

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

30 June 2010

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

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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Joint Stock Company "The State Export-Import Bank of Ukraine" and its subsidiaries (the "Bank") as at 30 June 2010, comprising of the interim condensed consolidated statement of financial position as at 30 June 2010 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended and selected explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34, "Interim Financial Reporting" ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

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

Conclusion

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

Ernst & Young Audit Services LLC

28 September 2010

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2010

(Thousands of Ukrainian hryvnia)

	Notes	30 June 2010 (unaudited)	31 December 2009
Assets			
Cash and cash equivalents	4	10,867,536	4,851,691
Amounts due from credit institutions	5	941,034	1,736,194
Loans to customers	6	41,561,555	43,006,245
Investment securities:			
- designated at fair value through profit and loss	7	107,222	575,040
- available-for-sale	7	5,367,271	987,443
- held-to-maturity	7	1,208,099	791,162
Current tax assets		608,472	614,358
Investment property	8	1,978,309	159,554
Assets held for sale	9	-	1,204,456
Property and equipment	10	2,203,651	2,019,674
Intangible assets		13,684	12,596
Deferred income tax assets		3,067	45,929
Other assets		208,472	158,865
Total assets		65,068,372	56,163,207
Liabilities			
Amounts due to the National Bank of Ukraine	11	6,209,048	7,819,774
Amounts due to credit institutions	12	6,966,758	8,536,555
Amounts due to customers		22,023,969	19,953,160
Debt securities issued	14	-	502,135
Eurobonds issued	13	9,713,677	5,780,200
Current income tax liabilities		1,724	5,281
Subordinated debt		3,073,748	3,105,434
Provisions		19	3,521
Other liabilities		228,585	144,691
Total liabilities		48,217,528	45,850,751
Equity			
Share capital	15	17,106,742	10,716,745
Revaluation reserve		775,992	644,388
Accumulated deficit		(1,031,890)	(1,048,677)
Total equity		16,850,844	10,312,456
Total liabilities and equity		65,068,372	56,163,207

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

Mykola Udovychenko



Chairman of the Board

Natalia Potemska



Chief Accountant

28 September 2010

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME**For the six-month period ended 30 June 2010***(Thousands of Ukrainian hryvnia)*

	<i>Notes</i>	For the six-month period ended 30 June	
		2010	2009
		unaudited	
Interest income			
Loans to customers		3,007,966	3,015,389
Investment securities other than designated at fair value through profit or loss		283,974	133,569
Amounts due from credit institutions		49,524	91,101
Amounts due from the National Bank of Ukraine		6,066	-
		<u>3,347,530</u>	<u>3,240,059</u>
Investment securities designated at fair value through profit and loss		29,049	47,651
		<u>3,376,579</u>	<u>3,287,710</u>
Interest expense			
Amounts due to customers		(962,829)	(649,583)
Amounts due to the National Bank of Ukraine		(278,565)	(370,462)
Eurobonds issued		(268,185)	(286,626)
Amounts due to credit institutions		(190,596)	(191,368)
Subordinated debt		(172,838)	(64,621)
Debt securities issued		(22,175)	(50,580)
		<u>(1,895,188)</u>	<u>(1,613,240)</u>
Net interest income		<u>1,481,391</u>	<u>1,674,470</u>
Loan impairment charge	5, 6	(1,395,076)	(1,394,725)
Net interest income after loan impairment charge		<u>86,315</u>	<u>279,745</u>
Fee and commission income		206,468	171,303
Fee and commission expense		(43,500)	(26,869)
Fees and commissions, net		<u>162,968</u>	<u>144,434</u>
Net losses from investment securities designated at fair value through profit and loss:			
- change in fair value		(4,810)	(115,281)
Net gains/(losses) from available-for-sale investment securities:			
- dealing		12,357	(2,591)
- losses on impairment		(118)	(23,656)
Net gains/(losses) from foreign currencies and precious metals:			
- dealing		125,751	210,863
- translation differences		31,489	(13,442)
Net gains on initial recognition of financial instruments		337	-
Other income		6,412	7,334
Non interest income		<u>171,418</u>	<u>63,227</u>
Personnel expenses		(286,475)	(294,818)
Depreciation and amortisation		(36,387)	(28,746)
Release/(Charge)for impairment of other assets and provisions		57,392	(41,533)
Other operating expenses		(126,926)	(110,764)
Non interest expense		<u>(392,396)</u>	<u>(475,861)</u>
Profit before income tax expense		<u>28,305</u>	<u>11,545</u>
Income tax expense		(7,575)	(3,427)
Profit for the period		<u>20,730</u>	<u>8,118</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six-month period ended 30 June 2010

(Thousands of Ukrainian hryvnia)

	<i>Notes</i>	<i>For the six-month period ended 30 June</i>	
		<i>2010</i>	<i>2009</i>
		<i>unaudited</i>	
Profit for the period		20,730	8,118
Other comprehensive income/ (loss):			
Net gains/ (losses) on investment securities available-for-sale	15	3,269	(48,735)
Revaluation of property	10, 15	179,128	-
Income tax relating to components of other comprehensive income		(45,599)	12,184
Other comprehensive income/ (loss) for the period, net of tax		136,798	(36,551)
Total comprehensive income/ (loss) for the period		157,528	(28,433)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six-month period ended 30 June 2010

(Thousands of Ukrainian hryvnia)

	<i>Attributable to the shareholder of the Bank</i>			
	<i>Share capital</i>	<i>Revaluation reserve</i>	<i>Accumulated deficit</i>	<i>Total</i>
1 January 2009	3,775,865	655,340	(491,779)	3,939,426
Profit for the period	-	-	8,118	8,118
Other comprehensive income for the period	-	(36,551)	-	(36,551)
Total comprehensive income for the period	-	(36,551)	8,118	(28,433)
Depreciation of revaluation reserve, net of tax (Note 15)	-	(5,231)	5,231	-
Disposal of property, net of tax (Note 15)	-	(29)	29	-
Increase in share capital	5,290,882	-	(590,883)	4,699,999
30 June 2009 (unaudited)	9,066,747	613,529	(1,069,284)	8,610,992
1 January 2010	10,716,745	644,388	(1,048,677)	10,312,456
Profit for the period	-	-	20,730	20,730
Other comprehensive income for the period	-	136,798	-	136,798
Total comprehensive income for the period	-	136,798	20,730	157,528
Depreciation of revaluation reserve, net of tax (Note 15)	-	(5,194)	5,194	-
Distribution of profit to the shareholder (Note 15)	-	-	(9,137)	(9,137)
Increase in share capital (Note 15)	6,389,997	-	-	6,389,997
30 June 2010 (unaudited)	17,106,742	775,992	(1,031,890)	16,850,844

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS **For the six-month period ended 30 June 2010**

(Thousands of Ukrainian hryvnia)

	<i>For the six-month period ended 30 June</i>	
	<i>2010</i>	<i>2009</i>
	<i>(unaudited)</i>	
Cash flows from operating activities		
Interest and commissions received	3,092,958	2,682,599
Interest and commissions paid	(1,967,046)	(1,878,447)
Gains less losses from dealing in foreign currencies and precious metals	125,751	210,863
Salaries and benefits	(289,966)	(289,601)
Other operating income received	5,825	1,306
Other operating and administrative expenses paid	(115,786)	(114,708)
Cash flow from operating activities before changes in operating assets and liabilities	851,736	612,012
<i>Net (increase)/ decrease in operating assets:</i>		
Amount due from credit institutions	779,802	(253,976)
Loans to customers	(969,850)	(5,201,190)
Other assets	(51,045)	(44,624)
<i>Net increase/ (decrease) in operating liabilities:</i>		
Amounts due to credit institutions	(135,286)	(237,978)
Amounts due to the National Bank of Ukraine	(1,426,060)	6,673,441
Amounts due to customers	3,072,347	2,393,343
Other liabilities	49,378	(20,318)
Net cash flows from operating activities before income tax	2,171,022	3,920,710
Income tax paid	(7,983)	(672,134)
Net cash flows from operating activities	2,163,039	3,248,576
Cash flows from investing activities		
Proceeds from sale and redemption of investment securities	3,549,106	11,873,756
Purchase of investment securities	(1,382,041)	(7,841,166)
Purchases of property, equipment and intangible assets	(41,898)	(51,115)
Proceeds from sale of property and equipment	161	349
Net cash flows from investing activities	2,125,328	3,981,824
Cash flows from/(used in) financing activities		
Distribution of profit to the shareholder	(9,137)	-
Redemption of bonds issued	(500,000)	(275,000)
Proceeds from/ (redemption) of Eurobonds issued	3,939,069	(70,184)
Proceeds from subordinated debt issued	-	1,904,750
Proceeds from borrowings from credit institutions	331,055	3,182,290
Repayment of borrowings from credit institutions	(1,757,763)	(9,915,850)
Net cash flows from/(used in) financing activities	2,003,224	(5,173,994)
Effect of exchange rate changes on cash and cash equivalents	(275,746)	132,107
Net change in cash and cash equivalents	6,015,845	2,188,513
Cash and cash equivalents, beginning of the period (Note 4)	4,851,691	6,308,694
Cash and cash equivalents, ending of the period (Note 4)	10,867,536	8,497,207

1. Principal activities

The State Export-Import Bank of Ukraine (the “EximBank”) was founded in 1992. It was registered at the National Bank of Ukraine (the “NBU”) on 23 January 1992 and on 18 September 2000 was re-registered as a joint stock company. Currently EximBank operates under a general banking licence #2 renewed by the NBU on 27 May 2009, which provides EximBank with the right to conduct banking operations, including currency operations.

As at 30 June 2010 and 31 December 2009, 100% of EximBank’s shares were owned by the Cabinet Ministers of Ukraine on behalf of the State of Ukraine.

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

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

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

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

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

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

2. Basis of preparation and accounting policies

Basis of preparation

These interim condensed consolidated financial statements for the six-month period ended 30 June 2010 have been prepared in accordance with IAS 34 “Interim Financial Reporting”.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with Bank’s annual consolidated financial statements for the year ended 31 December 2009.

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

Changes in accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Bank’s annual financial statements for the year ended 31 December 2009, except for the adoption of new standards and interpretations noted below.

IFRS 3 “Business Combinations” (revised in January 2008) and IAS 27 “Consolidated and Separate Financial Statements” (revised in January 2008)

The revised standards were issued in January 2008 and became effective for financial years beginning on or after 1 July 2009. The revised IFRS 3 introduces a number of changes in the accounting for business combinations that impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. The revised IAS 27 requires that a change in the ownership interest of a subsidiary is accounted for as an equity transaction.

Therefore, such a change has no impact on goodwill, nor does it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes introduced by the revised Standards are applied prospectively and did not have any impact on these interim condensed consolidated financial statements.

Improvements to IFRSs

In April 2009 the IASB issued its second omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes in accounting policies but did not have any impact on the financial position or performance of the Bank.

- IFRS 8 Operating Segment Information: Clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker. As the Bank's chief operating decision maker does review segment assets and liabilities, the Bank continues to disclose this information.
- IAS 7 Statement of Cash Flows: Explicitly states that only expenditure that results in recognising an asset can be classified as a cash flow from investing activities.
- IAS 36 Impairment of Assets: The amendment clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in IFRS 8 before aggregation for reporting purposes. The amendment had no impact on the Bank as the annual impairment test is performed before aggregation.

Other amendments resulting from Improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Bank:

- IFRS 2 Share-based Payment
- IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations
- IAS 1 Presentation of Financial Statements
- IAS 17 Leases
- IAS 38 Intangible Assets
- IAS 39 Financial Instruments: Recognition and Measurement
- IFRIC 9 Reassessment of Embedded Derivatives
- IFRIC 16 Hedge of a Net Investment in a Foreign Operations

The following new or revised standards and interpretations effective from 2010 did not have any impact on the accounting policies, financial position or performance of the Bank:

- Amendment to IAS 39 “Financial Instruments: recognition and measurement” - Eligible Hedged Items
- Amendment to IFRS 2 “Share-based Payment” - Group Cash-settled Share-based Payment Transactions
- IFRIC 17 “Distribution of Non-Cash Assets to Owners”

The Bank has not early adopted any other standard, interpretation or amendment that was issued but not yet effective.

Reclassifications

The following reclassifications have been made to the statement of income for the six-month period ended 30 June 2009 to conform with the current year's presentation.

Amount	Previously reported	As reclassified	Comment
(23,656)	Other impairment and provisions	Net gains/(losses) from available-for-sale investment securities	To achieve better presentation
(115,281)	Change in fair value of investment securities designated at fair value through profit or loss	Net gains/(losses) from investment securities designated at fair value through profit and loss	To achieve better presentation
69,711	Fee and commission income – currency conversion	Net gains/ (losses) from foreign currencies and precious metals – dealing	To achieve better presentation
(100,484)	Other impairment and provisions	Allowance for loan impairment	To achieve better presentation
8,431	Fee and commission income	Interest income	To achieve better presentation

3. Segment information

For management purposes, the Bank is organised into three operating segments based on products and services as follows:

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

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 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 Assets and Liabilities Committee based on the Bank's cost of borrowing.

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Bank's total revenue in six-month period ended 30 June 2010 and 2009.

The following table presents income and profit, certain assets and liabilities information regarding the Bank's operating segments for the six-month period ended 30 June 2010:

	<i>Retail banking</i>	<i>Corporate banking</i>	<i>Financial institutions and investments</i>	<i>Other/ unallocated</i>	<i>Total</i>
Third party					
Interest income	123,281	2,886,350	366,948	-	3,376,579
Fee and commission income	132,371	65,484	8,613	-	206,468
Other income	1,104	1,562	397	3,349	6,412
Gain from dealing in available-for-sale investment securities	12,310	-	47	-	12,357
Net gain from foreign currencies and precious metals	67,108	598	58,045	31,489	157,240
Net gain on initial recognition of financial instruments	-	337	-	-	337
Release of allowance for impairment of other assets and provisions	-	101,229	-	-	101,229
Inter-segmental revenue	661,330	(1,932,445)	397,597	873,518	-
Total revenue	997,504	1,123,115	831,647	908,356	3,860,622
Interest expenses	(664,056)	(526,694)	(704,438)	-	(1,895,188)
Fee and commission expense	(26,201)	(15,636)	(1,658)	(5)	(43,500)
Loan impairment charge	(33,866)	(1,361,210)	-	-	(1,395,076)
Loss from change in fair value of investment securities designated at fair value through profit and loss	-	-	(4,810)	-	(4,810)
Loss from investment securities available-for-sale	-	-	(118)	-	(118)
Personnel expenses	(139,376)	(67,246)	(18,152)	(61,701)	(286,475)
Depreciation and amortisation	(26,204)	(5,031)	(835)	(4,317)	(36,387)
Other operating expense	18,639	(115,161)	(2,571)	(27,833)	(126,926)
Release of impairment of other assets and provisions	(805)	-	(40,872)	(2,160)	(43,837)
Segment results	125,635	(967,863)	58,193	812,340	28,305
Income tax expense					(7,575)
Profit for the period					20,730
Assets and liabilities as at 30 June 2010					
Segment assets	4,287,846	42,648,809	17,211,781		64,148,436
Unallocated assets				919,936	919,936
Total assets					65,068,372
Segment liabilities	13,854,480	17,720,988	16,555,854		48,131,322
Unallocated liabilities				86,206	86,206
Total liabilities					48,217,528
Other segment information					
Capital expenditure	(30,270)	(4,539)	(754)	(3,901)	(39,464)

The following table presents income and profit for the six-month period ended 30 June 2009 and certain assets and liabilities information regarding the Bank’s operating segments as at 31 December 2009:

	<i>Retail banking</i>	<i>Corporate banking</i>	<i>Financial institutions and investments</i>	<i>Other/ unallocated</i>	<i>Total</i>
Third party					
Interest income	163,765	2,870,933	253,012	-	3,287,710
Fee and commission income	119,208	43,046	9,049	-	171,303
Other income	918	4,430	232	1,754	7,334
Gains from foreign currencies and precious metals	93,374	-	145,350	-	238,724
Release of allowance for impairment of other assets and provisions	-	-	11	6,980	6,991
Inter-segmental revenue	425,398	(1,757,919)	772,937	559,584	-
Total revenue	802,663	1,160,490	1,180,591	568,318	3,712,062
Interest expenses	(460,425)	(335,358)	(817,457)	-	(1,613,240)
Fee and commission expense	(23,077)	(3,719)	(70)	(3)	(26,869)
Loan impairment charge	(107,384)	(1,277,729)	(9,612)	-	(1,394,725)
Loss from change in fair value of investment securities designated at fair value through profit and loss	-	-	(115,281)	-	(115,281)
Loss from investment securities available-for-sale	-	-	(26,247)	-	(26,247)
Loss from foreign currencies and precious metals		(1,117)	-	(40,186)	(41,303)
Personnel expenses	(140,295)	(62,494)	(20,406)	(71,623)	(294,818)
Depreciation and amortisation	(21,345)	(3,523)	(659)	(3,219)	(28,746)
Other operating expense	(75,766)	(10,166)	(2,008)	(22,824)	(110,764)
Charge for impairment of other assets and provisions	-	(48,524)	-	-	(48,524)
Segment results	(25,629)	(582,140)	188,851	430,463	11,545
Income tax expense					(3,427)
Profit for the period					8,118
Assets and liabilities as at 31 December 2009					
Segment assets	4,253,955	43,415,335	7,551,593		55,220,883
Unallocated assets				942,324	942,324
Total assets					56,163,207
Segment liabilities	11,691,894	16,289,321	17,831,684		45,812,899
Unallocated liabilities				37,852	37,852
Total liabilities					45,850,751
Other segment information					
Capital expenditure	(37,410)	(6,698)	(1,252)	(6,122)	(51,482)

4. Cash and cash equivalents

Cash and cash equivalents comprise the following:

	30 June 2010 (unaudited)	31 December 2009
Cash on hand	566,175	694,567
Current account with the National Bank of Ukraine	1,654,165	681,971
Current accounts with other credit institutions	4,779,725	2,357,131
Overnights deposits with other credit institutions	3,596,855	1,032,157
Time deposits with credit institutions up to 90 days	270,616	85,865
Cash and cash equivalents	10,867,536	4,851,691

5. Amounts due from credit institutions

Amounts due from credit institutions consist of the following:

	30 June 2010 (unaudited)	31 December 2009
Loans and deposits		
Ukrainian banks	394,362	1,361,502
CIS and other foreign banks	36,725	4,997
OECD banks	55,136	57,488
	486,223	1,423,987
Deposits with the NBU	470,822	329,209
Other amounts due from credit institutions	876	1,819
	957,921	1,755,015
Less – Allowance for impairment	(16,887)	(18,821)
Due from credit institutions	941,034	1,736,194

Starting from August 2009, Ukrainian banks are required to keep 50% of the obligatory reserve for the previous month on a separate account with the NBU. In May 2010 the obligatory reserve requirement was increased to 100%. The interest rate on this account was 3% p.a. and starting from 8 June 2010 interest rate is 2.85% p.a. As at 30 June 2010, the amount placed by the Bank on this account is UAH 470,822 thousand (31 December 2009: UAH 329,209 thousand). The Bank's ability to withdraw this deposit is significantly restricted by statutory legislation. As at 30 June 2010, Ukrainian State bonds with a carrying value of UAH 267,360 thousand are used by the Bank to partially cover its NBU obligatory reserve requirements (Note 7).

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

	Amounts due from credit institutions
At 1 January 2010	18,821
Charge for the period	(1,056)
Translation differences	(878)
At 30 June 2010 (unaudited)	16,887
	Amounts due from credit institutions
At 1 January 2009	-
Charge for the period	17,461
At 30 June 2009 (unaudited)	17,461

6. Loans to customers

Loans to customers consist of the following:

	30 June 2010 (unaudited)	31 December 2009
Loans to customers	47,185,901	47,452,510
Overdrafts	289,627	274,176
Finance lease receivables	286,937	215,480
Promissory notes	109,709	87,130
	47,872,174	48,029,296
Less – Allowance for impairment	(6,310,619)	(5,023,051)
Loans to customers	41,561,555	43,006,245

Loans have been extended to the following types of customers:

	30 June 2010 (unaudited)	31 December 2009
Private entities	40,369,605	40,011,587
State and municipal entities	6,292,115	6,694,531
Individuals	1,210,454	1,323,178
Total loans to customers	47,872,174	48,029,296

As at 30 June 2010, loans to customers with a carrying value of UAH 8,322,252 thousand are pledged as collateral against loans received from the NBU (31 December 2009: UAH 12,714,529 thousand) (Note 10).

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

	Loans to customers	Overdrafts	Finance lease receivables	Promissory notes	Total
At 1 January 2010	4,945,151	38,155	22,193	17,552	5,023,051
Charge/ (release) for the period	1,431,477	(12,994)	(10,152)	(12,199)	1,396,132
Recoveries	10	-	-	-	10
Amounts written off	(7)	-	(2,588)	-	(2,595)
Translation differences	(105,819)	(3)	(157)	-	(105,979)
At 30 June 2010 (unaudited)	6,270,812	25,158	9,296	5,353	6,310,619

	Loans to customers	Overdrafts	Finance lease receivables	Promissory notes	Total
At 1 January 2009	2,170,908	11,071	8,227	9,700	2,199,906
Charge/ (release) for the period	1,388,204	(2,494)	263	(8,709)	1,377,264
Recoveries	5	-	-	-	5
Amounts written off	(1,699)	-	(400)	-	(2,099)
Translation differences	(12,912)	(17)	(44)	-	(12,973)
At 30 June 2009 (unaudited)	3,544,506	8,560	8,046	991	3,562,103

7. Investment securities

Investment securities designated at fair value through profit or loss as at 30 June 2010 and 31 December 2009 comprise the following:

	30 June 2010 (unaudited)	31 December 2009
Corporate bonds	107,222	174,454
Ukrainian State bonds	-	400,586
Investment securities designated at fair value	107,222	575,040

Available-for-sale investment securities comprise:

	30 June 2010 (unaudited)	31 December 2009
Corporate shares	6,355	6,371
Corporate bonds	444,021	485,304
Ukrainian State bonds	4,916,895	495,768
Available-for-sale investment securities	5,367,271	987,443

As at 30 June 2010, Ukrainian State bonds with a carrying value of UAH 267,360 thousand are used by the Bank to partially cover its NBU obligatory reserve requirements (Note 5).

Held-to-maturity investment securities comprise the following:

	30 June 2010 (unaudited)		31 December 2009	
	Nominal value	Carrying value	Nominal value	Carrying value
Municipal bonds	200,000	203,252	200,000	203,578
Corporate bonds	1,030,299	1,117,433	637,620	659,190
		1,320,685		862,768
Less – Allowance for impairment		(112,586)		(71,606)
Held-to-maturity investments		1,208,099		791,162

As at 30 June 2010, corporate bonds with a carrying value of UAH 673,853 thousand are pledged as collateral against a loan received from the NBU (31 December 2009: UAH 432,527 thousand) (Note 10).

8. Investment property

The movements of investment property are as follows:

	For the six-month period ended 30 June	
	2010	2009
	(unaudited)	
Investment property as at 1 January	159,554	-
Additions	614,993	130,109
Transfer from assets held for sale (Note 9)	1,204,456	-
Net loss from fair value adjustment	(694)	-
Investment property as at 30 June	1,978,309	130,109

During the six-month period ended 30 June 2010, the Bank revalued its investment property. The valuation was performed by an independent appraiser and the fair value was determined by reference to market-based evidence.

9. Assets held for sale

Assets held for sale comprise the following:

	For the six-month period ended 30 June	
	2010	2009
	(unaudited)	
Assets held for sale as at 1 January	1,204,456	-
Additions	-	186,547
Transfer to investment property (Note 8)	(1,204,456)	-
Assets held for sale as at 30 June	-	186,547

During the six-month period ended 30 June 2010, assets held for sale with a carrying value of UAH 1,204,456 thousand were transferred to investment property (Note 8) as a consequence of changes in the Bank's intentions regarding these assets. The Bank decided to hold the property for the purpose of long term capital appreciation and rental growth, rather than sell the property in the nearest future.

10. Property and equipment

The movements of property and equipment during the six-month period ended 30 June 2010 and 30 June 2009 are as follows:

	<i>Buildings and property</i>	<i>Leasehold improve- ments</i>	<i>Computers and equipment</i>	<i>Furniture, fixtures and other assets</i>	<i>Motor vehicles</i>	<i>Construction in progress</i>	<i>Total</i>
Cost or revalued amount							
31 December 2009	1,959,470	12,204	226,362	126,273	16,506	230,425	2,571,240
Revaluation	233,985	-	-	-	-	-	233,985
Additions	-	-	11,373	16,575	599	10,263	38,810
Disposals	-	(463)	(1,069)	(336)	(514)	(22)	(2,404)
Transfers	73,910	99	-	-	-	(74,009)	-
30 June 2010 (unaudited)	2,267,365	11,840	236,666	142,512	16,591	166,657	2,841,631
Accumulated depreciation							
31 December 2009	(314,416)	(7,451)	(139,701)	(77,532)	(12,466)		(551,566)
Revaluation	(54,408)	-	-	-	-	-	(54,408)
Charge for the period	(12,576)	(1,400)	(13,570)	(6,028)	(800)		(34,374)
Disposals	-	462	1,069	331	506		2,368
30 June 2010 (unaudited)	(381,400)	(8,389)	(152,202)	(83,229)	(12,760)		(637,980)
Net book value:							
31 December 2009	1,645,054	4,753	86,661	48,741	4,040	230,425	2,019,674
30 June 2010 (unaudited)	1,885,965	3,451	84,464	59,283	3,831	166,657	2,203,651
	<i>Buildings and property</i>	<i>Leasehold improve- ments</i>	<i>Computers and equipment</i>	<i>Furniture, fixtures and other assets</i>	<i>Motor vehicles</i>	<i>Construction in progress</i>	<i>Total</i>
Cost or revalued amount							
31 December 2008	1,491,808	11,552	200,528	110,299	16,711	118,466	1,949,364
Additions	4	-	7,589	5,204	276	37,742	50,815
Disposals	(64)	(315)	(1,618)	(306)	(480)	(96)	(2,879)
Transfers	611	16	-	-	-	(627)	-
30 June 2009 (unaudited)	1,492,359	11,253	206,499	115,197	16,507	155,485	1,997,300
Accumulated depreciation							
31 December 2008	(294,995)	(5,841)	(120,740)	(65,078)	(12,301)		(498,955)
Charge for the year	(9,395)	(1,087)	(10,735)	(5,309)	(711)		(27,237)
Disposals	17	220	1,544	306	457		2,544
30 June 2009 (unaudited)	(304,373)	(6,708)	(129,931)	(70,081)	(12,555)		(523,648)
Net book value:							
31 December 2008	1,196,813	5,711	79,788	45,221	4,410	118,466	1,450,409
30 June 2009 (unaudited)	1,187,986	4,545	76,568	45,116	3,952	155,485	1,473,652

During the year 2010, the Bank revalued its buildings. The valuation was performed by an independent appraiser as at 30 June 2010 and the fair value was determined by reference to market-based evidence. If the buildings were measured using the cost model, the carrying amounts would be as follows:

	30 June 2010 (revalued)	30 June 2010 (at cost)	31 December 2009 (revalued)	31 December 2009 (at cost)
Cost	2,267,365	919,099	1,959,470	845,189
Accumulated depreciation	(381,400)	(87,696)	(314,416)	(80,314)
Net carrying amount	1,885,965	831,403	1,645,054	764,875

As at 30 June 2010, the revaluation of buildings of UAH 179,577 thousand includes UAH 449 thousand (31 December 2009: nil) of revaluation recognised in other income to the extent that it reverses a revaluation decrease of the same assets previously recognised in profit or loss.

11. Amounts due to the National Bank of Ukraine

During the six-month period ended 30 June 2010, the Bank repaid UAH 2,673,564 thousand of loans received from the NBU and received a new loan of UAH 630,000 thousand and UAH 617,663 thousand of further financing under existing loan agreements.

The new loan received from the NBU matures on 25 January 2011 and bears interest at the NBU official discount rate plus 2% p.a.

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

12. Amounts due to credit institutions

Amounts due to credit institutions comprise:

	30 June 2010 (unaudited)	31 December 2009
Current accounts		
Ukrainian banks	386,197	252,842
OECD banks	5,433	2,103
CIS and other foreign banks	1,135	1,500
	392,765	256,445
Loans and deposits		
International financial organisations	1,693,238	2,324,940
OECD banks	4,623,391	5,415,516
CIS and other foreign banks	1,467	2,693
Ukrainian banks	250,853	529,132
	6,568,949	8,272,281
Other amounts due to credit institutions	5,044	7,829
Amounts due to credit institutions	6,966,758	8,536,555

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

13. Eurobonds issued

	30 June 2010 (unaudited)		31 December 2009	
	Nominal value	Carrying value	Nominal value	Carrying value
October 2005 issue	1,860,754	1,885,941	1,879,110	1,903,503
September 2006 issue	2,767,450	2,830,834	2,794,750	2,857,484
November 2006 issue	982,168	1,008,275	991,857	1,019,213
April 2010 issue	3,953,500	3,988,627	-	-
Eurobonds issued		9,713,677		5,780,200

In April 2010, the Bank, through BIZ Finance PLC, issued Eurobonds in the form of loan participation notes with a par value of USD 100,000 (UAH 792,580 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. The Eurobonds are listed on SIX Swiss Stock Exchange.

14. Debt securities issued

In June 2010, the Bank redeemed series C local bonds with a nominal amount of UAH 500,000 thousand.

15. Equity

As at 30 June 2010, EximBank's authorised issued share capital comprised 11,414,901 (31 December 2009: 6,965,507) ordinary shares, with a nominal value of UAH 1,436.15 per share (31 December 2009: UAH 1,436.15). All shares have equal voting rights. As at 30 June 2010, 11,414,901 issued shares were fully paid and registered (31 December 2009: 6,965,507 shares were fully paid and registered).

In March 2010, according to the Resolution of the Cabinet of Ministers of Ukraine dated 20 January 2010, the Bank's share capital was increased by UAH 1,799,999 thousand. The increase was financed by Ukrainian State bonds. In March 2010, part of the holdings of Ukrainian State bonds with a total nominal value of UAH 500,000 was sold to the National Bank of Ukraine at nominal value.

In March 2010, according to the Resolution of the Cabinet of Ministers of Ukraine dated 17 February 2010, Eximbank's share capital was increased by UAH 4,589,998 thousand. The increase was financed by Ukrainian State bonds. In March 2010, part of the holdings of Ukrainian State bonds with a total nominal value of UAH 2,000,000 was sold to the National Bank of Ukraine at nominal value.

In June 2010, according to the Law of Ukraine No. 2154-VI, dated 27 April 2010 “On state budget of Ukraine for 2010” and the Resolution of the Cabinet of Ministers No. 274 dated 22 March 2010, the Bank distributed profits of UAH 9,137 thousand to the shareholder.

Movements in revaluation reserve

	Property revaluation reserve	Unrealised gains/(losses) on investment securities available- for-sale	Total
1 January 2009	657,236	(1,896)	655,340
Depreciation of revaluation reserve, net of tax	(5,231)	-	(5,231)
Disposal of property, net of tax	(29)	-	(29)
Realised losses on investment securities available-for-sale reclassified to the statement of income	-	(667)	(667)
Unrealised losses reclassified to the statement of income on impairment	-	(324)	(324)
Net unrealised gain on available-for-sale investments	-	(47,744)	(47,744)
Tax effect of net gains on investment securities available-for-sale	-	12,184	12,184
30 June 2009 (unaudited)	651,976	(38,447)	613,529
1 January 2010	646,734	(2,346)	644,388
Revaluation of property (Note 10)	179,128	-	179,128
Tax effect of revaluation of buildings	(44,782)	-	(44,782)
Depreciation of revaluation reserve, net of tax	(5,194)	-	(5,194)
Realised gains on investment securities available-for-sale reclassified to the statement of income	-	136	136
Net unrealised gains on available-for-sale investments	-	3,133	3,133
Tax effect of net gains on investment securities available-for-sale	-	(817)	(817)
30 June 2010 (unaudited)	775,886	106	775,992

16. Financial commitments and contingencies

Financial commitments and contingencies comprise:

	30 June 2010 (unaudited)	31 December 2009
Letters of credit	898,769	671,027
Guarantees	3,081,375	2,321,263
Avals on promissory notes	141,964	172,147
Undrawn loan commitments	168,565	213,955
	4,290,673	3,378,392
Less – Provisions	(19)	(3,521)
Financial commitments and contingencies (before deducting collateral)	4,290,654	3,374,871
Less – cash held as security against letters of credit, avals and guarantees, and undrawn loan commitments	(749,094)	(575,672)
Financial commitments and contingencies	3,541,560	2,799,199

17. Related party transactions

In accordance with IAS 24 “Related Party Disclosures”, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. All state-owned and controlled entities are considered as related parties of the Bank.

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

The outstanding balances of related party transactions as at 30 June 2010 and 31 December 2009, and related income and expense for the six-month periods ended 30 June 2010 and 2009 are as follows:

	30 June 2010 (unaudited)		31 December 2009	
	State controlled entities	Key management personnel	State controlled entities	Key management personnel
Current account with the NBU	1,654,165	-	681,971	-
Deposits with the NBU	470,822	-	329,209	-
Amounts due from credit institutions	177,658	-	190,176	-
State bonds designated at fair value through profit and loss at 1 January	-	-	400,586	-
Held-to-maturity municipal bonds, gross	203,252	-	203,578	-
Less: allowance for impairment	(40,652)	-	-	-
Held-to-maturity municipal bonds, net	162,600	-	203,578	-
Held-to-maturity corporate bonds, gross	1,117,433	-	659,190	-
Less: allowance for impairment	(71,934)	-	-	-
Held-to-maturity corporate bonds, net	1,045,499	-	659,190	-
State bonds classifies as available-for-sale	4,916,895	-	495,768	-
Corporate bonds classifies as available-for-sale	133,966	-	132,486	-
Loans outstanding, gross	6,292,115	256	6,694,531	279
Less: allowance for impairment	(59,782)	-	(123,801)	-
Loans outstanding, net	6,232,333	256	6,570,730	279
Other assets	5,495	-	4,035	-
Loans due to the NBU	6,209,048	-	7,819,774	-
Amounts due to credit institutions	15,949	-	16,567	-
Current accounts	3,146,045	25	2,922,337	4,808
Time deposits	1,274,331	62,556	1,912,056	61,875
Amounts due to customers	4,420,376	62,581	4,834,393	66,683
Debt securities issued	-	-	90,243	-
Other liabilities	15,263	-	17,744	-
Commitments and guarantees issued	1,724,723		1,326,212	-

	For the six-month period ended 30 June			
	2010		2009	
	(unaudited)			
	State controlled entities	Key management personnel	State controlled entities	Key management personnel
Interest income on loans	483,319	-	345,229	-
Interest income on securities	262,533	-	146,531	-
Interest income on amounts due from the NBU	6,066	-	-	-
Interest income on amounts due from credit institutions	4,331	-	531	-
Interest income	756,249	-	492,291	-
Interest expenses on amounts due to the NBU	(278,565)	-	(370,463)	-
Interest expense on customers' deposits	(143,548)	(1,727)	(62,293)	(991)
Interest expenses on debt securities issued	(3,985)	-	(3,637)	-
Interest expenses	(426,098)	(1,727)	(436,393)	(991)
Commission income	44,237	30	28,074	24
Translation differences	185,087	1,647	154,866	(263)
Other operating income	266	-	1	-
Other operating and administrative expenses	(532)	-	(425)	-

The aggregate remuneration and other benefits paid to the key management personnel for the six-month period ended 30 June 2010 is UAH 16,368 thousand (UAH 288 thousand payment to non-state pension fund) (six-month period ended 30 June 2009: UAH 19,819 thousand (UAH 418 thousand payment to non-state pension fund)).

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 UAS.

As at 30 June 2010 and 31 December 2009, the Bank's capital adequacy ratio on this basis is as follows:

	30 June 2010 (unaudited)	31 December 2009
Main capital	15,569,208	9,460,540
Additional capital	3,672,719	3,708,552
Total capital	19,241,927	13,169,092
Risk weighted assets	41,088,438	39,069,508
Capital adequacy ratio	46.83%	33.71%

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

Capital adequacy ratio under Basel Capital Accord 1988

The Eximbank’s capital adequacy ratio, computed in accordance with the Basel Capital Accord 1988, with subsequent amendments including the amendment to incorporate market risks, as at 30 June 2010 and 31 December 2009, comprise:

	30 June 2010 (unaudited)	31 December 2009
Tier 1 capital	16,074,852	9,668,068
Tier 2 capital	3,741,117	3,749,822
Total capital	19,815,969	13,417,890
 Risk weighted assets	 56,425,677	 52,723,265
Tier 1 capital ratio	28.49%	18.34%
Total capital ratio	35.12%	25.45%