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

For quarter III ended 30 September 2016

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(thousands of Ukrainian hryvnia, unless otherwise stated)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONSOLIDATED BALANCE)

As at 30 September 2016
(thousands of Ukrainian hryvnia)

	Notes	*30 September 2016 (unaudited)*	*31 December 2015*
Assets			
Cash and cash equivalents	4	18 147 185	24 241 179
Due from credit institutions	5	1 856 333	4 083 743
Loans to customers	6	55 524 310	55 099 903
Investment securities:	7		
- designated at fair value through profit or loss		24 143 694	9 924 610
- available-for-sale		46 993 053	41 191 570
- held-to-maturity		165 202	230 912
Current income tax assets	8	116 899	293 122
Investment property		1 492 378	1 566 942
Property and equipment		2 122 038	2 170 944
Intangible assets	9	20 009	17 584
Deferred income tax asset	8	2 094 029	1 730 750
Other assets		743 746	797 253
Total assets		**153 418 876**	**141 348 512**
Liabilities			
Amounts due to the National Bank of Ukraine	11	2 959	2 979 775
Amounts due to credit institutions	12	27 192 107	19 298 870
Amounts due to customers	13	80 789 340	79 317 943
Eurobonds issued	14	35 873 318	33 122 294
Subordinated debt	15	3 264 528	9 375 369
Provision for other impairment	10	6 758	22 213
Other liabilities		292 723	292 387
Total liabilities		**147 421 733**	**144 408 851**
Equity			
Statutory capital	16	31 008 041	21 689 042
Revaluation reserves	16	809 996	664 823
Uncovered loss		(25 983 820)	(25 577 130)
Reserve and other funds		162 926	162 926
Total equity		**5 997 143**	**(3 060 339)**
Total equity and liabilities		**153 418 876**	**141 348 512**

Authorised for release and signed

24 October 2016

Chairman of the Board **O.V. Hrytsenko**

Deputy Head of Accounting and Reporting Department –
Deputy Chief Accountant **O.I. Mohylna**

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS (CONSOLIDATED STATEMENT OF FINANCIAL RESULTS)

For quarter III ended 30 September 2016

(thousands of Ukrainian hryvnia)

	Notes	*For the period ended 30 September 2016* – *for the current quarter*	*For the period ended 30 September 2016* – *for the current quarter on an accrual basis year-to-date*	*For the period ended 30 September 2015* – *for the respective quarter of the previous year*	*For the period ended 30 September 2015* – *for the respective quarter of the previous year, on an accrual basis year-to-date*
		(unaudited)			
Interest income					
Loans to customers		1 979 919	6 237 269	1 800 142	5 338 221
Investment securities other than designated at fair value through profit or loss		866 564	2 919 781	1 120 682	3 617 477
Due from credit institutions		38 542	246 128	156 948	475 181
Amounts due from the National Bank of Ukraine		20 077	346 181	41 667	54 612
		2 905 102	9 749 359	3 119 439	9 485 491
Investment securities designed at fair value through profit or loss		216 471	593 330	70 937	220 591
		3 121 573	**10 342 689**	**3 190 376**	**9 706 082**
Interest expense					
Amounts due to customers		(1 165 231)	(3 959 311)	(1 248 752)	(3 863 105)
Eurobonds issued		(848 711)	(2 535 972)	(739 907)	(2 022 087)
Amounts due to the National Bank of Ukraine		(5 919)	(202 491)	(99 979)	(721 546)
Amounts due to credit institutions		(303 920)	(661 159)	(272 808)	(879 796)
Subordinated debt		(150 341)	(693 700)	(224 978)	(642 792)
		(2 474 122)	**(8 052 633)**	**(2 586 424)**	**(8 129 326)**
Net interest income		**647 451**	**2 290 056**	**603 952**	**1 576 756**
Allowance for loan impairment charge	5,6	(3 453 491)	(5 886 569)	(1 458 126)	(6 546 492)
Net interest loss after allowance for loan impairment		**(2 806 040)**	**(3 596 513)**	**(854 174)**	**(4 969 736)**
Commission income		230 610	767 001	278 865	809 384
Commission expense		(72 125)	(262 257)	(97 203)	(293 300)
Commission income, net	18	**158 485**	**504 744**	**181 662**	**516 084**
Net (losses)/gains from investment securities designated at fair value through profit and loss		5 059 813	5 567 950	(393 750)	3 098 493
Net gains/(losses) from available-for-sale investment securities:					
- dealing		-	-	1 667	32 871
- losses on impairment		-	-	(2 482 659)	(2 955 590)
Net gains/(losses) from foreign currencies:					
- dealing		122 989	357 623	177 809	731 983
- translation differences		(1 169 034)	(2 109 282)	(532 165)	(4 955 600)
Net gains/(losses) from precious metals:					
- dealing		176	499	542	9 462
- revaluation		(773)	(5 020)	(276)	(13 193)
Other income		18 671	73 312	24 292	67 092
Gains from initial recognition of financial instruments		22	16 344	-	-
Non-interest income		**4 031 864**	**3 901 426**	**(3 204 540)**	**(3 984 482)**
Personnel costs	19	(179 629)	(548 606)	(211 839)	(631 279)
Depreciation and amortisation		(25 137)	(77 098)	(26 333)	(79 563)
Charge to other impairment and provisions	10	(103 215)	(134 400)	(212 782)	(415 214)
Other operating expenses	19	(149 191)	(462 693)	(131 190)	(386 386)
Loss from initial recognition of financial instruments		(7 350)	(7 350)	(149)	(149)
Non-interest expense		**(464 522)**	**(1 230 147)**	**(582 293)**	**(1 512 591)**

(thousands of Ukrainian hryvnia, unless otherwise stated)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS (CONSOLIDATED STATEMENT OF FINANCIAL RESULTS)

For quarter III ended 30 September 2016
(thousands of Ukrainian hryvnia)

		For the period ended 30 September 2016		***For the period ended 30 September 2015***	
	Notes	***for the current quarter***	***for the current quarter on an accrual basis year-to-date***	***for the respective quarter of the previous year***	***for the respective quarter of the previous year, on an accrual basis year-to-date***
		(unaudited)			
Gains/(losses) before tax		919 787	(420 490)	(4 459 345)	(9 950 725)
Gains/(losses) for the period		919 787	(420 490)	(4 459 345)	(9 950 725)

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24 October 2016

Chairman of the Board	**O.V. Hrytsenko**
Deputy Head of Accounting and Reporting Department – Deputy Chief Accountant	**O.I. Mohylna**

(thousands of Ukrainian hryvnia, unless otherwise stated)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For quarter III ended 30 September 2016

(thousands of Ukrainian hryvnia)

	For the period ended 30 September 2016		*For the period ended 30 September 2015*	
	for the current quarter	*for the current quarter on an accrual basis year-to-date*	*for the respective quarter of the previous year*	*for the respective quarter of the previous year, on an accrual basis year-to-date*
	(unaudited)			
Gains / (losses) for the period	**919 787**	**(420 490)**	**(4 459 345)**	**(9 950 725)**
Other comprehensive gains / (losses):				
Other comprehensive gains / (losses) to be reclassified through the consolidated statement of profit and loss in the periods to come:				
Net gains / (losses) on revaluation of investment securities available-for-sale	228 725	158 973	(907 607)	988 847
Other comprehensive gains / (losses) for the period, net of tax	**228 725**	**158 973**	**(907 607)**	**988 847**
Total comprehensive gains / (losses) for the period	**1 148 512**	**(261 517)**	**(5 366 952)**	**(8 961 878)**

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Deputy Head of Accounting and Reporting Department –
Deputy Chief Accountant **O.I. Mohylna**

(thousands of Ukrainian hryvnia, unless otherwise stated)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONSOLIDATED STATEMENT OF EQUITY)

For quarter III ended 30 September 2016

(thousands of Ukrainian hryvnia)

	Share capital	***Unregiste-red contribu-tions to share capital***	***Revalua-tion reserve***	***Uncovered loss***	***Reserve and other funds***	***Total capital***
As at 1 January 2015	**16 689 042**	**5 000 000**	**1 255 595**	**(11 531 985)**	**162 926**	**11 575 578**
Loss for the period	-	-	-	(9 950 725)	-	(9 950 725)
Other comprehensive gains for the period	-	-	988 847	-	-	988 847
Total comprehensive gains / (losses) for the period	**-**	**-**	**988 847**	**(9 950 725)**	**-**	**(8 961 878)**
Depreciation of revaluation reserve, net of tax	-	-	(14 018)	14 018	-	-
Increase in share capital (Note 16)	5 000 000	(5 000 000)	-	-	-	-
As at 30 September 2015 (unaudited)	**21 689 042**	**-**	**2 230 424**	**(21 468 692)**	**162 926**	**2 613 700**
As at 1 January 2016	**21 689 042**	**-**	**664 823**	**(25 577 130)**	**162 926**	**(3 060 339)**
Loss for the period	-	-	-	(420 490)	-	(420 490)
Other comprehensive gains for the period	-	-	158 973	-	-	158 973
Total comprehensive gains / (losses) for the period	**-**	**-**	**158 973**	**(420 490)**	**-**	**(261 517)**
Amortization of revaluation reserve, net of tax	-	-	(13 800)	13 800	-	-
Increase in share capital (Note 16)	9 318 999	-	-	-	-	9 318 999
As 30 September 2015 (unaudited)	**31 008 041**	**-**	**809 996**	**(25 983 820)**	**162 926**	**5 997 143**

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24 October 2016

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Deputy Head of Accounting and Reporting Department –
Deputy Chief Accountant **O.I. Mohylna**

(thousands of Ukrainian hryvnia, unless otherwise stated)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For quarter III ended 30 September 2016
(direct method)
(thousands of Ukrainian hryvnia)

	Notes	For the period ended 30 September 2016	2015
		(unaudited)	
Cash flows from operating activities			
Interest received		8 319 098	8 450 974
Interest paid		(7 939 372)	(7 910 765)
Commissions received		656 621	784 892
Commissions paid		(259 369)	(291 185)
Result from dealing in foreign currencies and precious metals		358 122	741 445
Personnel costs		(583 290)	(622 013)
Other operating income		70 230	67 107
Other operating and administrative expenses		(497 860)	(345 326)
Cash flow from operating activities before changes in operating assets and liabilities		**124 180**	**875 129**
Net (increase)/decrease in operating assets:			
Due from credit institutions		2 361 962	288 494
Loans to customers		(780 213)	3 075 791
Other assets		(74 462)	(306 629)
Net increase / (decrease) in operating liabilities:			
Amounts due to credit institutions		1 124 426	(1 821 075)
Amounts due to the National Bank of Ukraine		(2 976 917)	(1 300 674)
Amounts due to customers		(3 325 107)	(3 034 994)
Other liabilities		97 014	80 013
Net cash flows from operating activities received / (paid) before income tax		**(3 449 117)**	**(2 143 945)**
Income tax paid		(193 451)	(44 850)
Net cash flows from operating activities received / (paid)		**(3 642 568)**	**(2 188 795)**
Cash flows from investing activities			
Proceeds from sale and redemption of investment securities		27 189 467	16 689 319
Purchase of investment securities		(29 191 932)	(9 812 063)
Received dividends		24	580
Purchases of property, equipment and intangible assets		(30 696)	(16 978)
Proceeds from sale of property and equipment		77 639	-
Net cash flows (used in) / received from investing activities		**(1 955 498)**	**6 860 858**
Cash flows from financing activities			
Repayment of subordinated debt		(6 203 838)	-
Proceeds from borrowings from credit institutions		6 260 730	388 416
Repayment of borrowings from credit institutions		(1 500 429)	(2 963 382)
Net cash flows used in financing activities		**(1 443 537)**	**(2 574 966)**
Effect of exchange rates changes on cash and cash equivalents		947 609	4 119 876
Net change in cash and cash equivalents		**(6 093 994)**	**6 216 973**
Cash and cash equivalents, 1 January		**24 241 179**	**16 790 414**
Cash and cash equivalents, 30 September	4	**18 147 185**	**23 007 387**

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24 October 2016

Chairman of the Board **O.V. Hrytsenko**

Deputy Head of Accounting and Reporting Department –
Deputy Chief Accountant **O.I. Mohylna**

1. Principal activities

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

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

Ukreximbank's head office is in Kyiv at 127 Antonovycha Str. It has 24 branches and 63 operating outlets (31 December 2015: 27 branches and 75 operating outlets) and 2 representative offices located in London and New-York. Ukreximbank and its branches form a single legal entity.

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

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

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

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

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

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

2. Basis of preparation and summary of accounting policies

Basis of financial statement preparation

These interim condensed consolidated financial statements for quarter III ended 30 September 2016 have been prepared in accordance with the International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”).

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

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

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

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

Income tax

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

Operating environment

The Ukrainian economy is deemed to be of market status with certain characteristics of an economy in transition, including low levels of liquidity in the capital markets and the existence of restrictive currency controls which cause the national currency to be illiquid outside Ukraine, and the banking activity is characterized by high risks non-typical for developed markets.

The Ukrainian economy is vulnerable to changes in the global financial and commodity markets. Deteriorated conditions of economic cooperation with the Customs Union's countries and low prices for commodities in the global market have resulted, against the background of loss of production assets in the East of the country, in the reduced export of commodities and accompanying services.

The condition of the financial account of the payment balance was positively affected in January–September of the current year by receipt of a scheduled tranche from the International Monetary Fund (IMF) under the EFF program, funds from international financial institutions (IFI) and net receipt of foreign investments that were mainly provided to the banking sector (recapitalization of banks with foreign capital by parent institutions).

The limited internal payment capacity against restriction of volatility of the national currency exchange rate (as at 30 September 2016, the official UAH/USD exchange rate established by the NBU was UAH 25.91 for USD 1, against UAH 24.00 for USD 1 as at 31 December 2015) caused inflation in Ukraine to slow down in quarters I–III of 2016 to 4.5% (comparing to December 2015). Furthermore, growth of industrial production by 2.0% is reported in Ukraine in January–September 2016 (comparing to January–September 2015).

The positive impact of the above factors created favorable conditions for the overall stabilization of the Ukrainian economy in quarters I–III of the current year. In particular, according to the State Statistics Service of Ukraine (for the first time since 2013), 0.1% GDP growth is reported in quarter I and 1.4% in quarter II of the current year. Against the background of economic stabilization in the country, during quarters I–III of the current year, the NBU decreased the discount rate five times and liberalized foreign exchange regulations to some extent.

Further recovery of the Ukrainian economy depends on the settlement of the conflict in the East of the country, receiving of the international financial aid, foreign commodities market conditions, and the policies and decisions of the Verhovna Rada, the Government, the NBU and the Administration of the President with regard to social and economic reforms.

Recurrent escalations of tension in the East of the country (specific territories of Donetsk and Lugansk Oblasts) prevent the Ukrainian banking system from resumption of the full-scale work in the region and usual business of the structural units of the Bank in particular.

Growth of bad debts under bank loans, high level of the current debt burden on enterprises, and respective high risks of active transactions impede the resumption of bank crediting of the Ukrainian economy. The substantial available liquidity of the banking system is predominantly invested into low-risk instruments, in particular government securities.

The persisting threat of growing unemployment, low liquidity and low efficiency of enterprises in Ukraine against a background of the growing number of insolvent legal entities and individuals adversely affect the borrowers' ability to service their loans with the Bank and result in devaluation of loan security. Upon receiving respective information, the Bank promptly reviews the future estimated cash flows and takes necessary measures to maintain stability of its activity, including through structure optimization and expenses decrease.

Changes in accounting policies

The following amended standards came into effect for the Bank since 1 January 2016, yet had no material impact on the Bank:

- IFRS 14 — "Regulatory Deferral Accounts" (issued in January 2014 and effective for annual periods beginning on or after 1 January 2016).

- Accounting for Acquisitions of Interests in Joint Operations - Amendments to IFRS 11 (issued on 6 May 2014 and effective for the annual periods beginning on or after 1 January 2016).

- Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments to IFRS 16 and IFRS 38 (issued on 12 May 2014 and effective for the annual periods beginning on or after 1 January 2016).

- Agriculture: Bearer Plants - Amendments to IFRS 16 and IFRS 41 (issued on 30 June 2014 and effective for the annual periods beginning on 1 January 2016).

- Equity Method in Separate Financial Statements - Amendments to IFRS 27 (issued on 12 August 2014 and effective for annual periods beginning on 1 January 2016).

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IFRS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after 1 January 2016).

- Annual Improvements to IFRS 2014 (issued on 25 September 2014 and effective for annual periods beginning on or after 1 January 2016).

- Disclosure Initiative Amendments to IFRS 1 (issued in December 2014 and effective for annual periods beginning on or after 1 January 2016).

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

Future changes in accounting policies

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

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

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortized cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).

- Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.

- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.

- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit and loss in other comprehensive income.

- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.

- Revised hedge accounting requirements provide accounting to be aligned more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

(thousands of Ukrainian hryvnia, unless otherwise stated)

It is expected that this standard will have a significant impact on the Bank's provisions for impairment. The Bank is currently assessing the impact of the new standard on its financial statements.

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

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

Recognition of deferred tax assets for unrealized losses - amendments to IFRS 12 (issued in January 2016 and effective for annual periods beginning on or after 1 January 2017). The amendment clarifies the requirements for recognition of deferred tax assets for unrealized losses on debt instruments. An entity should recognize a tax asset for unrealized losses arising from discounting cash flows on debt instruments, using market interest rates, even if the entity intends to hold the instrument to maturity and no taxes are expected after repayment of the principal. The economic benefits from the deferred tax asset arise from the debt instrument holder's ability to receive future profit (subject to discount effect) without paying taxes on that profit. The Bank is currently assessing the impact of the amendment on its financial statements.

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

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

Significant accounting judgments and estimates

Preparation of the interim condensed consolidated financial statements requires from the management of the Bank to make judgments, estimates and assumptions affecting the accounting policy, recognition of assets, liabilities, revenues and expenses. The actual results can differ from such estimates. In preparing the present interim condensed consolidated financial statements, the significant judgments made by the management personnel in applying the Bank's accounting policies and the key sources of estimation uncertainty were similar to those used in preparing the consolidated financial statements for the year ended 31 December 2015.

3. Segment information

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

Retail banking	segment focusing on servicing retail customers on the full list of products, and selling products that are mainly in standardized form (as per the tariffs approved and the standard procedures) and generally do not require individual approach.
Corporate banking	segment focusing on servicing corporate customers and selling products that require individual approach and are mainly offered to corporate clients.
Inter-bank and investments business	segment focusing on the provision of services to participants in the financial markets (money, currency, stock, etc.) and the sale of products related to transactions on the financial markets.

(thousands of Ukrainian hryvnia, unless otherwise stated)

The Board monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance, as explained in the table below, is measured taking into account income and expenses from other segments, as presented in the table below.

Unallocated amounts include:

- income tax receivables and payables, the share of assets and costs associated with the work of the Bank's TOP management, i.e. personnel performing general management functions at the level of the whole Bank's system and the Bank's staff, supporting directly the work of TOP management;

- the result of the revaluation of open currency position;

- the difference between inter-segment revenues and costs of all business units, obtained as a result of transfer rates.

For the purposes of segment reporting interest is split on the basis of uniform transfer rates set by the Assets and Liabilities Committee based on the borrowing rate of the Bank.

During the nine months ended 30 September 2016, the Bank had revenues from transactions with a single external customer that accounted for more than 10% of the total income of the Bank, namely UAH 3 064 316 thousand (30 September 2015: UAH 2 482 465 thousand). Revenues from transactions with this external customer are reflected in the segment "Inter-bank and investments business".

Analysis of income of the Bank from banking products and services is presented under "Interest income and expenses" entry of the interim condensed consolidated profit and loss statement.

Geographical information.

Most revenues and capital expenditures relate to Ukraine. The Bank has no significant revenues from other countries.

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

	Retail banking	***Corporate banking***	***Interbank and investments***	***Unallocated***	***Total***
External					
Interest income	351 713	5 913 336	4 077 640	-	10 342 689
Commission income	366 207	384 835	15 959	-	767 001
Other income	10 653	39 096	5 417	18 146	73 312
Net gains from transactions with foreign currencies	98 690	121 785	194 816	-	415 291
Net gains from operations with banking metals	358	2	12 987	-	13 347
Gains from changes in the fair value of investment securities designated at fair value through profit and loss	-	-	-	5 567 950	5 567 950
Gains from initial recognition of financial instruments	-	-	16 344	-	16 344
Reversal of provisions for impairment of loans	100 345	-	-	-	100 345
Reversal of provisions for impairment of other assets and for covering other losses	-	-	3 259	-	3 259
Income from other segments	**2 452 373**	**2 591 927**	**4 482 036**	**(9 526 336)**	**-**
Total income	**3 380 339**	**9 050 981**	**8 808 458**	**(3 940 240)**	**17 299 538**
Interest expenses	(1 894 924)	(2 065 074)	(4 092 635)	-	(8 052 633)
Commission expense	(107 125)	(145 736)	(9 161)	(235)	(262 257)

(thousands of Ukrainian hryvnia, unless otherwise stated)

	Retail banking	*Corporate banking*	*Interbank and investments*	*Unallocated*	*Total*
Loan impairment charge	-	(5 733 888)	(253 026)	-	(5 986 914)
Net loss from operations with foreign currencies	-	-	-	(2 166 950)	(2 166 950)
Net loss from operations with banking metals	-	-	-	(17 868)	(17 868)
Personnel expenses	(262 056)	(164 833)	(50 161)	(71 556)	(548 606)
Depreciation and amortization	(47 840)	(20 126)	(3 596)	(5 536)	(77 098)
Other operating expenses	(312 712)	(75 411)	(19 239)	(55 331)	(462 693)
Charge for impairment of other assets and for covering other losses	(4 425)	(129 536)	-	(3 698)	(137 659)
Loss from initial recognition of financial instruments	-	-	(7 350)	-	(7 350)
Expenses from other segments	**(280 066)**	**(4 529 041)**	**(3 941 936)**	**8 751 043**	**-**
Segment results	**471 191**	**(3 812 664)**	**431 354**	**2 489 629**	**(420 490)**
Loss for the period					**(420 490)**
Assets and liabilities as at 30 September 2016					
Segment assets	5 034 115	55 993 511	89 946 043		150 973 669
Unallocated assets				2 445 207	2 445 207
Total assets					**153 418 876**
Segment liabilities	32 739 478	48 459 882	66 183 641		147 383 001
Unallocated liabilities				38 732	38 732
Total liabilities					**147 421 733**
Other segment information					
Capital expenditure	(17 221)	(6 295)	(1 126)	(1 734)	(26 376)

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

	Retail banking	*Corporate banking*	*Interbank and investments*	*Unallocated*	*Total*
External					
Interest income	204 412	5 163 095	4 338 575	-	9 706 082
Commission income	331 411	461 788	16 185	-	809 384
Other income	12 064	26 606	20 802	7 620	67 092
Net gains from transactions with foreign currencies	173 932	125 426	556 635	-	855 993
Net gains from operations with banking metals	407	-	7 264	-	7 671
Gains from investment securities available-for-sale	-	-	32 871	-	32 871
Gains from changes in the fair value of investment securities designated at fair value through profit and loss	-	-	3	3 098 490	3 098 493
Reversal of provisions for impairment of other assets and for covering other losses	-	-	4 344	-	4 344
Income from other segments	**2 526 687**	**2 309 668**	**4 572 202**	**(9 408 557)**	**-**
Total income	**3 248 913**	**8 086 583**	**9 548 881**	**(6 302 447)**	**14 581 930**
Interest expenses	(2 003 629)	(1 852 858)	(4 272 839)	-	(8 129 326)
Commission expense	(90 406)	(193 357)	(9 537)	-	(293 300)
Loan impairment charge	(45 864)	(6 087 327)	(413 301)	-	(6 546 492)

(thousands of Ukrainian hryvnia, unless otherwise stated)

	Retail banking	*Corporate banking*	*Interbank and investments*	*Unallocated*	*Total*
Net loss from operations with foreign currencies	-	-	-	(5 079 610)	(5 079 610)
Net loss from operations with banking metals	-	-	-	(11 402)	(11 402)
Personnel expenses	(303 808)	(189 503)	(57 502)	(80 466)	(631 279)
Depreciation and amortization	(51 786)	(19 668)	(3 251)	(4 858)	(79 563)
Other operating expenses	(276 938)	(23 321)	(29 718)	(56 409)	(386 386)
Loss from investment securities available-for-sale	(140)	(472 790)	(2 482 660)	-	(2 955 590)
Charge for impairment of other assets and for covering other losses	(11 737)	(404 365)	-	(3 456)	(419 558)
Loss from initial recognition of financial instruments	-	-	(149)	-	(149)
Expenses from other segments	**(244 791)**	**(5 730 544)**	**(4 282 876)**	**10 258 211**	**-**
Segment results	**219 814**	**(6 887 150)**	**(2 002 952)**	**(1 280 437)**	**(9 950 725)**
Loss for the period					**(9 950 725)**
Assets and liabilities as at 31 December 2015					
Segment assets	4 746 994	56 142 419	78 222 914		139 112 327
Unallocated assets				2 236 185	2 236 185
Total assets					**141 348 512**
Segment liabilities	32 198 018	47 560 991	64 580 236		144 339 245
Unallocated liabilities				69 606	69 606
Total liabilities					**144 408 851**
Other segment information					
Capital expenditure	(14 003)	(3 389)	(607)	(907)	(18 906)

4. Cash and cash equivalents

Cash and cash equivalents comprise:

	30 September 2016 (unaudited)	*31 December 2015*
Current accounts with other credit institutions	8 312 959	9 593 295
Current account with the National Bank of Ukraine (other than restricted mandatory reserve)	5 802 364	2 184 195
Overnight deposits with other credit institutions	2 922 990	4 265 831
Cash on hand	1 058 665	1 109 948
Time deposits with other credit institutions up to 90 days	50 207	831 964
Deposit certificates with the National Bank of Ukraine up to 90 days	-	6 255 946
Cash and cash equivalents	**18 147 185**	**24 241 179**

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

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

(thousands of Ukrainian hryvnia, unless otherwise stated)

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

As at 31 September 2016 and 31 December 2015 the Bank met all the NBU's mandatory reserve requirements.

Financial and investment transactions, which did not envisage the use of cash or cash equivalents and were excluded from interim condensed consolidated cash flow statement, are as follows:

	For the period ended 30 September 2016 (unaudited)
Non-cash financial and investment transactions	
Issue of ordinary shares in exchange for Ukrainian state bonds	9 318 999
Total amount of non-cash financial and investment transactions	**9 318 999**

5. Amounts due from credit institutions

Amounts due from credit institutions comprise:

	30 September 2016 (unaudited)	*31 December 2015*
Loans and deposits		
Ukrainian banks	1 792 201	4 296 113
OECD banks	698 511	192 748
CIS and other banks	41 920	36 650
	2 532 632	**4 525 511**
Due from other credit institutions		
Current accounts with other credit institutions in banking metals	133 258	106 968
Other amounts due from credit institutions	2	10
	2 665 892	**4 632 489**
Less: Allowance for impairment	(809 559)	(548 746)
Due from credit institutions	**1 856 333**	**4 083 743**

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

	Loans and deposits
As at 1 January 2016	**548 746**
Charge for the period	108 155
Translation differences	1 387
As at 30 June 2016 (unaudited)	**658 288**
Charge for the period	143 407
Translation differences	7 864
As at 30 September 2016 (unaudited)	**809 559**

	Loans and deposits
As at 1 January 2015	**118 983**
Charge for the period	412 413
Translation differences	9 514
As at 30 June 2015 (unaudited)	**540 910**
Charge for the period	835
Translation differences	859
As at 30 September 2015 (unaudited)	**542 604**

(thousands of Ukrainian hryvnia, unless otherwise stated)

6. Loans to customers

Loans to customers comprise:

	30 September 2016 **(unaudited)**	*31 December 2015*
Commercial loans	99 668 603	95 509 668
Overdrafts	472 975	273 354
Financial lease receivables	105 466	143 547
Promissory notes	55 746	21 545
	100 302 790	**95 948 114**
Less: Allowance for impairment	(44 778 480)	(40 848 211)
Loans to customers	**55 524 310**	**55 099 903**

Loans and advances have been extended to the following types of customers:

	30 September 2016 **(unaudited)**	*31 December 2015*
Private entities	79 978 436	76 228 940
State entities	18 734 240	18 158 597
Individuals	1 333 106	1 303 048
Municipal entities	257 008	257 529
	100 302 790	**95 948 114**

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

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

	Commercial loans	*Overdrafts*	*Financial lease receivables*	*Promissory notes*	*Total*
As at 1 January 2016	**40 806 110**	**23 916**	**17 736**	**449**	**40 848 211**
Charge/(reversal) for the period	2 328 093	(3 277)	(422)	529	2 324 923
Recoveries	23 509	-	-	-	23 509
Write-offs	-	-	(84)	-	(84)
Translation differences	1 137 939	-	-	-	1 137 939
As at 30 June 2016 (unaudited)	**44 295 651**	**20 639**	**17 230**	**978**	**44 334 498**
Charge/(reversal) for the period	3 317 242	4 786	(12 077)	133	3 310 084
Recoveries	23 953	-	-	-	23 953
Write-offs	(4 437 001)	-	84	-	(4 436 917)
Translation differences	1 546 862	-	-	-	1 546 862
As at 30 September 2016 (unaudited)	**44 746 707**	**25 425**	**5 237**	**1 111**	**44 778 480**

	Commercial loans	*Overdrafts*	*Financial lease receivables*	*Promissory notes*	*Total*
As at 1 January 2015	**23 164 123**	**5 444**	**17 238**	**304**	**23 187 109**
Charge/(reversal) for the period	4 678 131	(2 608)	371	59	4 675 953
Recoveries	5 465	-	-	-	5 465
Write-offs	-	-	(2)	-	(2)
Translation differences	4 851 112	371	-	-	4 851 483
As at 30 June 2015 (unaudited)	**32 698 831**	**3 207**	**17 607**	**363**	**32 720 008**
Charge/(reversal) for the period	1 456 954	409	3	(75)	1 457 291
Recoveries	6	-	-	-	6
Write-offs	-	-	2	-	2
Translation differences	602 592	-	-	-	602 592
As at 30 September 2015 (unaudited)	**34 758 383**	**3 616**	**17 612**	**288**	**34 779 899**

(thousands of Ukrainian hryvnia, unless otherwise stated)

Credit quality by category of financial assets

In 2015, the Bank introduced a system for assessment of probability of default (PD) for corporate borrowers that calculates probability of default (PD) and rating class (PD-Rate) ranging from 1 to 17 (17 grades). In the table below, for loans that are not past due and not individually impaired, high rating means the lowest level of credit risk. Other borrowers with good financial position and high debt service quality are referred to as standard. Ratings, which are lower than standard have lower credit quality compared to previous ratings, but loans are not necessarily individually impaired. For loans that are past due or individually impaired, standard and substandard rating indicates that there is a possibility of delays in loan repayment as a result of adverse changes in commercial, financial and economic conditions. Low rating means that there is a high probability of default of loan, the borrower's financial position is poor, activity is loss making or ceased. For the exposures of foreign credit institutions: high rating is equal to the Fitch rating BBB- and higher, standard rating is equal to lower than BBB-, but higher than CCC+, substandard rating is equal to rating CCC+ and lower.

	Neither past due nor individually impaired			*Past due or individually impaired*		
As at 30 September 2016 (unaudited)	***High Rating***	***Standard Rating***	***Substandard Rating***	***Standard and Substandard Rating***	***Low Rating***	***Total***
Loans to corporate customers:						
Commercial loans	5 125 932	20 333 425	5 651 742	26 254 915	40 969 483	98 335 497
Overdrafts	107 335	207 322	28 242	130 076	-	472 975
Finance lease receivables	90 381	-	-	9 850	5 235	105 466
Promissory notes	46 596	9 150	-	-	-	55 746
	5 370 244	20 549 897	5 679 984	26 394 841	40 974 718	98 969 684
Loans to individuals	6 311	49 331	16 218	175 362	1 085 884	1 333 106
Total	**5 376 555**	**20 599 228**	**5 696 202**	**26 570 203**	**42 060 602**	**100 302 790**
Provision for impairment	(71 474)	(802 410)	(467 344)	(7 946 619)	(35 490 633)	(44 778 480)
Total after provision for impairment	**5 305 081**	**19 796 818**	**5 228 858**	**18 623 584**	**6 569 969**	**55 524 310**

	Neither past due nor individually impaired			*Past due or individually impaired*		
As at 31 December 2015 (unaudited)	***High Rating***	***Standard Rating***	***Substandard Rating***	***Standard and Substandard Rating***	***Low Rating***	***Total***
Loans to corporate customers:						
Commercial loans	9 318 389	18 832 198	7 170 623	22 363 090	36 522 320	94 206 620
Overdrafts	48 188	64 111	140 497	20 558	-	273 354
Finance lease receivables	51 033	63 361	2 006	15 331	11 816	143 547
Promissory notes	12 390	-	9 155	-	-	21 545
	9 430 000	18 959 670	7 322 281	22 398 979	36 534 136	94 645 066
Loans to individuals	9 581	71 755	152 582	28 572	1 040 558	1 303 048
Total	**9 439 581**	**19 031 425**	**7 474 863**	**22 427 551**	**37 574 694**	**95 948 114**
Provision for impairment	(105 330)	(756 712)	(757 782)	(7 065 637)	(32 162 750)	(40 848 211)
Total after provision for impairment	**9 334 251**	**18 274 713**	**6 717 081**	**15 361 914**	**5 411 944**	**55 099 903**

It is the Bank's policy to maintain accurate and consistent risk ratings across the credit portfolio. The rating system is supported by a variety of financial analytics, combined with processed market information to provide the main inputs for the measurement of counterparty risk, when an agreement is entered into. All internal risk ratings are derived in accordance with the Bank's rating policy. The respective risk ratings are assessed and updated regularly.

(thousands of Ukrainian hryvnia, unless otherwise stated)

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

As at 30 September 2016 (unaudited)	***Less than 30 days***	***From 31 to 60 days***	***From 61 to to 90 days***	***Total***
Loans to customers:				
Loans to corporate customers	612 941	7 926	163 730	784 597
Loans to individuals	27 644	3 209	878	31 731
Total	**640 585**	**11 135**	**164 608**	**816 328**

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

7. Investment securities

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

Available-for-sale investment securities comprise:

	30 September 2016 (unaudited)	***31 December 2015***
Ukrainian state bonds	44 134 390	37 163 276
Corporate bonds	2 102 172	2 388 565
Municipal bonds	744 801	1 628 039
Corporate shares	11 690	11 690
Available-for-sale investments	**46 993 053**	**41 191 570**

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

Held-to-maturity investment securities comprise:

	30 September 2016 (unaudited)		***31 December 2015***	
	Nominal value	*Carrying value*	*Nominal value*	*Carrying value*
Ukrainian state bonds	177 246	165 202	248 483	230 912
Held-to-maturity investments		**165 202**		**230 912**

8. Income tax

The corporate income tax charge comprises:

	For the period ended 30 September 2016 (unaudited)
Current tax charge	363 279
Deferred tax charge	(363 279)
Income tax charge	**-**

As at 30 September 2016, Ukrainian corporate income tax was levied at the rate of 18% (As at 31 December 2015, it was 18%).

(thousands of Ukrainian hryvnia, unless otherwise stated)

Tax assets consist of the following:

	30 September 2016 (unaudited)	*31 December 2015*
Deferred tax assets	2 094 029	1 730 750
Current tax assets	116 899	293 122
Tax assets	**2 210 928**	**2 023 872**

9. Intangible assets

The movement of intangible assets for the period ended 30 September 2016 was as follows:

	Computer software and licenses
Cost	
As at 31 December 2015	**64 785**
Additions	6 841
Disposals	(360)
As at 30 September 2016 *(unaudited)*	**71 266**
Accumulated amortization	
As at 31 December 2015	**(47 201)**
Charge	(4 416)
Disposal	360
As at 30 September 2016 *(unaudited)*	**(51 257)**
Residual value:	
As at 31 December 2015	**17 584**
As at 30 September 2016 *(unaudited)*	**20 009**

The movement of intangible assets in 2015 was as follows:

	Computer software and licenses
Cost	
As at 31 December 2014	**60 229**
Additions	9 324
Disposals	(4 768)
As at 31 December 2015	**64 785**
Accumulated amortization	
As at 31 December 2014	**(46 151)**
Charge	(5 819)
Disposal	4 769
As at 31 December 2015	**(47 201)**
Residual value:	
As at 31 December 2014	**14 078**
As at 31 December 2015	**17 584**

10. Allowance for impairment and other allowances

Allowance for impairment and other allowances changed as follows:

	Other assets	*Guarantees and liabilities*	*Total*
As at 1 January 2016	**255 304**	**22 213**	**277 517**
Charge/(reversal) for the period	46 215	(15 030)	31 185

(thousands of Ukrainian hryvnia, unless otherwise stated)

	Other assets	*Guarantees and liabilities*	*Total*
Translation differences	1 602	934	2 536
As at 30 June 2016 *(unaudited)*	**303 121**	**8 117**	**311 238**
Charge/(reversal) for the period	104 628	(1 413)	103 215
Translation differences	1 947	54	2 001
Write-offs	(48)	-	(48)
As at 30 September 2016 *(unaudited)*	**409 648**	**6 758**	**416 406**

	Other assets	*Guarantees and liabilities*	*Total*
As at 1 January 2015	**230 695**	**400**	**231 095**
Charge for the period	48 254	154 178	202 432
Translation differences	2 373	(14 797)	(12 424)
As at 30 June 2015 *(unaudited)*	**281 322**	**139 781**	**421 103**
Charge for the period	36 214	176 568	212 782
Translation differences	286	4 122	4 408
As at 30 September 2015 *(unaudited)*	**317 822**	**320 471**	**638 293**

Allowances for impairment of assets are deducted from carrying value of the related assets. Provisions for guarantees and liabilities are recognized in liabilities.

11. Amounts due to the National Bank of Ukraine

Amounts due to the National Bank of Ukraine comprise:

	30 September 2016 (unaudited)	*31 December 2015*
Correspondent account	2 959	1 948
Loans due to the National Bank of Ukraine	-	2 977 827
Amounts due to the National Bank of Ukraine	**2 959**	**2 979 775**

In July 2016, Ukreximbank prior to maturity and in full repaid loans due to the National Bank of Ukraine with maturity in June 2020.

As of 31 December 2015, loans due to the National Bank of Ukraine are secured with loans to customers (Note 6) and investment securities (Note 7).

12. Amounts due to credit institutions

Amounts due to credit institutions comprise:

	30 September 2016 (unaudited)	*31 December 2015*
Current accounts		
Ukrainian banks	2 405 523	1 149 586
CIS and other banks	529	2 835
	2 406 052	**1 152 421**
Loans and deposits		
International financial institutions	20 760 077	14 045 679
OECD banks	3 722 227	3 860 311
Ukrainian banks	303 452	240 436
	24 785 756	**18 146 426**
Other amounts due to credit institutions	299	23
Amounts due to credit institutions	**27 192 107**	**19 298 870**
Held as security against guarantees (Note 17)	24 528	29 705

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

13. Amounts due to customers

Amounts due to customers comprise:

	30 September 2016 (unaudited)	*31 December 2015*
Current accounts		
- Legal entities	13 758 347	13 526 606
- Budget organizations	4 802 554	4 699 932
- Individuals	3 389 524	3 002 802
- Funds under the Bank's management	9 901	13 718
	21 960 326	**21 243 058**
Time deposits		
- Legal entities	37 012 644	36 643 285
- Individuals	21 225 934	21 431 600
- Budget organizations	590 436	-
	58 829 014	**58 074 885**
Amounts due to customers	**80 789 340**	**79 317 943**
Held as security against letters of credit (Note 17)	753 854	444 464
Held as security against loans to customers	422 876	912 330
Held as security against guarantees and avals (Note 17)	407 115	535 733
Held as security against undrawn loan commitments (Note 17)	2 900	1 978

14. Eurobonds issued

	30 September 2016 (unaudited)		*31 December 2015*	
	Nominal value (thousand of USD)	*Carrying value*	*Nominal value (thousand of USD)*	*Carrying value*
April 2010 issue	500 000	13 446 357	500 000	12 158 478
October 2010 issue	250 000	6 723 179	250 000	6 079 239
January 2013 issue	500 000	13 086 485	500 000	12 403 814
April 2013 issue	100 000	2 617 297	100 000	2 480 763
Eurobonds issued		**35 873 318**		**33 122 294**

15. Subordinated debt

In February 2006, the Bank obtained a loan of USD 95 000 thousand (UAH 2 280 063 thousand) from Credit Suisse International. As of 30 September, 2016 the carrying value of this loan amounted to UAH 2 481 041 thousand (31 December, 2015: UAH 2 338 461 thousand). This loan was funded by 8.4% loan participation notes issued by on a limited recourse basis to Credit Suisse International, for the sole purpose of funding a subordinated loan to the Bank. In February 2011, the interest rate was changed to 5.79% according to the terms of the loan. Interest payments are made semi-annually in arrears on 9 February and 9 August of each year, commencing on 9 August, 2006.

In November 2006, the Bank obtained a further loan of USD 30 000 thousand (UAH 720 020 thousand) from Credit Suisse International. As of 30 September, 2016 the carrying value of this loan amounted to UAH 783 487 thousand (31 December, 2015: UAH 738 461 thousand). The loan was funded by 8.4% loan participation notes, which were consolidated and form a single series with the notes issued in February 2006. In February 2011, the interest rate was changed to 5.79% according to the terms of the loan. Interest payments are made semi-annually in arrears on 9 February and 9 August of each year, commencing on 9 August, 2006.

(thousands of Ukrainian hryvnia, unless otherwise stated)

On May 29, 2015, the second supplemental loan agreement was signed between the Bank as the borrower, Credit Suisse International as a lender and Biz Finance Plc as a new lender under which, on the date of its signing Credit Suisse International was replaced by Biz Finance Plc as a lender under the aforementioned agreements.

On July 9, 2015, the Bank and Biz Finance Plc signed an Amendment and Restatement Agreement in respect of USD 125,000,000 Subordinated Loan Agreement (Agreement for the Borrowing of Funds on Subordinated Terms as a Subordinated Loan) dated 7 February 2006 as amended by a Supplemental Loan Agreement dated 9 November 2006 and a Supplemental Loan Agreement dated 29 May 2015, pursuant to which:

- from August 9, 2015 interest rate established under the terms and conditions of the agreement is 7% + 6 month LIBOR and as of 30 September, 2016 it is 7.8672%;

- the maturity date is postponed for 7 years, i.e. on 9 February, 2023, at that 50% of the loan is to be repaid on 9 February, 2020, the remaining 50% of the loan amount will be repaid during the period from 9 August, 2020 till 9 February, 2023 by six equal semi-annual installments.

As the change of the terms and conditions did not result in derecognition of the existing debt, after amending the terms and conditions of the subordinated debt, the Bank continued to recognize the above liabilities at amortized cost using the effective interest rate after its respective revaluation.

In May 2009, the Bank received a loan of USD 250 000 thousand (UAH 6 000 167 thousand) from the EBRD. As of 30 June, 2016 the carrying value of this loan amounted to UAH 6 532 328 thousand (as of 31 December, 2015 it was UAH 6 298 447 thousand).

The interest rate for the first 5 years was fixed and amounted to 13.21% per annum; starting from 28 July, 2014 it was floating and amounted to 12% + 6-month LIBOR and as at 30 June, 2016 it amounted to 12.86425%. On 28 July, 2016 the Bank and the EBRD completed the conversion of the subordinated loan in the amount of USD 250 000 thousand into conventional (non-subordinated) loan of USD 200 000 thousand with early repayment of a part of the subordinated loan in the amount of USD 50 000 thousand.

16. Equity

As at 30 September 2016, the Bank's authorised issued share capital comprised 21 208 750 (31 December 2015: 14 834 780) ordinary shares with a nominal value of UAH 1 462.04 per share (31 December 2015: UAH 1 462.04 per share). As at 30 September 2016, 21 208 750 ordinary shares were fully paid and registered (31 December 2015: all shares were fully paid and registered).

In January 2016, under the Resolution of the Cabinet of Ministers of Ukraine No. 33 dated 27 January 2016, the Bank's regulatory capital was increased by UAH 9 318 999 thousand through issue of 6 373 970 new shares with a nominal value of UAH 1 462.04 per share with the state holding 100 percent of such shares. In April 2016 these shares were registered.

The purchase by the state of the additionally issued shares due to increase of the Bank's statutory capital was performed in a form of exchange for Ukrainian state bonds with the indexed value of UAH 9 319 000 thousand with 10-year maturity and interest rate of 6% p.a.

Movements in revaluation reserves

Movements in revaluation reserve were as follows:

	Revaluation reserve for fixed assets	*Unrealised gains/ (losses) on investment securities available-for-sale*	*Revaluation reserve*
January 1, 2016	**1 040 263**	**(375 440)**	**664 823**
Depreciation of revaluation reserve, net of tax	(13 800)	-	(13 800)
Net unrealised gains on investment securities available-for-sale	-	158 973	158 973
September 30, 2016 (unaudited)	**1 026 463**	**(216 467)**	**809 996**
January 1, 2015	**1 058 890**	**196 705**	**1 255 595**
Depreciation of revaluation reserve, net of tax	(14 018)	-	(14 018)

(thousands of Ukrainian hryvnia, unless otherwise stated)

	Revaluation reserve for fixed assets	*Unrealised gains/ (losses) on investment securities available-for-sale*	*Revaluation reserve*
Net gains on investment securities available-for-sale reclassified to consolidated income statement (consolidated financial statement)	-	(31 205)	(31 205)
Net unrealised gains on investment securities available-for-sale	-	1 020 052	1 020 052
September 30, 2015 (unaudited)	**1 044 872**	**1 185 552**	**2 230 424**

Nature and purpose of revaluation reserves

Revaluation reserve for fixed assets

Revaluation reserve for fixed assets is used to record increases in the fair value of buildings and decreases to the extent that such decrease relates to an increase on the same asset previously recognized in equity.

Unrealised losses on investment securities available-for-sale

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

17. Commitments and contingent liabilities

Commitments and contingent financial liabilities comprised:

	30 September 2016 (unaudited)	*31 December 2015*
Guarantees	3 713 193	5 866 577
Letters of credit	761 818	463 133
Undrawn loan commitments	310 151	181 127
Avals on promissory notes	296 325	34 184
	5 081 487	**6 545 021**
Less – Provisions	(6 758)	(22 213)
Financial commitments and contingencies (before deducting collateral)	**5 074 729**	**6 522 808**
Less — cash held as security against letters of credit, avals and guarantees, and undrawn loan commitments (Note 12, Note 13)	(1 188 397)	(1 011 880)
Financial commitments and contingencies	**3 886 332**	**5 510 928**

18. Net commission income

Net commission income comprises:

	For a period ended 30 September 2016		*For a period ended 30 September 2015*	
	for the current quarter	*for the current quarter on an accrual basis year-to-date*	*for the respective quarter of the previous year*	*for the respective quarter of the previous year, on an accrual basis year-to-date*
	(unaudited)			
Commission income				
Cash and settlement service	157 650	436 992	136 194	400 458
Guarantees and letters of credit	36 486	217 739	105 588	307 392
Operations with banks	29 012	84 337	24 251	72 115
Credit servicing commission	2 339	8 105	5 589	10 629

(thousands of Ukrainian hryvnia, unless otherwise stated)

	For a period ended 30 September 2016		***For a period ended 30 September 2015***	
	for the current quarter	***for the current quarter on an accrual basis year-to-date***	***for the respective quarter of the previous year***	***for the respective quarter of the previous year, on an accrual basis year-to-date***
	(unaudited)			
Other	5 123	19 828	6 199	17 746
	230 610	**767 001**	**277 821**	**808 340**
Commission expenses				
Cash and settlement service	(65 220)	(172 609)	(47 796)	(139 748)
Guarantees and letters of credit	(5 062)	(84 818)	(47 395)	(147 810)
Currency conversion	(809)	(1 867)	(960)	(3 120)
Other	(1 034)	(2 963)	(1 052)	(2 622)
	(72 125)	**(262 257)**	**(97 203)**	**(293 300)**
Commission income, net	**158 485**	**504 744**	**180 618**	**515 040**

19. Personnel expenses and other operating expenses

Personnel expenses and other operating expenses comprise:

	For a period ended 30 September 2016		***For a period ended 30 September 2015***	
	for the current quarter	***for the current quarter on an accrual basis year-to-date***	***for the respective quarter of the previous year***	***for the respective quarter of the previous year, on an accrual basis year-to-date***
	(unaudited)			
Salaries and bonuses	149 428	454 961	163 400	488 429
Charges on the payroll	30 201	93 645	48 439	142 850
Personnel expenses	**179 629**	**548 606**	**211 839**	**631 279**
Payment to the Individual Deposit Guarantee Fund	55 241	168 180	50 301	157 351
Repair and maintenance of fixed assets	29 038	74 755	26 229	50 838
Security	9 378	25 063	6 610	19 489
Operating taxes	8 893	42 502	7 208	19 594
Maintenance of premises	6 936	23 809	5 983	21 320
Expenses for computer processing of information	6 447	19 082	6 748	17 429
Rent of premises	6 425	20 353	6 627	19 446
Expenses for cash collection services	5 978	16 980	5 117	18 269
Legal and advisory services	4 213	19 991	4 073	17 062
Administrative expenses	4 125	12 856	4 108	12 040
Communication services	3 421	9 588	2 161	6 600
Business trip expenses and related expenses	1 085	4 707	2 025	5 051
Representative offices expenses	778	3 318	1 713	5 162
Marketing and advertising	385	3 335	1 357	3 623
Other	6 848	18 174	930	13 112
Other operating expenses	**149 191**	**462 693**	**131 190**	**386 386**

Payments to the non-state pension fund as at 30 September 2016 amounted to UAH 7 692 thousand (30 September 2015: UAH 7 646 thousand).

(thousands of Ukrainian hryvnia, unless otherwise stated)

20. Fair value of assets and liabilities

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

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

	30 September 2016 (unaudited)			*31 December 2015*		
	Carrying value	*Fair value*	*Unrecognised gains / (losses)*	*Carrying value*	*Fair value*	*Unrecognised gains / (losses)*
Financial assets						
Cash and cash equivalents	18 147 185	18 147 185	-	24 241 179	24 241 179	-
Amounts due from credit institutions	1 723 075	1 723 075	-	3 976 775	3 976 775	-
Loans to customers	55 524 310	55 466 550	(57 760)	55 099 903	52 878 035	(2 221 868)
Securities held to maturity	165 202	164 933	(269)	230 912	225 113	(5 799)
Other assets	375 428	375 428	-	404 182	404 182	-
Financial liabilities						
Amounts due to the National Bank of Ukraine	2 959	2 959	-	2 979 775	2 979 775	-
Amounts due to credit institutions	27 192 107	27 192 107	-	19 298 870	19 298 870	-
Amounts due to customers	80 568 519	80 628 343	(59 824)	79 133 185	79 184 522	(51 337)
Eurobonds issued	35 873 318	35 489 553	383 765	33 122 294	30 124 193	2 998 101
Subordinated debt	3 264 528	2 776 952	487 576	9 375 369	8 658 438	716 931
Other liabilities	105 463	105 463	-	86 281	86 281	-
Total unrecognized change in unrealized fair value			**753 488**			**1 436 028**

The following describes the methodologies and assumptions used to determine fair values for the financial instruments that are not recorded at fair value in the interim condensed consolidated statement of financial position.

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that are liquid or having a short term maturity (less than three months) it is assumed that the carrying value approximate to their fair value. This assumption is also applied to demand deposits, savings accounts without a specific maturity and variable rate financial instruments.

Fixed rate financial instruments

The fair values of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates offered for similar financial instruments. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and maturity. For quoted debt issued the fair values are calculated based on quoted market prices. For those notes issued where quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity.

Fair value of financial assets and liabilities carried at fair value

The Bank uses the following hierarchy of measurement techniques to determine and disclose fair values of financial assets, including changes in fair value do to alternative assumptions used in the measurement model:

- Level 2: where no market quotations are available for a financial instrument, the fair value is measured using valuation techniques based on assumptions supported by observable market prices and rates available at the reporting date, i.e. either directly or indirectly based on observable market inputs;

- Level 3: for financial instruments whose fair values cannot be measured using market quotations or measurement models with observable market inputs, the Bank uses measurement techniques using non-observable inputs that have material impact on reported fair values of financial instruments. This approach is appropriate for investments in unquoted shares and debt securities.

(thousands of Ukrainian hryvnia, unless otherwise stated)

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

	Fair value recurring measurements		
As at 30 September 2016 (unaudited)	***Level 2***	***Level 3***	***Total***
Current accounts with other credit institutions in precious metals	133 258	-	133 258
Investment securities at fair value through profit or loss	24 143 694	-	24 143 694
Available-for-sale investment securities	46 981 363	11 690	46 993 053
Total assets	**71 258 315**	**11 690**	**71 270 005**
Amounts due to customers in precious metals	220 821	-	220 821
Total liabilities	**220 821**	**-**	**220 821**

	Fair value recurring measurements		
As at 31 December 2015	***Level 2***	***Level 3***	***Total***
Current accounts with other credit institutions in precious metals	106 968	-	106 968
Investment securities at fair value through profit or loss	9 924 610	-	9 924 610
Available-for-sale investment securities	41 179 880	11 690	41 191 570
Total assets	**51 211 458**	**11 690**	**51 223 148**
Amounts due to customers in precious metals	184 758	-	184 758
Total liabilities	**184 758**	**-**	**184 758**

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

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

Movements in level 3 assets measured at fair value

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

	As at 1 January 2016	***Profit recorded in the interim condensed consolidated statement of profit and loss***	***Settlements***	***As at 30 September 2016 (unaudited)***
Available-for-sale investment securities	11 690	24 [(a)]	(24)	11 690
Total assets	**11 690**	**24**	**(24)**	**11 690**

	As at 1 January 2015	***Loss recorded in the interim condensed consolidated statement of profit and loss***	***Settlements***	***As at 30 September 2015 (unaudited)***
Available-for-sale investment securities	487 748	(453 282) [(a)]	(22 776)	11 690
Total assets	**487 748**	**(453 282)**	**(22 776)**	**11 690**

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

(thousands of Ukrainian hryvnia, unless otherwise stated)

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

As at 30 September 2016 (unaudited)	*Carrying value*	*Valuation technique*	*Unobservable parameter*	*Range of parameter values*
Available-for-sale investment securities	11 690	Discounted cash flows	Expected profitability	Corporate: 13.50% - 32.00%
			Risk factor	Corporate: 0 – 1.0

As at 31 December 2015	*Carrying value*	*Valuation technique*	*Unobservable parameter*	*Range of parameter values*
Available-for-sale investment securities	11 690	Discounted cash flows	Expected profitability	Corporate: 5.00% -32.00%
			Risk factor	Corporate: 0 – 1.0

Gains and losses under level 3 financial instruments included into the interim condensed consolidated statements of profit and loss:

	For the period ended 30 September 2016 (unaudited)	
	Realised gains	*Total*
Total gains included in profit for the period	24	24

	For the period ended 30 September 2015 (unaudited)		
	Realised gains	*Unrealised losses*	*Total*
Total gains/(losses) included in profit and loss for the period	14 161	(467 443)	(453 282)

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

In order to determine possible alternative assumptions, the Bank uses key unobservable inputs as follows:

- For equities, the Bank adjusted the assumptions as to the possibility of bankruptcy or losses that were used to determine the credit component in fair value. The adjustment made was to increase the assumption up to 100% subject to individual characteristics of the investee;

- For debt securities classified as level 3, the Bank adjusted the probability of changes in interest rate assumption applied for discounting cash flows from debt securities within the range of +/- 30% (30 September 2015: +/-30%) of the level as at the end of the reporting period.

21. Related party disclosures

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

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

Transactions and balances with related parties comprise transactions with entities owned by the state (directly and indirectly, or significantly influenced by the state), and key management personnel.

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

(thousands of Ukrainian hryvnia, unless otherwise stated)

	30 September 2016 (unaudited)	*31 December 2015*
	Key management personnel	*Key management personnel*
***Loans to customers,* total**	397	170
Less - provisions for impairment	(270)	(23)
***Loans to customers,* net**	**127**	**147**
Current accounts	7 702	21 758
Time deposits	2 950	2 666
Amounts due to customers	**10 652**	**24 424**

	For the period that ended on 30 September	
	2016 (unaudited)	*2015*
Interest income on loans	57	1
Interest expense on customers' deposits	(129)	(108)
Fee income	2	-
Translation differences	(1 649)	(8 170)

For nine months ended on 30 September 2016, the total remuneration and other benefits paid to key management personnel amounted to UAH 14 349 thousand (including UAH 218 thousand of payment to the non-state pension fund) (for nine months ended 30 September 2015: UAH 16 549 thousand) (including UAH 230 thousand of payment to the non-state pension fund.)).

In the normal course of business, the Bank enters into contractual agreements with the Government of Ukraine and entities controlled, either directly or indirectly, or significantly influenced by it. The Bank provides the government-related entities with a full range of banking service including, but not limited to, lending, deposit-taking, issue of guarantees, transactions with securities, cash and settlement transactions.

Balances with government-related entities which are individually significant in terms of the carrying amount as at 30 September 2016 (unaudited) are disclosed below:

Client	*Sector*	*Cash and cash equivalents*	*Loans to customers*	*Amounts due to customers*	*Amounts due to the NBU*	*Guarantees issued*
Client 1	State entities	-	-	2 016 795	-	-
Client 2	State entities	-	-	1 691 625	-	-
Client 3	Agriculture and food industry	-	-	26 669 273	-	-
Client 4	Extractive industry	-	10 108 998	-	-	-
Client 5	Extractive industry	-	1 122 670	-	-	-
Client 6	Finance	5 802 364	-	-	2 959	-
Client 7	Trade	-	-	1 010 037	-	1 122 838
Client 8	Trade	-	-	-	-	1 139 842
Client 9	Power engineering	-	2 904 812	-	-	-
Client 10	Mechanical engineering	-	1 806 423	-	-	301 898
Other	-	-	737 984	6 486 177	-	-

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

(thousands of Ukrainian hryvnia, unless otherwise stated)

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

For the nine-month period ended on 30 September 2016, the Bank recorded UAH 1 956 629 thousand (nine months 2015: UAH 1 684 344 thousand) of interest income, including transactions with NBU deposit certificates with maturity up to 90 days – UAH 346 181 thousand (nine month 2015: UAH 54 612 thousand) of interest income, as well as UAH 1 655 775 thousand (nine month 2015: UAH 1 985 835 thousand) of interest expenses from material transactions with the government-related entities.

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

	30 September 2016 (unaudited)	*31 December 2015*
Available-for-sale investment securities	46 246 871	39 562 151
Investment securities at fair value through profit or loss	24 143 694	9 924 610
Investment securities held to maturity	165 202	230 912

For the nine-month period ended on 30 September 2016, the Bank recorded UAH 3 064 316 thousand (for nine month 2015: UAH 2 482 465 thousand) of interest income from transactions with government bonds, and UAH 338 894 thousand from transactions with other investment securities (for nine month 2015: UAH 644 881 thousand).

22. Capital adequacy

In 2015, the NBU stress-tested 20 largest Ukrainian banks with Ukreximbank among them. Special requirements to minimum regulatory capital adequacy ratio of the stress-tested banks were introduced.

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

	30 September 2016 (unaudited)	*31 December 2015*
Main capital	6 791 265	1 141 141
Additional capital, calculated	4 368 693	8 709 529
Additional capital, recorded in calculation of capital (limited by the main capital sum)	4 368 693	1 141 141
Total capital	**11 159 958**	**2 282 282**
Risk weighted assets	**76 865 108**	**94 789 952**
Capital adequacy ratio	14.52%	2.41%

(thousands of Ukrainian hryvnia, unless otherwise stated)

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

Capital adequacy ratio under Basel Capital Accord 1988.

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

	30 September 2016 (unaudited)	***31 December 2015***
Tier 1 capital	5 187 147	(3 725 162)
Tier 2 capital, calculated	3 403 570	664 823
Tier 2 capital, recorded in calculation of capital	3 403 570	-
Total capital	**8 590 717**	**(3 725 162)**
Risk weighted assets	**77 081 559**	**89 889 011**
Tier 1 capital adequacy ratio	6.7%	-4.1%
Total capital adequacy ratio	11.1%	-4.1%

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