

Joint Stock Company
“The State Export-Import Bank of Ukraine”
Interim Condensed Consolidated Financial Statements
30 June 2013
Together with the Report on Review of Interim Condensed Consolidated Financial Statements

CONTENTS**REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

Interim condensed consolidated statement of financial position.....	1
Interim condensed consolidated statement of income.....	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 accounting policies	6
3. Segment information	8
4. Cash and cash equivalents.....	11
5. Mandatory reserve with the National Bank of Ukraine.....	11
6. Amounts due from credit institutions	11
7. Loans to customers.....	12
8. Investment securities	13
9. Investment property	14
10. Amounts due to the National Bank of Ukraine.....	14
11. Amounts due to credit institutions.....	15
12. Amounts due to customers.....	15
13. Eurobonds issued.....	16
14. Equity	16
15. Financial commitments and contingencies.....	16
16. Fair values of financial instruments.....	17
17. Related party transactions.....	20
18. Capital adequacy	22
19. Events after the reporting period	22



Translation from original in Ukrainian

Ernst & Young Audit Services LLC
Khreschatyk Street, 19A
Kyiv, 01001, Ukraine
Tel: +380 (44) 490 3000
Fax: +380 (44) 490 3030
Ukrainian Chamber of Auditors
Certificate: 3516
www.ey.com/ua

ТОВ «Ернст енд Янг
Аудиторські послуги»
Україна, 01001, Київ
вул. Хрещатик, 19А
Тел.: +380 (44) 490 3000
Факс: +380 (44) 490 3030
Свідоцтво Аудиторської
Палати України: 3516

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

We have reviewed the interim condensed consolidated financial statements of Joint Stock Company "The State Export-Import Bank of Ukraine" and its subsidiaries (the "Bank") as at 30 June 2013, comprising of the interim condensed consolidated statement of financial position as at 30 June 2013 and the interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended and selected explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34, "Interim Financial Reporting" ("IAS 34"). Our responsibility is to issue a report on these interim condensed consolidated financial statements based on our review.

We conducted our review in accordance with the International Standard on Review Engagements 2400, "Engagements to Review Financial Statements". This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the interim condensed consolidated financial statements are free of material misstatement. A review is limited primarily to making inquiries of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

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

Ernst & Young Audit Services LLC

13 September 2013

**INTERIM CONDENSED CONSOLIDATED
STATEMENT OF FINANCIAL POSITION****As at 30 June 2013***(Thousands of Ukrainian hryvnia)*

	<i>Notes</i>	30 June 2013 (unaudited)	31 December 2012
Assets			
Cash and cash equivalents	4	7,703,737	19,197,296
Mandatory reserve with the National Bank of Ukraine	5	281,219	531,152
Amounts due from credit institutions	6	994,446	1,141,287
Loans to customers	7	37,590,521	39,365,763
Investment securities:			
- designated at fair value through profit and loss	8	3,540,994	3,538,447
- available-for-sale	8	31,674,896	15,026,195
- held-to-maturity	8	1,440,591	1,372,237
Current income tax asset		517,198	492,257
Investment property	9	3,706,587	3,707,841
Property and equipment		2,254,001	2,277,255
Intangible assets		11,061	10,770
Deferred income tax assets		66,427	85,216
Other assets		430,162	460,369
Total assets		90,211,840	87,206,085
Liabilities			
Amounts due to the National Bank of Ukraine	10	7,463,402	7,824,914
Amounts due to credit institutions	11	6,705,745	7,244,300
Amounts due to customers	12	41,724,667	42,834,285
Eurobonds issued	13	13,485,623	8,554,063
Current income tax liabilities		24,904	13,243
Subordinated debt		3,108,119	3,106,645
Other liabilities		201,027	248,151
Total liabilities		72,713,487	69,825,601
Equity			
Share capital	14	17,160,050	17,160,050
Revaluation reserve		982,681	914,633
Accumulated deficit		(790,610)	(840,431)
Reserve and other funds		146,232	146,232
Total equity		17,498,353	17,380,484
Total equity and liabilities		90,211,840	87,206,085

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

Vitalii Bilous

Chairman of the Board

Natalia Potemaska

Chief Accountant

13 September 2013

**INTERIM CONDENSED CONSOLIDATED
STATEMENT OF INCOME****For the six-month period ended 30 June 2013***(Thousands of Ukrainian hryvnia)*

	<i>For the six-month period ended 30 June</i>	
	2013	2012
Notes	(unaudited)	
Interest income		
Loans to customers	2,593,028	2,863,369
Investment securities other than designated at fair value through profit or loss	1,497,037	537,726
Amounts due from credit institutions	74,349	212,835
Amounts due from the National Bank of Ukraine	3,237	6,770
	<u>4,167,651</u>	<u>3,620,700</u>
Investment securities designated at fair value through profit and loss	153,413	145,155
	<u>4,321,064</u>	<u>3,765,855</u>
Interest expense		
Amounts due to customers	(1,307,292)	(880,165)
Eurobonds issued	(529,839)	(456,349)
Amounts due to the National Bank of Ukraine	(329,372)	(249,978)
Amounts due to credit institutions	(167,054)	(195,025)
Subordinated debt	(162,036)	(162,724)
	<u>(2,495,593)</u>	<u>(1,944,241)</u>
Net interest income	1,825,471	1,821,614
Loan impairment charge	6, 7 (1,426,559)	(1,553,731)
Net interest income after loan impairment charge	<u>398,912</u>	<u>267,883</u>
Fee and commission income	228,086	237,975
Fee and commission expense	(54,620)	(56,635)
Net fees and commissions	<u>173,466</u>	<u>181,340</u>
Net gains/(losses) from investment securities designated at fair value through profit and loss:		
- change in fair value	3,397	7,025
Net gains from available-for-sale investment securities:		
- dealing	27,207	65,303
- losses on impairment	(32,025)	(3,683)
Net gain from foreign currencies and precious metals		
- dealing	155,930	141,678
- translation differences	(13,819)	16,666
Other income	25,486	42,897
Non-interest income	<u>166,176</u>	<u>269,886</u>
Personnel expenses	(403,932)	(411,552)
Depreciation and amortisation	(46,272)	(40,994)
Other impairment and provisions	(5,111)	(14,411)
Other operating expenses	(160,338)	(137,575)
Non-interest expense	<u>(615,653)</u>	<u>(604,532)</u>
Profit before income tax expense	<u>122,901</u>	<u>114,577</u>
Income tax expense	(35,227)	(35,351)
Profit for the period	<u><u>87,674</u></u>	<u><u>79,226</u></u>

**INTERIM CONDENSED CONSOLIDATED
STATEMENT OF COMPREHENSIVE INCOME****For the six-month period ended 30 June 2013***(Thousands of Ukrainian hryvnia)*

	<i>For the six-month period ended 30 June</i>	
	<i>2013</i>	<i>2012</i>
	<i>(unaudited)</i>	
Profit for the period	87,674	79,226
Other comprehensive income:		
Other comprehensive income to be reclassified to the statement of income in subsequent periods:		
Net gains on investment securities available-for-sale	111,966	66,496
Net gains on investment securities available-for-sale reclassified to the income statement	(27,207)	(65,303)
Income tax relating to components of other comprehensive income	(8,476)	(250)
Other comprehensive income for the period, net of tax	76,283	943
Total comprehensive income for the period	163,957	80,169

**INTERIM CONDENSED CONSOLIDATED
STATEMENT OF CHANGES IN EQUITY****For the six-month period ended 30 June 2013***(Thousands of Ukrainian hryvnia)*

	<i>Share capital</i>	<i>Revaluation reserve</i>	<i>Accumulated deficit</i>	<i>Reserve and other funds</i>	<i>Total</i>
At 1 January 2012	17,126,718	919,600	(931,694)	143,640	17,258,264
Total comprehensive income for the period	-	943	79,226	-	80,169
Depreciation of revaluation reserve, net of tax	-	(8,089)	8,089	-	-
Distribution of profit to the shareholder	-	-	(26,436)	-	(26,436)
Allocation of profit to the reserve funds	-	-	(2,592)	2,592	-
Increase in share capital	33,332	-	(33,332)	-	-
30 June 2012 (unaudited)	17,160,050	912,454	(906,739)	146,232	17,311,997
At 1 January 2013	17,160,050	914,633	(840,431)	146,232	17,380,484
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 (Note 14)	-	-	(46,088)	-	(46,088)
30 June 2013 (unaudited)	17,160,050	982,681	(790,610)	146,232	17,498,353

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six-month period ended 30 June 2013

(Thousands of Ukrainian hryvnia)

	<i>For the six-month period ended</i>	
	2013	2012
	<i>(unaudited)</i>	
Cash flows from operating activities		
Interest and commissions received	3,869,335	3,493,646
Interest and commissions paid	(2,252,210)	(1,910,709)
Gains less losses from dealing in foreign currencies and precious metals	155,930	141,678
Personnel expenses	(393,743)	(400,911)
Other operating income received	25,294	23,182
Other operating and administrative expenses paid	(159,283)	(139,391)
Cash flows from operating activities before changes in operating assets and liabilities	1,245,323	1,207,495
<i>Net (increase)/ decrease in operating assets:</i>		
Amounts due from credit institutions	146,787	97,803
Deposit with the National Bank of Ukraine	249,345	14,223
Loans to customers	933,451	(1,284,243)
Other assets	(54,153)	(99,709)
<i>Net increase/ (decrease) in operating liabilities:</i>		
Amounts due to credit institutions	(239,744)	(460,307)
Amounts due to the National Bank of Ukraine	(383,085)	52,592
Amounts due to customers	(1,084,097)	844,137
Other liabilities	(37,924)	67,952
Net cash flows from operating activities before income tax	775,903	439,943
Income tax paid	(38,197)	(355,844)
Net cash flows from operating activities	737,706	84,099
Cash flows from investing activities		
Proceeds from sale and redemption of investment securities	10,433,907	19,007,231
Purchases of investment securities	(26,786,227)	(21,329,110)
Purchases of property and equipment and intangible assets	(23,319)	(34,067)
Proceeds from sale of property and equipment	190	256
Proceeds from sale of investment property	1,267	687
Net cash used in investing activities	(16,374,182)	(2,355,003)
Cash flows from financing activities		
Distribution of profit to the shareholder	(46,088)	(26,436)
Proceeds from Eurobonds issued	4,794,839	-
Proceeds from borrowings from credit institutions	933,227	1,022,734
Repayment of borrowings from credit institutions	(1,453,174)	(1,473,259)
Net cash (used in) / from financing activities	4,228,804	(476,961)
Effect of exchange rate changes on cash and cash equivalents	(85,887)	27,334
Net change in cash and cash equivalents	(11,493,559)	(2,720,531)
Cash and cash equivalents, 1 January (Note 4)	19,197,296	10,051,840
Cash and cash equivalents, 30 June (Note 4)	7,703,737	7,331,309

1. Principal activities

The State Export-Import Bank of Ukraine (“Ukreximbank”) was founded in 1992. It was registered at the National Bank of Ukraine (“the NBU”) on 23 January 1992 and on 18 September 2000 was re-registered as a joint stock company. Currently, Ukreximbank operates under a general banking licence #2 renewed by the NBU on 5 October 2011, which provides Ukreximbank with the right to conduct banking operations, including currency operations.

As at 30 June 2013 and 31 December 2012, 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 St. It has 29 branches and 96 operating outlets (2012: 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.

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

One of Ukreximbank’s primary activities 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 loan proceeds are advanced to various enterprises within Ukraine on the basis of separate loan agreements between Ukreximbank and the Ukrainian enterprises.

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

These interim condensed consolidated financial statements comprise the financial statements of Ukreximbank and its subsidiaries (together referred to as the “Bank”). The list of the consolidated subsidiaries is as follows:

Ukreximleasing, a 100% owned subsidiary, was founded in 1997 and is incorporated and operates in Ukraine in the trade and leasing business.

Eximleasing Ltd, a 100% owned subsidiary, was founded in 2006 and is incorporated in Ukraine.

2. Basis of preparation and accounting policies

Basis of preparation

These interim condensed consolidated financial statements for the six-month period ended 30 June 2013 have been prepared in accordance with IAS 34 “Interim Financial Reporting”.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Bank’s annual consolidated IFRS financial statements for the year ended 31 December 2012.

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

Operating environment

The Ukrainian economy is deemed to be of market status with certain characteristics consistent with that of an economy in transition, and is characterised by low levels of liquidity in the capital markets and the existence of currency controls which means that the national currency is not freely convertible and cannot be used for settlements outside of Ukraine. The stability of the Ukrainian economy will be substantially impacted by the Government’s policies and actions in respect

of administrative, legal, and economic reforms. Consequently operations in Ukraine involve risks that are not typical of developed markets.

The Ukrainian economy is vulnerable to changes in the world markets of goods and capitals. A slow-down in the world economy has resulted in reduced demand for traditional Ukrainian exports, which significantly influenced the decrease of the gross domestic product. Despite the Ukrainian Government’s stabilisation measures aimed at supporting state financing and the banking sector and preserving the liquidity of the Ukrainian banks and companies, uncertainty remains regarding access to the funding sources and the cost thereof for both the Bank and its clients, which could affect the Bank’s financial position, results of operations and business prospects.

In addition, the factors including the level of unemployment in Ukraine, reduced corporate liquidity and profitability, and increased corporate and personal insolvencies, have affected the ability of the Bank’s borrowers to repay the amounts due to the Bank. In addition, changes in economic conditions have resulted in deterioration in the value of collateral held against loans and other obligations. To the extent that the information is available, the Bank has reflected the revised estimates of the expected future cash flows in its impairment assessment.

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

Changes in accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Bank’s annual financial statements for the year ended 31 December 2012, except for the adoption of new Standards and Interpretations effective since 1 January 2013 noted below:

IFRS 10 “Consolidated Financial Statements” and IAS 27 “Separate Financial Statements”

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IFRS 10 replaces the parts of previously existing *IAS 27 “Consolidated and Separate Financial Statements”* that dealt with consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities. IFRS 10 changes the definition of control such that an investor controls an investee if it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in IFRS 10, all three criteria must be met, including: (a) an investor has power over an investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor’s returns. IFRS 10 had no impact on the consolidation of investments held by the Bank.

IFRS 13 “Fair Value Measurement”

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Bank.

IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including *IFRS 7 “Financial Instruments: Disclosures”*. Some of these disclosures are specifically required for financial instruments by IAS 34.16A(j), thereby affecting the interim condensed consolidated financial statements. The Bank provides these disclosures in Note 16.

Amendments to IAS 19 “Employee Benefits”

The IASB has published amendments to *IAS 19 “Employee Benefits”*, effective for annual periods beginning on or after 1 January 2013, which involve major changes to the accounting for employee benefits, including the removal of the option for deferred recognition of changes in pension plan assets and liabilities (known as the “corridor approach”). In addition, these amendments limit the changes in the net pension asset (liability) recognised in profit or loss to net interest income (expense) and service costs. These amendments had no impact on the Bank’s financial position.

Amendments to IAS 1 “Changes to the Presentation of Other Comprehensive Income”

The amendments to IAS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss in the future (for example, net losses or gains on available-for-sale financial assets) will be presented separately from items that will never be reclassified (for example, revaluation of buildings). The amendment affects presentation only and has no impact on the Bank’s financial position or performance.

Amendments to IFRS 7 “Disclosures – Offsetting Financial assets and Financial Liabilities”

These amendments require an entity to disclose the information about the rights to set-off and related arrangements (e.g. collateral agreements). The disclosures would provide users with pertinent information to evaluate the effect of netting arrangements on an entity’s financial position. The new disclosures are required for all recognised financial instruments that have been set off in accordance with *LAS 32 “Financial Instruments: Presentation”*. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreements, irrespective of whether they have been set off in accordance with IAS 32. These amendments had no impact on the Bank’s financial position or performance.

Amendment to IAS 32 “Financial Instruments: Presentation”

This amendment clarifies that income tax arising from distributions to equity holders are accounted for in accordance with *LAS 12 “Income Taxes”*. The amendment removes the existing income tax requirements from IAS 32 and requires the entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders. The amendment did not have any impact on the interim condensed consolidated financial statements of the Bank, as there are no tax consequences attached to cash or non-cash distributions to equity holders.

3. Segment information

For management purposes, the Bank recognises the following operating segments (business lines):

Retail banking	Servicing of retail customers (a complete range of products) and sale of products usually offered on standard terms and conditions (as per the tariffs approved and in the standard procedures) and traditionally not requiring an individual approach.
Corporate banking	Servicing of corporate customers and sale of products that require an individual approach and are mainly offered to corporate customers.
Financial institutions and investments	Rendering of services to the participants of financial markets (monetary, exchange, stock market, etc.) and sale of products related to the financial market transactions.
Other/unallocated	Other not directly allocated operations.

The management monitors operating results of its business units separately for the purpose of making decisions about the 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 managed on a group basis and are not allocated to operating segments.

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

During the six-month periods ended 30 June 2013 and 2012, the Bank’s income from transactions with one third party customer exceeded 10% of the Bank’s total income, in particular UAH 728,991 thousand (six months of 2012: UAH 351,313 thousand). The income from transactions with this third party customer is recognised in “Financial institutions and investments” segment.

Ukreximbank and its subsidiaries are located in Ukraine, and almost 100% of the consolidated revenue is from Ukraine.

Translation from original in Ukrainian
 Joint Stock Company “The State Export-Import Bank of Ukraine”
 Selected Notes to the Interim Condensed Consolidated Financial Statements for the six-month period ended 30 June 2013
 (in thousands of Ukrainian hryvnia, unless otherwise indicated)

The following table presents income and expense, certain assets and liabilities information regarding the Bank’s operating segments for the six-month period ended 30 June 2013 (unaudited):

	Retail banking	Corporate banking	Financial institutions and investments	Unallocated	Total
Third party					
Interest income	123,413	2,544,930	1,652,721	-	4,321,064
Fee and 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 and precious metals	25,296	56,674	77,788	-	159,758
Gain from available-for-sale investment securities	-	-	27,207	341	27,548
Gain from change in fair value of investment securities designated at fair value through profit and loss	-	-	3,397	-	3,397
Release of allowance for loan impairment	47,628	-	-	-	47,628
Release of allowance for impairment of other assets and provisions	-	2,442	-	-	2,442
Inter-segmental result	894,078	(1,989,823)	(384,639)	1,480,384	-
Total revenue	1,211,089	716,634	1,403,671	1,484,015	4,815,409
Expenses					
Interest expense	(839,763)	(441,226)	(1,214,604)	-	(2,495,593)
Fee and commission expense	(33,326)	(18,260)	(3,034)	-	(54,620)
Allowance for loan impairment charge	-	(1,474,187)	-	-	(1,474,187)
Net loss from foreign currencies and precious metals	-	-	-	(17,647)	(17,647)
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 of impairment of other assets and provisions	(1,609)	-	(103)	(5,841)	(7,553)
Segment results	58,142	(1,337,749)	89,281	1,313,227	122,901
Income tax expense					(35,227)
Profit for the period					87,674
Assets and liabilities as at 30 June 2013					
Segment assets	4,148,212	41,646,213	43,586,949	-	89,381,374
Unallocated assets	-	-	-	830,466	830,466
Total assets					90,211,840
Segment liabilities	19,621,057	22,044,355	30,998,607	-	72,664,019
Unallocated liabilities	-	-	-	49,468	49,468
Total liabilities					72,713,487
Other segment information					
Capital expenditure	(20,930)	(4,912)	(1,002)	(2,304)	(29,148)

Translation from original in Ukrainian
 Joint Stock Company “The State Export-Import Bank of Ukraine”
 Selected Notes to the Interim Condensed Consolidated Financial Statements for the six-month period ended 30 June 2013
 (in thousands of Ukrainian hryvnia, unless otherwise indicated)

The following table presents income and expense for the six-month period ended 30 June 2012 and certain assets and liabilities information regarding the Bank’s operating segments as at 31 December 2012:

	Retail banking	Corporate banking	Financial institutions and investments	Unallocated	Total
Third party					
Interest income	107,662	2,827,924	830,269	-	3,765,855
Fee and commission income	109,102	120,121	8,752	-	237,975
Gain from available-for-sale investment securities	-	22	65,303	-	65,325
Net gain from foreign currencies and precious metals	34,730	40,963	73,564	9,087	158,344
Gain from change in fair value of investment securities designated at fair value through profit and loss	-	-	7,025	-	7,025
Release of allowance for loan impairment	59,411	-	-	-	59,411
Other income	3,929	38,326	443	199	42,897
Inter-segmental result	687,048	(1,957,882)	339,597	931,237	-
Total revenue	1,001,882	1,069,474	1,324,953	940,523	4,336,832
Interest expense	(627,839)	(198,158)	(1,118,244)	-	(1,944,241)
Fee and commission expense	(31,101)	(21,405)	(4,129)	-	(56,635)
Allowance for loan impairment charge	-	(1,613,142)	-	-	(1,613,142)
Loss from investment securities available-for-sale	(22)	-	(75)	(3,608)	(3,705)
Personnel expenses	(196,093)	(114,285)	(39,581)	(61,593)	(411,552)
Depreciation and amortisation	(28,414)	(7,636)	(1,527)	(3,417)	(40,994)
Other operating expenses	(55,835)	(17,984)	(7,613)	(56,143)	(137,575)
Charge of impairment of other assets and provisions	(79)	(13,728)	(52)	(552)	(14,411)
Segment results	62,499	(916,864)	153,732	815,210	114,577
Income tax expense					(35,351)
Profit for the period					79,226
Assets and liabilities as at 31 December 2012					
Segment assets	4,512,222	43,280,922	38,712,696	-	86,505,840
Unallocated assets				700,245	700,245
Total assets					87,206,085
Segment liabilities	19,182,794	27,206,448	23,406,664	-	69,795,906
Unallocated liabilities				29,695	29,695
Total liabilities					69,825,601
Other segment information					
Capital expenditure	(10,012)	(35,678)	(2,003)	(4,481)	(52,174)

4. Cash and cash equivalents

Cash and cash equivalents comprise the following:

	30 June 2013 (unaudited)	31 December 2012
Cash on hand	677,442	801,270
Current account with the National Bank of Ukraine (other than mandatory reserve)	2,473,603	1,629,018
Current accounts with other credit institutions	3,450,395	10,066,166
Overnight deposits with other credit institutions	722,463	6,114,016
Time deposits with other credit institutions up to 90 days	379,834	586,826
Cash and cash equivalents	7,703,737	19,197,296

5. Mandatory reserve with the National Bank of Ukraine

With effect from June 2012, the Ukrainian banks were required to keep 50% of the mandatory reserve for the previous month on a separate account with the NBU (31 December 2012: 50%). The interest rate of this mandatory reserve is 30% of the official NBU discount rate. As at 30 June 2013, the amount placed by the Bank on this account was UAH 229,271 thousand (31 December 2012: UAH 385,474 thousand). The Bank's ability to withdraw this deposit is significantly restricted by the statutory legislation. Starting from July 2011, the Ukrainian banks are allowed to cover 50% of the NBU's mandatory reserve requirements with the nominal value of the Ukrainian State bonds. As at 30 June 2013, the Ukrainian State bonds with the carrying value of UAH 3,409,618 thousand (31 December 2012: UAH 3,214,963 thousand) were used by the Bank to cover its NBU mandatory reserve requirements.

Starting from August 2008, the Ukrainian banks are required to deposit 20% of amounts attracted 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 a non-interest bearing cash deposit. As at 30 June 2013, the amount placed by the Bank on this account is UAH 14,950 thousand (31 December 2012: UAH 39,458 thousand). The Bank's ability to withdraw this deposit is significantly restricted by the statutory legislation.

Starting from 2009, the Ukrainian banks are also required to deposit an amount equivalent to the impairment allowance (determined under the NBU's 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 a non-interest bearing cash deposit. As at 30 June 2013, the amount placed by the Bank on this account is UAH 36,998 thousand (31 December 2012: UAH 106,220 thousand). The Bank's ability to withdraw this deposit is significantly restricted by the statutory legislation.

The Bank meets the NBU mandatory reserve requirements as at 30 June 2013 and 31 December 2012.

6. Amounts due from credit institutions

Amounts due from credit institutions consist of the following:

	30 June 2013 (unaudited)	31 December 2012
Loans and deposits with banks		
Ukrainian banks	810,851	911,441
OECD banks	54,133	49,796
CIS and other foreign banks	1,912	1,912
	866,896	963,149
Placements with other credit institutions		
Current accounts with other credit institutions in precious metals	139,003	191,529
Other amounts due from credit institutions	5,575	3,637
	144,578	195,166
	1,011,474	1,158,315
Less – Allowance for impairment	(17,028)	(17,028)
Amounts due from credit institutions	994,446	1,141,287

Translation from original in Ukrainian
 Joint Stock Company “The State Export-Import Bank of Ukraine”
 Selected Notes to the Interim Condensed Consolidated Financial Statements for the six-month period ended 30 June 2013
(in thousands of Ukrainian hryvnia, unless otherwise indicated)

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

	<i>Amounts due from credit institutions</i>
At 1 January 2013	17,028
Charge for the period	69
Translation differences	(69)
At 30 June 2013 (unaudited)	17,028
At 1 January 2012	-
Release for the period	-
Translation differences	-
At 30 June 2012 (unaudited)	-

7. Loans to customers

Loans to customers comprise:

	<i>30 June 2013 (unaudited)</i>	<i>31 December 2012</i>
Commercial loans	46,740,193	48,319,523
Overdrafts	457,193	120,940
Promissory notes	38,206	45,501
Finance lease receivables	20,495	12,543
	47,256,087	48,498,507
Less – Allowance for impairment	(9,665,566)	(9,132,744)
Loans to customers	37,590,521	39,365,763

Loans have been extended to the following types of customers:

	<i>30 June 2013 (unaudited)</i>	<i>31 December 2012</i>
Legal entities	35,603,394	35,803,405
State entities	10,400,468	11,309,974
Individuals	715,054	849,200
Municipal entities	537,171	535,928
Total loans to customers	47,256,087	48,498,507

As at 30 June 2013, loans to customers with carrying value of UAH 7,004,489 thousand are pledged as collateral against loans received from the NBU (31 December 2012: UAH 5,474,344 thousand) (Note 10).

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

	<i>Commercial loans</i>	<i>Overdrafts</i>	<i>Finance lease receivables</i>	<i>Promissory notes</i>	<i>Total</i>
At 1 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

Translation from original in Ukrainian
 Joint Stock Company “The State Export-Import Bank of Ukraine”
 Selected Notes to the Interim Condensed Consolidated Financial Statements for the six-month period ended 30 June 2013
(in thousands of Ukrainian hryvnia, unless otherwise indicated)

	Commercial loans	Overdrafts	Finance lease receivables	Promissory notes	Total
At 1 January 2012	9,412,914	26,018	4,949	42,208	9,486,089
Charge/(release) for the period	1,602,151	(19,318)	4,961	(34,063)	1,553,731
Amounts written off	(2,667,604)	-	-	-	(2,667,604)
Translation differences	(27,631)	-	-	-	(27,631)
At 30 June 2012 (unaudited)	8,319,830	6,700	9,910	8,145	8,344,585

8. Investment securities

Investment securities designated at fair value through profit or loss as at 30 June 2013 and 31 December 2012 are represented by Ukrainian State bonds.

As at 30 June 2013, investment securities designated at fair value through profit or loss with fair value of UAH 718,473 thousand (31 December 2012: UAH 1,434,482 thousand) are pledged as collateral under repurchase agreements with the NBU and with carrying value of UAH 1,635,911 thousand (31 December 2012: UAH 1,636,033 thousand) are pledged as collateral under loans received from the NBU (Note 10).

Available-for-sale investment securities comprise:

	30 June 2013 (unaudited)	31 December 2012
Ukrainian State bonds	19,546,012	5,220,455
Corporate bonds	8,864,971	6,540,515
Municipal bonds	3,246,603	3,247,957
Corporate shares	17,310	17,268
Available-for-sale investment securities	31,674,896	15,026,195

As at 30 June 2013, Ukrainian State bonds classified as available-for-sale investment securities with carrying value of UAH 3,409,618 thousand (31 December 2012: UAH 3,214,963 thousand) were used by the Bank to partially cover its NBU mandatory reserve requirements (Note 5).

As at 30 June 2013, available-for-sale investment securities with carrying value of UAH 1,450,629 thousand are pledged as collateral under loans received from the NBU (31 December 2012: UAH 1,447,682 thousand) and with carrying value of UAH 330,723 thousand are pledged as collateral under repurchase agreements with the NBU (31 December 2012: nil) (Note 10).

Held-to-maturity investment securities comprise the following:

	30 June 2013 (unaudited)		31 December 2012	
	Nominal value	Carrying value	Nominal value	Carrying value
Municipal bonds	90,000	91,085	90,000	91,219
Corporate bonds	1,244,943	1,367,740	1,244,943	1,299,270
		1,458,825		1,390,489
Less – Allowance for impairment		(18,234)		(18,252)
Held-to-maturity investments		1,440,591		1,372,237

As at 30 June 2013, held-to-maturity investment securities with carrying value of UAH 1,367,740 thousand are pledged as collateral under loans received from the NBU (31 December 2012 : UAH 1,299,270 thousand) (Note 10).

9. Investment property

The movements of investment property are as follows:

	<i>For the six-month period ended 30 June</i>	
	2013	2012
	<i>(unaudited)</i>	
Investment property as at 1 January	3,707,841	3,088,254
Additions	-	620,127
Disposals	(1,254)	(618)
Net gain from fair value adjustment	-	78
Investment property as at 30 June	3,706,587	3,707,841

In 2013, the Bank sold the investment property realising a gain of UAH 13 thousand.

The Bank leased out a portion of the investment property under operating lease. Future minimum receivables under non-cancellable operating lease are as follows:

	30 June 2013	31 December
	<i>(unaudited)</i>	2012
Not later than 1 year	15,771	18,937
Later than 1 year and not later than 5 years	21,226	26,431
Late than 5 years	846	4,113
Future minimum receivables under non-cancellable operating lease	37,843	49,481

During the six-month period ended 30 June 2013, the Bank has recognised rental income of UAH 15,079 thousand (for the six-month period ended 30 June 2012: UAH 14,777 thousand) included in other income in the consolidated income statement.

10. Amounts due to the National Bank of Ukraine

Amounts due to the National Bank of Ukraine comprise:

	30 June 2013	31 December
	<i>(unaudited)</i>	2012
Loans received	6,434,778	6,408,540
Repurchase agreements	1,026,759	1,415,261
Correspondent account	1,865	1,113
Amounts due to the National Bank of Ukraine	7,463,402	7,824,914

As at 30 June 2013, the Bank entered into repurchase agreements with the NBU in the amount of UAH 1,026,759 thousand (31 December 2012: UAH 1,415,261 thousand). The underlying assets of these agreements were Ukrainian State bonds with a fair value of UAH 1,049,196 thousand as at 30 June 2013 (31 December 2012: UAH 1,434,482 thousand) (Note 8).

As at 30 June 2013 and 31 December 2012, loans received from the NBU were secured by the loans to customers (Note 7) and investment securities (Note 8).

11. Amounts due to credit institutions

Amounts due to credit institutions comprise:

	30 June 2013 (unaudited)	31 December 2012
Current accounts		
Ukrainian banks	723,856	694,431
OECD banks	22,562	167
CIS and other foreign banks	626,228	696,757
	1,372,646	1,391,355
Loans and deposits		
OECD banks	2,156,700	2,505,280
International financial organisations	2,947,059	2,844,221
Ukrainian banks	229,247	503,340
CIS and other foreign banks	46	91
	5,333,052	5,852,932
Other amounts due to credit institutions	47	13
Amounts due to credit institutions	6,705,745	7,244,300
Held as security against guarantees (Note 15)	52,973	53,275

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

12. Amounts due to customers

Amounts due to customers comprise:

	30 June 2013 (unaudited)	31 December 2012
Current accounts		
Legal entities	5,024,981	4,812,423
Budget funds	3,039,894	3,631,474
Individuals	1,639,506	1,371,260
Due to funds under the Bank’s management	6,324	7,516
	9,710,705	9,822,673
Time deposits		
Legal entities	17,197,407	18,710,284
Individuals	14,503,070	14,300,749
Budget funds	313,485	579
	32,013,962	33,011,612
Amounts due to customers	41,724,667	42,834,285
Held as security against loans to customers	704,740	614,737
Held as security against guarantees and avals (Note 15)	165,528	155,161
Held as security against letters of credit (Note 15)	159,669	505,233
Held as security against undrawn loan commitments (Note 15)	4,501	2,669

13. Eurobonds issued

	30 June 2013 (unaudited)		31 December 2012	
	Nominal value	Carrying value	Nominal value	Carrying value
April 2010 issue	3,996,500	4,043,833	3,996,500	4,042,389
October 2010 issue	1,998,250	2,021,917	1,998,250	2,021,195
February 2011 issue	2,385,050	2,496,182	2,385,050	2,490,479
January 2013 issue	3,996,500	4,103,076	-	-
April 2013 issue	799,300	820,615	-	-
Eurobonds issued		13,485,623		8,554,063

In January 2013, the Bank, through BIZ Finance PLC, issued Eurobonds in the form of loan participation notes with total nominal 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 total nominal 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. and mature in January 2018 and were consolidated with the bonds issued in January 2013.

All Eurobonds issued are subject to specific covenants and restrictions.

14. Equity

As at 30 June 2013, Ukreximbank’s authorised issued share capital comprised 11,414,901 (31 December 2012: 11,414,901) ordinary shares with nominal value of UAH 1,440.82 per share (31 December 2012: UAH 1,440.82). All shares have equal voting rights. As at 30 June 2013, 11,414,901 issued shares were fully paid and registered (31 December 2012: all shares were fully paid and registered).

In May 2013, according to the Ukrainian legislation the Bank distributed profits of UAH 46,088 thousand to the shareholder.

15. Financial commitments and contingencies

Financial commitments and contingencies comprise:

	30 June 2013 (unaudited)	31 December 2012
Letters of credit	437,191	723,645
Guarantees	1,987,460	2,664,776
Avals on promissory notes	37,456	32,046
Undrawn loan commitments	147,844	194,089
Financial commitments and contingencies (before deducting collateral)	2,609,951	3,614,556
Less – cash held as security against letters of credit, avals and guarantees, and undrawn loan commitments (Notes 11, 12)	(382,671)	(716,338)
Financial commitments and contingencies	2,227,280	2,898,218

16. Fair values 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 values and fair values of the Bank’s financial instruments that are not carried at fair value in the consolidated statement of financial position (consolidated balance sheet). The table does not include the fair values of non-financial assets and non-financial liabilities.

	30 June 2013 (unaudited)			31 December 2012		
	<i>Carrying value</i>	<i>Fair value</i>	<i>Unrecognised gain/(loss)</i>	<i>Carrying amount</i>	<i>Fair value</i>	<i>Unrecognised gain/(loss)</i>
Assets						
Cash and cash equivalents	7,703,737	7,703,737	-	19,197,296	19,197,296	-
Mandatory reserve with the NBU	281,219	281,219	-	531,152	531,152	-
Amounts due from credit institutions	994,446	994,446	-	1,141,287	1,141,287	-
Loans to customers	37,590,521	36,140,465	(1,450,056)	39,365,763	36,852,559	(2,513,204)
Held-to-maturity securities	1,440,591	1,440,591	-	1,372,237	1,372,237	-
Other assets	79,527	79,527	-	107,729	107,729	-
Liabilities						
Due to the NBU	7,463,402	7,463,402	-	7,824,914	7,824,914	-
Amounts due to credit institutions	6,705,745	6,705,745	-	7,244,300	7,244,300	-
Amounts due to customers	41,724,667	41,589,581	135,086	42,834,285	42,668,476	165,809
Eurobonds issued	13,485,623	12,992,838	492,785	8,554,063	8,241,719	312,344
Subordinated debt	3,108,119	2,996,871	111,248	3,106,645	2,967,862	138,783
Other liabilities	61,522	61,522	-	116,107	116,107	-
Total unrecognised change in unrealised fair value			(710,937)			(1,896,268)

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 is representative of 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 reference to market interest rates at inception and current market rates for similar financial instruments. The fair value estimation of fixed interest 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 debt issues where quoted market prices are not available, a discounted cash flow model is used based on the prevailing interest rate yield curve for the residual time to maturity.

Financial instruments reported at fair value

The Bank applies the following evaluation method hierarchy for the measurement of and disclosure of the fair value of financial assets which reflects variations of fair value due to certain alternative assumptions applied in the valuation model:

- Level 1: fair value is measured directly on the basis of financial instrument market quotations in the active markets.
- Level 2: for financial instruments where market quotations are not readily available, fair value is measured through valuation models based on assumptions confirmed by observable prevailing market prices and rates on the reporting date, i.e. directly or indirectly based on market observations;

Translation from original in Ukrainian
 Joint Stock Company “The State Export-Import Bank of Ukraine”
 Selected Notes to the Interim Condensed Consolidated Financial Statements for the six-month period ended 30 June 2013
(in thousands of Ukrainian hryvnia, unless otherwise indicated)

- Level 3: for financial instruments, whose fair value cannot be measured on the basis of market quotations or valuation models based on market observations, the Bank uses valuation models based on input parameters which materially influence the reported fair value of financial instruments, but such parameters are not observable in the market. This method is deemed suitable for investments in non-listed equity and debt securities.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	<i>Recurring fair value measurement</i>			
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
30 June 2013 (unaudited)				
Investment securities designated at fair value through profit and loss	-	3,540,994	-	3,540,994
Available-for-sale investment securities	5,925,908	3,430,820	22,318,168	31,674,896
Total assets	5,925,908	6,971,814	22,318,168	35,215,890
	<i>Recurring fair value measurement</i>			
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
31 December 2012				
Investment securities designated at fair value through profit and loss	3,538,447	-	-	3,538,447
Available-for-sale investment securities	14,141,686	-	884,509	15,026,195
Total assets	17,680,133	-	884,509	18,564,642

The Bank determines the necessity to transfer assets across the fair value hierarchy at the end of each reporting period. During six months ended 30 June 2013, the Bank transferred available-for-sale investment securities with carrying value of UAH 3,430,820 thousand as at the transfer date and investment securities designated at fair value through profit and loss with carrying value of UAH 3,540,994 thousand as at the transfer date, from level 1 to level 2 of the fair value hierarchy and available-for-sale investment securities with carrying value of UAH 19,120,511 thousand from level 1 to level 3 of the fair value hierarchy. The reason for transfers from level 1 to level 2 was that the market for these instruments had become insufficiently active which necessitated a review of the fair value determination method. The fair value of available-for-sale investment securities transferred to level 2 of the fair value hierarchy was calculated using discounted cash flows model based on yield to maturity of similar financial instruments from the active market. The reason for transfers from level 1 to level 3 was that the market for these instruments had become inactive which necessitated a review of the fair value determination method. The Bank valued these financial assets by discounting the cash flows of these instruments using the rates determined on the basis of inputs not observable in the market.

Movements in level 3 financial instruments measured at fair value

The following table shows a reconciliation of the opening and closing amount of level 3 financial assets and liabilities which are recorded at fair value (unaudited):

	<i>Total gain/ (loss) recorded in</i>					<i>Transfers to level 3</i>	<i>30 June 2013</i>
	<i>1 January 2013</i>	<i>profit or loss</i>	<i>other comprehen- sive income</i>	<i>Purchases</i>	<i>Settlements</i>		
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

Translation from original in Ukrainian
 Joint Stock Company “The State Export-Import Bank of Ukraine”
 Selected Notes to the Interim Condensed Consolidated Financial Statements for the six-month period ended 30 June 2013
 (in thousands of Ukrainian hryvnia, unless otherwise indicated)

	Total gain/ (loss) recorded in			Purchases	Settlements	Transfers to level 2	30 June 2012
	1 January 2012	profit or loss	other comprehen- sive income				
Available-for-sale investment securities	867,906	(3,423) ^(a)	47	21,110	(7,397) ^(b)	(861,578)	16,665
Total assets	867,906	(3,423)	47	21,110	(7,397)	(861,578)	16,665

^(a) UAH 69,493 thousand of gain is included in interest income from investment securities other than designated at fair value through profit or loss and UAH 341 thousand of gain is included in reversal of losses/(losses) on impairment (for six months of 2012: UAH 260 thousand of income is included in interest income from investment securities other than designated at fair value through profit or loss and UAH 3,683 thousand of loss is included in reversal of losses/(losses) on impairment).

^(b) UAH 341 thousand of settlements are represented by sale of securities (for six months 2012: UAH 7,397 thousand are represented by sale of securities).

The table below shows the quantitative information as at 30 June 2013 on significant inputs not based on observable market data used to determine the fair value of financial instruments in level 3 of the fair value hierarchy:

30 June 2013 (unaudited)	Carrying value	Valuation method	Non-observable parameter	Parameter range
Available-for-sale investment securities	22,318,168	Discounted cash flows	Expected yield to maturity	Corporate bonds: 15.1% - 25.3%, State bonds: 4.9% - 13.1%.

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

	Six months of 2013 (unaudited)		
	Realised income	Unrealised losses	Total
Total gains and losses included in the profit or loss for the period	69,834	-	69,834

	Six months of 2012 (unaudited)		
	Realised losses	Unrealised losses	Total
Total gains and losses included in the profit or loss for the period	(1,927)	(1,496)	(3,423)

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:

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

	30 June 2012 (unaudited)	
	Carrying value	Impact of possible alternative assumptions
Available-for-sale investment securities	16,665	(16,665)

In order to determine reasonably possible alternative assumptions the Bank adjusted key unobservable model inputs in a following manner:

- 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 assumption up to 100% subject to individual characteristics of investee;
- For debt securities, 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 2012: +/- 20%) of the level as at the end of the reporting period;
- For Ukrainian State bonds, the Bank made an assumption based on the bond issue terms, which provided for the possibility of making claim by the Bank for early redemption of bonds (within 20 days since the day of claim) at their nominal value, which makes immaterial the impact of possible alternative assumptions on the carrying amount.

17. Related party transactions

In accordance with IAS 24 Related Party Disclosures, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, consideration is given to the substance of the relationship, not purely the legal form.

Related parties may enter into transactions which unrelated parties would not, and transactions between related parties may be concluded not on the same terms as transactions between unrelated parties.

Transactions and balances with related parties include transactions with Ukrainian government-related entities (both directly and indirectly) and key management personnel.

The outstanding balances of key management personnel as at 30 June 2013 and 31 December 2012, and related income and expense for the six-month periods ended 30 June 2013 and 2012 were as follows:

	<i>30 June 2013 (unaudited)</i>	<i>31 December 2012</i>
	<i>Key management personnel</i>	<i>Key management personnel</i>
Loans to customers, gross	182	458
Less: allowance for impairment	-	-
Loans to customers, net	182	458
Current accounts	5,995	3,959
Time deposits	21,990	24,945
Amounts due to customers	27,985	28,904
Interest income on loans	16	16
Interest expense on customers' deposits	(3,419)	(593)
Fee and commission income	1	-
Translation differences	106	131

The aggregate remuneration and other benefits paid to the key management personnel for the six-month period ended 30 June 2013 is UAH 15,691 thousand (UAH 241 thousand payment to non-state pension fund) (six-month period ended 30 June 2012: UAH 16,138 thousand (UAH 228 thousand payment to non-state pension fund)).

In the normal course of business, the Bank enters into contractual agreements with the Government of Ukraine and entities controlled 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, operation with securities, cash and settlement transactions.

Translation from original in Ukrainian

Joint Stock Company “The State Export-Import Bank of Ukraine”

Selected Notes to the Interim Condensed Consolidated Financial Statements for the six-month period ended 30 June 2013

(in thousands of Ukrainian hryvnia, unless otherwise indicated)

Balances of government-related entities which are significant in terms of the carrying value as at 30 June 2013 are shown below (unaudited):

<i>Client</i>	<i>Sector</i>	<i>Cash and cash equivalents</i>	<i>Mandatory reserve with the NBU</i>	<i>Loans to customers</i>	<i>Amounts due to customers</i>	<i>Amounts due to NBU</i>	<i>Guarantees issued</i>
Client 1	State entities	-	-	-	2,725,869	-	-
Client 2	Agriculture and food processing	-	-	-	11,521,586	-	-
Client 3	Finance	2,473,616	281,219	-	-	7,463,402	-
Client 4	Extractive industry	-	-	3,677,139	-	-	-
Client 5	Road construction	-	-	2,110,169	-	-	-
Client 6	Trade enterprises	-	-	759,697	-	-	-
Client 7	Trade enterprises	-	-	-	-	-	709,042
Client 8	Trade enterprises	-	-	-	-	-	367,565
Client 9	Engineering	-	-	538,377	-	-	184,252
Client 10	Engineering	-	-	632,141	-	-	-
Client 11	Transport and communication	-	-	465,703	362,186	-	-
Client 12	Transport and communication	-	-	-	309,567	-	-
Client 13	Power utilities	-	-	897,327	-	-	-
Other	-	-	-	537,295	2,200,719	-	-

Balances of government-related entities which are significant in terms of the carrying amount as at 31 December 2012 are shown below:

<i>Client</i>	<i>Sector</i>	<i>Cash and cash equivalents</i>	<i>Mandatory reserve with the NBU</i>	<i>Loans to customers</i>	<i>Amounts due to customers</i>	<i>Amounts due to NBU</i>	<i>Guarantees issued</i>
Client 1	State entities	-	-	-	3,313,916	-	-
Client 2	Agriculture and food processing	-	-	-	11,989,746	-	-
Client 3	Finance	1,629,018	531,152	-	-	7,824,914	-
Client 14	Finance	520,540	-	-	-	-	-
Client 4	Extractive industry	-	-	4,217,039	-	-	-
Client 7	Trade enterprises	-	-	-	-	-	1,215,755
Client 6	Trade enterprises	-	-	978,490	-	-	-
Client 8	Trade enterprises	-	-	-	-	-	467,273
Client 5	Road construction	-	-	2,109,805	-	-	-
Client 11	Transport and communication	-	-	558,002	867,968	-	-
Client 15	Transport and communication	-	-	455,781	-	-	-
Client 9	Engineering	-	-	432,207	-	-	283,968
Client 10	Engineering	-	-	594,421	-	-	-
Client 13	Power utilities	-	-	1,037,531	-	-	-
Other	-	-	-	475,833	2,411,033	-	-

For the six months ended 30 June 2013, the Bank recognised UAH 661,555 thousand (six months of 2012: UAH 717,896 thousand) of interest income and UAH 616,779 thousand (six months of 2012: UAH 344,182 thousand) of interest expenses on significant transactions with the government-related corporate entities.

As at 30 June 2013 and 31 December 2012, the Bank’s investments in debt securities issued by the Government or the government-related corporate entities were as follows:

	<i>30 June 2013 (unaudited)</i>	<i>31 December 2012</i>
Available-for-sale investment securities	24,168,221	8,447,202
Investment securities designated at fair value through profit and loss	3,540,994	3,538,447
Investment securities held-to-maturity	1,367,740	1,299,270

For the six months ended 30 June 2013, the Bank recognised UAH 1,121,891 thousand (six months of 2012: UAH 429,079 thousand) of interest income on transactions with 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 UAR.

As at 30 June 2013 and 31 December 2012, the Bank's capital adequacy ratio on this basis was as follows:

	30 June 2013 (unaudited)	31 December 2012 (unaudited)
Main capital	16,193,936	16,215,227
Additional capital	3,566,595	3,774,770
Total equity	19,760,531	19,989,997
Risk weighted assets	67,969,364	69,387,486
Capital adequacy ratio	29.07%	28.81%

Regulatory capital of Tier 1 comprises Tier 1 capital (Main capital) consisting of paid-in registered share capital, reserves less expected losses, and Tier 2 capital (Additional capital), consisting of credit risk provisions, asset revaluation provision, current profit, subordinated capital and retained earnings. 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 Ukreximbank's capital adequacy ratio, computed in accordance with the Basel Capital Accord 1988, with subsequent amendments including the amendment to incorporate market risks, as at 30 June 2013 and 31 December 2012, were as follows:

	30 June 2013 (unaudited)	31 December 2012
Tier 1 capital	16,515,672	16,465,851
Tier 2 capital	3,380,581	3,512,358
Total equity	19,896,253	19,978,209
Risk weighted assets	69,238,708	71,448,759
Tier 1 capital ratio	23.85%	23.05%
Capital adequacy ratio	28.74%	27.96%

19. Events after the reporting period

The Cabinet of Ministers of Ukraine with Resolution dated 28 August 2013 decided to increase the Bank's share capital by UAH 67,234 thousand by increasing the nominal value through the capitalisation of a part of retained earnings for prior years.