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

As at 30 June 2014

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 2014 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 condensed interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this condensed interim 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 condensed interim 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 condensed interim financial information. 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)

12 September 2014
Kyiv, Ukraine

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2014

(thousands of Ukrainian hryvnia)

	Notes	*30 June 2014 (unaudited)*	*31 December 2013*
Assets			
Cash and cash equivalents	4	9,481,351	8,321,070
Mandatory reserves with the National Bank of Ukraine	5	588,519	740,957
Due from credit institutions	6	1,346,918	1,005,655
Loans to customers	7	51,758,231	41,624,943
Investment securities:			
- designated at fair value through profit or loss	8	5,378,834	3,540,585
- available-for-sale	8	33,454,650	29,575,699
- held-to-maturity	8	1,365,473	1,370,663
Income tax assets		702,970	639,420
Investment property	9	3,714,482	3,666,666
Property and equipment		2,254,740	2,272,163
Intangible assets		15,152	14,696
Deferred income tax assets		79,550	82,963
Other assets		441,327	419,289
Total assets		**110,582,197**	**93,274,769**
Liabilities			
Amounts due to the National Bank of Ukraine	10	6,543,108	9,223,005
Amounts due to credit institutions	11	12,864,196	8,155,881
Amounts due to customers	12	52,391,197	41,461,040
Eurobonds issued	13	16,299,117	13,519,313
Current income tax liabilities		29,763	32,703
Subordinated debt		4,605,427	3,112,441
Other liabilities		241,377	159,065
Total liabilities		**92,974,185**	**75,663,448**
Equity			
Share capital	14	16,689,042	16,514,051
Revaluation reserves		997,620	974,461
Accumulated deficit		(229,853)	(28,394)
Reserve and other funds		151,203	151,203
Total equity		**17,608,012**	**17,611,321**
Total equity and liabilities		**110,582,197**	**93,274,769**

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

Oleksandr Hrytsenko — Chairman of the Board

Natalia Potemska — Chief Accountant

12 September 2014

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS

For six months ended 30 June 2014

(thousands of Ukrainian hryvnia)

	Notes	For six months ended 30 June 2014	2013 (unaudited)
Interest income			
Loans to customers		2,854,347	2,593,028
Investment securities other than designated at fair value through profit or loss		1,787,934	1,497,037
Due from credit institutions		79,427	74,349
Amounts due from the National Bank of Ukraine		6,041	3,237
		4,727,749	4,167,651
Investment securities designed at fair value through profit or loss		153,410	153,413
		4,881,159	**4,321,064**
Interest expense			
Amounts due to customers		(1,800,439)	(1,307,292)
Eurobonds issued		(632,386)	(529,839)
Amounts due to the National Bank of Ukraine		(565,578)	(329,372)
Amounts due to credit institutions		(198,792)	(167,054)
Subordinated debt		(237,919)	(162,036)
		(3,435,114)	**(2,495,593)**
Net interest income		**1,446,045**	**1,825,471**
Allowance for loan impairment charge	6,7	(1,396,166)	(1,426,559)
Net interest income after allowance for loan impairment		**49,879**	**398,912**
Commission income		264,013	228,086
Commission expense		(76,815)	(54,620)
Net commission income		**187,198**	**173,466**
Net profit from investment securities designated at fair value through profit and loss:			
- change in fair value		1,839,102	3,397
Net gains/(losses) from available-for-sale investment securities:			
- dealing		12,855	27,207
- losses on impairment		(9,748)	(32,025)
Net gains/(losses) from foreign currencies:			
- dealing		344,746	154,302
- translation differences		(1,676,095)	(3,728)
Net gains/(losses) from precious metals:			
- dealing		5,831	1,628
- translation differences		21,508	(10,091)
Other income		50,906	25,486
Non-interest income		**589,105**	**166,176**
Personnel expenses		(465,708)	(403,932)
Depreciation and amortisation		(50,677)	(46,272)
Other operating expenses		(257,417)	(160,338)
Other impairment and provisions		12,914	(5,111)
Non-interest expense		**(760,888)**	**(615,653)**
Income before tax		**65,294**	**122,901**
Income tax expense		(16,160)	(35,227)
Profit for the period		**49,134**	**87,674**

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For six months ended 30 June 2014
(thousands of Ukrainian hryvnia)

	For six months ended 30 June	
	2014	*2013*
	(unaudited)	
Profit for the period	**49,134**	**87,674**
Other comprehensive income:		
Other comprehensive income to be reclassified through the statement of profit and loss:		
Net gains on investment securities available-for-sale	77,738	111,966
Net gains on investment securities available-for-sale reclassified to the statement of profit and loss	(12,855)	(27,207)
Income tax relating to components of other comprehensive income	(13,270)	(8,476)
Other comprehensive income not to be reclassified through the statement of profit and loss:		
Income tax relating to components of other comprehensive income	(3,746)	-
Other comprehensive income for the period, net of tax	**47,867**	**76,283**
Total comprehensive income for the period	**97,001**	**163,957**

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For six months ended 30 June 2014

(thousands of Ukrainian hryvnia)

	Share capital	*Revaluation reserves*	*Accumulated deficit*	*Reserve and other funds*	*Total*
At 1 January 2013	**17,160,050**	**914,633**	**(840,431)**	**146,232**	**17,380,484**
Profit for the period	-	-	87,674	-	87,674
Other comprehensive income for the period	-	76,283	-	-	76,283
Total comprehensive income for the period	**-**	**76,283**	**87,674**	**-**	**163,957**
Depreciation of revaluation reserve, net of tax	-	(8,235)	8,235	-	-
Distribution of profit to the shareholder	-	-	(46,088)	-	(46,088)
At 30 June 2013 (unaudited)	**17,160,050**	**982,681**	**(790,610)**	**146,232**	**17,498,353**
At 1 January 2014	**16,514,051**	**974,461**	**(28,394)**	**151,203**	**17,611,321**
Profit for the period	-	-	49,134	-	49,134
Other comprehensive income for the period	-	47,867	-	-	47,867
Total comprehensive income for the period	**-**	**47,867**	**49,134**	**-**	**97,001**
Depreciation of revaluation reserve, net of tax	-	(8,193)	8,193	-	-
Realised revaluation reserve on property transferred to accumulated deficit	-	(16,515)	16,515	-	-
Increase in share capital	174,991	-	(174,991)	-	-
Distribution of profit to the shareholder	-	-	(100,310)	-	(100,310)
At 30 June 2014 (unaudited)	**16,689,042**	**997,620**	**(229,853)**	**151,203**	**17,608,012**

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For six months ended 30 June 2014
(thousands of Ukrainian hryvnia)

	For six months ended 30 June *2014*	*2013*
	(unaudited)	
Cash flows from operating activities		
Interest received	4,074,909	3,641,249
Interest paid	(3,158,970)	(2,197,590)
Commissions received	261,849	228,086
Commissions paid	(76,815)	(54,620)
Result from dealing in foreign currencies and precious metals	350,577	155,930
Personnel expenses	(446,204)	(393,743)
Other operating income	50,550	25,294
Other operating and administrative expenses	(241,035)	(159,283)
Cash flow from operating activities before changes in operating assets and liabilities	**814,861**	**1,245,323**
Net (increase)/decrease in operating assets:		
Due from credit institutions	(32,961)	146,787
Deposit with the National Bank of Ukraine	168,043	249,345
Loans to customers	124,410	933,451
Other assets	10,522	(54,153)
Net increase / (decrease) in operating liabilities:		
Amounts due to credit institutions	959,849	(239,744)
Amounts due to the National Bank of Ukraine	(2,895,352)	(383,085)
Due to customers	(217,791)	(1,084,097)
Other liabilities	56,617	(37,924)
Net cash flows from operating activities (paid)/received before income tax	**(1,011,802)**	**775,903**
Income tax paid	(96,254)	(38,197)
Net cash flows from operating activities (paid)/received	**(1,108,056)**	**737,706**
Cash flows from investing activities		
Proceeds from sale and redemption of investment securities	10,288,102	10,433,907
Purchase of investment securities	(7,329,547)	(26,786,227)
Purchases of property, equipment and intangible assets	(84,894)	(23,319)
Proceeds from sale of property and equipment	8	190
Purchase of investment property	(6,937)	-
Proceeds from sale of investment property	302	1,267
Net cash flows from/(used in) investing activities	**2,867,034**	**(16,374,182)**
Cash flows from financing activities		
Distribution of profit to the shareholder	(100,310)	(46,088)
Proceeds from Eurobonds issued	-	4,794,839
Proceeds from borrowings from credit institutions	1,553,084	933,227
Repayment of borrowings from credit institutions	(2,020,615)	(1,453,174)
Redemption of Eurobonds issued	(2,385,050)	-
Net cash flows (used in)/from financing activities	**(2,952,891)**	**4,228,804**
Effect of exchange rates changes on cash and cash equivalents	2,354,194	(85,887)
Net change in cash and cash equivalents	**1,160,281**	**(11,493,559)**
Cash and cash equivalents, 1 January (Note 4)	**8,321,070**	**19,197,296**
Cash and cash equivalents, 30 June (Note 4)	**9,481,351**	**7,703,737**

1. Principal activities

Joint Stock Company "The State Export-Import Bank of Ukraine" (hereinafter – "UkrEximBank" or the "Bank") was founded in 1992 and registered by the National Bank of Ukraine ("NBU") on 23 January 1992. The Bank was reregistered as a public joint stock company on 18 September 2000. UkrEximBank operates under a general banking licence No. 2 that was extended by the NBU on 5 October 2011. The licence allows the Bank to conduct banking operations, including foreign currency transactions.

As at 30 June 2014 and 31 December 2013, 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. The Bank has 27 branches and 93 operating outlets (2013: 29 branches and 96 operating outlets) located in Kyiv and other regions of Ukraine 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. Loans are issued to different local enterprises under separate loan agreements signed between UkrEximBank and Ukrainian businesses.

The Letter of the Cabinet of Ministers of Ukraine dated 4 August 1995, which was formalised as an Agency Agreement on 19 September 1996, confirms UkrEximBank's commitment to act as an agent, on behalf of the Ukrainian Government, with respect to the above transactions. Therefore, credit exposures and related risks are the responsibility 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 2014 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 2013, 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 2013, 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 2013 and income taxes as described below.

The new standards, amendments to the standards and interpretations which are effective for the Bank from 1 January 2014 and have been disclosed in the Bank's consolidated financial statements for the year ended 31 December 2013 do not have any material impact on these interim condensed consolidated financial statements.

Income taxes. Income tax expense is recognized in each interim period based on the best estimate of the weighted average effective annual income tax rate expected for the full financial year. Amounts accrued for income tax expense in one interim period may have to be adjusted in a subsequent interim period of that financial year if the estimate of the weighted average effective annual income tax rate changes. Interim period income tax expense is accrued using the tax rate that would be applicable to expected total annual earnings, that is, the estimated average annual effective income tax rate is applied to the pre-tax income of the interim period.

Operating environment

The Ukrainian economy while deemed to be of market status continues to display certain characteristics consistent with that of an economy in transition. These characteristics include low levels of liquidity in the capital markets and the existence of currency controls which cause the national currency to be illiquid outside of Ukraine. The stability of the Ukrainian economy will be significantly impacted by the duration and implications of the conflict in the east of the country and Government's policies and actions 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. 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. 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, there continues to be uncertainty regarding access to capital and its cost for the Bank and its counterparties, which could have 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 potential 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 and other liabilities. After receiving the relevant information, the Bank promptly revises its estimates of expected future cash flows in impairment assessments.

Below are presented the Bank's assets and liabilities that are accounted at the branches situated in Donetsk, Lugansk and Mariupol cities as at 30 June 2014 (in thousands of Ukrainian hryvnias):

-	Cash and cash equivalents	23,577
-	Loans and advances to customers (after excluding loan loss provision)	1,226,325
-	Property and equipment	87,722
-	Amounts due to customers	2,399,782

Whilst management takes 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 in a manner not currently determinable.

As at 30 June 2014, the official NBU exchange rate of the Ukrainian hryvnia against US dollar was UAH 11.823 per USD 1 compared to UAH 7.993 per USD 1 as at 31 December 2013. According to the State Statistics Service of Ukraine, for the second quarter 2014, real GDP fell by 4.7% compared to the second quarter 2013. Industrial production in January-June 2014 decreased by 4.7% compared to January-June 2013.

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 2015 or later, and which the Bank has not early adopted.

IFRS 9 "Financial Instruments: Classification and Measurement" (issued 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 consolidated 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. The Bank does not expect the amendments to have any impact on its consolidated financial statements.

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 consolidated 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 does not expect the new standard to have any impact on its consolidated financial statements.

(thousands of Ukrainian hryvnia, unless otherwise stated)

Agriculture: Bearer plants - Amendments to IAS 16 and IAS 41 (issued on 30 June 2014 and effective for annual periods beginning 1 January 2016). The amendments change the financial reporting for bearer plants, such as grape vines, rubber trees and oil palms, which now should be accounted for in the same way as property, plant and equipment because their operation is similar to that of manufacturing. Consequently, the amendments include them within the scope of IAS 16, instead of IAS 41. The produce growing on bearer plants will remain within the scope of IAS 41. The Bank does not expect the amendments to have any impact on its consolidated 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. The Bank does not expect the amendments to have any impact on its consolidated financial statements.

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.
Unallocated amounts	Other amounts that do not have clear allocation.

Management 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 differently from profit or loss in the consolidated financial statements. Income taxes are accounted for on a group basis and are not allocated to operating segments.

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.

For segment analysis purposes, fair value gains from investment securities designated at fair value through profit or loss which result from revaluation of government bonds indexed according to changes in the foreign exchange rate (refer to Note 8 for details) are included in unallocated amounts similarly to the net result from dealing in foreign currencies.

During six months ended 30 June 2014 and 2013, 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 988,434 thousand (6 months 2013: UAH 728,991 thousand). Revenues from transactions with the external customer are reflected in the segment "Inter-bank and investments business".

The Bank and its subsidiaries are located in Ukraine and almost 100% of the consolidated revenue is generated in Ukraine.

The following table presents income and expenses, certain asset and liabilities information regarding the Bank's operating segments for six months ended 30 June 2014 (unaudited):

(thousands of Ukrainian hryvnia, unless otherwise stated)

	Retail banking	*Corporate banking*	*Inter-bank and investments business*	*Unallocated*	*Total*
External					
Interest income	97,854	2,829,878	1,953,427	-	4,881,159
Commission income	137,120	119,236	7,657	-	264,013
Other income	6,597	18,153	22,519	3,637	50,906
Net gain from foreign currencies	90,816	42,217	244,404	-	377,437
Net gain from precious metals	4,213	-	12,137	10,989	27,339
Gain from investment securities available-for-sale	-	-	12,855	-	12,855
Gain from changes in the fair value of investment securities designated at fair value through profit and loss	-	-	2	1,839,100	1,839,102
Reversal of provisions for loan impairment	3,953	-	-	-	3,953
Reversal of provisions for impairment of other assets and for covering other losses	-	-	17,595	-	17,595
Income from other segments	**1,210,999**	**1,016,804**	**1,778,420**	**(4,006,223)**	**-**
Total income	**1,551,552**	**4,026,288**	**4,049,016**	**(2,152,497)**	**7,474,359**
Interest expenses	(973,229)	(803,450)	(1,658,435)	-	(3,435,114)
Commission expense	(44,201)	(26,423)	(6,075)	(116)	(76,815)
Loan impairment charge	-	(1,389,534)	(10,585)	-	(1,400,119)
Net loss from foreign currencies	-	-	-	(1,708,786)	(1,708,786)
Loss from investment securities available-for-sale	-	-	(9,748)	-	(9,748)
Personnel expenses	(213,752)	(141,461)	(46,323)	(64,172)	(465,708)
Depreciation and amortisation	(33,065)	(12,629)	(1,987)	(2,996)	(50,677)
Other operating expenses	(136,421)	(15,845)	(78,804)	(26,347)	(257,417)
Charge for impairment of other assets and for covering other losses	(426)	(1,607)	-	(2,648)	(4,681)
Expenses from other segments	(110,416)	(2,847,188)	(1,929,542)	4,887,146	-
Segment results	**40,042**	**(1,211,849)**	**307,517**	**929,584**	**65,294**
Income tax expense					(16,160)
Profit for the period					**49,134**
Assets and liabilities as at 30 June 2014					
Segment assets	4,481,230	55,451,946	49,626,325		109,559,501
Unallocated assets				1,022,696	1,022,696
Total assets					**110,582,197**
Segment liabilities	23,820,665	28,559,489	40,531,341		92,911,495
Unallocated liabilities				62,690	62,690
Total liabilities					**92,974,185**
Other segment information					
Capital expenditure	(32,969)	(12,468)	(2,155)	(3,249)	(50,841)

(thousands of Ukrainian hryvnia, unless otherwise stated)

The major part of the fair value gain from investment securities designated at fair value through profit or loss for six months ended 30 June 2014 is attributable to revaluation of government bonds indexed according to changes in the foreign exchange rate.

The following table presents income and profit for six months ended 30 June 2013 and certain asset and liabilities information regarding the Bank's operating segments as at 31 December 2013:

	Retail banking	*Corporate banking*	*Inter-bank and investments business*	*Unallocated*	*Total*
External					
Interest income	123,413	2,544,930	1,652,721	-	4,321,064
Commission income	115,602	100,986	11,498	-	228,086
Other income	5,072	1,425	15,699	3,290	25,486
Net gain from foreign currencies	22,963	56,674	84,142	-	163,779
Net gain from precious metals	2,333	-	-	-	2,333
Gain from investment securities available-for-sale	-	-	27,207	341	27,548
Gain from changes in the fair value of investment securities designated at fair value through profit and loss	-	-	3,397	-	3,397
Reversal of provisions for loan impairment	47,628	-	-	-	47,628
Reversal of provisions for impairment of other assets and for covering other losses	-	2,442	-	-	2,442
Income from other segments	**996,483**	**600,329**	**1,582,163**	**(3,178,975)**	**-**
Total income	**1,313,494**	**3,306,786**	**3,376,827**	**(3,175,344)**	**4,821,763**
Interest expenses	(839,763)	(441,226)	(1,214,604)	-	(2,495,593)
Commission expense	(33,326)	(18,260)	(3,034)	-	(54,620)
Loan impairment charge	-	(1,474,187)	-	-	(1,474,187)
Net loss from foreign currencies	-	-	-	(13,205)	(13,205)
Net loss from precious metals	-	-	(6,354)	(4,442)	(10,796)
Loss from investment securities available-for-sale	-	-	(32,366)	-	(32,366)
Personnel expenses	(190,635)	(110,728)	(39,944)	(62,625)	(403,932)
Depreciation and amortisation	(31,387)	(9,350)	(1,677)	(3,858)	(46,272)
Other operating expenses	(56,227)	(632)	(22,662)	(80,817)	(160,338)
Charge for impairment of other assets and for covering other losses	(1,609)	-	(103)	(5,841)	(7,553)
Expenses from other segments	(102,406)	(2,590,152)	(1,683,656)	4,376,214	-
Segment results	**58,141**	**(1,337,749)**	**372,427**	**1,030,082**	**122,901**
Income tax expense					(35,227)
Profit for the period					**87,674**
Assets and liabilities as at 31 December 2013					
Segment assets	4,651,579	45,432,676	42,278,145		92,362,400
Unallocated assets				912,369	912,369
Total assets					**93,274,769**
Segment liabilities	21,214,096	20,135,258	34,257,213		75,606,567
Unallocated liabilities				56,881	56,881
Total liabilities					**75,663,448**
Other segment information					
Capital expenditure	(20,930)	(4,912)	(1,002)	(2,304)	(29,148)

(thousands of Ukrainian hryvnia, unless otherwise stated)

4. Cash and cash equivalents

Cash and cash equivalents comprise:

	30 June 2014 (unaudited)	*31 December 2013*
Current accounts with other credit institutions	5,779,323	3,734,311
Overnight deposits with other credit institutions	1,460,919	472,778
Current account with the National Bank of Ukraine (other than mandatory reserve)	1,145,739	1,859,740
Cash on hand	664,954	977,242
Time deposits with credit institutions up to 90 days	430,416	1,276,999
Cash and cash equivalents	**9,481,351**	**8,321,070**

5. Mandatory reserves with the National Bank of Ukraine

Since February 2014 Ukrainian banks are required to keep 20% of the mandatory reserve for the previous month on a separate account with the NBU (2013: 50%, since October 2013: 40%). The interest rate for this mandatory reserve is 30% of the official NBU discount rate. As at 30 June 2014, the amount placed by the Bank on this account, was UAH 587,366 thousand (31 December 2013: UAH 629,753 thousand). The Bank's ability to withdraw this deposit is restricted by regulatory and legislative provisions. Since October 2013, 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". As at 30 June 2014, Ukrainian state bonds with a carrying value of UAH 22,270,010 thousand (31 December 2013: UAH 15,016,084 thousand) were used by the Bank to cover its NBU mandatory reserve requirement (Note 8).

Since August 2008, Ukrainian banks are 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. As at 30 June 2014, the amount placed by the Bank on this account, was UAH 1,153 thousand (31 December 2013: UAH 6,312 thousand). The Bank's ability to withdraw this deposit is restricted by regulatory and legislative provisions.

As at 30 June 2014 and 31 December 2013, the Bank meets all the NBU's mandatory reserve requirements.

6. Due from credit institutions

Amounts due from credit institutions comprise:

	30 June 2014 (unaudited)	*31 December 2013*
Loans and deposits due to other banks		
Ukrainian banks	1,120,529	827,505
OECD banks	94,953	61,272
CIS and other banks	2,827	1,912
	1,218,309	**890,689**
Amounts due from other credit institutions		
Current accounts with other credit institutions in precious metals	152,416	123,603
Other amounts due from credit institutions	3,730	2,905
	156,146	**126,508**
	1,374,455	**1,017,197**
Less: Allowance for impairment	(27,537)	(11,542)
Due from credit institutions	**1,346,918**	**1,005,655**

(thousands of Ukrainian hryvnia, unless otherwise stated)

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

	Due from credit institutions
At 01 January 2014	**11,542**
Charge for the period	10,585
Translation differences	5,410
At 30 June 2014 (unaudited)	**27,537**
At 01 January 2013	17,028
Charge for the period	69
Translation differences	(69)
At 30 June 2013 (unaudited)	**17,028**

7. Loans to customers

Loans to customers comprise:

	30 June 2014 (unaudited)	*31 December 2013*
Commercial loans	62,195,081	49,901,320
Overdrafts	316,007	420,975
Promissory notes	46,056	40,170
Financial lease receivables	21,384	21,207
	62,578,528	**50,383,672**
Less: Allowance for impairment	(10,820,297)	(8,758,729)
Loans to customers	**51,758,231**	**41,624,943**

Loans have been extended to the following types of customers:

	30 June 2014 (unaudited)	*31 December 2013*
Private entities	49,751,289	39,575,472
State entities	11,421,457	9,524,472
Individuals	862,469	737,902
Municipal entities	543,313	545,826
Total loans to customers	**62,578,528**	**50,383,672**

As at 30 June 2014, loans to customers with a carrying value of UAH 6,467,411 thousand are pledged as collateral for loans received from the NBU (31 December 2013: UAH 5,462,087 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*
At 01 January 2014	**8,711,816**	**6,684**	**10,608**	**29,621**	**8,758,729**
Charge/(reversal) for the period	1,387,435	(3,321)	1,024	443	1,385,581
Recoveries	38,990	-	-	-	38,990
Amounts written off	(1,055,602)	-	-	-	(1,055,602)
Translation differences	1,692,599	-	-	-	1,692,599
At 30 June 2014 (unaudited)	**10,775,238**	**3,363**	**11,632**	**30,064**	**10,820,297**

(thousands of Ukrainian hryvnia, unless otherwise stated)

	Commercial loans	*Overdrafts*	*Financial lease receivables*	*Promissory notes*	*Total*
At 01 January 2013	9,115,437	1,160	10,522	5,625	9,132,744
Charge for the period	1,397,422	6,349	780	21,939	1,426,490
Recoveries	6,794	-	-	-	6,794
Amounts written off	(884,326)	-	-	-	(884,326)
Translation differences	(16,136)	-	-	-	(16,136)
At 30 June 2013 (unaudited)	**9,619,191**	**7,509**	**11,302**	**27,564**	**9,665,566**

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 an extremely high 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, ratings A and B mean the minimum level of credit risk. Other borrowers with good financial position and quality of debt servicing are included in the credit ratings of C. Ratings of D and lower 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. Ratings E and F or no rating mean that there is a high probability of default of a loan, the borrower's activity is poor, loss making or ceased.

	Neither past due nor individually impaired			*Past due or individually impaired*		
At 30 June 2014	*Rating A and B*	*Rating C*	*Rating D and lower*	*Rating D and higher*	*Rating E and F or no rating*	*Total*
Loans to corporate customers:						
Commercial loans	3,015,607	24,229,795	15,189,055	10,236,159	8,662,035	61,332,651
Overdrafts	88,169	191,251	36,254	-	294	315,968
Finance lease receivables	-	-	-	750	20,634	21,384
Promissory notes	-	14,565	1,631	-	29,860	46,056
	3,103,776	24,435,611	15,226,940	10,236,909	8,712,823	61,716,059
Loans to individuals	142,615	74,549	106,296	258,441	280,568	862,469
Total	**3,246,391**	**24,510,160**	**15,333,236**	**10,495,350**	**8,993,391**	**62,578,528**
Allowance for impairment	(16,928)	(260,778)	(447,560)	(2,813,930)	(7,281,101)	(10,820,297)
Total after allowance for impairment	**3,229,463**	**24,249,382**	**14,885,676**	**7,681,420**	**1,712,290**	**51,758,231**

	Neither past due nor individually impaired			*Past due or individually impaired*		
At 31 December 2013	*Rating A and B*	*Rating C*	*Rating D and lower*	*Rating D and higher*	*Rating E and F or no rating*	*Total*
Loans to corporate customers:						
Commercial loans	3,074,314	25,288,813	6,298,716	8,702,797	5,798,788	49,163,428
Overdrafts	33,051	167,093	220,821	-	-	420,965
Finance lease receivables	-	9,664	-	-	11,543	21,207
Promissory notes	-	10,674	-	29,496	-	40,170
	3,107,365	25,476,244	6,519,537	8,732,293	5,810,331	49,645,770
Loans to individuals	164,935	86,407	149,764	166,345	170,451	737,902
Total	**3,272,300**	**25,562,651**	**6,669,301**	**8,898,638**	**5,980,782**	**50,383,672**
Allowance for impairment	(17,734)	(276,149)	(212,214)	(3,546,482)	(4,706,150)	(8,758,729)
Total after allowance for impairment	**3,254,566**	**25,286,502**	**6,457,087**	**5,352,156**	**1,274,632**	**41,624,943**

(thousands of Ukrainian hryvnia, unless otherwise stated)

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:

At 30 June 2014	*Less than 30 days*	*31 to 60 days*	*61 to 90 days*	*Over 90 days*	*Total*
Loans to customers:					
Loans to corporate customers	126,215	73,800	44,618	170,078	414,711
Loans to individuals	13,469	46,332	1,893	3,266	64,960
Total	**139,684**	**120,132**	**46,511**	**173,344**	**479,671**

At 31 December 2013	*Less than 30 days*	*31 to 60 days*	*61 to 90 days*	*Over 90 days*	*Total*
Loans to customers:					
Loans to corporate customers	463,880	60,055	1,610	169,537	695,082
Loans to individuals	5,942	445	208	485	7,080
Total	**469,822**	**60,500**	**1,818**	**170,022**	**702,162**

8. Investment securities

As at 30 June 2014, 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.

As at 31 December 2013, investment securities designated at fair value through profit and loss, with a carrying value of UAH 307,463 thousand are pledged as collateral under repurchase agreements with the NBU.

As at 31 December 2013, investment securities designated at fair value through profit and loss, with a carrying value of UAH 1,038,267 thousand are pledged as collateral for loans received from the NBU (Note 10).
Available-for-sale investment securities comprise:

	30 June 2014 (unaudited)	*31 December 2013*
Government bonds	22,390,981	17,892,254
Corporate bonds	7,797,850	8,416,862
Municipal bonds	3,247,958	3,249,315
Corporate shares	17,861	17,268
Investment securities available for sale	**33,454,650**	**29,575,699**

As at 30 June 2014, Ukrainian state bonds classified as available-for-sale investment securities with a carrying value of UAH 22,270,010 thousand (31 December 2013: UAH 15,016,084 thousand) are used by the Bank for the partial fulfilment of the requirements for the mandatory reserves of the NBU (Note 5).

As at 30 June 2014, available-for-sale investment securities with a carrying value of UAH 4,867,929 thousand are pledged as collateral under loans received from the NBU (31 December 2013: UAH 4,038,764 thousand).

(thousands of Ukrainian hryvnia, unless otherwise stated)

As at 31 December 2013, available-for-sale investment securities with a carrying value of UAH 1,836,421 thousand are pledged as collateral under repurchase agreements with the NBU (Note 10).

Held-to-maturity investment securities comprise the following:

	30 June 2014 (unaudited)		*31 December 2013*	
	Nominal value	*Carrying value*	*Nominal value*	*Carrying value*
Municipal bonds	-	-	90,000	91,085
Corporate bonds	1,244,943	1,365,473	1,244,943	1,297,814
		1,365,473		**1,388,899**
Less: Allowance for impairment		-		(18,236)
Held-to-maturity investments		**1,365,473**		**1,370,663**

As at 30 June 2014, investment securities held to maturity with a carrying value of UAH 1,365,473 thousand are pledged as collateral under loans received from the NBU (31 December 2013: UAH 1,297,814 thousand) (Note 10).

9. Investment property

The movements in investment property are as follows:

	For six months ended 30 June 2014	*2013*
	(unaudited)	
Investment property as at 1 January	**3,666,666**	**3,707,841**
Transfers from PPE	41,156	-
Additions	6,937	-
Disposals	(277)	(1,254)
Investment property as at 30 June	**3,714,482**	**3,706,587**

As at 30 June 2014, the Bank sold investment property items with the gain of UAH 25 thousand (six months ended 30 June 2013: UAH 13 thousand).

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

	30 June 2014 (unaudited)	*31 December 2013*
Less than 1 year	19,616	20,442
1 to 5 years	25,368	24,011
Future minimum payments under non-cancellable operating lease agreements	**44,984**	**44,453**

During six months ended 30 June 2014 the Bank recognised rental income of UAH 15,540 thousand (six months ended 30 June 2013: UAH 15,079 thousand), included in other income in the consolidated statement of profit and loss.

(thousands of Ukrainian hryvnia, unless otherwise stated)

10. Amounts due to the National Bank of Ukraine

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

	30 June 2014 (unaudited)	*31 December 2013*
Loans received	6,540,933	7,111,848
Repurchase agreements	-	2,108,803
Correspondent account	2,175	2,354
Amounts due to the National Bank of Ukraine	**6,543,108**	**9,223,005**

As at 30 June 2014 and 31 December 2013, loans from the NBU were collateralised by loans to customers (Note 7) and investment securities (Note 8).

11. Amounts due to credit institutions

Amounts due to credit institutions comprise:

	30 June 2014 (unaudited)	*31 December 2013*
Current accounts		
Ukrainian banks	1,329,552	601,588
CIS and other banks	187,736	127,726
OECD banks	38,137	2,916
	1,555,425	**732,230**
Loans and deposits		
International financial institutions	7,307,329	5,032,008
OECD banks	2,777,795	1,979,774
Ukrainian banks	849,950	249,831
CIS and other banks	358,186	161,940
	11,293,260	**7,423,553**
Other amounts due to credit institutions	15,511	98
Amounts due to credit institutions	**12,864,196**	**8,155,881**
Held as security against guarantees (Note 15)	52,136	52,446

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 are included in the category of funds for operational activities, and funds from other banks for financing activities.

(thousands of Ukrainian hryvnia, unless otherwise stated)

12. Amounts due to customers

Amounts due to customers comprise:

	30 June 2014 (unaudited)	*31 December 2013*
Current accounts		
Private entities	7,672,782	5,701,404
Individuals	2,240,678	1,594,204
Budget organizations	2,167,852	1,695,207
Funds under the Bank's management	4,100	1,069
	12,085,412	**8,991,884**
Time deposits		
Private entities	23,168,855	16,847,917
Individuals	17,131,009	15,621,239
Budget organizations	5,921	-
	40,305,785	**32,469,156**
Amounts due to customers	**52,391,197**	**41,461,040**
Held as security against loans to customers	2,453,554	1,887,368
Held as security against guarantees and avals (Note 15)	281,673	82,615
Held as security against letters of credit (Note 15)	65,644	139,431
Held as security against undrawn loan commitments (Note 15)	8,009	10,614

13. Eurobonds issued

	At 30 June 2014 (unaudited)		*At 31 December 2013*	
	Nominal value	*Carrying value*	*Nominal value*	*Carrying value*
April 2010 issue	3,996,500	5,990,517	3,996,500	4,048,178
October 2010 issue	1,998,250	2,995,258	1,998,250	2,024,089
February 2011 issue	-	-	2,385,050	2,504,580
January 2013 issue	3,996,500	6,094,452	3,996,500	4,118,722
April 2013 issue	799,300	1,218,890	799,300	823,744
Eurobonds issued		**16,299,117**		**13,519,313**

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. The bonds were consolidated and form a single series with the notes issued in April 2010 and mature in April 2015.

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 were consolidated and form a single series with the notes issued in January 2013 and mature in January 2018.

All Eurobonds issued are subject to various covenants and restrictions.

(thousands of Ukrainian hryvnia, unless otherwise stated)

14. Equity

As at 30 June 2014, the Bank's authorised issued share capital comprised 11,414,901 (31 December 2013: 11,414,901) ordinary shares with a nominal value of UAH 1,462.04 per share (31 December 2013: 1,446.71 per share). All shares have equal voting rights. As at 30 June 2014, 11,414,901 shares were fully paid and registered (31 December 2013: all shares were fully paid and registered).

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

15. Commitments and contingent financial liabilities

Commitments and contingent financial liabilities comprise the following:

	30 June 2014 (unaudited)	*31 December 2013*
Guarantees	1,987,088	2,137,681
Letters of credit	503,994	570,869
Undrawn loan commitments	156,063	181,582
Avals on promissory notes	49,837	28,152
Financial commitments and contingencies (before deducting collateral)	**2,696,982**	**2,918,284**
	2,696,982	**2,918,284**
Less — cash held as security against letters of credit, avals and guarantees, and undrawn loan commitments (Notes 11, 12)	(407,462)	(285,106)
Commitments and contingent financial liabilities	**2,289,520**	**2,633,178**

In March and July 2014, a tax rate of 18% on corporate profits without its further reduction and a tax rate of 18% (2013: 10%) on corporate profits from transactions with securities and derivatives with effect from 1 January 2014 were introduced in the Tax Code of Ukraine. Deferred tax balances are determined using the tax rates that will be applicable when temporary differences are expected to reverse.

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 consolidated statement of financial position. The table does not include the fair values of non-financial assets and non-financial liabilities.

(thousands of Ukrainian hryvnia, unless otherwise stated)

	30 June 2014 (unaudited)			31 December 2013		
	Carrying value	Fair value	Unrecognised gain / (loss)	Carrying value	Fair value	Unrecognised gain / (loss)
Financial assets						
Cash and cash equivalents	9,481,351	9,481,351	-	8,321,070	8,321,070	-
Mandatory reserves with the National Bank of Ukraine	588,519	588,519	-	740,957	740,957	-
Amounts due from credit institutions	1,194,503	1,194,503	-	882,052	882,052	-
Loans to customers	51,758,231	48,566,283	(3,191,948)	41,624,943	39,896,462	(1,728,481)
Securities held to maturity	1,365,473	1,312,531	(52,942)	1,370,663	1,383,439	12,776
Other assets	82,001	82,001	-	40,043	40,043	-
Financial liabilities						
Amounts due to the NBU	6,543,108	6,543,108	-	9,223,005	9,223,005	-
Amounts due to credit institutions	12,864,196	12,864,196	-	8,155,881	8,155,881	-
Amounts due to customers	52,250,654	52,049,442	201,212	41,357,291	41,230,045	127,246
Eurobonds issued	16,299,117	15,408,796	890,321	13,519,313	12,958,509	560,804
Subordinated debt	4,605,427	4,348,668	256,759	3,112,441	2,979,478	132,963
Other liabilities	67,196	67,196	-	24,953	24,953	-
Total unrecognized change in unrealized fair value			**(1,896,598)**			**(894,692)**

The following describes the methodologies and assumptions used to determine fair values for those financial instruments, which are not recorded at fair value in the financial statements.

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 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:

(thousands of Ukrainian hryvnia, unless otherwise stated)

At 30 June 2014 (unaudited)	*Fair value recurring measurements*			
	Level 1	*Level 2*	*Level 3*	*Total*
Current accounts with other credit institutions in precious metals	-	152,415	-	152,415
Investment securities at fair value through profit or loss	-	5,378,834	-	5,378,834
Available-for-sale investment securities	-	33,436,789	17,861	33,454,650
Total assets	**-**	**38,968,038**	**17,861**	**38,985,899**
Amounts due to customers in precious metals	-	140,543	-	140,543
Total liabilities	**-**	**140,543**	**-**	**140,543**

At 31 December 2013	*Fair value recurring measurements*			
	Level 1	*Level 2*	*Level 3*	*Total*
Current accounts with other credit institutions in precious metals	-	123,603	-	123,603
Investment securities at fair value through profit or loss	-	3,540,585	-	3,540,585
Available-for-sale investment securities	-	29,558,431	17,268	29,575,699
Total assets	**-**	**33,222,619**	**17,268**	**33,239,887**
Amounts due to customers in precious metals	-	103,749	-	103,749
Total liabilities	**-**	**103,749**	**-**	**103,749**

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 2014, there were no transfers of investment securities between levels of the fair value hierarchy. Fair value of investment securities available for sale classified as level 2 in the fair value hierarchy is determined using a discounted cash flow model based on the interest rate yield available for similar financial instruments quoted in an active market. The Bank measures financial assets classified as level 3 of the fair value hierarchy 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):

		Total gain / (loss) recorded in					
	At 01 January 2014	*consolidated statement of profit and loss*	*other compre-hensive income*	*Purchases*	*Settlements*	*Transfers to Level 3*	*As at 30 June 2014*
Available-for-sale investment securities	17,268	593[a]	-	-	-	-	17,861
Total assets	**17,268**	**593**	**-**	**-**	**-**	**-**	**17,861**

		Total gain / (loss) recorded in					
	At 01 January 2013	*consolidated statement of profit and loss*	*other compre-hensive income*	*Purchases*	*Settlements*	*Transfers to Level 3*	*As at 30 June 2013*
Available-for-sale investment securities	884,509	69,834[a]	-	2,243,655	(341)[b]	19,120,511	22,318,168
Total assets	**884,509**	**69,834**	**-**	**2,243,655**	**(341)**	**19,120,511**	**22,318,168**

(thousands of Ukrainian hryvnia, unless otherwise stated)

[a] UAH 9,748 thousand of gain is included within interest income from investment securities other than designated at fair value through profit or loss, UAH 593 thousand of gain is included in other income and UAH 9,748 thousand of loss included in net gains/(losses) from investment securities available for sale as impairment loss (six months 2013: UAH 69,493 thousand of gain is included within interest income from investment securities other than designated at fair value through profit or loss and UAH 341 thousand of gain is included in net gains/(losses) from investment securities available for sale as impairment loss.

[b] Settlements of UAH 341 thousand represent disposals of securities for six months 2013.

The table below shows the quantitative information as at 30 June 2014 about significant unobservable inputs used for the fair valuation of assets classified as those of the 3 level of the fair value hierarchy:

At 30 June 2014 (unaudited)	***Carrying value***	***Valuation technique***	***Unobservable parameter***	***Range of parameter values***
Available-for-sale investment securities	17,861	Discounted cash flows	Expected profitability	Corporate: 1.07% - 28.39%

Gains or losses on level 3 financial instruments included in the profit or loss for the period comprise:

	For six months 2014 (unaudited)		
	Realised gains	***Unrealised gains***	***Total***
Total gains and losses included and profit or loss for the period	-	593	593

	For six months 2013 (unaudited)		
	Realised gains	***Unrealised losses***	***Total***
Total gains and losses included and profit or loss for the period	69,834	-	69,834

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

The following table shows the impact on the fair value of level 3 instruments of using reasonably possible alternative assumptions as at 30 June 2013:

	At 30 June 2013 (unaudited)	
	Carrying value	***Impact of possible alternative assumptions***
Available-for-sale investment securities	22,318,168	(592,518)

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 2013: +/- 30%) of the level as at the end of the reporting period;
- For Ukrainian state bonds, the Bank made an assumption under the terms and conditions of bond issue that allow the Bank to call for early redemption (within 20 days from the date of claim) at their nominal value. It makes the influence of possible alternative assumptions on the carrying amount insignificant.

(thousands of Ukrainian hryvnia, unless otherwise stated)

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 30 June 2014 and 31 December 2013, and related income and expense for six months then ended are as follows:

	30 June 2014 (unaudited)	***31 December 2013***
	Key management personnel	***Key management personnel***
Current accounts	16,740	3,606
Time deposits	19,126	26,931
Amounts due to customers	**35,866**	**30,537**
Interest income on loans	1	16
Interest expense on customers' deposits	(708)	(3,419)
Commission income	-	1
Translation differences	6,278	106

The total remuneration and other benefits paid to key management personnel for six months ended 30 June 2014 is UAH 14,693 thousand (including UAH 207 thousand of payment to the non-state pension fund) (for six months ended 30 June 2013: UAH 15,691 thousand (including UAH 241 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.

(thousands of Ukrainian hryvnia, unless otherwise stated)

Balances with government-related entities which are significant in terms of the carrying amount as at 30 June 2014 (unaudited) are disclosed below:

Customer	*Sector*	*Cash and cash equivalents*	*Mandatory reserves with the National Bank of Ukraine*	*Loans to customers*	*Amounts due to customers*	*Amounts due to the NBU*	*Guarantees issued*
Customer 1	State entities	-	-	-	1,462,715	-	-
Customer 2	Agriculture and food industry	-	-	-	14,725,016	-	-
Customer 3	Finance	1,145,740	588,519	-	-	6,543,108	-
Customer 4	Finance	650,356	-	-	-	-	-
Customer 5	Extractive industry	-	-	4,953,061	-	-	-
Customer 6	Extractive industry	-	-	533,542	-	-	-
Customer 7	Road construction	-	-	2,071,475	-	-	-
Customer 8	Trade	-	-	712,473	-	-	-
Customer 9	Trade	-	-	-	336,070	-	255,621
Customer 10	Trade	-	-	-	-	-	345,623
Customer 11	Transport and communications	-	-	548,177	350,114	-	-
Customer 12	Transport and communications	-	-	-	447,197	-	-
Customer 13	Mechanical engineering	-	-	524,518	-	-	240,475
Customer 14	Power engineering	-	-	671,421	-	-	-
Other	-	-	-	667,363	3,069,944	-	-

Balances with government-related entities which are significant in terms of the carrying amount as at 31 December 2013 are disclosed below:

Customer	*Sector*	*Cash and cash equivalents*	*Mandatory reserves with the National Bank of Ukraine*	*Loans to customers*	*Amounts due to customers*	*Amounts due to the NBU*	*Guarantees issued*
Customer 1	State entities	-	-	-	1,340,349	-	-
Customer 3	Finance	1,859,739	740,957	-	-	9,223,005	-
Customer 15	Finance	1,144,674	-	-	-	-	-
Customer 4	Finance	239,939	-	-	-	-	-
Customer 2	Agriculture and food industry	-	-	-	9,213,268	-	-
Customer 5	Extractive industry	-	-	3,538,959	-	-	-
Customer 16	Extractive industry	-	-	-	-	-	43,158
Customer 7	Road construction	-	-	2,077,848	-	-	-
Customer 8	Trade	-	-	765,285	-	-	-
Customer 9	Trade	-	-	-	-	-	722,803
Customer 10	Trade	-	-	-	-	-	290,895
Customer 14	Power engineering	-	-	919,947	-	-	-
Customer 11	Transport and communications	-	-	417,453	330,474	-	-
Customer 13	Mechanical engineering	-	-	439,326	-	-	145,980
Other	-	-	-	816,677	2,350,579	-	-

For the six-month period ended 30 June 2014, the Bank recorded UAH 697,520 thousand (six months 2013: UAH 661,555 thousand) of interest income and UAH 1,043,600 thousand (six months 2013: UAH 616,779 thousand) of interest expenses from transactions with the government-related entities.

(thousands of Ukrainian hryvnia, unless otherwise stated)

As at 30 June 2014 and 31 December 2013, the Bank's investments in debt securities issued by the government or the government-related corporate entities were as follows:

	30 June 2014 (unaudited)	***31 December 2013***
Available-for-sale investment securities	27,013,705	22,516,236
Investment securities at fair value through profit or loss	5,378,834	3,540,585
Investment securities held to maturity	1,365,473	1,297,814

Carrying value of government bonds which are included in investment securities designated at fair value through profit or loss and investment securities available for sale is disclosed in Note 8.

For the six-month period ended 30 June 2014, the Bank recorded UAH 988,434 thousand (for the six-month period 2013: UAH 728,991 thousand) of interest income from transactions with government bonds and UAH 442,717 thousand (for the six-month period 2013: UAH 392,900 thousand) of interest income from transactions with other investment securities.

18. Capital adequacy

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

As at 30 June 2014 and 31 December 2013, the Bank's capital adequacy ratio was as follows:

	30 June 2014 (unaudited)	***31 December 2013***
Main capital	15,654,533	16,270,250
Additional capital	4,395,150	3,630,918
Total capital	**20,049,683**	**19,901,168**
Risk weighted assets	**78,485,235**	**68,770,702**
Capital adequacy ratio	25.55%	28.94%

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
As at 30 June 2014 and 31 December 2013, the Bank's capital adequacy ratio calculated in accordance with Basel Capital Accord 1988 with subsequent amendments, including the market risk amendments, was as follows:

	30 June 2014 (unaudited)	***31 December 2013***
Tier 1 capital	16,610,392	16,636,860
Tier 2 capital	3,657,873	3,372,361
Total capital	**20,268,265**	**20,009,221**
Risk weighted assets	**80,627,576**	**70,195,947**
Tier 1 capital ratio	20.60%	23.70%
Capital adequacy ratio	25.14%	28.50%