5,000,000 thousand.

15. Commitments and contingent liabilities

Commitments and contingent financial liabilities comprise the following:

	<i>31 March 2015</i> <i>(unaudited)</i>	<i>31 December 2014</i>
Letters of credit	312,913	536,425
Guarantees	5,809,066	2,215,425
Avals on promissory notes	69,570	39,835
Undrawn loan commitments	282,638	259,545
	6,474,187	3,051,230
Less – Provisions	(145,485)	(400)
Financial commitments and contingencies (before deducting collateral)	6,328,702	3,050,830
Less — cash held as security against letters of credit, avals and guarantees, and undrawn loan commitments (Notes 11,12)	(962,246)	(543,734)
Financial commitments and contingencies	5,366,456	2,507,096

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

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

	31 March 2015 (unaudited)			31 December 2014		
	Ca		(loss)	Carrying value	Fair value	Unrecognised gain / (loss)
Financial assets						
Cash and cash equivalents	20,966,318	20,966,318	-	16,790,414	16,790,414	-
Amounts due from credit institutions	2,277,317	2,277,317	-	1,850,743	1,850,743	-
Loans to customers	62,507,412	59,877,522	(2,629,890)	49,973,792	47,710,209	(2,263,583)
Securities held to maturity	562,500	554,695	(7,805)	820,866	808,989	(11,877)
Other assets	119,592	119,592	-	48,697	48,697	-
Financial liabilities						
Amounts due to the National Bank of Ukraine	5,338,789	5,338,789	-	5,248,980	5,248,980	-
Amounts due to credit institutions	23,082,289	23,082,289	-	16,556,455	16,556,455	-
Amounts due to customers	78,358,369	78,400,318	(41,949)	61,826,567	61,800,361	26,206
Eurobonds issued	32,421,464	16,313,916	16,107,548	21,764,479	15,474,116	6,290,363
Subordinated debt	8,899,480	7,004,231	1,895,249	6,140,035	5,159,555	980,480
Other liabilities	86,998	86,998	-	66,329	66,329	-
Total unrecognized change in unrealized fair value			15,323,153			5,021,589

The following describes the methodologies and assumptions used to determine fair values for those annual consolidated financial instruments, which 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 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 quoted 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 do to alternative assumptions used in the measurement model:

- Level 1: fair value is measured directly at quoted prices in active markets;
- 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 non-observable inputs that have

material impact on reported fair values of financial instruments. This approach is appropriate for investments in unquoted shares and debt securities.

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

<i>As 31 March 2015 (unaudited)</i>	<i>Fair value recurring measurements</i>		
	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Current accounts with other credit institutions in precious metals	143,084	-	143,084
Investment securities at fair value through profit or loss	11,971,932	-	11,971,932
Available-for-sale investment securities	50,244,126	11,690	50,255,816
Total assets	62,359,142	11,690	62,370,832
Amounts due to customers in precious metals	230,732	-	230,732
Total liabilities	230,732	-	230,732

<i>As 31 December 2014</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Current accounts with other credit institutions in precious metals	116,908	-	116,908
Investment securities at fair value through profit or loss	6,882,115	-	6,882,115
Available-for-sale investment securities	39,938,451	487,748	40,426,199
Total assets	46,937,474	487,748	47,425,222
Amounts due to customers in precious metals	168,562	-	168,562
Total liabilities	168,562	-	168,562

The Bank assesses whether any transfers between levels of the fair value hierarchy are required at the end of each reporting period. During three months ended 31 March 2015, there was no transfer of financial assets to 3d level of the fair value hierarchy. The Bank measures financial assets by discounting cash flows from these instruments using the rates determined based 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 (unaudited):

	<i>Total gain / (loss) recorded in</i>			<i>Proceeds</i>	<i>As at 31 March 2015</i>
	<i>At 01 January 2015</i>	<i>consolidated statement of profit and loss</i>	<i>other compre- hensive income</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

	<i>Total gain / (loss) recorded in</i>			<i>As at 31 March 2014</i>
	<i>At 01 January 2014</i>	<i>consolidated statement of profit and loss</i>	<i>other compre- hensive income</i>	
Available-for-sale investment securities	17,268	-(a)	-	17,268
Total assets	17,268	-	-	17,268

(thousands of Ukrainian hryvnia, unless otherwise stated)

(a)) 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" (for three months ended 31 March 2014 UAH 5,937 thousand included in "Interest income from Investment securities other than designated at fair value through profit or loss", and UAH 472,937 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 31 March 2015 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 31 March 2015 (unaudited)</i>	<i>Carrying value</i>	<i>Valuation technique</i>	<i>Unobservable parameter</i>	<i>Range of parameter values</i>
Available-for-sale investment securities	11,690	Discounted cash flows	Expected profitability Risk factor (probability of default)	Corporate: 5% - 22.14%. Corporate: 0 – 1.0

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

	<i>For three months 2015 (unaudited)</i>		
	<i>R</i>		
Total gains and 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% (31 March 2014: +/- 10%) of the level as at the end of the reporting period.

17. Related party disclosures

In accordance with IAS 24 "Related Party Disclosures", parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making 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 31 March 2015 and 31 December 2014, and related income and expense for three months then ended are as follows:

	<i>31 March 2015 (unaudited)</i>	<i>31 December 2014</i>
	<i>Key management personnel</i>	<i>Key management personnel</i>
Current accounts	28,404	18,160
Time deposits	1,506	6,016
Amounts due to customers	29,910	24,176
Interest income on loans	-	1

	31 March 2015 (unaudited)	31 December 2014
	Key management personnel	Key management personnel
Interest expense on customers' deposits	(35)	(555)
Translation differences	(10,346)	(5,312)

The total remuneration and other benefits paid to key management personnel for three months ended 31 March 2015 is UAH 5,191 thousand (including UAH 70 thousand of payment to the non-state pension fund) (for three months ended 31 March 2014: UAH 5,290 thousand (including UAH 95 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 it. The Bank provides the government-related entities with a full range of banking service including, but not limited to, lending, deposit-taking, issue of guarantees, transactions with securities, cash and settlement transactions.

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

Client	Sector	Cash and cash equivalents	Loans to customers	Amounts due to customers	Amounts due to the NBU	Guaran- tees issued
Client 1	State entities	-	-	1,976,931	-	-
Client 2	Finance	2,823,571	-	-	5,338,789	-
Client 3	Finance	793,470	-	-	-	-
Client 4	Extractive industry	-	9,057,037	-	-	-
Client 5	Extractive industry	-	1,053,780	-	-	-
Client 6	Agriculture and food industry	-	-	25,678,454	-	-
Client 7	Road construction	-	1,732,767	-	-	-
Client 8	Trade	-	-	-	-	248,303
Client 9	Trade	-	-	-	-	1,521,756
Client 10	Power engineering	-	2,117,006	-	-	-
Client 11	Mechanical engineering	-	1,326,895	-	-	461,068
Client 12	Transport and communications	-	996,456	-	-	-
Other	-	-	660,403	7,856,490	-	-

Balances with government-related entities which are individually significant in terms of the carrying amount as at 31 December 2014 are disclosed below:

Client	Sector	Cash and cash equivalents	Due from credit institutions	Loans to customers	Amounts due to customers	Amounts due to the NBU	Guaran- tees issued
Client 1	State entities	-	-	-	1,395,399	-	-
Client 2	Finance	2,128,691	-	-	-	5,248,980	-
Client 3	Finance	-	790,000	-	-	-	-
Client 4	Extractive industry	-	-	6,214,992	-	-	-
Client 5	Extractive industry	-	-	708,723	-	-	-
Client 6	Agriculture and food industry	-	-	-	16,507,911	-	-
Client 7	Road construction	-	-	2,067,172	-	-	-
Client 8	Trade	-	-	-	-	-	168,001
Client 9	Trade	-	-	-	518,716	-	650,822
Client 14	Trade	-	-	-	448,793	-	-
Client 10	Power engineering	-	-	1,330,652	-	-	36,482
Client 11	Mechanical engineering	-	-	1,044,373	-	-	315,295
Client 12	Transport and communications	-	-	712,751	-	-	-
Client 13	Transport and communications	-	-	-	467,988	-	-
Other	-	-	-	603,443	4,243,958	-	-

(thousands of Ukrainian hryvnia, unless otherwise stated)

For the three-month period ended 31 March 2015, the Bank recorded UAH 221,777 thousand (three months 2014: UAH 315,052 thousand) of interest income and UAH 590,978 thousand (three months 2014: UAH 403,368 thousand) of interest expenses from transactions with the government-related entities.

As at 31 March 2015 and 31 December 2014, the Bank's investments in debt securities issued by the government or the government-related corporate entities were as follows:

	31 March 2015 (unaudited)	31 December 2014
Available-for-sale investment securities	44,871,562	34,585,181
Investment securities at fair value through profit or loss	11,971,932	6,882,115
Investment securities held to maturity	562,500	820,866

For the three-month period ended 31 March 2015, the Bank recorded UAH 862,062 thousand (for the three month period 2014: UAH 349,726 thousand) of interest income from transactions with government bonds, and UAH 74,923 thousand from transactions with other investment securities (for the three-month period 2014: UAH 295,293 thousand) and UAH 5,953 thousand of interest income from operations with the NBU deposit certificates with maturity up to 90 days (for the three month period 2014: UAH 0 thousand).

18. Capital adequacy

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

As at 31 March the Bank's regulatory capital adequacy ratio on this basis was as follows:

	31 March 2015 (unaudited)	31 December 2014
Main capital	6,179,225	10,918,490
Additional capital	6,179,225	5,646,643
Total capital	12,358,449	16,565,133
Risk weighted assets	113,892,121	89,483,029
Capital adequacy ratio	10.85%	18.51%

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 year profit, subordinated debt and retained earnings. For Regulatory capital calculation purposes the qualifying Tier 2 capital amount is limited to 100% of Tier 1 capital.

Capital adequacy ratio under Basel Capital Accord 1988

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

	31 March 2015 (unaudited)	31 December 2014
Tier 1 capital	5,538,938	10,319,983
Tier 2 capital	3,894,113	4,803,520
Total capital	9,433,051	15,123,503
Risk weighted assets	93,867,348	84,901,881
Tier 1 capital ratio	5.90%	12.16%
Total capital ratio	10.05%	17.81%

As disclosed in Note 8, 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 United States dollar per month, prior to the month of issue, and the average exchange rate of Hryvnia to United States dollar per month, prior to maturity month. In 2015 there was repayment of part of these bonds and the Bank realised in cash the respective difference in exchange rate. 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.

19. Subsequent events

On 27 April 2015 holders of the USD 750,000,000 8.375 per cent. Loan Participation Notes due 2015 issued by Biz Finance PLC (the "Notes") approved the Extraordinary Resolution set out in the consent solicitation memorandum dated 27 March 2015. By approving the Extraordinary Resolution, holders of the Notes have, among other things, consented to extension of the maturity of the Notes and the underlying loan to 27 July 2015. At the date of issue of these financial statements, the Bank is taking measures for reprofiling of these notes with extension of maturity for seven years.

Also on 27 April 2015 the Bank paid the coupon on the Notes totalling USD 31,4 million.

After the reporting date exchange rate of the Ukrainian hryvnia strengthened against major currencies, the exchange rate reached UAH 21.04 per USD 1 as of 28 May 2015 compared to UAH 23.44 per USD 1 as at 31 March 2015. The stabilization of the Ukrainian hryvnia's exchange rate had positive impact on the financial performance of the Bank. As a result of these positive changes, regulatory capital adequacy ratio as at 20 May 2015 amounted to 12.27% compared to 10.85% as at 31 March 2015.