



BIZ FINANCE PLC
(the “**Issuer**” or the “**Lender**”)

JOINT STOCK COMPANY "THE STATE EXPORT-IMPORT BANK OF UKRAINE"
(the “**Bank**” or the “**Borrower**”)
(*incorporated in Ukraine*)

in respect of the following securities:

U.S.\$750,000,000 9.625 per cent. Loan Participation Notes due 2022 (the “2022” Notes)
U.S.\$125,000,000 Loan Participation Notes due 2023 (the “2023 Notes”)
U.S.\$600,000,000 9.75 per cent. Loan Participation Notes due 2025 (the “2025 Notes” and, together with the 2022 Notes and 2023 Notes, the “New Notes”)

issued by, but with limited recourse to, the Issuer for the sole purpose of financing loans made to the Borrower

Terms used herein and not otherwise defined have the meaning ascribed to them in “*Definitions*”.

The New Notes are limited recourse obligations of the Issuer and are being offered for the sole purpose of financing loans pursuant to amended and restated loan agreements dated 9 July 2015 (together, the “**Amended and Restated Loan Agreements**”) entered into between the Issuer and the Bank. The New Notes were issued pursuant to the New Trust Deeds (as defined herein) between the Bank and BNY Corporate Trustee Services Limited as trustee (the “**Trustee**”, which expression includes all persons for the time being appointed as trustee for the holders of the New Notes under the New Trust Deeds). In the Trust Deed, the Issuer has charged, in favour of the Trustee, by way of a first fixed charge as security for its payment obligations in respect of the New Notes and under the New Trust Deeds, certain of its rights and interests under the Amended and Restated Loan Agreements and the Account (as defined in the New Trust Deeds). In addition, the Issuer has assigned absolutely certain of its administrative rights under the Amended and Restated Loan Agreements to the Trustee.

In each case where amounts of principal, interest and additional amounts (if any) are stated to be payable in respect of the New Notes, the obligation of the Issuer to make any such payment shall constitute an obligation only to account to the Noteholders, on each date upon which such amounts of principal, interest and additional amounts (if any) are due in respect of the New Notes, for an amount equivalent to all principal, interest and additional amounts (if any) actually received and retained (net of tax) from the Bank by, or for the account of, the Issuer pursuant to the Amended and Restated Loan Agreements excluding, however, any amounts paid in respect of Reserved Rights (as defined in the New Trust Deeds). The Issuer will have no other financial obligations under the New Notes.

Subject to the terms of the New Trust Deeds, no Noteholder will have any entitlement to enforce any provisions in the Amended and Restated Loan Agreements or have direct recourse to the Bank except through action by the Trustee under any of the Security Interests (as defined in the “*Terms and Conditions of the New Notes*”). On each Interest Payment Date (as defined herein), the Issuer shall account to the Noteholders for an amount equivalent to amounts of interest actually received and retained by or for the account of the Issuer pursuant to the Amended and Restated Loan Agreements.

The Terms and Conditions of the New Notes are set out in Schedule 1 (*Terms and Conditions of the New Notes*). The form of the Amended and Restated Loan Agreements is set out in Schedule 2 (*Amended and Restated Loan Agreements*).

Noteholders will be deemed to have accepted and agreed that they will be relying solely and exclusively on the credit and financial standing of the Bank in respect of the payment obligations of the Bank under the Amended and Restated Loan Agreements and the Issuer under the New Notes.

The New Notes involve a high degree of risk. See “*Risk Factors*”.

The Prospectus has been approved by the Central Bank of Ireland (the “**Central Bank**”) as the competent authority under Directive 2003/71/EC, as amended (the “**Prospectus Directive**”). The Central Bank only approves this Prospectus as meeting the requirements imposed under Irish and European Union law pursuant to the Prospectus Directive. Application has been made to The Irish Stock Exchange plc (the “**Irish Stock Exchange**”) for the New Notes to be admitted to the Official List and trading on its regulated market (the “**Main Securities Market**”). This Prospectus constitutes a “Prospectus” for purposes of the Prospectus Directive as implemented in Ireland by the Prospectus (Directive 2003/71/EC) Regulations 2005 (the “**Prospectus Regulations**”). References in this Prospectus to the New Notes being “listed” (and all related references) shall mean that the New Notes have been admitted to the Official List and have been admitted to trading on the Main Securities Market. The Main Securities Market is a regulated market for the purposes of Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments. There is no assurance that a trading market in the New Notes will develop or be maintained.

Delivery of the New Notes was made on 23 July 2015 (the “**Closing Date**”). The New Notes were delivered in book-entry form through the facilities of Euroclear and Clearstream, Luxembourg and each series is represented by one or more global notes in registered form registered in the name of a common depositary for Euroclear and Clearstream, Luxembourg, or a nominee thereof.

New Notes distributed outside the United States in reliance on Regulation S to persons who are not U.S. Persons are represented by interests in an Unrestricted Global Note, in definitive fully registered form, without interest coupons attached, which was registered in the name of a nominee of, and deposited with, a common depositary for Euroclear and Clearstream, Luxembourg. New Notes allocated to Eligible Investors are represented by interests in a Restricted Global Note, in fully registered form, without interest coupons attached, which was registered in the name of a nominee of, and deposited with, a common depositary for Euroclear and Clearstream, Luxembourg. Each Restricted Global Note (and any Note Certificates issued in exchange therefor) is subject to certain restrictions on transfer contained in a legend appearing on the face of such Note as set forth under paragraph (4) in “*Issuance and Transfer Restrictions*”. The New Notes have not been and will not be registered under the Securities Act of 1933, as amended (the “**Securities Act**”).

No person has been authorised by the Bank to give any information or make any representation other than those contained in this Prospectus and the accompanying documents and, if given or made, such information or representation must not be relied upon as having been so authorised. This Prospectus will be published on the website of the Central Bank of Ireland (www.centralbank.ie).

4 August 2015

IMPORTANT NOTICE

THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY SECURITY. NONE OF THE NEW NOTES SHALL BE SOLD, ISSUED OR TRANSFERRED IN ANY JURISDICTION IN CONTRAVENTION OF APPLICABLE LAW.

THE ISSUER AND THE BANK ACCEPT RESPONSIBILITY FOR THE INFORMATION CONTAINED IN THIS PROSPECTUS. TO THE BEST OF THE KNOWLEDGE OF THE ISSUER AND THE BANK, HAVING TAKEN ALL REASONABLE CARE TO ENSURE THAT SUCH IS THE CASE, THE INFORMATION CONTAINED IN THIS PROSPECTUS IS IN ACCORDANCE WITH THE FACTS AND CONTAINS NO OMISSION LIKELY TO AFFECT ITS IMPORT.

THIS PROSPECTUS CONSTITUTES A PROSPECTUS FOR THE PURPOSE OF THE PROSPECTUS DIRECTIVE AND FOR THE PURPOSE OF GIVING INFORMATION WITH REGARD TO THE BANK, THE ISSUER AND THE NEW NOTES. THE BANK AND THE ISSUER CONFIRM THAT THIS PROSPECTUS CONTAINS ALL INFORMATION WHICH, ACCORDING TO THE PARTICULAR NATURE OF THE BANK, THE ISSUER AND THE NEW NOTES, IS NECESSARY TO ENABLE INVESTORS TO MAKE AN INFORMED ASSESSMENT OF THE ASSETS AND LIABILITIES, FINANCIAL POSITION, PROFITS AND LOSSES AND PROSPECTS OF THE BANK AND THE ISSUER AND OF THE RIGHTS ATTACHING TO THE NEW NOTES.

The New Notes are subject to restrictions on transferability and resale and may not be transferred or resold except in accordance with the Securities Act and other applicable securities laws, pursuant to registration or an exemption therefrom. See “*Issuance and Transfer Restrictions*”.

This Prospectus does not constitute an offer of securities to the public in the United Kingdom. No prospectus has been or will be approved in the United Kingdom in respect of the New Notes. Consequently this document is being distributed only to, and is directed at (a) persons who have professional experience in matters relating to investments falling within article 19(1) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “**Order**”) or (b) high net worth entities falling within article 49(2)(a) to (d) of the Order, and other persons to whom it may be lawfully communicated, falling within article 49(1) of the Order (all such persons together being referred to as “**relevant persons**”). Any person who is not a relevant person should not act or rely on this document or any of its contents. Persons into whose possession this Prospectus may come are required by the Bank to inform themselves about and to observe such restrictions.

The New Notes are only available to persons in member states of the European Economic Area (the “**EEA**”) who are “**Qualified Investors**” within the meaning of Article 2(1)(e) of the Prospectus Directive, unless in any instance the Bank otherwise agrees. This Prospectus and its contents should not be acted upon or relied upon in any member state of the EEA by persons who are not Qualified Investors. The expression “**Prospectus Directive**” means Directive 2003/71/EC, as amended.

The distribution of this Prospectus and the distribution of New Notes may be restricted by law in certain jurisdictions. The Bank makes no representation that this Prospectus or the New Notes may be lawfully distributed in any jurisdiction or assumes any responsibility for facilitating any such distribution. Accordingly, neither this Prospectus nor any other offering material may be distributed or published, and none of the New Notes may be distributed, in any jurisdiction, except under circumstances that will result in compliance with all applicable laws and regulations. Persons into whose possession this Prospectus may come must inform themselves about, and observe, any such restrictions on the distribution of this Prospectus and the distribution of the New Notes. Further information with regard to restrictions on offers, sales and deliveries of the New Notes and the distribution of this Prospectus and other material relating to the New Notes is set out under “*Issuance and Transfer Restrictions*” and “*Form of the New Notes Denominated in Dollars and Provisions Relating to Such Notes in Global Form*”.

The information contained in this Prospectus has been prepared based upon information available to the Issuer and the Bank. To the best of the Issuer’s and the Bank’s knowledge, information and belief, the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information. The Issuer and the Bank have taken all reasonable steps to ensure that

this Prospectus contains the information reasonably necessary in the context of the issue of New Notes. None of the Issuer's or the Bank's legal, financial or tax advisers, the members of the Ad Hoc Committee, the Ad Hoc Committee's legal, financial or tax advisers, the Trustee or the Trustee's legal advisors have authorised the contents of this Prospectus or any part of it, nor do they accept any responsibility for the accuracy, completeness or reasonableness of the statements contained within it.

None of the Issuer's or the Bank's legal, financial or tax advisers, the Trustee or the Trustee's legal advisors have verified that the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information and each of those persons expressly disclaims any responsibility for such information.

Nothing contained in this Prospectus shall be deemed to be a forecast, projection or estimate of the Issuer's or the Bank's future financial performance except where otherwise specifically stated. This Prospectus contains certain statements, statistics and projections that are, or may be, forward-looking. The accuracy and completeness of all such statements, including, without limitation, statements regarding the Issuer's and the Bank's future financial position, strategy, plans and objectives for the management of future operations, is not warranted or guaranteed. These statements typically contain words such as "intends", "expects", "anticipates", "estimates" and words of similar import. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. Although the Issuer and the Bank believe that the expectations reflected in such statements are reasonable, no assurance can be given that such expectations will prove to be correct. There are a number of factors which could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements. These factors include, but are not limited to, future revenues being lower than expected; increasing competitive pressures in the industry; general economic conditions or conditions affecting demand for the products offered by the Issuer or the Bank in the markets in which they operate being less favourable than expected.

The Management Board of the Bank has approved the contents of this Prospectus.

DEFINITIONS

In this Prospectus, the following capitalised terms shall, unless otherwise defined or the context otherwise requires, have the meanings ascribed to them below:

“2022 Amended and Restated Loan Agreement”	The amended and restated loan agreement dated 9 July 2015 between the Issuer and the Bank in the form set out in Annex 1 of Schedule 2 hereto.
“2023 Amended and Restated Loan Agreement”	The amended and restated loan agreement dated 9 July 2015 between the Issuer and the Bank in the form set out in Annex 2 of Schedule 2 hereto.
“2025 Amended and Restated Loan Agreement”	The amended and restated loan agreement dated 9 July 2015 between the Issuer and the Bank in the form set out in Annex 3 of Schedule 2 hereto.
“Accountholder”	A direct accountholder with the Clearing Systems.
“Accredited Investor”	An accredited investor, as defined in Rule 501(a) of Regulation D.
“Amended and Restated Loan Agreements”	The 2022 Amended and Restated Loan Agreement, the 2023 Amended and Restated Loan Agreement and the 2025 Amended and Restated Loan Agreement and the term “Amended and Restated Loan Agreement” shall mean any of the Amended and Restated Loan Agreements.
“Bank” or “Borrower”	Joint Stock Company “The State Export-Import Bank of Ukraine”.
“Beneficial Owner”	Has the meaning set out in <i>“Summary of Provisions Relating to the New Notes in Global Form”</i> .
“Business Day”	Any day (other than a Saturday, Sunday or public holiday) on which commercial banks and foreign exchange markets settle payments (including dealings in foreign currencies) in the principal financial centre for such currency.
“Clearing Systems”	The clearing and settlement systems operated by Euroclear and Clearstream, Luxembourg, respectively.
“Clearstream, Luxembourg”	Clearstream Banking, <i>société anonyme</i> , Luxembourg.
“Conditions”	The terms and conditions of the relevant series of the New Notes and the term “Relevant Condition” shall be construed accordingly.
“Effective Date”	In respect of each series of New Notes, the date determined by the Bank on which the relevant New Trust Deed, relevant Amended and Restated Loan Agreement and any ancillary documents become effective, provided that the Effective Date shall not occur earlier than the NBU Registration Date and may not occur later than on 27 August 2015.

“Eligible Investor”	A Noteholder residing in the United States who is a QIB that is also a QP (or a person acting on behalf of a Noteholder who is residing in the United States and is a QIB and a QP), a Noteholder residing in the United States who is an Accredited Investor that is also a QP (or a person acting on behalf of a Noteholder who is residing in the United States and is an Accredited Investor and a QP) or a Noteholder who is residing outside the United States and is not a U.S. Person (or a person acting on behalf of a Noteholder residing outside the United States who is not a U.S. Person).
“Euroclear”	Euroclear Bank SA/NV.
“Government”	The government of Ukraine.
“Issuer”	Biz Finance PLC.
“NBU Banking Regulations”	The Instructions on the Procedure for Regulating Activities of Banks in Ukraine approved by the Resolution of the Board of the NBU No. 368 dated 28 August 2001, as amended (in Ukrainian: Інструкція про порядок регулювання діяльності банків в Україні, затверджена постановою Правління Національного банку України від 28 серпня 2001 р. N 368).
“NBU Registration Date”	The date on which the Amended and Restated Loan Agreements are registered with the NBU.
“NBU”	National Bank of Ukraine.
“Net Proceeds of Sale”	The proceeds of sale of the relevant New Notes net of all associated commissions, transfer taxes and other costs, including the expenses and compensation of the Bank, as the case may be, in effecting such sale.
“New 2022 Agency Agreement”	The agency agreement between the Issuer, the Trustee, the Registrar and the Principal Paying Agent named therein in relation to the U.S.\$750,000,000 9.625 per cent. Loan Participation Notes due 2022.
“New 2022 Loan”	U.S.\$750,000,000 9.625 per cent. Loan due 2022 between the Issuer and the Bank made under the 2022 Amended and Restated Loan Agreement.
“New 2022 Notes”	U.S.\$750,000,000 9.625 per cent. Loan Participation Notes due 2022 to be issued on a limited recourse basis by the Issuer.
“New 2022 Trust Deed”	The trust deed between the Issuer and the New Notes Trustee constituting the U.S.\$750,000,000 9.625 per cent. Loan Participation Notes due 2022.
“New 2023 Agency Agreement”	The agency agreement between the Issuer, the Trustee, the Registrar and the Principal Paying Agent named therein in relation to the U.S.\$125,000,000 Floating Rate Loan Participation Notes due 2023.
“New 2023 Loan”	U.S.\$125,000,000 Floating Rate Loan due 2023 between the Issuer and the Bank made under the 2023 Amended and Restated Loan Agreement.
“New 2023 Notes”	U.S.\$125,000,000 Floating Rate Loan Participation Notes due 2023 to be issued on a limited recourse basis by the Issuer.

“New 2023 Trust Deed”	The trust deed between the Issuer and the New Notes Trustee constituting the U.S.\$125,000,000 Floating Rate Loan Participation Notes due 2023.
“New 2025 Agency Agreement”	The agency agreement between the Issuer, the Trustee, the Registrar and the Principal Paying Agent named therein in relation to the U.S.\$600,000,000 9.75 per cent. Loan Participation Notes due 2025.
“New 2025 Loan”	U.S.\$600,000,000 9.75 per cent. Loan due 2025 between the Issuer and the Bank made under the 2025 Amended and Restated Loan Agreement.
“New 2025 Notes”	U.S.\$600,000,000 9.75 per cent. Loan Participation Notes due 2025 to be issued on a limited recourse basis by the Issuer.
“New 2025 Trust Deed”	The trust deed between the Issuer and the New Notes Trustee constituting the U.S.\$600,000,000 9.75 per cent. Loan Participation Notes due 2025.
“New Agency Agreements”	Each of the New 2022 Agency Agreement, the New 2023 Agency Agreement and the New 2025 Agency Agreement, and the term “New Agency Agreement” shall mean any of the New Agency Agreements.
“New Loans”	Each of the New 2022 Loan, the New 2023 Loan and the New 2025 Loan or any of them.
“New Notes Trustee”	The trustee appointed under the provisions of the relevant New Trust Deed.
“New Notes”	Each of the New 2022 Notes, the New 2023 Notes and the New 2025 Notes or any of them.
“New Trust Deeds”	Each of the New 2022 Trust Deed, the New 2023 Trust Deed and the New 2025 Trust Deed and the term “New Trust Deed” shall mean any of the New Trust Deeds.
“Noteholders”	Persons with ultimate economic beneficial interest in any of the New Notes and holding such interest through one of the Clearing Systems from time to time, unless specifically stated otherwise.
“Notices of Noteholders’ Meetings”	Each of the notices to the Noteholders convening the Meetings, the forms of which are annexed hereto as Schedule 1 (<i>Notices of Noteholders’ Meetings</i>), or any of them.
“Principal Paying Agent”	The Bank of New York Mellon, London Branch.
“Prospectus”	This prospectus dated 4 August 2015.
“QIB”	A qualified institutional buyer, as defined in Rule 144A under the Securities Act.
“QP”	A qualified purchaser, as defined in Section 2(a)(51) of the U.S. Investment Company Act of 1940, as amended.
“Registrar”	The Bank of New York Mellon (Luxembourg) S.A.
“Specified Government Securities”	The bonds of domestic state borrowings (<i>obligatsii vnutrishnyoi derzhavnoi pozyky</i>) constituting obligations backed by the full faith and credit of Ukraine denominated in a currency other than the lawful currency of Ukraine.
“Tabulation Agent”	The Bank of New York Mellon, London Branch.

“Trustee”	BNY Mellon Corporate Trustee Services Limited acting in its capacity as trustee under each of the New Trust Deeds.
“U.S. Person”	A U.S. person as defined in Regulation S.
“U.S.\$”	The U.S. dollar, the legal tender of the United States.
“UAH”	The Ukrainian hryvnia, the legal tender of Ukraine.
“UAS”	Accounting principles generally accepted and consistently applied in Ukraine.

PRESENTATION OF FINANCIAL INFORMATION

Financial Information

The financial information of the Bank set forth herein has been derived, unless otherwise indicated, from its audited consolidated financial statements and the notes thereto as at and for the years ended 31 December 2014 and 31 December 2013 (the “**Annual Consolidated Financial Statements**”) and the condensed interim consolidated financial information as at and for the three-month period ended 31 March 2015 (the “**Interim Consolidated Financial Information**”) and, together with the Annual Consolidated Financial Statements, the “**Consolidated Financial Statements**”). The Annual Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) issued by the International Accounting Standards Board and the Interim Consolidated Financial Information has been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting (“**IAS 34**”).

The Bank's Annual Consolidated Financial Statements have been audited in accordance with International Standards on Auditing by the Bank's independent auditors, LLC Audit Firm “PricewaterhouseCoopers (Audit)”, who have expressed an unqualified opinion on the Annual Consolidated Financial Statements. With respect to the unaudited condensed interim consolidated financial information of the Bank as at and for the three months ended 31 March 2015, LLC Audit Firm “PricewaterhouseCoopers (Audit)” have applied limited procedures in accordance with professional standards for a review of such information. However, their report dated 28 May 2015 states that they did not audit and they do not express an opinion on this unaudited financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied.

The address of LLC Audit Firm “PricewaterhouseCoopers (Audit)” is 9-10th floors, 75 Zhylyanska Street, Kyiv 01032, Ukraine. LLC Audit Firm “PricewaterhouseCoopers (Audit)” is registered in the register of audit firms of the Audit Chamber of Ukraine.

Currency

In this Prospectus, all references to “**hryvnia**” and “**UAH**” are to the currency of Ukraine, all references to “**dollars**”, “**U.S. Dollars**” and “**U.S.\$**” are to the currency of the United States of America and all references to “**Euro**”, “**EUR**” or “**€**” are to the currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No. 974/98 of 3 May 1998 on the introduction of the euro as amended.

Translations of amounts from hryvnia to dollars are solely for the convenience of the reader and are made at exchange rates established by the NBU and effective as at the dates of the respective financial information presented elsewhere in this Prospectus in respect of both statements of financial position and income statement items. No representation is made that the hryvnia or dollar amounts referred to herein could have been converted into dollars or hryvnia, as the case may be, at any particular exchange rate or at all. The official hryvnia/U.S. dollar exchange rate of the NBU was UAH 15.7686 to U.S.\$1 as at 31 December 2014 and UAH 7.9930 to U.S.\$1 as at 31 December 2013. As of 24 July 2015, the official hryvnia/U.S. dollar exchange rate of the NBU was UAH 22.0157 to U.S.\$1.

Rounding

Some numerical figures included in this Prospectus have been subject to rounding adjustments. Accordingly, numerical figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that preceded them. Unless otherwise specified, all percentages have been rounded to the nearest one-tenth of one per cent.

EXCHANGE RATES

The following table sets forth, for the periods indicated, the highest, lowest, average and period-end official rates set by the NBU, in each case for the purchase of Ukrainian hryvnia, all expressed in Ukrainian hryvnia per U.S. Dollar.

	High	Low	Average	As at 31 December in each year (unless indicated otherwise)
	<i>(Ukrainian hryvnia per U.S. Dollar)</i>			
2006.....	5.05	5.05	5.05	5.05
2007.....	5.05	5.05	5.05	5.05
2008.....	7.88	4.84	5.27	7.70
2009.....	8.01	7.61	7.79	7.99
2010.....	8.01	7.8861	7.9357	7.9617
2011.....	7.9899	7.9300	7.9676	7.9898
2012.....	7.9930	7.9840	7.9910	7.9930
2013.....	7.9930	7.9930	7.9930	7.9930
2014.....	15.8544	7.9930	11.8867	15.7686
1 January 2015 to 24 July 2015.....	30.0102	15.7496	21.4089	-

The Bank has translated certain financial data from hryvnia into U.S. Dollars at the rates of UAH 7.9930, UAH 15.7686 and UAH 23.4426 to U.S.\$1.00, the official rates set by the NBU on 31 December 2013, 31 December 2014 and 31 March 2015, respectively. These translations should not be construed as representations that Ukrainian hryvnia amounts actually represent such U.S. Dollar amounts or could be converted into U.S. Dollars at the rate indicated as of any at the dates mentioned in this Prospectus or at all. The NBU's hryvnia/dollar exchange rate reported on 24 July 2015 was UAH 22.0157 to U.S.\$1.00.

FORWARD-LOOKING STATEMENTS

Certain statements included herein may constitute forward-looking statements that involve a number of risks and uncertainties. Such forward-looking statements can be identified by the use of forward-looking terminology such as “believes”, “expects”, “may”, “are expected to”, “intends”, “will”, “will continue”, “should”, “would be”, “seeks”, “approximately” or “anticipates” or similar expressions or the negative thereof or other variations thereof or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Prospectus and include statements regarding the Bank’s intentions, beliefs or current expectations concerning, amongst other things, the Bank’s results of operations, financial condition, liquidity, prospects, growth, strategies and the industry in which it operates. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future.

Noteholders should be aware that forward-looking statements are not guarantees of future performance and that the Bank’s actual results of operations, financial condition and liquidity, and the development of the industry in which it operates may differ materially from those statements made in or suggested by the forward-looking statements contained in this Prospectus. In addition, even if the Bank’s results of operations, financial condition and liquidity and the development of the industry in which it operates are consistent with the forward-looking statements contained in this Prospectus, those results or developments may not be indicative of results or developments in subsequent periods. Important factors that could cause those differences include, but are not limited to:

- the Bank’s ability to successfully restructure its indebtedness;
- the stability of the banking sector in Ukraine;
- the state of the Bank’s retail, corporate and SME businesses;
- the quality and stability of its deposit base;
- future credit losses that the Bank may incur;
- expectations as to the impact of projects undertaken to improve cost efficiencies and enhance liquidity and revenues; and
- estimates and financial targets for increasing and diversifying the composition, as well as the quality, of the Bank’s loan portfolio.

Factors that could cause actual results to differ materially from the Bank’s expectations include, among other things, the following:

- overall economic and business conditions;
- the level of demand for the Bank’s services;
- deposit outflows;
- competitive factors in the industries in which the Bank and its customers operate;
- changes in Government regulations and in the Government’s, the NBU’s policies regarding support for the banking sector in Ukraine;
- the timing, impact and other uncertainties of unrecognised guarantees and pledges, if any;
- the timing, impact and other uncertainties of unidentified related party transactions, if any;
- changes in tax requirements, including tax rate changes, new tax laws and revised tax law interpretations;
- interest rate fluctuations and other changing conditions in the capital markets;
- exchange rate fluctuations;

- economic and political changes in international markets, including governmental changes;
- hostilities and restrictions on the ability to transfer capital across borders; and
- the impact of valuation of derivatives and property and equipment.

The sections of this Prospectus entitled “*Risk Factors*” and “*The Ukrainian Banking Sector*” contain a more complete discussion of the factors that could affect the Bank’s future performance and the industry in which it operates. In light of these risks, uncertainties and assumptions, the forward-looking statements described in this Prospectus may not occur.

The Bank is not obliged to, and does not undertake any obligation to, update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to the Bank or to persons acting on its behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this Prospectus.

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RISK FACTORS

Noteholders should carefully consider the risks described below as well as the other information set out in this document. The Bank's business, financial condition or results of operations could be materially adversely affected by any or all of these considerations. Additionally, some considerations may be unknown to the Bank and other considerations, currently believed to be immaterial, could turn out to be material.

Risk Factors Relating to Ukraine

The ongoing crisis in Eastern Ukraine has had, and may continue to have, negative humanitarian, economic and political consequences for Ukraine.

Humanitarian consequences

Following the Euro-Maidan Revolution which led to the removal from power of President Yanukovich in February 2014, demonstrations by pro-Russian separatists and anti-Government groups took place in several major cities across eastern and southern Ukraine. Armed groups took over government buildings, seized military and other state assets and prevented the exercise of lawful government authority in parts of the Donetsk and Luhansk regions (in Ukrainian, *oblasts*). The breakdown of law and order in the affected regions prompted the Ukrainian authorities to launch anti-terrorist operations against the armed groups.

According to the United Nations, over 6,300 people have been killed and over 15,700 people wounded in Eastern Ukraine since the beginning of military operations in April 2014. The Ministry of Social Policy of Ukraine has registered more than 1.3 million internally displaced persons, or IDPs, as a result of the violence in eastern Ukraine, placing a great strain on government resources. According to the UN, 60 per cent. of IDPs are pensioners. The IDPs commonly flee their homes with very few possessions and few financial resources and thus remain constantly reliant on the assistance provided by the government, international and national humanitarian agencies and volunteers. The UN has also estimated that more than 850,000 Ukrainian have sought asylum, residence permits or other forms of legal stay in neighbouring countries due to the ongoing crisis.

The humanitarian crisis in the affected regions shows no signs of abating. Heavy civilian tolls of dead and wounded have resulted from shelling of residential areas in both Government- and terrorist-controlled areas. The fighting and shelling have caused heavy damage to civilian property and vital infrastructure, leaving civilians in highly precarious situations, often in the underground shelters and often without electricity, gas, heating water, food or medical care. Hospitals, schools and kindergartens have been hit by shelling in residential areas, including in Avdiivka, Donetsk, Horlivka, Luhansk and Mariupol. Many civilians, especially the elderly and those with movement difficulties have been trapped in conflict zones lacking the capacity, resources or assistance to leave such areas voluntarily.

According to the UN, the arbitrary detention of civilians remains a feature of the conflict. In areas controlled by the armed groups, "parallel structures" have been established and the breakdown in law and order in these areas accommodated persistent violations of the rights of civilians, including abductions, arbitrary detention, beatings and alleged torture. Access to education in conflict-affected areas has been severely curtailed. The conflict has also caused significant destruction of infrastructure and housing, leading to the almost total economic and infrastructure breakdown in some of the worst affected localities.

Increased defence costs, industrial decline and effect on the FDI

The Government's attempts to retake control of Eastern Ukraine have resulted in a significant increase in Ukraine's defence expenditure. If the conflict re-escalates, such expenditure will continue to strain the general resources of the Government and the Government's finances and negatively affect Ukraine's economy. Furthermore, the conflict has led to a significant loss of industrial production in the industrial heartland of Ukraine, with industrial output declining 31.5 per cent. in Donetsk and 42 per cent. in Luhansk regions in 2014. The conflict has also had far-reaching adverse effects on foreign direct investment in these regions in particular and Ukraine in general, as well as the Government's economic reform programmes.

Political consequences

Although an agreement calling for an immediate ceasefire was reached on 5 September 2014 between delegates from Ukraine, the Russian Federation and the OSCE as well as separatist representatives from the self-proclaimed Donetsk People's Republic and Luhansk People's Republic, the sporadic heavy fighting continued and conflict again escalated in January 2015 as the fighting intensified over the control of the Donetsk International Airport. By the end of January 2015, the ceasefire collapsed entirely with renewed fighting across the conflict zone with the armed Russian-backed separatists and Russian forces mounting a new offensive against Ukraine forces along the line of control in the Donetsk and Luhansk regions. On 12 February 2015, the Minsk Protocol, a new ceasefire agreement brokered by France and Germany with Russia's participation was agreed in Minsk by Ukrainian President Poroshenko and separatist representatives from the Donetsk and Luhansk regions. The parties agreed (amongst other things) to: a bilateral ceasefire with effect from 15 February 2015; monitoring and verification by the OSCE of the withdrawal of heavy weapons; withdrawal of illegal armed groups, military equipment, militants and mercenaries from Ukraine; a general amnesty and release of prisoners; and constitutional reforms which will grant special status to the Donetsk and Luhansk regions within Ukraine. Russian-supported armed groups operating in eastern Ukraine, supported by Russian forces, have violated the ceasefire regularly since the date of the agreement, seizing additional territory and threatening further escalation of violence.

There can be no assurance that the Minsk Protocol will lead to a long term solution to the crisis in Eastern Ukraine, which may result in a risk of a "frozen conflict" in this area, a situation in which active armed conflict has been brought to an end, but no peace treaty or other political framework resolves the conflict to the satisfaction of the combatants. Similar situations exist in other areas of former Soviet influence, including in South Ossetia and Abkhazia (separatist-controlled territories of Georgia, which were recognised by the Russian Federation as independent states, but are not recognised internationally), Nagorno-Karabakh (a region of Azerbaijan occupied by Armenia, governed by the Nagorno-Karabakh Republic, a de facto independent but internationally unrecognized state) and Trans-Dniester (the separatist region in Moldova, which proclaimed independence in 1990 with a view to joining the Russian Federation, but remains unrecognized internationally). If a "frozen conflict" situation were to occur in Eastern Ukraine, it would have a long-term military and economic effect, as well as unpredictable political consequences in Ukraine, any or all of which could have a material adverse effect on Ukraine's economy. In particular, this situation would be likely to compound the current contraction in the Ukrainian economy, discourage further inbound investment in Ukraine and increase capital flight, restrict the Government's access to the international capital markets and borrowing from multilateral organisations and put pressure upon the stability of the hryvnia, any or all of which could have a material adverse effect on Ukraine's economy which could in turn adversely impact the business of the Bank, its results of operations and financial condition.

Additionally, as at the date of this Prospectus, there is no clarity as to how the 16 September 2014 Law of Ukraine "On Special Regime of Local Self-Government in Certain Regions of Donetsk and Luhansk Oblasts" will be implemented. On 17 March 2015, the Parliament of Ukraine amended the above law to provide that the special regime for self-government in certain regions of Donetsk and Luhansk Oblasts is conditional upon successful elections of local self-government authorities in such regions. Such elections are required to be held in accordance with Ukrainian law, democratic principles and subject to certain other conditions, including, *inter alia*, withdrawal of all illegal military groups and weaponry from Ukraine. As such, any adverse political and economic consequences of the granting of special status to these regions remain unknown, as does whether the new status in the future may present a threat to Ukraine's sovereignty or territorial integrity, any or all of which could have a material adverse effect on Ukraine's economy which could in turn adversely impact the business of the Bank, its results of operations and its financial condition. See "*Recent Developments in Ukraine— Geopolitical Developments - Eastern Ukraine*".

The occupation of Crimea has created significant political and economic uncertainty in Ukraine and put further strains on Ukraine's relationship with the Russian Federation.

In late February 2014, following the Euro-Maidan Revolution which led to the removal from power of President Yanukovich, masked Russian soldiers without insignias appeared at strategic military and governmental locations across Crimea and the City of Sevastopol. On 27 February 2014 these Russian forces occupied the Crimean parliament and other government buildings, under which conditions a vote was held in the Crimean parliament replacing the lawful Crimean government with a pro-Russian regime. On 6

March 2014, the Crimean parliament, in violation of Ukrainian law, voted in favour of joining the Russian Federation and holding an all-Crimean referendum to approve this decision. Based on the reported results of the referendum that took place on 16 March 2014, the President of the Russian Federation, Mr Vladimir Putin, and representatives of the de facto government of Crimea executed an agreement on the annexation of Crimea to the Russian Federation. On 21 March 2014, Mr Putin signed legislation to annex Crimea and the City of Sevastopol to the Russian Federation.

The legitimacy and results of the referendum have been widely questioned around the world. The Ukrainian Parliament declared the referendum unconstitutional. The referendum has been declared illegitimate by many countries, including all EU members, the United States and Canada. On 15 March 2014, 13 members of the UN Security Council voted in favour of a resolution declaring the referendum invalid, however the resolution was vetoed by the Russian Federation. On 27 March 2014, a UN General Assembly resolution was adopted, which declared the referendum invalid and affirmed Ukraine's territorial integrity. On 10 April 2014, the Council of Europe also adopted a resolution condemning the Russian military aggression and annexation of Crimea as being in violation of international law.

Ukraine does not recognise the results of the illegal referendum conducted on 16 March 2014, does not recognise Crimea as a sovereign state or as part of the Russian Federation and considers Crimea to form an indivisible part of Ukraine as an autonomous region in accordance with the 2004 Constitution of Ukraine. In April 2015, the Ukrainian Parliament reaffirmed the status of Crimea as part of Ukraine's sovereign territory by adopting the Occupied Territory Law which, among other things, includes a provision that Ukraine treat Crimea as an integral part of its territory. Ukraine considers Crimea to be, as at the date of this Prospectus, under occupation by Russia. While Ukraine is committed to reaching a peaceful settlement of the Crimean crisis, currently there is no indication as to when or if the Russian occupation will end.

The occupation of Crimea may continue to adversely affect Ukraine's economic and political stability, including through its impact on the following:

- Ukraine's domestic trading market, as the loss of trade with Crimea reduces the overall volume of trade significantly;
- Ukraine's finances, as the anticipated costs of reconstruction and resettlement as well as the loss of tax revenue from the region are significant;
- the Ukrainian economy, which has lost the benefit of a large number of private and state-owned assets and property (including Sevastopol Naval Base and local oil and gas assets) in the region, with losses reportedly estimated at UAH 1,180 billion;
- Ukraine's GDP;
- reducing domestic gas supply, as Ukraine currently has no access to gas production assets located in Crimea or gas stored there, as well as oil reserves onshore and in the Black Sea; and
- Ukraine's relations with Russia, as Russia's occupation of Crimea has been a source of conflict between Russia and Ukraine since the crisis began, further complicating their relationship (see "*— Ukraine's economy has traditionally been heavily dependent on trade with Russia and certain other CIS countries and any significant prolongation of the crisis in relations with Russia, absent a material increase in financial support and long term trade with the European Union and other Western economies, would be likely to have adverse effects on the economy as well as the political stability of the country.*")

At the date of this Prospectus the occupation continues and could further strain the general resources of Ukraine and so have a material adverse effect on Ukraine's economy which could in turn adversely impact the business of the Bank, its results of operations and its financial condition. See "*Recent Developments in Ukraine—Geopolitical Developments—Crimea*".

Ukraine's economy is vulnerable to fluctuations in the global economy and is contracting.

Ukraine's economy is dependent to a large extent on the fluctuations of the global economy, in particular in relation to Ukraine's ability to rely on revenues of foreign currency from the export of goods and raw materials to counteract its dependence on foreign imports as well as its reliance on financing in the international markets.

Exports form a large part of the GDP of Ukraine, accounting for 50.9 per cent., 46.9 per cent. and 49.2 per cent. of GDP in 2012, 2013 and 2014, respectively. Ukraine's ability to export goods and raw materials is dependent on global demand and prices and therefore any decrease or fluctuations in such demand or prices may have a significant adverse effect on Ukraine's economy and finances. Exports of metals and metal products form a significant part of all exports from Ukraine (27.5, 27.8, and 28.3 in 2012, 2013 and 2014, respectively) and recent decreases in global demand and prices in this sector and in particular iron ore alone have had a significant effect on Ukraine's economy. In 2014, the export of steel and metals from Ukraine decreased by 13.1 per cent. (7 per cent. in 2013), machines and equipment by 17.1 per cent. (0.7 per cent. in 2013), chemical products by 23.8 per cent. (14.5 per cent. in 2013) and mineral products by 15.1 per cent. (2.0 per cent. in 2013). Total exports of goods and services from Ukraine decreased by 19.5 per cent. in 2014 (5.1 per cent. in 2013), while imports decreased by 26.6 per cent. (3.1 per cent. in 2013). During the January-March 2015 period, the decrease in exports of goods and services reached 32.6 per cent. on a year-on-year basis, and the decrease in imports of goods and services reached 35.6 per cent. on a year-on-year basis.

Additionally, the global economy has an important effect on Ukraine's state budget deficit and inflation levels. Domestic inflation is affected by world prices for metal products and grain as well as natural gas and oil. This causal relationship has led to significant fluctuations in the budget deficit and domestic inflation over recent years and continued pressure on global energy and food prices and prices of industrial products may lead to higher deficits and/or an increase in the levels of inflation in the future. Furthermore, inflation levels can directly impact Ukraine's state budget performance as Ukraine subsidises the cost of certain basic food items, electricity and gas and any increase in the real costs of these items would be likely to increase Ukraine's state budget expenditure and decrease its revenues.

Many of the key sectors of Ukraine's economy have contracted in recent years. In 2014, Ukraine's GDP declined by an estimated 6.8 per cent., with a similar annual rate of decline expected by the IMF for 2015. In the first quarter of 2015, Ukraine's GDP declined by 17.2 per cent. compared to the same period in 2014. (see — *"Positive developments in the economy may not be achieved if certain important economic and financial structural reforms are not made."*)

The recent volatility in the Ukrainian economic and geopolitical situation has significantly limited Ukrainian corporate borrowers' (including key clients of the Bank) access to funding in the international capital and syndicated loan markets. In 2012 and 2013 after the effects of the global financial crisis had subsided, relatively easy access to liquidity, both from within Ukraine and internationally, was a significant factor facilitating growth in Ukraine's GDP. The reduced availability of external financing for Ukrainian companies (including key clients of the Bank) in 2014 and 2015 has contributed to a decrease in industrial production (as described above), investment projects and capital expenditure generally. Any further deterioration of the current economic and geopolitical crisis may lead to a worsening of the economic and financial condition of Ukraine. Changing external or internal conditions could intensify and widen any external funding gap. Continued widening of the current account deficit or significant net capital outflows could cause the stock of international reserves to continue to fall or prompt a further devaluation of the hryvnia. Any such developments, including any prolonged unavailability of external funding and increases in world prices for goods imported to Ukraine or decreases in world prices for goods exported from Ukraine, may put pressure on the hryvnia exchange rate and may have or continue to have a material adverse effect on the economy, which could in turn adversely impact the business of the Bank, its results of operations and its financial condition.

Ukraine's Government may be unable to sustain political consensus, which may result in political instability.

Historically, a lack of political consensus in the Verkhovna Rada, or Parliament, of Ukraine has made it difficult for the government of Ukraine (the "**Government**") to secure the necessary support to implement policies intended to foster liberalisation, privatisation and financial stability. As at the date of this

Prospectus, as a result of the rapid political developments in Ukraine in recent years, the procedures and rules governing the political process in Ukraine may be subject to change through the normal process of political alliance building or through constitutional amendments and decisions of the Constitutional Court of Ukraine. Recent political developments have also highlighted potential inconsistencies between the Constitution and various laws and presidential decrees. Furthermore, such developments have raised questions regarding the judicial system's independence from economic and political influences. See *“Recent Developments in Ukraine—Recent Political Developments”*.

The political landscape of Ukraine remains uncertain; see *“Recent Developments in Ukraine—Recent Political Developments”*. It remains to be seen if the coalition government has the political support necessary to follow the challenging policies required to address the serious issues facing Ukraine (including the constitutional reforms guaranteed by the 12 February 2015 ceasefire agreement) and to meet the IMF and other multilateral organisations' criteria for further financial support. If these criteria are not met, the Ukrainian economy would potentially lose its prime source of liquidity and would be unlikely to be able to cope with its significant debt service requirements leading to a possible sovereign default. Such a default would be likely to have very severe effects on the economy which could in turn adversely impact the business of the Bank, its results of operations and its financial condition. See *“—Changes in relations with Western governments, the EU and multinational institutions may adversely affect the development of the Ukrainian economy; Positive developments in the economy may not be achieved if certain important economic and financial structural reforms are not made; and —The Ukrainian banking system may be vulnerable to stress due to fragmentation, undercapitalisation and a potential increase in non-performing loans, all of which could have a material adverse effect on the real economy”*.

A number of additional factors could adversely affect political stability in Ukraine, including:

- lack of agreement within the factions and between individual deputies;
- disputes between factions within the parliamentary majority coalition and opposition factions on major policy issues, including Ukraine's foreign, energy policy and over the issue of the timing and implementation of closer political and economic ties with the EU;
- court action taken by opposition politicians against decrees and other actions of the President and Government; and
- court action taken by the President against parliamentary or governmental resolutions or actions.

Any continued or increased political instability due to the factors listed above or for any other reason could have a material adverse effect on the Ukrainian economy which could in turn adversely impact the business of the Bank, its results of operations and its financial condition.

Ukraine's economy has traditionally been heavily dependent on trade with Russia and certain other CIS countries and any significant prolongation of the crisis in relations with Russia, absent a material increase in financial support and long term trade with the European Union and other Western economies, would be likely to have adverse effects on the economy as well as the political stability of the country.

Ukraine's economy has traditionally been heavily dependent on trade with Russia and other Commonwealth of Independent States (“CIS”) countries, largely because Ukraine imports a large proportion of its energy requirements, especially from Russia (or from countries that transport energy related exports through Russia), and as a result of its geographic proximity to and historical relationship with Russia. In addition, a large share of Ukraine's services receipts comprises transit charges for oil, gas and ammonia from Russia, which are delivered to the EU via Ukraine.

The Russian involvement in the conflict in Eastern Ukraine (see *“Recent Developments in Ukraine—Geopolitical Developments”*) represents the culmination of the deterioration of Russian-Ukrainian relations. Russian support for the separatists has had a significant effect on the current situation in that conflict. The Government reportedly estimates that Russian activities during the conflict to date have decreased Ukraine's economic potential by 20 per cent. The export of goods and services to Russia from Ukraine declined by 33.7 per cent. in 2014 and by 61.3 per cent. in the first quarter of 2015. It is likely that Russian support for the separatists will continue for the foreseeable future, thereby improving the likelihood of resumed

hostilities or at the very least a standstill whereby the separatists retain control of the disputed areas. See *“Recent Developments in Ukraine—Economy—Relationship with Russia”*.

Despite Western financial support designed to cushion Ukraine from the economic effects of current events, the existing situation is currently having a material adverse effect on Ukraine’s economy, and unless the situation is resolved amicably between Ukraine and Russia in the near future, is likely to continue to have an increasingly adverse effect on the Ukrainian economy which could in turn adversely impact the business of the Bank, its results of operations and its financial condition.

Large-scale economic sanctions by the EU and US against Russia over its actions in Ukraine and reciprocal sanctions by Russia against the Ukraine, EU and US may have a material adverse effect on Ukraine’s economy.

As a result of the ongoing tension between Russia and Ukraine, the EU and the United States have each authorised and imposed sanctions, targeting parties responsible for pro-separatist activities in Eastern Ukraine, misuse of Ukraine state funds and human rights violations in relation to the crisis in Ukraine, including “asset-freezes” targeting these individuals imposed by the EU, the implementation of visa bans and the blocking of property and interests in property that are in the United States or that come within the possession or control of any United States person (including any foreign branch), of individuals and entities who the United States government considers to have misappropriated funds and threatened or undermined the peace, security, stability and sovereignty or territorial integrity of Ukraine. In addition, the United States has imposed sectoral sanctions targeting persons and entities operating within the defence, energy and financial sectors of the Russian economy. The United States has also restricted the provision, exportation or re-expropriation, directly or indirectly, of goods, services (except for financial services), or technology in support of exploration or production for deepwater, Arctic offshore, or shale projects that have the potential to produce oil in the Russian Federation, for entities designated on the Sectoral Sanctions Identifications List. Additionally, the US has imposed export sanctions with respect to Russia and Crimea and has suspended the issuance of US export credit and financing for economic development projects in Russia. Executive Order 13685 broadly prohibits transactions involving persons located within the “Crimea region of Ukraine”, unless authorised by the US Department of the Treasury’s Office of Foreign Assets Control (OFAC).

The EU also introduced a number of trade and investment restrictions on Crimea, which involve an EU ban on most new investments by EU parties relating to entities in Crimea and Sevastopol, including: acquisition, or extension of participation in ownership, or real estate or any entity located in Crimea and Sevastopol; providing financing to any entity in Crimea and Sevastopol; the creation of joint ventures in these territories or with any entity in these territories, or the provision of investment services related to such transactions. The EU also bans the direct or indirect sale, supply, transfer or export of specified key equipment and technology suited for use in the sectors of transport, telecommunications and energy, as well as the exploitation of oil, gas or mineral resources in Crimea and Sevastopol. The EU has further imposed sectorial sanctions targeting Russia including: restriction of access to the EU capital markets for five major Russian state-owned banks and six Russian defence/energy companies; suspension of services for deep water and arctic oil exploration and production and shale oil projects in Russia and a ban or authorisation requirement on supply (and related financing, technical assistance etc.) for key listed items used in the oil sector; as well as, ban on exporting dual use goods and technology for military use in Russia.

Such large-scale economic sanctions imposed on Russia by the EU and United States combined with the effect of the sharp fall in oil prices in 2014-2015 have had a negative impact on Russia’s economy, which contracted by 2.0 per cent. between January and March 2015 compared with the same period in 2014. The International Monetary Fund expects the Russian economy to contract by 3.8 per cent. in 2015 and by 1.1 per cent. in 2016. A recession in Russia, as Ukraine’s largest trading partner, could have a negative impact on Ukraine’s export industries and economy.

In 2014, in response to the sanctions imposed on it, Russia has imposed reciprocal sanctions on the EU, US, Canada, Australia, Norway and Ukraine banning the import of various agricultural and other food products. In particular, in the period from July to August 2014, Russia introduced restrictions on imports of Ukrainian confectionery, dairy, meat, canned vegetables and other agricultural products. Ukraine estimates that restrictions introduced by Russia have, as of the date of this Prospectus, lead to a 44.5 per cent. decline in

trade with Russia and further expected sanctions are anticipated to further reduce the levels of trade. For the year ended 31 December 2014, exports of goods from Ukraine to Russia decreased by 33.7 per cent. compared to the year ended 31 December 2013 due to decreases in exports of food products (decreased by 52.8 per cent.), machinery (decreased by 40.3 per cent.), articles of stone, plaster and cement (decreased by 32.0 per cent.) and metallurgical products (decreased by 30.9 per cent.). In the first quarter of 2015, exports of goods from Ukraine to Russia decreased by 61.3 per cent.

It is not yet possible to accurately predict the political and diplomatic consequences of the sanctions imposed by the EU and the United States and the reciprocal sanctions imposed by Russia in the context of the current crisis, or the potential impact of the imposition of sanctions on FDI and other inbound capital flows. It is also not possible to predict whether or to what extent the imposition of sanctions could adversely affect the market price or liquidity of Ukrainian sovereign debt. It is possible that further sanctions may be imposed on Russia by the EU and the United States in the future and that Russia may respond with retaliatory sanctions against the EU, the United States and Ukraine. Investors in the New Notes should be cognizant of these risks and uncertainties at the time they invest.

Changes in relations with Western governments, the EU and multinational institutions may adversely affect the development of the Ukrainian economy.

Ukraine's relationship with governments in the EU and with multinational institutions is of great importance, particularly given the current significant reduction in trading volumes with Russia. For the year ended 31 December 2014, the EU became Ukraine's largest external trade partner, accounting for 31.5 per cent. of all Ukrainian exports. In the same period exports of Ukrainian goods to Russia decreased by 33.7 per cent. In the first quarter of 2015, the EU accounted for 34.6 per cent. of all Ukrainian exports. The perception of the EU and multinational institutions of the commitment to and nature of legislative and regulatory reform programmes in Ukraine, the improvement and continued independence of the judicial system and political developments in Ukraine could significantly impact those relations.

In addition, following recent events and statements of intention to reform on behalf of the Government, Ukraine is also currently benefitting from vital financial support from international financial institutions such as the IMF and the World Bank as well as Western nations such as the United States and Canada. Ukraine also benefits from significant practical and diplomatic support from the international community particularly in relation to events in Eastern Ukraine and Russia's involvement therein. This financial and political support is crucial to the economic and political survival of Ukraine and is built on the promises of deep-seated and systemic reform of the country's economic and political systems. See also "*Recent Developments in Ukraine - IMF and other Multilateral Assistance*".

Any negative effects on relations with Western countries and organisations as a result of internal political changes, events or failure to comply with foreign requirements would be likely to have a significant negative effect on the successful implementation of the Ukraine-European Union Association Agreement that established a political and economic association between the two parties signed on 21 March 2014 (the "**Association Agreement**") and may lead to a suspension of financial support/aid packages. On 16 September 2014, the Parliament of Ukraine ratified the Association Agreement, with bilateral implementation of free trade with the EU scheduled for December 2015. Any negative change in the perceptions of Ukraine's commitment to the implementation of the Association Agreement could have a material adverse effect on trade and other economic relations (including access to financial support) with the EU and its members, which, in turn, could have a material adverse effect on the Ukrainian economy which could in turn adversely impact the business of the Bank, its results of operations and its financial condition.

The Ukrainian Government may declare a moratorium on payments on the state, state-guaranteed and local debt to international commercial creditors in the future and the consequences of a declaration of any such moratorium are difficult to predict

On 19 May 2015, Parliament adopted the Law of Ukraine "On Certain Aspects of Transactions with State, State-Guaranteed Debt and Local Debt". The Law is aimed at ensuring economic security of the state, protection of public interests and interests of the state in connection with repayment and servicing of state, state-guaranteed debt and local debt. It gives a right to the Cabinet of Ministers of Ukraine to adopt a decision on suspension of payments under state foreign borrowings and state-guaranteed debt described in

the schedule to the law and a right to the local council to adopt a decision on suspension of payments under relevant debt obligations described in the schedule to the law in connection with entering into transactions with such debt by means of exchange (change of terms and conditions of existing loans) and issue and sale of relevant debt obligations. Suspension of payments is introduced under each debt obligation for a period prior to execution of such transaction (transactions) and change of terms and conditions of relevant borrowing with respect to all creditors. The law became effective on 13 June 2015.

In light of the difficult financial position of Ukraine, the Government may adopt a decision to suspend payments of state and state guaranteed debt to international commercial creditors at any time to protect the interests of its citizens and rapidly conclude its debt operation that meets the targets established by the IMF in the four-year U.S.\$17.5 billion Extended Fund Facility for Ukraine approved by the IMF Executive Board on 11 March 2015 (the “**2015 EFF**”). The consequences of a moratorium declared by such decision of the Government in the future are difficult to predict.

Official statistics and other data published by Ukrainian State authorities may not be reliable

Official statistics and other data published by Ukrainian State authorities (including the NBU and the State Statistics Service of Ukraine) may not be as complete or reliable as those of more developed countries. Official statistics and other data may also be produced on a different basis than those criteria used in more developed countries. The Bank has not independently verified such official statistics and other data, and prospective investors should be aware that any discussion of matters relating to Ukraine in this Prospectus is, therefore, subject to uncertainty due to questions regarding the completeness or reliability of such information and may not be fully in accordance with international standards. Furthermore, standards of accuracy of statistical data may vary from agency to agency and from period to period due to application of different methodologies. Since the first quarter of 2003, Ukraine has produced data in accordance with the IMF Special Data Dissemination Standard. It is possible, however, that this IMF standard has not been fully implemented or correctly applied. The existence of a sizeable unofficial or shadow economy may also affect the accuracy and reliability of statistical information. In addition, Ukraine has experienced variable rates of inflation, including periods of hyperinflation. Unless indicated otherwise, the macroeconomic data presented in this Prospectus has not been restated to reflect such inflation and, as a result, period-to-period comparisons may not be meaningful. As a result of recent events since February 2014, there has been significant additional difficulty in obtaining reliable statistical information, particularly in relation to Crimea and Eastern Ukraine. Therefore, certain statistics for 2014 may include unverifiable information or may not include any data at all from those areas of Ukraine; this may make a comparison of recent data to previous periods much less meaningful. For example, the Crimean contribution to GDP has been frozen as at February 2014 and included at that level in statistical data used throughout this Prospectus. If Crimea were to be removed from the State Budget the figures shown therein would be materially different. Prospective investors should also be aware that certain statistical information and other data contained in this Prospectus have been extracted from official governmental sources in Ukraine and were not prepared or independently verified by any person in connection with the preparation of this Prospectus. The Bank only accepts responsibility for the correct extraction and reproduction of such information.

Inability to obtain financing from external sources (or obtaining them at a significant cost) could affect Ukraine’s ability to meet financing expectations in its budget.

Ukraine’s domestic debt market remains illiquid and underdeveloped compared with markets in most Western countries. Accordingly, Ukraine is highly reliant on external sources for financing its state budget and is becoming more and more dependent as a consequence of the current ongoing crisis in Crimea and Eastern Ukraine. As a result of the current critical status of the Ukrainian economy, the international capital markets are shut to the sovereign as well as corporate and quasi-corporate borrowers. Accordingly, Ukraine’s reliance on official creditors and multilateral organisations has increased significantly. See “*Recent Developments in Ukraine—IMF and other Multilateral Assistance*”.

If Ukraine is unable to meet stringent criteria set out in the various support programmes provided by multilateral organisations such as the IMF, the World Bank and the EU, the multilateral organisations may withhold or suspend funding. In the current circumstances, a failure by official creditors and multilateral organisations to grant adequate financing would put severe pressure on Ukraine’s budget and foreign exchange reserves and have a material adverse effect on the Ukrainian economy which could in turn adversely impact the business of the Bank, its results of operations and its financial condition.

Ukraine has experienced liquidity difficulties in the past and continues to be subject to a significant liquidity risk, which may be exacerbated by Ukraine's higher debt service obligations and higher cost of funding over the next several years compared to the recent past.

According to the Budget Code of Ukraine (the “**Budget Code**”) the volume of total State debt and State guaranteed debt at the end of the budget period (31 December of each year) should not exceed 60 per cent. of the annual nominal gross domestic product of Ukraine. Pursuant to recent amendments to the Budget Code, if the ratio of total State debt to GDP is expected to exceed 60 per cent. as of any year end, the Government is required to apply to Parliament for approval of such excess and submit an action plan on how the ratio will be returned to the required level. As of the date of this Prospectus, there have been no reports of the Government applying to Parliament for such approval.

Furthermore, in December 2013, as part of the U.S.\$15 billion financial support package for Ukraine announced by Russian President Putin in November 2013, Ukraine issued its U.S.\$3 billion 5 per cent. notes due 20 December 2015 (the “**2015 Ukraine Bonds**”). The terms and conditions of the 2015 Ukraine Bonds contain a covenant that is not included in any of the other Eurobonds issued by Ukraine in the international capital markets relating to the ratio of State debt to GDP. It is possible that under certain interpretations of that covenant at a certain point in time the increased incurrence of debt, the fluctuations in foreign exchange rates or the deterioration of the Ukrainian GDP or a combination of all three could lead to a breach of the aforementioned covenant, potentially giving the holders of the 2015 Ukraine Bonds (understood to be under the control of the Russian government) the right to accelerate the 2015 Ukraine Bonds, and thereby trigger cross acceleration provisions in other outstanding Eurobonds issued by Ukraine as well as other outstanding debt stock. In the event that holders of other Eurobonds accelerated on this basis Ukraine could have to repay a significant portion of its external U.S. dollar-denominated debt within a short period of time. If any of these circumstances were to arise they would be likely to have a material adverse effect on the Ukrainian economy, which could in turn adversely impact the business of the Bank, its results of operations and its financial condition.

Ukraine's external debt service has been rising over the past several years. The amount of State external debt service payments (including principal and interest payments but excluding debt owed to the IMF by the NBU) is expected to continue to increase throughout 2015 and 2016. Additionally, while debt service on contingent liabilities is difficult to anticipate, debt guaranteed by the State is also significant. The total outstanding State debt of Ukraine as at 31 December 2014 amounted to approximately U.S.\$69.8 billion (including the IMF debt owed by the NBU). Furthermore, the substantial payment obligations of some State-owned companies falling due from 2014 to 2016 (including debt repayments and payments for natural gas supplied for domestic consumption to Ukraine) are likely to exert additional pressure on Ukraine's liquidity. Furthermore, on 19 May 2015 the Parliament of Ukraine approved the Law of Ukraine “*On Amendments to the Budget Code of Ukraine*” to the adopted Law of Ukraine “*On Certain Aspects of Transactions with State, State-Guaranteed and Local Debt*”, authorising the Government of Ukraine to suspend payments to creditors on designated foreign sovereign, guaranteed by the State and local debts for the purposes of debt restructuring. The laws took effect on 31 May 2015 and 13 June 2015. It remains uncertain whether the Government of Ukraine would exercise the aforesaid authorities.

In addition to these factors, Ukraine is vulnerable to the effect of any potential increases in interest rates in the Eurozone and the United States, as and when the monetary authorities in those jurisdictions decide to pursue more restrictive monetary policies, as Ukraine's reliance on external financing to fund its current account deficit and refinance existing external debt stocks means that any such increases may result in a higher cost of funding and could put further pressure on the hryvnia.

The devaluation of the hryvnia has made foreign debt service considerably more expensive for the Government, and any failure to stabilise the currency and stop the devaluation will put significant additional pressure on Ukraine's ability to service national and international debt.

The external pressure on Ukraine's liquidity is intensified by the State's regular failure to meet its budgeted revenue targets or stay within its expenditure targets. Given the current economic and political upheaval in Ukraine, it is very likely that the budget deficit will be significant for 2015 and 2016, and, unless covered by

international financial support, this is likely to put severe pressure on Ukraine's budget and foreign exchange reserves.

In addition, it should be noted that many Ukrainian companies (including key clients of the Bank) have significant levels of indebtedness and as a result of the financial crisis have and may continue to experience difficulty accessing new financing. Although private sector debt, unlike State debt, does not have a direct negative effect on the Government's foreign exchange liquidity, high levels of indebtedness of, and limited availability of new credit to, the private sector may complicate economic recovery and pose a significant risk in an already challenging economic environment.

Continued adverse changes in global or domestic political or economic conditions or in the international capital markets may place renewed pressure on Ukraine's foreign exchange reserves which would be likely to have a material adverse effect on the Ukrainian economy, which could in turn adversely impact the business of the Bank, its results of operations and its financial condition.

The downgrades of Ukraine's sovereign credit rating may negatively affect the economy.

As Ukraine's economic performance deteriorated amid the global recession and worsening domestic conditions, the ability of the state to meet its external debt obligations was increasingly being called into question. Credit default swaps on Ukrainian Government-issued Eurobonds at one stage made Ukraine's debt the most expensive sovereign debt in the world to insure. On 28 January 2014, Standard & Poor's Credit Market Services Europe Limited ("**Standard & Poor's**")¹ downgraded the long-term foreign currency sovereign credit rating of Ukraine to CCC+ (with negative outlook). According to Standard & Poor's press release, this was due primarily to the increased political instability in the country as evidenced by current events described above. On 21 February 2014, Standard & Poor's further downgraded the long-term foreign currency sovereign credit rating of Ukraine to CCC due to the substantial deterioration of the political situation. On 19 December 2014, Standard & Poor's further downgraded the rating to CCC-, citing a delay in IMF disbursements in 2014 coupled with significantly reduced foreign currency official reserves increasing the risk that the Ukrainian Government might not be able to meet its obligations. On 10 April 2015, Standard & Poor's downgraded Ukraine's long-term foreign currency sovereign credit rating from CCC- to CC.

On 7 February 2014, Fitch Ratings Limited ("**Fitch**")² downgraded the long-term foreign currency sovereign credit rating of Ukraine to CCC. According to the Fitch press release, this was due primarily to the ongoing political instability and fears over Ukraine's ability to refinance a heavy external debt repayment schedule; in addition, according to Fitch, the political uncertainty has contributed to a weakening in confidence in the UAH and in the exchange rate policy. On 13 February 2015, Fitch downgraded Ukraine's long-term foreign currency sovereign credit rating to CC from CCC. According to the Fitch press release, this was due primarily to deterioration of the sovereign's creditworthiness, increase of the fiscal deficit and escalation of the conflict in the Donetsk and Luhansk regions.

On 31 January 2014, Moody's Investors Service, Inc. ("**Moody's**")³ downgraded the long-term foreign currency sovereign credit rating of Ukraine to Caa2 (with negative outlook). On 4 April 2014, Moody's further downgraded the long-term foreign currency sovereign credit rating of Ukraine to Caa3 (negative outlook). According to the Moody's press release, this decision was driven by the following factors: the escalation of Ukraine's political crisis, which led to a regime change in late February, followed by the annexation of Crimea by Russia; a risk of political instability, given upcoming presidential elections in May and the risk of early parliamentary elections later in the year, as well as a significant risk of destabilization in eastern and southern Ukraine, which have large ethnic Russian populations; Ukraine's stressed external liquidity position, in light of a continued decline in foreign-currency reserves, the withdrawal of Russian financial support and a rise in gas import prices; the decline in Ukraine's fiscal strength and an expected increase in the debt-to-GDP ratio to 55-60 per cent. by the end of 2014 (from 40.5 per cent. at year-end

¹ Standard & Poor's is established in the European Union and registered under Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies (the "**CRA Regulation**").

² Fitch is established in the European Union and registered under the CRA Regulation.

³ Moody's is not established in the European Union and has not applied for registration under the CRA Regulation. However, Moody's Investors Service Ltd. (an entity which is established in the European Union and registered under the CRA Regulation) has endorsed the ratings of Moody's, in accordance with the CRA Regulation.

2013) due to a sizable fiscal deficit, a significant GDP contraction and sharp currency depreciation. Furthermore, Moody's expressed concern that Ukraine may be required to repay its outstanding Eurobonds early. The terms and conditions of the 2015 Bonds include a covenant to maintain the debt-to-GDP ratio (state and state-guaranteed debt) below 60 per cent. Moody's based that rating on the probability of Ukraine's debt-to-GDP ratio increasing to 60 per cent. and thereby triggering an acceleration of the 2015 Bonds, which in turn could trigger a cross-default in all other Eurobonds and ultimately lead to a liquidity crisis and a payment default by Ukraine.

On 24 March 2015, Moody's downgraded Ukraine's long-term issuer and government debt ratings to Ca from Caa3 (outlook negative). The key driver of the downgrade was the likelihood of external private creditors incurring substantial losses as a result of the government's plan to restructure the majority of its outstanding Eurobonds. Also included in the restructuring is the external debt of state-guaranteed entities and selected other state-owned enterprises, and the Eurobonds issued by the capital city of Kyiv. The negative outlook reflects Moody's expectation that Ukraine's government and external debt levels will remain very high, in spite of the debt restructuring and plans to introduce reforms. Moody's also lowered Ukraine's country ceiling for long-term foreign currency debt to Caa3 from Caa2, and its country ceiling for long-term domestic currency debt and deposits to Caa2 from Caa1. Ukraine's country ceiling for foreign-currency bank deposits remains unchanged at Ca. All short-term country ceilings also remain unchanged at Not Prime (NP).

Furthermore, any further downgrading of Ukraine's sovereign credit rating will likely result in a deterioration of the condition of the banking sector through an increase in borrowing costs for Ukrainian financial institutions. Any default by Ukraine on its debt obligations would be likely to have a negative effect on the ability of Ukrainian entities to raise funds as well as potentially triggering, *inter alia*, a damaging currency crisis. Such events may in turn have a material adverse effect on the business of the Bank and its results of operations and financial condition.

Positive developments in the Ukrainian economy may not be achieved if certain important economic and financial structural reforms are not made.

The negative impact of the global economic and financial downturn has been compounded by weaknesses in the Ukrainian economy. The negative trends in the Ukrainian economy may continue unless Ukraine undertakes certain important economic and financial structural reforms, including those required by the IMF as conditions to the release of funding to the country under the 2015 EFF, which replaced the earlier U.S.\$17 billion stand-by agreement with the IMF dated 30 April 2014 (the "2014 SBA").

The 2015 EFF requires, amongst other things, that Ukraine conduct a debt operation that will achieve three targets: (i) generate \$15 billion in public sector financing over the program period (2015-2018); (ii) bring the public and publicly guaranteed debt/GDP ratio under 71 per cent. by 2020 and (iii) keep the budget's gross financing needs at an average of 10 per cent. of GDP (maximum of 12 per cent. annually) in the period 2019-2025. The successful restructuring of certain debt obligations of the Bank will contribute toward the satisfaction of the first target described above.

The 2015 EFF is premised on implementation by Ukraine of an ambitious, deep and comprehensive economic reform program aimed at restoring macroeconomic and financial stability, achieving and sustaining fiscal and external sustainability and laying the foundation for robust medium-term growth. Specifically, policies will be geared towards:

- (i) a flexible and sustainable exchange rate policy to support adjustment and a gradual restoration of adequate reserves accompanied by a prudent monetary policy aiming to bring inflation to single digits;
- (ii) financial sector policies to support the rehabilitation of the Ukrainian banking system, and strengthen its ability to intermediate and support economic activity;
- (iii) fiscal adjustment based on expenditure consolidation to place public finances on a sound footing and restore debt sustainability with high probability, supported also by donor financing and a debt operation that would help alleviate the debt servicing burden in the coming years; and

- (iv) deep and broad structural reforms to improve Ukraine's business climate, attract sizable domestic and foreign investment, and boost Ukraine's growth potential through deregulation, governance, and state-owned enterprise reforms, including of Naftogaz.

In particular, certain critical structural reforms that may need to be implemented or continued include: (i) further reform of the Ukrainian tax legislation (including the development and approval of legislation implementing the Tax Code as defined below) with a view to broadening the tax base by bringing a substantial portion of the shadow economy into the reporting economy; (ii) reform of the energy sector through the introduction of uniform market-based energy prices and improvement in collection rates (and, consequently, the elimination of the persistent deficits in that sector); and (iii) reform of social benefits and pensions.

If Ukraine is unable to meet the conditions under the 2015 EFF, the IMF and other multilateral organisations may withhold or suspend their funding. A failure by official creditors and multilateral organisations such as the EBRD, the World Bank or the IMF to grant adequate financing combined with any inability to access the international capital markets and syndicated loan markets will put pressure on Ukraine's budget and foreign exchange reserves.

If the political initiatives necessary to achieve these reforms or any other reforms do not continue, are reversed or fail to achieve their intended aims, then Ukraine's economy may suffer. Rejection or reversal of reform policies favouring privatisation, industrial restructuring and administrative reform may have negative effects on the Ukrainian economy which could in turn adversely impact the business of the Bank, its results of operations and its financial condition.

Ukraine's achievement of the above targets is subject to exceptional risks, especially those arising from the conflict in Eastern Ukraine, which may affect Ukraine's ability to sustain the stabilisation efforts and deliver the structural overhaul needed to resume growth. Other factors, which may heavily impact the current macro-economic framework for Ukraine include:

- potential social resistance to austerity measures;
- economic recovery proving more difficult than initially expected;
- real exchange rate shocks;
- a larger than expected financial burden emanating from either the banking and/or the energy sectors;
- crisis of confidence in the banking system; and
- external factors.

Any of the above events would in turn adversely impact the business of the Bank, its results of operations and its financial condition.

The Ukrainian banking system may be vulnerable to stress due to fragmentation, undercapitalisation and a potential increase in non-performing loans, all of which could have a material adverse effect on the real economy.

The recent global financial crisis led to the collapse or bailout of some Ukrainian banks and to significant liquidity constraints for others. The floating of the hryvnia which commenced in February 2014 puts additional strain on the Ukrainian banking system, as the high dollarisation in the Ukrainian financial system could contribute to a worsening in bank asset quality. Non-performing loans are another factor affecting the asset quality of Ukrainian banks. See "*The Ukrainian Banking Sector*". A failure by the government and the NBU to address this situation sufficiently will put significant additional pressure on the Ukrainian banking system as a whole, including the Bank.

The fragile condition of the Ukrainian banking system has also been the main factor in restricting the availability of domestic credit required by domestic businesses to continue to grow their operations. Troubled domestic banks are in many cases unwilling or unable to lend to domestic businesses in need of renewed or increased funding. A continuing stagnation of credit conditions within Ukraine, resulting from bank profitability remaining low and the anticipated recovery being slow to materialise, is likely to continue

to have a negative effect on Ukraine's GDP growth. Furthermore, increased domestic borrowing by the Government is likely to reduce the availability of domestic credit for Ukrainian businesses, exacerbating the effect on GDP levels. In addition, the recent significant depreciation of the hryvnia is likely to have a material adverse effect on the balance sheet of the banking system, including the Bank.

Other recent factors which have had exacerbated the weak position of the Ukrainian banking sector include (i) significant outflows of deposits from accounts held with Ukrainian banks in recent months; (ii) the effect on the banking sector of the loss of income and branches in Crimea following the occupation; and (iii) the effect on revenues and banking business as a result of the disturbances in Eastern Ukraine.

Failure by the Government to implement reforms required for future funding from the IMF may call into question future drawdowns under the 2015 EFF, which would be likely to also have a material adverse effect on the Ukrainian economy, and the Ukrainian banking sector would remain fragile and highly susceptible to external shocks.

Further insolvencies of Ukrainian banks, increased liquidity constraints, growth in the proportion of "high risk" and "default" loans, the need for the Government to inject more capital into the banking system and the failure to adopt and implement a system of banking regulation that achieves an increased degree of soundness and stability in the nation's banks could all have a material adverse effect on the Ukrainian economy.

The Ukrainian currency is subject to volatility and depreciation.

As a result of the high dollarisation of the Ukrainian economy and the reliance of Ukrainian borrowers on external markets, Ukraine has become increasingly exposed to the risk of the hryvnia exchange rate fluctuations. As at 31 December 2013, immediately prior to the Euro-Maidan Revolution, the NBU official UAH/ U.S.\$ exchange rate was pegged at UAH 7.9930 per 1.00 U.S. Dollar. In February 2014 the NBU allowed the exchange rate to float, and as at 31 December 2014, the NBU official UAH/U.S.\$ exchange rate was UAH 15.7686 per 1.00 U.S. Dollar. As of 24 July 2015, the NBU official UAH/U.S.\$ exchange rate was UAH 22.0157 per 1.00 U.S. Dollar. See also "*Recent Developments in Ukraine —Currency Depreciation*".

The NBU has recently modified its discount rate to stabilise the currency. Any abnormally high discount rate of the NBU may lead to lower liquidity and instability of the money markets, volatility in the local financial system, an increase in borrowing costs, deterioration in corporate creditworthiness and consumer confidence, as well as other negative impacts on the economic environment.

Government borrowing in the international markets has increased markedly over the last several years. The increases in both external debt and U.S. dollar and euro-denominated domestic debt, as well as the declining level of Ukrainian foreign exchange reserves, expose the Government to heightened foreign exchange risk.

Expected future beneficial effects of the flexible exchange rate regime may not occur, or interim support for banks to protect themselves from this depreciation may not have the desired effect. In addition, the current depreciation may affect the Government's ability to continue to service its external debt if support from the international community is not sufficiently extensive. Any attempt to restructure or refinance such external debt would also be made more difficult by the increased size of the debt and the larger number of lenders and sources of credit involved. While the NBU has started preparations to adopt inflation targeting, the ability of the NBU to stabilise the currency is dependent on many factors (including political stability and the crisis in Eastern Ukraine) which cannot be predicted with any degree of certainty.

It is possible that the current crisis in Ukraine may put pressure on the UAH exchange rate to the extent that the population loses confidence in the local currency and seeks to acquire foreign currencies as a hedge against political and economic risk.

Any failure to stabilise current currency fluctuations and to rebuild the value of the hryvnia to a viable level may negatively affect the Ukrainian economy in general which could in turn adversely impact the business of the Bank, its results of operations and its financial condition.

Recent currency control restrictions may negatively impact Ukrainian entities.

During 2014 and 2015, the NBU has introduced a number of currency control restrictions aimed at stabilising the foreign exchange market and preventing foreign currency outflow from Ukraine.

In August 2014, the NBU increased the share of foreign currency proceeds subject to compulsory sale by legal entities and individual entrepreneurs (excluding banks and certain other entities) from 50 per cent. to 100 per cent. Subsequently, in September 2014 this requirement was decreased to 75 per cent. The period of its effectiveness was extended several times with the most recent extension being until 3 September 2015. Notwithstanding the temporary nature of the mandatory sale requirement, given its regular extensions in the past, there can be no assurance that the NBU will not extend the period of effectiveness of this requirement beyond the current date of its expiration.

With effect from 23 September 2014, the NBU restricted cross-border payments of dividends by Ukrainian entities until and including 3 June 2015 and further extended to 3 September 2015. Further restrictions on the payment of dividends to foreign shareholders may be applied in the future, particularly in the light of the current shortage of foreign currency in Ukraine. It is not possible to predict the nature of such additional restrictions, but there can be no assurance that they would not affect the ability of Ukrainian entities to remit funds to foreign affiliates or shareholders, which may have an adverse effect on their ability to effectively meet their obligations or conduct their operations.

Additionally, in February 2015, the NBU adopted a resolution which, with some exceptions, imposed restrictions on advance import payments and prohibited purchase of foreign currency with borrowed funds. Importers which structured their operations through borrowing in UAH and purchasing foreign currency to make payments under their import contracts and then repaying the UAH loan with goods sale proceeds in Ukraine will currently not be able to use this structure. As a result, importers relying on such structures will now become subject to currency risk.

Such NBU restrictions may make it more difficult for Ukrainian corporations (including key clients of the Bank) to obtain necessary financing and conduct their operations, which could lead to a decline in their credit quality and in turn adversely impact the business of the Bank, its results of operations and its financial condition.

The Ukrainian tax system is undeveloped and subject to frequent change, which may create an uncertain environment for investment and business activity.

Historically, Ukraine has had a number of laws related to various taxes imposed by both central and regional governmental authorities. These taxes include value added tax, corporate income tax (profits tax), personal income tax, customs duties and payroll (social) taxes. The tax legislation in Ukraine is not always clearly written or explained and is subject to the interpretation of the tax authorities and other government bodies. Unlike the tax laws of more developed market economies, Ukraine's tax laws have not been in force for a significant period of time, often resulting in unclear or non-existent implementing regulations. See also "*Recent Developments in Ukraine —Tax*".

Although the Tax Code (as defined below) was viewed by the Government as substantial progress in the implementation of the tax reform aimed at modernising and simplifying the Ukrainian tax system, the Tax Code attracted wide public criticism and protests from private entrepreneurs throughout Ukraine. The Tax Code was significantly amended by Parliament on 28 December 2014 (the majority of such amendments becoming effective on 1 January 2015) as a part of the tax reforms announced by the Government. The amendments provide for a decrease in the total number of taxes from 22 to 11, some increases in personal income tax rates, significantly revise the corporate income tax calculation rules and broaden the tax base of certain taxes.

Differing opinions regarding legal interpretations often exist among and within governmental ministries and organisations, including tax authorities, creating uncertainties and areas of conflict in relation to taxation. Tax declarations or returns, together with other matters of legal compliance (for example, customs and currency control matters), are subject to review and investigation by a number of authorities, which may impose fines, penalties and interest charges for non-compliance. These circumstances generally create tax risks in Ukraine that are more significant than those typically found in countries with more developed tax systems. Generally, the Ukrainian tax authorities may only re-assess tax liabilities of taxpayers within three years after the filing of the relevant tax declarations. Re-assessment of tax liabilities in connection with violation of transfer pricing rules may be carried out within seven years.

The Ukrainian transfer pricing rules were significantly amended with effect from September 1, 2013, and established new methods and procedures for determining arm's length prices, based on Transfer Pricing

Guidelines of Organization for Economic Cooperation and Development, introduced the significant reporting obligations and additional compliance burdens in order to facilitate implementation of the rules by tax authorities. Ukrainian transfer pricing rules apply to a wide range of cross-border transactions, most typically regulating pricing for goods and services sold or purchased to or from related parties and, in certain cases, unrelated parties. Further, effective as of January 1, 2015, the transfer pricing rules envisaged by the Tax Code of Ukraine were amended, in particular with regard to the list of transactions which are subject to transfer pricing regulation. Based on taxpayer's reporting, as well as their own monitoring and tax audits, the Ukrainian tax authorities can make transfer pricing adjustments and impose additional tax liabilities in respect of transactions subject to transfer pricing regulations if the conditions of such transactions are not at the arm's length. Since the practice of implementation of the new transfer pricing rules has not been yet developed, the legal implications on the transfer pricing rules application to some of the transactions of the Bank cannot be reliably estimated.

The Bank believes that its interpretation of relevant tax legislation is appropriate and that the Bank has complied with all regulations and paid or accrued all taxes and withholdings that are applicable. However, if the Bank is incorrect in this belief, the Bank could be liable to pay taxes and penalties, which could adversely impact the business of the Bank, its results of operations and its financial condition.

These factors negatively impact the predictability of Ukraine's taxation system and therefore have an adverse effect on business activity, reducing the attractiveness of the national economy for foreign investors.

Risks Relating to the Bank

The NBU may initiate imposition of temporary administration on the Bank.

In accordance with the provisions of the Law of Ukraine "On Banks and Banking Activity" dated 7 December 2000 (the "**Banking Law**") and the Law of Ukraine "On the System for Guaranteeing Deposits of Individuals" dated 23 February 2012 (the "**Deposit Guarantee Law**") the NBU has an obligation to classify a bank as insolvent (which results in imposition by the Fund for Guaranteeing Deposits of Individuals (the "**Deposits Guarantee Fund**") of temporary administration on the relevant bank) if, *inter alia*, (a) the regulatory capital and/or capital adequacy ratios of the bank decrease to one third of the minimum required in accordance with Ukrainian legislation, (b) the bank fails to discharge 10 per cent. or more of its total liabilities during a period of 10 consecutive business days, or (c) the bank commits a gross violation or systematic violations of the legislation relating to various operations with cash, where such violations threaten the interests of the Bank's creditors.

As of 31 March 2015, the principal amount of the previous loans amended by the Amended and Restated Loan Agreements constituted more than 10 per cent. of the Bank's total liabilities. As such, in the event that the Bank fails to repay the New Loans in accordance with the terms of the Amended and Restated Loan Agreements, the Banking Law and the Deposit Guarantee Law require the NBU to classify the Bank as insolvent and, as a result, the Deposits Guarantee Fund to impose temporary administration on the Bank. In a temporary administration, an authorised officer appointed by the Deposits Guarantee Fund would replace all of the Bank's governing bodies for the entire term of the temporary administration (being a period of up to three months or six months for "systematically important banks", which may be further extended by one month). During the temporary administration, satisfaction of claims of the Bank's creditors would be subject to a moratorium and any voluntary discharge or enforcement (including against any assets of the Bank) of creditors' claims, as well as any offsetting of creditors' claims that would interfere with the priority of creditors' claims in case of liquidation, would be prohibited. Accordingly, in such circumstances, the Bank would be unable to make payments to the Lender and/or the Trustee, and the Lender's and/or the Trustee's claims against the Bank would not be enforceable in Ukraine. Under the Deposit Guarantee Law, the Bank may not be held liable for the non-performance of its obligations to the Lender and/or the Trustee resulting from the introduction of the temporary administration and moratorium and no default interest or other penalties may be claimed from the Bank in connection with such failure. However, this would constitute an event of default under the terms of the Amended and Restated Loan Agreements and also under the terms of certain other financing instruments of the Bank, which may give relevant lenders the right to accelerate the relevant instruments (see "*— The Bank may fail to comply with certain covenants in its financing agreements*").

As described elsewhere in this Prospectus, the Bank is subject to material stresses due to the political and economic crisis in Ukraine which may cause the Bank's capital and other regulatory ratios to fluctuate and fall below the required minimum levels or otherwise cause the Bank to breach certain of its obligations under applicable Ukrainian legislation, which in the event that the NBU suspends its moratorium on sanctions of regulatory breaches, may serve as a basis for regulatory actions against the Bank, including the imposition of temporary administration on the Bank by the Deposits Guarantee Fund, which would constitute an event of default under the terms of the Amended and Restated Loan Agreements and also under the terms of substantial other financial indebtedness of the Bank (for summary certain material indebtedness of the Bank see "*The Issuer - Capitalisation and Indebtedness*"). Occurrence of such an event of default may give the relevant lenders a right to accelerate or may trigger an automatic acceleration of the outstanding obligations of the Bank under the relevant instrument, which would have an adverse impact on the Bank, its results of operations and financial condition. See also "*— The Bank may fail to comply with certain covenants in its financing agreements*" and "*— The Bank may be unable to comply with all NBU and other regulatory ratios*".

The Bank may be unable to comply with all NBU and other regulatory ratios.

The Bank, in line with other systemically important banks in Ukraine, has recently experienced an unprecedented combination of adverse factors, which has resulted in a sharp decline in the credit quality of its loan portfolio and consequently a substantial increase in its loan loss provisions. In addition, due to changes in the regulatory environment, the Bank was unable to eliminate its exposure to losses resulting from depreciation in the foreign exchange rate of the hryvnia. These two factors have resulted in realised and unrealised losses, and consequently adversely affected a number of key financial ratios, of the Bank.

Despite the capital contribution of the State as the Bank's shareholder of UAH 5 billion in late 2014, the Bank's capital adequacy ratio calculated in accordance with the Basel Capital Accord 1988 declined from 28.5 per cent. as of 31 December 2013 to 17.81 per cent. as of 31 December 2014 and declined further to 10.05 per cent. as of 31 March 2015.

In the light of challenges the banking system in Ukraine is experiencing, the NBU has temporarily waived any sanctions or other regulatory consequences of non-compliance with certain reported financial ratios. However, any failure by the Bank to maintain to comply with the applicable capital adequacy ratios may cause the NBU to impose certain sanction on the Bank (including the revocation of its banking licence), which would have an adverse impact on the Bank, its results of operations and financial condition.

In event of liquidation of the Bank Noteholders are likely to recover substantially less than the face value of the claims they may have under the New Notes and which the Issuer may have under the Amended and Restated Loan Agreements.

Pursuant to applicable Ukrainian legislation, a temporary administration may be imposed for a maximum of three months (and six months for "systematically important banks"), which may be further extended by one month. Following the end of the period, the Deposits Guarantee Fund may, *inter alia*, (i) commence liquidation (upon the NBU's liquidation order) or (ii) if the relevant breaches of the applicable regulatory requirements that led to imposition of the temporary administration have been remedied, terminate the temporary administration.

Out of 54 Ukrainian banks upon which a temporary administration was imposed since 1 January 2014, 39 are currently in the process of liquidation as of the date of this Prospectus.

In the event of the Bank's liquidation, the claims of its creditors would be satisfied in the following order of priority:

- obligations secured by pledges over the Bank's assets, as well as obligations to compensate the expenditures associated with the conduct of the liquidation proceedings;
- obligations arising as a result of inflicting harm to the life or health of individuals;
- obligations to pay the wages to the Bank's employees;
- obligations to the Deposits Guarantee Fund;

- obligations to individual depositors in an amount exceeding the amount paid out by the Deposits Guarantee Fund;
- obligations to the NBU arising as a result of depreciation of the value of a pledge to secure a refinancing loan;
- obligations to individuals (excluding registered entrepreneurs) in relation to blocked payments (either payments by such individuals or in favour of such individuals);
- all other obligations (except for obligations under subordinated loans), which would include the Bank's obligations under the Amended and Restated Loan Agreements; and
- obligations under subordinated loans.

In the event of the Bank's liquidation, substantial other obligations of the Bank would therefore be satisfied in priority to the obligations under the Amended and Restated Loan Agreements. As a result, should the Bank enter liquidation the Noteholders would be likely to recover substantially less than the face value of the claims they may have under the New Notes and which the Issuer may have under the Amended and Restated Loan Agreements, if any distribution to the Noteholders or the Issuer would be made at all.

Developments in Crimea and eastern Ukraine have significantly affected and may continue to affect the Bank.

In response to geopolitical developments in Crimea and parts of Eastern Ukraine, the Bank has closed branches and outlets in these regions. There is substantial uncertainty about the ability of the Bank to enforce and collect loans made to customers in such region in the future. See *"Recent Developments in Ukraine – Ukraine – Geopolitical Developments"*. While the Bank does not believe that the closure of these branches has itself had a material adverse effect on its operations, the negative effects of these geopolitical developments on the infrastructure and economy of Ukraine and on key clients of the Bank located in the disputed regions have been severe, which has in turn had material adverse effect on the Bank's financial condition. See *"Risks Relating to Ukraine— The ongoing crisis in eastern Ukraine has had, and may continue to have, negative political and economic consequences for Ukraine"* and *"— The occupation of Crimea has created significant political and economic uncertainty in Ukraine and put further strains on Ukraine's relationship with the Russian Federation"*.

There is no assurance that the Bank will not incur further costs or liabilities with respect to these events or potential further actions by Russian or Ukrainian authorities or other armed combatants in the disputed regions. Should the geopolitical situation deteriorate or large scale hostilities resume despite the 12 February 2015 ceasefire, the Bank may experience further disruptions to its operations in these regions or may have to restrict or close more or all of operations in all or some of those regions. Additionally, any such hostilities could continue to have an indirect effect on the Bank's operations through the destruction of infrastructure and industry, negative effects on clients of the Bank and a further decline in the level of foreign investment in Ukraine. Such events would have material adverse effect on the operations and financial condition of the Bank.

The quality of the Bank's loan portfolio has deteriorated and may suffer further deterioration.

Since the beginning of 2014, the Bank has experienced substantial deterioration in the quality of its loan portfolio. The allowance for loan impairment as a percentage of total gross loans increased to 31.7 per cent. as at 31 December 2014 from 17.4 per cent. as at 31 December 2013 and further increased to 34.7 per cent. as at 31 March 2015. See also *"Selected Statistical Data and Other Information — Loan Portfolio"*.

Unless there is a material improvement in Ukraine's political and economic situation, the deterioration is likely to continue further.

Any further deterioration in the quality of the Bank's loan portfolio may have material adverse effect on the operations and financial condition of the Bank.

The Bank is facing substantial liquidity risks.

The access of Ukrainian banks (including the Bank) to foreign capital markets has been severely restricted as foreign investors have significantly reduced their exposure to Ukraine. Furthermore, with the onset of the

crisis, liquidity in the Ukrainian interbank market has substantially decreased. As a result, the Bank's ability to manage its liquidity in foreign currency has been substantially restricted. In addition it should be noted that following the Minister of Finance's announcement of 13 March 2015 that the international debt of quasi-sovereign institutions, including the Bank, will be subject to potential restructuring, the Bank's access to new international financing has practically been closed.

Cash and cash equivalents held by the Bank increased to UAH 16,790 million as at 31 December 2014 from UAH 8,321 million as at 31 December 2013 and further increased to UAH 20,966 million as at 31 March 2015 primarily as a result of revaluation of current account balances in foreign currency. However, in line with the Ukrainian banking sector, the Bank is suffering from an outflow of customer deposits denominated in U.S. dollars despite the imposition by the NBU of a daily withdrawal limit of UAH 15,000 on foreign currency deposits in February 2014. Individuals' funds denominated in U.S. dollars (both current accounts and time deposits) decreased by approximately 25 per cent. in 2014 and further decreased by approximately 9 per cent. during the first three months of 2015.

Furthermore, the Bank may also be exposed to maturity mismatches between its assets and liabilities (including currency mismatch), which mismatches have been aggregated by mass withdrawals which affected the Ukrainian banking system as a whole since the beginning of 2014 despite withdrawal restrictions imposed by the NBU, which may lead to a lack of liquidity at certain times.

As a result of the aforementioned developments that restricted the banks' liquidity and the recent economic and political developments in Ukraine, many banking institutions in Ukraine have become substantially dependent on the NBU's Liquidity Support Programme. As at 31 March 2015, the Bank also has three loans amounting to UAH 4.5 billion with the NBU which fall due in 2015 and early 2016. Failure by the Bank to secure renewal or extension of these loans or imposition of restrictions on availability of the support from the NBU could have a negative effect on the Bank's business and its results of operations and financial condition.

The Bank is exposed to exchange rate risk.

As at 31 March 2015, over 80 per cent. of the Bank's total liabilities were denominated in foreign currency. The hryvnia/U.S. dollar official exchange rate of the NBU increased to UAH 15.7686 to U.S.\$1 as at 31 December 2014 from UAH 7.9930 to U.S.\$1 as at 31 December 2013 and further increased to UAH 23.4426 to U.S.\$1 as at 31 March 2015.

As a result of the devaluation in the currency, the liabilities of the Bank denominated in foreign currency have substantially increased in terms of Ukrainian hryvnia. The fluctuations in the hryvnia/U.S. dollar exchange rate also have a substantial effect on the Bank's compliance with the applicable capital adequacy ratios. See "*—The Bank may be unable to comply with all NBU and other regulatory ratios*".

Furthermore, devaluation also had substantial negative impact on some of the Bank's customers and contributed to the deterioration in defaults in the Bank's loan portfolio.

In addition, the NBU currently restricts Ukrainian banks from entering into forward foreign exchange contracts with international counterparties. This limits the Bank's ability to conduct foreign exchange hedging operations, and as a result Ukrainian banks manage their foreign exchange exposures by matching assets and liabilities in each currency. Should substantial new currency regulations be introduced, or the currency regulations remain subject to frequent change or uncertain application, it may affect the Bank's ability to manage its liquidity and currency risks. See "*Recent Developments in Ukraine – Ukraine – Currency Depreciation*" and "*—The Ukrainian currency is subject to depreciation and volatility*" above.

Any further fluctuations in foreign exchange rates or regulations relating thereto may have a material adverse effect on the Bank's business, results of operations, financial condition and prospects.

The Bank may fail to comply with certain covenants in its financing agreements.

The Bank is subject to certain capital adequacy requirements in accordance with the applicable provisions of Ukrainian law and regulations of the NBU. See "*—The Bank may be unable to comply with all NBU and other regulatory ratios*" above. Non-compliance with such capital adequacy requirements may cause the Bank to be in breach of covenants under certain of its financing agreements, including the Amended and

Restated Loan Agreements. Breach of such covenants may entitle the lenders under the relevant loan agreements to cancel commitments under such loan agreements, suspend any further disbursement and/or to declare any amounts outstanding under such loan agreements to be immediately payable.

Certain of the loan agreements to which the Bank is a party also contain covenants that require the Bank (in the event its ratings have declined below certain specified level) to comply with higher capital adequacy ratios than those imposed by the NBU. There can be no assurance that the relevant lenders will consent to any required waivers or amendments for any such breaches of covenants.

As a result, non-compliance of the Bank with applicable capital adequacy ratio or other covenants in its financing agreements or its failure to obtain relevant waivers in respect thereof may have a material adverse effect on the Bank's business, results of operations, financial condition and prospects.

There can be no assurance that the Bank will be recapitalised by its shareholder.

Despite a capital contribution of the State as the Bank's shareholder of UAH 5 billion in late 2014, there can be no assurance that any further similar transaction will be completed.

The Bank's shareholder has no contractual or other obligation to make any capital contribution to the Bank or to otherwise advance any form of financing to the Bank. Unless the terms of the relevant indebtedness expressly so provide, neither Ukraine nor any governmental institution of Ukraine guarantee any indebtedness of the Bank. Accordingly, Noteholders have no recourse against Ukraine or any governmental institution of Ukraine.

Failure by the Bank to obtain further capital, whether by engaging in transactions with its shareholder or otherwise, may have a material adverse effect on the Bank's business, results of operations, financial condition and prospects.

Substantial levels of concentration in the Bank's current accounts and loan portfolio.

There is a high level of concentration in both the Bank's current accounts and in its lending portfolio. See Note 9 and Note 19 to the Annual Consolidated Financial Statements of the Bank for the year ended 31 December 2014.

The Bank is currently unlikely to be able to significantly diversify its loan portfolio by lending to new customers due to the decrease in the number of potential borrowers with a high level of creditworthiness as a result of the impact of the global financial crisis and the political and military crisis in Ukraine since 2014 discussed above in these risk factors. In adverse economic conditions and in an uncertain political environment, this concentration could have a material adverse effect on the Bank's business, results of operations, financial condition and prospects.

The Bank is dependent on key management and qualified personnel.

The Bank is dependent on members of its Board for the implementation of its strategy. Moreover, the Bank's continued success will depend, in part, on its ability to continue to retain, motivate and attract, in cases where needed, qualified and experienced personnel. Competition in the Ukrainian banking sector for such personnel is considerable, and attracting qualified personnel from outside of Ukraine has been rendered increasingly difficult by the recent conflicts in Ukraine described elsewhere in these risk factors. While the Bank believes it has effective staff recruitment, training and incentive programmes in place, a failure to recruit, train and/or retain necessary personnel could have a material adverse effect on the Bank's business, results of operations, financial condition and prospects.

The Bank relies on maintaining good relations with its shareholder.

As a state-owned Bank, all the issued share capital of the Bank is currently owned by the State of Ukraine and controlled by the Government. Moreover, the Charter of the Bank lists among its objectives, in addition to the Bank's purely commercial aims, the furtherance of some wider, macroeconomic goals.

According to the Bank's Charter and relevant Ukrainian legislation, the Bank has been constituted as an autonomous entity, and is fully independent of the State in making of day-to-day decisions and performance of its normal business activities. The Government exercises its rights as sole shareholder through the Bank's

Supervisory Council, which determines priority areas, strategy and objectives of the Bank to protect the interest of the State, as the Bank's sole shareholder. Accordingly, while the State has respected the Bank's operational independence, the Bank's strategic mission - to support Ukrainian exports - has been set by the State and some of the other principal strategies of the Bank are also closely aligned with the State's priorities, such as improving energy efficiency of Ukrainian enterprises. There can be no assurance that the coalition government formed in 2014 or any future government will continue to respect the Bank's operational independence.

There can be no assurance that possible changes in Ukrainian legislation would not create conflicts with the Government. Any such conflicts could impact the profitability of the Bank and have a material adverse effect on the Bank's business, results of operations, financial condition and prospects.

Interest rates to which the Bank is exposed may be volatile.

In the last few years, the Bank's results of operations have depended to a great extent on its net interest income. Net interest income represents a significant portion of the Bank's operating profit. In the year ended 31 December 2014, net interest income declined by 32.1 per cent. to UAH 2,678 million from UAH 3,945 million for the same period in 2013 (a trend which has continued so far during 2015).

The Bank's high dependence on net interest income may challenge the stability of its earnings. Fluctuations in interest rates could adversely affect the Bank's net interest income in a number of different ways. An increase in interest rates may generally decrease the value of the Bank's fixed rate loans and raise the Bank's funding costs. Such an increase could also generally decrease the value of fixed rate debt securities in the Bank's securities portfolio. In addition, an increase in interest rates may increase the risk of customer default, while general volatility in interest rates may result in a gap between the Bank's interest-rate sensitive assets and liabilities. As a result, the Bank may incur additional costs and expose itself to other risks by adjusting such asset and liability positions. Interest rates are highly sensitive to many factors beyond the Bank's control, including the reserve policies of the NBU, domestic and international economic and political conditions and other factors. There can be no assurance that the Bank will be able to protect itself from the negative effects of future interest rate fluctuations. Further changes in market interest rates could affect the interest rates earned on interest-earning assets differently, leading to a reduction in the Bank's net interest income and having a material adverse effect on its business, results of operations, financial condition and prospects.

There is a risk of further instability of the Ukrainian banking sector

The banking sector in Ukraine has in recent years suffered from mass withdrawals, currency depreciation, lack of access to international capital markets and other effects due to the decline in Ukraine's economy, which has led to many Ukrainian banks being put into administration or liquidated. In June 2015, the capital adequacy ratio of the Ukrainian banking system as a whole declined to 9.03 per cent. (which is below the minimum NBU threshold of 10 per cent.). See “— Risk Factors Relating to Ukraine— The Ukrainian banking system may be vulnerable to stress due to fragmentation, undercapitalisation and a potential increase in non-performing loans, all of which could have a material adverse effect on the real economy”. The Bank is subject to the risk of further deterioration of the stability of the banking sector in Ukraine. Financial institutions that transact with each other are interrelated as a result of trading, investment, clearing, counterparty and other relationships. This risk is sometimes referred to as “systemic risk” and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges with which the Bank interacts on a daily basis, all of which could have an adverse effect on the Bank.

The Bank routinely executes a high volume of transactions with counterparties in the financial services industry, including brokers and dealers, commercial banks and other financial institutions. As a result, the Bank is exposed to counterparty risk, and this counterparty risk is heightened due to the impact of the global financial crisis, notwithstanding the anti-crisis measures taken by the Bank in this regard. A default by, or concerns about the stability of, one or more financial institutions (whether or not a counterparty of the Bank) could lead to further significant systemic liquidity problems, or losses or defaults by other financial institutions, which could have a material adverse effect on the Bank's business, result of operations, financial condition and prospects.

The Bank is exposed to prices of investment securities.

The Bank's financial condition and operating results are also affected by changes in market values in the Bank's securities portfolio. As at 31 December 2014, the carrying value of the Bank's investment securities (designated at fair value through profit and loss, available-for-sale and held-to-maturity) was UAH 48,129 million, which represented 39.0 per cent. of the Bank's total assets, compared to UAH 34,487 million, or 37.0 per cent. of the Bank's total assets, as at 31 December 2013 (UAH 62,790 million, or 40.4 per cent. of the Bank's total assets, as at 31 March 2015). The Bank's income from securities operations depends on numerous factors, some of which are beyond its control, including overall market trading activity, interest rate levels, fluctuations in currency exchange rates and general market volatility. Although the Bank has put in place limits for its securities portfolio, securities transactions, including specific limits on transactions with or by certain individual issuers, market price fluctuations, particularly affecting the Bank's Ukrainian government and corporate debt securities and Ukrainian equity securities, may adversely affect the value of the Bank's securities portfolio.

Additionally, as at 31 March 2015, the amount of Government securities in the Bank's portfolio was UAH 52.5 billion, which includes a substantial portion of Government bonds denominated in foreign currency. While the 2015 EFF does not specify whether domestic public debt will be subject to restructuring, according to statements of the Government, the current intention of the Government is to restructure external public debt only with no intention to restructure the Government's domestic debt. No assurance can be given that the Government will not decide in future to include domestic debt in the restructuring exercise related to the 2015 EFF. Any such restructuring of domestic debt which may include Government securities held by the Bank may adversely affect the value of the Bank's securities portfolio and financial condition and operating results of the Bank.

Risks Relating to the New Notes

Cabinet of Ministers Letter of Support

The Bank expects to receive a letter of support of the Cabinet of Ministers of Ukraine (the "**Cabinet of Ministers Letter of Support**"). See "*Terms of the Reprofitting*". The Cabinet of Ministers Letter of Support is not expected to be a guarantee in relation to the New Notes and is not expected to be a legally binding obligation of the Cabinet of Ministers. Accordingly, neither the Trustee nor the holders of the New Notes will be able to bring any action to enforce this letter.

Future ratings of the New Notes not assured and limited in scope.

A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal by any rating agency at any time. Credit ratings represent a rating agency's opinion regarding the credit quality of an asset but are not a guarantee of such quality.

There is no assurance that a rating accorded to the New Notes will not be lowered or withdrawn entirely by a rating agency if, in its judgment, circumstances so warrant. There can be no assurance that the ratings anticipated to be accorded to the New Notes will be given by the rating agencies and, should they be so accorded, that such rating will not be lowered or withdrawn entirely by a rating agency if, in its judgment, circumstances in the future so warrant. In the event that a rating assigned to the New Notes is subsequently lowered for any reason, no person or entity is required to provide any additional support or credit enhancement with respect to the New Notes and the market value of the New Notes is likely to be adversely affected.

Similarly, given the methodology used by rating agencies to rate entities, it is possible that a rating agency may downgrade the rating of the Bank or its securities (including the New Notes) and such action may affect the price of the New Notes.

Temporary currency control restrictions introduced by the NBU limit the Bank's ability to make prepayment of principal, interest and other amounts under the Amended and Restated Loan Agreements, and any future restrictions may further affect the Bank's ability to make payments under the Amended and Restated Loan Agreements.

During 2014 and 2015, the NBU introduced a number of interim measures aimed at stabilising the foreign exchange market and preventing foreign currency outflow from the country. In particular, on 28 March 2014, the NBU prohibited early repayment of principal and prepayment of interest and other amounts (including upon acceleration in case of default) by Ukrainian borrowers on foreign currency loans from non-resident lenders. Originally, such restriction was to remain in effect until 1 May 2014. However, the NBU has extended the period of effectiveness multiple times and currently the restriction is expressed to remain in effect until 3 September 2015. No assurance can be given that the NBU will not extend the term of the restriction beyond the currently established termination date. Any such restrictions may constrain the Bank's ability to make prepayment of principal, interest and other amounts under the Amended and Restated Loan Agreements.

The Issuer is an orphan special purpose vehicle, incorporated under the laws of England and Wales as an English public limited company that has no revenue-generating operations or business of its own and will depend solely on cash received from the Borrower in order to make payments on the New Notes.

The Issuer is an orphan special purpose vehicle, incorporated under the laws of England and Wales as an English public limited company. The Issuer conducts no revenue-generating operations. The ability of the Issuer to make interest and principal payments on the New Notes is therefore entirely dependent on its rights to receive such payments under the Amended and Restated Loan Agreements. The New Notes will be issued on a limited recourse basis. Under the Conditions, the Issuer will be obliged to make payments to Noteholders only to the extent of the amount of principal interest, Additional Amounts (as defined in the Amended and Restated Loan Agreements), if any, and Indemnity Amounts (as defined in the Amended and Restated Loan Agreements), if any, actually received by or for the account of the Issuer in its capacity as Lender under the Amended and Restated Loan Agreements, less any amount in respect of Reserved Rights (as defined in the Amended and Restated Loan Agreements). If these payments are not made by the Bank, for whatever reason, the Issuer will not have any other sources of funds available to it that would permit it to make payments on the New Notes and under the New Trust Deeds and, to the extent no amounts are received from the Bank, has no obligation to make any payment to Noteholders. In such circumstances, Noteholders would have to rely upon claims for payment as a result of enforcing the security under the New Trust Deeds, which is subject to conditions on enforcement as well as the risks and limitations thereon.

Noteholders are advised to check with the bank, securities broker, dealer, custodian, trust company, Accountholder, Clearing Systems or other intermediary through which they hold their Notes whether such intermediary applies different deadlines for any of the events specified in this Prospectus, and then to allow for such deadlines if such deadlines are prior to the deadlines set out in this Prospectus.

RECENT DEVELOPMENTS IN UKRAINE

Geopolitical Developments

Crimea

In late February 2014, following the Euro-Maidan Revolution which led to the removal from power of President Yanukovych, masked Russian soldiers without insignias appeared at strategic military and governmental locations across Crimea and the City of Sevastopol. On 27 February 2014 these Russian forces occupied the Crimean parliament and other government buildings, under which conditions a vote was held in the Crimean parliament replacing the lawful Crimean government with a pro-Russian regime. On 6 March 2014, the Crimean parliament, in violation of Ukrainian law, voted in favour of joining the Russian Federation and holding an all-Crimean referendum to approve this decision. Based on the reported results of the referendum that took place on 16 March 2014, the President of the Russian Federation, Mr Vladimir Putin, and representatives of the de facto government of Crimea executed an agreement on the annexation of Crimea to the Russian Federation. On 21 March 2014, Mr Putin signed legislation to annex Crimea and the City of Sevastopol to the Russian Federation.

The Ukrainian Parliament declared the aforementioned referendum unconstitutional. It has also been declared illegitimate by many other countries, including all EU members, the United States and Canada. On 15 March 2014, 13 members of the UN Security Council voted in favour of a resolution declaring the referendum invalid. However, the resolution was vetoed by the Russian Federation. On 27 March 2014, the UN General Assembly passed a non-binding Resolution 68/262 that declared the Crimean referendum invalid and the incorporation of Crimea into Russia as illegal. On 10 April 2014, the Council of Europe also adopted a resolution condemning the Russian military aggression and annexation of Crimea as being in violation of international law.

Ukraine does not recognise the results of the illegal referendum conducted on 16 March 2014, does not recognise Crimea as a sovereign state or as part of the Russian Federation and considers Crimea to form an indivisible part of Ukraine as an autonomous region in accordance with the 2004 Constitution of Ukraine. On 15 April 2014, the Ukrainian Parliament reaffirmed the status of Crimea as part of Ukraine's sovereign territory by adopting a law governing certain aspects of the legal status of Crimea as an occupied territory (the "**Occupied Territory Law**"). The Occupied Territory Law includes the provision that Ukraine treat Crimea as an integral part of its territory. The law further established a restricted regime for visiting the territory of Crimea and provided for recognition by Ukrainian authorities of transactions with real estate located in Crimea only in cases where they are executed in accordance with the requirements of Ukrainian law. The Occupied Territory Law entered into effect on 27 April 2014.

While Ukraine is committed to reaching a peaceful settlement of the Crimean crisis, there is no indication as to when or if the Russian occupation will end. See also "*Risk Factors - The occupation of Crimea has created significant political and economic uncertainty in Ukraine and put further strains on Ukraine's relationship with the Russian Federation*".

Eastern Ukraine

Following the Euro-Maidan Revolution which led to the removal from power of President Yanukovych in February 2014 (see "*Recent Political Developments*" below), demonstrations by pro-Russian separatists and anti-Government groups took place in several major cities across eastern and southern Ukraine. Armed groups took over government buildings, seized military and other state assets and prevented the exercise of lawful government authority in parts of the Donetsk and Luhansk regions (in Ukrainian, *oblasts*). The breakdown of law and order in the affected regions prompted the Ukrainian authorities to launch anti-terrorist operations against the armed groups.

On 7 April 2014, armed groups occupying public buildings in Donetsk announced the creation of the so-called Donetsk People's Republic and stated their intention to hold a referendum on independence by 11 May 2014. On 27 April 2014, other armed groups occupying the building of the Security Service of Ukraine in the Luhansk region declared the formation of the so-called Luhansk People's Republic. On 11 April 2014, the Ukrainian Prime Minister Arseniy Yatsenyuk offered to devolve more powers to the eastern regions, as pro-Russia occupations in Donetsk and Luhansk regions continued. On 17 April 2014, pursuant to talks in

Geneva between the foreign ministers of Ukraine, Russia, the United States and the European Union, further steps were agreed in order to de-escalate tensions and restore the security situation in Ukraine. In particular, it was agreed that all sides will refrain from any violence, intimidation or provocative actions, all illegal armed groups in Ukraine shall be disarmed, illegally occupied buildings, streets and other public places shall be vacated, with amnesty to be granted to the protestors. An OSCE Special Monitoring Mission was to play a leading role in assisting with the implementation of the agreed de-escalation measures. However, pro-Russian separatists refused to leave the occupied buildings in the two regions, and violent clashes continued in May (including in Odessa, where more than 40 people were killed in violent street clashes and a fire at a trade union building on 2 May 2014). Based on the results of the referenda held on 11 May 2014, the self-proclaimed Donetsk People's Republic and Luhansk People's Republic declared themselves independent from Ukraine. However the referenda have no validity or legal effect under the Ukrainian Constitution and the independence of the two regions from Ukraine has not been recognised internationally (including by Russia).

On 28 August 2014, following a marked escalation of violence in response to anti-terrorist operations being conducted by Ukrainian armed forces in eastern Ukraine, President Poroshenko called an emergency session of Ukraine's National Security and Defence Council on the basis that Russian military, including tanks and heavy weaponry had directly entered Ukraine. Russian officials denied this and have stated repeatedly, both at that time and subsequently and despite extensive evidence to the contrary, that no Russian troops have crossed the Ukrainian border.

On 5 September 2014, in Minsk, Belarus, delegates from Ukraine, the Russian Federation and the OSCE as well as separatist representatives from the Donetsk and Luhansk regions signed an agreement, providing, *inter alia*, for an immediate ceasefire. However, the ceasefire broke down days after signing of this agreement, with anti-terrorist activities continuing into early 2015 fuelled by the provision of large quantities of armaments and sophisticated military assistance from Russia to the armed groups operating in the region.

On 16 September 2014, during a closed session Parliament passed Law of Ukraine "On Special Regime of Local Self-Government in Certain Regions of Donetsk and Luhansk Oblasts" (the "**Regional Governance Law**") establishing, for a three-year period, a special regime of local self-government in certain districts, towns and villages of Donetsk and Luhansk regions, determined by the decision of Parliament. On 17 March 2015, Parliament amended the above law to provide that the special regime for self-government in certain regions of Donetsk and Luhansk Oblasts is conditional upon successful elections of local self-government authorities in such regions. Such elections are required to be held in accordance with Ukrainian law, democratic principles and subject to certain other conditions, including, *inter alia*, withdrawal of all illegal military groups and weaponry from Ukraine. The law entered into force on 21 March 2015. Along with the amendments to the Regional Governance Law, the Parliament also adopted a resolution identifying the relevant territories within the Donetsk and Luhansk regions to which the Regional Governance Law would apply.

On 12 February 2015, a new ceasefire agreement (the "**Minsk Protocol**") brokered by France and Germany with Russia's participation was agreed in Minsk by Ukrainian President Poroshenko and separatist representatives from the Donetsk and Luhansk regions. The parties agreed (amongst other things) to: a bilateral ceasefire with effect from 15 February 2015; monitoring and verification by the OSCE of the withdrawal of heavy weapons; withdrawal of illegal armed groups, military equipment, militants and mercenaries from Ukraine; a general amnesty and release of prisoners; and constitutional reforms which will grant special status to the Donetsk and Luhansk regions within Ukraine. Russian-supported armed groups operating in eastern Ukraine, supported by Russian forces, have violated the ceasefire regularly since the date of the agreement, seizing additional territory and threatening further escalation of violence.

According to the United Nations, over 6,300 people have been killed and over 15,700 people wounded in eastern Ukraine since the beginning of military operations in April 2014. The Ministry of Social Policy of Ukraine has registered more than 1.3 million internally displaced persons ("**IDPs**") as a result of the violence in eastern Ukraine, placing a great strain on government resources. According to the UN, 60 per cent. of IDPs are pensioners. The IDPs commonly flee their homes with very few possessions and few financial resources and thus remain constantly reliant on the assistance provided by the government, international and national humanitarian agencies and volunteers. The UN has also estimated that more than 850,000 Ukrainians have sought asylum, residence permits or other forms of legal stay in neighbouring countries due to the ongoing crisis.

The humanitarian crisis in the affected regions shows no signs of abating. Heavy civilian tolls of dead and wounded have resulted from shelling of residential areas in both Government- and terrorist-controlled areas. The fighting and shelling have caused heavy damage to civilian property and vital infrastructure, leaving civilians in highly precarious situations, often in the underground shelters and often without electricity, gas, heating water, food or medical care. Hospitals, schools and kindergartens have been hit by shelling in residential areas, including in Avdiivka, Donetsk, Horlivka, Luhansk and Mariupol. Many civilians, especially the elderly and those with movement difficulties have been trapped in conflict zones lacking the capacity, resources or assistance to leave such areas voluntarily.

According to the UN, the arbitrary detention of civilians remains a feature of the conflict. In areas controlled by the armed groups, “parallel structures” have been established and the breakdown in law and order in these areas accommodated persistent violations of the rights of civilians, including abductions, arbitrary detention, beatings and alleged torture. Access to education in conflict-affected areas has been severely curtailed. The conflict has also caused significant destruction of infrastructure and housing, leading to the almost total economic and infrastructure breakdown in some of the worst affected localities.

Recent Political Developments

Following the election of Viktor Yanukovich as President in 2010, the Constitutional Court of Ukraine (the “CCU”) declared the amendments to the Constitution of Ukraine passed in 2004 which removed the President’s ability to exercise direct executive powers over the decisions and actions of the Government (the “**2004 Constitutional Amendments**”) to be unconstitutional. Following the “Euro-Maidan” protests in late 2013 and early 2014 in favour of closer integration with Europe, the removal from power of former President Yanukovich and the appointment of the interim Government on 21 February 2014, Ukraine’s Parliament passed a law which reinstated the 2004 Constitutional Amendments, returning the country to a more democratic, parliamentary form of government.

On 22 February 2014, following mass protests and civil unrest in Kyiv and throughout Ukraine (including the death of more than 80 protesters in Kyiv at the hands of elements of the securities forces loyal to President Yanukovich), it was reported that President Yanukovich had fled from Kyiv and that his location was unknown. On the same day, Parliament adopted a resolution declaring that President Yanukovich had removed himself from discharging his constitutional powers and duties and scheduled a new presidential election for 25 May 2014.

In accordance with the provisions of the 2004 Constitution, on 23 February 2014, Parliament appointed its speaker Mr Oleksandr Turchynov as acting President of Ukraine, and, on 27 February 2014, Mr Arseniy Yatsenyuk was appointed as Prime Minister of Ukraine and a new Cabinet of Ministers of Ukraine was formed. Presidential elections were held on 25 May 2014 resulting in the election of Mr. Petro Poroshenko as President.

In July 2014, deputies from the Svoboda and UDAR parties and 19 independent Members of Parliament announced their departure from the ruling coalition “European Choice”. This coalition, comprising 250 deputies, was formed in Parliament on 27 February 2014 by the factions of Batkivschyna, UDAR, Svoboda, Economic Development, Sovereign European Ukraine parties, as well as independent Members of Parliament. According to Ukrainian law, if a new coalition comprising at least 226 Members of Parliament is not formed within 30 days following the dissolution of the previous coalition, the President is entitled to dissolve Parliament and call early parliamentary elections. On 27 August 2014, President Poroshenko adopted a decree on the early dissolution of Parliament and the holding of Parliamentary elections which took place on 26 October 2014. The Petro Poroshenko Bloc gathered more total seats than any party (132), though it did not obtain the 226 seats required for a Parliamentary majority. The Petro Poroshenko Bloc subsequently entered into a coalition agreement with four other political parties (People’s Front (*Narodnyi Front*), Self-Reliance (*Samopomich*), Fatherland (*Batkivshchyna*) and the Radical Party of Ukraine), amounting to a total of 302 seats. The coalition re-appointed the sitting Prime Minister, Arseniy Yatsenyuk (head of the People’s Front) as Prime Minister of Ukraine on 27 November 2014.

The Minsk Protocol provided for constitutional reform with the adoption of a new constitution of Ukraine by the end of 2015.

On 16 July 2015, the Parliament voted in favour of sending a draft law on amendments to the Constitution of Ukraine regarding power decentralisation (the “**Draft Law**”) to the CCU. The number of votes in favour of sending the Draft Law to the Constitutional Court was 288, with 226 votes being the required minimum. In accordance with the parliamentary procedures, members of the Parliament are first required to send a draft law on the proposed amendments to the Constitution of Ukraine for review by the CCU. Once the CCU decides that the draft law is in compliance with the Constitution of Ukraine, the draft is then sent back to the Parliament, where it requires a minimum of 300 votes in favour to be adopted. The government maintains that the Draft Law needs to be adopted before local elections which are scheduled to be held on 25 October 2015.

The Draft Law envisages granting local communities powers to collect taxes and allocate budgets themselves. The oblast (region) and raion (district) state administrations would be dissolved and prefects representing the state on a local level would be appointed. Powers of the dissolved regional and district state administrations would be transferred to the level of village, town, and city authorities. The Draft Law also provides that prefects will oversee compliance by the local self-governing authorities with the Constitution of Ukraine and laws of Ukraine.

Along with the reform of the status of local government, the Draft Law restates certain provisions of the Constitution of Ukraine on administrative and territorial structures. In particular, the Draft Law contains a requirement according to which the terms and procedures for the creation, liquidation, changes in boundaries of and the naming and re-naming of administrative units must be regulated by law. Additionally, the proposed amendments provide for a specific procedure for the implementation of local self-government in several districts of the Donetsk and Luhansk regions, which will be regulated by a separate law.

Economy

The political and geopolitical events discussed above has had a severe negative impact on Ukraine’s economy. Industrial production declined by 10.1 per cent. in 2014 (4.3 per cent. in 2013). The machine-building industry declined by 20.6 per cent. in 2014 (13.6 per cent. in 2013), the metallurgy industry by 14.5 per cent. (5.3 per cent. in 2013) and the chemical industry by 14.2 per cent. (19.3 per cent. in 2013). Industrial output declined 31.5 per cent. in Donetsk and 42 per cent. in the Luhansk region in 2014. During January-June 2015, industrial production in Ukraine decreased by 20.5 per cent. on a year-on-year basis.

The total value of construction activities in Ukraine decreased by 21.7 per cent. in 2014. During January-June 2015, construction in Ukraine decreased by 28.3 per cent. on a year-on-year basis. Retail trade declined by 8.6 per cent. in 2014. During January-June 2015, retail trade in Ukraine decreased by 24.6 per cent. on a year-on-year basis. Agricultural output increased by 2.8 per cent. in 2014 and by 13.6 per cent. in 2013. However, during January-June 2015 agricultural output decreased by 9.3 per cent. year-on-year.

In 2012 and 2013 the GDP of Ukraine increased by 0.2 per cent. and 0.0 per cent. respectively, and in 2014 it decreased by 6.8 per cent. as compared to the previous year. In the first quarter of 2015, GDP of Ukraine declined by 17.2 per cent. compared to the same period in 2014. In 2014, the manufacturing, wholesale and retail trade and agricultural, forestry and fishing sectors comprised 11.4 per cent., 14.2 per cent. and 10.2 per cent. of GDP, respectively.

Exports form a large part of the GDP of Ukraine (accounting for 50.9 per cent., 46.9 per cent. and 49.2 per cent. of GDP in 2012, 2013 and 2014, respectively). In 2014, the export of steel and metals from Ukraine decreased by 13.1 per cent. (7 per cent. in 2013), machines and equipment by 17.1 per cent. (0.7 per cent. in 2013), chemical products by 23.8 per cent. (14.5 per cent. in 2013) and mineral products by 15.1 per cent. (2.0 per cent. in 2013). Total exports of goods and services from Ukraine decreased by 19.5 per cent. in 2014 (5.1 per cent. in 2013), while imports decreased by 26.6 per cent. (3.1 per cent. in 2013). During January-March 2015, the decrease in exports of goods and services reached 32.6 per cent. on a year-on-year basis and the decrease in imports of goods and services reached 35.6 per cent. on a year-on-year basis.

The deterioration of the Ukrainian economy has significantly impacted the Bank’s business.

Relationship with Russia

Due to factors discussed elsewhere in this “*Recent Developments in Ukraine*” section, the export of goods and services to Russia from Ukraine declined by 33.7 per cent. in 2014. The relationship between the two countries was complicated by the removal from power of former President Yanukovich in February 2014 and the establishment of the interim Government in Ukraine, developments which the government of the Russian Federation stated to be illegal. This development led to the suspension of a proposed U.S.\$15 billion support package from Russia of which U.S.\$3 billion had already been provided in December 2013.

In addition, the finalisation and signing of the Ukraine–European Union Association Agreement (the “**Association Agreement**”) following the Euro-Maidan Revolution triggered a further set of economic, gas and trade issues between Ukraine and Russia. In particular, in 2014 and 2015 Russia introduced restrictions on imports of Ukrainian confectionery, agricultural products (such as dairy, meat, canned vegetables) as well as railcars and machinery, which has reduced trade between Russia and Ukraine. On 16 September 2014, the Parliament of Ukraine ratified the Association Agreement, with bilateral implementation of free trade with the EU scheduled for December 2015.

Following the annexation of Crimea and the City of Sevastopol by Russia, in April 2014 Russia unilaterally terminated the lease arrangements that had previously existed between the two countries pursuant to which Russia leased the naval base at Sevastopol in return for, amongst other things, concessions on the price of natural gas sold by Gazprom to Naftogaz. Consequently, as a result of such termination, Russia cancelled Ukraine’s gas price concessions and refused to renegotiate gas prices. These actions culminated in the cessation of gas supplies by Russia to Ukraine on 16 June 2014. Gas supplies resumed on 30 October 2014 after the conclusion of an EU mediated agreement, but frictions remain between the two sides.

Additionally, in June 2014, Russia’s state oil and gas company, Gazprom, brought arbitration proceedings against Ukraine’s state-owned oil and gas company, Naftogaz, to collect an alleged unpaid debt for natural gas and accrued interest amounting to over U.S.\$4.5 billion. Naftogaz has filed its own arbitration proceedings against Gazprom in June and October 2014 to oblige Gazprom to pay a compensation of U.S.\$ 6.2 billion to Naftogaz for alleged failure to provide gas for transit and abuse of gas pricing, and has initiated additional arbitration proceedings against Gazprom in early 2015 seeking up to \$10 billion in historical compensation for alleged abuse of gas transit pricing. Arbitration proceedings in respect of these matters between Gazprom and Naftogaz remain pending, with hearings scheduled to commence in Stockholm in early 2016.

As a result of the ongoing tension between Russia and Ukraine, the EU and the United States have each authorised and imposed sanctions, including the implementation of visa bans and the blocking of property and interests in property that are in the United States or that come within the possession or control of any United States person (including any foreign branch), of individuals and entities who the United States government considers to have misappropriated funds and threatened or undermined the peace, security, stability and sovereignty or territorial integrity of Ukraine. In addition, the United States has imposed sectoral sanctions targeting persons and entities operating within defence, energy and financial sectors of the Russian economy. The EU also introduced a number of trade and investment restrictions on Crimea, including an import ban on goods originating in Crimea or Sevastopol and prohibition of direct or indirect financing or (re)insurance related to such imports. The EU restrictions involve an EU ban on new investments relating to infrastructure in the sectors of transport, telecommunications and energy, as well as to the exploitation of oil, gas or mineral resources in Crimea or Sevastopol. In response to the sanctions imposed on it by the EU and US, Russia has imposed reciprocal sanctions on the EU, US and Ukraine banning the import of various agricultural and other food products.

IMF and other Multilateral Assistance

Following the fall of the Yanukovich regime and the formation of an interim Government in late February 2014, the Ukrainian authorities reached agreement with the IMF on the terms of a new US\$17 billion stand-by agreement on 30 April 2014 (the “**2014 SBA**”) On 6 May 2014, Ukraine received the first tranche under the 2014 SBA of approximately U.S.\$3.2 billion and a second tranche was disbursed on 4 September 2014 in the amount of approximately U.S.\$1.4 billion. However, the NBU’s foreign exchange reserves continued to decline, from U.S.\$20.4 billion at the start of 2014 to U.S.\$7.5 billion at the start of 2015. By the end of

February 2015, the NBU's foreign exchange reserves were down to U.S.\$5.6 billion. As at 30 June 2015, the NBU's foreign exchange reserves amounted to U.S.\$10.26 billion.

As a consequence of the deteriorating financial situation in Ukraine, on 11 March 2015 the IMF Executive Board approved a four year U.S.\$17.5 billion Extended Fund Facility for Ukraine (the “**2015 EFF**”) replacing the 2014 SBA. The 2015 EFF requires, amongst other things, that Ukraine conduct a debt operation that will achieve three targets: (i) generate \$15 billion in public sector financing over the program period (2015-2018); (ii) bring the public and publicly guaranteed debt/GDP ratio under 71 per cent. by 2020 and (iii) keep the budget's gross financing needs at an average of 10 per cent. of GDP (maximum of 12 per cent. annually) in the period 2019-2025. The successful restructuring of certain debt obligations of the Bank will contribute toward the satisfaction of the first target described above.

The 2015 EFF is premised on implementation by Ukraine of an ambitious, deep and comprehensive economic reform program aimed at restoring macroeconomic and financial stability, achieving and sustaining fiscal and external sustainability and laying the foundation for robust medium-term growth. Specifically, policies will be geared towards:

- (i) a flexible and sustainable exchange rate policy to support adjustment and a gradual restoration of adequate reserves accompanied by a prudent monetary policy aiming to bring inflation to single digits;
- (ii) financial sector policies to support the rehabilitation of the Ukrainian banking system, and strengthen its ability to intermediate and support economic activity;
- (iii) fiscal adjustment based on expenditure consolidation to place public finances on a sound footing and restore debt sustainability with high probability, supported also by donor financing and a debt operation that would help alleviate the debt servicing burden in the coming years; and
- (iv) deep and broad structural reforms to improve Ukraine's business climate, attract sizable domestic and foreign investment, and boost Ukraine's growth potential through deregulation, governance, and state-owned enterprise reforms, including of Naftogaz.

Please see also “*Risk Factors –Risk Factors Relating to Ukraine - Positive developments in the economy may not be achieved if certain important economic and financial structural reforms are not made.*”

If Ukraine is unable to meet the conditions under the 2015 EFF, the IMF and other multilateral organisations may withhold or suspend their funding. A failure by official creditors and multilateral organisations such as the EBRD, the World Bank or the IMF to grant adequate financing combined with any inability to access the international capital markets and syndicated loan markets will put pressure on Ukraine's budget and foreign exchange reserves.

Other multilateral organisations such as the World Bank and the EU are providing financial support to Ukraine which is also conditional on Ukraine's satisfaction of various requirements. These requirements may include:

- (i) implementation of strategic, institutional and structural reforms;
- (ii) reductions of subsidies for electricity and gas;
- (iii) limits on the consolidated budget deficit;
- (iv) reduction of overdue tax arrears;
- (v) absence of increases of budgetary arrears;
- (vi) improvement of sovereign debt credit ratings; and
- (vii) reduction of overdue indebtedness for electricity and gas.

Notwithstanding strong support from IMF and other multilateral organisations, access for Ukrainian borrowers including the Bank to foreign capital markets has been severely restricted as foreign investors have significantly reduced their exposure to Ukrainian credits.

Currency Depreciation

As at 31 December 2013, immediately prior to the Euro-Maidan Revolution, the NBU official UAH/ U.S.\$ exchange rate was pegged at UAH 7.9930 per 1.00 U.S. Dollar. In February 2014 the NBU allowed the exchange rate to float, and as at 31 December 2014, the NBU official UAH/U.S.\$ exchange rate was UAH 15.7686 per 1.00 U.S. Dollar. As of 24 July 2015, the NBU official UAH/U.S.\$ exchange rate was UAH 22.0157 per 1.00 U.S. Dollar.

The NBU has frequently sought to address volatility in the UAH exchange rate by taking administrative measures (including imposing certain foreign exchange market restrictions), and selling foreign exchange reserves to support the Ukrainian currency. The NBU has also adopted measures to limit foreign currency transactions in the shadow economy.

As a contingency measure aimed at the stabilisation of the Ukrainian currency market, the NBU has temporarily (originally from 23 September until 2 December 2014, and subsequently extended until 3 June 2015 and further extended to 3 September 2015) prohibited the carrying out of payments in foreign exchange by Ukrainian residents pursuant to almost all types of the NBU's individual licences, including the cross-border payment licence. The NBU has also imposed regulations temporarily requiring certain entities to dispose of a percentage of their foreign currency revenues. In August 2014, the NBU increased these compulsory sale requirements to 100 per cent. of foreign currency proceeds, which was subsequently decreased to 75 per cent. in September 2014. The NBU has extended this requirement several times, and on 3 June 2015 the duration of the 75 per cent. compulsory sale requirement was extended through to 3 September 2015. Although such requirements are temporary, the NBU is authorised at any time to modify or extend them for another period of up to six months.

On 30 May 2014, the NBU passed a Resolution entitled "*On regulation of operation of financial institutions and performance of currency transactions*" that was in force initially until 1 September 2014 which introduced, among other regulations, a limitation on withdrawals of cash assets in foreign currency from current and deposit accounts via cash desks and ATMs in Ukraine to UAH 15,000 or the equivalent in foreign currency per day at the NBU's official exchange rate. As of the date of this Prospectus, these withdrawal limits have been extended to at least 3 September 2015.

The NBU has also recently adopted the following measures to stabilise the currency: (i) raised its discount rate from 14 per cent. to 19.5 per cent. (with effect from 6 February 2015) to 30 per cent. (with effect from 4 March 2015) and (ii) suspended daily foreign currency auctions to allow Ukrainian banks to determine the hryvnia foreign currency exchange rates on the basis of market supply and demand.

Following the NBU's adoption of a flexible exchange rate policy for the hryvnia in February 2015, the hryvnia's official value has depreciated significantly from UAH 16.15 to the U.S. dollar as at 2 February 2015, reaching a high of UAH 30.01 to the U.S. dollar by the end of February before stabilising at around UAH 23 in the first week of March. The NBU has started preparations to adopt inflation targeting.

The NBU's Resolution No. 124 was adopted with application from 24 February 2015 to contracts satisfying the following criteria:

- (i) the contract provides for import of goods, works, services or intellectual property rights;
- (ii) payments under the contract (in full or in part) are made in advance of the delivery; and
- (iii) the total price of the contract exceeds U.S.\$50,000 or U.S.\$500,000 (depending on the thresholds, different restrictions apply).

If the above conditions are met and the total contract price exceeds U.S.\$50,000, any advance payment (excluding letters of credit confirmed by a bank with an investment grade rating which meets certain other requirements set out in Resolution No. 124) will be subject to the following restrictions:

- the servicing bank may not make the transfer of an advance payment before the fourth banking day after receipt of the client's payment instruction and submission of payment information to the NBU;

- the NBU may prohibit transfer of an advance payment within the four day period (Resolution No. 124 does not provide for any criteria for the NBU's decision on whether or not to prohibit such transfer); and
- in case of several payments to the same non-resident entity under one or several contracts, the payment processing period may be further increased, as the servicing bank may only submit information on one payment transaction between the same parties to the NBU during any one day.

If the U.S.\$500,000 threshold is exceeded then any advance settlements under the contract may only be carried out through the use of letters of credit confirmed by a bank with an investment grade rating which meets certain other requirements set out in Resolution No. 124.

The NBU's Resolution No. 130 imposed a temporary (from 25 February until 27 February 2015) ban on the purchase of foreign currency by banks' (including the Bank's) clients. However, the ban was effective on 25 February only, as the NBU subsequently lifted the ban by Resolution No. 131 with effect from 26 February 2015. Resolution No. 130 also increased the period of "freezing" UAH funds transferred by banks' clients for purchasing foreign currency from three to four days. This will increase the time required for foreign currency purchase transaction by Ukrainian importers.

With effect from 24 February 2015, the NBU prohibited the purchase of foreign currency with borrowed funds. While this restriction appears to be aimed at limiting speculative demand for foreign currency on the Ukrainian foreign exchange market, it is likely to affect regular commercial transactions.

Additionally, with effect from 23 September 2014, the NBU restricted cross-border payments of dividends by Ukrainian companies until and including 2 December 2014, and subsequently extended several times to 3 September 2015.

As a result of the aforementioned factors, the volume of transactions on the local foreign exchange market has dropped significantly. In 2014, daily foreign exchange volume in the interbank markets decreased approximately 70 per cent. and remained low into the first quarter of 2015. Decreases in the volume of export proceeds, NBU restrictions and increased demand for foreign currency in the market have resulted in a shortage of supply of foreign currency in Ukraine. Ukrainian banks are therefore frequently unable to purchase sufficient amounts of foreign currency for their funding and operational needs.

Tax

On 2 December 2010, Parliament adopted a new Tax Code of Ukraine (the "**Tax Code**"). The majority of the Tax Code provisions took effect from 1 January 2011. The Tax Code aims to create a comprehensive legal framework for tax reform and provides for a wide range of changes to the previously existing tax system in the areas of tax collection and administration. Among other things, the Tax Code provided for a gradual decrease in the rate of the corporate income tax from the previously applied 25 per cent. to 16 per cent. in a period from 2011 to 2014 as well as for a value added tax rate decrease from 20 per cent. to 17 per cent. from 1 January 2014. However, due to the deteriorating economic situation in Ukraine, on 27 March 2014 Parliament introduced amendments to the Tax Code whereby the corporate income tax rate was increased to 18 per cent. and the value added tax to 20 per cent. The amendments also introduced a real estate tax in respect of commercial real estate located in Ukraine (in addition to the previously existing residential real estate tax introduced on 1 January 2013). The Tax Code also introduced personal income tax on interest accrued on bank deposits, which took effect from 1 July 2014 with further amendments effective as of 1 August 2014 and 1 January 2015. Currently the base rate for personal income tax on interest accrued on bank deposits is 20 per cent.

THE BANK

Overview

The Bank is state-owned and headquartered in Kyiv, Ukraine. NBU statistics indicate that, as at 31 March 2015, the Bank was the largest bank in Ukraine in terms of authorised share capital, the second largest bank in Ukraine in relation to assets, liabilities and amounts due to customers, and the third largest bank in Ukraine by loans to customers, all as calculated under the Ukrainian Accounting Standards. As at 31 March 2015, the Bank had 27 branches and 93 sub-branches located in Kyiv and throughout the other main regions of Ukraine and two representative offices located outside Ukraine in London and New York. A sub-branch is a structural unit of the Bank providing banking services to customers and performing the functions and operations determined by the Board of the Bank. Sub-branches are divided into multi-purpose and special-purpose categories, with the latter providing customised products and services oriented to a particular customer segment.

The Bank is currently the only Ukrainian bank acting on behalf of the Government as a financial agent with respect to loans from foreign financial institutions originated, borrowed or guaranteed by the State.

The Bank's principal businesses are, and it divides its activities (for management purposes) into the following main business segments:

- corporate banking (including structured finance, corporate lending, factoring, trade finance and its documentary business) and the provision of loans made available via initiatives and different programmes such as the IBRD's EDP and EEP, the UKEEP with the EBRD, NIB, EIB, GCPF, the SME Programme with EBRD's TFP, IFC's GTFP and services for corporate clients;
- financial institutions and investments (including acting as financial agent for the Government, treasury transactions, securities and investment transactions);
- retail banking.

As at 31 March 2015, the Bank had total assets of UAH 155,459 million, amounts due to customers of UAH 78,589 million and loans to customers of UAH 62,507 million compared to total assets of UAH 123,530 million, amounts due to customers of UAH 61,995 million and loans to customers of UAH 49,974 million as at 31 December 2014. The increase in assets was primarily attributable to revaluation of assets in foreign currencies.

For the period ended 31 March 2015, the Bank reported loss before tax of UAH 4,786 million which resulted in a net loss of UAH 4,786 million, compared to profit before tax of UAH 67 million which resulted in net profit of UAH 49 million for the period ended 31 March 2014. For the year ended 31 December 2014, the Bank reported loss before tax of UAH 12,442 million which resulted in net loss of UAH 11,249 million, compared to profit before tax of UAH 333 million which resulted in net profit of UAH 201 million for the year ended 31 December 2013.

According to the Bank's records, it had 4,911 employees as at 31 March 2015.

The Bank's main objectives, as defined in the Charter, are to make a positive contribution to the economic development of Ukraine, to support national manufacturers, to provide credit and financial services to support the modernisation of Ukrainian enterprises or various economic sectors through, for instance, the implementation of energy-efficient technologies and modernisation of production facilities, the stimulation and expansion of Ukraine's export-oriented and import-substituting sectors and to achieve consistent profitability for the Bank and its shareholders by way of:

- attracting external and internal financing and investments into the Ukrainian economy, primarily into its priority sectors;
- receiving and extending loans on behalf of the Cabinet of Ministers of Ukraine or other agencies authorised by the State pursuant to applicable legislation, servicing a portion of Ukraine's external debt on loans borrowed by the State or under its guarantee within the framework of the Bank's agency functions;

- providing financing services and guarantees for export-import operations of enterprises;
- providing credit and financial support for the entities involved in foreign economic activity with the aim of introducing domestic manufacturers goods into foreign markets;
- attracting funding from business entities, foreign investors and other sources;
- providing banking services and conducting operations in the money, foreign exchange and stock markets, including in the area of foreign economic activity; and
- cooperating with international financial institutions, governmental and non-governmental organisations and foreign credit and financial agencies involved in attracting financial resources to the Ukrainian economy and operations in accordance with the relevant legislation, licences and permits provided by the NBU or other authorities and as stipulated by the provisions of the Bank's Charter.

One of the principal activities of the Bank is performing the functions of financial agent of the Cabinet of Ministers of Ukraine in connection with obtaining and servicing loans borrowed by the Government or under the Government guarantees. In this role, the Bank enters into loan agreements with foreign lenders on behalf of the Government. In certain cases, these loans are entered into for the purpose of funding specific projects or enterprises and in these, the Bank acts as an intermediary, advancing the loan proceeds to the ultimate beneficiaries within Ukraine and otherwise servicing the loan on the basis of separate loan agreements between the Bank and the relevant Ukrainian enterprises.

Historically, the main emphasis of the Bank's commercial operations was the servicing of export-import transactions. However, the Bank diversified its operations over the last decade and currently provides a wide range of banking services, while retaining a strong focus on its traditional activities. The Bank's customer base has also expanded and consisted of 61,874 legal entities as at 31 December 2014.

The Bank's main corporate banking activities comprise lending (including project finance and export-related loans), deposit taking, cash settlement transactions, currency exchange operations, factoring, trade finance and documentary transactions, securities market services and corporate payment cards. The Bank provides its corporate clients with loans and other loan-related products denominated both in hryvnia and foreign currencies, principally U.S. Dollars and euro, including overdraft facilities, revolving lines of credit, bank guarantees and various services related to promissory notes issued by customers or third parties. The Bank's strategy is to focus its corporate lending activities on medium-sized and large companies, export-import operations and SME business.

In 2006, the Bank started to develop its retail operations. Since 2006, the Bank has increased its retail banking activities by improving and expanding the range of products and services that it offers and increasing its geographical presence in the industrially-developed regions of Ukraine. The Bank had 877,874 individuals as retail customers as at 31 December 2014. The Bank's retail banking activities consist primarily of deposit taking and cash settlement transactions. In retail lending the Bank is focusing mainly on employees and managers of companies (as at 31 March 2015, the Bank's gross carrying amount of retail loans was UAH 1,335 million). The Bank also offers a wide range of bank card products and services such as debit and credit cards.

The Bank issues credit cards that can be used within the VISA International ("VISA") and the MasterCard Worldwide ("MasterCard") payment systems. As at 31 March 2015, the Bank had issued more than 793,000 such credit cards.

The Bank cooperates with 8 Ukrainian banks, including Oschadbank and Ukrsotsbank (UniCredit bank), in sharing a unified ATM network, which amounts to 3,080 ATMs as at 31 March 2015.

In recent years, the Bank has introduced a number of new products and services, including serving as a non-State pension fund depository, precious metals transactions, Enter EXIM functions and additional payment card services.

The Bank's Strategy

The Bank's main objectives, as defined in its Charter, are to create favourable conditions for the economic development of Ukraine, support national manufacturers, provide credit and financial assistance for the development of Ukraine's national infrastructure and help to develop the manufacturing and trading potential of export-oriented sectors of the economy with high added value.

The Bank's strategy to achieve the objectives referred to above includes the following key components:

- maintain its unique position as financial agent of the Government;
- maintain its position as one of the leading Ukrainian banks in foreign trade finance and other related activities;
- maintain its international reputation, in particular by working with international institutions and export credit agencies;
- diversify its customer base, with a focus on successful medium-sized companies and retail cross-selling;
- diversify its funding sources, including by increasing the volume of customers' deposits; and
- further develop its risk management system, including implementation of Basel 2 and subsequently Basel 3 principles.

Economic Recovery Plan

The Bank has formulated a recovery strategy comprising three stages: (i) stabilisation (ii) recovery and (iii) growth.

Stage 1 – Stabilisation (2015)

The main goal of this phase of the recovery strategy is to address the impact of the crisis by reducing risk exposures.

Credit risk

The Bank anticipates further deterioration in the loan book quality in the first half of 2015, and a stabilisation of credit quality in the second half of 2015. The bank has introduced enhanced monitoring of its borrowers which includes direct interaction with its clients to enable the Bank to differentiate between feasible and non-feasible businesses. In the case of feasible businesses the Bank aims to continue to support these businesses through the implementation of appropriate refinancing of existing exposures, which may include payment restructuring and/or deferral arrangements. The gross loan portfolio (adjusted for currency effects) is therefore not expected to grow, but new loans may be considered in exceptional cases.

Capitalisation

See “—*Capital adequacy and shareholder contributions*” above.

Currency risk

The Bank has limited ability to actively manage its currency exposures as there are limited available instruments of currency hedging, with the only feasible option currently being the purchase of index-linked treasury bills issued by the government. In addition, existing currency regulations restrict daily foreign currency purchases by banks to 0.1 per cent. of each bank's regulatory capital. The Bank will have limited ability to substantially reduce its economic open foreign exchange positions, but expects to be in a position to mitigate its risk exposure to some extent.

Liquidity risk

The Bank expects that its reputation and quasi-sovereign status will enable it to preserve and increase local market liquidity in 2015. The Bank expects it will be in a position to maintain its ratio of highly liquid assets

to total liabilities in a range of 40-45 per cent. and its ratio of highly liquid assets less Ukrainian state bonds to amounts due to customers in a range of 20-22 per cent.

Cost management

Up to 2014 the Bank's cost-to-income ratio was below 30 per cent. The Bank's cost-to-income ratio in 2014 however deteriorated to 41 per cent. largely due to a reduction in net interest income and losses resulting from the weakening of the hryvnia. The Bank plans to introduce cost saving measures including reorganisation to reduce personnel numbers, reduction of the Bank's regional network and centralisation of certain service functions such as IT and accounting. The Bank aims to restore its cost-to-income ratio (excluding the adverse impact on net income of further depreciation in the hryvnia) to a level below 35 per cent. by the end of 2015.

Risk Management

The Bank plans to complete the preparation of project documentation for the transformation of the structure of risk management at the Bank in order to bring it in line with the best practices and standards of Basel III by the end of 2015.

Stage 2 – Recovery (2016)

The Bank's main goal in this phase is to achieve a normalisation of the domestic financial environment which will permit the Bank to reduce its market risk exposure.

Credit risk

Proposals for new credit exposures will be assessed under an optimised credit risk assessment system (the implementation of which is scheduled to be completed in 2016) to identify credit projects with appropriate credit profiles. In regards to the extension of new credit, the Bank will focus on the real sector of economy, specifically exporters, i.e. energy-saving projects and technical modernisation projects, with an emphasis on those projects that may be conducted in cooperation with IFI's.

Capitalisation

The Bank aims to pursue suitable opportunities either in respect of Tier 1 or Tier 2 capital to maintain the Bank's capital adequacy ratio above required normative levels.

Efficiency and profitability

The Bank aims to return to profitability in 2016, mainly due to improved performance of the Bank's rehabilitated loan portfolio.

Currency risk

The Bank plans to eliminate its short open foreign exchange position by the end of 2016.

Stage 3 – Development (2017-2019)

The primary objectives of this phase are the broadening of the Bank's funding base and increased growth in real sector financing, especially those projects under IFI programmes. International investors will be actively engaged to establish the extent to which investor confidence has returned and to gauge the appropriate timing to return to the international capital markets.

Credit risk

The rehabilitation of the Bank's loan portfolio is expected to be completed by the end of 2019. The Bank intends to implement appropriate policies with the aim of maintaining credit quality of its portfolio.

Efficiency, profitability, capital

The Bank will aim to re-establish and consolidate its status as a leading financial institution (measured both by profitability and efficiency) as a result of implementation of its policies described above. The Bank intends to particularly focus on cost-efficiency of its operations.

Subsidiaries

Ukreximleasing

The Bank's subsidiary, Leasing Company "Ukreximleasing" (**"Ukreximleasing"**), is wholly-owned by the Bank and was founded at the end of 1997 with its registered office at 11, Vorovskiy Str., Kyiv 04053. As at 31 March 2015, the statutory capital of Ukreximleasing was UAH 7.5 million. Ukreximleasing provides financial and operational leasing services and trades in various products (including repossessed collateral).

Ukreximleasing is involved in short-term vehicle leasing and agricultural machinery leasing. As at 31 March 2015, Ukreximleasing's assets comprised less than 0.01 per cent. of the Bank's total assets.

Eximleasing

In 2006, the Bank and Ukreximleasing established a subsidiary, Limited Liability Company "Eximleasing Ltd." ("Eximleasing Ltd."), which began operations in 2006 and at 31 March 2015 had authorised share capital of UAH 0.1 million. It only performs a small volume of transactions due to its small working capital, consisting mainly of trade in real estate and petrochemical goods.

Head Office and Branches

As at 31 March 2015 the head office of the Bank consisted of 44 divisions and 10 separate departments, a Group of advisors to the Chairman of the Board, Office of the Chairman of the Board, Occupational health service and Transportation Division.

Upon its establishment in 1992, the Bank's network included the head office in Kyiv and regional branches in Dnipropetrovsk, Donetsk, Izmail, Lviv, Odessa, Uzhgorod, Kharkov and Yalta. As at 20 July 2015, the Bank had 27 branches, reflecting the increased scope of the Bank's business and its geographical coverage. The branch network offers a wide range of banking services including loans, documentary transactions, securities operations, foreign currency transactions, settlement and payment transactions and international payment card operations.

The Bank's branch network strategy is focused on the economic regions of Ukraine that the Bank believes have the highest economic potential. Currently, the Bank has a presence in all of the regional centres of Ukraine, except for the Autonomous Republic of Crimea. The Bank is able to service the needs of its clients in the city of Kyiv and the Kyiv Region through a local network, which, as at 20 July 2015, consisted of one branch and 13 sub-branches, in addition to the head office.

As at 20 July 2015, the Bank also had 78 sub-branches providing a wide range of banking services.

In managing its branch network the Bank gives careful consideration to the current market conditions and prevailing economic climate. The Bank opens sub-branches in carefully selected promising regions to ensure the efficient servicing of customers strategically important to the Bank.

As a result of the annexation of Crimea by the Russian Federation, the Bank closed its two branches and five outlets in the region. Consequently, although some employees were offered an opportunity to relocate to the Bank's offices in other regions, 159 employees were made redundant as a result. The Bank owns 2 buildings in which the branches were previously located. As a result of the situation in Crimea, the Bank does not have control over these facilities, neither is it able to reliably confirm their condition.

Furthermore, following seizure of control over some districts of the Donetsk and Luhansk regions by the separatist forces the Bank closed three outlets in eastern Ukraine and relocated the technical platforms of two branches to Kyiv.

The Bank has two representative offices, one in London (registered with Companies House) and one in New York City (governed by the U.S. Federal Reserve and holding a New York state banking licence). These offices perform representative functions and seek to develop new relationships and enhance the existing relationships with international financial institutions, banking institutions and investment funds.

Correspondent Banks

The Bank has one of the most extensive networks of foreign correspondent banks among Ukrainian banks and has established correspondent relationships with wide range of banking institutions globally.

As at 31 March 2015, the Bank conducted international settlements via 51 NOSTRO accounts in different currencies opened with major foreign banks. In addition to the Bank's global network of correspondent banks, 91 Ukrainian banks and 10 banks from the CIS and Baltic countries maintain their accounts with the Bank.

The present correspondent network allows the Bank to maintain its relationships with counterparts throughout the world, including in Western, Central and Eastern Europe, North America, Asia, Africa and the Middle East and to satisfy customers' needs in various spheres of banking business areas.

Licences

The Bank was founded by Presidential Decree in January 1992 following the independence of Ukraine in 1991. It was registered by the NBU under registration number 5 on 23 January 1992 and received legal entity ID code 00032112 on the same date. The Bank's telephone number is +38 044 247 8010.

As a Ukrainian bank, the Bank is regulated and supervised by the NBU.

The Bank is registered with the NBU. In 2011, the Bank's banking licence was renewed and the Bank received a general currency licence pursuant to the newly adopted regulations of the NBU. The Bank is entitled to conduct all types of banking operations specified in applicable Ukrainian law and, in particular, the Bank may:

- attract and provide loans;
- accept deposits from both legal entities and individuals;
- open and operate current accounts for clients and correspondent banks;
- conduct currency transactions (based on its general currency licence);
- conduct money market operations;
- sell and purchase securities both for its own account and on behalf of clients;
- provide guarantees;
- carry out factoring and leasing operations;
- issue and endorse cheques, bills of exchange and other payment instruments;
- issue bank cards;
- provide asset management services;
- provide custodial services.

The Bank holds six licences issued in 2013 and 2014 by the State Commission on Securities and the Stock Market of Ukraine authorising it to perform the following professional activities in the stock market:

- trade in securities — underwriting;
- depository activity — depository activity as securities custodian;

- trade in securities — dealership;
- trade in securities — brokerage.
- asset management services to pension funds
- asset management services to joint investment funds

Memberships

The Bank is a member of the “VISA” and the “MasterCard payment systems”. In addition, the Bank is a member of the International Union of Credit and Investment Insurers — Prague Club (Bern Union), the Global Network of Export-Import Banks and Development Finance Institutions (“G-NEXID”), the Independent Bankers Association of Ukraine, the Ukrainian Interbank Currency Exchange (“UICE”), National securities depository of Ukraine, Stock Exchange “Perspektiva”, Stock Exchange “Ukrainian Exchange”, the Universal Commodity Exchange Kontractovy Dom UMVB, the First Stock Trade System (“PFTS”), the Crimean Interbank Currency Exchange, the Stock Partnership Association, Association “UkrSWIFT”, Credit Bureau, Crimean Bank Union, Professional Association of Registrars and Depositories, the SWIFT system and the Ukrainian Interbank Payment Systems Member Association (“EMA”), the Ukrainian National Mortgage Association (“UNIA”) and the JSC “Settlement Center”, the Association “Ukrainian Stocks Traders” (“AUST”), the International Factors Group (“IFG”), Association “Ukrainian Union of Payment Market Subscribers”. Also the Bank became a sole bank in Ukraine for “American Express” (“AmEx”) cards acquiring in sales and service networks starting from 29 March 2010.

Business Segments

The Bank divides its activities (for management purposes) into three main business segments:

1. Corporate Banking (including corporate lending, project finance, export-related loans, factoring, trade finance and documentary business (including letters of credit and guarantees) and structured finance);
2. Interbank and Investments Business (including acting as Financial Agent of the Government, treasury transactions, securities transactions and investments and multilateral programmes);
3. Retail Banking (including customer term deposits, customer current accounts, cash and settlement services, foreign exchange transactions, payment card transactions, loans to individuals and small and medium-sized businesses).

Corporate Banking

Corporate Lending

Loans to corporate customers represented 43.0 per cent. of the Bank’s total assets as at 31 December 2013, 39.0 per cent. as at 31 December 2014 and 39.0 per cent. as at 31 March 2015. Loans to corporate customers constituted 96.4 per cent. of the Bank’s loans to customers as at 31 December 2013, 96.5 per cent. as at 31 December 2014 and 96.9 per cent. as at 31 March 2015.

As at 31 March 2015, the majority of the Bank’s loan portfolio continued to be comprised of loans to finance export-import operations.

The size of the Bank’s gross corporate loan portfolio increased by UAH 21,905 million from UAH 47,987 million as at 31 December 2013 to UAH 69,892 million as at 31 December 2014, which occurred due to exchange valuation adjustments.

For the three months ended 31 March 2015, the Bank’s gross corporate loan portfolio increased by UAH 21,990 million to UAH 91,883 million, due to exchange valuation adjustments.

The Bank's corporate lending activities include the provision of loan and credit facilities and other credit related products for corporate clients, denominated both in hryvnia and foreign currencies, principally U.S. Dollar and euro. While the Bank offers loans to all types of Ukrainian businesses, its priority clients are large and medium-sized enterprises (including sector and regional leaders) that are involved primarily in export and import-related business.

Long-term loans (i.e. those with a maturity of at least one year) represent a significant share of the Bank's loan portfolio (58.5 per cent. as at 31 March 2015), reflecting the Bank's focus on financing investment projects. The Bank extends loans to enterprises in the key export-oriented sectors of economy with sustained rates of growth as well as enterprises in the import substituting sectors producing goods for which there is demand in Ukraine such as machine building and processing industries, construction and printing industries, light industry and transport. As part of its lending activities, the Bank gives priority to projects envisaging utilisation of energy saving technologies, production modernisation and state of the art technologies in light of the need for the Ukrainian businesses to implement energy saving technologies in the wake of increases in the prices of gas and oil. See *"Risk Factors — Risks Relating to Ukraine — Ukraine's economy has traditionally been heavily dependent on trade with Russia and certain other CIS countries and any significant prolongation of the crisis in relations with Russia, absent a material increase in financial support and long term trade with the European Union and other Western economies, would be likely to have adverse effects on the economy as well as the political stability of the country"*.

Currently, the Bank predominantly originates loans to its corporate customers within IFI programmes, while its customary corporate loan provision, due to the shortage of liquidity, remains limited, focusing mainly on long-lasting cooperation projects and refinancing of current debt.

For a description of the Bank's loan portfolio by industry sector, see *"Selected Statistical Data and Other Information — Loan Portfolio"*.

Factoring

In 2006, the Bank introduced factoring services as a new business activity against a background of a rapidly expanding factoring market in Ukraine. In order to develop international factoring, the Bank has joined the International Factoring Group ("IFG").

In 2008-2014, the Bank was a leading bank in Ukrainian factoring market. In 2009, the Bank was recognized by EBRD as the Most Active Factoring Bank in Ukraine.

In 2014, the Bank continued to provide factoring services and retain its leading position. During 2014, despite the sizeable decrease in the factoring portfolio caused by decrease in the volume of transactions in the market, the Bank fulfilled 31,300 of factoring transactions in the aggregate amount of UAH 3.0 billion. In the first quarter of 2015, the amount of factoring transactions amounted to UAH 295 million.

Trade Finance and Documentary Business

The Bank's focus on developing its trade finance activities is driven by the needs of its clients who are active in foreign trade. The Bank's international experience and reputation has enabled it to further facilitate trade finance operations utilising its credit lines opened by foreign financial institutions. The Bank applies various types of trade finance products and schemes for supporting the export-import business of its clients, offers different instruments of trade finance such as documentary letters of credit, all types of bank guarantees and stand-by letters of credit. The Bank is among the leading Ukrainian institutions in this area in terms of the volume of documentary and guarantee transactions that it undertakes.

In this regard, the Bank's excellent working relationships with international financial institutions, such as the EBRD or the IFC, have been a key factor that enabled the Bank to continue servicing the needs of its clients in difficult market conditions.

Export Credit Finance

The Bank is active in the development of credit relationships with foreign financial institutions in order to attract additional medium and long-term funding for financing of Ukrainian enterprises. The Bank has been recognised as a direct borrower/guarantor by a number of foreign ECAs including USExim (USA), JBIC

(Japan), EULER HERMES (Germany), EKF (Denmark), EKN (Sweden), EDC (Canada), GIEK (Norway), CESCE (Spain), COFACE (France), OeKB (Austria), ONDD (Belgium), SACE (Italy), SERV (Switzerland), MEHIB (Hungary), HBOR (Croatia), EGAP (Czech Republic), Eximbanka SR (Slovak Republic), KUKE (Poland), Kexim (Korea), SINOSURE (China) and others.

Since 2003, the Bank has entered into medium and long-term loan agreements with customers whereby funds were provided by foreign banks and guaranteed by ECAs. As at 31 March 2015, U.S.\$389 million (or equivalent in other currencies) of such funds had been provided since 2003, of which U.S.\$55.3 million or equivalent was then outstanding. These loans were used to finance imports of industrial and agricultural equipment from numerous international suppliers.

Because of the need of Ukrainian companies for medium and long-term financing to maintain the development and modernisation of production facilities, and in the light of the lack of long-term financing options in the local credit market, the Bank intends to continue its international financing initiatives both within the existing framework (general) agreements and by seeking to obtain new credit facilities from international banks.

Interbank and Investments Business

Acting as Financial Agent

The Bank has acted as Financial Agent of the Government since 1992. In this capacity, the Bank acts on behalf of the Government with respect to loans arranged by the Bank from foreign financial institutions under State guarantees within the framework of agreements entered into by the Government and other foreign governments. The loan proceeds are advanced to various Ukrainian enterprises on the basis of separate loan agreements between the Bank and the relevant Ukrainian enterprise. The proceeds of these loans are used to finance the acquisition of goods and services from the lender's country.

The Bank's appointment as Financial Agent is set out in an agency agreement dated 19 September 1996 pursuant to which the Bank acts as Financial Agent in relation to the above described activities and all obligations under the loans and related risks are with the Government.

As at 31 March 2015, the Bank had completed approximately 150 loans with sovereign guarantees in its capacity as Financial Agent within the framework of 13 lines of credit (including from Germany, the United States, France, Japan, Switzerland, Italy and Spain) and 2 loan programmes. As at 31 March 2015, the total volume of loans arranged since 1992 was U.S.\$2.6 billion.

In addition to its role as Financial Agent, as a state-owned bank, the Bank is a member of almost all intergovernmental commissions for economic and trade co-operation as well as a member of the Ukrainian official governmental delegations that meet with the IMF, the EBRD and the IBRD.

Treasury Transactions

The Bank has wide range of treasury products it offers to its customers including foreign exchange operations in local and international markets, DEPO- and REPO- operations with clients and operations with State bonds and is increasing operational profit in this area. One of the key objectives of the Bank in the field of foreign exchange transactions is to retain its position among leading operators in servicing Ukrainian companies involved in export and import businesses.

In 2014, the volume of treasury transactions in money markets and foreign exchange decreased to approximately UAH 320.0 billion compared to UAH 482.4 billion in 2013 (UAH 115 billion in the first four months of 2015). The Bank expects the inter-bank transaction to grow at a slow pace in the foreseeable future as a result of gradual restoration of transactional activity by customers and correspondent banks, although it is possible that any adverse developments may result in further decline in the volume and value of the transactions undertaken in the market. The Bank aims to retain its leading position in foreign exchange operations.

Securities Transactions and Investments

The Bank is involved in all segments of the Ukrainian stock market and is an active participant in the market for Ukrainian State bonds and corporate bonds.

As at 31 March 2015, the Bank's gross securities portfolio was UAH 62,790 million, compared to UAH 48,129 million as at 31 December 2014 and UAH 34,505 million as at 31 December 2013.

The following table shows a breakdown of the Bank's securities portfolio as at 31 December 2013, 31 December 2014 and 31 March 2015 (gross values):

	31 December		31 March
	2013	2014	2015
	(UAH thousands)		(UAH thousands)
	(audited)		(unaudited)
Ukrainian state bonds designated at fair value through profit and loss	3,540,585	6,882,115	11,971,932
Corporate shares available-for-sale	17,268	11,691	11,690
Corporate bonds available-for-sale	8,416,862	7,156,304	6,650,741
Municipal bonds available-for-sale	3,249,315	3,043,563	3,063,933
Ukrainian state bonds available-for-sale	17,892,254	30,214,641	40,529,452
Corporate bonds held to maturity	1,297,814	820,866	562,500
Municipal bonds held to maturity	91,085	-	-
Total.....	34,505,183	48,129,180	62,790,248

The size of the gross securities portfolio as a percentage of the Bank's total assets as at 31 March 2015 was 40.4 per cent.

In addition to debt securities, the Bank invests in shares of certain Ukrainian companies. Investments in equities accounted for 0.02 per cent of the total gross amount of the Bank's securities portfolio as at 31 March 2015. The Bank is also a shareholder in certain not-for-profit organisations, such as JSC Ukrainian Interbank Currency Exchange, JSC "SETTLEMENT CENTER", The National Depository of Ukraine and PJSTc PFTS Stock Exchange.

Multilateral programmes

IBRD Export Development Project (EDP, EDP2 and Additional Financing for the EDP2)

In 1997, the Bank became the first and the only Ukrainian bank to cooperate with the IBRD, a member of the World Bank, under the IBRD's Export Development Project. Funds available under the IBRD's EDP amounted to U.S.\$70 million.

The IBRD's EDP, successfully completed in 2004, is a special investment programme that offers credit, technical and informational assistance to Ukrainian exporters. The successful implementation of the Institutional Development Programme (a constituent part of the IBRD's EDP) has increased the Bank's operational efficiency and competitiveness in servicing export-import transactions. Based on the results shown by the IBRD's EDP, the EDP2 programme was approved by the IBRD Board of Executive Directors in July 2006 in the amount of U.S.\$154.5 million. The primary objective of EDP2 is to provide medium and long-term working capital and investment finance to private exporting enterprises using financial intermediation to involve preselected Ukrainian commercial banks to further fund investment needs and working capital of Ukrainian privately-owned exporting companies. Upon ratification of the Guarantee Agreement between Ukraine and the IBRD (in the form of the Law of Ukraine on 1 December 2006 No. 423-V), the loan became available for use by the Bank on 20 March 2007.

The EDP2 programme was amended in June 2009 to provide additional flexibility and to increase its effectiveness in light of the global financial crisis as the Bank was allowed to extend sub-loans out of EDP2 funds directly to existing clients who were eligible exporting companies. The first drawdown under this programme was made in the third quarter of 2007. The loan proceeds supported investment and working capital requirements of over 30 eligible Ukrainian exporters thereby ensuring survivability during the global financial crisis and an increase in export revenues. In May 2011, the Cabinet of Ministers of Ukraine approved the additional financing of U.S.\$150 million for the EDP2 guaranteed by the Ukrainian State. The

additional financing for the EDP2 supplemented the existing EDP2 credit line and extended the EDP2 project implementation until the end of 2014. The additional financing for the EDP2 was provided for the period of up to 30 years to facilitate investment projects undertaken by Ukrainian exporters as well as to finance the working capital of exporters. In August 2011, the Board of Executive Directors of the World Bank approved the additional financing for the EDP2.

On 4 October 2011, both documents (the Guarantee Agreement between Ukraine and the IBRD and the loan agreement between the Bank and the IBRD) were signed. The Ukrainian Parliament ratified the Guarantee Agreement on 21 December 2011 pursuant to the Law of Ukraine No.4208-VI. On 31 January 2012, the loan became available to the Bank.

The full amount of the loan (U.S.\$150.0 million) was disbursed. The implementation of the Additional Financing for EDP2 was finished on 31 December 2014.

IBRD Energy Efficiency Project (EEP)

In order to meet the growing demand for sustainable energy financing in Ukraine, on 10 June 2011 the Bank signed a loan agreement with the IBRD under IBRD's Energy Efficiency Project ("EEP") with the IBRD in the amount of U.S.\$200 million guaranteed by the State. The project is aimed at financing energy efficiency investments in the industrial and municipal sectors in Ukraine.

EEP was ratified on 4 October 2011 pursuant to the Law "On Ratification of the Guarantee Agreement (EEP) between Ukraine and the IBRD" No.3812-VI. On 9 November 2011, the EEP became effective.

The main objective of the Project is to provide medium- and long-term financing to Ukrainian companies to implement energy efficiency investments, either directly or via pre-selected participating banks satisfying a set of the Project eligibility criteria. The Project also targets improvement of capacity of the local banking system to further develop energy efficiency financing.

EBRD Ukraine Energy Efficiency Programme (UKEEP)

In April 2007, the Bank and the EBRD signed a loan agreement on UKEEP in the amount of U.S.\$50 million. The funds from this loan were used for financing investment projects of private Ukrainian companies aimed at decreasing energy consumption and introducing modern technologies that will improve the competitive position of the borrowers.

Eligible sub-projects within this programme are:

- industrial energy efficiency projects facilitating the reduction of energy consumption, including electricity or fuel consumption; and
- renewable energy resources projects (using hydropower, wind power, solar energy, bio fuels and geothermal energy).

Under UKEEP, considerable attention is paid to environmental protection.

Based on an arrangement with the EBRD, international consultants funded by the Swedish and Austrian governments and working under UKEEP provide free technical assistance to the customers of the Bank covering in-depth technical analysis of projects, energy audit of enterprises and/or support in choosing the most efficient way of investment in updating or creating new production facilities.

Disbursements of UKEEP funds commenced in April 2008. In December 2008, the EBRD increased the UKEEP loan facility to the Bank by U.S.\$50 million, designated for sustainable energy sub-projects to be made available to private Ukrainian companies. As at 31 March 2015, the full amount of the loan was disbursed.

EBRD SME and the Energy Efficiency Programme

In February 2012, the EBRD and the Bank signed a new U.S.\$50 million credit facility supported by the European Union aimed at financing eligible sustainable energy investments such as energy efficiency and

renewable energy projects by lending to SME sub-borrowers. As at 31 March 2015, the full amount of the loan was disbursed.

Global Climate Partnership Fund (GCPF)

In February 2012, the Bank signed a U.S.\$30 million loan with GCPF to provide sub-loans to Ukrainian companies investing into energy efficiency and small-scale renewables. As at 31 March 2015, the full amount of the loan was disbursed.

EIB

In January 2013, the Bank and EIB signed a loan agreement in the amount of EUR 100 million to be directed to SME projects as well as energy efficiency and environmental projects of the customers of the Bank. As at 31 March 2015, the full amount of the loan was disbursed.

Kyoto Protocol mechanisms

The Bank also acts for its clients as an agent and an arranger of carbon financing, assisting them in utilising the benefits available to them under the Kyoto Protocol to the UN Framework Convention on Climate Change.

EBRD Trade Facilitation Programme plus IFC Global Trade Finance Program

Offering a whole range of international banking services, the Bank is a proactive player in trade finance, who continues to hold leading positions in the Ukrainian banking market in the area of documentary business and trade finance and whose financial obligations traditionally enjoy confidence of the international financial community. This is driven by needs of the Bank's customers active in foreign trade and by the interest of foreign banks in conducting trade finance transactions in partnership with the Bank.

In the area of trade finance and documentary business the Bank co-operates with the largest international and foreign banks throughout the world. Number of clean credit lines provided in favour of the Bank by foreign correspondent banks for documentary and trade finance transactions decreased in 2014 but the Bank continues offering of export and import financing with the use of different instruments such as documentary letters of credit, all types of bank guarantees and stand-by letters of credit.

The Bank is a member of EBRD Trade Facilitation Programme since 2007 and IFC Global Trade Finance Program since 2009. Current limit applicable within the framework of the EBRD's TFP is U.S.\$270 million and U.S.\$80 million in the framework of IFC's GTFP. The programmes aim to promote foreign trade to, from and amongst the countries of operations of EBRD and IFC by offering the range of products to facilitate this trade.

The programmes jointly help the Bank to support its customers' international transactions, enable the Bank to play a proactive role in the local market, advance relationships with the Bank's key correspondent banks and establish new partnership relations.

SME Programme with KfW

In May 1998, KfW and the Bank entered into an SME Programme in Ukraine by signing a project (loan) agreement between the Bank and KfW. This agreement envisaged medium and long-term loans for investment projects of SMEs through direct sub-loans or sub-loans channelled through other Ukrainian banks. In February 2008 KfW and the Bank have agreed to pursue the common goal of assisting small and medium-sized enterprises by providing financing for investments under the second loan agreement between the Bank and KfW. This Agreement envisaged medium and long-term loans for investment projects to SMEs through direct sub-loans. 474 projects have been financed under this programme. The loan was fully repaid by the Bank on 31 December 2014.

Retail Banking

Individual Customer Term Deposits

The Bank offers its retail clients a wide range of deposit products and currently positioned as the third largest bank in Ukraine by retail deposits with a market share of 6.6 per cent as at 31 March 2015. Individuals' term deposits constituted 15.4 per cent of the Bank's total liabilities as at 31 March 2015. The amount of term deposits, despite the small number of the Bank branches, reflects the strength of its retail business segment.

The Bank's term deposits from individuals increased by 23.5 per cent within twelve month period ended 31 December 2014 from UAH 15,621 million as at 31 December 2013 to UAH 19,296 million as at 31 December 2014 due to foreign currency revaluation. During the first quarter of 2015, the amount of term deposits from individuals increased further by 18.6 per cent. to UAH 22,882 million as at the 31 March 2015.

Despite the overall increase in the balance of retail term deposits, mostly attributable to foreign-currency revaluation, the Bank has experienced a net outflow of individuals' term deposits denominated in foreign currencies in the course of 2014 and the first quarter of 2015.

Cash and Settlement Services

The Bank earns a fee and commission income from both corporate and retail customers for a wide range of cash settlement services that include both traditional and innovative banking products. This allows the Bank's clients to meet their cash settlement needs and for the Bank to diversify its sources of income. The main cash and settlement services offered by the Bank include the opening, closing and assigning of accounts, cash servicing, maintenance of accounts, providing information on the account status, providing consolidated statements of customers' accounts and transfers into hryvnia and foreign currencies.

Individual Customer Current Accounts

The Bank is able to offer its customers current accounts denominated in both hryvnia and in foreign currencies and access to a wide range of cash settlement services. Retail clients are able to take advantage of the Enter EXIM[®] (e-banking systems), which offers the Bank's customers (both corporate and private clients) remote access and management of their accounts via the Internet.

During 2014, individuals' current account balances increased by 55.5 per cent from UAH 1,594 million as at 31 December 2013 to UAH 2,479 million as at 31 December 2014. During the first quarter of 2015, individuals' current account balance increased by 24.3 per cent. to UAH 3,082 million as at 31 March 2015. Individuals' current accounts represented 2.1 per cent. of the Bank's total liabilities as at 31 March 2015.

Payment Card Transactions

The Bank is a member of MasterCard Worldwide and Visa International payment systems, and the membership allows the Bank to provide an entire range of card services to its customers. Since 1998 the Bank also acted as a settlement bank for MasterCard Worldwide in Ukraine.

As at 31 March 2015, the number of MasterCard and Visa payment cards issued by the Bank reached 793 thousand cards. The Bank operates a network of 703 ATMs. As a result of the events in Crimea and some districts of the Donetsk and Luhansk regions, the Bank had to stop operation of 119 ATMs located in those areas during 2014.

The turnover on payment cards issued by the Bank constituted UAH 19.8 billion in 2014 and UAH 5.6 billion during the first quarter of 2015.

The Bank provides advisory services to banks on joining MasterCard and Visa payment systems, and acts as a representative and guarantor of the banks in respect of the payment systems. As at 20 July 2015 the Bank had the total of 11 affiliated banks. The processing services provided by the Bank to affiliated banks include powerful hardware and software transaction processing solution, database support, generating reports at request of affiliated banks, on-line monitoring of fraudulent transactions, 24x7 customer support and other functions. Since 2014 the Bank has offered the following services to affiliated banks: Visa PayWave card

issue, change of card PIN-codes through ATMs of affiliated banks, My Savings services, on-line card account replenishment through POS terminals at cash desks of affiliated banks. The issuance of 3D Secure Verified by Visa (VbV) enabled cards as well as funds transfer between cards issued by the affiliated bank in ATMs of such affiliated bank and automatic regular payments from cardholders' accounts are being prepared for launch for affiliated banks.

In order to mitigate fraud risk, the Bank stopped issuance of magnetic stripe cards in 2014 and migrated to chip cards only. In 2014 the Bank also expanded its range of MasterCard payPass and Visa payWave payment card products. As at 31 March 2015 the Bank had issued more than 110,000 contactless cards.

Furthermore, in autumn of 2014 the Bank introduced 3D Secure Verified by Visa (VbV) on-line payment technology in order to offer cardholders a higher level of security when making payments for goods and services on-line.

In 2014 the Bank continued to develop the Electronic Student ID Card product that is both a student ID and a fully functional Visa payment card. The issuance of Electronic Student ID Cards was launched in October 2013 and as at 31 March 2015 the Bank had issued nearly 13,000 cards.

In June 2014 the Bank was certified by Visa for issuance of Visa Debit cards, for which in August 2014 Visa introduced a reduced interchange fee for cash disbursement through ATMs of other Ukrainian banks. The reduced interchange fee enabled the Bank to offer Visa Debit card holders cash disbursement through all ATMs in Ukraine at a preferential fee and to optimize the ATM network of the Bank.

At the end of 2014, the Bank implemented Visa International Payment System settlements in British pounds and began to also issue Visa cards using pounds sterling as the base currency.

Over UAH 875 thousand in 2014 and more than UAH 283 thousands during the first quarter of 2015 was transferred to accounts of 32 children's hospitals throughout Ukraine under United for Child's Life ("Разом за життя") unique charity program settled by the Bank. These funds are used by hospitals for purchasing of much needed medical equipment, which helps to save hundreds of children's lives. One of the ways of participation in the program is for customers to request issuance of special "United for Child's Life" Visa cards. A fixed amount from each transaction completed by such card is transferred in favour of the children's department of the National Cancer Institute. As at 31 March 2015, the number of active "United for Child's Life" cards exceeded 25 thousand. The charity project implementation is a part of a socially oriented strategy of the Bank.

In April 2015, the Bank launched the charity program "United for Defender's Life" ("Разом за життя захисників") and started issuing special affinity MasterCards - a fixed amount from each transaction completed by such card is set aside as a medical provision for wounded soldiers.

The Bank also provided its money transfer services to the Army of Ukraine free of charge through the Bank's ATM network. Over UAH 550 thousand in 2014 and more than UAH 152 thousands during the first quarter of 2015 was collected through this transfer service.

In 2014, the Bank continued to service merchants in Ukraine, which accept American Express payment cards as payment for goods and services. The Bank is the only bank acquiring American Express payment cards in Ukraine and it is responsible for processing, settlement and information services to merchants, which accept American Express payment cards.

Money transfers

The Bank offers international money transfer services through MoneyGram, Western Union and UNISTREAM systems. MoneyGram International Money Transfers, the world's money transfers leader, twice recognised the Bank as the best Ukrainian bank in terms of quality of MoneyGram money transfer services.

In 2009, the Bank introduced a service whereby the holders of VISA cards issued by the Bank are able to use the VISA Direct service to transfer funds through the ATMs and transaction terminals of the Bank to any other holder of a VISA card issued by one of the other Ukrainian banks. The Bank has improved this service by implementation of Fast Funds functionality in 2012 which allows clients to receive their money instantly.

In 2014, the Bank introduced EximCash money transfer system in Ukraine (currency of transfer is UAH) for individuals without opening an account.

Lending to individuals

The Bank has a relatively conservative retail lending policy and since the second half of 2008 it has adopted an active management strategy aimed at preserving the quality of the retail loan portfolio through enhanced monitoring and surveillance, aiming to ensure early detection of and adequate response to any potential problem cases.

The gross loans to individuals portfolio increased by 35.7 per cent in 2014 and 33.3 per cent in the first quarter 2015 and amounted to UAH 1,001 million as of 31 December 2014 and UAH 1,335 million as of 31 March 2015. The increase was mainly due to the currency fluctuations.

The Bank has continued to pursue its cautious approach to retail lending in 2015 and has focussed on improvement of the Bank's portfolio quality through new local-currency loans and by refinancing of debt denominated in foreign currencies by loans denominated in hryvnia.

Furthermore, in order to reduce the financial burden on borrowers the Bank offered various restructuring options: a grace period for principal of up to 12 months; a grace period for interest of up to 24 months subject to monthly payment of a share of interest (from 25% of the accrued interest).

Small and medium-sized business

During 2014, the Bank continued to strengthen its position in the Ukrainian financial market for small and medium-sized enterprise ("SME") business operations. Banking activities in this segment were focused on sustainable growth of the Bank's customer base, as well as widening of banking operations and services for SME customers.

According to its mission, the Bank gives lending priority to solvent SME customers with foreign economic activities. Financing for such customers' projects is provided both out of the Bank's own funds and under the programs of foreign and international financial institutions (e.g., the IBRD energy efficiency project, EBRD energy efficiency program, and EBRD SME lending program).

Seeing significant development potential in SME customers, the Bank dynamically improves and adapts its products and services to customers' needs, activities and market conditions. As a result of these measures, the Bank was able to significantly increase the volume of banking transactions with SME customers during 2014.

The gross loans to SME customers increased by 36.7 per cent in 2014 and 13 per cent in the first quarter 2015. The loans amounted to UAH 2,267 million as of 31 December 2014, and UAH 2,561 million as of 31 March 2015.

The Bank's term deposits from SME increased by 23.6 per cent within twelve month period ended 31 December 2014 from UAH 1,818 million as at 31 December 2013 to UAH 2,248 million as at 31 December 2014. During the first quarter of 2015, the amount of term deposits from SME decreased by 4.4 per cent to UAH 2,150 million as at the 31 March 2015.

During 2014, SME clients' current account balances increased by 67.9 per cent from UAH 2,029 million as at 31 December 2013 to UAH 3,405 million as at 31 December 2014. During the first quarter of 2015, SME clients' current account balance increased by 22.5 per cent. to UAH 4,170 million as at 31 March 2015.

Legal Proceedings

From time to time and in the normal course of business, the Bank is party to certain legal proceedings. The Bank's management believes that currently there are no legal proceedings pending or threatened, which could, individually or in the aggregate, have a material adverse effect on the Bank.

Funding

The main sources of the Bank's funding are the current accounts and term deposits of corporate customers, term deposits from retail customers, Eurobonds and long-term interbank loans. In order to manage its

liquidity position in an efficient manner, the Bank attracts short-term interbank loans and clients fund in hryvnia and uses the refinancing facilities provided by the NBU.

Customers' on demand and term deposits accounted for 52.8 per cent. of the Bank's total liabilities as at 31 March 2015, compared to 55.4 per cent. as at 31 December 2014 and 54.8 per cent. as at 31 December 2013.

During 2014, amounts due to customers increased by 49.5 per cent. from UAH 41,461 million as at 31 December 2013 to UAH 61,995 million as at 31 December 2014 mainly due to exchange valuation adjustment. Without exchange valuation adjustment, amounts due to customers decreased by 5.3 per cent. during 2014, mainly driven by outflows of individual funds, which were partly offset by inflows of corporate funds.

During the first quarter of 2015, amounts due to customers increased by 26.8 per cent. to UAH 78,589 million as at 31 March 2015, primarily due to exchange valuation adjustment. Without exchange valuation adjustment, amounts due to customers decreased by 3.8 per cent.

The following table sets out the composition of the Bank's customer accounts portfolio as at 31 December 2013, 31 December 2014 and 31 March 2015:

	31 December		
	2013	2014	31 March 2015
	(UAH thousands)		
	(audited)		(unaudited)
Legal entities and budget funds, total.....	24,245,597	40,220,443	52,625,700
Current accounts	7,397,680	12,775,836	17,091,384
Term and pledge deposits	16,847,917	27,444,607	35,534,316
Individuals, total	17,215,443	21,774,686	25,963,401
Current accounts	1,594,204	2,479,182	3,081,712
Term deposits	15,621,239	19,295,504	22,881,689
Total amounts due to customers	41,461,040	61,995,129	78,589,101

The following table sets out the Bank's customer account portfolio by industry sector:

	31 December 2013		31 December 2014		31 March 2015	
	(UAH thousands)	(%)	(UAH thousands)	(%)	(UAH thousands)	(%)
	(audited)		(audited)		(unaudited)	
Individuals	17,215,443	41.5	21,774,686	35.1	25,963,401	33.0
Agriculture and food processing	10,794,465	26.0	17,823,477	28.7	26,983,362	34.3
Trade	2,858,978	6.9	6,147,434	9.9	5,759,817	7.3
Budget organizations	1,695,207	4.1	2,390,125	3.9	3,314,418	4.2
Finance	1,456,758	3.5	2,305,178	3.7	2,423,916	3.1
Transport and communications	1,124,164	2.7	2,052,308	3.3	2,798,735	3.6
Mechanical engineering	1,140,368	2.8	1,815,486	2.9	2,031,877	2.6
Real estate	840,387	2.0	1,055,002	1.7	312,273	0.4
Professional, scientific and technical activities	645,431	1.6	1,005,284	1.6	1,744,335	2.2
Construction	478,749	1.1	580,222	0.9	907,195	1.2
Chemical industry	191,623	0.5	480,516	0.8	512,958	0.7
Information and telecommunications	317,833	0.8	471,275	0.8	1,507,589	1.9
Metallurgy	66,910	0.2	418,182	0.7	331,659	0.4
Power engineering	218,472	0.5	396,968	0.6	369,561	0.5
Production of construction materials	165,338	0.4	350,607	0.6	337,372	0.4
Extractive industry	110,434	0.3	324,201	0.5	160,268	0.2
Metal processing	169,863	0.4	262,401	0.4	407,220	0.5
Processing	132,722	0.3	212,332	0.3	351,831	0.4
Production of rubber and plastic goods	93,420	0.2	192,251	0.3	86,255	0.1
Personal services	158,767	0.4	192,055	0.3	165,417	0.2
Wood processing	130,587	0.3	165,898	0.3	129,400	0.2
Pulp and paper industry	75,103	0.2	98,687	0.2	83,277	0.1
Education	86,646	0.2	96,503	0.2	108,780	0.1
Health protection	150,936	0.4	77,042	0.1	150,905	0.2
Hotels and restaurant	57,388	0.1	58,114	0.1	37,300	0.1
Culture and sport	41,090	0.1	31,667	0.1	22,295	0.1
Other	1,043,958	2.5	1,217,228	2.0	1,587,685	2.0
Total amounts due to customers	41,461,040	100.0	61,995,129	100.0	78,589,101	100.0

As at 31 March 2015, inter-bank funding (including amounts due to credit institutions and to the NBU) amounted to 19.1 per cent. of the Bank's total liabilities, compared to 19.5 per cent. as at 31 December 2014 and 23.0 per cent. as at 31 December 2013.

As at 31 March 2015, Eurobond funding (consisting of the underlying loans relating to the previous notes to be exchanged by the New 2022 Notes and the New 2025 Notes) accounted for 21.8 per cent. of the Bank's total liabilities as compared to 19.4 per cent. as at 31 December 2014 and 17.9 per cent. as at 31 December 2013.

Banking Technologies and Automated Banking Transactions

The Bank's information technology ("IT") systems are designed to support major business functions and to provide operational support to the Bank's staff, management, partner banks as well as to its corporate and retail customers.

While the existing IT systems provide the necessary capacity for operating within the existing scope of business, the Bank recognises that in the event of fast growth and expansion of new businesses and significant increase in the volume of the new business lines related operations, additional system enhancements will be required.

Ukreximbank Banking Data Warehouse system consolidated data of the Bank and its customers is used for financial analysis, customer relationship management and serves as the basis for management decisions. The information is available to specialists in the Bank's headquarters and all regional offices. Ukreximbank Management Accounting System makes it easier to make management decisions, providing the top managers with information about all factual expenses and revenues of the Bank.

Development of IT systems is based on principles of data security, integrity, availability and strategic alignment with the Bank's long-term objectives.

The Bank operates a centralised IT environment that enables it to process and account for all major banking and investment services transactions, including customer service, settlement operations and debit card processing. IT systems are an integral part of the Bank's internal controls system.

The Bank has a powerful e-banking system. This service enables remote access to the Bank's financial services including transactions via the Internet and mobile networks for foreign credit institutions and corporate and retail customers.

The Bank utilises an Intra-bank Real Time Gross Settlement System, which allows it to control the usage of temporary surplus funds of the Bank, both in hryvnia and foreign currencies. The reliability of this system is enhanced by a catastrophe-tolerant cluster system, with servers and storage capabilities located more than 10 kilometres apart and connected by a high-speed fibre-optic link.

As part of its customer relations management policy, the Bank successfully launched a new automated system for customer calls through its Contact Centre which is integrated with the Bank's internal customer information systems.

Receiving the PCI DSS certification is a testimony of the Bank's ability to deliver technological solutions that are up to the high standards demanded of international payment systems, confirming the reputation of the Bank as a secure and high-tech financial institution rigorous in its efforts to ensure the safety and security of cardholder and other customer data. See, however, *"Risk Factors — Risks Relating to the Bank — Complex information technology systems"*.

Following the implementation of the Service Desk system, the Bank enhanced the quality of the service available to its information systems users.

As a result of the situation in some districts of the Donetsk and Luhansk regions, the Bank has relocated certain of its employees from the affected areas, where the Bank had 2 branches and 3 sub-branches, to Kyiv. In order to allow these employees to continue to serve their respective clients the bank has implemented

certain modifications to its systems, including the settlements of additional servers, IP-addresses transferring, etc.

FINANCIAL REVIEW

Summary Financial Information and Financial Ratios

The summary financial information and financial ratios for the Bank set forth below should be read in conjunction with, and are qualified in their entirety by reference to the Financial Statements included in this Prospectus.

The summary financial information set forth below as at and for the years ended 31 December 2013 and 2014 has been extracted from the Annual Consolidated Financial Statements, which are included in this Prospectus, except for U.S. Dollar amounts which have been translated from hryvnia amounts in the Annual Consolidated Financial Statements solely for the convenience of the reader at the exchange rates established by the NBU and effective as at the dates of the respective financial information. The summary financial information below as at and for the three months ended 31 March 2015 have been extracted from Interim Financial Statements also included in this Prospectus, except for U.S. Dollar amounts which have been translated from hryvnia amounts in the Interim Consolidated Financial Statements solely for the convenience of the reader at the exchange rates established by the NBU and effective as at the dates of the respective financial information.

The Ukrainian hryvnia is the functional currency for the Consolidated Financial Statements.

	Year ended 31 December			Three Months Ended	
	2013	2014	2014	31 March 2015	
	(UAH thousands) (audited)	(UAH thousands) (audited)	(U.S.\$ thousands) ⁽¹⁾	(UAH thousands) (unaudited)	(U.S.\$ thousands) ⁽¹⁾
INCOME STATEMENT DATA					
Net interest income	3,945,390	2,677,554	169,803	313,765	13,384
Allowance for loan impairment charge	(2,779,838)	(11,430,955)	(724,921)	(3,103,403)	(132,383)
Net interest income/(margin) after loan impairment	1,165,552	(8,753,401)	(555,118)	(2,789,638)	(118,999)
Commission income	502,145	598,170	37,934	263,559	11,243
Commission expense	(132,124)	(168,359)	(10,677)	(101,115)	(4,313)
Net gains from investment securities designated at fair value through profit and loss	1,227	3,340,677	211,857	5,079,462	216,676
Net losses from available-for-sale investment securities	(123,545)	(479,474)	(30,407)	(441,727)	(18,843)
Net gains/(losses) from foreign currencies and precious metals	212,613	(3,515,298)	(222,931)	(6,305,791)	(268,988)
Other income	65,156	70,848	4,493	23,843	1,017
Profit/(loss) before non-interest expenses	1,691,024	(8,906,837)	(564,849)	(4,271,407)	(182,207)
Loss from changes in terms of loans to customers	(50,174)	(53,278)	(3,379)	-	-
Personnel expenses	(810,887)	(899,960)	(57,073)	(213,536)	(9,109)
Depreciation and amortisation	(98,911)	(104,776)	(6,645)	(26,747)	(1,141)
Other operating expenses	(391,209)	(2,497,486)	(158,384)	(124,606)	(5,315)
(Charge to) / reversal of other impairment and provisions	(6,641)	20,564	1,304	(149,520)	(6,378)
Profit/(loss) before tax	333,202	(12,441,773)	(789,026)	(4,785,816)	(204,150)
Income tax (expense)/credit	(132,570)	1,192,456	75,622	-	-
Profit/(loss) for the period	200,632	(11,249,317)	(713,404)	(4,785,816)	(204,150)

Note:

(1) Convenience translation. See “Presentation of Financial Information – Currency”.

	As at 31 December			As at 31 March	
	2013	2014	2014	2015	2015
	(UAH thousands)	(UAH thousands)	(U.S.\$ thousands) ⁽¹⁾	(UAH thousands)	(U.S.\$ thousands) ⁽¹⁾
	(audited)	(audited)		(unaudited)	
STATEMENT OF FINANCIAL POSITION DATA					
Assets					
Cash and cash equivalents	8,321,070	16,790,414	1,064,804	20,966,318	894,367
Mandatory reserves with the National bank of Ukraine	740,957	-	-	-	-
Amounts due from credit institutions	1,005,655	1,967,651	124,783	2,420,401	103,248
Loans to customers	41,624,943	49,973,792	3,169,205	62,507,412	2,666,400
Investment securities	34,486,947	48,129,180	3,052,225	62,790,248	2,678,465
Tax assets	639,420	691,771	43,870	724,487	30,905
Investment property	3,666,666	1,986,087	125,952	1,986,087	84,721
Property and equipment	2,272,163	2,251,643	142,793	2,227,638	95,025
Intangible assets	14,696	14,078	893	12,900	550
Deferred income tax assets	82,963	1,307,279	82,904	1,307,279	55,765
Other assets	419,289	418,288	26,528	516,427	22,030
Total assets	93,274,769	123,530,183	7,833,957	155,459,197	6,631,476
Liabilities					
Amounts due to the NBU	9,223,005	5,248,980	332,876	5,338,789	227,739
Amounts due to credit institutions	8,155,881	16,556,455	1,049,966	23,082,289	984,629
Amounts due to customers	41,461,040	61,995,129	3,931,567	78,589,101	3,352,402
Eurobonds issued	13,519,313	21,764,479	1,380,246	32,421,464	1,383,013
Current income tax liabilities	32,703	25,181	1,597	23,150	988
Subordinated debt	3,112,441	6,140,035	389,385	8,899,480	379,628
Other liabilities	159,065	224,346	14,227	441,342	18,826
Total liabilities	75,663,448	111,954,605	7,099,864	148,795,615	6,347,225
Equity					
Share capital	16,514,051	16,689,042	1,058,375	21,689,042	925,197
Unregistered contributions to share capital	-	5,000,000	317,087	-	-
Revaluation reserve	974,461	1,255,595	79,627	1,124,644	47,974
Accumulated deficit	(28,394)	(11,531,985)	(731,328)	(16,313,030)	(695,870)
Reserve and other funds	151,203	162,926	10,332	162,926	6,950
Total equity	17,611,321	11,575,578	734,093	6,663,582	284,251
Total liabilities and equity	93,274,769	123,530,183	7,833,957	155,459,197	6,631,476

Note:

(1) Convenience translation. See “Presentation of Financial Information – Currency”.

	As at 31 December		As at 31 March
	2013	2014	2015
	(%)	(%)	(%)
FINANCIAL RATIOS			
Bank Performance Ratios			
Net interest margin ⁽¹⁾	4.79	2.66	0.95
Net interest spread ⁽²⁾	3.93	2.11	0.83
Net non-interest income to income before operating expenses ⁽³⁾	16.07	32.34	63.42
Cost to income ratio ⁽⁴⁾	26.94	40.94	42.54
Return on average assets ⁽⁵⁾	0.22	(10.38)	(13.72)
Return on average equity ⁽⁶⁾	1.15	(77.08)	(209.91)
Balance Sheet Ratios⁽⁷⁾			
Customer loans to customer deposits ⁽⁸⁾	100.40	80.61	79.54
Customer loans to total assets	44.63	40.45	40.21
Equity to total assets	18.88	9.37	4.29
Tier 1 capital adequacy ratio	23.70	12.16	5.90
Total capital adequacy ratio	28.50	17.81	10.05
Asset Quality Ratios⁽⁷⁾			
Individually impaired and past due but not impaired loans (gross) ⁽⁹⁾ to total loans (gross)	29.53	43.83	53.79
Allowance for loan impairment of loan portfolio to total customer loans (gross)	17.38	31.69	34.74
Allowance for loan impairment as a percentage of individually impaired and past due but not impaired loans	58.86	72.31	64.58
Allowance charge to total customer loans (gross) ⁽¹⁰⁾	5.53	15.49	11.24

Notes:

- (1) Net interest margin was calculated as net interest income before allowance for loan impairment divided by the simple average of interest earning assets (i.e., loans to customers, investment securities, amounts due from credit institutions and amounts due from the NBU) as at the beginning and the end of the year or period.
- (2) Net interest spread was calculated as interest income divided by the simple average of interest earning assets (i.e., loans to customers, investment securities, amounts due from credit institutions and amounts due from the NBU) less interest expense divided by the simple average of interest bearing liabilities (i.e., amounts due to customers, Eurobonds issued, amounts due to the NBU, amounts due to credit institutions, subordinated debt) as at the beginning and the end of the year or period.
- (3) Net non-interest income to income before operating expenses was calculated as net non-interest income (i.e., net commission income and non-interest income less net gains from change in fair value of investment securities designated at fair value through profit and loss, losses on impairment from available-for-sale investment securities, net losses from translation differences from foreign currencies and net gains/losses from revaluation of precious metals) divided by income before operating expenses before allowance for impairment (i.e., net non-interest income as defined above plus net interest income before allowance for impairment).
- (4) Cost to income ratio was calculated as non-interest expense (less revaluation of investment property and property and equipment, charges/reversal to other impairment and provisions, loss from changes in terms of loans to customers) divided by income before operating expenses before allowance (as defined above).
- (5) Return on average assets was calculated as net profit/(loss) for the period divided by the simple average of total assets at the beginning and at the end of the year or period. The ratio was annualised if necessary.
- (6) Return on average equity was calculated as net profit/(loss) for the period divided by the simple average of total equity at the beginning and at the end of the year or period. The ratio was annualised if necessary.
- (7) At the respective year end or period end.
- (8) The ratio of customer loans to customer deposits includes related accrued but not paid interest income/expense.
- (9) Individually impaired and past due but not impaired loans before deducting any allowance for impairment.
- (10) Allowance charge to total customer loans was calculated as the allowance charge for impairment of loans to customers for the period divided by gross customer loans at the end of the year or period. The ratio was annualised if necessary.

The following discussion of the Bank's financial condition and results of operations should be read in conjunction with the information in "Selected Statistical Data and Other Information" and the Financial Statements which appear elsewhere in this Prospectus.

This discussion and analysis contains forward-looking statements that involve risks and uncertainties. The Bank's actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those discussed below and elsewhere in this Prospectus, particularly under the headings "Risk Factors" and "Forward-Looking Statements".

Key trends as of and for the three months ended 31 March 2015

During the three months ended 31 March 2015, the Ukrainian hryvnia experienced significant depreciation against major foreign currencies, particularly during February 2015. In particular, the UAH/U.S.\$ exchange

rate declined to UAH 23.44 per U.S.\$1.00 as at 31 March 2015 compared to UAH 15.77 per U.S.\$1.00 as at 31 December 2014. This depreciation had a negative effect on the Bank's financial results for the three month period ended 31 March 2015.

As at 31 March 2015, the Bank experienced a decrease of 3.8 per cent. (net of foreign exchange effects) in amounts due to customers (both individuals and legal entities) as compared to 31 December 2014.

Due to the overall risk environment and liquidity shortage the Bank continued its conservative lending policy in the first quarter of 2015. Adjusted for currency effects, the Bank's gross loan portfolio decreased by 1.7 per cent. as at 31 March 2015 compared to 31 December 2014, mainly due to loan repayments of its corporate customers.

The Bank's investment securities portfolio (net of foreign exchange effects) remained largely unchanged during first three months of 2015.

Results of Operations for the years ended 31 December 2013 and 2014

The following table sets forth the principal components of the Bank's results of operations for the periods indicated.

	Year ended 31 December	
	2013	2014
	<i>(UAH thousands)</i>	
	<i>(audited)</i>	
Interest income	9,244,300	10,096,107
Interest expenses	(5,298,910)	(7,418,553)
Net interest income	3,945,390	2,677,554
Allowance for loan impairment charge	(2,779,838)	(11,430,955)
Net interest income/(margin) after allowance for loan impairment charge	1,165,552	(8,753,401)
Fee and commission income	502,145	598,170
Fee and commission expense	(132,124)	(168,359)
Net fee and commission income	370,021	429,811
Non-interest income/(expenses)	155,451	(583,247)
Loss from changes in terms of loans to customers	(50,174)	(53,278)
Personnel expenses	(810,887)	(899,960)
Depreciation and amortisation	(98,911)	(104,776)
Other operating expenses	(391,209)	(2,497,486)
(Charge to)/reversal of other impairment and provisions	(6,641)	20,564
Non-interest expense	(1,202,371)	(4,118,183)
Profit/(loss) before income tax expense	333,202	(12,441,773)
Income tax (expense)/credit	(132,570)	1,192,456
Profit/(loss) for the year	200,632	(11,249,317)

Interest income

The following table sets forth details of the Bank's interest income for the periods indicated.

	Year ended 31 December				Variation
	2013	% of total	2014	% of total	2013/2014
	<i>(UAH thousands)</i>	<i>(%)</i>	<i>(UAH thousands)</i>	<i>(%)</i>	<i>(%)</i>
	<i>(audited)</i>		<i>(audited)</i>		
Loans to customers	5,449,182	58.9	5,912,411	58.6	8.5
Amounts due from credit institutions	146,004	1.6	165,357	1.6	13.3
Investment securities	3,642,279	39.4	3,994,632	39.6	9.7
Amounts due from the NBU	6,835	0.1	23,707	0.2	246.9
Total interest income	9,244,300	100.0	10,096,107	100.0	9.2

Interest income for the year ended 31 December 2014 grew by 9.2 per cent. to UAH 10,096 million from UAH 9,244 million in 2013. Most notably the year-on-year growth was due to investment securities income increase by 9.7 per cent. from UAH 3,642 million for the year ended 31 December 2013 to UAH 3,995 million for the year ended 31 December 2014 and interest income from loans to customers, which grew by 8.5 per cent. from UAH 5,449 million as at 31 December 2013 to UAH 5,912 million as at 31 December 2014. The total average portfolio of interest-earning assets for the year ended 31 December 2014 grew by 22.2 per cent. to UAH 100,564 million from UAH 82,287 million in 2013 - mainly due to investment securities portfolio growth by 50 per cent. (predominantly Ukrainian state bonds).

Interest expense

The following table sets forth details of the Bank's interest expense for the periods indicated.

	Year ended 31 December				Variation
	2013	% of total	2014	% of total	2013/2014
	(UAH thousands)	(%)	(UAH thousands)	(%)	(%)
	(audited)		(audited)		
Amounts due to customers.....	(2,827,134)	53.4	(3,969,626)	53.5	40.4
Eurobonds issued	(1,142,570)	21.6	(1,445,808)	19.5	26.5
Amounts due to credit institutions	(322,600)	6.1	(387,246)	5.2	20.0
Subordinated debt	(326,918)	6.2	(525,277)	7.1	60.7
Amounts due to the NBU.....	(679,688)	12.8	(1,090,596)	14.7	60.5
Total interest expense	(5,298,910)	100.0	(7,418,553)	100.0	40.0

Interest expense climbed 40.0 per cent. in the year ended 31 December 2014 to UAH 7,419 million from UAH 5,299 million in the same period in 2013. Amounts due to customers expense increased by more than 40 per cent. in 2014 as compared to 2013, making most part of Bank's interest expense.

In 2014 as compared to 2013 both interest income and interest expense leaped up primarily due to foreign currency assets and liabilities revaluation (as a result of National Bank of Ukraine UAH to U.S.\$ currency exchange rate plunge from 7.993 UAH/U.S.\$1 as at 31 December 2013 to 15.769 UAH/ U.S.\$1 as at 31 December 2014). Interest rate and structure changes were minor factors of changes.

Allowance for loan impairment

Allowance for loan impairment increased from UAH 8,759 million for the year ended 31 December 2013 to UAH 23,187 million for the year ended 31 December 2014, primarily due to the effects of the crisis of 2014 and the subsequent deterioration in the quality of the Bank's loan portfolio.

Net interest income, net interest margin and net interest spread

Net interest income decreased by 32.1 per cent. in the year ended 31 December 2014 to UAH 2,678 million from UAH 3,945 million in the same period in 2013.

The decrease was due to an increase in interest expense to UAH 7,419 million from UAH 5,299 million in 2013, while interest income increased to UAH 10,096 million in 2014 from UAH 9,244 million in 2013.

The structure of interest earning assets in 2014 moved towards lower risk assets, with the share of loans to customers in total average interest-earning assets decreasing to 45.7 per cent. in 2014 from 49.2 per cent. in 2013, whilst the share of investment securities in total average interest-earning assets grew to 41.2 per cent. in 2014 from 33.1 per cent. in 2013 and the share of amounts due from other banks decreased to 11.1 per cent. from 14.8 per cent. in 2013.

The year-on-year increase in interest expense was primarily attributable to the increase in volumes of average interest-bearing liabilities, which grew by 29.1 per cent. in the year ended 31 December 2014 to UAH 93,588 million from UAH 72,518 million in the same period in 2013.

Net interest margin (net interest income as a percentage of total average interest-earning assets) was 2.66 per cent. in the year ended 31 December 2014 compared to 4.79 per cent. in 2013. Net interest spread

(the difference between the average interest rate on interest-earning assets and the average interest rate on interest-bearing liabilities) was 2.11 per cent. in the year ended 31 December 2014 as compared to 3.93 per cent. in 2013.

Fee and commission income

The following table sets out the principal components of the Bank's fee and commission income for the years ended 31 December 2014 and 2013.

	Year ended 31 December	
	2013	2014
	<i>(UAH thousands)</i>	
	<i>(audited)</i>	
Cash and settlement operations.....	327,130	396,489
Guarantees and letters of credit	86,988	90,540
Operations with banks.....	65,038	82,160
Credit servicing commission	7,128	11,339
Other.....	15,861	17,643
Total.....	502,145	598,170

Cash and settlement operations include fees and commissions from cash and settlement servicing of customers. Guarantees and letters of credit operations include commission income received from commitments with customers (including letters of credit, guarantees, available on promissory notes, collections and other sources). Operations with banks include fees and commissions received from cash and settlement servicing of banks, commissions charged for lending services of banks, income on commitments with banks and other fees and commissions. Credit servicing commission includes fees and commission received from different services to borrowers. Other fee and commission income principally includes commissions received from safe deposit boxes services, commissions charged for the Government agent functions and other fees and commissions received from customers.

Fee and commission income increased by 19.1 per cent. in the year ended 31 December 2014 to UAH 598 million from UAH 502 million in 2013. The year-on-year increase in fee and commission income reflects the overall growth in the Bank's cash and settlement operations and the increase in operations with banks.

Fee and commission expense

The following table sets out the principal components of the Bank's fee and commission expense for the years ended 31 December 2013 and 2014.

	Year ended 31 December	
	2013	2014
	<i>(UAH thousands)</i>	
	<i>(audited)</i>	
Cash and settlement operations.....	(110,527)	(134,787)
Guarantees and letters of credit	(16,746)	(27,244)
Currency conversion	(2,972)	(4,053)
Other.....	(1,879)	(2,275)
Total.....	(132,124)	(168,359)

Fee and commission expense increased by 27.3 per cent. in the year ended 31 December 2014 to UAH 168 million from UAH 132 million in 2013, mainly reflecting the increase in costs associated with the overall growth in the Bank's fee and commission driven operations.

Net fees and commissions

Net fee and commission income increased by 16.2 per cent. in the year ended 31 December 2014 to UAH 430 million from UAH 370 million in 2013.

Non-interest income

The following table sets out the components of the Bank's non-interest income for the years ended 31 December 2013 and 2014.

	Year ended 31 December	
	2013	2014
	<i>(UAH thousands)</i>	
	<i>(audited)</i>	
Net gains from investment securities designated at fair value through profit and loss:		
dealing	-	8,747
change in fair value	1,227	3 331,930
Net gains/(losses) from available-for-sale investment securities:		
dealing	42,377	13,944
losses on impairment	(165,922)	(493,418)
Net gains/(losses) from foreign currencies and precious metals		
dealing	268,489	746,076
translation differences	(54,159)	(4 292,128)
Net gains/(losses) from precious metals		
dealing	9,631	10,457
revaluation	(11,348)	20,297
Other income	65,156	70,848
Non-interest income/(loss)	155,451	(583,247)

Non-interest loss in the year ended 31 December 2014 amounted to UAH 583 million, compared to income of UAH 155 million for the year ended 31 December 2013.

The losses from translation differences in the amount of UAH 4,292 million reflect the revaluation of open currency position considering devaluation of the exchange rate of hryvnia in 2014, partially offset by the gains from change in fair value of investment securities designated at fair value through profit and loss. These investment securities are principally presented by Ukrainian state bonds indexed according to increases in the average interbank exchange rate of hryvnia to United States dollar.

The results from dealing with foreign currencies increased in the year ended 31 December 2014 to UAH 746 million from UAH 268 million in the same period in 2013 driven by the growth in volumes and operating margins based on forex market fluctuations.

In 2014, trading in bonds returned a net gain of UAH 14 million with losses on impairment of UAH 493 million, whilst in 2013 a net gain from trading in bonds amounted UAH 42 million with losses on impairment of UAH 166 million.

The revaluation of the open position in precious metals (predominantly gold) according to the changes in official exchange rates made a positive contribution of UAH 20 million to the Bank's non-interest income for the year ended 31 December 2014, compared to a loss of UAH 11 million in the year ended 31 December 2013.

Personnel expenses

Personnel expenses increased in the year ended 31 December 2014 to UAH 900 million from UAH 811 million in the same period in 2013 as a result of reasonable increase in wages and expenses related to winding up of branches in the Autonomous Republic of Crimea.

Depreciation and amortisation

Depreciation and amortisation increased by 6.1 per cent. in the year ended 31 December 2014 to UAH 105 million from UAH 99 million in 2013. This year-on-year decrease was primarily due to changes in a value of property, equipment depreciated and intangible assets fully amortised in 2014.

Other operating expenses

Other operating expenses increased by 538.6 per cent. in the year ended 31 December 2014 to UAH 2,497 million from UAH 391 million in 2013. This year-on-year increase mainly reflects loss from fair value adjustment of the Bank's investment property and property and equipment revaluated by an independent appraiser, who holds a recognised and relevant professional qualification and who has recent experience in valuation of property of similar location and category.

Besides that, the increase in other operating expenses was attributable to operating taxes relating to forex operations, increased contributions to the Deposit Insurance Fund following the increase in retail customer deposits, growth in costs related to inflation, and increased repair and maintenance expenses.

Reversal of/(charge to) other impairment and provisions

There was a reversal of other impairment and provisions of UAH 21 million in the year ended 31 December 2014, and a charge of UAH 7 million in 2013.

Profit/(Loss) before income tax expense

In the year ended 31 December 2014 the Bank reported loss before income tax expense in the amount of UAH 12,442 million comparing to profit before income tax expense of UAH 333 million in 2013 which mainly reflects a substantial increase in allowance for loan impairment charge for the reporting period considering the deteriorating market environment and a decrease in non-interest income driven by negative results from translation differences.

Income tax expense

In December 2014 the Verkhovna Rada of Ukraine amended the Tax Code of Ukraine. Starting from 2015 the taxable amount is assessed on the basis of financial results based on IFRS. The tax rate is 18 per cent.

Profit/(Loss) for the year

Loss for the year ended 31 December 2014 amounted to UAH 11,249 million comparing to profit of UAH 201 million in the same period in 2013.

Financial Condition as at 31 December 2014 and 2013

Total Assets

The following table presents data regarding the Bank's assets as at the dates indicated.

	2013	As at 31 December	2014	
	(UAH thousands)	% of total	(UAH thousands)	% of total
		(%)		(%)
Assets:				
Cash and cash equivalents	8,321,070	8.9	16,790,414	13.6
Amounts of obligatory reserves with the National Bank of Ukraine	740,957	0.8	-	-
Amounts due from credit institutions	1,005,655	1.1	1,967,651	1.6
Loans to customers	41,624,943	44.6	49,973,792	40.5
Investment securities	34,486,947	37.0	48,129,180	39.0
Tax asset	639,420	0.7	691,771	0.6
Investment property	3,666,666	3.9	1,986,087	1.6
Property and equipment	2,272,163	2.4	2,251,643	1.8
Intangible assets	14,696	0.0	14,078	0.0
Deferred income tax assets	82,963	0.1	1,307,279	1.1
Other assets	419,289	0.4	418,288	0.3
Total assets	93,274,769	100.0	123,530,183	100.0

As at 31 December 2014, the Bank had total assets of UAH 123,530 million, an increase of 32.4 per cent. from UAH 93,275 million as at 31 December 2013. The increase in total assets was largely attributable to local currency devaluation.

Assets by operating segments

The table below shows assets as at 31 December 2014 and 2013 specified by operating segment.

	As at 31 December	
	2013	2014
	(UAH thousands) (audited)	
Corporate banking.....	45,432,676	51,722,633
Interbank and investment activities.....	42,278,145	65,105,665
Retail banking.....	4,651,579	4,479,281
Unallocated.....	912,369	2,222,604
Total assets.....	93,274,769	123,530,183

Interbank and investment activities represent the largest share of the Bank's assets at 52.7 per cent of total assets as at 31 December 2014. The main components of the financial institutions and investments segment are transactions in the securities market (UAH 47,641 million as at 31 December 2014 or 73.2 per cent. of the interbank and investment business and 38.6 per cent. of total assets), mainly Ukrainian State bonds (UAH 37,097 million as at 31 December 2014 or 29.8 per cent. of total assets).

The Bank's second largest segment by assets is the corporate banking segment with 41.9 per cent. of total assets as at 31 December 2014. The corporate banking business primarily consists of loans to corporate customers, with the corporate banking credit portfolio comprising 93.2 per cent. of corporate banking assets.

The Bank's retail banking business comprised 3.6 per cent. of the Bank's total assets as at 31 December 2014. The retail banking business primarily consists of loans to retail customers – individuals and small and medium enterprises (39.1 per cent. of retail banking business assets). The retail banking business assets are small compared to the other segments because the main purposes of the retail business are to attract deposits and render commission-bearing retail services.

Cash and cash equivalents

The following table sets out details of the Bank's cash and cash equivalents as at 31 December 2013 and 31 December 2014 as indicated below:

	As at 31 December				Variation
	2013	% of total	2014	% of total	2013/2014
	(UAH thousands) (audited)	(%)	(UAH thousands) (audited)	(%)	(%)
Cash on hand.....	977,242	11.7	934,393	5.6	(4.4)
Current account with the NBU other than mandatory reserve.....	1,859,740	22.3	2,128,691	12.7	14.5
Current accounts with other credit institutions..	3,734,311	44.9	10,598,929	63.1	183.8
Overnight deposits with other credit institutions...	472,778	5.7	1,300,449	7.7	175.1
Time deposits with credit institutions up to 90 days.....	1,276,999	15.3	1,827,952	10.9	43.1
Total cash and cash equivalents.....	8,321,070	100.0	16,790,414	100.0	101.8

The current account with the NBU represents amounts deposited with the NBU relating to daily settlements and other activities.

As at 31 December 2014, the current accounts with other credit institutions included UAH 10,348 million placed on current accounts with five OECD, CIS and Ukrainian banks as compared with UAH 3,177 million as at 31 December 2013. These banks are the main counterparties of the Bank in performing international settlements. These placements have been made under normal banking terms and conditions.

Overnight deposits represent overnight deposits placed with OECD banks. These placements earn market interest rates. As at 31 December 2014, UAH 1,300 million was placed with one OECD bank as compared to UAH 473 million as at 31 December 2013.

As at 31 December 2014, cash and cash equivalents totalled UAH 16,790 million, an increase of 101.8 per cent. from UAH 8,321 million at 31 December 2013. The increase in cash and cash equivalents as at 31

December 2014 as compared to 31 December 2013 was driven mainly by increase of current accounts with other credit institutions and followed by the growth of overnight deposits with other credit institutions.

Amounts due from credit institutions

The following table sets out details of amounts due from credit institutions as at 31 December 2013 and 2014.

	As at 31 December				Variation
	2013	% of total	2014	% of total	2013/2014
	(UAH thousands) (audited)	(%) (unaudited)	(UAH thousands) (audited)	(%) (unaudited)	(%) (unaudited)
Loans and deposits.....	890,689	88.6	1,960,403	99.6	120.1
Current accounts with other credit institutions in precious metals.....	123,603	12.3	116,908	5.9	(5.4)
Other amounts due from credit institutions.....	2,905	0.3	9,323	0.5	220.9
Less allowance for impairment.....	(11,542)	(1.1)	(118,983)	(6.0)	930.9
Amounts due from credit institutions.....	1,005,655	100.0	1,967,651	100.0	95.7

As at 31 December 2014, amounts due from credit institutions totalled UAH 1,968 million, an increase of 95.7 per cent. from UAH 1,006 million at 31 December 2013.

The year-on-year increase was primarily attributable to the increase in the interbank loans and deposits to UAH 1,960 million in the year ended 31 December 2014 from UAH 891 million at 31 December 2013. As at 31 December 2014, loans and deposits due from credit institutions include UAH 130 million of security deposits, placed mainly in respect of customers' transactions, such as letters of credit, performance guarantees and transactions with travellers' cheques as compared to UAH 63 million as at 31 December 2013. Current accounts with other credit institutions in precious metals decreased to UAH 117 million in the year ended 31 December 2014 from UAH 124 million at 31 December 2013.

Mandatory restricted reserves with the NBU

With effect from August 2014, Ukrainian banks were required to keep the mandatory reserve on their current accounts with the NBU. Before that, Ukrainian banks were required to keep a part of the mandatory reserve on a separate account with the NBU (in 2013: before 1 July 2013 – 50 per cent., from 1 July 2013 to 2 February 2014 – 40 per cent., since 24 February 2014 – 20 per cent., as at 31 December 2013, the amount placed by the Bank on this account was UAH 630 million).

Since October 2013, the Ukrainian banks have been allowed to cover the mandatory reserve balance held on a separate correspondent account with the NBU with the purchased foreign-currency denominated Ukrainian state bonds amounting to 10% of their carrying value in the hryvnia equivalent and long-term national currency denominated Ukrainian state bonds with the maturity of more than 3,600 days according to the initial offering terms amounting to 100% of their carrying value. In addition, the Ukrainian banks can use placements on a correspondent account opened with PJSC "Clearing Centre". As at 31 December 2014, Ukrainian state bonds with a carrying value of UAH 30,899 million (31 December 2013: UAH 15,016 million) were used by the Bank to cover its NBU mandatory reserve requirement.

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

Loans to customers

Net loans to customers for the year ended 31 December 2014 increased by 20.1 per cent. to UAH 49,974 million as at 31 December 2014 from UAH 41,625 million as at 31 December 2013. The following table sets out details of the Bank's loans to customers as at the dates indicated.

	2013	2014	2014/2013
	(UAH thousands)	(UAH thousands)	(%)
Commercial loans	49,901,320	72,818,138	45.9
Overdrafts	420,975	304,580	(27.6)
Promissory notes	40,170	16,001	(60.2)
Financial lease receivables	21,207	22,182	4.6
	50,383,672	73,160,901	45.2
Less – Allowance for impairment	(8,758,729)	(23,187,109)	164.7
Total loans	41,624,943	49,973,792	20.1

Gross loans to customers including overdrafts, promissory notes and finance lease receivables increased by 45.2 per cent. year on year to UAH 73,161 million as at 31 December 2014 from UAH 50,384 million as at 31 December 2013, but the increase was offset by allowance for impairment which increased by 164.7 per cent. to UAH 23,187 million as at 31 December 2014 from UAH 8,759 million as at 31 December 2013.

Investment securities

The following table sets out details of the Bank's investment securities designated at fair value through profit or loss as at 31 December 2013 and 2014.

	As at 31 December	
	2013	2014
	(UAH thousands)	(UAH thousands)
	(audited)	(audited)
Ukrainian state bonds.....	3,540,585	6,882,115
Investment securities designated at fair value through profit or loss	3,540,585	6,882,115

The following table sets out details of the Bank's investment securities available-for-sale as at 31 December 2013 and 2014.

	As at 31 December	
	2013	2014
	(UAH thousands)	(UAH thousands)
	(audited)	(audited)
Corporate shares.....	17,268	11,691
Corporate bonds.....	8,416,862	7,156,304
Municipal bonds.....	3,249,315	3,043,563
Ukrainian state bonds.....	17,892,254	30,214,641
Available-for-sale investments.....	29,575,699	40,426,199

The following table sets out details of the Bank's held-to-maturity investment securities as at 31 December 2013 and 2014.

	As at 31 December			
	2013		2014	
	Nominal value	Carrying value	Nominal value	Carrying value
	(UAH thousands)	(UAH thousands)	(UAH thousands)	(UAH thousands)
	(audited)	(audited)	(audited)	(audited)
Municipal bonds.....	90,000	91,085		
Corporate bonds.....	1,244,943	1,297,814	776,183	820,866
		1,388,899		820,866
Less — Allowance for impairment.....		(18,236)		
Held-to-maturity investments.....		1,370,663		820,866

Changes in the securities portfolios resulted primarily from increased investment in liquid low-risk Ukrainian State bonds.

Total Liabilities

The following table presents data regarding the Bank's liabilities as at 31 December 2013 and 2014.

	As at 31 December			
	2013	% of total	2014	% of total
	(UAH thousands) (audited)	(%)	(UAH thousands) (audited)	(%)
Liabilities				
Amounts due to the NBU.....	9,223,005	12.2	5,248,980	4.7
Amounts due to credit institutions.....	8,155,881	10.8	16,556,455	14.8
Amounts due to customers.....	41,461,040	54.8	61,995,129	55.4
Eurobonds issued.....	13,519,313	17.9	21 764 479	19.4
Current income tax liabilities.....	32,703	0.0	25,181	0.0
Subordinated debt.....	3,112,441	4.1	6,140,035	5.5
Other liabilities.....	159,065	0.2	224,346	0.2
Total liabilities.....	75,663,448	100.0	111,954,605	100.0

As at 31 December 2014, the Bank's total liabilities increased by 48.0 per cent. to UAH 111,955 million from UAH 75,663 million as at 31 December 2013. The major items are discussed below.

Amounts due to the NBU

Amounts due to the NBU decreased to UAH 5,249 million as at 31 December 2014 from UAH 9,223 million as at 31 December 2013 as a result of contractual repayments.

	As at 31 December 2013	As at 31 December 2014
	(UAH thousands) (audited)	
Loans due to the NBU	7,111,848	4,445,182
Repurchase agreements	2,108,803	801,784
Correspondent account	2,354	2,014
Amounts due to the National Bank of Ukraine	9,223,005	5,248,980

As at 31 December 2013, loans due to the NBU included (in UAH million):

Deal date	Redemption date	Interest rate	Effective yield	Book value (UAH million)
19 March 2009	12 November 2015	Floating (NBU discount rate + 0.5%)	7.0%	1,551
19 March 2009	12 November 2015	Floating (NBU discount rate + 0.5%)	7.0%	1,925
03 February 2010	24 January 2016	Floating (NBU discount rate + 2.0%)	8.5%	616
10 July 2013	4 July 2014	Fixed	7.0%	320
14 August 2013	8 August 2014	Fixed	7.0%	1,000
22 November 2013	14 November 2014	Fixed	6.5%	700
04 December 2013	9 January 2014	Fixed	6.5%	1,000
Amounts due to the NBU				7,112

As at 31 December 2014, loans due to the NBU included:

Deal date	Redemption date	Interest rate	Effective yield	Book value (UAH million)
19 March 2009	12 November 2015	Floating (NBU discount rate + 0.5%)	14.5%	1,746
19 March 2009	12 November 2015	Floating (NBU discount rate + 0.5%)	14.5%	2,044
3 February 2010	24 January 2016	Floating (NBU discount rate + 2.0%)	16.0%	655
Amounts due to the NBU				4,445

Loans due to the NBU are secured by certain loans to customers and investment securities.

As at 31 December 2014, the Bank entered into repurchase agreements with the NBU with a total amount of UAH 802 million, as compared to UAH 2,109 million at 31 December 2013. The subject of this agreement is Ukrainian state bonds with the fair value of UAH 809 million, compared to UAH 2,144 million as at 31 December 2013.

Amounts due to credit institutions

	31 December 2013	31 December 2014
Loans and deposits due to other banks	2,391,545	3,440,923
Loans due to international financial organisations	5,032,008	11,191,711
Current accounts	732,230	1,922,697
Other amounts due to credit institutions	98	1,124
Amounts due to credit institutions	8,155,881	16,556,455
Held as securities against guarantees	52,446	44,557

Amounts due to credit institutions increased twice to UAH 15,667million as at 31 December 2014 from UAH 8,156 million as at 31 December 2013 mostly as a result of amounts due to International financial organizations growth from UAH 5,032 million as at 31 December 2013 to UAH 11,192 million as at 31 December 2014.

As at 31 December 2014, included in current accounts was UAH 1,257 million received from five Ukrainian banks compared to UAH 362 million received from five Ukrainian banks and non-OECD banks as at 31 December 2013. The amount was received under normal banking terms and conditions.

As at 31 December 2014, included in amounts due to credit institutions was UAH 2,153 million received from Ukrainian banks compared to UAH 852 million as at 31 December 2013.

As at 31 December 2014, loans and deposits due to other banks and loans due to international financial organisations included UAH 1,167 million and UAH 848 million received from OECD banks and international financial organisations, respectively, under the trade and export financing agreements compared to UAH 904 million and UAH 297 million respectively and UAH 2 million received from other foreign banks as at 31 December 2013. These loans were denominated in US dollars, euros and Japanese yen and bear fixed and floating interest rates and were matched in maturity with loans to customers issued under the respective trade and export financing programmes.

As at 31 December 2014 international financial institutions loans included loans from the International Bank for Reconstruction and Development (IBRD) within the framework of the second project of export development and additional finance for the second project of export development totalling UAH 3,545 million compared to UAH 1,129 million as at 31 December 2013. The total amount of these loans under the loan agreements as at 31 December 2014 was USD 305 million. Proceeds from these funds are used for medium- and long-term financing of Ukrainian borrowers and Ukrainian commercial banks that meet the criteria of the IBRD. These loans are denominated in U.S. Dollars; the interest rate is LIBOR plus the IBRD spread, which is reviewed semi-annually. The loans have current annual interest rates of 0.61 per cent. and 0.83 per cent. and mature in 2026 and 2041, respectively.

Loans from international financial institutions also include a loan from the IBRD under its project on energy efficiency in the amount of UAH 1,220 million as at 31 December 2014 (as compared to UAH 415 million as at 31 December 2013). Proceeds from this loan are used to finance private entities or Ukrainian commercial banks that meet the criteria of the IBRD. The loan is denominated in U.S. Dollars; the interest rate is LIBOR plus the IBRD spread, which is reviewed semi-annually. The loan has a current annual interest rate of 0.82 per cent. and matures in 2040.

As at 31 December 2014, loans from international financial institutions also included loans from the European Bank for Reconstruction and Development (“EBRD”) under the framework of its energy efficiency programmes in Ukraine totalling UAH 792 million compared to UAH 450 million as at 31 December 2013. These loans are denominated in U.S. Dollars; the interest rates are LIBOR plus the EBRD spread, which is reviewed semi-annually. The loans have current annual interest rates of 6.63 per cent. and 6.60 per cent., and will mature in 2017.

For the purposes of the cash flow statement presentation, the Bank allocates funds, attracted from credit institutions, between the funds for the operating and financing activities. Funds raised from the Ukrainian banks are included in the category of funds for operation activities, and funds from other banks for financing activities.

Amounts due to customers

Amounts due to customers include:

	31 December 2013	31 December 2014
Current accounts		
- Legal entities	5,701,404	10,368,656
- Budget financed organizations	1,695,207	2,390,125
- Individuals	1,594,204	2,479,182
- Funds under the bank's management	1,069	17,055
	8,991,884	15,255,018
Time deposits		
- Legal entities	16,847,917	27,444,607
- Individuals	15,621,239	19,295,504
	32,469,156	46,740,111
Total amounts due to customers	41,461,040	61,995,129
Held as security against loans to customers	1,887,368	907,144
Held as security against letters of credit	82,615	188,135
Held as security against guarantees and avals	139,431	291,110
Held as security against undrawn loan commitments	10,614	19,932

As at 31 December 2014, legal entities' current accounts included funds of top ten customers in the amount of UAH 2,494 million (24.1 per cent. of legal entities current accounts) compared to UAH 951 million (16.7 per cent. of legal entities' current accounts) as at 31 December 2013.

As at 31 December 2014, individuals' current accounts included funds of top ten customers in the amount of UAH 62 million (2.5 per cent. of individuals' current accounts) compared to UAH 21 million (1.3 per cent. of individuals' current accounts) as at 31 December 2013.

As at 31 December 2014, term deposits of legal entities included funds raised from five customers – legal entities in the amount of UAH 18,297 million (66.67 per cent. of term deposits of legal entities) compared to UAH 10,116 million (60.0 per cent. of term deposits of legal entities) as at 31 December 2013.

As at 31 December 2014, term deposits of individuals included funds raised from ten individuals in the amount of UAH 1,161 million (6.02 per cent. of term deposits of individuals) compared to UAH 785 million (5.0 per cent. of term deposits of individuals) as at 31 December 2013.

As at 31 December 2014, term deposits of legal entities included funds raised in gold, which are accounted for at fair value through profit or loss in the amount to UAH 11 million compared to UAH 5 million as at 31 December 2013.

As at 31 December 2014, term deposits of individuals included funds raised in gold, which are accounted at fair value through profit or loss in the amount to UAH 119 million compared to UAH 99 million as at 31 December 2013.

According to Ukrainian law the Bank is obliged to pay off time deposits of individuals on call. In case of early return of time deposit the interest is accrued in accordance with current account conditions if other conditions are not stated in the agreement.

Analyses of customer accounts by industry sector:

	As at 31 December 2013	%	As at 31 December 2014	%
Individuals	17,215,443	41.5	21,774,686	35.1
Agriculture and food industry	10,794,465	26.0	17,823,477	28.7
Trade	2,858,978	6.9	6,147,434	9.9
Budget organizations	1,695,207	4.1	2,390,125	3.9
Finance	1,456,758	3.5	2,305,178	3.7
Transport and communications	1,124,164	2.7	2,052,308	3.3
Mechanical engineering	1,140,368	2.8	1,815,486	2.9
Real estate	840,387	2.0	1,055,002	1.7
Professional, scientific and technical activities	645,431	1.6	1,005,284	1.6
Construction	478,749	1.1	580,222	0.9
Chemical industry	191,623	0.5	480,516	0.8
Information and telecommunications	317,833	0.8	471,275	0.8
Metallurgy	66,910	0.2	418,182	0.7
Power engineering	218,472	0.5	396,968	0.6
Production of construction materials	165,338	0.4	350,607	0.6
Extractive industry	110,434	0.3	324,201	0.5
Metal processing	169,863	0.4	262,401	0.4
Processing	132,722	0.3	212,332	0.3
Production of rubber and plastic goods	93,420	0.2	192,251	0.3
Personal services	158,767	0.4	192,055	0.3
Wood processing	130,587	0.3	165,898	0.3
Pulp and paper industry	75,103	0.2	98,687	0.2
Education	86,646	0.2	96,503	0.2
Health protection	150,936	0.4	77,042	0.1
Hotels and restaurants	57,388	0.1	58,114	0.1
Culture and sport	41,090	0.1	31,667	0.1
Other	1,043,958	2.5	1,217,228	2.0
Total amounts due to customers	41,461,040	100.0	61,995,129	100.0

The customers' share in total liabilities slightly increased from 54.8 per cent. as at 31 December 2013 to 55.4 per cent. as at 31 December 2014.

Other liabilities

Other liabilities increased by 41.0 per cent. to UAH 224 million as at 31 December 2014 from UAH 159 million as at 31 December 2013.

Capital

The Bank maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Bank's capital is monitored using, among other measures, the ratios established by the Basel Capital Accord 1988 and the ratios established by the NBU in supervising the Bank. The primary objectives of the Bank's capital management are to ensure that the Bank complies with externally imposed capital requirements and that the Bank maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders' value.

The main sources of growth of the regulatory capital of the Bank are statutory capital replenishment through capitalization of the Bank's profit, injections of budgetary funds and funds borrowed by the Bank on the subordinated debt terms.

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

In August 2014, according to the Resolution of the Cabinet of Ministers of Ukraine the Bank's share capital was increased by UAH 174,991 thousand through capitalization of part of the net profit for 2012 and retained earnings of previous years according to UAR.

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

The Bank's capital and capital adequacy ratios calculated in accordance with the framework for capital measurement and capital standards of banking institutions set by the Basel Committee published in 1988 are set out in the table below:

	As at 31 December	
	2013	2014
	<i>(UAH thousands, except percentages)</i>	
	<i>(audited)</i>	
Tier 1 capital		
Share capital	16,514,051	21,689,042
Accumulated deficit	122,809	(11,369,059)
Total Tier 1 capital	16, 636,860	10,319,983
Tier 2 capital		
Revaluation reserve	974, 461	1,255,595
Subordinated debt	2,397,900	3,547,925
Total Tier 2 capital	3,372,361	4,803,520
Total capital	20,009,221	15,123,503
Risk weighted assets	70,195,947	84,901,881
Total Capital Adequacy Ratio	28.50%	17.81%

The Bank's international risk-based capital adequacy ratio as at 31 December 2014 was 17.81 per cent. compared to 28.50 per cent. as at 31 December 2013 which exceeded the minimum ratio of 8 per cent. recommended by the Basel Accord

Drop in the Capital Adequacy Ratio resulting from the Bank's loss in 2014 is attributable to the following factors:

- valuation adjustment of foreign currency and precious metal accounts due to considerable foreign exchange rate growth;
- growing allowance for impairment of bank assets due to economic conditions in Ukrainian (UAH devaluation, manufacturing decline, combat operations in Eastern Ukraine).

Financial commitments and contingencies

The Bank's financial commitments and contingencies as at 31 December 2013 and 2014 are set out below:

	As at 31 December	
	2013	2014
	<i>(UAH thousands)</i>	
	<i>(audited)</i>	
Letters of credit	570,869	536,425
Guarantees	2,137,681	2,215,425
Avals on promissory notes	28,152	39,835
Undrawn loan commitments	181,582	259,545
	2,918,284	3,051,230
Less — Provisions	-	(400)
Financial commitments and contingencies (before deducting collateral)	2,918,284	3,050,830
Less — cash held as security against letters of credit, avals and guarantees, and undrawn loan commitments	(285,106)	(543,734)
Financial commitments and contingencies	2,633,178	2,507,096

Contractual Obligations

The table below summarizes the maturity profile of the Bank's financial liabilities as at 31 December 2014 and 2013 based on contractual undiscounted repayment obligations. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Bank expects that many customers will not request repayment on the earliest date the Bank could be required to pay and the table does not reflect the expected cash flows indicated by the Bank's deposit retention history.

As at 31 December 2013	Less than 3 months	3 to 12 months	1 to 5 years (UAH thousands) (audited)	Over 5 years	Total
Amounts due to the NBU.....	3,244,913	2,320,104	4,727,368	-	10,292,385
Amounts due to credit institutions.....	1,543,330	1,887,610	2,811,657	3,809,851	10,052,448
Amounts due to customers.....	29,836,490	11,678,062	992,033	51,958	42,558,543
Eurobonds issued.....	2,726,044	712,504	12,511,528	-	15,950,076
Subordinated debt.....	161,284	159,838	2,146,388	2,217,153	4,684,663
Other liabilities.....	24,953	-	-	-	24,953
Commitments and contingent financial liabilities	624,201	1,643,991	625,853	24,239	2,918,284
Total undiscounted financial liabilities.....	38,161,215	18,402,109	23,814,827	6,103,201	86,481,352

As at 31 December 2014	Less than 3 months	3 to 12 months	1 to 5 years (UAH thousands) (audited)	Over 5 years	Total
Amounts due to the NBU.....	930,965	4,239,156	644,913	-	5,815,034
Amounts due to credit institutions.....	2,961,992	2,568,992	5,634,357	9,374,767	20,540,108
Amounts due to customers.....	48,845,903	12,815,917	1,288,392	168,626	63,118,838
Eurobonds issued.....	414,533	12,735,573	11,532,583	-	24,682,689
Subordinated debt.....	306,831	302,642	7,869,876	-	8,479,349
Other liabilities.....	66,329	-	-	-	66,329
Commitments and contingent financial liabilities	812,812	1,062,464	1,175,693	261	3,051,230
Total undiscounted financial liabilities.....	54,339,365	33,724,744	28,145,814	9,543,654	125,753,577

Recent developments since 31 March 2015

Since 31 March 2015, the exchange rate of the Ukrainian hryvnia has strengthened somewhat against major currencies. The exchange rate reached UAH 21.02 per U.S.\$1 as at 30 June 2015, compared to UAH 23.44 per U.S.\$1 as at 31 March 2015. The stabilization of the Ukrainian hryvnia's exchange rate had a positive impact on the financial performance of the Bank. As a result of these positive changes, the Bank's regulatory capital adequacy ratio as at 30 June 2015 amounted to 12.07 per cent., compared to 10.85 per cent. as at 31 March 2015.

In the second quarter of 2015, the Bank continued to experience outflows in amounts due to individual customers, driven largely by a reduction in customers' confidence in the Ukrainian banking system and expectations concerning the results of the maturity extension negotiations with regard to the U.S.\$750,000,000 8.375 per cent. Loan Participation Notes due 2015. In order to manage its liquidity position, the Bank entered into repurchase agreements with the National Bank of Ukraine. In June 2015, following a temporary increase in the current accounts balances of several corporate clients, the Bank redeemed these amounts due to the NBU and placed the liquidity gained in the certificates of deposit with the NBU.

Due to the overall risk environment and liquidity shortage, the Bank continued its conservative lending policy in 2015. The Bank's gross loan portfolio has decreased slightly in the second quarter of 2015 (adjusted for currency effects), mainly due to loan repayments of its corporate customers.

In June 2015, the Bank's investment securities denominated in U.S. Dollars increased due to the purchase of Ukrainian state bonds in the amount of U.S.\$50,000,000. Aside from this purchase, the Bank's investment portfolio did not demonstrate any additional material changes during the second quarter of 2015.

Interest Payments under the 2023 Amended and Restated Loan Agreement

As at the date of this Prospectus, the Bank's management currently believes that the interest deferral provisions under the 2023 Amended and Restated Loan Agreement should not apply as provided in Clause 5.4 of the 2023 Amended and Restated Loan Agreement. However, no assurance can be made that due to a contrary determination by the NBU or otherwise, the interest deferral provisions under the 2023 Amended and Restated Loan Agreement will become applicable.

Should these interest deferral provisions become applicable, the Bank currently has no plans to voluntarily invoke such provisions under the 2023 Amended and Restated Loan Agreement and is not aware of any decision on part of the NBU that would require the Bank to invoke those provisions. In particular, the Bank will not voluntarily invoke the interest deferral provisions with respect to the interest due on 9 August 2015 solely as a result of incurring a loss in the second quarter of 2015 (if such loss is incurred). However, if circumstances change and it becomes necessary or prudent for the Bank to invoke the deferral provisions, no assurance can be given that the Bank will not decide to do so or that the NBU will not require it to invoke such provisions. Should the Bank in such circumstances decide to invoke the deferral provisions or should the Bank be required to do so by the NBU, the Bank intends to seek to invoke (to the extent permitted by the terms of the relevant instrument and any then applicable regulations) substantially equivalent provisions in respect of any other subordinated indebtedness of the Bank that qualifies as Tier II capital.

RISK MANAGEMENT

Overview

The Bank is exposed to certain risks, including credit risk, liquidity risk and market risk (which is subdivided into interest rate risk, currency risk and securities portfolio risk), operational risk as well as strategic and reputational risk, all of which are continuously identified, assessed and controlled within the risk management process. The risk management process is critically important for maintaining the Bank's stability and enhancing compliance with regulatory requirements. Each employee of the Bank is responsible for compliance with the risk management rules and procedures.

The Bank adheres to the following key risk management principles:

- centralisation of liquidity, interest rate and currency risk management at the Head Office level;
- unification of analysis and monitoring procedures for credit risk management, assessment of the creditworthiness of each borrower and establishment of credit rating and rules for creating allowance for loan impairment across the head office and all branches of the Bank;
- clear definition of the roles of all participants in the risk management process and of how they should interact among themselves;
- establishing risk limits for transaction amounts, including limits for the following: the various risk committees of the Bank and its individual officers, exposures to single borrowers, exposures to related parties, credit portfolio concentration (by industry, counterparty groups, separate transactions/balance sheet items, etc.);
- ensuring continuous risk monitoring and control and compliance with all established limits;
- avoidance of conflicts of interest; and
- ensuring internal control over compliance with policies and procedures.

The risk management process includes four stages: identification of risk, its sources and operations affected by such risk; estimation of the level of risk; implementation of various measures seeking to minimise the risk or limit it to acceptable levels; and on-going monitoring of positions at risk.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. These risks are monitored through the Bank's strategic planning process.

Risk management structure

The supervisory council (the "**Supervisory Council**") is generally responsible for the establishment and approval of the Bank's objectives and strategies related to risk management and management of capital. In addition, the Bank has separate independent bodies responsible for managing and monitoring risks. The following bodies are responsible for the risk management process at the Bank at the Head Office level: Board, ALCO, Credit Committee, Retail Credit Committee, Security Division, Treasury, Risk Management Division, Internal Audit Division.

Supervisory Council

The Supervisory Council is responsible for the overall risk management process at the Bank and for approving the risk management objectives strategies and principles.

Board

The Board has the overall responsibility for the development of the risk management objectives and strategies and implementing risk management policies and procedures within the Bank. Fundamental risk management issues are managed and monitored on the basis of quarterly reports of the Risk Management Division, ALCO, Credit Committee and Retail Credit Committee. The Board approves the Bank's risk management policy for the following year on an annual basis.

Assets and Liabilities Committee

The ALCO (“**ALCO**”) has responsibility for the implementation of the Bank’s policies and procedures in respect of liquidity and market risks and ensuring that liquidity and market risk indicators are within the specified ranges approved by the Board. ALCO reports to the Board.

Credit Committee and Retail Credit Committee

The credit committee (the “**Credit Committee**”) and the retail business credit committee (the “**Retail Credit Committee**”) have overall responsibility for the implementation of the Bank’s policies and procedures in respect of credit risk and ensuring that credit risk indicators are within the specified ranges approved by the Board. These committees report to the Board.

Treasury and Securities Divisions

The treasury (the “**Treasury**”) is responsible for management of the Bank’s liquidity position through money market operations, while the securities division (the “**Securities Division**”) is responsible for management of the Bank’s liquidity position through capital market operations. The Treasury and Securities Division report to the Management board.

Risk Management Division

The risk management division (the “**Risk Management Division**”) is responsible for monitoring, analysis and reporting of key risk indicators related to the Bank’s activities. In addition, the Risk Management Division develops and supervises implementation of risk management methodologies, norms and procedures and estimates the risk of all banking products and structured transactions. Risk Management Division reports to the Board.

Internal Audit Division

The risk management processes are audited on a regular basis by the Internal Audit Division, which examines both the adequacy of the risk management procedures and the Bank’s compliance with such procedures. Audit findings, conclusions and recommendations are submitted to the Risk Management Division, the Board and the Supervisory Council.

Risk measurement and risk reporting systems

The Bank’s risks are measured using methods that reflect both the expected loss likely to arise in normal circumstances and unexpected losses, which are estimated using statistical models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. The Bank also analyses worst case scenarios that could arise if extreme events, which are unlikely to occur in normal circumstances, do, in fact, occur. The Bank reviews the performance of these models against actual results, checks their adequacy and makes corresponding adjustments, if necessary.

Risks are monitored and controlled primarily in reliance on limits established by the Bank. These limits reflect the business strategy of the Bank and market environment in which it operates, as well as the level of risk that the Bank finds acceptable, with certain adjustments for borrowers operating in particular industries. In addition, the Bank monitors its overall risk-bearing capacity in relation to the aggregate risk exposure across all risks types and activities.

Information regarding the balance-sheet structure, capital adequacy, compliance with limits and other risk-related indicators established by ALCO and covenants under contractual obligations of the Bank is submitted to ALCO on a monthly basis. The Board receives a comprehensive risk report that is designed to provide all the necessary information to evaluate the risks facing the Bank once a quarter.

Risk reports are also prepared for various committees, divisions and other units of the Bank to provide them with access to up-to-date information.

Risk mitigation

The Bank does not use derivatives to manage market risk arising from changes in interest rates and foreign exchange rates or to manage credit risk and liquidity risk as a market for such financial instruments does not yet exist in Ukraine.

The Bank extensively uses collateral to minimise its credit risk (see below for more detail).

Excessive risks concentration

In order to avoid excessive concentrations of risks, the Bank's internal policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified risk concentrations are duly controlled and managed.

Credit risk

The Bank is exposed to credit risk, which is the risk that a borrower or counterparty will be unable to pay amounts when due, in part or in full. Credit risks arise principally in the context of the Bank's lending activities.

Credit risk is managed on several levels:

- the structural (strategic) management, which consists of establishing an acceptable level of the overall loan portfolio size and providing guidelines on its structure in the short, medium and long-term perspective taking into account various possible scenarios in respect of changes in the financial and economic environment;
- ongoing (operational) management, which provides guidelines on acceptable quality and volume of individual loans and commitments taking into account various possible scenarios in respect of changes in the financial and economic environment; and
- structural (strategic) and ongoing (operational) management of the impact of allowance for loan impairment on the Bank's capital adequacy ratio in short, medium and long-term perspective, taking into account various possible scenarios in respect of changes in quality of the individual loans, loan portfolios and the total loan portfolio.

The Bank manages and controls credit risk based on the following principles:

- determining target (optimal and acceptable for the Bank), critical (undesirable, but manageable) and threshold (requiring urgent measures) levels of the key credit risk exposures;
- providing loans or loan-related commitments solely in accordance with the approved credit policy and the Bank's internal regulations;
- creating and maintaining allowances and provisions for loan-related operations in the amounts that are not lower than the Bank's best estimates of what these allowances and provisions should be;
- constant monitoring of the current values of the key credit risk exposures at the level of individual loans or commitments, loan portfolios and the total loan portfolio; and
- using adequate corrective measures if the levels of credit risk exposures approach their critical and/or threshold values.

The target, critical and threshold levels for the key credit risk exposures are updated at least annually and are approved by the Board.

Individual credit risk

Individual credit risk is a risk that can be attributed to a particular transaction or counterparty.

Individual credit risk is managed through: loan and customer (or counterparty) classification, using a system of internal credit ratings, on the basis of the customer's (or counterparty's) creditworthiness and an evaluation of the quality of such customer's loan repayment history; evaluation and monitoring of collateral value and liquidity; setting credit risk limits and monitoring compliance with such limits; and creation of adequate allowance for asset's impairment.

The Bank's lending policy determines the type of collateral required for a particular transaction, industry or customer. The primary types of collateral include: guarantees of primary banks, deposits with the Bank, real estate property and pledges of equipment or vehicles. The Bank requires mandatory insurance of collateral to be provided by the customer.

In order to limit individual credit risk, the Bank sets the following limits: maximum size of credit exposure for transactions with a single counterparty (or group of related counterparties), including off-balance sheet obligations; maximum size of credit exposure for transactions with an insider, including off-balance sheet obligations.

Portfolio credit risk

Portfolio credit risk is the risk typical for a group of credit transactions or a group of counterparties with similar credit characteristics.

Portfolio credit risk is managed through: classification of industries on the basis of an internal system of industry ratings, which takes into consideration the risk profile of each industry; monitoring of the loan portfolio structure (by category of customers, industries and credit ratings of customers and loans); establishment of concentration limits and appropriate monitoring and control thereof; diversification of loan portfolio (both by industry and by customer category).

Diversification of loan portfolio (both by industry and by customer category) is achieved through establishment of the following limits: by industry; by maximum total amount of "large" loans (which are loans to a borrower or a group of borrowers in the amount of 10 per cent. or more of the regulatory capital of the Bank); by maximum total amount of loans to insiders; by loan portfolio concentration per category of customers; by total indebtedness of five largest customers; by total indebtedness of ten largest customers; by total indebtedness of 20 largest customers.

As a result of the current situation in Ukraine, the Bank has implemented additional risk management procedures to monitor the financial performance and stability of the loan portfolio. At the portfolio level the Bank conducts regular stress tests which include modelling of the impact of deterioration in both the internal ratings of loans and the valuations of collateral. At individual corporate level the Bank has intensified its monitoring of borrowers to ensure timely responses to any material deterioration of individual borrowers' liquidity and/or creditworthiness.

Liquidity risk

The Bank considers liquidity risk to be the risk of becoming unable to finance growth of the Bank's assets and to fulfil its own obligations as they fall due.

The main purpose of liquidity risk management is to ensure the unconditional ability of the Bank to fulfil its obligations when they fall due by maintaining acceptable (manageable) liquidity gaps.

The Bank's liquidity risk policy since the onset of the crisis in Ukraine has emphasised liquidity over profitability. The Bank has developed a comprehensive set of policies and procedures to implement its liquidity risk management strategy. These policies and procedures define the structure of relations between the different committees, divisions and other units within the Bank for the purposes of risk management and liquidity monitoring and allocate responsibility for monitoring and actions in case of non-compliance within the established limits. These policies and procedures also include detailed descriptions of methods for monitoring assets, liabilities and the financial position data as a whole, as well as setting out a system for defining limits, modelling and stress-testing methods, and the formulation of appropriate scenarios including assumptions of asset default probability and client withdrawals. Liquidity management is conducted continuously by ALCO, the Risk Management Division and the Treasury. ALCO develops the Bank's

liquidity management policy and procedures for evaluating and managing liquidity risk and assesses liquidity requirements. The Treasury manages the liquidity of the Bank under the limits approved by ALCO for inter-bank loans, repurchase operations and securities trading. The Risk Management Division carries out the day-to-day monitoring of the Bank's short-term exposure to liquidity risk and prepares monthly (since the onset of the crisis, weekly or daily) liquidity position forecasts, taking into account the operations of both the head office and branches. Forecasts are made on the basis of accounting and operational information and the expertise of the Risk Management Division and the Treasury. Diverse range of stress tests scenarios is applied in quarterly and monthly basis. Then, liquidity position forecasts are submitted to ALCO. The Risk Management Division also recommends liquidity ratios and, after consultation with the Treasury, submits them to ALCO for approval.

The Bank has a set of internal guidelines entitled the "Contingency Plan" for maintaining liquidity in the event of an emergency. The relevant actions to be taken by the Bank in order to prevent or overcome a liquidity crisis are set out in this plan. Matters covered include a list of pre-emptive measures to be taken to avoid a liquidity crisis, the methods used for the detection and analysis of a potential crisis, a comprehensive package of primary actions to stabilise liquidity risk, and analysing the effectiveness of measures taken

Liquidity risk is managed on two levels:

- structural (short and long-term) assets and liabilities management focuses on achieving appropriate liquidity levels in the short and long-term perspective; and
- current (short-term) assets and liabilities management focuses on achieving appropriate levels of instant and current liquidity taking into account various possible scenarios in respect of cash flow changes.

Liquidity risk management is based on achieving acceptable levels of maturity gaps (including by currency) and on the following additional principles:

- determining target (optimal and acceptable to the Bank), critical (undesirable but manageable) and threshold (requiring urgent measures) levels of key liquidity risk indicators;
- constant monitoring of key liquidity risk indicators; and
- using adequate corrective measures if key liquidity risk indicators approach their critical and/or threshold levels.

The target, critical and threshold levels of key liquidity risk indicators are updated at least annually and are approved by the Board.

In addition, the Bank is subject to liquidity requirements set by the NBU. See "*The Ukrainian Banking Sector-Reserve and Liquidity Requirements*". The Bank's risk management system incorporates the NBU's requirements and does not permit limits set by the NBU to be exceeded. See note 29 to the Audited Financial Statements for information on the Bank's liquidity position as at 31 December 2014 and 31 December 2013 as assessed by comparison to the relevant liquidity ratios established by the NBU.

Market risk

The Bank is exposed to market risk arising from open interest rate, foreign currency and securities portfolio positions, all of which are exposed to market volatility.

Market risk management is carried out by:

- determining target (optimal and acceptable to the Bank), critical (undesirable but manageable) and threshold (requiring urgent measures) levels of key market risk indicators;
- constant monitoring of key market risk indicators; and
- using adequate corrective measures if key market risk indicators approach their critical and/or threshold levels.

The target, critical and threshold levels of key market risk indicators are updated at least annually and approved by the Board.

Interest rate risk

The Bank considers the mismatch of interest receipts and interest payments by amounts or maturity to be the main source of its interest rate risk.

In response to the ongoing financial crisis the Bank has adjusted its risk testing scenarios to reflect increased volatility in interest rates. In the absence of suitable hedging instruments available on the Ukrainian market, the Bank endeavours to match its interest rate exposure. ALCO sets interest rate risk limit as a ratio of cumulative interest gap to total assets (defined as the interest gap in each category divided by total earning assets), and Risk Management division monitors the Bank's interest rate exposure against these limits. The interest rate stress tests to measure the impact on capital adequacy are performed monthly and the results are analysed by ALCO at its regular meetings.

The interest rate sensitivity analysis includes setting periodic forecasts. Assets and liabilities are then broken down by sensitivity to interest rate movements and these are further broken down by reference to their contractual repricing or maturity date. Calculations of gap, cumulative gap and gap ratios are carried out for each period and are compared to approved gap ratios and cumulative gap. Static and dynamic models can also be used for this analysis.

Interest rate risk is managed through a combination of:

- structural (strategic) and current (operational) management of interest-bearing assets aimed at achieving acceptable structure and amount of interest income in short, middle and long-term perspective taking into account various possible scenarios in respect of changes in interest rates; and
- structural (strategic) and current (operational) management of interest-bearing liabilities aimed at achieving acceptable structure and amount of interest expenses in short, middle and long-term perspective taking into account various possible scenarios in respect of changes in interest rates.

For information on the sensitivity of the consolidated income to changes in interest rates on the net interest income for a year, based on the floating rate non-trading financial assets, financial liabilities and investment securities designated at fair value through profit or loss held as at 31 December 2014, see note 26 to the Audited Financial Statements.

Currency risk

The Bank considers the unpredictability of fluctuations in foreign currency exchange rates to be the main source of currency risk.

The Bank's approach to currency risk management is based on principles of consolidated currency risk management and includes the setting of limits on open currency positions (in terms of absolute exposure and "value at risk" measures) and stop loss limits. Limits on open currency positions are set for the Bank as a whole, aimed at preserving capital adequacy. The Risk Management Division monitors compliance with these limits on a daily basis and submits reports to ALCO. In response to the crisis the Bank has adjusted its stress test scenarios to reflect increased volatility.

ALCO sets limits for treasury operations in international currencies. Limits are set at the end of each day and for intra-day operations. Stop-loss limits are also established by ALCO.

Currency risk is managed through a combination of:

- structure (strategic) and current (operational) management of assets by currency aimed at achieving an acceptable structure and amount of foreign currency cash inflow in short, medium and long-term perspective taking into account various possible scenarios in respect of changes in foreign currency exchange rates; and

- structure (strategic) and current (operational) liabilities management aimed at achieving an acceptable structure and amount of foreign currency cash outflow in short, medium and long-term perspective taking into account various possible scenarios in respect of changes in foreign currency exchange rates.

Securities portfolio risk

Securities portfolio risk is the risk of changes in the value of securities held by the Bank as a result of market price movements.

The Board sets a number of limits on certain types of operations aimed at achieving a profit-to-risk balanced securities portfolio composition. The Bank has the following limits in place: securities portfolio and sub-portfolio limits, issuer limits and stop-loss limits. Pursuant to its general risk management policy, the Bank also uses instruments such as repurchase agreements in managing its trading securities portfolio risk.

The established limits may be adjusted by the Board depending on market conditions. Ongoing adjustments of these limits are also undertaken in the event of negative changes in the quality of the composition of the Bank's securities portfolio. The Risk Management Division performs subsequent monitoring of compliance with the limits.

The Bank conducts securities portfolio risk assessments by means of modified duration analysis on a regular basis and, depending on the results of the analysis that explain the effects of market developments on the Bank's securities portfolio, revises applicable limits.

The equity sensitivity is calculated by the revaluation of available for sale financial assets with fixed rate as at 31 December 2014 to assess the possible effects of the assumed changes in interest rates. For securities classified at the 1 and 2 levels of the fair value hierarchy of the asset, the method of modified duration is used; for securities classified at the 3 level of the hierarchy, a method of yield curve, with the following assumptions: +/- 400 b.p. for corporate bonds with governmental guarantee, +/- 300 b.p. for corporate bonds, +/- 300 b.p. for Ukrainian state bonds denominated in local currency, +/- 200 b.p. for Ukrainian state bonds in U.S.\$, +/- 20% interest rate change for corporate bonds of the 3 level of hierarchy.

Sensitivity of net profit/(loss) on investment securities designated at fair value through profit or loss is calculated by the revaluation of financial instruments with fixed interest rate, and are revalued through profit/(loss) as of 31 December 2014 in terms of effects of the assumed changes in interest rates using the method of modified duration.

Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. In case the internal controls system fails to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Bank cannot expect to eliminate all operational risks, but through developing a set of policies and procedures for controlling operational risks and, including those in connection with the high level of automation in the data transfer, processing and storing systems, by monitoring and responding to potential risks, the Bank is able to better manage such risks. The comprehensive framework for managing operational risks includes, among other things, effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

Lending Policies and Procedures

Head Office Credit Committee and Head Office Retail Credit Committee

The Bank's credit approval bodies comprise the Board, the Head Office Credit Committee ("HOCC"), the Head Office Retail Credit Committee ("HORCC"), the Branch Credit Committees ("BCCs") and loan officers at the head office. They are responsible for implementing the Bank's lending strategy and forming a balanced and diversified loan portfolio. Lending decisions are taken by the HOCC, the HORCC, the BCCs and loan officers at the head office (except related borrowers) within the limits of their respective authorities.

Since 27 March 2008, the HOCC has been authorised to take decisions on granting loans up to a maximum limit of UAH 290 million for a single borrower or a group of related borrowers. Loans above this limit have to be approved by the Board. The HOCC is also authorised to set limits (sub-delegate powers) to branches for approval of loans to corporate customers.

Since 14 March 2014, the HORCC has been authorised to take decisions on granting loans up to a maximum limit of UAH 20 million to an individual single borrower or a group of related individual borrowers and maximum limit of UAH 50 million to a single small- and medium-sized business. Loans to individuals, small- and medium-sized enterprises above this limit are to be approved by the Board. The HORCC is also authorised to sub-delegate powers to branches for approval of retail loans and loans to small- and medium-sized enterprises.

Previously, BCC's delegations comprised branch limits of up to UAH 25 million, depending on the status of the branch and the risk level of the underlying credit product, only if the gross risk is fully cash covered. Currently BCC's are only authorised to approve fully cash collateralised credit operations under strict and comprehensive operating procedures.

Loan review process

The Bank is continuously working on the improvement of its lending procedures and the improvement of the skills of its staff working in this field, with a special emphasis on perfecting the procedures for reducing credit risks.

The HOCC, the HORCC, BCCs, BMs and loan officers at the head office, as appropriate, approve loans in accordance with the lending policy. ALCO sets limits for bad and overdue loans in the loan portfolio and determines the Bank's loan pricing strategy.

Loan applications are subject to extensive review. The majority of projects for which branches receive loan applications, irrespective of the amount, are subject to a coordination with the head office. An application must receive preliminary approval from the relevant HOCC/HORCC/BCC. If the local BCC gives a preliminary approval, the loan proposal is sent to the relevant product line unit in the head office (together with the minutes of the relevant BCC meeting). The loan officers at the head office check each loan application to ensure that it conforms with internal regulations and the Bank's credit policy and then approve or deny the application. Considering the insignificant sums of retail loans, the majority of retail loan applications for standard loan products are considered and approved/declined by BCCs according to their powers (limits).

The decision making period after submission of the relevant loan documentation is, on average, twelve days for head office applications and eighteen days for branch applications for corporate customers, from eight to ten days for branch applications for small enterprises and, on average, three days for head office applications and five days for branch applications for retail customers.

The loan approval procedure for both corporate and individual customers includes:

- *Preliminary analysis* — assessing whether the loan project complies with the lending policies of the Bank.
- *Comprehensive (in-depth) analysis* — upon receipt of all documents required for the comprehensive analysis of the project, the financial analysis of the project is undertaken. It includes an analysis of the financial condition and creditworthiness of the borrower, guarantor and/or surety, calculation of the return on investment for the project (except individual loans) and the assignment of an individual credit rating to the borrower. The loan department sends the appropriate documents to the Legal Division for their legal analysis, to the Security Division for the analysis of the credit history of the borrower, its reputation, guarantee and/or surety and founders and to the collateral monitoring division (the “**Collateral Monitoring Division**”) for the assessment of the collateral.
- *Visits to the borrower's and guarantor's premises* — to verify the submitted financial statements, the condition of production facilities of the company and the condition, availability (except

individual loans) and storage conditions of the proposed pledged property. Such inspections are a mandatory requirement for the granting of a new loan or the extension of an existing loan.

- *Submission to the Risk Management Division* — if all the relevant units agree to the granting of the loan, the loan documents are then submitted to the Risk Management Division. After receiving the decision of the Risk Management Division, the relevant loan unit structures the loan and prepares a loan proposal for the HOCC, HORCC or loan officers at the head office as appropriate.
- *Drafting the loan proposal* — all lending units use a standard loan proposal form on which they summarise their conclusions, include a proposal to be considered by the HOCC, HORCC, BCCs or product line officers and draft the resolutions of the HOCC, HORCC, BCC or loan officers at the head office. The draft resolution needs to be signed by a credit analyst and by the head of each of the following divisions: the Lending Division, the Legal Division, the Collateral Monitoring Division and the Risk Management Division.
- *Loan approval* — the loan proposal, together with the recommendation of the origination unit, a draft decision and data on the borrower's financial performance, are delivered to the secretary of the HOCC or the HORCC who circulates documents to members of the HOCC, HORCC or loan officers at the head office, as appropriate. The proposal is appraised, terms and conditions may be modified and a decision is taken. Approval requires the affirmative vote of two-thirds of the members of the HOCC or HORCC as appropriate.
- *Preparing legal documents* — standard forms of loan agreements, pledge and mortgage agreements are used by the Bank. The Lending Division drafts loan agreements; the Collateral Monitoring Division drafts pledge and mortgage agreements, the Legal Division drafts contracts of guarantee. The documents are then reviewed by each unit that participated in the loan approval process and are signed by the authorised person.
- *When a branch loan proposal exceeds established limits* — the branch loan officers evaluate loans and the local BCC gives a preliminary approval or rejection. If approved by the BCC, the proposal is sent to the relevant head office product line officer, together with supporting documentation. The officers at the Bank's head office perform an additional analysis of the proposal, check the terms of the loan and its conditions with the Risk Management Division and the Collateral Monitoring Division and prepare the loan proposal for HOCC, HORCC and product line officers' approval as appropriate.

In response to the crisis emerged in Ukraine, the Bank suspended lending operations of all of its branches in February 2014. In May 2014, the Bank's branches lending operations were restored, with the exception of branches located in the Crimea, Donetsk, Luhansk and Mariupol.

In accordance with the National Bank of Ukraine requirements, the operations of the branches and the sub-branches located in Crimea, Donetsk and Luhansk regions, which are not controlled by the Ukrainian authorities, have been stopped.

Due to the objective impossibility of the Bank to monitor the state of and to reappraise the collateral, which is located in the territories not controlled by Ukrainian authorities (Crimea, part of Donetsk and Luhansk), the cost of such collateral is not considered in the calculation of the allowances.

Security Division

The Bank was one of the founders of the first Ukrainian Credit Bureaux that unites 30 commercial banks for the purpose of collecting and exchanging information on borrowers' credit histories. The Bank has also established its own in-house security division (the "**Security Division**"), which is responsible for verifying the authenticity of the credit history and reputation (management, founders, etc.) of each client, finding information on the financial performance of customers that are not available in their financial statements, both at the time of loan approval and during the life of the loan.

In the event that a loan is not repaid when due, the Security Division investigates other means of repayment of the debt. In addition to that the Security Division cooperates with state authorities on enforcement proceedings and assists with the recovery of monies and sales of property.

Collateral

The Bank considers collateral an essential means of credit risk reduction. The Bank accepts property belonging to the borrower or to third parties (guarantors) as collateral. The Bank also accepts rights to property, securities and secured guarantees issued by other banks as collateral. Preferred types of collateral for the Bank are charges over deposits with the Bank, cash, bank metals, state securities, mortgages on liquid administrative, office, commercial and residential real estate. The Bank also accepts other types of collateral but they are regarded as secondary and accepted as additional security only.

The Collateral Monitoring Division is in charge of evaluation of, executing agreements in respect of and monitoring of security accepted by the Bank as collateral. The primary task of the Collateral Monitoring Division is to reduce risks taken by the Bank while carrying out banking operations both at the head office and branch level. The Collateral Evaluation Department evaluates liquidity, adequacy and reliability of property or property rights offered to the Bank as collateral.

Collateral is required to offset the risk of non-payment of principal and interest. The provision of collateral is mandatory for all types of loans, except for unsecured overdrafts. The size of collateral required is determined by the credit rating of the borrower and the type of proposed pledge. The property and property rights that can be or have been pledged as collateral are assigned to risk categories ranked by their risk level. Pursuant to the Bank's policy, the property and the property rights pledged as collateral are divided into five risk categories, to which the relevant collateral class is assigned.

Loan classification and allowances

The Bank classifies credit risk exposures based on the internally designed rating system for clients and groups of related parties. Loans are assessed based on a number of factors, the most important of which include:

- borrower's financial performance and creditworthiness (taking into account the performance of the sector of the economy in which the borrower operates);
- quality of the borrower's servicing of the current loan (timely repayment of interest and principal) and its credit history (including its record with other banks);
- loan security (collateral) available;
- quality of borrower's management reputation; and
- borrowers' business growth prospects.

The Bank has also defined appropriate credit risk measures for assessing each loan, which are based on its expert assessment of the expected level of losses that the Bank may incur based on its evaluation of risks and its historical loss experience. Such credit risk factors form the basis of the calculation of allowance for loan impairment.

Credit risk assessment focuses on whether the borrower has the ability to repay the debt on the agreed terms. The assessment is not entirely dependent upon the adequacy of the collateral. Collateral is considered to be the Bank's recourse should the borrower default on the loan. Although collateral adequacy is a key component in determining the necessary loan loss provision, the Bank realises that in the current environment, the valuation, existence (control) and ability to realise collateral is subject to significant doubt in many instances. Accordingly, the eligible value of collateral is reviewed and analysed on a case-by-case basis.

The Bank regularly reviews its loans and risk assessments, as a result of which an individual risk assessment indicator is assigned to each loan. The risk assessment indicator, which consists of the customer's credit rating-based probability of default ratio and the specific credit operation type-based "operational risk ratio",

is used for computing the amount of the allowance for loan impairment or other provision based on the ultimate loss given default calculations (considering also the existing guarantees/sureties and collateral in place) and on the comparison of the carrying value of the loan against the estimated amount recoverable (collectible) on such loan. The Bank also analyses any loss mitigating factors (e.g., guarantees available and proceeds from collateral realisation).

The impairment review requires an estimate of the expected amounts of cash flows from interest and principal repayments and other cash flows, including amounts recoverable from guarantees and collateral, and discounting them at the loan's original effective interest rate.

The loan is impaired if its carrying amount exceeds the estimated recoverable amount as defined above. If this occurs, a separate impairment loss on an impaired individual loan is recorded.

In response to the difficult economic and political situation in Ukraine during 2014, annexation of Crimea and the conflict in the east, the Bank modified its credit policy to impose limits on the decisions in respect of credit risk (in relation to lending) for branches located in Crimea and within territory not controlled by the Ukrainian government. Collateral for loans, which are located within territory not controlled by the Ukrainian government, is not taken into account for the purposes of calculating the allowance for impairment. In addition, the Bank created provisions for impairment for loans to customers located in Crimea – currently set to approximately 100%.

The following table sets out the Bank's outstanding gross loans and the allowance created against them:

	As at 31 December		As at 31 March 2015
	2013 (UAH thousands) (audited)	2014	(UAH thousands) (unaudited)
Loans to customers.....	50,383,672	73,160,901	95,778,645
Allowances for impairment on loans to customers.....	(8,758,729)	(23,187,109)	(33,271,233)
Loans to customers, net.....	41,624,943	49,973,792	62,507,412
Amounts due from credit institutions	1,017,197	2,086,634	2,965,246
Allowance for impairment of amounts due to credit institutions	(11,542)	(118,983)	(544,845)
Amounts due from credit institutions, net.....	1,005,655	1,967,651	2,420,401

The following table sets out details of changes in the allowance for impairment on loans to customers for the years ended 31 December 2013, 2014 and for the three month period ended 31 March 2015:

	Year ended 31 December		Three Months Ended
	2013 (UAH thousands) (audited)	2014	31 March 2015 (UAH thousands) (unaudited)
Allowance for loan impairment at the beginning of the year/period.....	9,132,744	8,758,729	23,187,109
Charge to allowance for loan impairment during the year/period.....	2,785,658	11,334,435	2,691,125
Loans written off during the year/period as uncollectible.....	(3,226,768)	(1,316,710)	-
Translation differences	54,304	4,371,598	7,391,725
Recoveries	12,791	39,057	1,274
Allowance for loan impairment at the end of the year/period	8,758,729	23,187,109	33,271,233

Problem Loan Recovery

The internal procedures relating to problem loan recovery are described in the Bank's unified credit procedures for consideration and handling of loan projects and Guidelines for Bad Loan Workout, which

detail a systematic approach, involving comprehensive procedures intended to enable the Bank to obtain the highest likelihood of repayment on non-performing loans.

If a borrower does not perform its obligations under a loan agreement with the Bank, the relevant loan officer works together with the borrower to take all initial actions to assist repayment (including determining the reasons of late payments, negotiations, performing unscheduled inspections of the borrower's financial and economic activity and/or collateral, attempting to find new investors in the loan, reorganisation of the borrower's business, sale of collateral, debt recovery by enforcement in a court or development of other effective measures to recover the full or partial amount of such loans). If such measures do not result in the repayment of the loan and the non-performance exceeds 90 days from the initial failure to pay, the loan is classified as a "problem loan".

Problem loans are referred to the HOCC or HORCC. The measures to be taken for the problem loan repayment are considered and approved by the HOCC or HORCC. The HOCC and HORCC also monitor work related to problem loans. The HOCC or HORCC determines the prospects of repayment and reviews such loans on a regular basis (at least once a quarter).

If action on overdue debt collection of problem loans has not resulted in repayment and there are legal grounds to consider a loan as a complete loss, the Bank may write it off against allowances for impairment. The final decision of writing off bad debts is taken by the Board. The procedure for writing off bad debts is regulated by the NBU and internal procedures of the Bank.

The Guidelines for Bad Loan Workout specify the functions and responsibilities of the Bank divisions and the specific features of interactions between them in the course of workout process.

The Workout Division arranges and coordinates the Bank's problem debt collection.

The Legal Division is in charge of the claims enforcement work.

The main functions of the Workout Division include developing action strategy, implementing and coordinating activities in relation to the problem debt collection, initiating and supporting enforcement proceedings, organizing legal support for litigation cases brought under enforcement proceedings, representing the Bank in bankruptcy proceedings, interacting with law enforcement and other government agencies and working with the debtors (such work being aimed at identifying additional assets, receivables and other assets and resources that can be used to repay debt).

Where possible, the Bank seeks to renegotiate loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions.

The accounting treatment of such renegotiation is as follows:

- If the currency of the loan has been changed, the old loan is not recognised whereas the new loan is recognised;
- If the loan renegotiation is not caused by the financial difficulties of the borrower but the cash flows were renegotiated on favourable terms for the borrower – the loan is not recognised as impaired;
- If the loan is impaired after renegotiation, the Bank uses the original effective interest rate in respect of new cash flows to estimate the recoverable amount of the loan. The difference between the recalculated present value of the new cash flows taking into account collateral and the carrying amount before renegotiation is included in the impairment charges for the period.

Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to be met. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original or current effective interest rate.

Under the existing legislation of Ukraine business, entities were registered on the territories that are not controlled by Ukrainian authorities now (Crimea, part of Donetsk and Luhansk) conduct re-registrations on

the territories controlled by Ukrainian authorities and are unobstructed to repay the credit obligations. Individuals, who were or are outside the territories controlled by Ukrainian authorities, also have the opportunities to repay the credit obligations on the territories controlled by Ukrainian authorities.

For the self-employed, production facilities of whose are also located outside the Crimea, Donetsk and Luhansk, the Bank individually considers appropriate conditions to restore the paying capacity.

Debt collection from borrowers located in Crimea is regulated by existing Ukrainian law, including the Law of Ukraine “On the rights and freedoms of citizens and legal regime of the temporarily occupied territory of Ukraine.” Enforcement mechanisms in relation to recovery of bad debts from debtors located in Crimea and certain areas of the Donetsk and Luhansk regions (which are not currently controlled by the Ukrainian authorities) are being developed by the Ministry of Justice of Ukraine (the “**Ministry of Justice**”).

According to Ukrainian law, compensation for damage caused by the occupation of Crimea is payable by the Russian Federation. The Cabinet of Ministers has instructed the Ministry of Justice to assess the losses related to unlawful seizure of property by the Russian Federation in connection with this occupation. In accordance with this Ministry of Justice mandate, states banks (including the Bank) will provide the Ministry of Justice with their assessed losses in connection with the occupation of Crimea.

SELECTED STATISTICAL DATA AND OTHER INFORMATION

The following information is included for analytical purposes and should be read in conjunction with the information in “Summary of Financial Information and Financial Ratios”, “Financial Review” and the Financial Statements appearing elsewhere in this Prospectus.

Average Balance Sheet and Ratio Information

The following table sets out the unaudited consolidated average balances of interest-earning assets and interest-bearing liabilities of the Bank for the years ended 31 December 2014 and 2013. For the purposes of the following tables, the average balances have been calculated on the basis of the Bank's balances at the beginning and at the end of respective years.

	Year ended 31 December					
	2013			2014		
	Average Balance	Interest Income/ (Expense)	Average Rate	Average Balance	Interest Income/ (Expense)	Average Rate
	(UAH thousands)		(%)	(UAH thousands)		(%)
Due from credit institutions ⁽¹⁾	12,199,019	146,004	1.2	11,092,362	165,357	1.5
Loans to customers	40,495,353	5,449,182	13.5	45,799,368	5,912,411	12.9
Investment securities	27,211,913	3,642,279	13.4	41,308,063	3,994,632	9.7
Amounts due from the NBU	2,380,434	6,835	0.3	2,364,694	23,707	1.0
Total interest earning assets..	82,286,719	9,244,300	11.2	100,564,487	10,096,107	10.0
Due to the NBU	8,523,960	(679,688)	8.0	7,235,993	(1,090,596)	15.1
Due to credit institutions...	7,700,091	(322,600)	4.2	12,356,168	(387,246)	3.1
Due to customers	42,147,663	(2,827,134)	6.7	51,728,085	(3,969,626)	7.7
Eurobonds issued	11,036,688	(1,142,570)	10.4	17,641,896	(1,445,808)	8.2
Subordinated debt	3,109,543	(326,918)	10.5	4,626,238	(525,277)	11.4
Total interest bearing liabilities	72,517,945	(5,298,910)	7.3	93,588,380	(7,418,553)	7.9

(1) Including current accounts, overnight deposits, time deposits with credit institutions up to 90-days and reverse repurchase agreements with contractual maturity up to 90 days and excluding deposits with the NBU and deposit certificates of the NBU up to 90 days.

The following table sets out the unaudited consolidated average balances of interest-earning assets and interest-bearing liabilities of the Bank for the three months ended 31 March 2015.

	Three Months Ended 31 March		
	2015		
	Average Balance	Interest Income/ (Expense)	Average Rate
	(UAH thousands)	(UAH thousands)	(%)
Due from credit institutions ⁽¹⁾	17,636,950	156,369	3.5
Loans to customers	56,240,602	1,701,801	12.3
Investment securities	55,459,714	1,306,895	9.3
Amounts due from the NBU	2,476,131	5,953	1.0
Total interest earning assets..	131,813,397	3,171,018	9.6
Due to the NBU	5,293,885	(367,714)	27.8
Due to credit institutions...	19,819,372	(281,867)	5.7
Due to customers	70,292,115	(1,351,336)	7.7
Eurobonds issued	27,092,972	(645,181)	9.5
Subordinated debt	7,519,758	(211,155)	11.2
Total interest bearing liabilities	130,018,102	(2,857,253)	8.8

(1) Including current accounts, overnight deposits, time deposits with credit institutions up to 90-days and reverse repurchase agreements with contractual maturity up to 90 days and excluding deposits with the NBU and deposit certificates of the NBU up to 90 days.

Average Net Interest Margin and Spread

The following table shows the Bank's average interest-earning assets, average interest-bearing liabilities and net interest income and illustrates the comparative net interest margin and net interest spread for each of

2013 and 2014 and for the three months ended 31 March 2015. The averages are based on the opening and closing balances for the respective years.

	Year ended 31 December		Three Months Ended 31 March 2015
	2013	2014	
	(UAH thousands, except percentages)		
Total average interest-earning assets	82,286,719	100,564,487	131,813,397
Total average interest-bearing liabilities	72,517,944	93,588,379	130,018,101
Net interest income	3,945,390	2,677,554	313,765
Average yield on average interest-bearing assets	11.23%	10.04%	9.62%
Average yield on average interest-bearing liabilities	7.31%	7.93%	8.79%
Net interest margin ⁽¹⁾	4.79%	2.66%	0.95%
Net interest spread ⁽²⁾	3.93%	2.11%	0.83%

(1) Net interest margin is defined as net interest income (interest income less interest expenses) divided by average interest earning assets

(2) Net interest spread is defined as interest income before provision for impairment (divided by average interest earning assets) less interest expense (divided by average interest bearing liabilities)

Changes in Interest Income and Expenses — Volume and Rate Analysis

The following table allocates the changes in the Bank's interest income and expense to changes in volume and rates for the year indicated. Changes in volume have been calculated as the change in volume times the previous year's old average rate; changes in rate have been calculated as the change in rate times the previous year's volume and changes in rate/volume has been calculated as the change in rate times the changes in volume.

Rate/Volume analysis		2014/2013		
	Volume	Increase/ (decrease) Rate	Due to change in Rate/Volume	Net Change
	<i>(UAH thousands)</i>			
Loans to customers	713,725	(221,486)	(29,010)	463,229
Amounts due from credit institutions	(9,392)	48,604	(2,987)	36,225
Investment securities	1,886,751	(1,010,793)	(523,605)	352,353
Total interest income	2,591,084	(1,183,676)	(555,602)	851,807
Amounts due to customers	(642,625)	(407,288)	(92,579)	(1,142,492)
Eurobonds issued	(683,802)	238,079	142,485	(303,238)
Amounts due to credit institutions	(195,069)	81,277	49,146	(64,646)
Subordinated debt	(159,456)	(26,149)	(12,754)	(198,359)
Amounts due to the NBU	102,701	(605,028)	91,420	(410,908)
Total interest expense	(1,578,252)	(719,109)	177,718	(2,119,643)
Net interest income	1,012,833	(1,902,785)	(377,884)	(1,267,836)

Loan Portfolio

The Bank's loan portfolio comprises fixed and floating rate loans of short-term and long-term duration. The Bank's total loans, including amounts due from credit institutions and NBU (including components of cash and cash equivalents) and net of allowance for impairment, were UAH 67,797 million at 31 December 2014 and UAH 49,974 million as at 31 December 2013, which accounted for 54.9 per cent. and 53.6 per cent. of total assets respectively.

As at 31 March 2015, the Bank's total loans, including amounts due from credit institutions and the NBU (including components of cash and cash equivalents) and net allowance for impairment, were UAH 84,910 million which accounted for 54.6 per cent. of total assets.

Loans to customers net of allowance for loan impairment were UAH 49,974 million and UAH 41,625 million or 40.5 per cent. and 44.6 per cent. of total assets as at 31 December 2014 and 31 December 2013

respectively. The size of the Bank's total (gross) loan portfolio, excluding amounts due from credit institutions, grew during the period by 45.2 per cent., from UAH 50,384 million as at 31 December 2013 to UAH 73,161 million as at 31 December 2014 mainly due to exchange valuation adjustment. Without exchange valuation adjustment the size of the Bank's total (gross) loan portfolio, excluding amounts due from credit institutions, grew by 0.8 per cent.

As at 31 March 2015, the loans to customers net of allowance for loan impairment were UAH 62,507 million, which accounted for 40.2 per cent. of total assets.

The Bank's allowance for loan impairment for loans to customers totalled UAH 23,187 million and UAH 8,759 million as at 31 December 2014 and 2013 respectively.

As at 31 March 2015, the Bank's allowance for loan impairment for loans to customers amounted to UAH 33,271 million indicating a growth of UAH 10,084 million (or 43.5 per cent.) during the period, mainly attributed to exchange valuation adjustment.

As at 31 March 2015, 76.7 per cent. of the Bank's loan portfolio were loans denominated in foreign currencies. The movement in hryvnia exchange rates since the beginning of the political and economic crisis has resulted in increased pressure on borrower's ability to service foreign-denominated debt. These development, together with other adverse effects resulting from the political and economic situation in Ukraine, have resulted in substantial increase in individually impaired and past due but not impaired loans in the Bank's loan portfolio from 29.5 per cent. as at 31 December 2013 to 43.8 per cent. as at 31 December 2014 and 53.8 per cent as at 31 March 2015. The allowance for loan impairment as a percentage of total gross loans in the Bank's loan portfolio increased from 17.4 per cent. as at 31 December 2013 to 31.7 per cent. as at 31 December 2014 and 34.7 per cent as at 31 March 2015.

Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur.

The following tables show the maturity profile of the Bank's loans as at 31 December 2013, 2014 and 31 March 2015:

	As at 31 December			
	2013	(%) of total portfolio	2014	(%) of total portfolio
	(UAH thousands (audited))	(%)	(UAH thousands) (audited)	(%)
Less than 1 month	2,445,862	5.9	3,554,100	7.1
From 1 to 3 months	2,751,548	6.6	2,761,237	5.5
From 3 to 12 months	7,918,158	19.0	14,634,866	29.3
1-5 years	21,224,949	51.0	19,735,861	39.5
Over 5 years	7,284,426	17.5	9,287,728	18.6
Total amounts due to customers	41,624,943	100.0	49,973,792	100.0

	As at 31 March	
	2015	(%) of total portfolio
	(UAH thousands (unaudited))	(%)
Less than 1 month	2,847,439	4.6
From 1 to 3 months	3,118,985	5.0
From 3 to 12 months	19,912,749	31.9
1-5 years	24,717,132	39.5
Over 5 years	11,911,107	19.1

	As at 31 March	
	2015	(%) of total portfolio
	(UAH thousands	(%)
	(unaudited)	
Total amounts due to customers.....	62,507,412	100.0

The following table shows the composition of the Bank's loans to customers (net of allowance for impairment) by currency exposure as at 31 December 2013, 2014 and 31 March 2015:

	As at 31 December		As at 31 March
	2013	2014	2015
	(UAH thousands)		
Currency			
Hryvnia.....	18,985,781	16,682,132	15,492,532
Euro	2,721,690	2,071,653	2,350,650
U.S. Dollars.....	19,838,663	31,163,617	44,563,273
Other.....	78,809	56,390	100,957
Total.....	41,624,943	49,973,792	62,507,412

The following tables show the concentrations of the Bank's loans to customers by industry sector as at 31 December 2013, 2014 and 31 March 2015:

	As at 31 December 2013		As at 31 December 2014	
	(UAH thousands)	(%)	(UAH thousands)	(%)
	(unaudited)		(audited)	
Agriculture and food industry	8,453,688	16.8	12,247,792	16.7
Trade	7,452,333	14.8	8,817,828	12.1
Extractive industry	4,057,443	8.1	7,458,774	10.2
Construction	5,643,212	11.2	6,836,398	9.3
Chemical industry	3,787,646	7.5	6,339,970	8.7
Real estate	2,304,399	4.6	5,361,050	7.3
Mechanical engineering	3,025,476	6.0	4,584,459	6.3
Metallurgy	2,108,140	4.2	3,848,349	5.3
Production of rubber and plastic goods	2,104,333	4.2	3,351,343	4.6
Production of construction materials	1,599,494	3.2	3,108,739	4.2
Power engineering	1,335,196	2.7	2,243,804	3.1
Road construction	2,095,773	4.2	2,100,773	2.9
Transport & communications	1,526,288	3.0	2,034,848	2.8
Individuals	737,902	1.5	1,001,516	1.4
Pulp and paper industry	806,680	1.6	977,997	1.3
Professional, scientific and technical activities	1,976,260	3.9	950,239	1.3
Light industry	175,569	0.3	328,957	0.4
Information and telecommunications	4,987	0.0	321,696	0.4
Finance	125,126	0.2	233,958	0.3
Health protection	135,581	0.3	187,212	0.3
Wood processing	216,813	0.4	166,633	0.2
Metal processing	139,028	0.3	135,139	0.2
Personal services	64,351	0.1	66,414	0.1
Hotels and restaurants	16,909	0.9	22,914	0.0
Other	491,045	0.9	434,099	0.6
Total gross loans.....	50,383,672	100	73,160,901	100

	As at 31 March 2015	
	(UAH thousands)	(%)
	(unaudited)	
Agriculture and food industry	15,424,294	16.1
Trade	11,380,646	11.9
Extractive industry	10,828,461	11.3
Chemical industry	8,628,981	9.0
Construction	7,945,947	8.3
Real estate	7,665,404	8.0
Mechanical engineering	5,856,309	6.1
Metallurgy	5,555,102	5.8
Production of rubber and plastic goods	4,365,031	4.6

As at 31 March 2015		
	(UAH thousands)	(%)
	(unaudited)	
Production of construction materials	4,176,938	4.4
Power engineering	3,433,157	3.6
Transport & communications	2,658,572	2.8
Road construction	1,838,983	1.9
Individuals	1,335,187	1.4
Professional, scientific and technical activities	1,256,318	1.3
Pulp and paper industry	1,075,704	1.1
Light industry	482,187	0.5
Finance	339,624	0.4
Information and telecommunications	287,021	0.3
Health protection	246,550	0.3
Wood processing	204,380	0.2
Metal processing	180,504	0.2
Personal services	33,701	0.0
Hotels and restaurants	32,430	0.0
Other	547,214	0.5
Total gross loans	95,778,645	100

The following table sets forth information on the Bank's neither past due nor impaired loans, individually impaired loans, loans past due but not impaired, allowance for loan impairment and various ratios related to loan impairment as at 31 December 2013 and 2014.

	As at 31 December		Change from prior year
	2013	2014	2013
	(UAH thousands, except percentages)		(%)
	(audited)		
Neither past due nor impaired loans.....	35,504,252	41,096,213	15.8
Loans past due but not impaired.....	702,161	2,350,547	234.9 ⁽¹⁾
Individually impaired loans.....	14,177,259	29,714,141	109.6 ⁽²⁾
Gross loans and advances.....	50,383,672	73,160,901	45.2
Less: allowance for loan impairment.....	(8,758,729)	(23,187,109)	164.7 ⁽³⁾
Total	41 624 943	49 973 792	20.1
	%	%	%
Allowance for loan impairment as a percentage of total gross loans.....	(17.4)	(31.7)	(14.3)
Allowance for loan impairment as a percentage of individually impaired and past due but not impaired loans.....	(58.9)	(72.3)	(13.5)
Individually impaired and past due but not impaired loans as a percentage of total gross loans.....	29.5	43.8	14.3

(1) Including foreign exchange rate effect of 77.3%.
(2) Including foreign exchange rate effect of 54.2%
(3) Including foreign exchange rate effect of 54.0%

The following table sets forth information on the Bank's neither past due nor impaired loans individually impaired loans, loans past due but not impaired, allowance for loan impairment and various ratios related to loan impairment as at 31 March 2015:

	As at 31 March 2015	Change from year end 2014
	(UAH thousands)	(%)
	(unaudited)	
Neither past due nor impaired loans.....	44,259,284	7.7
Loans past due but not impaired.....	3,922,741	66.9 ⁽¹⁾
Individually impaired loans.....	47,596,620	60.2 ⁽²⁾
Gross loans and advances.....	95,778,645	30.9
Less: allowance for loan impairment.....	(33,271,233)	43.5 ⁽³⁾
Total.....	62,507,412	25.1

Allowance for loan impairment as a percentage of total gross loans.....	(34.7)	(3.0)
Allowance for loan impairment as a percentage of individually impaired and past due but not impaired loans.....	(64.6)	7.7
Individually impaired and past due but not impaired loans as a percentage of total gross loans.....	53.8	10.0

(1) Including foreign exchange rate effect of 41%.

(2) Including foreign exchange rate effect of 32%.

(3) Including foreign exchange rate effect of 31%.

The following table sets out the changes in allowance for loan impairment, for the years ended 31 December 2013, 2014 and the three months ended 31 March 2015.

	For the Year ended 31 December		For the three months ended 31 March 2015
	2013	2014	
	(UAH thousands)	(UAH thousands)	(UAH thousands)
	(audited)	(unaudited)	(unaudited)
Allowance for loan impairment at the beginning of the year/period.....	9,132,744	8,758,729	23,187,109
Charge to allowance for loan impairment during the year/period.....	2,785,658	11,334,435	2,691,125
Loans written off during the year/period as uncollectible.....	(3,226,768)	(1,316,710)	-
Translation differences.....	54,304	4,371,598	7,391,725
Recoveries.....	12,791	39,057	1,274
Allowance for loan impairment at the end of the year/period.....	8,758,729	23,187,109	33,271,233

The following tables illustrate the allocation of the total allowance for loan impairment against total loans, including loans to banks by type as at 31 December 2013, 2014 and 31 March 2015.

	As at 31 December 2013			As at 31 December 2014		
	Ratio of			Ratio of		
	Allowance	Total loans (gross)	Allowance to Total loans	Allowance	Total loans (gross)	Allowance to Total loans
	(UAH thousands)		(%)	(UAH thousands)		(%)
	(audited)			(audited)		
Loans to customers.....	(8,758,729)	50,383,672	17.4	(23,187,109)	73,160,901	31.7
Amounts due from credit institutions.....	(11,542)	1,017,197	1.1	(118,983)	2,086,634	5.7
Total.....	(8,770,271)	51,400,869	17.1	(23,306,092)	75,247,535	31

	As at 31 March 2015		
	Ratio of		
	Allowance	Total loans (gross)	Allowance to Total loans
	(UAH thousands)		(%)
	(unaudited)		
Loans to customers.....	(33,271,233)	95,778,645	34.7
Amounts due from credit institutions.....	(544,845)	2,965,246	18.4
Total.....	(33,816,078)	(98,743,891)	34.2

Deposits

The following table sets out as at 31 December 2013, 2014 and 31 March 2015 the types of deposits placed with the Bank:

	As at 31 December		As at 31 March
	2013	2014	2015
	(UAH thousands) (audited)	(UAH thousands) (audited)	(UAH thousands) (unaudited)
Current accounts			
<i>Current accounts of credit institutions</i>			
CIS and other foreign banks	127,726	33,365	1,997
Ukrainian banks	601,588	1,888,478	1,752,897
OECD banks	2,916	854	13,274
Total	732,230	1,922,697	1,768,168
<i>Current accounts of customers</i>			
Budget financed organization	1,695,207	2,390,125	3,295,343
Legal entities	5,701,404	10,368,656	13,781,591
Individuals	1,594,204	2,479,182	3,081,712
Due to funds under the Bank's management	1,069	17,055	14,450
Total	8,991,884	15,255,018	20,173,096
Total current accounts	9,724,114	17,177,715	21,941,264
Term Deposits			
<i>Deposits of credit institutions</i>			
OECD banks	1,979,774	3,176,271	4,386,013
International financial organisations	5,032,008	11,191,711	16,715,288
Ukrainian banks	249,831	264,652	211,174
CIS and other foreign banks	161,940	-	-
Total	7,423,553	14,632,634	21,312,475
<i>Deposits by customers</i>			
Legal entities	16,847,917	27,444,607	35,534,316
Individuals	15,621,239	19,295,504	22,881,689
Total	32,469,156	46,740,111	58,416,005
Other amounts due to credit institutions	98	1,124	1,646
Total deposits	39,892,807	61,373,869	79,730,126

Investment portfolio

The following table sets out details of the Bank's investments securities designated at fair value through profit or loss as at 31 December 2013, 31 December 2014 and 31 March 2015.

	As at 31 December		As at 31 March
	2013	2014	2015
	(UAH thousands) (audited)		(UAH thousands) (unaudited)
Ukrainian state bonds	3,540,585	6,882,115	11,971,932
Investment securities designated at fair value through profit or loss	3,540,585	6,882,115	11,971,932

The following table sets out details of the Bank's available-for-sale securities as at 31 December 2013, 31 December 2014 and 31 March 2015

	As at 31 December		As at 31 March
	2013	2014	2015
	(UAH thousands) (audited)		(UAH thousands) (unaudited)
Corporate shares	17,268	11,691	11,690
Corporate bonds	8,416,862	7,156,304	6,650,741
Municipal bonds	3,249,315	3,043,563	3,063,933

Ukrainian state bonds.....	17,892,254	30,214,641	40,529,452
Available-for-sale investments.....	29,575,699	40,426,199	50,255,816

The following tables set out details of the Bank's held-to-maturity investment securities as at 31 December 2013, 2014 and 31 March 2015.

	As at 31 December			
	2013		2014	
	Nominal value	Carrying value	Nominal value	Carrying value
	(UAH thousands) (audited)			
Municipal bonds.....	90,000	91,085		
Corporate bonds.....	1,244,943	1,297,814	776,183	820,866
		1,388,899		820,866
Less — Allowance for impairment.....		(18,236)		
Held-to-maturity investments.....		1,370,663		820,866

	As at 31 March	
	2015	
	Nominal value	Carrying value
	(UAH thousands) (unaudited)	
Corporate bonds.....	503,416	562,500
Held-to-maturity investments.....	503,416	562,500

Liquidity

The following tables show an analysis of assets and liabilities as at 31 December 2013 and 2014, respectively, by reference to its remaining maturity.

	31 December 2013			31 December 2014		
	Within one year	More than one year	Total	Within one year	More than one year	Total
Assets						
Cash and cash equivalents.....	8,321,070	-	8,321,070	16,790,414	-	16,790,414
Mandatory reserves with the National Bank of Ukraine.....	740,957	-	740,957	-	-	-
Due from credit institutions.....	232,665	772,990	1,005,655	507,627	1,460,024	1,967,651
Loans to customers.....	13,115,568	28,509,375	41,624,943	20,950,203	29,023,589	49,973,792
Investment securities:						
- designated at fair value through profit or loss.....	80,979	3,459,606	3,540,585	671,260	6,210,855	6,882,115
- available-for-sale.....	13,903,417	15,672,282	29,575,699	25,811,418	14,614,781	40,426,199
- held-to-maturity.....	405,998	964,665	1,370,663	820,866	-	820,866
Tax assets.....	-	639,420	639,420	-	691,771	691,771
Investment property.....	-	3,666,666	3,666,666	-	1,986,087	1,986,087
Property and equipment.....	-	2,272,163	2,272,163	-	2,251,643	2,251,643
Intangible assets.....	-	14,696	14,696	-	14,078	14,078
Deferred income tax assets.....	-	82,963	82,963	-	1,307,279	1,307,279
Other assets.....	419,289	-	419,289	418,288	-	418,288

Total.....	<u>37,219,943</u>	<u>56,054,826</u>	<u>93,274,769</u>	<u>65,970,076</u>	<u>57,560,107</u>	<u>123,530,183</u>
Liabilities						
Amounts due to the National						
Bank of Ukraine	5,131,157	4,091,848	9,223,005	4,593,617	655,363	5,248,980
Amounts due to credit institutions	3,105,994	5,049,887	8,155,881	4,924,349	11,632,106	16,556,455
Amounts due to customers.....	40,529,008	932,032	41,461,040	60,688,209	1,306,920	61,995,129
Eurobonds issued	2,781,100	10,738,213	13,519,313	12,365,831	9,398,648	21,764,479
Subordinated debt	135,725	2,976,716	3,112,441	257,151	5,882,884	6,140,035
Current income tax liabilities	32,703	-	32,703	25,181	-	25,181
Other liabilities	159,065	-	159,065	224,346	-	224,346
Total.....	<u>51,874,752</u>	<u>23,788,696</u>	<u>75,663,448</u>	<u>83,078,684</u>	<u>28,875,921</u>	<u>111,954,605</u>
Net amount	<u>(14,654,809)</u>	<u>32,266,130</u>	<u>17,611,321</u>	<u>(17,108,608)</u>	<u>28,684,186</u>	<u>11,575,578</u>

The Bank's liquidity cushion, mainly formed by Ukraine's debt securities and cash and cash equivalents items, which remains sizeable, sufficient to cover majority of client funds.

MANAGEMENT

Overview

The Bank's management bodies are the Supervisory Council and the Board. The Board is responsible for the day-to-day operational management of the Bank. The Supervisory Council selects and appoints a Monitoring Committee. A brief overview of the full members, functions and corporate powers of the Supervisory Council, Monitoring Committee and the Board are set out below.

The Supervisory Council

The Supervisory Council is not directly involved in the day-to-day operational management of the Bank but plays a significant role in supervising the activities of the Bank. The responsibilities of the Supervisory Council include the following:

- supervising the activities of the Board in order to protect the interests of the State as sole shareholder of the Bank;
- setting guidelines and targets relating to the Bank's activities and approving reports relating to such guidelines and the attainment of targets;
- handling the appointment and resignation of the Chairman of the Board;
- handling the appointment and resignation of the members of the Board in accordance with the recommendations of the Chairman of the Board;
- approving the Bank's annual results, including those of any subsidiaries;
- approving the distribution of profits and the terms and procedures for the payment of dividends;
- taking decisions on covering losses;
- taking decisions with respect to the establishment, reorganisation and liquidation of the Bank's branches, representative offices and subsidiaries and approving regulations and statutes applicable to such branches, representative offices and subsidiaries, including certain decisions which are taken upon the recommendation of the Board;
- approval of the Bank entering into agreements in respect of significant disposals of the Bank's property, if the amount of such agreements exceeds 10 per cent. of the Bank's authorised capital, subject to further approval of the Bank's shareholder acting through the Cabinet of Ministers of Ukraine; and
- carrying out other functions prescribed by applicable Ukrainian legislation and the Bank's Charter.

The Supervisory Council consists of 15 members, an equal number of whom are appointed by each of the Verkhovna Rada (the Parliament of Ukraine), the Cabinet of Ministers of Ukraine and the President of Ukraine. Meetings of the Supervisory Council are quorate if attended by at least 10 of its members. The names of the current members of the Supervisory Council are set out below.

Members Appointed by the Cabinet of Ministers of Ukraine

The following members of the Supervisory Council were appointed by the Resolution of the Cabinet of Ministers of Ukraine No. 194 dated 08 April 2015:

- Roman Volodymyrovych Hreba (Head of the Supervisory Council);
- Artem Valentynovych Shevaley (Deputy Head of the Supervisory Council);
- Viacheslav Eduardovych Voloshyn; and
- Oksana Serhiivna Markarova.

Oleg Vasyliovych Parakuda was appointed as member of the Supervisory Council by the Resolution of the Cabinet of Ministers of Ukraine No. 70 dated 12 March 2014.

Members Appointed by the President of Ukraine

The following members of the Supervisory Council were appointed by the Decree of the President of Ukraine No. 363/2014 dated 2 April 2014:

- Nataliia Ivanivna Grebenyk; and
- Tamara Stepanivna Smovzhenko.

The following members of the Supervisory Council were appointed by the Decree of the President of Ukraine No. 689/2014 dated 27 August 2014:

- Sergii Oleksiiiovych Balchenko;
- Yurii Petrovych Kostrobii; and
- Ihor Oleksandrovyh Mazepa.

Members Appointed by the Verkhovna Rada of Ukraine

The term of the office of the members of the Supervisory Council appointed by the Verkhovna Rada of Ukraine elapsed on 7 February 2012. As of the date of this Prospectus, the Verkhovna Rada of Ukraine has not applied new members of the Supervisory Council. Accordingly, a meeting of the Supervisory Council is only quorate if all current members of the Supervisory Council appointed by the President of Ukraine and by the Cabinet of Minister of Ukraine attend the relevant meeting.

The business address of each member of the Supervisory Council is 127, Gorkogo Str., Kyiv, 03150, Ukraine.

Revision Committee

The Monitoring Committee supervises the Bank's compliance with legislation and regulations of the NBU, reviews the reports of external and internal auditors, prepares proposals for the Supervisory Council and submits proposals for consideration of the Supervisory Council relating to issues of financial security and stability of the Bank as well as the protection of customers' interests.

The Monitoring Committee inspects the financial and business activity of the Bank on the basis of an order of the Supervisory Council or a request of the Government acting as shareholder of the Bank. It prepares opinions on the reports and balance sheets of the Bank.

The Monitoring Committee has three members, appointed by the Supervisory Council of the Bank for a term of three years. The members at the date of this Prospectus are as follows:

- Svitlana Mykhailivna Voitsekhovska (Head of the Monitoring Committee);
- Ruban Nataliia Ivanivna; and
- Duda Volodymyr Petrovych.

The Board

The Board, responsible for the daily management of the Bank, is the permanent executive body of the Bank and manages its operational activities. The Board is responsible for ensuring that the Bank operates within the framework established by the Bank's Charter.

The powers of the Board include, *inter alia*:

- implementation of decisions taken by the Supervisory Council;

- submission of matters to be considered by the Supervisory Council;
- approval of the Bank's business plans, financial plans and budget estimates;
- review of the Bank's annual financial report and balance sheet and submission thereof to the Supervisory Council for approval;
- setting the Bank's accounting and reporting standards, regulations, procedures and internal controls;
- approval of the Bank entering into agreements in respect of significant disposals of the Bank's property if the amount of such agreements does not exceed 10 per cent. of the Bank's authorised capital; and
- carrying out other functions prescribed by applicable Ukrainian legislation and the Bank's Charter.

The Chairman of the Board and other members of the Board are appointed by the Supervisory Council. Each member of the Board is a full-time employee of the Bank. The name, position, qualifications, address and certain other information relating to each member of the Board is set out below:

Oleksandr V. Hrytsenko (Chairman of the Board) is responsible for overall supervision of the Bank, management and coordination of the Board, development and implementation of the Bank's personnel strategy;

Sergii O. Manokha (First Deputy Chairman of the Board) is responsible for the Bank's compliance with the main provisions of the "Bank Development Concept (a five-year strategic plan setting out the Bank's mission and proposed activities), implementation of the day-to-day policy of the Bank and coordination of the Bank's cooperation with insurance companies;

Oleg V. Belinskyi (Deputy Chairman of the Board) is responsible for overall supervision of financial management of the Bank, labour management and social development, development of the system of banking business processes, coordination of IT development, IT implementation and operation;

Volodymyr M. Kotov (Deputy Chairman of the Board) is responsible for security of the Bank (physical security, banking and commercial secrecy, information security), collection of bad loans, enforcement and sale of pledged property and management of non-core assets;

Svitlana M. Monastyrskya (Deputy Chairman of the Board) is responsible for development and implementation of the Bank's retail business strategy, design and implementation of a consistent external and internal communication policy, regional strategy and comprehensive development of the Bank's network;

Sergii M. Myskiv (Deputy Chairman of the Board) is responsible for legal support of banking and ongoing commercial activity of the Bank, as well as protection of the Bank's rights in courts of law, and supervises compliance of all departments and branches of the Bank with the provisions of applicable laws;

Olga M. Aliksieieva (Member of the Board) is responsible for the Bank's compliance with accounting and tax policies, organisation of day-to-day operational activities, interaction with external auditors and cooperation with the NBU;

Volodymyr M. Mariukhin (Member of the Board) is responsible for procurement of equipment for premises of the Bank and maintenance thereof, fire safety and labour protection, acts as head of civil defence of the Bank and oversees expenses related to construction, reconstruction, repair and maintenance of the buildings and premises of the head office and branches of the Bank;

Viktoriia V. Ruda (Member of the Board) is responsible for development and implementation of the Bank's corporate business strategy, management of current planning and implementation of corporate business development, banking products and services, sales to corporate customers and development and upgrading of corporate banking products and sales channels;

Oleksandr V. Shchur (Member of the Board) is responsible for implementation of international loan agreements and development and implementation of the Bank's policy in domestic and international money markets; and

Oleksandr V. Sokolov (Member of the Board) is responsible for internal financial monitoring of the Bank, tariff management system development and implementation as well as development of the Non-State Corporate Pension Fund of the Bank.

The business address of each member of the Board is 127, Gorkogo Str., Kyiv, 03150, Ukraine.

Other Interests

No actual or potential conflicts of interest exist between the duties that any member of the Supervisory Council or the Board owes to the Bank and such member's private interests or other duties.

RELATED PARTY AND GOVERNMENT RELATED TRANSACTIONS

Related Party Transactions

The Bank applies substantially similar procedures for the approval of loans and the setting of limits on loans to related parties as it does for non-related parties.

The only two corporate borrowers related to the Bank are its subsidiaries Ukreximleasing and Eximleasing. Loans to Ukreximleasing and Eximleasing are priced at market rates. According to the Bank's records, as at 31 December 2014, four loan agreements totalling UAH 43.4 million and three loan agreements totalling UAH 12.4 million had been entered into by the Bank with Ukreximleasing and Eximleasing respectively. In terms of volume, such records indicate that loans to Ukreximleasing and Eximleasing represented 0.06 per cent. and 0.02 per cent., respectively, of the Bank's gross loan portfolio.

As at 31 March 2015, four loan agreements totalling UAH 60.1 million and three loan agreements amount to UAH 12.6 million had been entered into by the Bank with Ukreximleasing and Eximleasing respectively (0.06 per cent. and 0.01 per cent. of the Bank's gross loan portfolio, respectively).

Loans to subsidiaries have been secured with property owned by Ukreximleasing and Eximleasing.

During the course of 2014 and 2013, the Bank provided various consumer loans to individuals, including employees, on standard market terms. All loans provided to employees are subject to the same procedures and collateral requirements as those applicable to loans granted to non-related individuals. Loans to employees may be short or long-term and may be granted for various purposes, such as car loans, mortgages and loans for current needs.

For the purposes of the Bank's Financial Statements, 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 as defined by IAS 24 "Related Party Disclosures". In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

The Bank has a number of state-owned (more than 50 per cent. owned by the state) entities among its customers and provides banking services and loan financing for such clients on equivalent commercial terms and conditions to those it applies to private sector clients. According to the Bank's records, as at 31 March 2015, gross loans to state-owned entities comprised 20.2 per cent. of the Bank's gross loan portfolio compared to 19.7 per cent. as at 31 December 2014 and 18.9 per cent. as at 31 December 2013.

Government Related Transactions

General

During the years immediately following Ukraine's emergence as an independent state, certain transactions were entered into on direct instructions from the Government. Loans granted on instructions from the Government were repaid in 2003. In recent years, the legislative environment in Ukraine has evolved in accordance with international norms and as a consequence the Bank no longer enters into specific transactions at the direction of the State except for cases when it acts in its capacity as the financial agent.

Balance due to the NBU

During 2013 to 2014 the Bank received hryvnia-denominated loans from the NBU. The general purpose of this was the funding of loans to export-oriented corporate clients of the Bank. As at 31 December 2013 amounts due from the Bank to the NBU totalled UAH 9,223 million including repurchase agreements totalling UAH 2,109 million. As at 31 December 2014 amounts due from the Bank to the NBU totalled UAH 5,249 million. The amount includes repurchase agreements totalling UAH 802 million. As at 31 March 2015, amounts due from the Bank to the NBU totalled UAH 5,339 million. The amount includes repurchase agreements totalling UAH 815 million. The loans from the NBU are secured by certain corporate assets and Ukrainian government bonds.

Profit Distribution

Under Ukrainian legislation, the Bank, being entirely state owned, is obliged to distribute a part of its after tax profit to the State Budget as distribution of profit to the shareholder. This part is determined annually as a percentage of profits of Ukraine's state owned enterprises, including state banks, by special resolution of the Cabinet of Ministers of Ukraine.

THE UKRAINIAN BANKING SECTOR

The statistical information and other data contained in this section has been extracted from publicly available data (such as information contained on official websites and in publications of governmental agencies of Ukraine, including the NBU and other governmental or mass media sources). Each of the Issuer and the Bank confirms that such information has been accurately reproduced and that, as far as the Issuer and the Bank are aware and are able to ascertain from information published by the relevant source, no facts have been omitted which would render the reproduced information inaccurate or misleading.

The Ukrainian Banking Sector

The Ukrainian banking sector is a two-tier structure made up of the NBU and commercial banks. As at 1 July 2015, 139 commercial banks were registered in Ukraine, all of which have been granted licences by the NBU to perform banking transactions.

The majority of banks in Ukraine are privately owned. Two Ukrainian banks, the Bank and Joint Stock Company “State Savings Bank of Ukraine”, are fully state-owned. Three commercial banks (“Rodovid Bank”, “Ukrasbank” and “Kyiv”) were recapitalised in 2009 by the Government. As a result of such recapitalisation the State became the majority shareholder in those banks (with the state-owned stake ranging from 94.7 up to almost 100 per cent.). In addition, there is the Ukrainian Bank for Reconstruction and Development, 99.99 per cent. of the share capital of which is directly owned by the State.

In 2014-2015, the Ukrainian banking system has been severely impacted by the adverse developments in the economic, political and social situation in Ukraine. The claimed annexation of the territory of Crimea by Russia and hostilities which broke out in the eastern territories of Ukraine caused substantial losses to the banks actively operating in these territories. Deep depreciation of the Ukrainian hryvnia has affected the banks’ capital and caused deposit outflow from the banking system. As a result, since 1 January 2014, 54 Ukrainian banks have been placed into temporary administration of which 45 banks have been ordered by the NBU into liquidation.

The banks act in accordance with, among other laws, the Law of Ukraine “On the National Bank of Ukraine” of 20 May 1999 (the “National Bank Law”), the Law of Ukraine “On Banks and Banking Activity” of 7 December 2000 (the “Banking Law”), the Ukrainian legislation on joint stock companies and other business entities, as well as various NBU regulations and their respective Charters.

Role of the NBU

The NBU is the central bank of Ukraine. Established in 1991 and governed by the Constitution of Ukraine and the National Bank Law, the NBU is a specialised state institution with the principal objective of ensuring the external and internal stability of the national currency and has broad regulatory and supervisory functions in the banking sector. The NBU is empowered to develop and conduct monetary policy, organise banking settlements and the foreign exchange system, ensure stability of the monetary, financial and banking systems of Ukraine, and protect the interests of commercial bank depositors. The NBU sets the official exchange rate of the national currency with respect to foreign currencies, as well as the discount rate and other interest rates. The NBU is also responsible for the accumulation and custody of Ukraine’s gold and currency reserves. In addition, it registers commercial banks, issues licences, supervises the operations of Ukrainian banks and determines the procedures for providing emergency funds to commercial banks.

The principal governing bodies of the NBU are the Council and the Board. The Council, the highest governing body of the NBU, consists of nine members, four of whom are appointed by Parliament and four of whom are appointed by the President. The Governor of the NBU (nominated by the President and appointed by Parliament for a seven year term) acts ex officio as the ninth member of the Council. The Council is charged, in particular, with formulating the principles of Ukraine's monetary policy. The Board, which is comprised of the Governor and his or her deputies, is responsible for implementing Ukraine's monetary policy, the development and implementation of other NBU policies, and generally managing the activities of the NBU.

Monetary Policy

The NBU is charged with implementing monetary policy. Currently, the NBU implements monetary policy through instruments such as mandatory reserve requirements for banks, interest rates, refinancing of commercial banks, foreign currency reserves management, open market transactions, etc.

Since 2009 until late 2013, the NBU gradually decreased its discount rate from 12.0 per cent. to 6.5 per cent. However, in 2014, in its efforts to address the rising inflation and sharp depreciation of the Ukrainian hryvnia, the NBU increased the discount rate to 9.5 per cent. on 15 April 2014, 12.5 per cent. on 17 July 2014 and 14.0 per cent. on 13 November 2014. In 2015, the NBU continued this policy and further increased the discount rate to 19.5 per cent. on 6 February 2015 and 30 per cent. on 4 March 2015.

Since 1 March 2004, within its interest rate policy, the NBU has been setting and publishing the interest rates on overnight unsecured loans and overnight loans secured by State securities. In June 2013, with the aim of improving the indication of the overnight interest rate spreads, the NBU suspended publications of interest rates for unsecured overnight loans and started publishing interest rates on overnight deposit certificates of the NBU. As at 24 July 2015, the interest rate on overnight loans secured by State securities was set at 33.0 per cent. *per annum* and the interest rate on overnight deposit certificates was set at 18.0 per cent. *per annum*.

The main goals of the NBU's monetary policy in 2014 were to maintain the inflation within 19.0 per cent. and to stabilise the banking and financial systems of Ukraine. The NBU intended to achieve these goals through limiting the growth of money supply, supporting liquidity of Ukrainian banks and increased monitoring and control over transactions in the Ukrainian foreign exchange market.

The main goals of the NBU's monetary policy in 2015 are to curb inflation rate which would help to restore public confidence in the national currency and to lower the inflation expectations. For these purposes, the NBU intends to continue the policy of temporary restrictions on foreign currency transactions, regulate the amount of monetary base and liquidity of Ukrainian banks, and implement measures aimed at stabilising the financial system of Ukraine by way of, among other things, financial support of the banking sector.

Regulation

Banking activities in Ukraine are regulated by several laws and numerous regulations issued by the NBU. The principal legislation in the area is the Banking Law. The NBU oversees compliance with the Banking Law, regulations and other legislation and imposes appropriate sanctions for violations of those laws and regulations. The NBU adopted the "Banking Regulation Instruction" (which establishes capital adequacy, liquidity and other ratios), pursuant to the authority granted under the Banking Law and the National Bank Law. The NBU also sets accounting, reporting, auditing and other requirements for commercial banks. A Ukrainian commercial bank may carry out so-called "exclusive banking activities" (i.e., taking deposits, opening and maintaining of bank accounts and investment of raised funds) and a number of other financial services only with a banking licence issued by the NBU. In order to be able to operate with foreign currency, Ukrainian banks are required to obtain a general currency licence from the NBU.

Reporting Requirements

Banks are required to submit an annual report that contains audited financial statements and consolidated financial statements if a bank has affiliates under its control. Financial statements include a balance sheet, income statement, statement of changes in equity and cash flow statements, a summary of significant accounting policies (as may be relevant) and other explanatory notes. Interim financial statements are submitted by banks on a quarterly basis and consist of a balance sheet, income statement, certain explanatory notes (including, dividends, potential liabilities of the bank and certain indicators of the bank's activity) and a cover letter. The purpose of the cover letter is to describe and explain events and operations, which are material and important for a fair presentation of the financial position of a bank. Banks are also required to submit to the NBU information on related parties on a monthly basis and statistical data on a daily, ten day, monthly and quarterly basis that ensures permanent review by the NBU of a bank's performance and financial position.

Securing Deposits of Individuals

With effect from 22 September 2012, the Law of Ukraine “On the System of Guaranteeing of Deposits of Individuals” of 23 February 2012, No. 4452-VI (the “**Deposits Securing Law**”) replaced the previously effective legislation governing a system of securing deposits held by individuals with Ukrainian banks.

Pursuant to the Deposits Securing Law, commercial banks in Ukraine are obliged to become members of the Deposit Guarantee Fund (the “**Fund**”) and remit to the Fund an initial contribution in the amount of 1 per cent. of their registered authorized capital (payable once after obtaining a banking licence), a regular quarterly contribution in the amount of 0.5 per cent. of the average weighted amount of daily balances of UAH denominated deposit accounts and 0.8 per cent. of the average weighted amount of daily balances of foreign currency denominated deposit accounts opened with the relevant banks. The Fund is authorised to require payment of a special contribution for the purposes of repayment of loans borrowed by the Fund or in case the amount of funds held by the Fund (including the amount of contributions to be paid by the member-banks within the then current quarter) is below 2.5 per cent. of the guaranteed amount of deposits. The Fund may also be funded, inter alia, through borrowing funds from the NBU and issuing bonds or promissory notes. Currently, the Fund guarantees deposits with commercial banks, including interest, to a maximum of UAH 200,000 per depositor with each such bank. Deposits become eligible for compensation from the funds held by the Fund on the date of the NBU's resolution on revocation of the banking licence and liquidation of the relevant bank. The Deposits Securing Law does not apply to the Joint Stock Company “State Savings Bank of Ukraine”. As of 1 July 2015, the total amount of funds accumulated by the Fund amounted to UAH 18.8 billion. As of 1 July 2015, the Fund had 136 member banks.

Reserve and Liquidity Requirements

Ukrainian banks are required to maintain certain mandatory reserves calculated in accordance with the NBU regulations.

Generally, a commercial bank is required to annually transfer to its reserve fund no less than 5 per cent. of its profits, until and unless such reserve fund is equal to 25 per cent. of the bank's regulatory capital. In case of the deterioration of the financial condition of a bank, the NBU may require such bank to increase the amount of its reserve fund.

The NBU has also established mandatory reserve requirements to maintain the liquidity of the banking system and the stability of the Ukrainian hryvnia. The reserves are in the Bank's correspondent account with the NBU. Reserve requirements are computed as a percentage of certain of the bank's liabilities. In particular, with effect from December 2014, the reserves may not be less than the aggregate of: 6.5 per cent. of call deposits and current accounts of customers in national and foreign currency, 3 per cent. of term deposits of customers in national and foreign currency. Currently, funds borrowed from Ukrainian banks and international financial organizations, as well as funds borrowed as subordinated debt are not subject to such mandatory reserve requirements.

Further, with effect from 1 August 2008, Ukrainian banks were required to maintain reserves for short-term (less than 183 days) funds (e.g., loans and deposits) received from non-residents. Overnight loans and deposits, as well as loans and deposits guaranteed by the Government or received from international financial organisations, to which Ukraine is a member, are exempt from the above reserve requirements. Until 15 July 2014, the banks were required to maintain the reserves at the level of 20 per cent. of the aggregate amount of short-term funds received from non-residents. On 15 July 2014, to address the lack of foreign currency liquidity with Ukrainian banks, the NBU set a 0 per cent. reserve rate for such funds.

The NBU has also established three separate liquidity ratios. A bank must have an instant liquidity ratio of at least 20 per cent. (i.e., the ratio of certain bank's funds on its correspondent accounts, cash and unencumbered deposit certificates of the NBU to its current liabilities), a current liquidity ratio of at least 40 per cent. (i.e., the ratio of bank's assets with maturities of up to (and including) 31 days to liabilities with maturities of up to (and including) 31 days) and a short-term liquidity ratio of at least 60 per cent. (i.e., the ratio of liquid assets with maturities of up to one year less the amount of the provisions formed for such

assets to liabilities with maturities of up to one year). The NBU has defined liquid assets with maturities of up to one year to include cash funds, bank metals, funds placed with correspondent accounts with the NBU (excluding the funds placed as reserves), term deposits placed with the NBU, certain funds placed with correspondent accounts with commercial banks, debt securities in the bank's trade portfolio, available-for-sale portfolio and held-to-maturity portfolio and investment in affiliated companies and subsidiaries made with the purpose of further sale, certain interbank deposits and loans, loans and advances to customers. Liabilities with maturities of up to one year are defined to include funds on the NBU correspondent account opened with the bank, demand liabilities, budget funds, loans (including overdue indebtedness under short-term and long-term loans) and term deposits from the NBU, certain interbank loans and deposits, customer deposits, debt instruments issued by the bank, subordinated debt, past due indebtedness under interbank loans and term deposits, accounts payable in relation to assets acquisition and liabilities under all types of guarantees and committed credit lines to banks and customers.

Capital Requirements

The NBU has established requirements for capital adequacy, minimum share capital requirements and minimum regulatory capital requirements.

As at the date of this Prospectus, the minimum share capital of a bank as at the date of its registration is required to be UAH 500 million.

Regulatory capital (i.e. the sum of principal (core) capital and additional capital) of a bank may not be less than its share capital and minimum regulatory capital requirements established by the NBU. Currently, the minimum regulatory capital requirement for newly established banks which received their banking licence after 11 July 2014 is UAH 500 million. Banks licensed before 11 July 2014 are required to gradually increase their regulatory capital from a minimum of UAH 120 million as at 10 July 2017 to a minimum of UAH 500 million as at 11 July 2024.

According to the NBU requirements, the regulatory capital of a bank set by the NBU should be at least 10 per cent. of its risk-weighted assets and certain off-balance sheet instruments. For banks that have been operating for less than 12 months, regulatory capital is required to be no less than 15 per cent. of its risk weighted assets and certain off-balance sheet instruments, and for banks that have been operating for between 12 and 24 months, the regulatory capital ratio is required to be no less than 12 per cent. of its risk-weighted assets and certain off-balance sheet instruments. Risk-weighted assets, or credit risk profile of a bank, are calculated by applying various risk weights to bank's assets and off-balance-sheet commitments according to the terms set by NBU. The previously effective NBU requirements regarding the ratio of the regulatory capital to total assets and liabilities were cancelled on 25 December 2014.

As a result of the sharp depreciation of the Ukrainian hryvnia in 2014 which negatively affected capital adequacy ratios of the Ukrainian banks, the NBU has suspended its sanctions for failure by a bank to comply with the minimum regulatory capital requirement, capital adequacy ratio and certain other requirements, provided that such bank prepares and submits to the NBU an action plan for remedying the breaches and complies with certain restrictions. Currently such restrictions include (subject to certain exceptions) prohibitions on re-purchase and/or early redemption of the bank's own debt securities and shares, purchase of non-government securities for the bank's own account, payment of dividends or any other capital distribution, prepayment of deposits to substantial shareholders.

In order to approach the best practices and standards of Basel III, the NBU adopted Resolution No. 312 dated 12 May 2015, "On Amendments to the Instruction on Banking Regulation in Ukraine" ("**NBU Resolution No. 312**") which established new requirements for bank capital, capital conservation buffer and countercyclical capital buffer for all banks, as well as a systemic buffer for "systematically important banks".

Pursuant to NBU Resolution No. 312, starting from 1 January 2019, the capital adequacy ratio of a bank should be at least 7 per cent. The capital conservation buffer and countercyclical capital buffer are intended to be introduced starting from 1 January 2020. The buffers will be formed over the capital adequacy ratio and will be intended to ensure that the banks are able to cover losses in the periods of financial and economic instability. According to NBU Resolution No. 312, the level of capital conservation buffer will be required to

gradually increase over 2020-2023 from 0.625 per cent. to 2.5 per cent. of risk-weighted assets and balance sheet commitments. The level of countercyclical capital buffer will range from 0 per cent. to 2.5 per cent. of risk-weighted assets and balance sheet commitments (depending on the economic cycle phase).

NBU Resolution No. 312 also establishes certain requirements to “systematically important banks”. From 1 January 2019, the instant liquidity ratio should be at least 30 per cent. and the single counterparty exposure limit should be not more than 20 per cent. Moreover, starting from 1 January 2019, the systemic buffer will be introduced and establish a range from 1 per cent. to 2 per cent. of risk-weighted assets and balance sheet commitments (depending on the category of “systematically important bank”).

Loan Provisioning

Banks must meet mandatory requirements to cover net loan risks and must review those provisions on a monthly basis. Some loans and securities transactions do not require any provisions. These include, *inter alia*, intercompany credit transactions between entities within one banking group (for banks 100 per cent. owned by foreign entities, credit transactions with the parent company if such company is assigned an investment-grade credit rating), funds transferred to the NBU, securities issued by central state executive authorities and the NBU as well as shares in stock exchanges, securities depositaries, payment systems and credit bureaus.

Loans granted by Ukrainian banks, alongside other relevant assets, are classified into five quality groups: (i) no or minimal risk, (ii) moderate risk, (iii) substantial risk, (iv) high risk, and (v) realized risk. Starting from 1 January 2013, the new provisioning regulation of the NBU introduced formulae for calculating the provisioning amounts instead of fixed loan percentage rates as applied previously. The formulae take into account, *inter alia*, reliability levels of the borrower, debt servicing and liquidity of the respective security.

Recent Developments in the Banking Sector

Since the second quarter of 2014, the Ukrainian banking sector has been severely impacted by negative economic, political and social developments in Ukraine. These include claimed annexation of the territory of the Autonomous Republic of Crimea by Russia and hostilities which have broken out in the territory of Eastern Ukraine which resulted in loss of financial assets and tangible property by the banks actively operating in those territories. The Ukrainian banking sector has generally suffered from a number of significant weaknesses, which have included, among others, undercapitalisation, weak corporate governance and management, poor asset quality and excessive political intervention in the operation of some banks.

Since 1997, Ukraine has been implementing a series of banking sector reforms under the IMF reform programme with the aim of supporting commercial banks that undertake structural reforms and demonstrate long-term stability of their activities. Since the beginning of 1998, the NBU has required banks to prepare accounts that are based in many aspects on the International Financial Reporting Standards. As part of the IMF programme on banking sector reform, Parliament adopted the Banking Law on 7 December 2000, which provides a legal basis for strengthening the regulation of the banking system. The NBU oversees the activities of commercial banks using both off-site and on-site inspections and through a system of audits. During the period until 2008, the Ukrainian Parliament and the NBU adopted laws and regulations aimed at improving the operation of the Ukrainian banking sector. These include new laws relating to secured lending, issuance of mortgage-backed securities, new instruments for refinancing of Ukrainian banks and a regulatory framework for operation of credit bureaus.

The global economic downturn and financial turmoil in developed economies in the second half of 2008 revealed the significant weaknesses in the Ukrainian banking system resulting in considerable withdrawals of deposits and lending freezes which contributed to liquidity problems faced by many Ukrainian banks. The NBU has taken a number of measures to address the instability in Ukrainian sector, including measures aimed at preventing funds outflows and ensuring due liquidity levels of banks. On 31 October 2008, the Parliament, the Cabinet of Ministers of Ukraine and the NBU laid down the regulatory framework for recapitalization of Ukrainian banks by the government through the purchase of shares of such banks. Three Ukrainian banks (“Rodovid Bank”, “Ukrgasbank” and “Kyiv”) were recapitalised under such procedure as a result of which the State became the majority shareholder in these banks.

On 19 May 2011, the Parliament adopted the law “On Amendments to Certain Laws of Ukraine as to Supervision on a Consolidated Basis” (generally effective from 19 December 2011), which significantly expands the powers of the NBU to monitor activities of the Ukrainian banking groups (parent banks and their Ukrainian and foreign subsidiaries and/or affiliated entities having the status of a financial institution or a group of two or more financial institutions with banking as a primary activity).

In October 2011 the President of Ukraine signed the law No.3795-VI “On Amendments to Certain Legislative Acts of Ukraine regarding the Settlement of the Relations between Creditors and Consumers of Financial Services”. The law, in particular, prohibited consumer loans in foreign currency in Ukraine and introduced certain other measures aimed at protecting borrowers.

On 22 September 2012, a new Deposits Securing Law entered into effect. The law introduces substantial changes into the temporary administration and liquidation procedures of the Ukrainian banks. In particular, the NBU is now entitled to classify a bank as a distressed bank in certain cases (e.g., decrease of the bank's regulatory capital or capital adequacy ratios by more than 10 per cent., failure by the bank to discharge a creditor's claim within 5 business days from the due date, etc.). If the bank that was categorised as distressed fails to bring its activities in compliance with the banking regulations during 180 days, the NBU is required to recognise such bank as insolvent. Once the bank is recognised insolvent by the NBU, a temporary administration is introduced with such bank. According to the Deposits Securing Law, the authority of managing the temporary administration of an insolvent bank has been granted to the Fund (previously, the NBU had this authority). During the term of the temporary administration, all powers of the bank's governing bodies are transferred to a temporary administrator appointed by the Fund, a moratorium is introduced on claims of the bank's creditors. The Deposits Securing Law provides for new measures that may be taken by the Fund in respect of the insolvent bank and its assets under the temporary administration. In particular, the Fund may submit a proposal to the NBU on liquidation of the insolvent bank, transfer all or part of the insolvent bank's assets to another bank, transfer the insolvent bank's assets to a specially established “transitional” bank and sell such “transitional” bank to an investor or sell the insolvent bank itself. It should be noted that the Deposits Securing Law does not apply to Joint Stock Company “State Savings Bank of Ukraine”.

In 2010 and 2011 a number of laws and proposals to facilitate the restructuring of problem assets were adopted, urging recapitalisation and restructuring of problem banks. Ukrainian government continued the process of recapitalisation, reorganisation or liquidation of the banks that became insolvent during the 2008 to 2009 financial and economic downturn, and tightened disclosure requirements and liability for the misuse of inside information in the securities market.

In 2012 the law “On Depository System of Ukraine” was adopted. The law provides for the establishment of a central securities depository and multiple clearing houses to provide clearing services and to serve as central counterparties.

On 6 November 2012 the law “On Amendments to Certain Laws of Ukraine as to Spreading Instruments of Influence on Monetary and Credit Market” was adopted. Pursuant to the law, the NBU is entitled to introduce mandatory requirements in relation to the sale of foreign currency received by Ukrainian residents under export transactions and to shorten mandatory settlement periods in export and import transactions. In addition to the adopted law, with effect from 4 March 2015, the NBU established a requirement on mandatory sale of 75 per cent. of foreign currency receivables of Ukrainian residents, and decreased the export and import settlement period to 90 days. These measures are due to expire on 3 September 2015, however the NBU may extend the term of the restrictions beyond the currently established termination date.

In 2013 Ukraine continued further capitalisation of banks and facilitation of the consolidation in the financial sector, continued to undertake steps to improve prudential supervision over financial institutions (including the introduction of supervision on a consolidated basis), and completed a transition to the preparation of financial statements by all financial institutions in accordance with the IFRS.

Throughout 2014, the political upheavals, crisis in Eastern Ukraine, large macroeconomic imbalances and long-delayed structural reforms had a serious negative impact on Ukrainian financial system, with growing

fiscal imbalances and de facto fixed exchange rate putting pressure on countries reserves. The banking sector has witnessed an aggregate deposit outflow since the beginning of 2014. Ukrainian currency has witnessed drastic downfall from 7.9930 UAH/ U.S.\$1 as at 1 January 2014 to 22.0735 UAH/ U.S.\$1 as at 27 July 2015.

The new Ukrainian government committed itself to the programme of structural reforms under IMF standby arrangement outlined in the current “Memorandum of Economic and Financial Policies” aimed at improving the NBU’s prudential control, corporate governance of the banks, reorganising the banking sector to exclude insolvent banks and dedication to floating exchange rate policy. This programme is to be continued by the extended fund facility arrangement approved by the IMF Executive Board on 11 March 2015.

In 2014, the NBU continued its policy of reorganising the banking sector to exclude insolvent banks that fall below the NBU’s prudential requirements. As of 24 July 2015, 61 banks are under temporary administration or liquidation proceedings.

On 6 February 2014, the NBU adopted the “Regulation on Prompt Support of Banks Liquidity” pursuant to which the NBU may provide the support to banks with significant outflow of individual deposits.

On 3 June 2014, the Parliament of Ukraine adopted the law “On Moratorium on Enforcement over Property of Citizens of Ukraine Provided as Security under the Foreign Currency Loans”, which introduced a moratorium, subject to certain conditions, on the enforcement of security under retail loans of Ukrainian citizens made in foreign currency. In addition, banks are prohibited from assigning, selling or otherwise transferring any indebtedness under such loans to third parties. This law will remain in force until a new law on the repayment of indebtedness under retail loan principal denominated in foreign currency becomes effective.

On 4 July 2014, the law “On Amendments to Certain Laws of Ukraine as to Preventing Negative Influence on Stability of the Banking System” was adopted. The law authorises the NBU to establish a specific regulatory regime during crises, create conditions for immediate capitalisation of the banks, introduce a “systematically important bank” and specific regulations applicable to such banks. The new requirements for the minimum regulatory capital were implemented by this law. The regulatory capital for banks created after 11 July 2014 shall be equal to UAH 500 million and the banks, which were created earlier, shall raise their regulatory capital up to the same level until 11 July 2024.

Starting from August 2014, the NBU suspended the banking operations and transactions in the territory not under control of Ukrainian authorities (certain districts in Donetsk and Luhansk regions). On 3 November 2014, the NBU determined specific rules as to the currency regulations in the territory of Autonomous Republic of Crimea. The persons residing in and legal entities registered in the territory of Autonomous Republic of Crimea are to be treated as non-residents for the purposes of currency regulations and control.

On 28 December 2014 the law “On Measures Aimed at Promoting Capitalisation and Restructuring of the Banks” was adopted by the Ukrainian Parliament. The law entitles the NBU, upon conduct of a diagnostic survey by a bank and an independent audit firm showing that the bank needs additional capitalisation, to require banks to conduct capitalisation and/or restructuring to meet capital adequacy requirements. The capitalisation and/or restructuring program shall be prepared by the bank and filed with the NBU for its approval. The banks which are not recapitalised by their shareholders and which do not provide the NBU with satisfactory recapitalisation and/or restructuring programmes may be (i) recapitalised or restructured using public funds provided they satisfy the strict criteria provided for by such bank capitalisation law or (ii) declared insolvent by the NBU.

On 17 January 2015, the NBU approved the regulation “On Amendments to Certain NBU Regulations” authorising the NBU to require termination of authorities of banks’ management board members if an audit of a bank or the bank’s monitoring uncovers non-compliance with their obligations. The NBU has the right to demand an extraordinary meeting of the bank’s supervisory board for these purposes.

On 7 February 2015, the law “On Prevention and Counteraction to Legalization (Laundering) of the Proceeds of Crime, Terrorist Financing or Financing the Distribution of Mass Destruction Weapons” entered into force. The law strengthened banks’ and other financial institutions’ obligations on the monitoring of

financial transactions, bringing it in line with the most recent FATF recommendations and IMF requirements under the stand-by arrangement.

On 2 March 2015, the law “On Amendments to Certain Laws of Ukraine as to Liability of Persons Related to a Bank” was adopted by the Ukrainian Parliament. The law imposed strict requirements as to filing information on persons and/or entities related to a bank and updating any changes thereto. The law also provides for administrative and criminal liability for bank management, beneficial owners and owners of significant shareholdings for filing misleading information with the NBU, taking actions leading to bank’s insolvency and other violations of banking legislation.

On 14 May 2015, the Parliament adopted the Law of Ukraine “On Amendments to Certain Legislative Acts of Ukraine (in respect of Withdrawal of the Term Deposits)”, which became effective on 6 June 2015. According to the law, the depositors will be deprived of the right to withdraw their term deposits at any time prior to the maturity thereof, unless otherwise provided by the respective deposit agreement. However, this will not apply to the deposit agreements entered into prior to the date of effectiveness of the law.

On 3 June 2015, the NBU adopted regulation “On Regulation of Situation on Monetary and Currency Markets” pursuant to which, *inter alia*, the NBU sets up the daily limits on cash withdrawals from bank accounts and restrictions on transactions in foreign currency. These measures are due to expire on 3 September 2015, however no assurance can be given that the NBU will not extend the term of the restrictions further beyond the currently established termination date.

On 2 July 2015, the Parliament of Ukraine adopted the Law of Ukraine “On Restructuring of Obligations under Loans Denominated in Foreign Currency”. The draft law provides, *inter alia*, that upon written request of the borrower under a consumer loan denominated in foreign currency, the lender is required to convert the outstanding loan amount into Ukrainian hryvnias at the official exchange rate of the NBU effective as of the date of execution of the respective loan agreement. The President of Ukraine and the NBU have criticized the adoption of the draft law as resulting in negative consequences for the country’s financial and banking system, and, reportedly, the President of Ukraine is expected to veto the aforesaid law.

Competition

As at 1 July 2015, 139 commercial banks were registered and granted licences by the NBU to undertake banking transactions in Ukraine (of which one bank, Rodovid Bank, has a licence granted by the NBU allowing the bank to act as a remedial bank). As at 1 July 2015, the assets of all commercial banks in Ukraine amounted to UAH 1,303 billion (approximately U.S.\$62.0 billion); their credit portfolio (including interbank loans) amounted to UAH 1,010 billion (approximately U.S.\$48.1 billion); their equity capital amounted to UAH 99 billion (approximately U.S.\$4.7 billion), corporate deposits and current accounts amounted to UAH 293 billion (approximately U.S.\$13.9 billion) and retail deposits and current accounts amounted to UAH 407 billion (approximately U.S.\$19.4 billion) (all figures in this paragraph have been converted using the exchange rate U.S.\$1= UAH 21.0052).

According to the NBU, during 2014, the share capital of Ukrainian banks holding licences to undertake banking operations decreased by 2.7 per cent, amounting to UAH 180 billion, and thereafter increased by 8.3 per cent. during January-June 2015 amounting to UAH 195 billion as at 1 July 2015, while the equity capital of such banks decreased by 23.1 per cent. to UAH 148 billion, and thereafter decreased by 33.1 per cent. during January-June 2015 amounting to UAH 99 billion as at 1 July 2015.

During 2014, the assets and total liabilities of Ukrainian banks holding licences to undertake banking operations increased by 3 per cent. and 7.7 per cent. and amounted to UAH 1,317 billion and UAH 1,169 billion, respectively. During January-June 2015, the assets of Ukrainian banks holding licences to undertake banking operations decreased by 1.1 while their total liabilities increased by 2.9 per cent. and amounted to UAH 1,303 billion and UAH 1,203, respectively. In 2014 the regulatory capital of Ukrainian banks decreased by 7.8 per cent. amounting to UAH 189 billion and thereafter it further decreased by 42.3 per cent. in January-June 2015 amounting to UAH 109 billion as at 1 July 2015.

For 2015, commercial banks operating in Ukraine are divided by the NBU into four groups according to size of assets. In particular, 14 major banks were classified in the first group each having total assets of more than UAH 22.6 billion as at 1 April 2015, 15 banks were classified in the second group each having total assets of more than UAH 6.0 billion as at 1 April 2015, 27 banks were classified in the third group each having total assets of more than UAH 1.3 billion as at 1 April 2015 and 77 banks were classified in the fourth group each having total assets of less than UAH 2.5 billion as at 1 April 2015.

As of 1 May 2015, 45 banks in Ukraine had foreign capital, of which 19 were fully foreign owned. Banks with foreign capital comprise 28.0 per cent. of the total share capital of banks in Ukraine.

THE ISSUER

Biz Finance PLC was incorporated in England and Wales on 18 February 2010 (registered number (07161659), as a public company with limited liability under the Companies Act 2006. The registered office of the Issuer is at 4th Floor, 40 Dukes Place, London EC3A 7NH. The telephone number for the Issuer is +44 (0) 203 367 8200. The Issuer has no subsidiaries. The Issuer has been established as a special purpose vehicle or entity for the purpose of issuing debt securities (including the New Notes).

Principal Activities

The principal objects of the Issuer are set out in clause 2 of its Memorandum of Association and are, among other things, to acquire, hold and manage financial assets, to lend or advance money and to give credit to any persons (whether individuals or legal entities) for any purpose whatsoever within the United Kingdom or elsewhere, and whether secured (on any such property or otherwise) or unsecured, to carry on business as a financial institution, money lenders, bankers, capitalists, financiers and investors and to undertake all kinds of loans, financial commitments and other operations and to provide any type of financial services including without limitation lending and participation in securities issues and the provision of services related to such issues.

The Issuer will covenant to observe certain restrictions on its activities, which will be detailed in the terms and conditions of the New Notes and the New Trust Deeds.

The issued share capital in the Issuer is legally and beneficially owned and controlled directly by Capita Trust Nominees No. 1 Limited, a limited liability company incorporated in England and Wales with registered number 05322518. The rights of Capita Trust Nominees No. 1 Limited as a shareholder in the Issuer are contained in the articles of association of the Issuer, and the Issuer will be managed in accordance with those articles and with the provisions of English law.

Directors and Secretary

The directors of the Issuer and their respective business addresses and other principal activities are:

Name	Business Address	Principal Activity
Capita Trust Corporate Services Limited	34 Beckenham Road, Beckenham, Kent, BR3 4TU	Corporate Director
Capita Trust Corporate Limited	34 Beckenham Road, Beckenham, Kent, BR3 4TU	Corporate Director
Susan Lawrence	4 th Floor, 40 Dukes Place, London, EC3A 7NH	Director

The company secretary of the Issuer is Capita Trust Corporate Limited, a company incorporated in England and Wales (registered number 05322525), whose business address is The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU.

Authorised and Issued Capital

The authorised and issued capital of the Issuer as at the date of this Prospectus is as follows: 50,000 £1 shares issued to Capita Trust Nominees No. 1 Limited.

Litigation

There is no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) which may have, or has had since the date of its incorporation, significant effects on the Issuer's financial position or profitability.

Financial Statements

The financial year of the Issuer ends on 31 December in each year. Since its date of incorporation, the Issuer has published its financial statements in respect of the periods ending on 31 December 2010, 2011, 2012, 2013 and 2014 in accordance with IFRS. The Issuer does not prepare interim financial statements.

Ernst & Young LLP are the Issuer's independent auditors. The address of Ernst & Young LLP is 1 More London Place, London SE1 2AF. Ernst & Young LLP are registered to carry out audit work by the Institute of Chartered Accountants in England and Wales.

SUMMARY OF PROVISIONS RELATING TO THE NEW NOTES IN GLOBAL FORM

The following information relates to the form and transfer of the New Notes when in global form. Terms defined in the New Trust Deeds are used in this section as so defined.

Form of New Notes

All New Notes will be in registered form, without interest coupons attached. New Notes issued outside the United States in reliance on Regulation S to persons who are not U.S. persons will be represented by interests in a Regulation S Global Note Certificate, in registered form, without interest coupons attached, which will be deposited on or about the Effective Date with a common depositary for Euroclear and Clearstream, Luxembourg, and registered in the name of its nominee, as nominee of such common depositary in respect of interests held through Euroclear and Clearstream, Luxembourg.

New Notes issued to U.S. Persons who are Eligible Investors will be represented by interest in Rule 144A Global Note Certificate, in fully registered form, without interest coupons attached, which will be deposited on or about the Effective Date with the with a common depositary for Euroclear and Clearstream, Luxembourg, and registered in the name of its nominee, as nominee of such common depositary in respect of interests held through Euroclear and Clearstream, Luxembourg. Each Rule 144A Global Note Certificate (and any Individual Note Certificates issued in exchange therefor) will be subject to certain restrictions on transfer contained in a legend appearing on the face of such Rule 144A Global Note Certificate as set forth under paragraph (4) in the “*Issuance and Transfer Restrictions*” section of this Prospectus.

Beneficial Interests in Global Note Certificates

Beneficial interests in each Global Note Certificate representing the New Notes may be held only through Euroclear or Clearstream, Luxembourg at any time. See “—*Book-Entry Procedures for the Global Note Certificate*”. On acquisition of a beneficial interest in a New Note, as represented by the applicable Global Note Certificate, the purchaser thereof will be deemed to represent, among other things, that it is not a U.S. Person (as defined in Regulation S) and that, prior to the expiration of a 40 day distribution compliance period (as defined in Regulation S), it will not offer, sell, pledge or otherwise transfer such interest except to a person whom the seller reasonably believes to be a non-U.S. Person in an offshore transaction in accordance with Rule 903 of Regulation S, and in accordance with the proceedings and restrictions contained in the New Agency Agreement.

Beneficial interests in each Global Note Certificate will be subject to certain restrictions on transfer set forth in the applicable Global Note Certificate and in the respective New Agency Agreement. A beneficial interest in each Global Note Certificate may be transferred to a person who takes delivery in the form of an interest in the applicable Global Note Certificate, in denominations greater than or equal to the minimum denominations applicable, and only upon receipt by the Registrar of a written certification (in the form provided in the relevant New Agency Agreement) to the effect that the transferor reasonably believes that each such transaction is in accordance with any applicable securities laws of any state of the United States or any other jurisdiction.

Except in the limited circumstances described below, owners of beneficial interests in a Global Note Certificate will not be entitled to receive physical delivery of individual Note certificates (the “**Individual Note Certificates**”). The New Notes are not issuable in bearer form.

Exchange of Interests in the Global Note Certificate for Individual Note Certificates

Exchange

Exchange of interests in New Notes represented by each Global Note Certificate, in whole but not in part, for New Notes represented by individual note certificates in definitive registered form (the “**Individual Note Certificates**”) will not be permitted unless (i) either Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an

intention permanently to cease business or does in fact do so, or (ii) the Borrower or the Issuer would suffer a material disadvantage in respect of the New Notes as a result of a change in the laws or regulations that it would not suffer were the New Notes evidenced by Individual Note Certificates.

The holder of a Global Note Certificate may surrender such Global Note Certificate to or to the order of the Registrar. In exchange for the Global Note Certificate, as provided in the relevant New Agency Agreement, the Registrar will deliver, or procure the delivery of, an equal aggregate amount of duly executed and authenticated Individual Note Certificates in or substantially in the form set out in the relevant schedule to the applicable Trust Deed.

The Registrar will not register the transfer of, or exchange of interests in, a Global Note Certificate for interests evidenced by Individual Note Certificates for a period of 15 calendar days ending on the date for any payment of principal or interest in respect of the New Notes.

Delivery

After the circumstances set out above have occurred, the applicable Global Note Certificate shall be exchanged for Individual Note Certificates and the Issuer will, at the expense of the Bank (but against such indemnity as the Registrar or the Principal Paying Agent may require in respect of any tax or other duty of whatever nature that may be levied or imposed in connection with such exchange), cause sufficient Individual Note Certificates to be executed and delivered to the Registrar for completion, authentication and dispatch to the relevant noteholders in accordance with the Terms and Conditions of the New Notes. A person having an interest in a Global Note Certificate must provide the Issuer and the Registrar with a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such Individual Note Certificates.

Book-Entry Procedures for the Global Note Certificate

Custodial and depository links are to be established between the clearing systems to facilitate the issue of the New Notes and cross market transfers of the New Notes associated with secondary market trading. See “ — *Book-Entry Ownership — Settlement and Transfer of Notes.*”

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream Luxembourg each holds securities for its customers and facilitate the clearance and settlement of securities transactions through electronic book-entry transfer between their respective accountholders. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions which clear through or maintain a custodial relationship with an accountholder of either system. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective customers may settle trades with each other. Their customers are worldwide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Investors may hold their interests in a Global Note Certificate directly through Euroclear or Clearstream, Luxembourg if they are accountholders (“**Direct Participants**”) or indirectly (“**Indirect Participants**” and together with Direct Participants, “**Participants**”) through organisations which are accountholders therein.

Book-Entry Ownership

Beneficial interests in a Global Note Certificate will be in uncertified book-entry form.

Euroclear and Clearstream, Luxembourg

Each Global Note Certificate representing New Notes will have an ISIN and Common Code and will be registered in the name of a nominee for, and deposited with a common depository on behalf of, Euroclear

and Clearstream, Luxembourg. The address of Euroclear is 1 Boulevard du Roi Albert II, B1210 Brussels, Belgium, and the address of Clearstream, Luxembourg is 42 Avenue J.F. Kennedy, L 1855, Luxembourg.

Distributions of principal and interest with respect to book-entry interests in the New Notes held through Euroclear or Clearstream, Luxembourg will be credited, to the extent received by Euroclear or Clearstream, Luxembourg from the Principal Paying Agent, to the cash accounts of Euroclear or Clearstream, Luxembourg customers in accordance with the relevant system's rules and procedures.

Relationship of Participants with Clearing Systems

Each of the persons shown in the records of a clearing system as the holder of a New Note evidenced by the relevant Global Note Certificate must look solely to such clearing system for his share of each payment made by the Issuer to the holder of such Global Note Certificate and in relation to all other rights arising under the Global Note Certificate, subject to and in accordance with the respective rules and procedures of such clearing system. The Issuer expects that, upon receipt of any payment in respect of New Notes evidenced by the Global Note Certificate, the common depositary by whom such New Note is held, or nominee in whose name it is registered, will immediately credit the relevant participants or accountholders accounts in the relevant clearing system with payments in amounts proportionate to their respective beneficial interests in the principal amount of the relevant Global Note Certificate as shown on the records of the relevant clearing system or its nominee. The Issuer also expects that payments by Direct Participants in any clearing system to owners of beneficial interests in the relevant Global Note Certificate held through such Direct Participants in any clearing system will be governed by standing instructions and customary practices. Save as aforesaid, such persons shall have no claim directly against the Issuer in respect of payments due on the New Notes for so long as the New Notes are evidenced by the relevant Global Note Certificate and the obligations of the Issuer will be discharged by payment to the registered holder, as the case may be, of the relevant Global Note Certificate in respect of each amount so paid. None of the Issuer, the Trustee or any Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in any Global Note Certificate or for maintaining, supervising or reviewing any records relating to such ownership interests.

Settlement and Transfer of Notes

Subject to the rules and procedures of each applicable clearing system, purchases of New Notes held within a clearing system must be made by or through Direct Participants, which will receive a credit for such New Notes on the clearing system's records. The ownership interest of each actual purchaser of each such New Note (the “**Beneficial Owner**”) will in turn be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from any clearing system of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which such Beneficial Owner entered into the transaction.

Transfers of ownership interests in New Notes held within the clearing system will be affected by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in such Notes, unless and until interests in the relevant Global Note Certificate held within a clearing system are exchanged for interests evidenced by Individual Note Certificates.

No clearing system has knowledge of the actual Beneficial Owners of the New Notes held within such clearing system and their records will reflect only the identity of the Direct Participants to whose accounts such New Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by the clearing systems to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

The laws of some jurisdictions may require that certain persons take physical delivery in definitive form of securities. Consequently, the ability to transfer interests in the relevant Global Note Certificate to such persons may be limited.

Trading between Clearing Systems Participants

Secondary market sales of book-entry interests in the New Notes held through a clearing system to purchasers of book- entry interests in the New Notes held through such clearing system will be conducted in accordance with the normal rules such clearing system.

Although the clearing systems have agreed to the procedures set forth in the New Agency Agreement in order to facilitate transfers of a beneficial interest in the relevant Global Note Certificate among participants and accountholders of such clearing systems, they are under no obligation to perform or continue to perform such procedure, and such procedures may be discontinued at any time. None of the Issuer, the Trustee or any Agent will have the responsibility for the performance by the clearing system or their respective Direct or Indirect Participants of their respective obligations under the rules and procedures governing their operations.

ISSUANCE AND TRANSFER RESTRICTIONS

United States

The New Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered, sold, pledged or otherwise transferred except (i) to a person who is located outside the United States and is not a U.S. Person, in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act or (ii) in a transaction exempt from, or not subject to, the registration requirements of the Securities Act, in each case in accordance with any applicable securities laws of any state or other jurisdiction of the United States. Any future sale, offer, pledge or transfer of the New Notes will also be subject to (i) and (ii) above.

Therefore, by electing to receive New Notes, a Noteholder will be required, unless in any instance the Bank otherwise agrees, to represent, acknowledge and agree that:

- (1) the New Notes have not been and will not be registered under the Securities Act or any other securities laws and are being offered in transactions not involving any public offering in the United States within the meaning of Section 4(2) of the Securities Act;
- (2) unless so registered, the New Notes may not be offered, sold or otherwise transferred except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or any other applicable securities laws;
- (3) it is either:
 - (i) not a U.S. Person or acting for the account or benefit of a U.S. Person, it is located outside the United States and it acknowledges that until the expiration of the period which expires on and includes the 40th day after the later of the commencement of the offering of the New Notes and the Effective Date (the “**distribution compliance period**”), any offer or sale of these New Notes shall not be made by it except (a) to a person whom it reasonably believes is a QIB, in a transaction meeting the requirements of Rule 144A or (b) to a person that is not a U.S. Person or acting for the account or benefit of a U.S. Person in an offshore transaction in accordance with Rule 903 or 904 of Regulation S; and, in each case, accordance with any applicable securities laws of any state or other jurisdiction of the United States; or
 - (ii) an Accredited Investor or a QIB and, if it is participating on behalf of one or more investor accounts, each of these investor accounts is an Accredited Investor or a QIB, and it:
 - (a) is acquiring the New Notes for investment, in the normal course of its business, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the Securities Act;
 - (b) invests in or purchase securities similar to the New Notes and it has such knowledge and experience in financial and business matters that makes it capable of evaluating the merits and risks of acquiring the New Notes; and
 - (c) is aware that it (or any of these investor accounts) may be required to bear the economic risk of an investment in the New Notes for an indefinite period of time and it (or that investor account) is able to bear this risk for an indefinite period; or
- (4) it understands that the New Notes offered pursuant to an exemption from the Securities Act other than Regulation S will bear a legend to the following effect:

THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”) OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. BY ACCEPTANCE OF THE SECURITY REPRESENTED HEREBY, EACH BENEFICIAL OWNER HEREOF REPRESENTS AND AGREES, FOR THE BENEFIT OF THE ISSUER THAT (A) IT IS EITHER (I) NOT A U.S. PERSON AND IS LOCATED OUTSIDE

THE UNITED STATES AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT OR (II) AN ACCREDITED INVESTOR AS DEFINED IN RULE 501(a) OF REGULATION D UNDER THE SECURITIES ACT (AN “**ACCREDITED INVESTOR**”) OR (III) A QUALIFIED INSTITUTIONAL BUYER AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT (“**QIB**”). (B) THE SECURITY MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (I) TO THE ISSUER, (II) OUTSIDE THE UNITED STATES TO PERSONS THAT ARE NOT U.S. PERSONS AS DEFINED IN, AND IN ACCORDANCE WITH, REGULATION S, (III) WITHIN THE UNITED STATES IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QIB THAT IS PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ANOTHER QIB, OR (IV) PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER, IF AVAILABLE, AND IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES, AND (C) THE BENEFICIAL OWNER WILL, AND EACH SUBSEQUENT BENEFICIAL OWNER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS SECURITY (OR INTEREST HEREIN) FROM IT OF THE RESTRICTIONS REFERRED TO (A) AND (B) ABOVE. TRANSFERS IN VIOLATION OF THE FOREGOING WILL BE OF NO FORCE OR EFFECT, WILL BE VOID AB INITIO, AND WILL NOT OPERATE TO TRANSFER ANY RIGHTS TO THE TRANSFEREE.

THIS SECURITY AND ALL RELATED DOCUMENTATION MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR REALES AND OTHER TRANSFERS OF THIS SECURITY TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO THE RESALE OR TRANSFERS OF RESTRICTED SECURITIES GENERALLY. BY THE ACCEPTANCE OF THIS SECURITY THE HOLDER HEREOF SHALL BE DEEMED TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT.

- (5) if it is a QIB or an Accredited Investor, it understands that the New Notes offered pursuant to an exemption from the Securities Act other than Regulation S will be represented by a Restricted Global Note. Before any interest in the Restricted Global Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Unrestricted Global Note, it will be required to provide the Registrar with a written certification (in the form provided in the relevant New Agency Agreement) as to compliance with applicable securities laws;
- (6) if it has elected to participate in compliance with Regulation S, it understands that the New Notes will be represented by an Unrestricted Global Note. Prior to the expiration of the distribution compliance period, before any interest in the Unrestricted Global Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in a Restricted Global Note, it will be required to provide the Registrar with a written certification (in the form provided in the relevant New Agency Agreement) as to compliance with applicable securities laws; and
- (7) the Bank, the Registrar, the Trustee and the Principal Paying and their affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

Transfer Restrictions

The New Notes issued to persons in the United States are transferable in the United States only to QIBs in a transaction meeting the requirements of Rule 144A or pursuant to another available exemption from the registration requirements of the Securities Act or outside the United States under Regulation S. Because of the following restrictions, such persons are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of such New Notes.

Each subsequent purchaser or transferee of the New Notes in the United States or that is a U.S. Person will be deemed to have represented, agreed and acknowledged as follows:

- (i) in respect of transfers pursuant to Rule 144A, the purchaser (a) is a QIB, (b) is acquiring the New Notes for its own account or for the account of such a QIB, (c) such person is aware that the sale of the New Notes to it is being made in reliance on Rule 144A and (d) if it is receiving such New Notes for the account of one or more QIBs, it has sole investment discretion with respect to each such amount and it has full power to make (and does make) the acknowledgements, representations and agreements herein on behalf of each such account;
- (ii) in respect of a transfer otherwise than pursuant to Rule 144A, the purchaser and the transferor shall have complied with such procedures (including delivery of legal opinions) as may be required by the Registrar in accordance with the New Agency Agreement;
- (iii) the New Notes have not been and will not be registered under the Securities Act or any other securities laws and are being offered in transactions not involving any public offering in the United States and are restricted securities within the meaning of the Securities Act;
- (iv) unless so registered, the New Notes may not be reoffered, resold or otherwise transferred except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or any other applicable securities laws, except in accordance with the restrictions set forth above;
- (v) it understands that the New Notes offered pursuant to an exemption from the Securities Act will be represented by a Restricted Global Note. Before any interest in any Restricted Global Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in an Unrestricted Global Note, it will be required to provide the Registrar with a written certification (in the form provided in the New Agency Agreement) as to compliance with applicable securities laws;
- (vi) each Restricted Global Note and any Restricted Note Certificates issued in exchange for an interest in a Restricted Global Note will bear the same legend as set forth in above, unless the Bank determines otherwise in accordance with applicable law;
- (vii) the Prospectus in respect of the New Notes is solely for the benefit of Noteholders and no reliance may be placed on by the purchaser; and
- (viii) the Bank, the Registrar, the Trustee and the Principal Paying Agent and their affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

Each subsequent purchaser or transferee of the New Notes in re-sales in reliance on Regulation S under the Securities Act during the distribution compliance period will be deemed to have represented, agreed and acknowledged as follows (terms used in this paragraph that are defined in Regulation S are used herein as so defined):

- (i) it is, or at the time the New Notes are purchased will be, the beneficial owner of such New Notes and it is not a U.S. Person and it is located outside the United States (within the meaning of Regulation S);
- (ii) it understands that such New Notes have not been and will not be registered under the Securities Act and that, prior to the expiration of the distribution compliance period, it will not offer, sell pledge or otherwise transfer such New Notes, except (a) to a person whom it reasonably believes is a QIB, in a transaction meeting the requirements of Rule 144A or (b) to a person that is not a U.S. Person or acting for the account of benefit of a U.S. Person in an offshore transaction in accordance with Rule 903 or 904 of Regulation S; and, in accordance with any applicable securities laws of any state of the United States or any other jurisdiction;
- (iii) it understands that the New Notes will be represented by an Unrestricted Global Note. Prior to the expiration of the distribution compliance period, before any interest in any Unrestricted Global Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of

an interest in a Restricted Global Note, it will be required to provide the Registrar with a written certification (in the form provided in the New Agency Agreement) as to compliance with applicable securities laws;

- (iv) the Prospectus in respect of the New Notes is solely for the benefit of Noteholders and no reliance may be placed on by the purchaser; and
- (v) the Issuer, the Bank, the Registrar, the Trustee and the Principal Paying Agent and their affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

If you wish to participate in the Reprofiting, and you are a Noteholder who is a U.S. Person and are not an Eligible Investor, please contact the Bank by e-mail at lm@hq.eximb.com or by telephone on +380 44 247 8926.

ADDITIONAL INFORMATION

Authorisations

The Bank has obtained all necessary consents, approvals and authorisations in connection with its participation in the Amended and Restated Loan Agreements, other than the registration by the Bank of the Amended and Restated Loan Agreements with the NBU to be performed following execution of the Amended and Restated Loan Agreements. The execution by the Bank of the Amended and Restated Loan Agreements and the other documents was approved by the decision of the Board dated 9 July 2015 (minutes No. 44).

The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the New Notes and the other documents (including the Amended and Restated Loan Agreements) to be entered into by the Issuer. The issue of the New Notes and their listing were approved by the Issuers' Board of Directors on 9 July 2015 and 17 July 2015, respectively.

Listing

Application has been made to the Irish Stock Exchange for the New Notes to be admitted to listing on the official list of the Irish Stock Exchange and admitted to trading on the Main Securities Market of the Irish Stock Exchange. It is expected that admission to the official list and trading on the Main Securities Market will be granted on or about 4 August 2015, subject only to the issue of the New Notes. Prior to official listing, dealings will be permitted by the Irish Stock Exchange in accordance with its rules.

Admission Expenses

The estimated total expenses relating to the admission of the New Notes to trading are approximately EUR 9,000.

Clearing Systems

The 2022 Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg with a Common Code of 126182597 (Reg S) and 126182651 (Rule 144A). The International Securities Identification Number for the 2022 Notes is XS1261825977 (Reg S) and XS1261826512 (Rule 144A).

The 2023 Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg with a Common Code of 126182589 (Reg S) and 126182643 (Rule 144A). The International Securities Identification Number for the 2023 Notes is XS1261825894 (Reg S) and XS1261826439 (Rule 144A).

The 2025 Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg with a Common Code of 126182562 (Reg S) and 126182635 (Rule 144A). The International Securities Identification Number for the 2025 Notes is XS1261825621 (Reg S) and XS1261826355 (Rule 144A).

Material Adverse Change

Except as described in this Prospectus under "*Risk Factors*", "*The Bank*", "*Financial Review*", "*Risk Management*" and "*Selected Statistical Data and Other Information*", there has been no material adverse change in the prospects of the Bank since 31 December 2014 and no significant change in the financial or trading position of the Bank since 31 March 2015.

Since 31 December 2014, there has been no material adverse change in the financial position or prospects of the Issuer.

Financial Statements and Auditors

The Bank's Annual Consolidated Financial Statements have been audited in accordance with International Standards on Auditing by the Bank's independent auditors, LLC Audit Firm "PricewaterhouseCoopers (Audit)", who have expressed an unqualified opinion on the Annual Consolidated Financial Statements. With respect to the unaudited condensed interim consolidated financial information of the Bank as at and for the three months ended 31 March 2015, LLC Audit Firm "PricewaterhouseCoopers (Audit)" have applied limited procedures in accordance with professional standards for a review of such information. However, their report dated 28 May 2015 states that they did not audit and they do not express an opinion on this

unaudited financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied.

The address of LLC Audit Firm “PricewaterhouseCoopers (Audit)” is 9-10th floors, 75 Zhylyanska Street, Kyiv 01032, Ukraine. LLC Audit Firm “PricewaterhouseCoopers (Audit)” is registered in the register of audit firms of the Audit Chamber of Ukraine.

Litigation

Save as disclosed on page 55 under the title “*Legal Proceedings*” of this Prospectus, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Bank is aware), which may have, or have had, during the 12 months prior to the date of this Prospectus, a significant effect on the Bank’s consolidated financial position or profitability.

Documents Available for Inspection

Copies of certain documents are available for inspection by any person during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of this Prospectus for the life of this Prospectus in physical form at the registered office of the Bank. These documents include:

- the Financial Statements;
- the audited financial statements of the Issuer and the notes thereto as at and for the years ended 31 December 2014 and 31 December 2013;
- the Memorandum and Articles of Association of the Issuer;
- the Charter of the Bank;
- this Prospectus;
- the Amended and Restated Loan Agreements;
- the New Trust Deeds; and
- the New Agency Agreements in respect of the New Notes.

Material Contracts

Save as disclosed in this Prospectus under “*The Bank*”, neither the Issuer nor the Bank is a party to any material contract outside the ordinary course of business, which could result in the Issuer or the Bank being under an obligation or entitlement that is material to their respective obligations under the New Notes or the Amended and Restated Loan Agreements.

Foreign Text

The language of this Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

Listing Agent

Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in relation to the Notes and is not itself seeking admission of the New Notes to the Official List of the Irish Stock Exchange or to trading on the regulated market of the Irish Stock Exchange for the purposes of the Prospectus Directive.

Post-Issuance Information

Neither the Issuer nor the Bank intends to provide any post-issuance information.

SCHEDULE 1 — TERMS AND CONDITIONS OF THE NEW NOTES

ANNEX 1 – TERMS AND CONDITIONS OF THE NEW 2022 NOTES

The following is the text of the Terms and Conditions of the Notes, which will be endorsed on each Note in definitive form. The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under “Summary of Provisions Relating to the New Notes in Global Form” above.

The U.S.\$750,000,000 9.625 per cent. Amortising Loan Participation Notes due 2022 (the “**Notes**”, which expression includes any Further Notes issued pursuant to Condition 13 (*Further Issues*) and forming a single series therewith) of BIZ Finance PLC (the “**Issuer**”) are constituted by, are subject to, and have the benefit of, a trust deed dated 20 July 2015 (as amended or supplemented from time to time, the “**Trust Deed**”) between the Issuer and BNY Mellon Corporate Trustee Services Limited as trustee (the “**Trustee**”, which expression includes all persons for the time being trustee or trustees appointed under the Trust Deed) and are the subject of an agency agreement dated 20 July 2015 (as amended or supplemented from time to time, the “**Agency Agreement**”) between the Issuer, The Bank of New York Mellon (Luxembourg) S.A., as registrar (the “**Registrar**”, which expression includes any successor registrar appointed from time to time in connection with the Notes), The Bank of New York Mellon, London Branch as principal paying agent (the “**Principal Paying Agent**”, which expression includes any successor principal paying agent appointed from time to time in connection with the Notes), the transfer agents named therein (the “**Transfer Agents**”, which expression includes any successor or additional transfer agents appointed from time to time in connection with the Notes), the paying agents named therein (together with the Principal Paying Agent, the “**Paying Agents**”, which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes) and the Trustee. References herein to the “**Agents**” are to the Registrar, the Transfer Agents and the Paying Agents and any reference to an “**Agent**” is to any one of them. Certain provisions of these Conditions are summaries of the Trust Deed and the Agency Agreement and subject to their detailed provisions. The Noteholders (as defined below) are entitled to the benefit of, bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those provisions of the Agency Agreement applicable to them.

Copies of the Trust Deed and the Agency Agreement are available for inspection during normal business hours at the registered office for the time being of the Trustee, being at the date hereof One Canada Square, London E14 5AL, United Kingdom and at the Specified Offices (as defined in the Agency Agreement) of each of the Agents, the initial Specified Offices of which are set out below.

The Issuer has authorised the creation, issue and sale of the Notes for the sole purpose of financing the US\$750,000,000 loan (the “**Loan**”) to Joint Stock Company “The State Export-Import Bank of Ukraine” (the “**Borrower**”). The terms and conditions of the Loan are recorded the loan agreement dated 16 April 2010 between the Borrower and the Issuer (as lender) as amended by the supplemental loan agreements on 18 October 2010 and 27 April 2015, as amended and restated by the amendment and restatement agreement dated 9 July 2015 (as amended and supplemented from time to time, the “**Loan Agreement**”).

In each case where amounts of principal, interest and Additional Amounts, if any, due pursuant to Condition 6 (*Payments*) and Condition 7 (*Taxation*) are stated herein or in the Trust Deed to be payable in respect of the Notes, the obligation of the Issuer to make any such payment shall constitute an obligation only to pay to the Noteholders (as defined in Condition 2(a)), on each date upon which such amounts of principal, interest and Additional Amounts, if any, are due in respect of the Notes, to the extent of the sums of principal, interest, Additional Amounts and Indemnity Amounts (each as defined in the Loan Agreement), if any, actually received by or for the account of the Issuer pursuant to the Loan Agreement, less any amounts in respect of the Reserved Rights (as defined below). Noteholders must therefore rely solely and exclusively upon the covenant to pay under the Loan Agreement and the credit and financial standing of the Borrower. Noteholders shall have no recourse (direct or indirect) to any other assets of the Issuer.

As security for the Issuer’s payment obligations under the Trust Deed and in respect of the Notes, the Issuer as lender under the Loan Agreement has:

- (A) charged by way of security to the Trustee all of the Issuer’s rights, interests and benefits in and to (i) principal, interest and other amounts now or hereafter paid and payable by the Borrower to the Issuer as lender under the Loan Agreement and (ii) all amounts now or hereafter paid or payable by the

Borrower to the Issuer under or in respect of any claim, award or judgment relating to the Loan Agreement (in each case other than its right to amounts in respect of any rights, interests and benefits of the Issuer under the following Clauses of the Loan Agreement: Clause 3.2 (*Fees*), the second sentence of Clause 6.6 (*Costs of Repayment*); Clause 7.3(a) (*Indemnity Amounts*); Clause 9 (*Changes in Circumstances*); Clause 10 (*Representations and Warranties of the Borrower*); Clause 14 (*Indemnity*); Clause 17 (*Costs and Expenses*) (to the extent that the Issuer's claim is in respect of one of the aforementioned clauses of the Loan Agreement); Clause 7.2 (*Double Tax Treaty Relief*), Clause 15.2 (*Currency Indemnity*) and Clause 16.3 (*No Set-off*) (such rights are referred to herein as the "**Reserved Rights**"));

- (B) charged by way of security to the Trustee all of the Issuer's rights, interests and benefits in and to all sums held on deposit from time to time, in the Account (as defined in the Trust Deed) with the Principal Paying Agent, together with the debt represented thereby (except to the extent such debt relates to Reserved Rights) pursuant to the Trust Deed (this sub-clause (B), together with sub-clause (A) other than the Reserved Rights, the "**Charged Property**"); and
- (C) assigned absolutely by way of security to the Trustee all of the Issuer's rights, interests and benefits whatsoever, both present and future, whether proprietary, contractual or otherwise under or arising out of or evidenced by the Loan Agreement (including, without limitation, the right to declare the Loan immediately due and payable and to take proceedings to enforce the obligations of the Borrower thereunder) other than the Charged Property and the Reserved Rights and amounts payable by the Borrower in relation to the Charged Property and the Reserved Rights (the "**Transferred Rights**"),

together, the "**Security Interests**".

In certain circumstances, the Trustee can (subject to it being indemnified and/or secured to its satisfaction) be required by Noteholders holding at least 25 per cent. of the principal amount of the Notes then outstanding or by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders to exercise certain of its powers under the Trust Deed (including those arising in connection with the Security Interests). However, it may not be possible for the Trustee to take certain actions in relation to the Notes and, accordingly, in such circumstances the Trustee will be unable to take such actions, notwithstanding the provision of an indemnity or security to it, and it will thus be for the Noteholders to take such actions directly.

1. Form, Denomination and Status

- (a) *Form and denomination:* The Notes are in registered form, without interest coupons attached, in the denominations of US\$150,000 and integral multiples of US\$1,000 in excess thereof (each, an "**Authorised Holding**").
- (b) *Status:* The sole purpose of the issue of the Notes is to provide the funds for the Issuer to finance the Loan. The Notes constitute the obligation of the Issuer to apply an amount equal to the principal amount of the Notes solely for financing the Loan and to account to the Noteholders for principal and interest and Additional Amounts (as defined in the Loan Agreement), if any in respect of the Notes in an amount equivalent to sums of principal, interest, Additional Amounts and Indemnity Amounts (as defined in the Loan Agreement), if any, actually received by or for the account of the Issuer pursuant to the Loan Agreement (less any amounts in respect of Reserved Rights), the right to receive which is, *inter alia*, being charged by way of security to the Trustee by virtue of the Security Interests as security for the Issuer's payment obligations under the Trust Deed and in respect of the Notes.

Payments in respect of the Notes to the extent of the sums actually received by or for the account of the Issuer by way of principal, interest, Additional Amounts or Indemnity Amounts, if any, pursuant to the Loan Agreement (less any amounts in respect of the Reserved Rights) will be made *pro rata* among all Noteholders (subject to Condition 7 (*Taxation*)), on the dates on which such payments are due in respect of the Notes subject to the conditions attaching to, and in the currency of, such payments under the Loan Agreement. The Issuer shall not be liable to make any payment in respect of the Notes other than as expressly provided herein and in the Trust Deed. The Issuer shall be under no obligation to exercise in favour of the Noteholders any rights of set-off or of banker's lien

or to combine accounts or counterclaim that may arise out of other transactions between the Issuer and the Borrower.

Noteholders are deemed to have accepted that:

- (i) neither the Issuer nor the Trustee makes any representation or warranty in respect of, and shall at no time have any responsibility for, or (save as otherwise expressly provided in the Trust Deed and paragraph (vi) below) liability, or obligation in respect of the performance and observance by the Borrower of its obligations under the Loan Agreement or the recoverability of any sum of principal, interest, Additional Amounts or Indemnity Amounts or other amounts, if any, due or to become due from the Borrower under the Loan Agreement;
- (ii) neither the Issuer nor the Trustee shall at any time have any responsibility for, or obligation or liability in respect of, the condition (financial, operational or otherwise), creditworthiness, affairs, status, nature or prospects of the Borrower;
- (iii) neither the Issuer nor the Trustee shall at any time have any responsibility for, or obligation or liability in respect of, any misrepresentation or breach of warranty or any act, default or omission of the Borrower under or in respect of the Loan Agreement;
- (iv) neither the Issuer nor the Trustee shall at any time have any responsibility for, or liability or obligation in respect of, the performance and observance by the Registrar, any Transfer Agent or any Paying Agent of their respective obligations under the Agency Agreement;
- (v) the financial servicing and performance of the terms of the Notes depend solely and exclusively upon performance by the Borrower of its obligations under the Loan Agreement, its covenant to pay under the Loan Agreement and its credit and financial standing. The Borrower has represented and warranted to the Issuer in the Loan Agreement that the Loan Agreement constitutes legal, valid and binding obligations of the Borrower. The representations and warranties given by the Borrower in Clause 10 (*Representations and Warranties of the Borrower*) of the Loan Agreement are given by the Borrower to the Issuer for the sole benefit of the Issuer and neither the Trustee nor any Noteholder shall have any remedies or rights against the Borrower that the Issuer may have with respect to such representations or warranties, other than any right the Trustee may have pursuant to the assignment of the Transferred Rights;
- (vi) the Issuer (and, pursuant to the assignment of the Transferred Rights, the Trustee) will rely on self-certification by the Borrower and certification by third parties as a means of monitoring whether the Borrower is complying with its obligations under the Loan Agreement and shall not otherwise be responsible for investigating any aspect of the Borrower's performance in relation thereto and, subject as further provided in the Trust Deed, the Trustee will not be liable for any failure to make the usual or any investigations which might be made by a security holder in relation to the property which is the subject of the Security Interests and held by way of security for the Notes, and shall not be bound to enquire into or be liable for any defect or failure in the right or title of the Issuer to the secured property represented by the Security Interests whether such defect or failure was known to the Trustee or might have been discovered upon examination or enquiry or whether capable of remedy or not, nor will it have any liability for the enforceability of the security created by the Security Interests whether as a result of any failure, omission or defect in registering or filing or otherwise protecting or perfecting such security and the Trustee will have no responsibility for the value of such security; and
- (vii) if the Borrower is required by law to make any withholding or deduction for or on account of tax from any payment under the Loan Agreement or if the Issuer is required by law to make any withholding or deduction for or on account of tax from any payment in respect of the Notes, the sole obligation of the Issuer will be to pay the Noteholders sums equivalent to the sums actually received from the Borrower pursuant to the Loan Agreement in respect of such payment, including, if applicable, Additional Amounts or Indemnity Amounts in

respect of the tax required to be so withheld or deducted; the Issuer shall not be obliged to take any actions or measures as regards such deductions or withholdings other than those set in Clause 7 (*Taxes*) and Clause 9.3 (*Mitigation*) of the Loan Agreement.

Save as otherwise expressly provided herein and in the Trust Deed, no proprietary or other direct interest in the Issuer's rights under or in respect of the Loan Agreement or the Loan exists for the benefit of the Noteholders. No Noteholder will have any entitlement to enforce any of the provisions in the Loan Agreement or have direct recourse to the Borrower except through action by the Trustee under the Security Interests. The Trustee shall not be required to take proceedings to enforce payment under the Trust Deed or, pursuant to the Transferred Rights, the Loan Agreement unless it has been indemnified and/or secured by the Noteholders to its satisfaction against all liabilities, proceedings, claims and demands to which it may thereby become liable and all costs, charges and expenses which may be incurred by it in connection therewith.

As provided in the Trust Deed, the obligations of the Issuer are solely to make payments of amounts in aggregate equal to principal, interest, Additional Amounts, Indemnity Amounts or other amounts, if any, actually received by or for the account of the Issuer pursuant to the Loan Agreement (less any amounts in respect of Reserved Rights), the right to which is being charged by way of security to the Trustee as aforesaid. Noteholders must therefore rely solely and exclusively upon the covenant to pay under the Loan Agreement and the credit and financial standing of the Borrower.

The obligations of the Issuer to make payments as stated in the previous paragraph constitute direct and general obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

Payments made by the Borrower under the Loan Agreement to, or to the order of, the Trustee or (before such time that the Issuer has been required by the Trustee, pursuant to the terms of the Trust Deed, to pay to or to the order of the Trustee) the Principal Paying Agent will satisfy *pro tanto* the obligations of the Issuer in respect of the Notes.

2. Register, Title and Transfers

- (a) *Register*: The Registrar will maintain outside the United Kingdom a register (the “**Register**”) in respect of the Notes in accordance with the provisions of the Agency Agreement. In these Conditions, the “**Holder**” of a Note means the person in whose name such Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and “**Noteholder**” shall be construed accordingly. A certificate (each, a “**Note Certificate**”) will be issued to each Noteholder in respect of its registered holding. Each Note Certificate will be numbered serially with an identifying number which will be recorded in the Register.

The “Regulation S Global Note Certificate” and the “Rule 144A Global Note Certificate” will be deposited with The Bank of New York Mellon, as common depositary for Euroclear and Clearstream, Luxembourg and registered in the name of The Bank of New York Depository (Nominees) Limited, as nominee for the Common Depositary. (The Rule 144A Global Note Certificate and the Regulation S Global Note Certificate, together the “Global Note Certificates” and each a “Global Note Certificate”).

- (b) *Title*: The Holder of each Note shall (except as otherwise required by law) be treated as the absolute owner of such Note for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Note Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft of such Note Certificate) and no person shall be liable for so treating such Holder. No person shall have any right to enforce any term or condition of the Notes or the Trust Deed under the Contracts (Rights of Third Parties) Act 1999.
- (c) *Transfers*: Subject to Condition 2(f) (*Closed periods*) and Condition 2(g) (*Regulations concerning transfers and registration*) below, a Note may be transferred upon surrender of the relevant Note Certificate, with the endorsed form of transfer duly completed (including any certificates as to

compliance with restrictions on transfer included therein), at the Specified Office of the Registrar or relevant Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; *provided, however, that* a Note may not be transferred unless the principal amount of Notes transferred and (where not all of the Notes held by a Holder are being transferred) the principal amount of the balance of Notes not transferred are Authorised Holdings. Where not all the Notes represented by the surrendered Note Certificate are the subject of the transfer, a new Note Certificate in respect of the balance of the Notes will be issued to the transferor.

- (d) *Registration and delivery of Note Certificates:* Within five business days of the surrender of a Note Certificate in accordance with Condition 2(c) (*Transfers*) above, the Registrar will register the transfer in question and deliver a new Note Certificate of a like principal amount to the Notes transferred to each relevant Holder at its address (as specified by such Holder to the Registrar) or (as the case may be) the Specified Office of any Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this paragraph, “**business day**” means a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.
- (e) *No charge:* The transfer of a Note will be effected without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent but against such indemnity as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.
- (f) *Closed periods:* Noteholders may not require transfers to be registered during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Notes.
- (g) *Regulations concerning transfers and registration:* All transfers of Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Trustee, the Registrar and the Borrower. A copy of the current regulations will be mailed (free of charge) by the Registrar and/or any Transfer Agent to any Noteholder who requests in writing a copy of such regulations. So long as any of the Notes are listed on the regulated market of the Irish Stock Exchange, a copy of the current regulations will be publicly available at the specified offices of the Transfer Agent and the Principal Paying Agent.

3. Issuer’s Covenant

As provided in the Trust Deed, so long as any of the Notes remain outstanding (as defined in the Trust Deed), the Issuer will not, without the prior written consent of the Trustee or an Extraordinary Resolution or Written Resolution (as defined in the Trust Deed), agree to any amendments to or any modification or waiver of, or authorise any breach or proposed breach of, the terms of the Loan Agreement and will act at all times in accordance with any instructions of the Trustee from time to time with respect to the Loan Agreement, except as otherwise expressly provided in the Trust Deed and the Loan Agreement. Any such amendment, modification, waiver or authorisation made with the consent of the Trustee shall be binding on the Noteholders and any such amendment or modification shall be notified by the Issuer to the Noteholders in accordance with Condition 14 (*Notices*).

4. Interest

- (a) Interest on the Notes is equal to 9.625 per cent. per annum (the “**Rate of Interest**”) (the “**Due Interest**”), provided that, subject to and in accordance with Condition 6 (*Payments*), on each Interest Payment Date the Issuer shall pay to the Noteholders only an amount of interest equal to and in the same currency as the amount of interest actually received by or for the account of the Issuer pursuant to the Loan Agreement (the “**Current Paid Interest**”). The amount equal to the difference between the Due Interest and the Current Paid Interest (if any) shall remain due by the Issuer, but shall be deferred (the “**Deferred Interest**”). Interest shall accrue on the Loan from day to day from (and

including) 27 April 2015 to (but excluding) the due date for repayment thereof unless payment of principal is improperly withheld or refused, in which event interest will continue to accrue (before or after any judgment) at the Rate of Interest to but excluding the date on which payment in full of the outstanding principal amount of the Loan is made.

- (b) The amount of interest payable in respect of the Loan for any Interest Period shall be calculated by applying the Rate of Interest to the principal amount of the Loan, dividing the product by two and rounding the resulting figure to the nearest cent (half a cent being rounded upwards). If interest on the Loan is required to be calculated for any period other than an Interest Period, it will be calculated on the basis of a year of 360 days consisting of 12 months of 30 days each and, in the case of an incomplete month, the actual number of days elapsed.
- (c) As used in this Condition 4 (*Interest*), “**Interest Payment Date**” and “**Interest Period**” shall have the meanings given to them in the Loan Agreement and “**Issue Date**” shall have the meaning given to the term “Borrowing Date” in the Loan Agreement. In the Loan Agreement, “**Interest Payment Date**” is defined as 27 April and 27 October in each year, on in which the Loan remains outstanding (commencing, for the purposes of the Notes, on 27 October 2015). The final interest payment shall be payable on 27 April 2022. Under the Loan Agreement, the Borrower is required, two Business Days prior to each Interest Payment Date, to pay to the Issuer an amount equal to and in the same currency as the full amount of interest accruing during the Interest Period ending on such Interest Payment Date.

5. Redemption, Purchase and Right to Compel Sale

- (a) *Scheduled redemption*: Unless previously repaid pursuant to Clause 6 (*Repayment*) of the Loan Agreement, the Borrower will be required to repay the Loan on its due date as provided in the Loan Agreement and, unless previously redeemed pursuant to this Condition 5 or Condition 12 (*Enforcement*) and subject to the repayment of the relevant part of the Loan, U.S.\$500 for each U.S.\$1,000 of the initial principal amount of the Notes will be redeemed on 27 April 2019 and the remaining outstanding principal amount of the Notes shall be redeemed in six equal semi-annual instalments beginning on 27 October 2019 with the final repayment being due on 27 April 2022, subject as provided in Condition 6 (*Payments*).
- (b) *Redemption by the Issuer*: The Notes shall be redeemed by the Issuer in whole, but not in part, at any time, on giving not less than 30 days’ nor more than 90 days’ notice to the Noteholders (which notice shall be irrevocable and shall specify a date for redemption, being the same date as that set forth in the notice of repayment referred to in Condition 5(b)(i) or (ii) below) in accordance with Condition 14 (*Notices*) at the principal amount thereof, together with interest accrued and unpaid to the date fixed for redemption and any Additional Amounts in respect thereof pursuant to Condition 7 (*Taxation*), if, immediately before giving such notice, the Issuer satisfies the Trustee that:
 - (i) the Issuer has received a notice of repayment from the Borrower pursuant to Clause 6.3 (*Repayment for Tax Reasons and Change in Circumstances*) of the Loan Agreement, which includes, *inter alia*, the Borrower’s right to give notice that it has decided to repay the Loan in the event that the Issuer is, subject to receipt of corresponding amounts from the Borrower, required to pay Additional Amounts in respect of United Kingdom Taxes as provided in Condition 7 (*Taxation*); or
 - (ii) the Issuer has delivered a notice to the Borrower, the contents of which require the Borrower to repay the Loan, in accordance with the provisions of Clause 6.4 (*Repayment for Illegality*) of the Loan Agreement.

The Issuer shall deliver to the Trustee a certificate signed by two officers of the Issuer stating that the Issuer is entitled to effect such redemption in accordance with this Condition 5(b). A copy of the Borrower’s notice of repayment or details of the circumstances contemplated by Clause 6.3 (*Repayment for Illegality*) of the Loan Agreement and the date fixed for redemption shall be set forth in the notice.

The Trustee shall be entitled to accept any notice or certificate delivered by the Issuer in accordance with this Condition 5(b) as sufficient evidence of the satisfaction of the applicable circumstances in which event they shall be conclusive and binding on the Noteholders.

Upon the expiry of any such notice given by the Issuer to the Noteholders as is referred to in this Condition 5(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 5, subject as provided in Condition 6 (*Payments*).

(c) *Redemption at the option of the Noteholders upon a Change of Control:*

- (i) Upon the occurrence of a Change of Control (as defined in the Loan Agreement), in accordance with Condition 14 (*Notices*) the Issuer will make an offer to purchase all or any part of the Notes pursuant to the offer described below (the “**Change of Control Offer**”) at a price per Note in cash (the “**Change of Control Payment**”) equal to the principal amount thereof plus accrued and unpaid interest thereon to the date of repurchase, plus Additional Amounts, if any, to the date of repurchase. Pursuant to Clause 6.5 (*Repayment in the event of a Change of Control*) of the Loan Agreement, the Issuer is required to give notice to the Borrower and the Trustee at least five Business Days prior to the Change of Control Payment Date setting out the Change of Control Payment (specifying the Change of Control Payment Date) required to be made by the Issuer for such Notes on the Change of Control Payment Date (the “**Change of Control Notice**”) and thereafter the Borrower will repay the Loan to the extent corresponding to the aggregate principal amount plus accrued and unpaid interest and Additional Amounts, if any, on the Notes to be repurchased in accordance with this Condition 5(c) and will pay accrued and unpaid interest and Additional Amounts, if any on the Notes to be repurchased. The Issuer, upon distribution of the Change of Control Notice, shall also give notice thereof to the Noteholders in accordance with Condition 14 (*Notices*) with a copy to the Agents and the Trustee, with the following information: (A) that a Change of Control Offer is being made pursuant to this Condition 5(c) and all Notes properly tendered pursuant to such Change of Control Offer will be accepted for payment; (B) the purchase price and the purchase date, which will be a Business Day (as defined in the Loan Agreement) falling not less than 30 calendar days nor more than 60 calendar days after the date of delivery by the Issuer of the Change of Control Notice (the “**Change of Control Payment Date**”), provided that the Issuer shall, where reasonably practicable, specify a Change of Control Payment Date which falls before the date on which Ukraine, whether through the Cabinet of Ministers of Ukraine or any other Agency of Ukraine (as defined in the Loan Agreement), ceases to own, legally and beneficially, at least 51 per cent. of the Capital Stock (as defined in the Loan Agreement) of, or otherwise to control the Borrower; (C) that any Note not properly tendered or not tendered at all will remain outstanding and continue to accrue interest and Additional Amounts, if any; (D) that unless the Issuer defaults in the payment of the Change of Control Payment, all Notes accepted for payment pursuant to the Change of Control Offer will cease to accrue interest and Additional Amounts, if any, on the Change of Control Payment Date; (E) that Noteholders electing to have any Notes repurchased pursuant to a Change of Control Offer will be required to surrender the Notes, with the form entitled “**Option to Purchase Notice**” set out in a schedule to the Agency Agreement completed, to the Paying Agent and at the address specified in the notice prior to the close of business on the fourth Business Day preceding the Change of Control Payment Date; and (F) that Noteholders will be entitled to withdraw their tendered Notes and their election to require the Issuer to repurchase such Notes provided that both the Paying Agent receives prior to the close of business on the third Business Day preceding the Change of Control Payment Date, a facsimile transmission or letter setting out the name of the Noteholder, the principal amount of Notes tendered for repurchase, and a statement that such Noteholder is withdrawing his tendered Notes and his election to have such Notes repurchased.
- (ii) No later than the second Business Day (as defined in the Loan Agreement) prior to the Change of Control Payment Date, the Borrower will, pursuant to Clause 6.6 (*Costs of Repayment*) of the Loan Agreement, repay the loan (together with all accrued interest and any other amounts outstanding thereunder) in an amount corresponding to the aggregate

principal amount in respect of all Notes properly tendered and not properly withdrawn as set out in the Change of Control Notice plus accrued and unpaid interest and Additional Amounts (if any) thereon. On the Change of Control Payment Date, the Issuer will, to the extent permitted by law and subject to such repayment, (i) accept for payment all Notes properly tendered and not properly withdrawn pursuant to the Change of Control Offer and (ii) deliver, or cause to be delivered, to the Principal Paying Agent for cancellation on behalf of the Issuer the Notes so accepted together with a certificate of two authorised officers of the Issuer stating that such Notes have been tendered to and purchased by the Issuer. In accordance with the instructions of the Noteholder set out in the Option to Purchase Notice, the Paying Agent will promptly pay to the Noteholder the Change of Control Payment for such Notes. The Issuer will publicly announce, and will provide notice to Noteholders in accordance with Condition 14 (*Notices*), the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date.

- (d) *No other redemption:* Except where the Loan is accelerated pursuant to Clause 13 (*Events of Default*) of the Loan Agreement, the Issuer shall not be entitled to redeem the Notes prior to that due date otherwise than as provided in this Condition 5 (*Redemption, Purchase and Right to Compel Sale*) and Condition 12 (*Enforcement*) and subject to the terms set out in Clause 6.6 (*No Other Repayments and No Reborrowing*) of the Loan Agreement.
- (e) *Purchase:* The Issuer or any of its subsidiaries or the Borrower may at any time purchase Notes in the open market or otherwise and at any price. Such Notes may be held or resold (provided that any such resale is outside the United States as defined in Regulation S under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”)) or surrendered by the purchaser through the Issuer to the Registrar for cancellation.
- (f) *Cancellation:* All Notes so redeemed or purchased and surrendered for cancellation by the Issuer shall be cancelled and all Notes purchased by the Borrower and surrendered to the Issuer pursuant to Clause 6.7 (*Purchase of Funding Instruments*) of the Loan Agreement, together with an authorisation addressed to the Registrar by the Borrower, shall be cancelled.
- (g) *Right to compel sale:* The Issuer may, with the prior approval of the Trustee, compel any beneficial owner of Rule 144A Global Note Certificates, if any, to sell its interest in such Notes, or may sell such interest on behalf of such holder, if such holder is not a QIB that is also a QP, at a price equal to the least of (x) the purchase price therefor paid by the beneficial owner, (y) 100 per cent, of the principal amount thereof or (z) the fair market value thereof.

6. Payments

- (a) *Principal:* Payments of principal shall be made by U.S. dollar cheque drawn on, or, upon application by a Holder of a Note to the Specified Office of the Principal Paying Agent not later than the fifteenth day before the due date for any such payment, by transfer to a U.S. dollar account maintained by the payee with, a bank in New York City or London, as the case may be, and shall only be made upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.
- (b) *Interest:* Payments of interest shall be made by U.S. dollar cheque drawn on, or upon application by a Holder of a Note to the Specified Office of the Principal Paying Agent not later than the fifteenth day before the due date for any such payment, by transfer to a U.S. dollar account maintained by the payee with, a bank in New York City, London or Zurich, as the case may be, and (in the case of interest payable on redemption), and shall only be made upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.
- (c) *Payments subject to fiscal laws:* All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 7 (*Taxation*). No commissions or expenses shall be charged to the Noteholders in respect of such payments.

- (d) *Payments on business days:* Where payment is to be made by transfer to a U.S. dollar account, payment instructions (for value the due date, or, if the due date is not a business day, for value the next succeeding business day) will be initiated and, where payment is to be made by U.S. dollar cheque, the cheque will be mailed (i) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Note Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent and (ii) (in the case of payments of interest payable other than on redemption) on the due date for payment. A Holder of a Note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from (A) the due date for a payment not being a business day or (B) a cheque mailed in accordance with this Condition 6 (*Payments*) arriving after the due date for payment or being lost in the mail. In this paragraph, “**business day**” means any day (other than a Saturday, Sunday or public holiday) on which commercial banks and foreign exchange markets settle payments (including dealings in foreign currencies) in the principal financial centre for such currency and, in the case of surrender (or, in the case of part payment only, endorsement) of a Note Certificate, in the place in which the Note Certificate is surrendered (or, as the case may be, endorsed).
- (e) *Partial payments:* If a Paying Agent makes a partial payment in respect of any Note, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Note Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Note Certificate.
- (f) *Record date:* Each payment in respect of a Note will be made to the person shown as the Holder in the Register at the opening of business in the place of the Registrar’s Specified Office on the fifteenth day before the due date for such payment (the “**Record Date**”). Where payment in respect of a Note is to be made by cheque, the cheque will be mailed to the address shown as the address of the Holder in the Register at the opening of business on the relevant Record Date.
- (g) *Payment to the Account:* Save as the Trustee may otherwise direct at any time after the security created pursuant to the Trust Deed becomes enforceable, the Issuer will pursuant to the provisions of Clause 7.1 (*Issuer to pay Principal Paying Agent*) of the Agency Agreement require the Borrower to make all payments of principal, interest, Additional Amounts, Indemnity Amounts or other amounts, if any, to be made pursuant to the Loan Agreement, less any amounts in respect of the Reserved Rights, to the Account.
- (h) *Payment obligations limited:* Notwithstanding any other provisions to the contrary, the obligations of the Issuer to make payments under Condition 5 (*Redemption, Purchase and Right to Compel Sale*) and Condition 6 (*Payments*) shall constitute an obligation only to pay to the Noteholders on such date upon which a payment is due in respect of the Notes, to the extent of sums of principal, interest, Additional Amounts, Indemnity Amounts or other amounts, if any, actually received by or for the account of the Issuer pursuant to the Loan Agreement, less any amount in respect of the Reserved Rights.

7. **Taxation**

All payments by or on behalf of the Issuer in respect of the Notes shall be made in full without set off or counterclaim, free and clear of and without deduction or withholding for or on account of any present or future taxes, levies, duties, assessments, fees or other governmental charges or withholding of a similar nature no matter where arising (including interest and penalties thereon and additions thereto) no matter how they are levied or determined (“**Taxes**”) imposed by any taxing authority of or in, or having authority to tax in the United Kingdom, unless such deduction or withholding of Taxes is required by law. In that event, the Issuer shall, subject as provided below, pay such Additional Amounts (“**Additional Amounts**”) as will result in the receipt by the Noteholders after such withholding or deduction of such amounts as would have been received by them if no such withholding or deduction had been made or required to be made. The foregoing obligation to pay Additional Amounts, however, will not apply to any:

- (i) Taxes that would not have been imposed but for the existence of any present or former connection between such Noteholder and the United Kingdom or Ukraine other than the mere receipt of such payment or the ownership or holding of such Note;
- (ii) Taxes that would not have been imposed but for the presentation of the Note or by the Noteholder for payment (of principal or interest) on a date more than 30 days after the Relevant Date (as defined below);
- (iii) Taxes required to be deducted or withheld by any Paying Agent from a payment on a Note, if such payment could have been made without deduction or withholding by any other Paying Agent in a Member State of the European Union; and
- (iv) Taxes imposed on a payment to an individual which are required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income in the form of interest payments or any law implementing or complying with, or introduced in order to conform to, such Directive.

Notwithstanding the foregoing provisions, the Issuer shall only make payments of Additional Amounts to the Noteholders pursuant to this Condition 7 (*Taxation*) to the extent and at such time as it shall have actually received an equivalent amount for such purposes from the Borrower under the Loan Agreement by way of Additional Amounts or Indemnity Amounts or otherwise.

To the extent that the Issuer receives a lesser sum from the Borrower under the Loan Agreement, the Issuer shall account to each Noteholder entitled to receive such additional amount pursuant to this Condition 7 (*Taxation*) for an additional amount equivalent to a *pro rata* portion of such sum (if any) as is actually received by, or for the account of, the Issuer pursuant to the provisions of the Loan Agreement on the date of, in the currency of, and subject to any conditions attaching to such payment to the Issuer.

In these Conditions, “**Relevant Date**” means whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received by the Principal Paying Agent or the Trustee on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders by the Issuer in accordance with Condition 14 (*Notices*).

Any reference in these Conditions to principal or interest shall be deemed to include, without duplication, any Additional Amounts in respect of principal or interest (as the case may be) which may be payable under this Condition 7 or any undertaking given in addition to or in substitution of this Condition 7 pursuant to the Trust Deed or the Loan Agreement.

8. Prescription

Claims for principal and interest on redemption shall become void unless the relevant Note Certificates are surrendered for payment within ten years, and claims for interest due other than on redemption shall become void unless made within five years, of the appropriate Relevant Date.

9. Replacement of Note Certificates

If any Note Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Replacement Agent (as defined in the Agency Agreement) (having its Specified Office in Switzerland), subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Note Certificates must be surrendered before replacements will be issued.

10. Trustee and Agents

- (a) *Appointment, Removal and Retirement of Trustee*: The power of appointing new trustees is be vested in the Issuer pursuant to the Trust Deed but no person shall be appointed who shall not previously have been approved by an Extraordinary Resolution. A trust corporation may be appointed sole

trustee hereof but subject thereto there shall be at least two trustees hereof one at least of which shall be a trust corporation. The Noteholders shall together have the power, exercisable by Extraordinary Resolution, to remove any trustee or trustees for the time being hereof. The removal of any trustee shall not become effective unless there remains a trustee hereof (being a trust corporation) in office after such removal.

Subject to the conditions set out in the Trust Deed, the Issuer may appoint a new trustee if the United Kingdom ceases to be the jurisdiction in which the Trustee is resident and acting through for taxation purposes.

Subject to the conditions set out in the Trust Deed, the Trustee may retire at any time upon giving not less than three calendar months' notice in writing to the Issuer without assigning any reason therefor and without being responsible for any costs occasioned by such retirement.

- (b) *Indemnification of the Trustee:* Under separate agreement between the Borrower and the Trustee, the Trustee is entitled to be indemnified and relieved from responsibility in certain circumstances and, under the Trust Deed, to be paid its costs and expenses in priority to the claims of the Noteholders. The Trust Deed and the fees indemnity letter to be dated on or about 20 July 2015 contain provisions for the indemnification of the Trustee, provisions for its relief from responsibility, including relieving it from taking action unless indemnified to its satisfaction, and provisions entitling it to be paid its costs and expenses in priority to the claims of the Noteholders.
- (c) *Trustee Contracting with the Issuer and the Bank:* The Trust Deed also contains provisions pursuant to which the Trustee is entitled, inter alia, (i) to enter into business transactions with the Issuer and/or the Bank and/or any subsidiary of the Issuer and/or the Bank and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or the Bank and/or any subsidiary of the Issuer and/or the Bank, (ii) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders and (iii) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.
- (d) *Trustee to have regard to Interests of Noteholders as one Class:* In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation, determination or substitution), the Trustee shall have regard to the general interests of the Noteholders as a class but shall not have regard to any interests arising from circumstances particular to individual Noteholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim, from the Issuer, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders except to the extent already provided for in Condition 7 (*Taxation*) and/or any undertaking given in addition to, or in substitution for, Condition 7 (*Taxation*) pursuant to the Trust Deed.

In acting under the Agency Agreement and in connection with the Notes, the Agents act solely as agents of the Issuer and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders. Under separate agreement between the Borrower and the Agents, the Agents are entitled to be indemnified and relieved from certain responsibilities in certain circumstances.

- (e) *Initial Paying Agents:* The initial Agents and their initial Specified Offices are listed below. The Issuer reserves the right (with the prior approval of the Trustee) at any time to vary or terminate the appointment of any Agent and to appoint a successor principal paying agent or registrar and additional or successor paying agents and transfer agents; *provided, however, that* the Issuer shall at all times maintain (a) a principal paying agent and a registrar, and (b) a paying agent with a specified office in a member state of the European Union that will not be obliged to withhold or deduct tax pursuant to any European Union Directive on the taxation of savings implementing the conclusions

of the ECOFIN Council meeting of 26 to 27 November 2000 or any law implementing or complying with, or introduced to conform to, such Directive.

Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Noteholders in accordance with Condition 14 (*Notices*).

11. Meetings of Noteholders; Modification and Waiver; Substitution

- (a) *Meetings of Noteholders:* The Trust Deed contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of the Loan Agreement or any provision of these Conditions or the Trust Deed. Such a meeting may be convened on no less than 14 days' notice by the Trustee or the Issuer or by the Trustee upon the request in writing of Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be one or more persons holding or representing more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, one or more persons holding or representing whatever the principal amount of the outstanding Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to change any date fixed for payment of principal or interest in respect of the Notes, (ii) to reduce the amount of principal or interest payable on any date in respect of the Notes, (iii) to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, (iv) to change the currency of payments under the Notes, (v) to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution, (vi) to alter the governing law of the Conditions, the Trust Deed or the Loan Agreement, (vii) to change any date fixed for payment of principal or interest under the Loan Agreement, (viii) to alter the method of calculating the amount of any payment under the Loan Agreement or (ix) to change the currency of payment or, without prejudice to the rights under Condition 11(b) (*Modification*) below, change the definition of "Event of Default" under the Loan Agreement (each, a "**Reserved Matter**"), in which case the necessary quorum will be one or more persons holding or representing not less than two-thirds, or at any adjourned meeting not less than one-third, in principal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders, whether present or not.

"**Extraordinary Resolution**" means a resolution passed at a Meeting duly convened and held in accordance with this Schedule by a majority of not less than three quarters of the votes cast.

In addition, a resolution in writing signed by or on behalf of all Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders under the Trust Deed (a "**Written Resolution**") will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

- (b) *Modification:* The Trustee may, without the consent of the Noteholders, agree to any modification of these Conditions or the Trust Deed or, pursuant to the Transferred Rights, the Loan Agreement (other than in respect of a Reserved Matter) which is, in the opinion of the Trustee, proper to make if, in the opinion of the Trustee, such modification will not be materially prejudicial to the interests of Noteholders and to any modification of the Notes or the Trust Deed which is of a formal, minor or technical nature or is to correct a manifest error.
- (c) *Authorisation, Waiver and Determination:* In addition, the Trustee may, without the consent of the Noteholders, authorise or waive any proposed breach or breach of the Notes, these Conditions or the Trust Deed by the Issuer or, pursuant to the Transferred Rights, the Loan Agreement by the Borrower, or determine that any event which would or might otherwise give rise to a right of acceleration under the Loan Agreement or constitute a Relevant Event (as defined in Condition 12 (*Enforcement*)) shall not be treated as such (other than a proposed breach or breach relating to the subject of a Reserved Matter) if, in the opinion of the Trustee, the interests of the Noteholders will not be materially prejudiced thereby.

- (d) *Notification to Noteholders:* Unless the Trustee agrees otherwise, any such modification, authorisation or waiver shall be notified to the Noteholders as soon as practicable thereafter and in accordance with Condition 14 (*Notices*).
- (e) *Substitution:* The Trust Deed and the Loan Agreement contain provisions under which the Issuer may, without the consent of the Noteholders, transfer the obligations of the Issuer as principal debtor under the Trust Deed and the Notes and its rights as Lender under the Loan Agreement to a third party provided that certain conditions specified in the Trust Deed are fulfilled.

12. Enforcement

At any time after an Event of Default (as defined in the Loan Agreement) or Relevant Event (as defined below) shall have occurred and be continuing, the Trustee may, at its discretion and without notice, institute such proceedings as it thinks fit to enforce its rights under the Trust Deed in respect of the Notes, but it shall not be bound to do so unless:

- (a) it has been so requested in writing by the Holders of at least 25 per cent. in principal amount of the outstanding Notes or has been so directed by an Extraordinary Resolution; and
- (b) it has been indemnified and/or provided with security to its satisfaction against all liabilities, proceedings, claims and demands to which it may thereby become liable and all costs, charges and expenses which may be incurred by it in connection therewith.

The Trust Deed also provides that, in the case of an Event of Default or a Relevant Event, the Trustee may, and shall if requested to do so by Noteholders of at least 25 per cent. in principal amount of the Notes outstanding or if directed to do so by an Extraordinary Resolution and, in either case, subject to it being secured and/or indemnified to its satisfaction, (1) require the Issuer to declare all amounts payable under the Loan Agreement by the Borrower to be due and payable (where an Event of Default has occurred and is continuing), or (2) enforce the security created in the Trust Deed in favour of the Noteholders (in the case of a Relevant Event). Upon repayment of the Loan following an Event of Default, the Notes will be redeemed or repaid at the principal amount thereof together with interest accrued to the date fixed for redemption together with any Additional Amounts due in respect thereof pursuant to Condition 7 (*Taxation*) and thereupon shall cease to be outstanding.

For the purposes of these Conditions, “**Relevant Event**” means the earlier of (i) the failure by the Issuer to make any payment of principal or interest on the Notes when due to the extent it is obligated to do so pursuant to these Conditions; (ii) the filing of an application for the institution for bankruptcy, insolvency or composition proceedings over the assets of the Issuer in the United Kingdom; and (iii) the taking of any action in furtherance of the dissolution of the Issuer. For the avoidance of doubt, no Additional Amounts shall be payable if and to the extent that such withholding or deduction is required following and on account of a Relevant Event.

No Noteholder may proceed directly against the Issuer unless the Trustee, having become bound to do so, fails to do so within a reasonable time and such failure is continuing.

13. Further Issues

The Issuer may from time to time, with the consent of the Borrower but without the consent of the Noteholders, in accordance with the Trust Deed, create and issue Further Notes (as defined in the Trust Deed) having the same terms and conditions as the Notes in all respects (or in all respects except for the issue date and/or the first payment of interest) so as to form a single series with the Notes. Such Further Notes could be issued in the form of Rule 144A Notes (as defined in the Trust Deed) and/or Regulation S Notes and such Further Notes shall be issued under a deed supplemental to the Trust Deed. In relation to such further issue, the Issuer will enter into a loan agreement supplemental to the Loan Agreement with the Borrower on the same terms as the original Loan Agreement (or on the same terms except for the borrowing date and/or the first payment of interest and/or the rate of interest) subject to any modifications which, in the sole opinion of the Trustee, would not materially prejudice the interests of the Noteholders. The Issuer will provide a further fixed charge and absolute assignment by way of security in favour of the Trustee of its rights under

such supplemental loan agreement equivalent to the rights charged and assigned as Security Interests in relation to the Issuer's rights under the original Loan Agreement which will, together with the Security Interests referred to in these Conditions, secure both the Notes and such Further Notes.

14. Notices

Notices to Noteholders shall be valid if published on the website of the Irish Stock Exchange or as otherwise required by any exchange on which the Notes are listed. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made. In case by reason of any other cause it shall be impracticable to publish any notice to Noteholders as provided above, then such notification to such Noteholders as shall be given with the prior written approval of the Trustee shall constitute sufficient notice to such Noteholders for every purposes hereunder.

15. Provision of Information

For so long as any Notes are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the Issuer and the Bank shall, during any period in which it is neither subject to Section 13 or 15(d) of the Exchange Act, nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, provide to any holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner or to the Trustee for delivery to such holder, beneficial owner or prospective purchaser, in each case upon the request of such holder, beneficial owner, prospective purchaser or Trustee, the information satisfying the requirements of Rule 144A(d)(4) under the Securities Act.

16. Limited Recourse

If at any time following:

- (a) the occurrence of the scheduled redemption date set out in Condition 5(a) (*Scheduled Redemption*) or any earlier date upon which all of the Notes are due and payable; and
- (b) Realisation of the Loan Agreement and application in full of any amounts available to pay amounts due and payable under the Notes in accordance with the Trust Deed and the Conditions,

the proceeds of such Realisation are insufficient, after payment of all other claims ranking in priority in accordance with the applicable priority (or priorities) of payments, to pay in full any Deferred Interest and any other amounts then due and payable under the Notes then the amount remaining to be paid, including but not limited to Deferred Interest, (after such application in full of the amounts first referred to in (b) above) under the Notes shall, on the day following such application in full of the amounts referred to in (b) above, cease to be due and payable by the Issuer.

For the purposes of this Condition 16:

"Realisation" means, in relation to the Loan Agreement, the deriving, to the fullest extent practicable, (in accordance with the provisions of the Trust Deed and other transaction documentation) of proceeds from or in respect of the Loan Agreement including (without limitation) through sale or through performance by the Borrower.

Notwithstanding any other Clause or provision in the Conditions or any transaction document, no provision other than this Condition 16 shall limit or in any way reduce the amount of interest that would otherwise be payable by the Issuer under any Note, if and to the extent that such limitation or reduction falls to any extent to be determined by reference to the results of any business or part of a business or the value of any property.

17. Governing Law and Jurisdiction

- (a) *Governing law:* The Notes, the Loan Agreement and the Trust Deed and all matters arising from or connected with the Notes, the Loan Agreement and the Trust Deed, including any non-contractual

obligations arising out of or in connection therefrom, are governed by, and shall be construed in accordance with, English law.

- (b) *Jurisdiction:* The Issuer has in the Trust Deed (i) irrevocably agreed for the benefit of the Trustee and the Noteholders that the courts of England shall have exclusive jurisdiction to settle any dispute (a “**Dispute**”) arising from or connected with the Notes; (ii) agreed that those courts are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue that any other courts are more appropriate or convenient; (iii) designated a person in England to accept service of any process on its behalf; (iv) consented to the enforcement of any judgment; and (v) to the extent that it may in any jurisdiction claim for itself or its assets immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process, and to the extent that in any such jurisdiction there may be attributed to itself or its assets or revenues such immunity (whether or not claimed), agreed not to claim and irrevocably waived such immunity to the full extent permitted by the laws of such jurisdiction. The Trust Deed also states that nothing contained in the Trust Deed prevents the Trustee or any of the Noteholders from taking proceedings relating to a Dispute (“**Proceedings**”) in any other courts with jurisdiction and that, to the extent allowed by law, the Trustee or any of the Noteholders may take concurrent Proceedings in any number of jurisdictions.

18. Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

There will appear at the foot of the Conditions endorsed on or (as the case may be) attached to each Individual Note Certificate the names and Specified Offices of the Registrar, the Paying Agents and the Transfer Agents.

ANNEX 2 – TERMS AND CONDITIONS OF THE NEW 2023 NOTES

The following is the text of the Terms and Conditions of the Notes, which will be endorsed on each Note in definitive form. The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under “Summary of Provisions Relating to the New Notes in Global Form” above.

The U.S.\$125,000,000 Amortising Loan Participation Notes due 2023 (the “**Notes**”, which expression includes any Further Notes issued pursuant to Condition 13 (*Further Issues*) and forming a single series therewith) of BIZ Finance PLC (the “**Issuer**”) are constituted by, are subject to, and have the benefit of, a trust deed dated 20 July 2015 (as amended or supplemented from time to time, the “**Trust Deed**”) between the Issuer and BNY Mellon Corporate Trustee Services Limited as trustee (the “**Trustee**”, which expression includes all persons for the time being trustee or trustees appointed under the Trust Deed) and are the subject of an agency agreement dated 20 July 2015 (as amended or supplemented from time to time, the “**Agency Agreement**”) between the Issuer, The Bank of New York Mellon (Luxembourg) S.A., as registrar (the “**Registrar**”, which expression includes any successor registrar appointed from time to time in connection with the Notes), The Bank of New York Mellon, London Branch as principal paying agent (the “**Principal Paying Agent**”, which expression includes any successor principal paying agent appointed from time to time in connection with the Notes), the transfer agents named therein (the “**Transfer Agents**”, which expression includes any successor or additional transfer agents appointed from time to time in connection with the Notes), the paying agents named therein (together with the Principal Paying Agent, the “**Paying Agents**”, which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes) and the Trustee. References herein to the “**Agents**” are to the Registrar, the Transfer Agents and the Paying Agents and any reference to an “**Agent**” is to any one of them. Certain provisions of these Conditions are summaries of the Trust Deed and the Agency Agreement and subject to their detailed provisions. The Noteholders (as defined below) are entitled to the benefit of, bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those provisions of the Agency Agreement applicable to them.

Copies of the Trust Deed and the Agency Agreement are available for inspection during normal business hours at the registered office for the time being of the Trustee, being at the date hereof One Canada Square, London E14 5AL, United Kingdom and at the Specified Offices (as defined in the Agency Agreement) of each of the Agents, the initial Specified Offices of which are set out below.

The Issuer has authorised the creation, issue and sale of the Notes for the sole purpose of financing the US\$125,000,000 subordinated loan (the “**Loan**”) to Joint Stock Company “The State Export-Import Bank of Ukraine” (the “**Borrower**”). The terms and conditions of the Loan are recorded in the loan agreement for the borrowing of funds on subordinated terms as a subordinated loan dated 7 February 2006 between the Borrower and the Issuer (as lender), as amended by the supplemental loan agreements on 9 November 2006 and 29 May 2015, as amended and restated by the amendment and restatement agreement dated 9 July 2015 (as amended and supplemented from time to time, the “**Loan Agreement**”).

In each case where amounts of principal, interest and Additional Amounts, if any, due pursuant to Condition 6 (*Payments*) and Condition 7 (*Taxation*) are stated herein or in the Trust Deed to be payable in respect of the Notes, the obligation of the Issuer to make any such payment shall constitute an obligation only to pay to the Noteholders (as defined in Condition 2(a)), on each date upon which such amounts of principal, interest and Additional Amounts, if any, are due in respect of the Notes, to the extent of the sums of principal, interest, Additional Amounts and Indemnity Amounts (each as defined in the Loan Agreement), if any, actually received by or for the account of the Issuer pursuant to the Loan Agreement, less any amounts in respect of the Reserved Rights (as defined below). Noteholders must therefore rely solely and exclusively upon the covenant to pay under the Loan Agreement and the credit and financial standing of the Borrower. Noteholders shall have no recourse (direct or indirect) to any other assets of the Issuer.

As security for the Issuer’s payment obligations under the Trust Deed and in respect of the Notes, the Issuer as lender under the Loan Agreement has:

- (A) charged by way of security to the Trustee all of the Issuer’s rights, interests and benefits in and to (i) principal, interest and other amounts now or hereafter paid and payable by the Borrower to the Issuer

as lender under the Loan Agreement and (ii) all amounts now or hereafter paid or payable by the Borrower to the Issuer under or in respect of any claim, award or judgment relating to the Loan Agreement (in each case other than its right to amounts in respect of any rights, interests and benefits of the Issuer under the following Clauses of the Loan Agreement: Clause 3.2 (*Fees*), the second sentence of Clause 6.6 (*Costs of Repayment*); Clause 7.3(a) (*Indemnity Amounts*); Clause 9 (*Changes in Circumstances*); Clause 10 (*Representations and Warranties of the Borrower*); Clause 14 (*Indemnity*); Clause 17 (*Costs and Expenses*) (to the extent that the Issuer's claim is in respect of one of the aforementioned clauses of the Loan Agreement); Clause 7.2 (*Double Tax Treaty Relief*), Clause 15.2 (*Currency Indemnity*) and Clause 16.3 (*No Set-off*) (such rights are referred to herein as the “**Reserved Rights**”));

- (B) charged by way of security to the Trustee all of the Issuer's rights, interests and benefits in and to all sums held on deposit from time to time, in the Account (as defined in the Trust Deed) with the Principal Paying Agent, together with the debt represented thereby (except to the extent such debt relates to Reserved Rights) pursuant to the Trust Deed (this sub-clause (B), together with sub-clause (A) other than the Reserved Rights, the “**Charged Property**”); and
- (C) assigned absolutely by way of security to the Trustee all of the Issuer's rights, interests and benefits whatsoever, both present and future, whether proprietary, contractual or otherwise under or arising out of or evidenced by the Loan Agreement (including, without limitation, the right to declare the Loan immediately due and payable and to take proceedings to enforce the obligations of the Borrower thereunder) other than the Charged Property and the Reserved Rights and amounts payable by the Borrower in relation to the Charged Property and the Reserved Rights (the “**Transferred Rights**”),

together, the “**Security Interests**”.

In certain circumstances, the Trustee can (subject to it being indemnified and/or secured to its satisfaction) be required by Noteholders holding at least 25 per cent. of the principal amount of the Notes then outstanding or by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders to exercise certain of its powers under the Trust Deed (including those arising in connection with the Security Interests). However, it may not be possible for the Trustee to take certain actions in relation to the Notes and, accordingly, in such circumstances the Trustee will be unable to take such actions, notwithstanding the provision of an indemnity or security to it, and it will thus be for the Noteholders to take such actions directly.

1. **Form, Denomination and Status**

- (a) *Form and denomination:* The Notes are in registered form, without interest coupons attached, in the denominations of US\$150,000 and integral multiples of US\$1,000 in excess thereof (each, an “**Authorised Holding**”).
- (b) *Status:* The sole purpose of the issue of the Notes is to provide the funds for the Issuer to finance the Loan. The Notes constitute the obligation of the Issuer to apply an amount equal to the principal amount of the Notes solely for financing the Loan and to account to the Noteholders for principal and interest and Additional Amounts (as defined in the Loan Agreement), if any in respect of the Notes in an amount equivalent to sums of principal, interest, Additional Amounts and Indemnity Amounts (as defined in the Loan Agreement), if any, actually received by or for the account of the Issuer pursuant to the Loan Agreement (less any amounts in respect of Reserved Rights), the right to receive which is, *inter alia*, being charged by way of security to the Trustee by virtue of the Security Interests as security for the Issuer's payment obligations under the Trust Deed and in respect of the Notes.

Payments in respect of the Notes to the extent of the sums actually received by or for the account of the Issuer by way of principal, interest, Additional Amounts or Indemnity Amounts, if any, pursuant to the Loan Agreement (less any amounts in respect of the Reserved Rights) will be made *pro rata* among all Noteholders (subject to Condition 7 (*Taxation*)), on the dates on which such payments are due in respect of the Notes subject to the conditions attaching to, and in the currency of, such payments under the Loan Agreement. The Issuer shall not be liable to make any payment in respect of the Notes other than as expressly provided herein and in the Trust Deed. The Issuer shall be

under no obligation to exercise in favour of the Noteholders any rights of set-off or of banker's lien or to combine accounts or counterclaim that may arise out of other transactions between the Issuer and the Borrower.

Noteholders are deemed to have accepted that:

- (i) neither the Issuer nor the Trustee makes any representation or warranty in respect of, and shall at no time have any responsibility for, or (save as otherwise expressly provided in the Trust Deed and paragraph (vi) below) liability, or obligation in respect of the performance and observance by the Borrower of its obligations under the Loan Agreement or the recoverability of any sum of principal, interest, Additional Amounts or Indemnity Amounts or other amounts, if any, due or to become due from the Borrower under the Loan Agreement;
- (ii) neither the Issuer nor the Trustee shall at any time have any responsibility for, or obligation or liability in respect of, the condition (financial, operational or otherwise), creditworthiness, affairs, status, nature or prospects of the Borrower;
- (iii) neither the Issuer nor the Trustee shall at any time have any responsibility for, or obligation or liability in respect of, any misrepresentation or breach of warranty or any act, default or omission of the Borrower under or in respect of the Loan Agreement;
- (iv) neither the Issuer nor the Trustee shall at any time have any responsibility for, or liability or obligation in respect of, the performance and observance by the Registrar, any Transfer Agent or any Paying Agent of their respective obligations under the Agency Agreement;
- (v) the financial servicing and performance of the terms of the Notes depend solely and exclusively upon performance by the Borrower of its obligations under the Loan Agreement, its covenant to pay under the Loan Agreement and its credit and financial standing. The Borrower has represented and warranted to the Issuer in the Loan Agreement that the Loan Agreement constitutes legal, valid and binding obligations of the Borrower. The representations and warranties given by the Borrower in Clause 10 (*Representations and Warranties of the Borrower*) of the Loan Agreement are given by the Borrower to the Issuer for the sole benefit of the Issuer and neither the Trustee nor any Noteholder shall have any remedies or rights against the Borrower that the Issuer may have with respect to such representations or warranties, other than any right the Trustee may have pursuant to the assignment of the Transferred Rights;
- (vi) the Issuer (and, pursuant to the assignment of the Transferred Rights, the Trustee) will rely on self-certification by the Borrower and certification by third parties as a means of monitoring whether the Borrower is complying with its obligations under the Loan Agreement and shall not otherwise be responsible for investigating any aspect of the Borrower's performance in relation thereto and, subject as further provided in the Trust Deed, the Trustee will not be liable for any failure to make the usual or any investigations which might be made by a security holder in relation to the property which is the subject of the Security Interests and held by way of security for the Notes, and shall not be bound to enquire into or be liable for any defect or failure in the right or title of the Issuer to the secured property represented by the Security Interests whether such defect or failure was known to the Trustee or might have been discovered upon examination or enquiry or whether capable of remedy or not, nor will it have any liability for the enforceability of the security created by the Security Interests whether as a result of any failure, omission or defect in registering or filing or otherwise protecting or perfecting such security and the Trustee will have no responsibility for the value of such security; and
- (vii) if the Borrower is required by law to make any withholding or deduction for or on account of tax from any payment under the Loan Agreement or if the Issuer is required by law to make any withholding or deduction for or on account of tax from any payment in respect of the Notes, the sole obligation of the Issuer will be to pay the Noteholders sums equivalent to the sums actually received from the Borrower pursuant to the Loan Agreement in respect of

such payment, including, if applicable, Additional Amounts or Indemnity Amounts in respect of the tax required to be so withheld or deducted; the Issuer shall not be obliged to take any actions or measures as regards such deductions or withholdings other than those set in Clause 7 (*Taxes*) and Clause 9.3 (*Mitigation*) of the Loan Agreement.

Save as otherwise expressly provided herein and in the Trust Deed, no proprietary or other direct interest in the Issuer's rights under or in respect of the Loan Agreement or the Loan exists for the benefit of the Noteholders. No Noteholder will have any entitlement to enforce any of the provisions in the Loan Agreement or have direct recourse to the Borrower except through action by the Trustee under the Security Interests. The Trustee shall not be required to take proceedings to enforce payment under the Trust Deed or, pursuant to the Transferred Rights, the Loan Agreement unless it has been indemnified and/or secured by the Noteholders to its satisfaction against all liabilities, proceedings, claims and demands to which it may thereby become liable and all costs, charges and expenses which may be incurred by it in connection therewith.

As provided in the Trust Deed, the obligations of the Issuer are solely to make payments of amounts in aggregate equal to principal, interest, Additional Amounts, Indemnity Amounts or other amounts, if any, actually received by or for the account of the Issuer pursuant to the Loan Agreement (less any amounts in respect of Reserved Rights), the right to which is being charged by way of security to the Trustee as aforesaid. Noteholders must therefore rely solely and exclusively upon the covenant to pay under the Loan Agreement and the credit and financial standing of the Borrower.

The obligations of the Issuer to make payments as stated in the previous paragraph constitute direct and general obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

Payments made by the Borrower under the Loan Agreement to, or to the order of, the Trustee or (before such time that the Issuer has been required by the Trustee, pursuant to the terms of the Trust Deed, to pay to or to the order of the Trustee) the Principal Paying Agent will satisfy *pro tanto* the obligations of the Issuer in respect of the Notes.

2. **Register, Title and Transfers**

- (a) *Register*: The Registrar will maintain outside the United Kingdom a register (the “**Register**”) in respect of the Notes in accordance with the provisions of the Agency Agreement. In these Conditions, the “**Holder**” of a Note means the person in whose name such Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and “**Noteholder**” shall be construed accordingly. A certificate (each, a “**Note Certificate**”) will be issued to each Noteholder in respect of its registered holding. Each Note Certificate will be numbered serially with an identifying number which will be recorded in the Register.

*The “**Regulation S Global Note Certificate**” and the “**Rule 144A Global Note Certificate**” will be deposited with The Bank of New York Mellon, as common depositary for Euroclear and Clearstream, Luxembourg and registered in the name of The Bank of New York Depository (Nominees) Limited, as nominee for the Common Depositary. (The Rule 144A Global Note Certificate and the Regulation S Global Note Certificate, together the “**Global Note Certificates**” and each a “**Global Note Certificate**”).*

- (b) *Title*: The Holder of each Note shall (except as otherwise required by law) be treated as the absolute owner of such Note for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Note Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft of such Note Certificate) and no person shall be liable for so treating such Holder. No person shall have any right to enforce any term or condition of the Notes or the Trust Deed under the Contracts (Rights of Third Parties) Act 1999.
- (c) *Transfers*: Subject to Condition 2(f) (*Closed periods*) and Condition 2(g) (*Regulations concerning transfers and registration*) below, a Note may be transferred upon surrender of the relevant Note

Certificate, with the endorsed form of transfer duly completed (including any certificates as to compliance with restrictions on transfer included therein), at the Specified Office of the Registrar or relevant Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; *provided, however, that* a Note may not be transferred unless the principal amount of Notes transferred and (where not all of the Notes held by a Holder are being transferred) the principal amount of the balance of Notes not transferred are Authorised Holdings. Where not all the Notes represented by the surrendered Note Certificate are the subject of the transfer, a new Note Certificate in respect of the balance of the Notes will be issued to the transferor.

- (d) *Registration and delivery of Note Certificates:* Within five business days of the surrender of a Note Certificate in accordance with Condition 2(c) (*Transfers*) above, the Registrar will register the transfer in question and deliver a new Note Certificate of a like principal amount to the Notes transferred to each relevant Holder at its address (as specified by such Holder to the Registrar) or (as the case may be) the Specified Office of any Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this paragraph, “**business day**” means a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.
- (e) *No charge:* The transfer of a Note will be effected without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent but against such indemnity as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.
- (f) *Closed periods:* Noteholders may not require transfers to be registered during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Notes.
- (g) *Regulations concerning transfers and registration:* All transfers of Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Trustee, the Registrar and the Borrower. A copy of the current regulations will be mailed (free of charge) by the Registrar and/or any Transfer Agent to any Noteholder who requests in writing a copy of such regulations. So long as any of the Notes are listed on the regulated market of the Irish Stock Exchange, a copy of the current regulations will be publicly available at the specified offices of the Transfer Agent and the Principal Paying Agent.

3. **Issuer’s Covenant**

As provided in the Trust Deed, so long as any of the Notes remain outstanding (as defined in the Trust Deed), the Issuer will not, without the prior written consent of the Trustee or an Extraordinary Resolution or Written Resolution (as defined in the Trust Deed), agree to any amendments to or any modification or waiver of, or authorise any breach or proposed breach of, the terms of the Loan Agreement and will act at all times in accordance with any instructions of the Trustee from time to time with respect to the Loan Agreement, except as otherwise expressly provided in the Trust Deed and the Loan Agreement. Any such amendment, modification, waiver or authorisation made with the consent of the Trustee shall be binding on the Noteholders and any such amendment or modification shall be notified by the Issuer to the Noteholders in accordance with Condition 14 (*Notices*).

4. **Interest**

- (a) Except with respect to the first Interest Period, the interest rate *per annum* for the Notes will be reset on the first day of each Interest Period and will be equal to LIBOR (as defined in the Loan Agreement) plus 7 per cent., the calculation of which shall be determined by the Calculation Agent. The rate of interest payable in respect of the first Interest Period shall be 5.79275 per cent. *per annum* and shall be payable on 9 August 2015 for the period starting on (and including) 9 February 2015 and ending on (and excluding) 9 August 2015. Provided that, subject to and in accordance

with Condition 6 (*Payments*), on each Interest Payment Date the Issuer shall pay to the Noteholders only an amount of interest equal to and in the same currency as the amount of interest actually received by or for the account of the Issuer pursuant to the Loan Agreement (the “**Current Paid Interest**”). The amount equal to the difference between the Due Interest and the Current Paid Interest (if any) shall remain due by the Issuer, but shall be deferred (the “**Deferred Interest**”). Interest shall accrue on the Loan from day to day from (and including) 9 February 2015 to (but excluding) the due date for repayment thereof unless payment of principal is improperly withheld or refused, in which event interest will continue to accrue (before or after any judgment) at the Rate of Interest (as defined in the Loan Agreement) to but excluding the date on which payment in full of the outstanding principal amount of the Loan is made.

- (b) The amount of interest payable in respect of the Loan for any Interest Period shall be calculated by applying the Rate of Interest (as defined in the Loan Agreement) to the principal amount of the Loan, dividing the product by two and rounding the resulting figure to the nearest cent (half a cent being rounded upwards). If interest on the Loan is required to be calculated for any period other than an Interest Period, it will be calculated on the basis of a year of 360 days consisting of 12 months of 30 days each and, in the case of an incomplete month, the actual number of days elapsed.
- (c) As used in this Condition 4 (*Interest*), “**Interest Payment Date**” and “**Interest Period**” shall have the meanings given to them in the Loan Agreement and “**Issue Date**” shall have the meaning given to the term “Borrowing Date” in the Loan Agreement. In the Loan Agreement, “**Interest Payment Date**” is defined as 9 February and 9 August in each year in which the Loan remains outstanding (commencing, for the purposes of the Notes, on 9 August 2015). The final interest payment shall be payable on 9 February 2023. Under the Loan Agreement, the Borrower is required, two Business Days prior to each Interest Payment Date, to pay to the Issuer an amount equal to and in the same currency as the full amount of interest accruing during the Interest Period ending on such Interest Payment Date.
- (d) *Suspension of Payment of Interest*: The payment of interest under the Loan Agreement and consequently under the Notes, may be suspended as set out in Clause 5.4 (*Suspension of Interest Payments*) of the Loan Agreement. The Bank shall pay the full amount of the interest payment which has been suspended within 30 Business Days after the relevant conditions giving rise to the suspension cease to exist as set out in Clause 5.5 (*Period of Suspension*) of the Loan Agreement.

5. **Redemption, Purchase and Right to Compel Sale**

- (a) *Scheduled redemption*: Unless previously repaid pursuant to Clause 6 (*Repayment*) of the Loan Agreement, the Borrower will be required to repay the Loan on its due date as provided in the Loan Agreement and, unless previously redeemed pursuant to this Condition 5 or Condition 12 (*Enforcement*) and subject to the repayment of the relevant part of the Loan, U.S.\$500 for each U.S.\$1,000 of the initial principal amount of the Notes will be redeemed at their outstanding principal amount on 9 February 2020, and the remaining outstanding principal amount of the Notes shall be redeemed in six equal semi-annual instalments beginning on 9 August 2020 with the final repayment being due on 9 February 2023, subject as provided in Condition 6 (*Payments*).
- (b) *Redemption by the Issuer*: The Notes shall be redeemed by the Issuer in whole, but not in part, at any time, on giving not less than 30 days’ nor more than 90 days’ notice to the Noteholders (which notice shall be irrevocable and shall specify a date for redemption, being the same date as that set forth in the notice of repayment referred to in Condition 5(b)(i) or (ii) below) in accordance with Condition 14 (*Notices*) at the principal amount thereof, together with interest accrued and unpaid to the date fixed for redemption and any Additional Amounts in respect thereof pursuant to Condition 7 (*Taxation*), if, immediately before giving such notice, the Issuer satisfies the Trustee that:
 - (i) the Issuer has received a notice of repayment from the Borrower pursuant to Clause 6.3 (*Repayment for Tax Reasons and Change in Circumstances*) of the Loan Agreement, which includes, *inter alia*, the Borrower’s right to give notice that it has decided to repay the Loan in the event that the Issuer is, subject to receipt of corresponding amounts from the Borrower, required to pay Additional Amounts in respect of United Kingdom Taxes as provided in Condition 7 (*Taxation*); or

- (ii) the Issuer has delivered a notice to the Borrower, the contents of which require the Borrower to repay the Loan, in accordance with the provisions of Clause 6.4 (*Repayment for Illegality*) of the Loan Agreement.

The Issuer shall deliver to the Trustee a certificate signed by two officers of the Issuer stating that the Issuer is entitled to effect such redemption in accordance with this Condition 5(b). A copy of the Borrower's notice of repayment or details of the circumstances contemplated by Clause 6.4 (*Repayment for Illegality*) of the Loan Agreement and the date fixed for redemption shall be set forth in the notice.

The Trustee shall be entitled to accept any notice or certificate delivered by the Issuer in accordance with this Condition 5(b) as sufficient evidence of the satisfaction of the applicable circumstances in which event they shall be conclusive and binding on the Noteholders.

Upon the expiry of any such notice given by the Issuer to the Noteholders as is referred to in this Condition 5(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 5, subject as provided in Condition 6 (*Payments*).

(c) *Redemption at the option of the Noteholders upon a Change of Control:*

- (i) Upon the occurrence of a Change of Control (as defined in the Senior Loan Agreements), in accordance with Condition 14 (*Notices*) the Issuer will make an offer to purchase all or any part of the Notes pursuant to the offer described below (the "**Change of Control Offer**") at a price per Note in cash (the "**Change of Control Payment**") equal to the principal amount thereof plus accrued and unpaid interest thereon to the date of repurchase, plus Additional Amounts, if any, to the date of repurchase. Pursuant to Clause 6.5 (*Repayment in the event of a Change of Control*) of the Loan Agreement, the Issuer is required to give notice to the Borrower and the Trustee at least five Business Days prior to the Change of Control Payment Date setting out the Change of Control Payment (specifying the Change of Control Payment Date) required to be made by the Issuer for such Notes on the Change of Control Payment Date (the "**Change of Control Notice**") and thereafter the Borrower will repay the Loan to the extent corresponding to the aggregate principal amount plus accrued and unpaid interest and Additional Amounts, if any, on the Notes to be repurchased in accordance with this Condition 5(c) and will pay accrued and unpaid interest and Additional Amounts, if any on the Notes to be repurchased. The Issuer, upon distribution of the Change of Control Notice, shall also give notice thereof to the Noteholders in accordance with Condition 14 (*Notices*) with a copy to the Agents and the Trustee, with the following information: (A) that a Change of Control Offer is being made pursuant to this Condition 5(c) and all Notes properly tendered pursuant to such Change of Control Offer will be accepted for payment; (B) the purchase price and the purchase date, which will be a Business Day (as defined in the Loan Agreement) falling not less than 30 calendar days nor more than 60 calendar days after the date of delivery by the Issuer of the Change of Control Notice (the "**Change of Control Payment Date**"), provided that the Issuer shall, where reasonably practicable, specify a Change of Control Payment Date which falls before the date on which Ukraine, whether through the Cabinet of Ministers of Ukraine or any other Agency of Ukraine (as defined in the Loan Agreement), ceases to own, legally and beneficially, at least 51 per cent. of the Capital Stock (as defined in the Loan Agreement) of, or otherwise to control the Borrower; (C) that any Note not properly tendered or not tendered at all will remain outstanding and continue to accrue interest and Additional Amounts, if any; (D) that unless the Issuer defaults in the payment of the Change of Control Payment, all Notes accepted for payment pursuant to the Change of Control Offer will cease to accrue interest and Additional Amounts, if any, on the Change of Control Payment Date; (E) that Noteholders electing to have any Notes repurchased pursuant to a Change of Control Offer will be required to surrender the Notes, with the form entitled "**Option to Purchase Notice**" set out in a schedule to the Agency Agreement completed, to the Paying Agent and at the address specified in the notice prior to the close of business on the fourth Business Day preceding the Change of Control Payment Date; and (F) that Noteholders will be entitled to withdraw their tendered Notes and their election to require the Issuer to repurchase such Notes provided that both the Paying Agent receives prior to the close of business on the third

Business Day preceding the Change of Control Payment Date, a facsimile transmission or letter setting out the name of the Noteholder, the principal amount of Notes tendered for repurchase, and a statement that such Noteholder is withdrawing his tendered Notes and his election to have such Notes repurchased.

- (ii) No later than the second Business Day (as defined in the Loan Agreement) prior to the Change of Control Payment Date, the Borrower will, pursuant to Clause 6.6 (*Costs of Repayment*) of the Loan Agreement, repay the loan (together with all accrued interest and any other amounts outstanding thereunder) in an amount corresponding to the aggregate principal amount in respect of all Notes properly tendered and not properly withdrawn as set out in the Change of Control Notice plus accrued and unpaid interest and Additional Amounts (if any) thereon. On the Change of Control Payment Date, the Issuer will, to the extent permitted by law and subject to such repayment, (i) accept for payment all Notes properly tendered and not properly withdrawn pursuant to the Change of Control Offer and (ii) deliver, or cause to be delivered, to the Principal Paying Agent for cancellation on behalf of the Issuer the Notes so accepted together with a certificate of two authorised officers of the Issuer stating that such Notes have been tendered to and purchased by the Issuer. In accordance with the instructions of the Noteholder set out in the Option to Purchase Notice, the Paying Agent will promptly pay to the Noteholder the Change of Control Payment for such Notes. The Issuer will publicly announce, and will provide notice to Noteholders in accordance with Condition 14 (*Notices*), the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date.
- (d) *No other redemption:* Except where the Loan is accelerated pursuant to Clause 13.1 (*Bankruptcy Event*) of the Loan Agreement, the Issuer shall not be entitled to redeem the Notes prior to that due date otherwise than as provided in this Condition 5 (*Redemption, Purchase and Right to Compel Sale*) and Condition 12 (*Enforcement*) and subject to the terms set out in Clause 6.7 (*Limitation on Prepayment; No Other Repayments and No Reborrowing*) of the Loan Agreement.
- (e) *Purchase:* The Issuer or any of its subsidiaries or the Borrower may at any time purchase Notes in the open market or otherwise and at any price. Such Notes may be held or resold (provided that any such resale is outside the United States as defined in Regulation S under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”)) or surrendered by the purchaser through the Issuer to the Registrar for cancellation.
- (f) *Cancellation:* All Notes so redeemed or purchased and surrendered for cancellation by the Issuer shall be cancelled and all Notes purchased by the Borrower and surrendered to the Issuer pursuant to Clause 6.8 (*Purchase of Funding Instruments*) of the Loan Agreement, together with an authorisation addressed to the Registrar by the Borrower, shall be cancelled.
- (g) *Right to compel sale:* The Issuer may, with the prior approval of the Trustee, compel any beneficial owner of Rule 144A Global Note Certificates, if any, to sell its interest in such Notes, or may sell such interest on behalf of such holder, if such holder is not a QIB that is also a QP, at a price equal to the least of (x) the purchase price therefor paid by the beneficial owner, (y) 100 per cent, of the principal amount thereof or (z) the fair market value thereof.

6. **Payments**

- (a) *Principal:* Payments of principal shall be made by U.S. dollar cheque drawn on, or, upon application by a Holder of a Note to the Specified Office of the Principal Paying Agent not later than the fifteenth day before the due date for any such payment, by transfer to a U.S. dollar account maintained by the payee with, a bank in New York City or London, as the case may be, and shall only be made upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.
- (b) *Interest:* Payments of interest shall be made by U.S. dollar cheque drawn on, or upon application by a Holder of a Note to the Specified Office of the Principal Paying Agent not later than the fifteenth day before the due date for any such payment, by transfer to a U.S. dollar account maintained by the payee with, a bank in New York City, London or Zurich, as the case may be, and (in the case of

interest payable on redemption), and shall only be made upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

- (c) *Payments subject to fiscal laws:* All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 7 (*Taxation*). No commissions or expenses shall be charged to the Noteholders in respect of such payments.
- (d) *Payments on business days:* Where payment is to be made by transfer to a U.S. dollar account, payment instructions (for value the due date, or, if the due date is not a business day, for value the next succeeding business day) will be initiated and, where payment is to be made by U.S. dollar cheque, the cheque will be mailed (i) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Note Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent and (ii) (in the case of payments of interest payable other than on redemption) on the due date for payment. A Holder of a Note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from (A) the due date for a payment not being a business day or (B) a cheque mailed in accordance with this Condition 6 (*Payments*) arriving after the due date for payment or being lost in the mail. In this paragraph, “**business day**” means any day (other than a Saturday, Sunday or public holiday) on which commercial banks and foreign exchange markets settle payments (including dealings in foreign currencies) in the principal financial centre for such currency and, in the case of surrender (or, in the case of part payment only, endorsement) of a Note Certificate, in the place in which the Note Certificate is surrendered (or, as the case may be, endorsed).
- (e) *Partial payments:* If a Paying Agent makes a partial payment in respect of any Note, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Note Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Note Certificate.
- (f) *Record date:* Each payment in respect of a Note will be made to the person shown as the Holder in the Register at the opening of business in the place of the Registrar’s Specified Office on the fifteenth day before the due date for such payment (the “**Record Date**”). Where payment in respect of a Note is to be made by cheque, the cheque will be mailed to the address shown as the address of the Holder in the Register at the opening of business on the relevant Record Date.
- (g) *Payment to the Account:* Save as the Trustee may otherwise direct at any time after the security created pursuant to the Trust Deed becomes enforceable, the Issuer will pursuant to the provisions of Clause 7.1 (*Issuer to pay Principal Paying Agent*) of the Agency Agreement require the Borrower to make all payments of principal, interest, Additional Amounts, Indemnity Amounts or other amounts, if any, to be made pursuant to the Loan Agreement, less any amounts in respect of the Reserved Rights, to the Account.
- (h) *Payment obligations limited:* Notwithstanding any other provisions to the contrary, the obligations of the Issuer to make payments under Condition 5 (*Redemption, Purchase and Right to Compel Sale*) and Condition 6 (*Payments*) shall constitute an obligation only to pay to the Noteholders on such date upon which a payment is due in respect of the Notes, to the extent of sums of principal, interest, Additional Amounts, Indemnity Amounts or other amounts, if any, actually received by or for the account of the Issuer pursuant to the Loan Agreement, less any amount in respect of the Reserved Rights.

7. **Taxation**

All payments by or on behalf of the Issuer in respect of the Notes shall be made in full without set off or counterclaim, free and clear of and without deduction or withholding for or on account of any present or future taxes, levies, duties, assessments, fees or other governmental charges or withholding of a similar nature no matter where arising (including interest and penalties thereon and additions thereto) no matter how they are levied or determined (“**Taxes**”) imposed by any taxing

authority of or in, or having authority to tax in the United Kingdom, unless such deduction or withholding of Taxes is required by law. In that event, the Issuer shall, subject as provided below, pay such Additional Amounts (“**Additional Amounts**”) as will result in the receipt by the Noteholders after such withholding or deduction of such amounts as would have been received by them if no such withholding or deduction had been made or required to be made. The foregoing obligation to pay Additional Amounts, however, will not apply to any:

- (i) Taxes that would not have been imposed but for the existence of any present or former connection between such Noteholder and the United Kingdom or Ukraine other than the mere receipt of such payment or the ownership or holding of such Note;
- (ii) Taxes that would not have been imposed but for the presentation of the Note or by the Noteholder for payment (of principal or interest) on a date more than 30 days after the Relevant Date (as defined below);
- (iii) Taxes required to be deducted or withheld by any Paying Agent from a payment on a Note, if such payment could have been made without deduction or withholding by any other Paying Agent in a Member State of the European Union; and
- (iv) Taxes imposed on a payment to an individual which are required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income in the form of interest payments or any law implementing or complying with, or introduced in order to conform to, such Directive.

Notwithstanding the foregoing provisions, the Issuer shall only make payments of Additional Amounts to the Noteholders pursuant to this Condition 7 (Taxation) to the extent and at such time as it shall have actually received an equivalent amount for such purposes from the Borrower under the Loan Agreement by way of Additional Amounts or Indemnity Amounts or otherwise.

To the extent that the Issuer receives a lesser sum from the Borrower under the Loan Agreement, the Issuer shall account to each Noteholder entitled to receive such additional amount pursuant to this Condition 7 (Taxation) for an additional amount equivalent to a *pro rata* portion of such sum (if any) as is actually received by, or for the account of, the Issuer pursuant to the provisions of the Loan Agreement on the date of, in the currency of, and subject to any conditions attaching to such payment to the Issuer.

In these Conditions, “**Relevant Date**” means whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received by the Principal Paying Agent or the Trustee on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders by the Issuer in accordance with Condition 14 (Notices).

Any reference in these Conditions to principal or interest shall be deemed to include, without duplication, any Additional Amounts in respect of principal or interest (as the case may be) which may be payable under this Condition 7 or any undertaking given in addition to or in substitution of this Condition 7 pursuant to the Trust Deed or the Loan Agreement.

8. **Prescription**

Claims for principal and interest on redemption shall become void unless the relevant Note Certificates are surrendered for payment within ten years, and claims for interest due other than on redemption shall become void unless made within five years, of the appropriate Relevant Date.

9. **Replacement of Note Certificates**

If any Note Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Replacement Agent (as defined in the Agency Agreement) (having its Specified Office in Switzerland), subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on

such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Note Certificates must be surrendered before replacements will be issued.

10. **Trustee and Agents**

- (a) *Appointment, Removal and Retirement of Trustee:* The power of appointing new trustees is be vested in the Issuer pursuant to the Trust Deed but no person shall be appointed who shall not previously have been approved by an Extraordinary Resolution. A trust corporation may be appointed sole trustee hereof but subject thereto there shall be at least two trustees hereof one at least of which shall be a trust corporation. The Noteholders shall together have the power, exercisable by Extraordinary Resolution, to remove any trustee or trustees for the time being hereof. The removal of any trustee shall not become effective unless there remains a trustee hereof (being a trust corporation) in office after such removal.

Subject to the conditions set out in the Trust Deed, the Issuer may appoint a new trustee if the United Kingdom ceases to be the jurisdiction in which the Trustee is resident and acting through for taxation purposes.

Subject to the conditions set out in the Trust Deed, the Trustee may retire at any time upon giving not less than three calendar months' notice in writing to the Issuer without assigning any reason therefor and without being responsible for any costs occasioned by such retirement.

- (b) *Indemnification of the Trustee:* Under separate agreement between the Borrower and the Trustee, the Trustee is entitled to be indemnified and relieved from responsibility in certain circumstances and, under the Trust Deed, to be paid its costs and expenses in priority to the claims of the Noteholders. The Trust Deed and the fees indemnity letter to be dated on or about 20 July 2015 contain provisions for the indemnification of the Trustee, provisions for its relief from responsibility, including relieving it from taking action unless indemnified to its satisfaction, and provisions entitling it to be paid its costs and expenses in priority to the claims of the Noteholders.
- (c) *Trustee Contracting with the Issuer and the Bank:* The Trust Deed also contains provisions pursuant to which the Trustee is entitled, inter alia, (i) to enter into business transactions with the Issuer and/or the Bank and/or any subsidiary of the Issuer and/or the Bank and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or the Bank and/or any subsidiary of the Issuer and/or the Bank, (ii) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders and (iii) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.
- (d) *Trustee to have regard to Interests of Noteholders as one Class:* In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation, determination or substitution), the Trustee shall have regard to the general interests of the Noteholders as a class but shall not have regard to any interests arising from circumstances particular to individual Noteholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim, from the Issuer, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders except to the extent already provided for in Condition 7 (*Taxation*) and/or any undertaking given in addition to, or in substitution for, Condition 7 (*Taxation*) pursuant to the Trust Deed.

In acting under the Agency Agreement and in connection with the Notes, the Agents act solely as agents of the Issuer and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders. Under separate agreement between the Borrower and the Agents, the Agents are entitled to be indemnified and relieved from certain responsibilities in certain circumstances.

- (e) *Initial Paying Agents:* The initial Agents and their initial Specified Offices are listed below. The Issuer reserves the right (with the prior approval of the Trustee) at any time to vary or terminate the appointment of any Agent and to appoint a successor principal paying agent or registrar and additional or successor paying agents and transfer agents; *provided, however, that* the Issuer shall at all times maintain (a) a principal paying agent and a registrar, and (b) a paying agent with a specified office in a member state of the European Union that will not be obliged to withhold or deduct tax pursuant to any European Union Directive on the taxation of savings implementing the conclusions of the ECOFIN Council meeting of 26 to 27 November 2000 or any law implementing or complying with, or introduced to conform to, such Directive.

Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Noteholders in accordance with Condition 14 (*Notices*).

11. **Meetings of Noteholders; Modification and Waiver; Substitution**

- (a) *Meetings of Noteholders:* The Trust Deed contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of the Loan Agreement or any provision of these Conditions or the Trust Deed. Such a meeting may be convened on no less than 14 days' notice by the Trustee or the Issuer or by the Trustee upon the request in writing of Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be one or more persons holding or representing more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, one or more persons holding or representing whatever the principal amount of the outstanding Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to change any date fixed for payment of principal or interest in respect of the Notes, (ii) to reduce the amount of principal or interest payable on any date in respect of the Notes, (iii) to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, (iv) to change the currency of payments under the Notes, (v) to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution, (vi) to alter the governing law of the Conditions, the Trust Deed or the Loan Agreement, (vii) to change any date fixed for payment of principal or interest under the Loan Agreement, (viii) to alter the method of calculating the amount of any payment under the Loan Agreement or (ix) to change the currency of payment or, without prejudice to the rights under Condition 11(b) (*Modification*) below, change the definition of "Event of Default" under the Loan Agreement (each, a "**Reserved Matter**"), in which case the necessary quorum will be one or more persons holding or representing not less than two-thirds, or at any adjourned meeting not less than one-third, in principal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders, whether present or not.

"**Extraordinary Resolution**" means a resolution passed at a Meeting duly convened and held in accordance with this Schedule by a majority of not less than three quarters of the votes cast.

In addition, a resolution in writing signed by or on behalf of all Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders under the Trust Deed (a "**Written Resolution**") will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

- (b) *Modification:* The Trustee may, without the consent of the Noteholders, agree to any modification of these Conditions or the Trust Deed or, pursuant to the Transferred Rights, the Loan Agreement (other than in respect of a Reserved Matter) which is, in the opinion of the Trustee, proper to make if, in the opinion of the Trustee, such modification will not be materially prejudicial to the interests of Noteholders and to any modification of the Notes or the Trust Deed which is of a formal, minor or technical nature or is to correct a manifest error.
- (c) *Authorisation, Waiver and Determination:* In addition, the Trustee may, without the consent of the Noteholders, authorise or waive any proposed breach or breach of the Notes, these Conditions or the Trust Deed by the Issuer or, pursuant to the Transferred Rights, the Loan Agreement by the

Borrower, or determine that any event which would or might otherwise give rise to a right of acceleration under the Loan Agreement or constitute a Relevant Event (as defined in Condition 12 (*Enforcement*)) shall not be treated as such (other than a proposed breach or breach relating to the subject of a Reserved Matter) if, in the opinion of the Trustee, the interests of the Noteholders will not be materially prejudiced thereby.

- (d) *Notification to Noteholders:* Unless the Trustee agrees otherwise, any such modification, authorisation or waiver shall be notified to the Noteholders as soon as practicable thereafter and in accordance with Condition 14 (*Notices*).
- (e) *Substitution:* The Trust Deed and the Loan Agreement contain provisions under which the Issuer may, without the consent of the Noteholders, transfer the obligations of the Issuer as principal debtor under the Trust Deed and the Notes and its rights as Lender under the Loan Agreement to a third party provided that certain conditions specified in the Trust Deed are fulfilled.

12. **Enforcement**

At any time after an Event of Default (as defined in the Loan Agreement), Bankruptcy Event (as defined in the Loan Agreement) or Relevant Event (as defined below) shall have occurred and be continuing, the Trustee may, at its discretion and without notice, institute such proceedings as it thinks fit to enforce its rights under the Trust Deed in respect of the Notes, but it shall not be bound to do so unless:

- (a) it has been so requested in writing by the Holders of at least 25 per cent. in principal amount of the outstanding Notes or has been so directed by an Extraordinary Resolution; and
- (b) it has been indemnified and/or provided with security to its satisfaction against all liabilities, proceedings, claims and demands to which it may thereby become liable and all costs, charges and expenses which may be incurred by it in connection therewith.

The Trust Deed also provides that, in the case of an Event of Default or a Bankruptcy Event or a Relevant Event, the Trustee may, and shall if requested to do so by Noteholders of at least 25 per cent. in principal amount of the Notes outstanding or if directed to do so by an Extraordinary Resolution and, in either case, subject to it being secured and/or indemnified to its satisfaction, (1) require the Issuer to declare all amounts payable under the Loan Agreement by the Borrower to be due and payable (where an Event of Default or a Bankruptcy Event or a Relevant Event has occurred and is continuing), or (2) enforce the security created in the Trust Deed in favour of the Noteholders (in the case of a Relevant Event). Upon repayment of the Loan following an Event of Default or a Bankruptcy Event or a Relevant Event, the Notes will be redeemed or repaid at the principal amount thereof together with interest accrued to the date fixed for redemption together with any Additional Amounts due in respect thereof pursuant to Condition 7 (*Taxation*) and thereupon shall cease to be outstanding.

For the purposes of these Conditions, “**Relevant Event**” means the earlier of (i) the failure by the Issuer to make any payment of principal or interest on the Notes when due to the extent it is obligated to do so pursuant to these Conditions; (ii) the filing of an application for the institution for bankruptcy, insolvency or composition proceedings over the assets of the Issuer in the United Kingdom; and (iii) the taking of any action in furtherance of the dissolution of the Issuer. For the avoidance of doubt, no Additional Amounts shall be payable if and to the extent that such withholding or deduction is required following and on account of a Relevant Event.

No Noteholder may proceed directly against the Issuer unless the Trustee, having become bound to do so, fails to do so within a reasonable time and such failure is continuing.

13. **Further Issues**

The Issuer may from time to time, with the consent of the Borrower but without the consent of the Noteholders, in accordance with the Trust Deed, create and issue Further Notes (as defined in the Trust Deed) having the same terms and conditions as the Notes in all respects (or in all respects except for the issue date and/or the first payment of interest) so as to form a single series with the

Notes. Such Further Notes could be issued in the form of Rule 144A Notes (as defined in the Trust Deed) and/or Regulation S Notes and such Further Notes shall be issued under a deed supplemental to the Trust Deed. In relation to such further issue, the Issuer will enter into a loan agreement supplemental to the Loan Agreement with the Borrower on the same terms as the original Loan Agreement (or on the same terms except for the borrowing date and/or the first payment of interest and/or the rate of interest) subject to any modifications which, in the sole opinion of the Trustee, would not materially prejudice the interests of the Noteholders. The Issuer will provide a further fixed charge and absolute assignment by way of security in favour of the Trustee of its rights under such supplemental loan agreement equivalent to the rights charged and assigned as Security Interests in relation to the Issuer's rights under the original Loan Agreement which will, together with the Security Interests referred to in these Conditions, secure both the Notes and such Further Notes.

14. **Notices**

Notices to Noteholders shall be valid if published on the website of the Irish Stock Exchange or as otherwise required by any exchange on which the Notes are listed. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made. In case by reason of any other cause it shall be impracticable to publish any notice to Noteholders as provided above, then such notification to such Noteholders as shall be given with the prior written approval of the Trustee shall constitute sufficient notice to such Noteholders for every purposes hereunder.

15. **Provision of Information**

For so long as any Notes are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the Issuer and the Bank shall, during any period in which it is neither subject to Section 13 or 15(d) of the Exchange Act, nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, provide to any holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner or to the Trustee for delivery to such holder, beneficial owner or prospective purchaser, in each case upon the request of such holder, beneficial owner, prospective purchaser or Trustee, the information satisfying the requirements of Rule 144A(d)(4) under the Securities Act.

16. **Limited Recourse**

If at any time following:

- (a) the occurrence of the scheduled redemption date set out in Condition 5(a) (*Scheduled Redemption*) or any earlier date upon which all of the Notes are due and payable; and
- (b) Realisation of the Loan Agreement and application in full of any amounts available to pay amounts due and payable under the Notes in accordance with the Trust Deed and the Conditions,

the proceeds of such Realisation are insufficient, after payment of all other claims ranking in priority in accordance with the applicable priority (or priorities) of payments, to pay in full any Deferred Interest and any other amounts then due and payable under the Notes then the amount remaining to be paid, including but not limited to Deferred Interest, (after such application in full of the amounts first referred to in (b) above) under the Notes shall, on the day following such application in full of the amounts referred to in (b) above, cease to be due and payable by the Issuer.

For the purposes of this Condition 16:

"Realisation" means, in relation to the Loan Agreement, the deriving, to the fullest extent practicable, (in accordance with the provisions of the Trust Deed and other transaction documentation) of proceeds from or in respect of the Loan Agreement including (without limitation) through sale or through performance by the Borrower.

Notwithstanding any other Clause or provision in the Conditions or any transaction document, no provision other than this Condition 16 shall limit or in any way reduce the amount of interest that would otherwise be payable by the Issuer under any Note, if and to the extent that such limitation or

reduction falls to any extent to be determined by reference to the results of any business or part of a business or the value of any property.

17. **Governing Law and Jurisdiction**

- (a) *Governing law:* The Notes, the Loan Agreement and the Trust Deed and all matters arising from or connected with the Notes, the Loan Agreement and the Trust Deed, including any non-contractual obligations arising out of or in connection therefrom, are governed by, and shall be construed in accordance with, English law.
- (b) *Jurisdiction:* The Issuer has in the Trust Deed (i) irrevocably agreed for the benefit of the Trustee and the Noteholders that the courts of England shall have exclusive jurisdiction to settle any dispute (a “**Dispute**”) arising from or connected with the Notes; (ii) agreed that those courts are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue that any other courts are more appropriate or convenient; (iii) designated a person in England to accept service of any process on its behalf; (iv) consented to the enforcement of any judgment; and (v) to the extent that it may in any jurisdiction claim for itself or its assets immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process, and to the extent that in any such jurisdiction there may be attributed to itself or its assets or revenues such immunity (whether or not claimed), agreed not to claim and irrevocably waived such immunity to the full extent permitted by the laws of such jurisdiction. The Trust Deed also states that nothing contained in the Trust Deed prevents the Trustee or any of the Noteholders from taking proceedings relating to a Dispute (“**Proceedings**”) in any other courts with jurisdiction and that, to the extent allowed by law, the Trustee or any of the Noteholders may take concurrent Proceedings in any number of jurisdictions.

18. **Contracts (Rights of Third Parties) Act 1999**

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

There will appear at the foot of the Conditions endorsed on or (as the case may be) attached to each Individual Note Certificate the names and Specified Offices of the Registrar, the Paying Agents and the Transfer Agent.

ANNEX 3 – TERMS AND CONDITIONS OF THE NEW 2025 NOTES

The following is the text of the Terms and Conditions of the Notes, which will be endorsed on each Note in definitive form. The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under “Summary of Provisions Relating to the New Notes in Global Form” above.

The U.S.\$600,000,000 9.75 per cent. Amortising Loan Participation Notes due 2025 (the “**Notes**”, which expression includes any Further Notes issued pursuant to Condition 13 (*Further Issues*) and forming a single series therewith) of BIZ Finance PLC (the “**Issuer**”) are constituted by, are subject to, and have the benefit of, a trust deed dated 23 July 2015 (as amended or supplemented from time to time, the “**Trust Deed**”) between the Issuer and BNY Mellon Corporate Trustee Services Limited as trustee (the “**Trustee**”, which expression includes all persons for the time being trustee or trustees appointed under the Trust Deed) and are the subject of an agency agreement dated 23 July 2015 (as amended or supplemented from time to time, the “**Agency Agreement**”) between the Issuer, The Bank of New York Mellon (Luxembourg) S.A., as registrar (the “**Registrar**”, which expression includes any successor registrar appointed from time to time in connection with the Notes), The Bank of New York Mellon, London Branch as principal paying agent (the “**Principal Paying Agent**”, which expression includes any successor principal paying agent appointed from time to time in connection with the Notes), the transfer agents named therein (the “**Transfer Agents**”, which expression includes any successor or additional transfer agents appointed from time to time in connection with the Notes), the paying agents named therein (together with the Principal Paying Agent, the “**Paying Agents**”, which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes) and the Trustee. References herein to the “**Agents**” are to the Registrar, the Transfer Agents and the Paying Agents and any reference to an “**Agent**” is to any one of them. Certain provisions of these Conditions are summaries of the Trust Deed and the Agency Agreement and subject to their detailed provisions. The Noteholders (as defined below) are entitled to the benefit of, bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those provisions of the Agency Agreement applicable to them.

Copies of the Trust Deed and the Agency Agreement are available for inspection during normal business hours at the registered office for the time being of the Trustee, being at the date hereof One Canada Square, London E14 5AL, United Kingdom and at the Specified Offices (as defined in the Agency Agreement) of each of the Agents, the initial Specified Offices of which are set out below.

The Issuer has authorised the creation, issue and sale of the Notes for the sole purpose of financing the US\$600,000,000 loan (the “**Loan**”) to Joint Stock Company “The State Export-Import Bank of Ukraine” (the “**Borrower**”). The terms and conditions of the Loan are recorded in loan agreement dated 17 January 2013 between the Borrower and the Issuer (as lender), as amended by the supplemental loan agreement dated 28 March 2013 and as amended and restated by the amendment and restatement agreement dated 9 July 2015 (as amended and supplemented from time to time, the “**Loan Agreement**”).

In each case where amounts of principal, interest and Additional Amounts, if any, due pursuant to Condition 6 (*Payments*) and Condition 7 (*Taxation*) are stated herein or in the Trust Deed to be payable in respect of the Notes, the obligation of the Issuer to make any such payment shall constitute an obligation only to pay to the Noteholders (as defined in Condition 2(a)), on each date upon which such amounts of principal, interest and Additional Amounts, if any, are due in respect of the Notes, to the extent of the sums of principal, interest, Additional Amounts and Indemnity Amounts (each as defined in the Loan Agreement), if any, actually received by or for the account of the Issuer pursuant to the Loan Agreement, less any amounts in respect of the Reserved Rights (as defined below). Noteholders must therefore rely solely and exclusively upon the covenant to pay under the Loan Agreement and the credit and financial standing of the Borrower. Noteholders shall have no recourse (direct or indirect) to any other assets of the Issuer.

As security for the Issuer’s payment obligations under the Trust Deed and in respect of the Notes, the Issuer as lender under the Loan Agreement has:

- (A) charged by way of security to the Trustee all of the Issuer’s rights, interests and benefits in and to (i) principal, interest and other amounts now or hereafter paid and payable by the Borrower to the Issuer as lender under the Loan Agreement and (ii) all amounts now or hereafter paid or payable by the

Borrower to the Issuer under or in respect of any claim, award or judgment relating to the Loan Agreement (in each case other than its right to amounts in respect of any rights, interests and benefits of the Issuer under the following Clauses of the Loan Agreement: Clause 3.2 (*Fees*), the second sentence of Clause 6.6 (*Costs of Repayment*); Clause 7.3(a) (*Indemnity Amounts*); Clause 9 (*Changes in Circumstances*); Clause 10 (*Representations and Warranties of the Borrower*); Clause 14 (*Indemnity*); Clause 17 (*Costs and Expenses*) (to the extent that the Issuer's claim is in respect of one of the aforementioned clauses of the Loan Agreement); Clause 7.2 (*Double Tax Treaty Relief*), Clause 15.2 (*Currency Indemnity*) and Clause 16.3 (*No Set-off*) (such rights are referred to herein as the “**Reserved Rights**”));

- (B) charged by way of security to the Trustee all of the Issuer's rights, interests and benefits in and to all sums held on deposit from time to time, in the Account (as defined in the Trust Deed) with the Principal Paying Agent, together with the debt represented thereby (except to the extent such debt relates to Reserved Rights) pursuant to the Trust Deed (this sub-clause (B), together with sub-clause (A) other than the Reserved Rights, the “**Charged Property**”); and
- (C) assigned absolutely by way of security to the Trustee all of the Issuer's rights, interests and benefits whatsoever, both present and future, whether proprietary, contractual or otherwise under or arising out of or evidenced by the Loan Agreement (including, without limitation, the right to declare the Loan immediately due and payable and to take proceedings to enforce the obligations of the Borrower thereunder) other than the Charged Property and the Reserved Rights and amounts payable by the Borrower in relation to the Charged Property and the Reserved Rights (the “**Transferred Rights**”),

together, the “**Security Interests**”.

In certain circumstances, the Trustee can (subject to it being indemnified and/or secured to its satisfaction) be required by Noteholders holding at least 25 per cent. of the principal amount of the Notes then outstanding or by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders to exercise certain of its powers under the Trust Deed (including those arising in connection with the Security Interests). However, it may not be possible for the Trustee to take certain actions in relation to the Notes and, accordingly, in such circumstances the Trustee will be unable to take such actions, notwithstanding the provision of an indemnity or security to it, and it will thus be for the Noteholders to take such actions directly.

1. **Form, Denomination and Status**

- (a) *Form and denomination:* The Notes are in registered form, without interest coupons attached, in the denominations of US\$200,000 and integral multiples of US\$1,000 in excess thereof (each, an “**Authorised Holding**”).
- (b) *Status:* The sole purpose of the issue of the Notes is to provide the funds for the Issuer to finance the Loan. The Notes constitute the obligation of the Issuer to apply an amount equal to the principal amount of the Notes solely for financing the Loan and to account to the Noteholders for principal and interest and Additional Amounts (as defined in the Loan Agreement), if any in respect of the Notes in an amount equivalent to sums of principal, interest, Additional Amounts and Indemnity Amounts (as defined in the Loan Agreement), if any, actually received by or for the account of the Issuer pursuant to the Loan Agreement (less any amounts in respect of Reserved Rights), the right to receive which is, *inter alia*, being charged by way of security to the Trustee by virtue of the Security Interests as security for the Issuer's payment obligations under the Trust Deed and in respect of the Notes.

Payments in respect of the Notes to the extent of the sums actually received by or for the account of the Issuer by way of principal, interest, Additional Amounts or Indemnity Amounts, if any, pursuant to the Loan Agreement (less any amounts in respect of the Reserved Rights) will be made *pro rata* among all Noteholders (subject to Condition 7 (*Taxation*)), on the dates on which such payments are due in respect of the Notes subject to the conditions attaching to, and in the currency of, such payments under the Loan Agreement. The Issuer shall not be liable to make any payment in respect of the Notes other than as expressly provided herein and in the Trust Deed. The Issuer shall be under no obligation to exercise in favour of the Noteholders any rights of set-off or of banker's lien

or to combine accounts or counterclaim that may arise out of other transactions between the Issuer and the Borrower.

Noteholders are deemed to have accepted that:

- (i) neither the Issuer nor the Trustee makes any representation or warranty in respect of, and shall at no time have any responsibility for, or (save as otherwise expressly provided in the Trust Deed and paragraph (vi) below) liability, or obligation in respect of the performance and observance by the Borrower of its obligations under the Loan Agreement or the recoverability of any sum of principal, interest, Additional Amounts or Indemnity Amounts or other amounts, if any, due or to become due from the Borrower under the Loan Agreement;
- (ii) neither the Issuer nor the Trustee shall at any time have any responsibility for, or obligation or liability in respect of, the condition (financial, operational or otherwise), creditworthiness, affairs, status, nature or prospects of the Borrower;
- (iii) neither the Issuer nor the Trustee shall at any time have any responsibility for, or obligation or liability in respect of, any misrepresentation or breach of warranty or any act, default or omission of the Borrower under or in respect of the Loan Agreement;
- (iv) neither the Issuer nor the Trustee shall at any time have any responsibility for, or liability or obligation in respect of, the performance and observance by the Registrar, any Transfer Agent or any Paying Agent of their respective obligations under the Agency Agreement;
- (v) the financial servicing and performance of the terms of the Notes depend solely and exclusively upon performance by the Borrower of its obligations under the Loan Agreement, its covenant to pay under the Loan Agreement and its credit and financial standing. The Borrower has represented and warranted to the Issuer in the Loan Agreement that the Loan Agreement constitutes legal, valid and binding obligations of the Borrower. The representations and warranties given by the Borrower in Clause 10 (*Representations and Warranties of the Borrower*) of the Loan Agreement are given by the Borrower to the Issuer for the sole benefit of the Issuer and neither the Trustee nor any Noteholder shall have any remedies or rights against the Borrower that the Issuer may have with respect to such representations or warranties, other than any right the Trustee may have pursuant to the assignment of the Transferred Rights;
- (vi) the Issuer (and, pursuant to the assignment of the Transferred Rights, the Trustee) will rely on self-certification by the Borrower and certification by third parties as a means of monitoring whether the Borrower is complying with its obligations under the Loan Agreement and shall not otherwise be responsible for investigating any aspect of the Borrower's performance in relation thereto and, subject as further provided in the Trust Deed, the Trustee will not be liable for any failure to make the usual or any investigations which might be made by a security holder in relation to the property which is the subject of the Security Interests and held by way of security for the Notes, and shall not be bound to enquire into or be liable for any defect or failure in the right or title of the Issuer to the secured property represented by the Security Interests whether such defect or failure was known to the Trustee or might have been discovered upon examination or enquiry or whether capable of remedy or not, nor will it have any liability for the enforceability of the security created by the Security Interests whether as a result of any failure, omission or defect in registering or filing or otherwise protecting or perfecting such security and the Trustee will have no responsibility for the value of such security; and
- (vii) if the Borrower is required by law to make any withholding or deduction for or on account of tax from any payment under the Loan Agreement or if the Issuer is required by law to make any withholding or deduction for or on account of tax from any payment in respect of the Notes, the sole obligation of the Issuer will be to pay the Noteholders sums equivalent to the sums actually received from the Borrower pursuant to the Loan Agreement in respect of such payment, including, if applicable, Additional Amounts or Indemnity Amounts in

respect of the tax required to be so withheld or deducted; the Issuer shall not be obliged to take any actions or measures as regards such deductions or withholdings other than those set in Clause 7 (*Taxes*) and Clause 9.3 (*Mitigation*) of the Loan Agreement.

Save as otherwise expressly provided herein and in the Trust Deed, no proprietary or other direct interest in the Issuer's rights under or in respect of the Loan Agreement or the Loan exists for the benefit of the Noteholders. No Noteholder will have any entitlement to enforce any of the provisions in the Loan Agreement or have direct recourse to the Borrower except through action by the Trustee under the Security Interests. The Trustee shall not be required to take proceedings to enforce payment under the Trust Deed or, pursuant to the Transferred Rights, the Loan Agreement unless it has been indemnified and/or secured by the Noteholders to its satisfaction against all liabilities, proceedings, claims and demands to which it may thereby become liable and all costs, charges and expenses which may be incurred by it in connection therewith.

As provided in the Trust Deed, the obligations of the Issuer are solely to make payments of amounts in aggregate equal to principal, interest, Additional Amounts, Indemnity Amounts or other amounts, if any, actually received by or for the account of the Issuer pursuant to the Loan Agreement (less any amounts in respect of Reserved Rights), the right to which is being charged by way of security to the Trustee as aforesaid. Noteholders must therefore rely solely and exclusively upon the covenant to pay under the Loan Agreement and the credit and financial standing of the Borrower.

The obligations of the Issuer to make payments as stated in the previous paragraph constitute direct and general obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

Payments made by the Borrower under the Loan Agreement to, or to the order of, the Trustee or (before such time that the Issuer has been required by the Trustee, pursuant to the terms of the Trust Deed, to pay to or to the order of the Trustee) the Principal Paying Agent will satisfy *pro tanto* the obligations of the Issuer in respect of the Notes.

2. **Register, Title and Transfers**

- (a) *Register*: The Registrar will maintain outside the United Kingdom a register (the “**Register**”) in respect of the Notes in accordance with the provisions of the Agency Agreement. In these Conditions, the “**Holder**” of a Note means the person in whose name such Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and “**Noteholder**” shall be construed accordingly. A certificate (each, a “**Note Certificate**”) will be issued to each Noteholder in respect of its registered holding. Each Note Certificate will be numbered serially with an identifying number which will be recorded in the Register.

The “Regulation S Global Note Certificate” and the “Rule 144A Global Note Certificate” will be deposited with The Bank of New York Mellon, as common depositary for Euroclear and Clearstream, Luxembourg and registered in the name of The Bank of New York Depository (Nominees) Limited, as nominee for the Common Depositary. (The Rule 144A Global Note Certificate and the Regulation S Global Note Certificate, together the “Global Note Certificates” and each a “Global Note Certificate”).

- (b) *Title*: The Holder of each Note shall (except as otherwise required by law) be treated as the absolute owner of such Note for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Note Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft of such Note Certificate) and no person shall be liable for so treating such Holder. No person shall have any right to enforce any term or condition of the Notes or the Trust Deed under the Contracts (Rights of Third Parties) Act 1999.
- (c) *Transfers*: Subject to Condition 2(f) (*Closed periods*) and Condition 2(g) (*Regulations concerning transfers and registration*) below, a Note may be transferred upon surrender of the relevant Note Certificate, with the endorsed form of transfer duly completed (including any certificates as to

compliance with restrictions on transfer included therein), at the Specified Office of the Registrar or relevant Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; *provided, however, that* a Note may not be transferred unless the principal amount of Notes transferred and (where not all of the Notes held by a Holder are being transferred) the principal amount of the balance of Notes not transferred are Authorised Holdings. Where not all the Notes represented by the surrendered Note Certificate are the subject of the transfer, a new Note Certificate in respect of the balance of the Notes will be issued to the transferor.

- (d) *Registration and delivery of Note Certificates:* Within five business days of the surrender of a Note Certificate in accordance with Condition 2(c) (*Transfers*) above, the Registrar will register the transfer in question and deliver a new Note Certificate of a like principal amount to the Notes transferred to each relevant Holder at its address (as specified by such Holder to the Registrar) or (as the case may be) the Specified Office of any Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this paragraph, “**business day**” means a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.
- (e) *No charge:* The transfer of a Note will be effected without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent but against such indemnity as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.
- (f) *Closed periods:* Noteholders may not require transfers to be registered during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Notes.
- (g) *Regulations concerning transfers and registration:* All transfers of Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Trustee, the Registrar and the Borrower. A copy of the current regulations will be mailed (free of charge) by the Registrar and/or any Transfer Agent to any Noteholder who requests in writing a copy of such regulations. So long as any of the Notes are listed on the regulated market of the Irish Stock Exchange, a copy of the current regulations will be publicly available at the specified offices of the Transfer Agent and the Principal Paying Agent.

3. **Issuer’s Covenant**

As provided in the Trust Deed, so long as any of the Notes remain outstanding (as defined in the Trust Deed), the Issuer will not, without the prior written consent of the Trustee or an Extraordinary Resolution or Written Resolution (as defined in the Trust Deed), agree to any amendments to or any modification or waiver of, or authorise any breach or proposed breach of, the terms of the Loan Agreement and will act at all times in accordance with any instructions of the Trustee from time to time with respect to the Loan Agreement, except as otherwise expressly provided in the Trust Deed and the Loan Agreement. Any such amendment, modification, waiver or authorisation made with the consent of the Trustee shall be binding on the Noteholders and any such amendment or modification shall be notified by the Issuer to the Noteholders in accordance with Condition 14 (*Notices*).

4. **Interest**

- (a) Interest on the Notes is equal to 9.75 per cent. per annum (the “**Rate of Interest**”) (the “**Due Interest**”), provided that, subject to and in accordance with Condition 6 (*Payments*), on each Interest Payment Date the Issuer shall pay to the Noteholders only an amount of interest equal to and in the same currency as the amount of interest actually received by or for the account of the Issuer pursuant to the Loan Agreement (the “**Current Paid Interest**”). The amount equal to the difference between the Due Interest and the Current Paid Interest (if any) shall remain due by the Issuer, but shall be deferred (the “**Deferred Interest**”). Interest shall accrue on the Loan from day to day from (and

including) 22 July 2015 to (but excluding) the due date for repayment thereof unless payment of principal is improperly withheld or refused, in which event interest will continue to accrue (before or after any judgment) at the Rate of Interest to but excluding the date on which payment in full of the outstanding principal amount of the Loan is made.

- (b) The amount of interest payable in respect of the Loan for any Interest Period shall be calculated by applying the Rate of Interest to the principal amount of the Loan, dividing the product by two and rounding the resulting figure to the nearest cent (half a cent being rounded upwards). If interest on the Loan is required to be calculated for any period other than an Interest Period, it will be calculated on the basis of a year of 360 days consisting of 12 months of 30 days each and, in the case of an incomplete month, the actual number of days elapsed.
- (c) As used in this Condition 4 (*Interest*), “**Interest Payment Date**” and “**Interest Period**” shall have the meanings given to them in the Loan Agreement and “**Issue Date**” shall have the meaning given to the term “Borrowing Date” in the Loan Agreement. In the Loan Agreement, “**Interest Payment Date**” is defined as 22 January and 22 July in each year in which the Loan remains outstanding (commencing, for the purposes of the Notes, on 22 January 2016). The final interest payment shall be payable on 22 January 2025. Under the Loan Agreement, the Borrower is required, two Business Days prior to each Interest Payment Date, to pay to the Issuer an amount equal to and in the same currency as the full amount of interest accruing during the Interest Period ending on such Interest Payment Date.

5. **Redemption, Purchase and Right to Compel Sale**

- (a) *Scheduled redemption*: Unless previously repaid pursuant to Clause 6 (*Repayment*) of the Loan Agreement, the Borrower will be required to repay the Loan on its due date as provided in the Loan Agreement and, unless previously redeemed pursuant to this Condition 5 or Condition 12 (*Enforcement*) and subject to the repayment of the relevant part of the Loan, U.S.\$500 for each U.S.\$1,000 of the initial principal amount of the Notes will be redeemed on 22 January 2021, and the remaining outstanding principal amount of the Notes shall be redeemed in eight equal semi-annual instalments beginning on 22 July 2021 with the final repayment being due on 22 January 2025, subject as provided in Condition 6 (*Payments*).
- (b) *Redemption by the Issuer*: The Notes shall be redeemed by the Issuer in whole, but not in part, at any time, on giving not less than 30 days’ nor more than 90 days’ notice to the Noteholders (which notice shall be irrevocable and shall specify a date for redemption, being the same date as that set forth in the notice of repayment referred to in Condition 5(b)(i) or (ii) below) in accordance with Condition 14 (*Notices*) at the principal amount thereof, together with interest accrued and unpaid to the date fixed for redemption and any Additional Amounts in respect thereof pursuant to Condition 7 (*Taxation*), if, immediately before giving such notice, the Issuer satisfies the Trustee that:
 - (i) the Issuer has received a notice of repayment from the Borrower pursuant to Clause 6.3 (*Repayment for Tax Reasons and Change in Circumstances*) of the Loan Agreement, which includes, *inter alia*, the Borrower’s right to give notice that it has decided to repay the Loan in the event that the Issuer is, subject to receipt of corresponding amounts from the Borrower, required to pay Additional Amounts in respect of United Kingdom Taxes as provided in Condition 7 (*Taxation*); or
 - (ii) the Issuer has delivered a notice to the Borrower, the contents of which require the Borrower to repay the Loan, in accordance with the provisions of Clause 6.4 (*Repayment for Illegality*) of the Loan Agreement.

The Issuer shall deliver to the Trustee a certificate signed by two officers of the Issuer stating that the Issuer is entitled to effect such redemption in accordance with this Condition 5(b). A copy of the Borrower’s notice of repayment or details of the circumstances contemplated by Clause 6.3 (*Repayment for Illegality*) of the Loan Agreement and the date fixed for redemption shall be set forth in the notice.

The Trustee shall be entitled to accept any notice or certificate delivered by the Issuer in accordance with this Condition 5(b) as sufficient evidence of the satisfaction of the applicable circumstances in which event they shall be conclusive and binding on the Noteholders.

Upon the expiry of any such notice given by the Issuer to the Noteholders as is referred to in this Condition 5(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 5, subject as provided in Condition 6 (*Payments*).

(c) *Redemption at the option of the Noteholders upon a Change of Control:*

- (i) Upon the occurrence of a Change of Control (as defined in the Loan Agreement), in accordance with Condition 14 (*Notices*) the Issuer will make an offer to purchase all or any part of the Notes pursuant to the offer described below (the “**Change of Control Offer**”) at a price per Note in cash (the “**Change of Control Payment**”) equal to the principal amount thereof plus accrued and unpaid interest thereon to the date of repurchase, plus Additional Amounts, if any, to the date of repurchase. Pursuant to Clause 6.5 (*Repayment in the event of a Change of Control*) of the Loan Agreement, the Issuer is required to give notice to the Borrower and the Trustee at least five Business Days prior to the Change of Control Payment Date setting out the Change of Control Payment (specifying the Change of Control Payment Date) required to be made by the Issuer for such Notes on the Change of Control Payment Date (the “**Change of Control Notice**”) and thereafter the Borrower will repay the Loan to the extent corresponding to the aggregate principal amount plus accrued and unpaid interest and Additional Amounts, if any, on the Notes to be repurchased in accordance with this Condition 5(c) and will pay accrued and unpaid interest and Additional Amounts, if any on the Notes to be repurchased. The Issuer, upon distribution of the Change of Control Notice, shall also give notice thereof to the Noteholders in accordance with Condition 14 (*Notices*) with a copy to the Agents and the Trustee, with the following information: (A) that a Change of Control Offer is being made pursuant to this Condition 5(c) and all Notes properly tendered pursuant to such Change of Control Offer will be accepted for payment; (B) the purchase price and the purchase date, which will be a Business Day (as defined in the Loan Agreement) falling not less than 30 calendar days nor more than 60 calendar days after the date of delivery by the Issuer of the Change of Control Notice (the “**Change of Control Payment Date**”), provided that the Issuer shall, where reasonably practicable, specify a Change of Control Payment Date which falls before the date on which Ukraine, whether through the Cabinet of Ministers of Ukraine or any other Agency of Ukraine (as defined in the Loan Agreement), ceases to own, legally and beneficially, at least 51 per cent. of the Capital Stock (as defined in the Loan Agreement) of, or otherwise to control the Borrower; (C) that any Note not properly tendered or not tendered at all will remain outstanding and continue to accrue interest and Additional Amounts, if any; (D) that unless the Issuer defaults in the payment of the Change of Control Payment, all Notes accepted for payment pursuant to the Change of Control Offer will cease to accrue interest and Additional Amounts, if any, on the Change of Control Payment Date; (E) that Noteholders electing to have any Notes repurchased pursuant to a Change of Control Offer will be required to surrender the Notes, with the form entitled “**Option to Purchase Notice**” set out in a schedule to the Agency Agreement completed, to the Paying Agent and at the address specified in the notice prior to the close of business on the fourth Business Day preceding the Change of Control Payment Date; and (F) that Noteholders will be entitled to withdraw their tendered Notes and their election to require the Issuer to repurchase such Notes provided that both the Paying Agent receives prior to the close of business on the third Business Day preceding the Change of Control Payment Date, a facsimile transmission or letter setting out the name of the Noteholder, the principal amount of Notes tendered for repurchase, and a statement that such Noteholder is withdrawing his tendered Notes and his election to have such Notes repurchased.
- (ii) No later than the second Business Day (as defined in the Loan Agreement) prior to the Change of Control Payment Date, the Borrower will, pursuant to Clause 6.6 (*Costs of Repayment*) of the Loan Agreement, repay the loan (together with all accrued interest and any other amounts outstanding thereunder) in an amount corresponding to the aggregate

principal amount in respect of all Notes properly tendered and not properly withdrawn as set out in the Change of Control Notice plus accrued and unpaid interest and Additional Amounts (if any) thereon. On the Change of Control Payment Date, the Issuer will, to the extent permitted by law and subject to such repayment, (i) accept for payment all Notes properly tendered and not properly withdrawn pursuant to the Change of Control Offer and (ii) deliver, or cause to be delivered, to the Principal Paying Agent for cancellation on behalf of the Issuer the Notes so accepted together with a certificate of two authorised officers of the Issuer stating that such Notes have been tendered to and purchased by the Issuer. In accordance with the instructions of the Noteholder set out in the Option to Purchase Notice, the Paying Agent will promptly pay to the Noteholder the Change of Control Payment for such Notes. The Issuer will publicly announce, and will provide notice to Noteholders in accordance with Condition 14 (*Notices*), the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date.

- (d) *No other redemption:* Except where the Loan is accelerated pursuant to Clause 13 (*Events of Default*) of the Loan Agreement, the Issuer shall not be entitled to redeem the Notes prior to that due date otherwise than as provided in this Condition 5 (*Redemption, Purchase and Right to Compel Sale*) and Condition 12 (*Enforcement*) and subject to the terms set out in Clause 6.7 (*Limitation on Prepayment; No Other Repayments and No Reborrowing*) of the Loan Agreement.
- (e) *Purchase:* The Issuer or any of its subsidiaries or the Borrower may at any time purchase Notes in the open market or otherwise and at any price. Such Notes may be held or resold (provided that any such resale is outside the United States as defined in Regulation S under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”)) or surrendered by the purchaser through the Issuer to the Registrar for cancellation.
- (f) *Cancellation:* All Notes so redeemed or purchased and surrendered for cancellation by the Issuer shall be cancelled and all Notes purchased by the Borrower and surrendered to the Issuer pursuant to Clause 6.7 (*Purchase of Funding Instruments*) of the Loan Agreement, together with an authorisation addressed to the Registrar by the Borrower, shall be cancelled.
- (g) *Right to compel sale:* The Issuer may, with the prior approval of the Trustee, compel any beneficial owner of Rule 144A Global Note Certificates, if any, to sell its interest in such Notes, or may sell such interest on behalf of such holder, if such holder is not a QIB that is also a QP, at a price equal to the least of (x) the purchase price therefor paid by the beneficial owner, (y) 100 per cent, of the principal amount thereof or (z) the fair market value thereof.

6. **Payments**

- (a) *Principal:* Payments of principal shall be made by U.S. dollar cheque drawn on, or, upon application by a Holder of a Note to the Specified Office of the Principal Paying Agent not later than the fifteenth day before the due date for any such payment, by transfer to a U.S. dollar account maintained by the payee with, a bank in New York City or London, as the case may be, and shall only be made upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.
- (b) *Interest:* Payments of interest shall be made by U.S. dollar cheque drawn on, or upon application by a Holder of a Note to the Specified Office of the Principal Paying Agent not later than the fifteenth day before the due date for any such payment, by transfer to a U.S. dollar account maintained by the payee with, a bank in New York City, London or Zurich, as the case may be, and (in the case of interest payable on redemption), and shall only be made upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.
- (c) *Payments subject to fiscal laws:* All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 7 (*Taxation*). No commissions or expenses shall be charged to the Noteholders in respect of such payments.

- (d) *Payments on business days:* Where payment is to be made by transfer to a U.S. dollar account, payment instructions (for value the due date, or, if the due date is not a business day, for value the next succeeding business day) will be initiated and, where payment is to be made by U.S. dollar cheque, the cheque will be mailed (i) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Note Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent and (ii) (in the case of payments of interest payable other than on redemption) on the due date for payment. A Holder of a Note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from (A) the due date for a payment not being a business day or (B) a cheque mailed in accordance with this Condition 6 (*Payments*) arriving after the due date for payment or being lost in the mail. In this paragraph, “**business day**” means any day (other than a Saturday, Sunday or public holiday) on which commercial banks and foreign exchange markets settle payments (including dealings in foreign currencies) in the principal financial centre for such currency and, in the case of surrender (or, in the case of part payment only, endorsement) of a Note Certificate, in the place in which the Note Certificate is surrendered (or, as the case may be, endorsed).
- (e) *Partial payments:* If a Paying Agent makes a partial payment in respect of any Note, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Note Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Note Certificate.
- (f) *Record date:* Each payment in respect of a Note will be made to the person shown as the Holder in the Register at the opening of business in the place of the Registrar’s Specified Office on the fifteenth day before the due date for such payment (the “**Record Date**”). Where payment in respect of a Note is to be made by cheque, the cheque will be mailed to the address shown as the address of the Holder in the Register at the opening of business on the relevant Record Date.
- (g) *Payment to the Account:* Save as the Trustee may otherwise direct at any time after the security created pursuant to the Trust Deed becomes enforceable, the Issuer will pursuant to the provisions of Clause 7.1 (*Issuer to pay Principal Paying Agent*) of the Agency Agreement require the Borrower to make all payments of principal, interest, Additional Amounts, Indemnity Amounts or other amounts, if any, to be made pursuant to the Loan Agreement, less any amounts in respect of the Reserved Rights, to the Account.
- (h) *Payment obligations limited:* Notwithstanding any other provisions to the contrary, the obligations of the Issuer to make payments under Condition 5 (*Redemption, Purchase and Right to Compel Sale*) and Condition 6 (*Payments*) shall constitute an obligation only to pay to the Noteholders on such date upon which a payment is due in respect of the Notes, to the extent of sums of principal, interest, Additional Amounts, Indemnity Amounts or other amounts, if any, actually received by or for the account of the Issuer pursuant to the Loan Agreement, less any amount in respect of the Reserved Rights.

7. **Taxation**

All payments by or on behalf of the Issuer in respect of the Notes shall be made in full without set off or counterclaim, free and clear of and without deduction or withholding for or on account of any present or future taxes, levies, duties, assessments, fees or other governmental charges or withholding of a similar nature no matter where arising (including interest and penalties thereon and additions thereto) no matter how they are levied or determined (“**Taxes**”) imposed by any taxing authority of or in, or having authority to tax in the United Kingdom, unless such deduction or withholding of Taxes is required by law. In that event, the Issuer shall, subject as provided below, pay such Additional Amounts (“**Additional Amounts**”) as will result in the receipt by the Noteholders after such withholding or deduction of such amounts as would have been received by them if no such withholding or deduction had been made or required to be made. The foregoing obligation to pay Additional Amounts, however, will not apply to any:

- (i) Taxes that would not have been imposed but for the existence of any present or former connection between such Noteholder and the United Kingdom or Ukraine other than the mere receipt of such payment or the ownership or holding of such Note;
- (ii) Taxes that would not have been imposed but for the presentation of the Note or by the Noteholder for payment (of principal or interest) on a date more than 30 days after the Relevant Date (as defined below);
- (iii) Taxes required to be deducted or withheld by any Paying Agent from a payment on a Note, if such payment could have been made without deduction or withholding by any other Paying Agent in a Member State of the European Union; and
- (iv) Taxes imposed on a payment to an individual which are required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income in the form of interest payments or any law implementing or complying with, or introduced in order to conform to, such Directive.

Notwithstanding the foregoing provisions, the Issuer shall only make payments of Additional Amounts to the Noteholders pursuant to this Condition 7 (*Taxation*) to the extent and at such time as it shall have actually received an equivalent amount for such purposes from the Borrower under the Loan Agreement by way of Additional Amounts or Indemnity Amounts or otherwise.

To the extent that the Issuer receives a lesser sum from the Borrower under the Loan Agreement, the Issuer shall account to each Noteholder entitled to receive such additional amount pursuant to this Condition 7 (*Taxation*) for an additional amount equivalent to a *pro rata* portion of such sum (if any) as is actually received by, or for the account of, the Issuer pursuant to the provisions of the Loan Agreement on the date of, in the currency of, and subject to any conditions attaching to such payment to the Issuer.

In these Conditions, “**Relevant Date**” means whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received by the Principal Paying Agent or the Trustee on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders by the Issuer in accordance with Condition 14 (*Notices*).

Any reference in these Conditions to principal or interest shall be deemed to include, without duplication, any Additional Amounts in respect of principal or interest (as the case may be) which may be payable under this Condition 7 or any undertaking given in addition to or in substitution of this Condition 7 pursuant to the Trust Deed or the Loan Agreement.

8. **Prescription**

Claims for principal and interest on redemption shall become void unless the relevant Note Certificates are surrendered for payment within ten years, and claims for interest due other than on redemption shall become void unless made within five years, of the appropriate Relevant Date.

9. **Replacement of Note Certificates**

If any Note Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Replacement Agent (as defined in the Agency Agreement) (having its Specified Office in Switzerland), subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Note Certificates must be surrendered before replacements will be issued.

10. **Trustee and Agents**

- (a) *Appointment, Removal and Retirement of Trustee:* The power of appointing new trustees is be vested in the Issuer pursuant to the Trust Deed but no person shall be appointed who shall not previously have been approved by an Extraordinary Resolution. A trust corporation may be appointed sole

trustee hereof but subject thereto there shall be at least two trustees hereof one at least of which shall be a trust corporation. The Noteholders shall together have the power, exercisable by Extraordinary Resolution, to remove any trustee or trustees for the time being hereof. The removal of any trustee shall not become effective unless there remains a trustee hereof (being a trust corporation) in office after such removal.

Subject to the conditions set out in the Trust Deed, the Issuer may appoint a new trustee if the United Kingdom ceases to be the jurisdiction in which the Trustee is resident and acting through for taxation purposes.

Subject to the conditions set out in the Trust Deed, the Trustee may retire at any time upon giving not less than three calendar months' notice in writing to the Issuer without assigning any reason therefor and without being responsible for any costs occasioned by such retirement.

- (b) *Indemnification of the Trustee:* Under separate agreement between the Borrower and the Trustee, the Trustee is entitled to be indemnified and relieved from responsibility in certain circumstances and, under the Trust Deed, to be paid its costs and expenses in priority to the claims of the Noteholders. The Trust Deed and the fees indemnity letter to be dated on or about 23 July 2015 contain provisions for the indemnification of the Trustee, provisions for its relief from responsibility, including relieving it from taking action unless indemnified to its satisfaction, and provisions entitling it to be paid its costs and expenses in priority to the claims of the Noteholders.
- (c) *Trustee Contracting with the Issuer and the Bank:* The Trust Deed also contains provisions pursuant to which the Trustee is entitled, inter alia, (i) to enter into business transactions with the Issuer and/or the Bank and/or any subsidiary of the Issuer and/or the Bank and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or the Bank and/or any subsidiary of the Issuer and/or the Bank, (ii) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders and (iii) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.
- (d) *Trustee to have regard to Interests of Noteholders as one Class:* In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation, determination or substitution), the Trustee shall have regard to the general interests of the Noteholders as a class but shall not have regard to any interests arising from circumstances particular to individual Noteholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim, from the Issuer, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders except to the extent already provided for in Condition 7 (*Taxation*) and/or any undertaking given in addition to, or in substitution for, Condition 7 (*Taxation*) pursuant to the Trust Deed.

In acting under the Agency Agreement and in connection with the Notes, the Agents act solely as agents of the Issuer and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders. Under separate agreement between the Borrower and the Agents, the Agents are entitled to be indemnified and relieved from certain responsibilities in certain circumstances.

- (e) *Initial Paying Agents:* The initial Agents and their initial Specified Offices are listed below. The Issuer reserves the right (with the prior approval of the Trustee) at any time to vary or terminate the appointment of any Agent and to appoint a successor principal paying agent or registrar and additional or successor paying agents and transfer agents; *provided, however, that* the Issuer shall at all times maintain (a) a principal paying agent and a registrar, and (b) a paying agent with a specified office in a member state of the European Union that will not be obliged to withhold or deduct tax pursuant to any European Union Directive on the taxation of savings implementing the conclusions

of the ECOFIN Council meeting of 26 to 27 November 2000 or any law implementing or complying with, or introduced to conform to, such Directive.

Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Noteholders in accordance with Condition 14 (*Notices*).

11. **Meetings of Noteholders; Modification and Waiver; Substitution**

- (a) *Meetings of Noteholders:* The Trust Deed contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of the Loan Agreement or any provision of these Conditions or the Trust Deed. Such a meeting may be convened on no less than 14 days' notice by the Trustee or the Issuer or by the Trustee upon the request in writing of Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be one or more persons holding or representing more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, one or more persons holding or representing whatever the principal amount of the outstanding Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to change any date fixed for payment of principal or interest in respect of the Notes, (ii) to reduce the amount of principal or interest payable on any date in respect of the Notes, (iii) to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, (iv) to change the currency of payments under the Notes, (v) to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution, (vi) to alter the governing law of the Conditions, the Trust Deed or the Loan Agreement, (vii) to change any date fixed for payment of principal or interest under the Loan Agreement, (viii) to alter the method of calculating the amount of any payment under the Loan Agreement or (ix) to change the currency of payment or, without prejudice to the rights under Condition 11(b) (*Modification*) below, change the definition of "Event of Default" under the Loan Agreement (each, a "**Reserved Matter**"), in which case the necessary quorum will be one or more persons holding or representing not less than two-thirds, or at any adjourned meeting not less than one-third, in principal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders, whether present or not.

"**Extraordinary Resolution**" means a resolution passed at a Meeting duly convened and held in accordance with this Schedule by a majority of not less than three quarters of the votes cast.

In addition, a resolution in writing signed by or on behalf of all Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders under the Trust Deed (a "**Written Resolution**") will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

- (b) *Modification:* The Trustee may, without the consent of the Noteholders, agree to any modification of these Conditions or the Trust Deed or, pursuant to the Transferred Rights, the Loan Agreement (other than in respect of a Reserved Matter) which is, in the opinion of the Trustee, proper to make if, in the opinion of the Trustee, such modification will not be materially prejudicial to the interests of Noteholders and to any modification of the Notes or the Trust Deed which is of a formal, minor or technical nature or is to correct a manifest error.
- (c) *Authorisation, Waiver and Determination:* In addition, the Trustee may, without the consent of the Noteholders, authorise or waive any proposed breach or breach of the Notes, these Conditions or the Trust Deed by the Issuer or, pursuant to the Transferred Rights, the Loan Agreement by the Borrower, or determine that any event which would or might otherwise give rise to a right of acceleration under the Loan Agreement or constitute a Relevant Event (as defined in Condition 12 (*Enforcement*)) shall not be treated as such (other than a proposed breach or breach relating to the subject of a Reserved Matter) if, in the opinion of the Trustee, the interests of the Noteholders will not be materially prejudiced thereby.

- (d) *Notification to Noteholders:* Unless the Trustee agrees otherwise, any such modification, authorisation or waiver shall be notified to the Noteholders as soon as practicable thereafter and in accordance with Condition 14 (*Notices*).
- (e) *Substitution:* The Trust Deed and the Loan Agreement contain provisions under which the Issuer may, without the consent of the Noteholders, transfer the obligations of the Issuer as principal debtor under the Trust Deed and the Notes and its rights as Lender under the Loan Agreement to a third party provided that certain conditions specified in the Trust Deed are fulfilled.

12. **Enforcement**

At any time after an Event of Default (as defined in the Loan Agreement) or Relevant Event (as defined below) shall have occurred and be continuing, the Trustee may, at its discretion and without notice, institute such proceedings as it thinks fit to enforce its rights under the Trust Deed in respect of the Notes, but it shall not be bound to do so unless:

- (a) it has been so requested in writing by the Holders of at least 25 per cent. in principal amount of the outstanding Notes or has been so directed by an Extraordinary Resolution; and
- (b) it has been indemnified and/or provided with security to its satisfaction against all liabilities, proceedings, claims and demands to which it may thereby become liable and all costs, charges and expenses which may be incurred by it in connection therewith.

The Trust Deed also provides that, in the case of an Event of Default or a Relevant Event, the Trustee may, and shall if requested to do so by Noteholders of at least 25 per cent. in principal amount of the Notes outstanding or if directed to do so by an Extraordinary Resolution and, in either case, subject to it being secured and/or indemnified to its satisfaction, (1) require the Issuer to declare all amounts payable under the Loan Agreement by the Borrower to be due and payable (where an Event of Default has occurred and is continuing), or (2) enforce the security created in the Trust Deed in favour of the Noteholders (in the case of a Relevant Event). Upon repayment of the Loan following an Event of Default, the Notes will be redeemed or repaid at the principal amount thereof together with interest accrued to the date fixed for redemption together with any Additional Amounts due in respect thereof pursuant to Condition 7 (*Taxation*) and thereupon shall cease to be outstanding.

For the purposes of these Conditions, “**Relevant Event**” means the earlier of (i) the failure by the Issuer to make any payment of principal or interest on the Notes when due to the extent it is obligated to do so pursuant to these Conditions; (ii) the filing of an application for the institution for bankruptcy, insolvency or composition proceedings over the assets of the Issuer in the United Kingdom; and (iii) the taking of any action in furtherance of the dissolution of the Issuer. For the avoidance of doubt, no Additional Amounts shall be payable if and to the extent that such withholding or deduction is required following and on account of a Relevant Event.

No Noteholder may proceed directly against the Issuer unless the Trustee, having become bound to do so, fails to do so within a reasonable time and such failure is continuing.

13. **Further Issues**

The Issuer may from time to time, with the consent of the Borrower but without the consent of the Noteholders, in accordance with the Trust Deed, create and issue Further Notes (as defined in the Trust Deed) having the same terms and conditions as the Notes in all respects (or in all respects except for the issue date and/or the first payment of interest) so as to form a single series with the Notes. Such Further Notes could be issued in the form of Rule 144A Notes (as defined in the Trust Deed) and/or Regulation S Notes and such Further Notes shall be issued under a deed supplemental to the Trust Deed. In relation to such further issue, the Issuer will enter into a loan agreement supplemental to the Loan Agreement with the Borrower on the same terms as the original Loan Agreement (or on the same terms except for the borrowing date and/or the first payment of interest and/or the rate of interest) subject to any modifications which, in the sole opinion of the Trustee, would not materially prejudice the interests of the Noteholders. The Issuer will provide a further fixed charge and absolute assignment by way of security in favour of the Trustee of its rights under

such supplemental loan agreement equivalent to the rights charged and assigned as Security Interests in relation to the Issuer's rights under the original Loan Agreement which will, together with the Security Interests referred to in these Conditions, secure both the Notes and such Further Notes.

14. **Notices**

Notices to Noteholders shall be valid if published on the website of the Irish Stock Exchange or as otherwise required by any exchange on which the Notes are listed. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made. In case by reason of any other cause it shall be impracticable to publish any notice to Noteholders as provided above, then such notification to such Noteholders as shall be given with the prior written approval of the Trustee shall constitute sufficient notice to such Noteholders for every purposes hereunder.

15. **Provision of Information**

For so long as any Notes are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the Issuer and the Bank shall, during any period in which it is neither subject to Section 13 or 15(d) of the Exchange Act, nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, provide to any holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner or to the Trustee for delivery to such holder, beneficial owner or prospective purchaser, in each case upon the request of such holder, beneficial owner, prospective purchaser or Trustee, the information satisfying the requirements of Rule 144A(d)(4) under the Securities Act.

16. **Limited Recourse**

If at any time following:

- (a) the occurrence of the scheduled redemption date set out in Condition 5(a) (*Scheduled Redemption*) or any earlier date upon which all of the Notes are due and payable; and
- (b) Realisation of the Loan Agreement and application in full of any amounts available to pay amounts due and payable under the Notes in accordance with the Trust Deed and the Conditions,

the proceeds of such Realisation are insufficient, after payment of all other claims ranking in priority in accordance with the applicable priority (or priorities) of payments, to pay in full any Deferred Interest and any other amounts then due and payable under the Notes then the amount remaining to be paid, including but not limited to Deferred Interest, (after such application in full of the amounts first referred to in (b) above) under the Notes shall, on the day following such application in full of the amounts referred to in (b) above, cease to be due and payable by the Issuer.

For the purposes of this Condition 16:

"Realisation" means, in relation to the Loan Agreement, the deriving, to the fullest extent practicable, (in accordance with the provisions of the Trust Deed and other transaction documentation) of proceeds from or in respect of the Loan Agreement including (without limitation) through sale or through performance by the Borrower.

Notwithstanding any other Clause or provision in the Conditions or any transaction document, no provision other than this Condition 16 shall limit or in any way reduce the amount of interest that would otherwise be payable by the Issuer under any Note, if and to the extent that such limitation or reduction falls to any extent to be determined by reference to the results of any business or part of a business or the value of any property.

17. **Governing Law and Jurisdiction**

- (a) *Governing law:* The Notes, the Loan Agreement and the Trust Deed and all matters arising from or connected with the Notes, the Loan Agreement and the Trust Deed, including any non-contractual

obligations arising out of or in connection therefrom, are governed by, and shall be construed in accordance with, English law.

- (b) *Jurisdiction:* The Issuer has in the Trust Deed (i) irrevocably agreed for the benefit of the Trustee and the Noteholders that the courts of England shall have exclusive jurisdiction to settle any dispute (a “**Dispute**”) arising from or connected with the Notes; (ii) agreed that those courts are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue that any other courts are more appropriate or convenient; (iii) designated a person in England to accept service of any process on its behalf; (iv) consented to the enforcement of any judgment; and (v) to the extent that it may in any jurisdiction claim for itself or its assets immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process, and to the extent that in any such jurisdiction there may be attributed to itself or its assets or revenues such immunity (whether or not claimed), agreed not to claim and irrevocably waived such immunity to the full extent permitted by the laws of such jurisdiction. The Trust Deed also states that nothing contained in the Trust Deed prevents the Trustee or any of the Noteholders from taking proceedings relating to a Dispute (“**Proceedings**”) in any other courts with jurisdiction and that, to the extent allowed by law, the Trustee or any of the Noteholders may take concurrent Proceedings in any number of jurisdictions.

18. **Contracts (Rights of Third Parties) Act 1999**

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

There will appear at the foot of the Conditions endorsed on or (as the case may be) attached to each Individual Note Certificate the names and Specified Offices of the Registrar, the Paying Agents and the Transfer Agent.

SCHEDULE 2 — AMENDED AND RESTATED LOAN AGREEMENTS

ANNEX 1 – AMENDED AND RESTATED 2022 LOAN AGREEMENT

This Agreement was made on 16 April 2010 and was amended and supplemented on 18 October 2010 and 27 April 2015 and is amended and restated pursuant to the Amendment and Restatement Agreement (as defined below) on 9 July 2015.

Between:

- (1) **JOINT STOCK COMPANY “THE STATE EXPORT-IMPORT BANK OF UKRAINE”**, a joint stock company incorporated under the laws of Ukraine whose registered office is at 127 Gorkogo Str., Kyiv 03150, Ukraine, as borrower (the “**Borrower**”); and
- (2) **BIZ FINANCE PLC**, a public limited company incorporated under the laws of England and Wales, whose registered office is at 4th Floor, 40 Dukes Place, London EC3A 7NH, United Kingdom (the “**Lender**”).

Whereas:

- (A) The Lender has at the request of the Borrower agreed to make available to the Borrower a credit facility in the amount of U.S.\$758,245,000 on the terms and subject to the conditions of this Agreement.
- (B) This Agreement will become effective on the date of registration of this Agreement with the NBU (as defined below).

It is agreed as follows:

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Agreement the following terms have the meanings given to them in this Clause 1.1:

“**Account**” means the account with the account number 3609048400 in the name of the Lender with the Bank of New York Mellon;

“**Additional Amounts**” has the meaning set forth in Clause 7.1 (*Additional Amounts*);

“**Affiliate**” of any specified Person means (a) any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person, (b) any other Person who is a director or officer of such specified Person, of any Subsidiary of such specified Person or of any Person described in clause (a) above;

“**Agency**” means any agency, authority, central bank, department, committee, government, legislature, minister, ministry, official or public or statutory person (whether autonomous or not) of, or of the government of, any state or supra-national body;

“**Amendment and Restatement Agreement**” means the amendment and restatement agreement between the Borrower and the Lender dated 9 July 2015;

“**Auditors**” means CJSC Ernst & Young Ukrauditor or Ernst & Young Audit Services LLC or any internationally recognised firm of accountants approved by the Lender, such approval not to be unreasonably withheld, it being understood that it shall be reasonable for the Lender to withhold, such approval if the Trustee does not approve of such firm in accordance with the relevant provisions of the Funding Documents;

“**Authorised Signatory**” means, in the case of the Borrower, any of the persons referred to in the certificate listed as item 3 in Schedule 1 (*Conditions Precedent Documents*) hereto and, in the case of the Lender, a Person who is a duly authorised officer of the Lender, at the relevant time;

“Banking Business” means, in relation to the Borrower or any of its Subsidiaries, any type of banking business (including, without limitation, any inter-bank operations with maturities of 18 months or less, factoring, consumer credit and lending, commercial and residential property finance and mortgage lending, issuance of bank guarantees, letters of credit (and related cash cover provision), bills of exchange and promissory notes and making payments under such guarantees, letters of credit, bills and promissory notes, trading of securities, fund management and professional securities market participation) which it conducts or may conduct pursuant to its licence issued by the appropriate authorities, accepted market practice and any applicable law;

“Borrowing Date” means 27 April 2010 or such later date as may be agreed by the parties to this Agreement;

“Capital Stock” means, with respect to any Person, any and all shares, interests, participations, rights to purchase, warrants, options or any other equivalent of any of the foregoing (however designated) in relation to the share capital of a company and any and all equivalent ownership interests in a Person other than a company, in each case whether now outstanding or hereafter issued;

“Change of Control” shall be deemed to have occurred if:

- (a) Ukraine, whether through the Cabinet of Ministers of Ukraine or any other Agency of Ukraine, ceases to own, legally and beneficially, at least 51 per cent. of the Capital Stock of, or otherwise to control, the Borrower; or
- (b) an official public announcement is made by the Cabinet of Ministers or the State Property Fund of Ukraine of an intention that Ukraine would cease so to own or control the Borrower and (i) within the Relevant Period (see the definition of “Rating Decline” below) following such announcement there is a Rating Decline and (ii) in the announcement of the Rating Decline the relevant Rating Agency specifies that the proposed change in ownership or control of the Borrower is a factor in its decision to decrease or downgrade the Borrower’s rating;

“Change of Control Payment Date” means the date specified as such in the notice from the Lender to the Borrower pursuant to Clause 6.4 (*Repayment in the event of a Change of Control*);

“Change of Law” means, following the Effective Date, any of the enactment or introduction of any new law; the variation, amendment or repeal of an existing or new law; any ruling on or interpretation or application by a competent authority of any existing or new law; and the decision or ruling on, the interpretation or application of, or a change in the interpretation or application of, any law by any court of law, tribunal, central bank, monetary authority or agency or any Taxing Authority or fiscal or other competent authority or agency; which, in each case, occurs after the date hereof. For this purpose, the term “law” means all or any of the following whether in existence at the date hereof or introduced hereafter and with which it is obligatory or customary for banks, other financial institutions or, as the case may be, companies in the relevant jurisdiction to comply:

- (c) any statute, treaty, order, decree, instruction, letter, directive, instrument, regulation, ordinance or similar legislative or executive action by any national or international or local government or authority or by any ministry or department thereof and other agencies of state power and administration (including, but not limited to, taxation departments and authorities); and
- (d) any letter, regulation, decree, instruction, request, notice, guideline, directive, statement of policy or practice statement given by, or required of, any central bank or other monetary authority, or by or of any Taxing Authority or fiscal or other authority or agency (whether or not having the force of law);

“Double Tax Treaty” means the Convention of 10 February 1993 between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of Ukraine for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income and Capital Gains;

“Effective Date” means the date determined by the Borrower and notified to the Lender on which the Funding Instruments are issued and which is on or after the date on which the NBU issues and delivers the registration notice with a registration notation to the Borrower in respect of the amendments to this Agreement introduced by the Amendment and Restatement Agreement.

“Event of Default” means any circumstances described as such in Clause 13 (*Events of Default*);

“Fees Letter” means any letter agreement between, *inter alios*, the Borrower and the Lender setting out the fees, expenses and certain other amounts payable by the Borrower in connection with this Agreement as amended, varied, novated or supplemented;

“Final Repayment Date” means (i) 27 April 2022 or (ii) in case of Clauses 6.2 (*Repayment for Tax Reasons and Change in Circumstances*), 6.3 (*Repayment for Illegality*) and 6.4 (*Repayment in the event of a Change of Control*), the date specified in such Clauses, or, if such day is not a Business Day, the next succeeding Business Day;

“Funding Documents” means the Fees Letter, the trust deed or the agency agreement entered into in connection with the issue of the Funding Instruments and the Funding Instruments themselves;

“Funding Instruments” means the U.S.\$750,000,000 9.625 per cent. Amortising Loan Participation Notes due 2022 proposed to be issued by the Lender pursuant to the Funding Documents on the Effective Date for the purpose of funding the Loan;

“Group” means the Borrower and its Subsidiaries from time to time taken as a whole;

“Guarantee” means, in relation to any Indebtedness of any Person, any obligation of another Person to pay such Indebtedness including (without limitation):

- (e) any obligation to purchase such Indebtedness;
- (f) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness;
- (g) any indemnity against the consequences of a default in the payment of such Indebtedness; and
- (h) any other agreement to be responsible for such Indebtedness;

“IFRS” means International Financial Reporting Standards, including International Accounting Standards and Interpretations, issued by the International Accounting Standards Board, as amended, supplemented or re-issued from time to time;

“IFRS Fiscal Period” means any fiscal period for which the Borrower has produced consolidated financial statements in accordance with IFRS which have either been audited or reviewed by the Auditors;

“incur” means issue, assume, guarantee, incur or otherwise become liable for; *provided that*, any Indebtedness or Capital Stock of a Person existing at the time such Person becomes a Subsidiary of another Person (whether by merger, consolidation, acquisition or otherwise) or is merged into a Subsidiary of another Person will be deemed to be incurred or issued by the other Person or such Subsidiary (as the case may be) at the time such Person becomes a Subsidiary of such other Person or is so merged into such Subsidiary;

“Indebtedness” means any indebtedness for, or in respect of, moneys borrowed or raised including, without limitation, any amount raised by acceptance under any acceptance credit facility; any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument; any amount raised pursuant to any issue of Capital Stock which is expressed to be redeemable; any amount raised under any other transaction having the economic effect of a borrowing (including any forward sale or purchase agreement) *provided that*, for the

avoidance of doubt, such term shall not include any indebtedness owed to the State budget, any local budget or any non-budgetary fund of or in Ukraine for or on account of Taxes which are not overdue;

“Indemnity Amounts” has the meaning set out in Clause 7.3 (*Indemnity Amounts*);

“Independent Appraiser” means an investment banking firm or third party appraiser of international standing selected by the Borrower; *provided that* such firm or third party appraiser is not an Affiliate of the Borrower;

“Interest Payment Date” means 27 April and 27 October in each year in which the Loan remains outstanding or if any such day is not a Business Day, the next succeeding Business Day, commencing on 27 October 2015, with the last Interest Payment Date falling on the Final Repayment Date;

“Interest Period” means any of those periods mentioned in Clause 4 (*Interest Periods*);

“Loan” shall have the meaning given to such term in Clause 2.1 (*Grant of the Credit Facility*);

“Material Adverse Effect” means a material adverse change in, or material adverse effect on, the business, operations or financial condition of the Borrower or of the Group taken as a whole;

“Material Subsidiary” means, at any given time, any Subsidiary of the Borrower (a) whose total assets or gross revenues (or, where the Subsidiary in question prepares consolidated accounts, whose total consolidated assets or gross consolidated revenues, as the case may be) represent at least 10 per cent. of the total assets or, as the case may be, total revenues of the Borrower and its Subsidiaries and for these purposes (i) the total assets and gross revenues of such Subsidiary shall be determined by reference to its then most recent audited financial statements (or, if none, its then most recent management accounts) and (ii) the total assets and gross revenues of the Borrower shall be determined by reference to the Borrower’s then most recent audited financial statements (or, if none, its then most recent management accounts), in each case prepared in accordance with IFRS, or (b) to which is transferred the whole or substantially the whole of the undertaking and assets of a Subsidiary of the Borrower which immediately before the transfer is a Material Subsidiary of the Borrower. A certificate by any two members of the board of the Borrower that, in their opinion, a Subsidiary of the Borrower is or is not a Material Subsidiary, accompanied by a report by the Auditors addressed to the board of the Borrower as to proper extraction of the figures used by the members of the board of the Borrower in determining the Material Subsidiaries of the Borrower and mathematical accuracy of the calculations shall, in the absence of manifest error, be conclusive and binding on all parties;

“Memorandum” means the consent solicitation memorandum issued by the Borrower dated 8 June 2015;

“NBU” means the National Bank of Ukraine;

“Officers’ Certificate” means a certificate signed on behalf of the Borrower by two members of the board of the Borrower at least one of whom shall be the principal executive officer, principal accounting officer or principal financial officer of the Borrower and in the form set out in Schedule 2 hereto;

“Permitted Security Interests” means:

- (i) Security Interests arising in the ordinary course of Banking Business including, without limitation:
 - (i) Security Interests arising pursuant to any agreement (or other applicable terms and conditions) which are standard or customary in the relevant market in connection with (x) contracts entered into substantially simultaneously for sales and purchases

at market prices of precious metals and/or securities and (y) the establishment of margin deposits and similar securities in connection with interest rate and foreign currency hedging operations and trading in securities; and

- (ii) Security Interests upon, or with respect to, any present or future assets or revenues or any part thereof which is created pursuant to any Repo;
- (j) Security Interests granted by third parties in favour of the Borrower or any of its Subsidiaries;
- (k) Security Interests on property acquired (or deemed to be acquired) under a financial lease, or claims arising from the use or loss of or damage to such property; *provided that* any such Security Interest secures only Indebtedness under such lease;
- (l) Security Interests securing Indebtedness of a Person existing at the time that such Person is merged into or consolidated with the Borrower or becomes a Subsidiary of the Borrower; *provided that* such Security Interests were not created in contemplation of such merger or consolidation or event and do not extend to any assets or property of the Borrower already existing or any Subsidiary of the Borrower other than those of the surviving Person and its Subsidiaries or the Person acquired and its Subsidiaries;
- (m) Security Interests already existing on assets or property acquired or to be acquired by the Borrower or a Subsidiary of the Borrower; *provided that* such Security Interests were not created in contemplation of such acquisition and do not extend to any other assets or property (other than proceeds of such acquired assets or property);
- (n) Security Interests granted upon or with regard to any property hereafter acquired by any member of the Group to secure the purchase price of such property or to secure Indebtedness incurred solely for the purpose of financing the acquisition of such property and transactional expenses related to such acquisition (other than a Security Interest created in contemplation of such acquisition); *provided that* the maximum amount of Indebtedness thereafter secured by such Security Interest does not exceed the purchase price of such property (including transactional expenses) or the Indebtedness incurred solely for the purpose of financing the acquisition of such property;
- (o) any Security Interest upon, or with respect to, any present or future assets or revenues or any part thereof which is created pursuant to any securitisation, asset-backed financing or similar financing structure whereby all payment obligations secured by such Security Interest or having the benefit of such Security Interest are to be discharged primarily from such assets or revenues; *provided that* the Indebtedness or Guarantee so secured pursuant to this paragraph (g) at any one time shall not exceed an amount in any currency or currencies equivalent to 20 per cent. of the Borrower's loans to customers before allowances for impairment (calculated by reference to the Borrower's consolidated balance sheet as at the end of its most recent IFRS Fiscal Period) and subject as provided in Clause 12.6 (*Disposals*);
- (p) any Security Interests arising by operation of law;
- (q) any Security Interests not otherwise permitted by the preceding paragraphs (a) through (h), *provided that* the aggregate principal amount of the Indebtedness secured by such Security Interests does not at any time exceed 10 per cent. of the Group's assets, determined by reference to the Borrower's consolidated balance sheet as at the end of its most recent IFRS Fiscal Period; and
- (r) any Security Interest arising out of the refinancing, extension, renewal or refunding of any Indebtedness secured by a Security Interest permitted by any of the above exceptions, *provided that* the Indebtedness thereafter secured by such Security Interest does not exceed the amount of the original Indebtedness and such Security Interest is not extended to cover any property not previously subject to such Security Interest;

“**Person**” means any individual, company, corporation, firm, partnership, joint venture, association, trust, institution, organisation, state or Agency or any other entity, whether or not having separate legal personality;

“**Potential Event of Default**” means any event which may become (with the passage of time, the giving of notice and/or the making of a determination and/or the fulfilment of any other requirement) under this Agreement, an Event of Default;

“**Principal Paying Agent**” means the party designated from time to time as principal paying agent under the Funding Documents;

“**Qualifying Jurisdiction**” means any jurisdiction which has a double taxation treaty with Ukraine under which the payment of interest by Ukrainian borrowers to lenders established in such jurisdiction is generally able to be made (upon completion of any necessary formalities required in relation thereto) without deduction or withholding of Ukrainian income tax;

“**Rate of Interest**” means (i) 9.520339731 per cent. *per annum* in respect of each Interest Period from (and including) 27 April 2015 to (but excluding) 27 October 2018; (ii) 7.345580913 per cent. *per annum* from (and including) 27 October 2018 to (but excluding) 27 April 2019 (the “**Adjusted Interest Period**”) (provided, however, that if the Loan is required to be repaid in the Adjusted Interest Period on a date prior to 27 April 2019 if any of the events described in Clauses 6.2 (*Repayment for Tax Reasons and Change in Circumstances*), 6.3 (*Repayment for Illegality*), 6.4 (*Repayment in the event of a Change of Control*) and 13.11 (*Acceleration*) occur, the percentage rate *per annum* used for the calculation of interest in the Adjusted Interest Period shall be equal to 9.520339731 per cent.) and (iii) in respect of each Interest Period thereafter 9.625 per cent. *per annum*;

“**Rating Agency**” means Standard & Poor’s Rating Services, a division of The McGraw Hill Companies, Inc. (“**S&P**”), Moody’s Investors Service Limited (“**Moody’s**”), Fitch Ratings Limited (“**Fitch**”) or any of their successors or any rating agency substituted for any of them (or any permitted substitute of them) by the Borrower, from time to time with the prior written approval of the Lender and the Trustee;

“**Rating Categories**” means (i) with respect to S&P, any of the following categories (any of which may or may not include a “+” or “-”): AAA, AA, A, BBB, BB, B, CCC, CC, C and D (or equivalent successor categories); (ii) with respect to Moody’s, any of the following categories (any of which may or may not include a “1”, “2” or “3”): Aaa, Aa, A, Baa, Ba, B, Caa, Ca, C and D (or equivalent successor categories); and (iii) the equivalent of any such categories of S&P or Moody’s used by another rating agency (including, without limitation, Fitch), if applicable, and each such category is referred to herein as a “full” Rating Category;

“**Rating Decline**” means that at any time within 90 days (which period shall be extended so long as the long term foreign currency debt or deposit rating of the Borrower is under publicly announced consideration for possible downgrade by any Rating Agency and is referred to herein as the “**Relevant Period**”) after an announcement by the Cabinet of Ministers or the State Property Fund of Ukraine as is referred to in the definition of Change of Control the long term foreign currency debt or deposit rating of the Borrower is decreased or downgraded by a Rating Agency by one or more full Rating Categories below such rating of the Borrower as of the date hereof (or if a Rating Agency has not assigned any such rating as of the date hereof, below the first such rating assigned to the Borrower by that Rating Agency after the date hereof);

“**Relevant Event**” has the meaning given thereto in the Funding Documents;

“**Repo**” means a securities repurchase or resale agreement or reverse repurchase or resale agreement, a securities borrowing agreement or any agreement relating to securities which is similar in effect to any of the foregoing and, for purposes of this definition, the term “securities” means any Capital Stock, debenture or other debt or equity instrument, or any derivative thereof, whether issued by any

private or public company, any Agency or any supranational, international or multilateral organisation;

“**Reserved Rights**” has the meaning assigned to such term in the Funding Documents;

“**Same-Day Funds**” means U.S. dollar funds settled through the New York Clearing House Interbank Payments System or such other funds for payment in U.S. dollars as the Lender may at any time reasonably determine to be customary for the settlement of international transactions in New York City of the type contemplated hereby;

“**Security Interest**” means any mortgage, pledge, encumbrance, lien, charge or other security interest (including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction);

“**Specified Government Securities**” means the bonds of domestic state borrowings (in Ukrainian: *obligatsii vnutrishnyoi derzhavnoi pozyky*) constituting obligations backed by the full faith and credit of Ukraine denominated in a currency other than the lawful currency of Ukraine;

“**Stock Exchange**” means the Irish Stock Exchange;

“**Subsidiary**” of a Person means another Person being a corporation or other business entity:

- (s) which is controlled, directly or indirectly, by that first-named Person; or
- (t) more than half the issued share capital of which is beneficially owned, directly or indirectly, by that first-named Person;

“**Taxes**” means any taxes, levies, duties, imposts or other charges or withholding of a similar nature no matter where arising (including interest and penalties thereon and additions thereto);

“**Taxing Authority**” has the meaning set out in Clause 7.1 (*Additional Amounts*);

“**Trustee**” means the party designated from time to time as trustee under the Funding Documents;

“**UAS**” means Ukrainian Accounting Standards, the accounting principles generally accepted and consistently applied in Ukraine;

“**Ukraine**” means Ukraine and any province or political sub-division thereof or therein; and

“**United Kingdom**” means the United Kingdom of Great Britain and Northern Ireland and any political sub-division or agency thereof or therein.

1.2 Interpretation

Any reference in this Agreement to:

the “**Borrower**” or the “**Lender**” includes its and any subsequent successors, assignees and chargees in accordance with their respective interests;

a “**Business Day**” means any day (other than a Saturday, Sunday or public holiday) on which commercial banks and foreign exchange markets settle payments (including dealings in foreign currencies) in the principal financial centre for such currency;

“**control**” when used with respect to any Person means the power to direct the management and policies of such Person or to control the composition of such Person’s board or board of directors, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise and the terms “controlling” and “controlled” have meanings correlative to the foregoing;

the “**equivalent**” on any given date in one currency (the “**first currency**”) of an amount denominated in another currency (the “**second currency**”) is a reference to the amount of the first currency which could be purchased with the amount of the second currency at the spot rate of exchange quoted on the relevant Reuters page or, where the first currency is hryvnia and the second currency is U.S. dollars (or vice versa), at the official exchange rate of the NBU, at or about 10.00 a.m. (New York City time) or, as the case may be, between 1.00 p.m. and 4.00 p.m. (Kyiv time) on such date for the purchase of the first currency with the second currency;

a “**month**” means a period starting on one day in a calendar month and ending on the numerically corresponding day in the next succeeding calendar month; *provided that*, where any such period would otherwise end on a day which is not a business day, it shall end on the next succeeding Business Day, unless that day falls in the next calendar month, in which case it shall end on the immediately preceding Business Day and if a period starts on the last Business Day in a calendar month or if there is no numerically corresponding day in the month in which that period ends, that period shall end on the last Business Day in that later month (and references to “months” shall be construed accordingly);

the “**rights**” of the Lender in this Agreement shall be read as references to rights of the Trustee pursuant to the charge and assignment referred to in Clause 18.3 (*Assignments by the Lender*) except as in relation to the Reserved Rights as specified in the Funding Documents; and

“**VAT**” means value added tax, including any similar tax which may be imposed in place thereof from time to time.

1.3 Currency References

“**U.S.\$**” and “**U.S. dollars**” denote the lawful currency of the United States of America and “**hryvnia**” denotes the lawful currency of Ukraine.

1.4 Statutes

Any reference in this Agreement to a statute shall be construed as a reference to such statute as the same may have been, or may from time to time be, amended or re-enacted.

1.5 Headings

Clause and Schedule headings are for ease of reference only.

1.6 Amended Documents

Save where the contrary is indicated, any reference in this Agreement to any Funding Document or any other agreement or document shall be construed as a reference to such Funding Document or, as the case may be, such other agreement or document as the same may have been, or may from time to time be, amended, varied, novated or supplemented.

2. THE LOAN

2.1 Grant of the Credit Facility

The Lender grants to the Borrower, upon the terms and subject to the conditions hereof, a single disbursement term credit facility consisting of (i) a loan in an amount of U.S.\$750,000,000 (the “**Tranche A**”), and (ii) a loan in an amount of U.S.\$8,245,000 (the “**Tranche B**”; and together with Tranche A, the “**Loan**”) and the Borrower hereby agrees to borrow such amount from the Lender on the Borrowing Date, subject as provided herein.

2.2 Purpose and Application

The Loan is intended to be used by the Borrower primarily to provide loans to its corporate customers and for general corporate purposes. Without affecting the obligations of the Borrower in any way, the Lender shall not be obliged to concern itself with such application.

3. AVAILABILITY OF THE LOAN

3.1 Draw-down

Subject to the terms and conditions set out herein, the Loan will be available by way of a single draw-down which will be made by the Lender to the Borrower on the Borrowing Date by payment of the proceeds of the Loan to the Borrower's U.S. dollar account with JPMorgan Chase Bank N.A., New York, SWIFT: CHAS US 33, account number 400-124432, provided that the Loan will only be advanced if:

- (a) the Lender has confirmed to the Borrower that it has received all of the documents listed in Schedule 1 hereto (*Conditions Precedent Documents*) and that each is in form and substance satisfactory to the Lender, save as the Lender may otherwise agree; and
- (b) as of the Effective Date (i) no event has occurred or circumstance has arisen which would constitute an Event of Default or a Potential Event of Default; (ii) the representations and warranties set out in Clause 10 (*Representations and Warranties of the Borrower*) are true and accurate with respect to the facts and circumstances then subsisting and (iii) the fees owed by the Borrower to the Lender pursuant to Clause 3.2 (*Fees*) below shall have been paid.

3.2 Fees

The Borrower hereby agrees that it shall pay to the Lender, in Same-Day Funds, all amounts payable up-front required to be paid by the Borrower to the Lender pursuant to and in accordance with the applicable Fees Letter between the Borrower and the Lender on the Effective Date.

4. INTEREST PERIODS

The Borrower will pay interest semi-annually in U.S. dollars to the Lender on the outstanding principal amount of the Loan from time to time at the relevant Rate of Interest, calculated in accordance with the provisions of this Agreement (including, without limitation, Clause 5.2 (*Accrual and Calculation of Interest*)). Each period beginning on (and including) Borrowing Date or any Interest Payment Date and ending on (and excluding) the next Interest Payment Date or the Final Repayment Date is herein called an "**Interest Period**".

5. PAYMENT AND CALCULATION OF INTEREST

5.1 Payments of Interest

The Borrower shall pay to the Account accrued interest on the outstanding principal amount of the Loan semi-annually in arrear in respect of each Interest Period calculated in accordance with Clause 5.2 (*Accrual and Calculation of Interest*) not later than 11.00 a.m. (New York City time) on the Business Day falling two Business Days prior to the Interest Payment Date on which such Interest Period ends. Subject as provided in Clause 5.2 (*Accrual and Calculation of Interest*), interest on the Loan will cease to accrue on the due date for repayment thereof unless payment of principal is improperly withheld or refused, in which event interest will continue to accrue (before and after any judgement) at the Rate of Interest to but excluding the date on which payment in full of the outstanding principal amount of the Loan is made.

5.2 Accrual and Calculation of Interest

The Borrower shall compute the amount of interest accrued on the outstanding principal amount of the Loan on a monthly basis, subject to Clause 19.1 (*Evidence of Debt*). The amount of interest payable in respect of the Loan for any Interest Period shall be calculated by applying the Rate of Interest to the principal amount of the Loan, dividing the product by two and rounding the resulting figure to the nearest cent (half a cent being rounded upwards). The amount of interest payable in respect of the Loan for any period other than an Interest Period shall be calculated on the basis of a year of 360 days consisting of 12 months of 30 days each and, in the case of each an incomplete month, the actual number of days elapsed.

5.3 Assumption when Calculating Interest

Whenever under this Agreement interest is to be calculated to the last day of an Interest Period and the calculation is required to be made before such last day, the parties shall assume that the amount of the Loan outstanding on the last day of the relevant Interest Period is the same as the amount of the Loan outstanding on the day of the calculation.

6. REPAYMENT

6.1 Repayment, No Prepayment

Except as otherwise provided herein:

- (a) as set out in Clause 16.1 (*Payments to the Lender*), the Borrower shall:
 - (i) not later than 11.00 a.m. (New York City time) two Business Days prior to 27 April 2019, repay:
 - (A) the full principal amount of the Tranche B;
 - (B) U.S.\$500 for each U.S.\$1,000 of the initial principal amount of the Tranche A then outstanding; and
 - (ii) not later than 11.00 a.m. (New York City time) two Business Days prior to each of the remaining Interest Payment Date thereafter (beginning on 27 October 2019 and ending on the Final Repayment Date), repay the outstanding principal amount of the Loan in six equal instalments in an amount of U.S.\$83.3333 for each U.S.\$1,000 of the initial principal amount of the Tranche A then outstanding (provided that the amount payable shall be rounded to the nearest cent after the amount for the total principal amount then outstanding is calculated), provided that, to the extent not already paid in accordance with Clause 5.1 (*Payment of Interest*), the Borrower shall pay all interest accrued in respect of the last Interest Period (calculated to the Final Repayment Date) and all other amount payable hereunder (calculated as aforesaid) to the Account two Business Days prior to the Final Repayment Date.

6.2 Repayment for Tax Reasons and Change in Circumstances

If,

- (a) as a result of the application of or any amendment to or change in official interpretation of (i) the Double Tax Treaty (or in the double taxation treaty between Ukraine and any Qualifying Jurisdiction in which the Lender or any successor thereto is resident for tax purposes) or (ii) the laws or regulations of the United Kingdom or Ukraine (or any Qualifying Jurisdiction where the Lender is resident for tax purposes) or of any political subdivision thereof or any authority therein having power to tax or any Agency therein, the Borrower would thereby be required to pay Additional Amounts in respect of Taxes as provided in Clause 7.1 (*Additional Amounts*) or Indemnity Amounts as provided in Clause 7.3 (*Indemnity Amounts*); or

- (b) the Lender ceases to be resident for tax purposes in a Qualifying Jurisdiction, or has a permanent establishment in Ukraine for the purposes of the Double Tax Treaty, and as a result the Borrower would be required to withhold or deduct an amount on account of tax from any payment to be made under this Agreement; or
- (c) (for whatever reason) the Borrower would have to or has been required to pay additional amounts pursuant to Clause 9 (*Changes in Circumstances*); or
- (d) after a Relevant Event, the Borrower is or would be required to increase the payment of principal or interest or any other payment due hereunder as provided in Clause 7.1 (*Additional Amounts*) as a result of such payments being made to any person other than the Lender to whom the benefit of the Double Tax Treaty is unavailable,

and, in any such case, such obligation cannot be avoided by the Borrower taking reasonable measures available to it, then the Borrower may (unless such repayment would be prohibited by Ukrainian legislation effective as at the proposed date of such repayment), upon not less than 30 days' written notice to the Lender and to the Trustee specifying the date of payment and including an Officers' Certificate to the effect that the Borrower would be required in the case of (a), (c) and (d) above to pay such Additional Amounts, Indemnity Amounts or additional amounts, and in the case of (b) above to withhold or deduct such amounts and such obligation cannot be avoided by the Borrower taking reasonable measures, supported (where the certification relates to tax matters) by an opinion of an independent tax adviser of recognised standing in the relevant tax jurisdiction, repay the Loan in whole (but not in part) together with any Additional Amounts then payable under Clause 7.1 (*Additional Amounts*), Indemnity Amounts payable under Clause 7.3 (*Indemnity Amounts*), additional amounts payable pursuant to Clause 9 (*Changes in Circumstances*) and accrued interest. Any such notice of repayment given by the Borrower shall be irrevocable and shall oblige the Borrower to make such repayment on such date. No such notice shall be given earlier than 90 calendar days prior to the earliest date on which the Borrower would be obliged to pay such Additional Amounts, Indemnity Amounts or additional amounts, or deduct or withhold such amounts, as the case may be.

6.3 Repayment for Illegality

If, at any time, it is or would be unlawful or contrary to any applicable law or regulation or regulatory requirement or directive of any agency of any state or otherwise for the Lender to make, fund or allow all or part of the Funding Instruments or the Loan to remain outstanding or for the Lender to maintain or give effect to any of its obligations or rights in connection with this Agreement and/or to charge or receive or to be paid interest at the rate applicable in relation to the Loan (an "**Illegality**"), then the Lender shall deliver to the Borrower a written notice (with a copy to the Trustee) (setting out in reasonable detail the nature and extent of the relevant circumstances) to that effect and:

- (a) if the Loan has not been made, the Lender shall not thereafter be obliged to make the Loan; and
- (b) if the Loan is then outstanding and, if the Lender so requires, the Borrower shall (unless such repayment would be prohibited by Ukrainian legislation effective as at the proposed date of such repayment), on the latest date permitted by the relevant law or on such earlier day as the Borrower elects (as notified to the Lender not less than 30 days prior to the date of repayment), repay the whole (but not part only) of the outstanding principal amount of the Loan together with accrued interest (up to but excluding the date of such payment) thereon and all other amounts owing to the Lender hereunder.

6.4 Repayment in the event of a Change of Control

The Borrower shall notify the Lender promptly upon the occurrence of a Change of Control. In the event of a Change of Control, the Borrower may be required to repay the Loan together with all accrued and unpaid interest and any other amounts outstanding hereunder on the Change of Control Payment Date, to the extent and in the amount that the Lender is required to pay the holders of the

Funding Instruments as a result thereof as set forth in a written notice from the Lender to the Borrower (with a copy to the Trustee), including computation of such amount and specifying the Change of Control Payment Date, given at least five Business Days prior to the Change of Control Payment Date. Taking into account the terms of the Funding Instruments, the Lender shall, where reasonably practicable, specify a Change of Control Payment Date which falls before the date on which the actual Change of Control (as provided in paragraph (a) of the definition of that term) takes place.

6.5 Costs of Repayment

The Borrower shall, not later than 11.00 a.m. (New York City time) two Business Days prior to the date of repayment made in accordance with Clauses 6.2 (*Repayment for Tax Reasons and Change in Circumstances*), 6.3 (*Repayment for Illegality*) and 6.4 (*Repayment in the event of a Change of Control*), pay all accrued interest (calculated to (but excluding) the date of repayment) and all other amounts owing or payable to the Lender hereunder. The Borrower shall indemnify the Lender on written demand against any administrative costs and legal expenses reasonably incurred and properly documented by the Lender on account of any repayment made in accordance with this Clause 6.2 (*Repayment for Tax Reasons and Change in Circumstances*), 6.3 (*Repayment for Illegality*) and 6.4 (*Repayment in the event of a Change of Control*). In case of any repayment pursuant to Clauses 6.2 (*Repayment for Tax Reasons and Change in Circumstances*), 6.3 (*Repayment for Illegality*) and 6.4 (*Repayment in the event of a Change of Control*) prior to the last day of the Adjusted Interest Period, the amount of interest to be received by the Lender shall be determined as follows:

- (a) the amount of interest calculated as provided in Clause 5.2 (*Accrual and Calculation of Interest*) less the outstanding principal amount of the Tranche B; or
- (b) in the event that the amount of interest calculated as provided in Clause 5.2 (*Accrual and Calculation of Interest*) is less than the outstanding principal amount of the Tranche B at the time of repayment, no interest shall be paid and the principal amount of the Loan shall be deemed reduced by an amount equal to the difference between the amount of interest to be calculated as provided in Clause 5.2 (*Accrual and Calculation of Interest*) and the outstanding principal amount of the Tranche B.

6.6 No Other Repayments and No Reborrowing

The Borrower shall not repay the whole or any part of the outstanding principal amount of the Loan except at the times and in the manner expressly provided for in this Agreement. No amount prepaid under this Agreement may be reborrowed.

6.7 Purchase of Funding Instruments

The Borrower or any member of the Group may from time to time to deliver or cause to be delivered to the Lender, as issuer of the Funding Instruments, Funding Instruments, together with a request for the Lender to present such Funding Instruments to the Principal Paying Agent for cancellation, and may from time to time procure the delivery to the Principal Paying Agent of a Global Note (as such term is defined in the Funding Documents) with instructions to cancel a specified aggregate principal amount of Funding Instruments represented thereby, whereupon the Lender, as issuer of the Funding Instruments, shall request the cancellation of such Funding Instruments (or specified aggregate principal amount of Funding Instruments represented by such Global Note) as provided in the Funding Documents. Upon any such cancellation a principal amount of the Loan equal to the principal amount of such Funding Instruments shall be deemed to have been repaid as of the date of such cancellation and no further payment shall be made or required to be made by the Borrower in respect of such amounts, provided that to the extent the relevant Funding Instruments are delivered and the cancellation occurs prior to 27 April 2019, for each U.S.\$1,000 in principal amount of Notes U.S.\$1,010.9933 in principal amount of the Loan shall be deemed to have been repaid and shall be applied *pro rata* among Tranche A and Tranche B. The Borrower shall, upon the request of the Lender or the Trustee from time to time, advise the person making the request of the aggregate principal amount of Funding Instruments then held by or on behalf of the Borrower.

7. TAXES

7.1 Additional Amounts

- (a) All payments to be made by the Borrower under this Agreement shall be made in full without set-off or counterclaim, free and clear of and without deduction for or on account of any present or future Taxes imposed by any taxing authority of or in, or having authority to tax in, Ukraine, the United Kingdom or any Qualifying Jurisdiction in which the Lender or any successor thereto is resident for tax purposes (each a “Taxing Authority”), unless the Borrower is required by applicable law to make such payment subject to the deduction or withholding of such Taxes. In the event that the Borrower is required to make any such payment subject to deduction or withholding of any such Tax the Borrower shall, on the due date for such payment, pay such additional amounts (“Additional Amounts”) as may be necessary to ensure that the Lender or the Trustee, as the case may be, receives a net amount in U.S. dollars which, following any such deduction or withholding on account of Taxes, shall be not less than the full amount which it would have received had the payment been made without such deduction or withholding and shall deliver to the Lender (or the Trustee, as the case may be) without undue delay, evidence satisfactory to the Lender (or the Trustee, as the case may be) of such deduction or withholding and of the accounting therefor to the relevant authority. Notwithstanding the foregoing, the Borrower shall not be obliged to pay any Additional Amounts if and to the extent that the relevant withholding or deduction is required following and on account of a Relevant Event.
- (b) At least 30 calendar days prior to each date on which any payment under or with respect to the Loan is due and payable, if the Borrower will be obliged to pay Additional Amounts with respect to such payment (upon and subject to written notice by the Lender or by the Trustee), the Borrower will deliver to the Lender (and to the Trustee) an Officers’ Certificate stating the fact that such Additional Amounts will be payable and the amounts so payable.
- (c) Whenever this Agreement mentions, in any context, the payment of amounts based upon the principal or premium, if any, interest or of any other amount payable under or with respect to the Loan, this includes, without duplication, payment of any Additional Amounts and Indemnity Amounts that may be applicable.

The foregoing provisions shall apply, modified as necessary, to any Taxes imposed or levied by any Taxing Authority in any jurisdiction in which any successor obligor to the Borrower is organised.

7.2 Double Tax Treaty Relief

- (a) The Lender will use its reasonable endeavours to furnish the Borrower, as soon as practicable after the start of each calendar year (or as frequently as may be requested to enable the Borrower to claim relief as provided below) with a duly signed and completed tax certificate issued by the competent taxing authority in the United Kingdom in respect of that year confirming that the Lender is a tax resident in the United Kingdom within the meaning of the Double Tax Treaty (each, a “Tax Certificate”). The Borrower shall claim relief from deducting withholding tax or a reduction in the withholding tax rate to the maximum extent possible in accordance with the Double Tax Treaty in respect of payments to be made by the Borrower under this Agreement.
- (b) Each of the Lender and the Borrower shall make reasonable and timely efforts to co-operate and assist each other in obtaining relief from withholding of Ukrainian income tax pursuant to the Double Tax Treaty which shall, for the avoidance of doubt, include (but not be limited to) the Lender making reasonable and timely efforts to:
- (c) furnish the Borrower with such information or forms (including a power of attorney in form and substance acceptable to the Borrower authorising it to file each Tax Certificate on behalf of the Lender with the relevant taxing authority) to enable the Borrower to apply to obtain relief from deduction or withholding of Ukrainian tax, and

- (d) obtain any available tax refund if a relief from deduction or withholding of Ukrainian tax has not been obtained on the basis of the relevant provisions of the Double Tax Treaty; and
- (e) procure that each Tax Certificate is stamped or otherwise approved by the competent Tax Authority in the United Kingdom, and apostilled or otherwise legalised.
- (f) If a relief from deduction or withholding of Ukrainian tax or a tax refund under this Clause 7.2 has not been obtained and further to an application of the Borrower to the relevant Ukrainian tax authorities the latter requests the Lender's hryvnia bank account details, the Lender shall at the request of the Borrower (i) use reasonable efforts to procure that such hryvnia bank account of the Lender is duly opened and maintained, and (ii) thereafter furnish the Borrower with the details of such hryvnia bank account.
- (g) Nothing contained in this Clause 7.2 shall interfere with the right of the Lender to arrange its affairs generally in whatever manner it thinks fit nor oblige the Lender to disclose confidential information of any information relating to its affairs generally. The Borrower and the Lender will inform each other, in a reasonable and timely manner, on the status of the procedures and the steps necessary to be taken in pursuance of this Clause 7.2 The Lender makes no representation as to the application or interpretation of the Double Tax Treaty.
- (h) If the Lender becomes resident for tax purposes in another Qualifying Jurisdiction, references in paragraphs (a) and (b) to taxing authority of the United Kingdom, United Kingdom Tax Certificate and Double Tax Treaty shall be read, respectively, as including references to the taxing authority of the Qualifying Jurisdiction, a Qualifying Jurisdiction Tax Certificate and the double tax treaty between Ukraine and the Qualifying Jurisdiction.

7.3 Indemnity Amounts

Without prejudice to or duplication of the provisions of Clause 7.1 (*Additional Amounts*), if the Lender notifies the Borrower that:

- (a) it is obliged to make any deduction or withholding for or on account of any Taxes from any payment which the Lender (as issuer of the Funding Instruments) is obliged to make under or in respect of the Funding Instruments or any Funding Document and the Lender (as issuer of the Funding Instruments) is required under the terms and conditions of the Funding Instruments or such Funding Document to pay additional amounts to the holders of the Funding Instruments in connection therewith, the Borrower shall pay to the Lender within 30 days of such notice (and otherwise in accordance with the terms of this Agreement) such additional amounts as are equal to the additional payments which the Lender (as issuer of the Funding Instruments) would be required to make under the terms and conditions of the Funding Instruments or such Funding Document, assuming in each case that an equivalent amount had been received from the Borrower, in order that the net amount received by each holder of Funding Instruments or other party to the relevant Funding Document is equal to the amount which such holder or party would have received had no such withholding or deduction been required to be made; and/or
- (b) it is obliged to pay any Taxes imposed by a Taxing Authority (other than Taxes assessed on the Lender by reference to its overall net income) in relation to this Agreement, the Funding Instruments or any Funding Document, the Borrower shall, as soon as reasonably practicable following, and in any event within 30 calendar days of, a written demand made by the Lender, indemnify the Lender in relation to such properly documented payment or liability.

Any payments required to be made by the Borrower under this Clause 7.3 are collectively referred to as "**Indemnity Amounts**". For the avoidance of doubt, the provisions of this Clause 7.3 shall not apply to any withholding or deductions of Taxes with respect to the Loan which are subject to payment of Additional Amounts under Clause 7.1 (*Additional Amounts*).

7.4 Tax Claims

If the Lender intends to make a claim pursuant to Clause 7.3 (*Indemnity Amounts*), it shall notify the Borrower thereof as soon as reasonably practicable after the Lender becomes aware of any obligation to make the relevant withholding, deduction or payment; *provided that* nothing herein shall require the Lender to disclose any confidential information relating to the organisation of its affairs.

7.5 Tax Credits and Tax Refunds

- (a) If a payment is made under Clause 7.1 (*Additional Amounts*) or 7.3 (*Indemnity Amounts*) by the Borrower for the benefit of the Lender and the Lender determines in its absolute discretion (acting in good faith) that it has received or been granted a credit against, a relief or remission for or a repayment of, any Taxes, then, if and to the extent that the Lender, in its absolute discretion (acting in good faith), determines that such credit, relief, remission or repayment is in respect of or calculated by reference to the corresponding deduction, withholding liability, expense, loss or payment giving rise to such payment by the Borrower, the Lender shall, to the extent that it can do so without prejudice to the retention of the amount of such credit, relief, remission or repayment, pay to the Borrower such amount as the Lender shall, in its absolute discretion (acting in good faith), have concluded to be attributable to such deduction, withholding, liability, expense, loss or payment; provided that the Lender shall not be obliged to make any payment under this Clause 7.5 (*Tax Credits and Tax Refunds*) in respect of any such credit, relief, remission or repayment until the Lender is, in its absolute discretion (acting in good faith), satisfied that its Tax affairs for its Tax year in respect of which such credit, relief, remission or repayment was obtained have been finally settled and further provided that the Lender shall not be obliged to make any such payment if and to the extent that the Lender determines in its absolute discretion (acting in good faith) that to do so would leave it (after the payment) in a worse after-Tax position than it would have been in had the payment not been required under Clause 7.1 (*Additional Amounts*) or 7.3 (*Indemnity Amounts*). Without prejudice to the Lender's obligations under Clause 7.2 (*Double Tax Treaty Relief*), nothing contained in this Clause 7.5 shall interfere with the right of the Lender to arrange its tax affairs in whatever manner it thinks fit nor oblige the Lender to disclose confidential information or any information relating to its Tax affairs generally or any computations in respect thereof.
- (b) If as a result of a failure to obtain relief from deduction or withholding of any Tax imposed by any Taxing Authority, in particular in accordance with the Double Tax Treaty, such Tax is deducted or withheld by the Borrower pursuant to Clause 7.1 (*Additional Amounts*) and an Additional Amount is paid by the Borrower to the Lender in respect of such deduction or withholding, the Borrower may apply, under the supervision and on behalf of the Lender, to the relevant Taxing Authority for a Tax refund. If and to the extent that any Tax refund is credited by such Taxing Authority to a bank account of the Lender, the Lender shall as soon as reasonably possible notify the Borrower of the receipt of such Tax refund and promptly transfer the entire amount of the Tax refund to an account specified by the Borrower if and to the extent that the Lender determines in its absolute discretion (acting in good faith) that to do so will leave it (after the payment and after deduction of costs and expenses incurred in relation to such Tax refund for which the Borrower is liable) in no worse an after-Tax position than it would have been in had there been no failure to obtain relief from such withholding or deduction.

7.6 Tax Position of the Lender

The Lender represents that it (i) is a resident in the United Kingdom for United Kingdom tax purposes as a result of being a United Kingdom incorporated company and is subject to taxation in the United Kingdom, (ii) does not have a permanent establishment in Ukraine, and (iii) does not have any current intentions to effect during the term of the Loan, any corporate action or reorganisation or change of taxing jurisdiction that would result in the Lender ceasing to be a resident in the United Kingdom.

8. TAX RECEIPTS

8.1 Notification of Requirement to Deduct Tax

If, at any time, the Borrower is required by law to make any deduction or withholding from any sum payable by it hereunder (or if thereafter there is any change in the rates at which or the manner in which such deductions or withholdings are calculated), the Borrower shall promptly notify the Lender.

8.2 Evidence of Payment of Tax

- (a) The Borrower will use its reasonable endeavours to provide the Lender with Tax receipts evidencing the payment of any Taxes deducted or withheld by it from each Tax Authority imposing such Taxes or, if such receipts are not obtainable, other evidence of such payments by the Borrower reasonably acceptable to the Lender. The Borrower will also provide English translations of such receipts.
- (b) The Lender will use its reasonable endeavours to provide the Borrower with Tax receipts evidencing the payment of any Taxes deducted or withheld by it from each Tax Authority imposing such Taxes or, if such receipts are not obtainable, other evidence of such payments by the Lender reasonably acceptable to the Borrower.

9. CHANGES IN CIRCUMSTANCES

9.1 Increased Costs

If, by reason of any Change of Law, other than a Change of Law which relates to the basis of computation of, or rate of, Tax on, the net income of the Lender:

- (a) the Lender incurs an additional cost as a result of the Lender entering into or performing its obligations (including its obligation to make the Loan) under this Agreement (excluding Taxes payable by the Lender on its overall net income); or
- (b) the Lender becomes liable to make any additional payment on account of Taxes or otherwise (not being Taxes imposed on its net income or the amounts due pursuant to the Fees Letter) on or calculated by reference to the amount of the Loan and/or to any sum received or receivable by it hereunder except where compensated under Clause 7.1 (*Additional Amounts*) or under Clause 7.3 (*Indemnity Amounts*),

then the Borrower shall, from time to time within 30 days of written demand of the Lender, pay to the Lender amounts sufficient to hold harmless and indemnify it from and against, as the case may be, such properly documented cost or liability, *provided that* the Lender will not be entitled to indemnification where such additional cost or liability arises as a result of the gross negligence, fraud or wilful default of the Lender and *provided, further, that* the amount of such increased cost or liability shall be deemed not to exceed an amount equal to the proportion of any cost or liability which is directly attributable to this Agreement.

9.2 Increased Costs Claims

If the Lender intends to make a claim pursuant to Clause 9.1 (*Increased Costs*), it shall promptly notify the Borrower thereof and provide a description in writing in reasonable detail of the relevant reason (as described in Clause 9.1 (*Increased Costs*) above) including a description of the relevant affected jurisdiction or country and the date on which the change in circumstances took effect. This written description shall demonstrate the connection between the change in circumstance and the increased costs and shall be accompanied by relevant supporting documents evidencing the matters described therein, *provided that* nothing herein shall require the Lender to disclose any confidential information relating to the organisation of its or any other Person's affairs.

9.3 Mitigation

If circumstances arise which would result in any payment being required to be made by the Borrower pursuant to Clauses 7.1 (*Additional Amounts*) or 7.3 (*Indemnity Amounts*) or this Clause 9, then, without in any way limiting, reducing or otherwise qualifying the rights of the Lender or the Borrower's obligations under any of the above mentioned provisions, the Lender shall as soon as reasonably practicable upon becoming aware of the same notify the Borrower thereof and, in consultation with the Borrower and to the extent it can lawfully do so and without material prejudice to its own position, take reasonable steps to avoid or mitigate the effects of such circumstances including (without limitation) by the change of its lending office or transfer of its rights or obligations under this Agreement to another bank.

10. REPRESENTATIONS AND WARRANTIES OF THE BORROWER

The Borrower makes the representations and warranties set out in Clause 10.1 (*Status; Material Subsidiaries*) to Clause 10.14 (*Compliance with Laws*) (inclusive) and acknowledges that the Lender has entered into this Agreement in reliance on those representations and warranties.

10.1 Status; Material Subsidiaries

It validly exists under Ukrainian law, has full power and authority to own, lease and operate its properties and conduct its business as currently conducted and is able lawfully to execute and perform its obligations under this Agreement. At the date of this Agreement the Borrower has no Material Subsidiaries.

10.2 Governmental Approvals

Save as provided in Clause 12.1 (*Maintenance of Legal Validity*), all actions or things required to be taken, fulfilled or done by the laws and regulations of Ukraine (including, without limitation the obtaining of any authorisation, order, licence or qualification of or with any court or governmental agency) and all registrations, filings or notarisations required by the laws and regulations of Ukraine in order to ensure (i) that the Borrower and each of its Subsidiaries is able to own its assets and carry on its business as currently conducted and, if not, the absence of which could not reasonably be expected to have a Material Adverse Effect and (ii) the due execution, delivery, validity and performance by the Borrower of this Agreement has been obtained, fulfilled or done and is in full force and effect (*provided that* the registration of the amendments introduced to this Agreement by the Amendment and Restatement Agreement with the NBU will be obtained upon execution of the Amendment and Restatement Agreement but not later than the Effective Date).

10.3 *Pari Passu* Obligations

Under the laws of Ukraine in force at the date of this Agreement, the claims of the Lender against the Borrower under this Agreement will rank at least *pari passu* in right of payment with the claims of all its other unsecured and unsubordinated creditors, save those whose claims are preferred by any bankruptcy, insolvency, liquidation, moratorium or similar laws of general application.

10.4 No Deduction

Without prejudice to the provisions of Clause 7.1 (*Additional Amounts*), under the laws of Ukraine in force at the date of this Agreement, in accordance with the terms of the Double Tax Treaty and subject to the due satisfaction by the payee of certain conditions set forth therein and of certain requirements of applicable Ukrainian legislation, in particular as provided in Clause 7.2 (*Double Tax Treaty Relief*), payments of interest by the Borrower to the payee under this Agreement may be made without deduction on account of the generally applicable withholding tax (at a rate of 15 per cent.) established by applicable Ukrainian legislation.

10.5 Governing Law

Under the laws of Ukraine in force at the date of this Agreement, in any proceedings taken in Ukraine in relation to this Agreement, the choice of English law as the governing law of this Agreement and any arbitral award with respect to this Agreement obtained in the United Kingdom will be recognised and enforced in Ukraine after compliance with the applicable procedural rules in Ukraine.

10.6 Admissibility in Evidence

All acts, conditions and things required to be done, fulfilled and performed (other than by the Lender) to make this Agreement admissible in evidence in Ukraine (whether in arbitration proceedings or otherwise) have been done, fulfilled and performed.

10.7 Valid and Binding Obligations

Upon registration of this Agreement with the NBU, the obligations expressed to be assumed by the Borrower in this Agreement will be legal, valid and binding, subject to applicable bankruptcy, insolvency, fraudulent conveyance, reorganisation moratorium and similar laws relating to or affecting creditors' rights generally and to general principles of equity, enforceable against it in accordance with its terms.

10.8 No Stamp Taxes

Under the laws of Ukraine in force at the date of this Agreement, the execution and delivery of any Funding Document is not subject to any registration tax, stamp duty or similar levy imposed by any Taxing Authority of or in, or having authority to tax in, Ukraine.

10.9 No Default

No event has occurred and is continuing or circumstance has arisen and is continuing which would constitute an Event of Default or a Potential Event of Default.

10.10 No Material Proceedings

There are no legal or administrative or arbitration proceedings current or pending or, to the best of the knowledge and belief of the Borrower, threatened before any court, tribunal, arbitration panel or Agency which might have a Material Adverse Effect.

10.11 No Material Adverse Change

Save as disclosed in the Memorandum, since 31 March 2015, there has been no material adverse change, or any development involving a prospective material adverse change of which the Borrower is or might reasonably be expected to be aware, in the business, financial condition or results of operations of the Group.

10.12 Financial Statements

The financial information of the Borrower has been derived, unless otherwise indicated, from its audited consolidated financial statements and the notes thereto as at and for the years ended 31 December 2014 and 31 December 2013 have been prepared in accordance with IFRS issued by the International Accounting Standards Board. The condensed interim consolidated financial information as at and for the three-month period ended 31 March 2015 has been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting.

10.13 Execution of Agreements

Its execution and delivery of this Agreement and its exercise of its rights and performance of its obligations hereunder do not and will not:

- (a) conflict with or result in a breach of any of the terms of, or constitute a default under, any material instrument, agreement or order to which the Borrower or any of its Material Subsidiaries is a party or by which it or its properties is bound; or
- (b) conflict with the provisions of the constitutional documents of the Borrower or any resolution of its shareholders; or
- (c) give rise to any event of default or moratorium in respect of any of the obligations of the Borrower or any of its Material Subsidiaries or the creation of any lien, encumbrance or other security interest (howsoever described) in respect of any of the assets of the Borrower or any of its Material Subsidiaries, which, in any case, could reasonably be expected to have a Material Adverse Effect on the Borrower's ability to perform its obligations under this Agreement.

10.14 Compliance with Laws

The Borrower and each of its Subsidiaries are in compliance with, in all material respects, all applicable laws and regulations.

10.15 Repetition

Each of the representations and warranties contained in this Clause 10 (except for Clause 10.11 (*No Material Adverse Change*)) shall be deemed to be repeated by the Borrower on the Effective Date.

11. REPRESENTATIONS AND WARRANTIES OF THE LENDER

The Lender makes the representations and warranties set out in Clause 7.6 (*Tax Position of the Lender*) and this Clause 11 and acknowledges that the Borrower has entered into this Agreement in reliance on those representations and warranties.

11.1 Status

The Lender is a public limited company duly incorporated under the laws of the United Kingdom and is resident for United Kingdom taxation purposes in the United Kingdom and has full corporate power and authority to enter into this Agreement and each Funding Document and to undertake and perform the obligations expressed to be assumed by it herein and therein. Pursuant to its constitutional documents, the Lender may lend money to any persons for any purpose whatsoever and carry on business as a financial institution.

11.2 Authorisation

Each of this Agreement and each Funding Document has been duly authorised, executed and delivered by the Lender and is a legal, valid and binding obligation of the Lender, enforceable against the Lender in accordance with its terms, except that the enforcement thereof may be subject to bankruptcy, insolvency, fraudulent conveyance, reorganisation, moratorium and other similar laws relating to or affecting creditors' rights generally and to general principles of equity.

11.3 Consents and Approvals

All authorisations, consents and approvals required by the Lender for or in connection with the execution of this Agreement and each Funding Document and the performance by the Lender of the obligations expressed to be undertaken in such agreements have been obtained and are in full force and effect.

11.4 No Conflicts

The execution of this Agreement and each Funding Document and the undertaking and performance by the Lender of the obligations expressed to be assumed by it herein and therein will not conflict with, or result in a breach of or default under, the laws of the United Kingdom.

12. COVENANTS

The covenants in this Clause 12 remain in force from the date of this Agreement for so long as the Loan or any part of it is or may be outstanding.

12.1 Maintenance of Legal Validity

The Borrower shall obtain, comply with the terms of and do all that is necessary to maintain in full force and effect all authorisations, approvals, licences and consents and make or cause to be made all registrations, recordings and filings required in or by the applicable laws and regulations of Ukraine to enable it lawfully to enter into and perform its obligations under this Agreement (including in respect of any payments due hereunder) to which it is a party and to ensure the legality, validity, enforceability or admissibility in evidence in Ukraine of this Agreement.

12.2 Notification of Default

The Borrower shall promptly inform the Lender and the Trustee on becoming aware of the occurrence of any Event of Default or Potential Event of Default and, upon receipt of a written request to that effect from the Lender or the Trustee, confirm to the Lender and the Trustee that, save as previously notified to the Lender or as notified in such confirmation, no Event of Default or Potential Event of Default has occurred.

12.3 Claims Pari Passu

The Borrower shall ensure that at all times the claims of the Lender and the Trustee against it under this Agreement rank at least *pari passu* in right of payment with the claims of all other unsecured and unsubordinated creditors of the Borrower, save for those claims that are preferred by any bankruptcy, insolvency, liquidation or similar laws of general application.

12.4 Negative Pledge

The Borrower shall not and shall not permit any of its Material Subsidiaries, directly or indirectly, to create, incur or suffer to exist any Security Interests, other than Permitted Security Interests, on any of its or their assets, now owned or hereafter acquired, securing any Indebtedness or any Guarantee of any Indebtedness, unless the Loan is secured equally and rateably with such other Indebtedness or Guarantee or otherwise as approved by the Lender and the Trustee.

12.5 Mergers

The Borrower shall not, and shall ensure that none of its Material Subsidiaries will, without the prior written consent of the Lender and the Trustee, enter into any reorganisation (whether by way of a merger, accession, division, separation or transformation, as these terms are construed under applicable Ukrainian legislation), or participate in any other type of corporate reconstruction, if any such reorganisation or other type of corporate reconstruction would result in a Material Adverse Effect, *provided that*, the Borrower may in a single transaction or a series of related transactions, directly or indirectly, consolidate or merge with or into, or convey, transfer, lease, or otherwise dispose of, all or substantially all of the Borrower's properties or assets (determined on a consolidated basis), to any Subsidiary of the Borrower, where the resulting, surviving or transferee Person (the "**Successor Entity**"), shall be the Borrower or, if not the Borrower, shall be a Person organised and validly existing under the laws of Ukraine and such Successor Entity, if not the Borrower, shall expressly assume, by an agreement supplemental to this Agreement in form and substance satisfactory to the Lender and the Trustee, executed and delivered to the Lender and the Trustee, the due and punctual payment of the principal and interest under this Agreement and the performance and observance of every covenant of the Borrower under this Agreement.

12.6 Disposals

- (a) Without prejudice to the provisions of Clause 12.7 (*Transactions with Affiliates*), the Borrower shall not, and shall ensure that none of its Material Subsidiaries will, within a 12

month period, sell, lease, transfer or otherwise dispose of, to a Person other than the Borrower or a Subsidiary of the Borrower, as the case may be, by one or more transactions or series of transactions (whether related or not), the whole or any part of its revenues or its assets which together constitute more than 10 per cent. of the gross assets of the Group unless such transaction(s) is/are on an arm's-length basis and has/have been approved by a decision adopted by the competent governing body of the Borrower or the relevant Material Subsidiary (as the case may be).

- (b) This Clause 12.6 shall not apply to (i) any sale, lease, transfer or other disposition of any assets of the Borrower or property pledged as collateral by or to the Borrower or any of its Subsidiaries in the ordinary course of the Borrower's or, as the case may be, the relevant Subsidiary's business, (ii) any revenues or assets (or any part thereof) the subject of any securitisation of receivables, asset-backed financing or similar financing structure whereby all payment obligations are to be discharged primarily from such assets or revenues *provided that* principal amount raised pursuant to any financing referred to in this sub-clause (ii) when aggregated with the principal amount of any previous and then outstanding such financing and the then outstanding principal amount of any Indebtedness or Guarantee referred to in the proviso to paragraph (g) of the definition of Permitted Security Interest does not exceed an amount equal to 20 per cent. of the Borrower's loans to customers before allowances for impairment (calculated by reference to the Borrower's consolidated balance sheet as at the end of its most recent IFRS Fiscal Period) or (iii) any compensation or employee benefit arrangements with any officer or director of the Borrower or any of its Subsidiaries arising as a result of their employment contract.

12.7 Transactions with Affiliates

- (a) The Borrower shall not, and shall ensure that none of its Subsidiaries, directly or indirectly, conduct any business, enter into or permit to exist any transaction or series of related transactions (including the purchase, sale, transfer, assignment, lease, conveyance or exchange of any property or the rendering of any service) with, or for the benefit of, any Affiliate (an "Affiliate Transaction"), including intercompany loans, unless the terms of such Affiliate Transaction are (taking into account the standing and credit rating of the relevant Affiliate) no less favourable to the Borrower or such Subsidiary, as the case may be, than those that could be obtained in a comparable arm's-length transaction with a Person that is not an Affiliate of the Borrower or any of its Subsidiaries.
- (b) With respect to an Affiliate Transaction involving aggregate payments or value in excess of U.S.\$15,000,000, the Borrower shall deliver to the Lender and the Trustee a written opinion from an Independent Appraiser to the effect that such Affiliate Transaction is fair, from a financial point of view, to the Borrower, *provided that* in no event shall the aggregate amount of all Affiliate Transactions exceed 35 per cent. of the Group's assets, determined by reference to the Borrower's consolidated balance sheet as at the end of its most recent IFRS Fiscal Period.
- (c) This Clause 12.7 shall not apply to (i) any Affiliate Transaction made pursuant to a contract existing on the date hereof and advised in writing to the Lender (excluding any amendments or modifications thereof made after the date hereof) or (ii) transactions between or among all or any of the Borrower and/or its Subsidiaries and paragraph (b) of this Clause 12.7 shall not apply to any Affiliate Transaction where the Affiliate in question is an Agency of Ukraine or a Person which is Subsidiary of an Agency of Ukraine.

12.8 Payment of Taxes and Other Claims

The Borrower shall, and shall ensure that its Material Subsidiaries pay or discharge or cause to be paid or discharged, before the same shall become overdue all Taxes, assessments and governmental charges levied or imposed upon, or upon the income, profits or property of the Borrower and its Material Subsidiaries; *provided that*, none of the Borrower nor any Material Subsidiary shall be required to pay or discharge or cause to be paid or discharged any such tax, assessment, charge or

claim (i) whose amount, applicability or validity is being contested in good faith by appropriate proceedings and for which adequate reserves in accordance with IFRS or other appropriate provision has been made or (ii) whose amount, together with all such other unpaid or undischarged Taxes, assessments, charges and claims, does not in the aggregate exceed U.S.\$1,000,000 (or its equivalent in other currencies).

12.9 Financial Information

- (a) The Borrower hereby undertakes that it will deliver to the Lender and the Trustee within 180 days after the end of each of its financial years, copies of the Borrower's audited consolidated financial statements for such financial year, prepared in accordance with IFRS and together with the report of the Auditors thereon.
- (b) The Borrower hereby undertakes that it will deliver to the Lender and the Trustee within 90 days after the end of the second quarter of each of its financial years, copies of the Borrower's unaudited consolidated financial statements for six months, prepared in accordance with IFRS. To the extent that the Borrower produces quarterly unaudited consolidated financial statements ("Quarterly Statements"), prepared in accordance with IFRS, the Borrower further undertakes to provide copies of Quarterly Statements within three months after the end of each quarter.
- (c) The Borrower hereby undertakes that it will deliver to the Lender and the Trustee, without undue delay, such additional information regarding the financial position or the business of the Borrower as the Lender or the Trustee may reasonably request.
- (d) The Borrower hereby undertakes that it will supply or procure to be supplied to the Lender (in sufficient copies as may reasonably be required by the Lender) with a copy to the Trustee all such information as the Stock Exchange (or any other or further stock exchange or stock exchanges or any other relevant authority or authorities on which the Funding Instruments may, from time to time, be listed or admitted to trading) may require in connection with the listing or admittance to trading of the Funding Instruments.

12.10 Maintenance of Capital Adequacy

The Borrower shall not, and shall ensure that each Subsidiary which carries on a Banking Business shall not, permit its total capital adequacy ratio to fall below the minimum total capital adequacy ratio required by the NBU and, in the case of a Subsidiary which carries on a Banking Business outside Ukraine, the relevant banking authority responsible for setting and/or supervising capital adequacy for financial institutions in the relevant jurisdiction in which such Subsidiary carries on its Banking Business.

12.11 Limitation on restrictions on distributions from Material Subsidiaries

The Borrower shall not, and shall not permit any of its Material Subsidiaries to, create or otherwise cause or permit to exist or become effective any consensual encumbrance or consensual restriction on the ability of any Subsidiary:

- (a) to pay dividends or make any other distributions on its share capital;
- (b) to make any loans or advances or pay any Indebtedness owed to the Borrower; or
- (c) to transfer any of its property or assets to the Borrower

other than encumbrances or restrictions existing under applicable law, any Funding Document or any other agreement in effect prior to the date hereof and advised in writing to the Lender.

12.12 Compliance Certificates

On each Interest Payment Date, the Borrower shall deliver to the Lender and the Trustee written notice in the form of an Officers' Certificate stating whether any Event of Default or Potential Event of Default has occurred and, if it has occurred and shall be continuing, the action the Borrower is taking or proposes to take with respect thereto.

12.13 Amendments to this Agreement

The Borrower shall not without the prior written consent of the Lender make any amendments to (i) this Agreement or (ii) the notification submitted to the NBU in respect of this Agreement and registered by the NBU (as evidenced by the respective registration notation) (the "**Registration Notification**") that would, by virtue of their execution and subsequent registration by the NBU, in the case of amendments to this Agreement, or by virtue of their being made, in the case of amendments to the Registration Notification, in either case result in a lower maximum interest rate being applied to the amounts payable by the Borrower under this Agreement (including, but not limited to, interest payments, fees and indemnity amounts) than as set by the NBU as at the date hereof.

12.14 Restricted Payments

The Borrower shall not, directly or indirectly:

- (a) declare or pay any dividend, in cash or otherwise, or make any other distribution (whether by way of redemption, acquisition or otherwise) in respect of its share capital; or
- (b) voluntarily purchase, redeem or otherwise retire for value any Capital Stock or subordinated debt,

(any such action being referred to herein as a "**Restricted Payment**") if at the time an Event of Default has occurred or results therefrom and such Restricted Payment when aggregated with all other Restricted Payments previously made in respect of the relevant fiscal year exceed 50 per cent. of the Group's consolidated net profit (calculated in accordance with IFRS) for such fiscal year.

13. EVENTS OF DEFAULT

Each of Clause 13.1 (*Failure to Pay*) to Clause 13.10 (*Analogous Events*) describes the circumstances which constitute an Event of Default for the purposes of this Agreement. If one or more Events of Default shall occur and be continuing, the Lender (or the Trustee, as applicable) shall be entitled to the remedies set forth in Clause 13.11 (*Acceleration*).

13.1 Failure to Pay

The Borrower fails to pay any sum due from it hereunder at the time, in the currency and in the manner specified herein, and such failure is not remedied within five Business Days of the due date for payment.

13.2 Obligations

The Borrower fails duly to perform or comply with, or is otherwise in breach of any other of its obligations (other than set out in Clause 13.1 (*Failure to Pay*)) expressed to be assumed by it in this Agreement and such failure or breach is not remedied within 15 days after the Lender (and, following a Relevant Event, the Trustee) has given notice of it to the Borrower requiring the same to be remedied.

13.3 Cross Acceleration

Any Indebtedness of the Borrower or any of its Subsidiaries becomes due and payable prior to the stated maturity thereof (other than at the option of the debtor) or the Borrower or any of its Subsidiaries shall fail to make any payment of principal in respect of any Indebtedness of the

Borrower or any of its Subsidiaries or to make any payment under any Guarantee of any Indebtedness on the date on which such payment is due and payable or by the expiration of any grace period originally applicable thereto, unless the aggregate amount of Indebtedness relating to all the above events is less than U.S.\$10,000,000 (or its equivalent in any other currency).

13.4 Validity and Illegality

The validity of this Agreement is contested by the Borrower or the Borrower shall deny any of its obligations under this Agreement or (save as provided in Clause 12.1 (*Maintenance of Legal Validity*)) it is, or will become, unlawful for the Borrower to perform or comply with any of its obligations under this Agreement or any of such obligations shall become unenforceable or cease to be legal, valid and binding in a manner which has a material adverse effect on the rights or claims of the Lender or, following a Relevant Event, the Trustee under this Agreement.

13.5 Authorisations

Any regulation, decree, consent, approval, licence or other authority necessary to enable the Borrower to enter into or (save as provided in Clause 12.1 (*Maintenance of Legal Validity*)) perform its obligations under this Agreement or for the validity or enforceability thereof shall expire or be withheld, revoked or terminated or otherwise cease to remain in full force and effect or shall be modified in a manner which adversely affects any rights or claims of the Lender or, following a Relevant Event, the Trustee under this Agreement.

13.6 Revocation of Licence; Insolvency

- (a) The occurrence of any of the following events: (i) revocation of the general banking licence of the Borrower or, if applicable, of any of its Subsidiaries; (ii) any of the Borrower or any of its Material Subsidiaries seeking, consenting or acquiescing in the introduction of proceedings for its liquidation or bankruptcy or the appointment of a liquidation commission or a similar officer of any of the Borrower or any of its Material Subsidiaries, as the case may be; (iii) the presentation or filing of a petition in respect of any of the Borrower or any of its Material Subsidiaries in any court, arbitration court or before any agency alleging or for the bankruptcy, insolvency, dissolution, liquidation (or any analogous proceeding) of any of the Borrower or any of its Material Subsidiaries; (iv) the institution of the supervision, external management, bankruptcy management of any of the Borrower or any of its Material Subsidiaries; (v) the convening or announcement of an intention to convene a meeting of creditors of any of the Borrower or any of its Material Subsidiaries for the purposes of considering an amicable settlement and/or (vi) any extra judicial liquidation or analogous act in respect of any of the Borrower or any of its Material Subsidiaries by any Agency in or of Ukraine.
- (b) The Borrower or any of its Material Subsidiaries (i) fails or is unable to pay its debts generally as they become due, or (ii) consents by answer or otherwise to the commencement against it of an involuntary case in bankruptcy or any other such action or proceeding or to the appointment of a custodian of it or for any substantial part of its property or (iii) a court of competent jurisdiction enters an order for relief or a decree in an involuntary case in bankruptcy or any other such action or proceeding or for the appointment of a custodian in respect of the Borrower or any of its Material Subsidiaries or any part of their property and such order or decree remains unstayed and in effect for 60 days.
- (c) The shareholders of the Borrower shall have approved any plan of liquidation or dissolution of the Borrower.

13.7 Judgments

The aggregate amount of unsatisfied judgments, decrees or orders of courts or other appropriate law-enforcement bodies (from which no further appeal or judicial review is permissible under applicable law) for the payment of money against the Borrower and/or any Subsidiaries of the Borrower exceeds U.S.\$10,000,000 or the equivalent thereof in any other currency or currencies and there is a

period of 60 days following the entry thereof (or, if later, the date therein specified for payment) during which all such judgments, decrees or orders are not discharged, waived or the execution thereof stayed and such default continues for five days.

13.8 Business

The Borrower ceases to carry on the principal business it carried on at the date hereof.

13.9 Specified Government Securities

Ukraine (a) fails to pay any amount of principal or interest when due and payable (after any applicable grace period) on the Specified Government Securities, or (b) successfully completes a restructuring of the terms of the Specified Government Securities whereby the terms of such restructuring include a reduction in the principal amount of the Specified Government Securities, provided that in either case at the relevant time the Bank's holdings of Specified Government Securities constitute at least 12 per cent. of the Bank's total assets, as determined in accordance with the most recent UAS financial statements prepared and published by the Bank.

13.10 Analogous Events

Any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in Clauses 13.4 (*Validity and Illegality*) to 13.7 (*Judgments*).

13.11 Acceleration

If an Event of Default has occurred and is continuing, the Lender and/or the Trustee may by written notice to the Borrower declare the outstanding principal amount of the Loan to be immediately due and payable (whereupon the same shall become immediately due and payable together with accrued interest thereon and any other sums then owed by the Borrower hereunder) or declare the outstanding principal amount of the Loan to be due and payable on demand of the Lender and/or the Trustee, provided that upon an acceleration of the Loan prior to the last day of the Adjusted Interest Period, the amount of interest to be received by the Lender shall be determined as follows:

- (a) the amount of interest calculated as provided in Clause 5.2 (*Accrual and Calculation of Interest*) less the outstanding principal amount of the Tranche B; or
- (b) in the event that the amount of interest calculated as provided in Clause 5.2 (*Accrual and Calculation of Interest*) is less than the outstanding principal amount of the Tranche B at the time of repayment, no interest shall be paid and the principal amount of the Loan shall be deemed reduced by an amount equal to the difference between the amount of interest to be calculated as provided in Clause 5.2 (*Accrual and Calculation of Interest*) and the outstanding principal amount of the Tranche B.

13.12 Amounts Due on Demand

If, pursuant to Clause 13.11 (*Acceleration*), the Lender or the Trustee declares the outstanding principal amount of the Loan to be due and payable on demand of the Lender or the Trustee, then, and at any time thereafter, the Lender or the Trustee may by written notice to the Borrower require repayment of the outstanding principal amount of the Loan on such date as it may specify in such notice (whereupon the same shall become due and payable on such date together with accrued interest thereon and any other sums then owed by the Borrower hereunder) or withdraw its declaration with effect from such date as it may specify in such notice.

14. INDEMNITY

14.1 The Borrower's Indemnity

- (a) The Borrower undertakes to the Lender, that if the Lender or the Trustee (each an "indemnified party") reasonably incurs any loss, liability, cost, claim, charge or expense,

together with in each case any VAT thereon) (a “Loss”) as a result of or in connection with any Event of Default or Potential Event of Default, the Borrower shall pay to the Lender or the Trustee, as the case may be, subject to the presentation of properly documented evidence thereof, an amount equal to such Loss and all costs, charges and expenses which it or any indemnified party may pay or incur in connection with investigating, disputing or defending any such action or claim as such costs, charges and expenses are incurred.

- (b) The indemnity in paragraph (a) above shall not apply to a Loss:
- (i) which is caused by an indemnified party’s gross negligence or wilful default or misconduct;
 - (ii) which is recovered under Clause 7.1 (*Additional Amounts*); or
 - (iii) where an indemnity is sought already under Clause 7.3 (*Indemnity Amounts*), 9 (*Changes in Circumstances*) or 17 (*Costs and Expenses*).

14.2 Independent Obligation

Clause 14.1 (*The Borrower’s Indemnity*) constitutes a separate and independent obligation of the Borrower from its other obligations under or in connection with this Agreement or any other obligations of the Borrower in connection with the issue of the Funding Instruments and shall not affect, or be construed to affect, any other provisions of this Agreement or any such other obligations.

14.3 Survival

The obligations of the Borrower pursuant to Clauses 7.1 (*Additional Amounts*), 7.2 (*Double Tax Treaty Relief*), 7.3 (*Indemnity Amounts*), 9 (*Changes in Circumstances*), 16 (*Payments*), 14.1 (*The Borrower’s Indemnity*) and 16.3 (*No Set-off*) shall survive the execution and delivery of this Agreement, the borrowing and the repayment of the Loan, in each case by the Borrower.

15. CURRENCY OF ACCOUNT AND PAYMENT

15.1 Currency of Account

The U.S. dollar is the currency of account and payment for each and every sum at any time due from the Borrower hereunder.

15.2 Currency Indemnity

If any sum due from the Borrower under this Agreement or any order or judgment given or made in relation hereto has to be converted from the currency (the “**first currency**”) in which the same is payable hereunder or under such order or judgment into another currency (the “**second currency**”) for the purpose of (a) making or filing a claim or proof against the Borrower, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation hereto, the Borrower shall indemnify and hold harmless the Lender (and the Trustee) from and against any loss suffered or reasonably incurred as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which the Lender (and the Trustee) may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

16. PAYMENTS

16.1 Payments to the Lender

On each date on which this Agreement requires an amount denominated in U.S. dollars to be paid by the Borrower, the Borrower shall make the same available to the Lender by payment in U.S. dollars and in Same-Day Funds (or in such other funds as may for the time being be customary for the settlement of international banking transactions in U.S. dollars) not later than 11.00 a.m. (New York City time) on the Business Day falling two Business Days prior to the Interest Payment Date to the Account other than amounts payable (i) in respect of Reserved Rights (as such term is defined in the Trust Deed), (ii) under the Fees Letter or (iii) in relation to Clause 14.1 (*The Borrower's Indemnity*) which the Borrower shall pay to such account or accounts as the Lender and/or the Trustee shall notify to the Borrower; *provided that* if at any time the Trustee notifies the Borrower that a Relevant Event has occurred, the Borrower shall make all subsequent payments, which would otherwise be made to the Account, to such other account as shall be notified by the Trustee to the Borrower. Without prejudice to its obligations under Clause 5.1 (*Payment of Interest*), the Borrower shall procure that, before 10.00 a.m. (New York City time) on the Banking Day before the due date of each payment made by it under this Clause 16.1 (*Payments to the Lender*), the bank effecting payment on its behalf confirms to the Lender or to such person as the Lender may direct by tested telex or authenticated SWIFT message the payment instructions relating to such payment. The Lender and/or the Trustee shall use their reasonable endeavours to provide the Borrower with information and documents as may be required by the applicable Ukrainian legislation for the purposes of making payments by the Borrower to any account other than the Account.

16.2 Alternative Payment Arrangements

If, at any time, it shall become impracticable (by reason of any action of any governmental authority or any change of law, exchange control regulations or any similar event) for the Borrower to make any payments under this Agreement in the manner specified in Clause 16.1 (*Payments to the Lender*), then the Borrower may agree with the Lender (and the Trustee) alternative arrangements for the payment to the Lender (or, as the case may be, the Trustee) of amounts due (prior to the delivery of any notice referred to in Clause 16.1 (*Payments to the Lender*)) under this Agreement *provided that*, in the absence of any such agreement with the Lender (or, as the case may be, the Trustee), the Borrower shall be obliged to make all payments due to the Lender in the manner specified above.

16.3 No Set-off

All payments required to be made by the Borrower hereunder shall be calculated without reference to any set-off or counterclaim and shall be made free and clear of and without any deduction for or on account of any set-off or counterclaim.

17. COSTS AND EXPENSES

17.1 Transaction Expenses and Fees

The Borrower agrees that it shall pay the fees and expenses of the Lender as specified in the Fees Letter.

17.2 Preservation and Enforcement of Rights

The Borrower shall, from time to time on written demand of the Lender (or the Trustee) reimburse the Lender (or, as the case may be, the Trustee) for all properly documented and reasonably incurred costs and expenses (including legal fees and expenses) together with any VAT thereon properly incurred in or in connection with the preservation and/or enforcement of any of its rights under this Agreement (except where the relevant claim is successfully defended by the Borrower).

17.3 Stamp Taxes

The Borrower shall pay all stamp, registration and other similar duties or Taxes (including any interest or penalties thereon or in connection therewith) to which the Funding Documents or any judgment given against the Borrower in connection therewith is or at any time may be subject and shall, from time to time on written demand of the Lender (or the Trustee), indemnify the Lender (or, as the case may be, the Trustee) against any properly documented liabilities, losses, costs, expenses (including, without limitation, legal fees and any applicable value added tax) and claims, actions or demand resulting from any failure to pay or any delay in paying any such duty or tax.

17.4 Costs Relating to Amendments and Waivers

The Borrower shall, from time to time on written demand of the Lender (or the Trustee) (and without prejudice to the provisions of Clause 14.1 (*The Borrower's Indemnity*) and Clause 17.2 (*Preservation and Enforcement of Rights*)) pay to the Lender (and, as the case may be, the Trustee) at such daily and/or hourly rates as the Lender (or, as the case may be, the Trustee) shall from time to time reasonably determine for all time expended by the Lender (or, as the case may be, the Trustee), their respective directors, officers and employees, and for all properly documented costs and expenses (including telephone, fax, copying and travel costs) they may reasonably incur, in connection with the Lender (and, as the case may be, the Trustee) taking such action as it may consider appropriate in connection with:

- (a) any meeting of holders of the Funding Instruments or the granting or proposed granting of any waiver or consent requested under this Agreement by the Borrower;
- (b) any actual or potential breach by the Borrower of any of its obligations under this Agreement;
- (c) the occurrence of any event which is an Event of Default or a Potential Event of Default; or
- (d) any amendment or proposed amendment to this Agreement or any Funding Document requested by the Borrower.

In that regard, the Lender shall, promptly upon request by the Borrower, convene a meeting of holders of Funding Instruments in accordance with the terms and conditions of the Funding Instruments and the provisions of the Funding Documents.

18. ASSIGNMENTS AND TRANSFERS

18.1 Binding Agreement

This Agreement shall be binding upon and enure to the benefit of each party hereto and its or any subsequent successors and assigns.

18.2 No Assignments and Transfers by the Borrower

The Borrower shall not be entitled to assign or transfer all or any of its rights, benefits and obligations hereunder.

18.3 Assignments by the Lender

Subject to the Funding Documents, the Lender may not assign or transfer, in whole or in part, any of its rights and benefits or obligations under this Agreement except for the charge by way of first fixed charge granted by the Lender in favour of the Trustee of the Lender's rights and benefits under this Agreement and the absolute assignment by way of security by the Lender to the Trustee of certain rights, interest and benefits under this Agreement and to the Account, in each case pursuant to the Funding Documents. If and to the extent required by applicable law or regulation of Ukraine, assignment or transfer by the Lender of its rights and benefits or obligations under this Agreement

shall become effective upon registration with the NBU of an assignee or a transferee as the Lender under this Agreement.

19. CALCULATIONS AND EVIDENCE OF DEBT

19.1 Evidence of Debt

The Lender shall maintain accounts evidencing the amounts from time to time lent by and owing to it hereunder and in any legal action or proceeding arising out of or in connection with this Agreement, in the absence of manifest error and subject to the provision by the Lender to the Borrower of written information describing in reasonable detail the calculation or computation of such amounts together with the relevant supporting documents evidencing the matters described therein, the entries made in such accounts shall be conclusive evidence of the existence and amounts of the obligations of the Borrower therein recorded.

19.2 Change of Circumstance Certificates

A certificate signed by two Authorised Signatories of the Lender describing in reasonable detail the amount by which a sum payable to it hereunder is to be increased under Clause 7.1 (*Additional Amounts*) or the amount for the time being required to indemnify it against any such cost, payment or liability as is mentioned in Clause 7.3 (*Indemnity Amounts*) or Clause 9.1 (*Increased Costs*) or Clause 14.1 (*The Borrower's Indemnity*) shall, in the absence of manifest error, be conclusive evidence of the existence and amounts of the specified obligations of the Borrower.

20. REMEDIES AND WAIVERS, PARTIAL INVALIDITY

20.1 Remedies and Waivers

No failure by the Lender or the Trustee to exercise, nor any delay by the Lender or the Trustee in exercising, any right or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right or remedy prevent any further or other exercise thereof or the exercise of any other right or remedy. The rights and remedies herein provided are cumulative and not exclusive of any rights or remedies provided by law.

20.2 Partial Invalidity

If, at any time, any provision hereof is or becomes illegal, invalid or unenforceable in any respect under the law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions hereof nor the legality, validity or enforceability of such provision under the law of any other jurisdiction shall in any way be affected or impaired thereby.

21. NOTICES; LANGUAGE

21.1 Written Notice

All notices, requests, demands or other communication to be made under this Agreement shall be in writing and, unless otherwise stated, shall be delivered by fax or post.

21.2 Giving of Notice

- (a) Any communication or document to be delivered by one person to another pursuant to this Agreement shall (unless that other person has by 15 days' written notice specified another address) be made or delivered to that other person, addressed as follows:

- (i) If to the Borrower:

Joint-Stock Company "The State Export-Import Bank of Ukraine"
127 Gorkogo Street

Kyiv 03150
Ukraine

Attention: International Borrowings Division
Tel: +38 044 247 8010/8926
Fax: +38 044 247 8928

(ii) If to the Lender:

Biz Finance PLC
4th Floor, 40 Dukes Place
London EC3A 7NH

Attention: the Directors
Fax: +44 20 31700246

With a copy to:
Attention: Head of Loans Support
Fax: +44 20 7888 8896

(iii) If to the Trustee:

BNY Mellon Corporate Trustee Services Limited
One Canada Square
London E14 5AL

Attention: Trustee Administration Manager [Ukreximbank]
Fax: +44 207 964 2509

- (b) Each communication and document to be made or delivered by one party to another pursuant to this Agreement shall, unless that other party has by 15 calendar days' written notice to the same specified another address or fax number, be made or delivered to that other party at the address or fax number specified in this Clause 21.2 and shall be effective upon receipt by the addressee on a business day in the city of the recipient; *provided that*, (i) any such communication or document which would otherwise take effect after 4:00 p.m. on any particular business day shall not take effect until 10:00 a.m. on the immediately succeeding business day in the city of the addressee and (ii) any communication or document to be made or delivered by one party to the other party shall be effective only when received by such other party and then only if the same is expressly marked for the attention of the department or officer identified with such other party's signature below, or such other department or officer as such other party shall from time to time specify for this purpose.

21.3 English Language

Each communication and document delivered by one party to another pursuant to this Agreement shall be in the English language or accompanied by a translation into English certified (by an officer of the person delivering the same) as being a true and accurate translation. In the event of any discrepancies between the English and Ukrainian versions of such communication or document, or any dispute regarding the interpretation of any provision in the English or Ukrainian versions of such communication or document, the English version of such communication or document shall prevail, unless the document is a statutory or other official document.

21.4 Language of Agreement

This Agreement has been executed in both the English language and the Ukrainian language. In the event of any discrepancies between the English and Ukrainian versions of this Agreement, or any dispute regarding the interpretation of any provision in the English or Ukrainian versions of this Agreement, the English version of this Agreement shall prevail and any question of interpretation shall be addressed solely in the English language.

22. LAW AND JURISDICTION

22.1 English Law

This Agreement, including any non-contractual obligations arising out of or in connection with this Agreement, is governed by, and shall be construed in accordance with, English law.

22.2 Arbitration

The parties to this Agreement agree that any claim, dispute or difference of whatever nature arising under, out of or in connection with this Agreement (including a claim, dispute or difference regarding its existence, termination or validity) (a “**Dispute**”), shall be referred to and finally settled by arbitration in accordance with the Rules of the London Court of International Arbitration (“**LCIA**”) (the “**Rules**”) as at present in force and as modified by this Clause 22.2, which Rules shall be deemed incorporated into this Clause 22.2. The number of arbitrators shall be three, one of whom shall be nominated by the claimant(s), one by the respondent(s) and the third of whom, who shall act as chairman, shall be nominated by the two party-nominated arbitrators. The parties may nominate and the LCIA Court may appoint arbitrators from among the nationals of any country, whether or not a party is a national of that country. The seat of arbitration shall be London, England and the language of arbitration shall be English. Sections 45 and 69 of the Arbitration Act 1996 shall not apply.

22.3 Service of Process

The Borrower agrees that the service of process relating to any Dispute in England or Wales may be by delivery to Oleg Rzhondkovskiy, Head of London Representative Office of Joint Stock Company “The State Export-Import Bank of Ukraine”, Juxon House, 100 St. Paul's Churchyard, London EC4M8BU, United Kingdom. If such person is not or ceases to be effectively appointed to accept service of process, the Borrower shall immediately appoint a further person in England or Wales to accept service of process on its behalf and, failing such appointment within 15 days, the Lender shall be entitled to appoint such a person by written notice to the Borrower. Nothing in this Clause 22.3 shall affect the right of the Lender to serve process in any other manner permitted by law.

22.4 Waiver of Immunity

The Borrower agrees that any award made pursuant to Clause 22.2 (*Arbitration*) in relation to a Dispute may be enforced in a tribunal or court (as the case may be) to the jurisdiction of which the Borrower is or may be subject. To the extent that the Borrower may in any jurisdiction claim for itself, its assets or revenue, immunity from suit, execution, attachment (whether in aid of execution, before making a judgement, aware or otherwise) or other legal proceedings, including in relation to an enforcement of an arbitral award, and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Borrower, its assets or revenue, the Borrower agrees not to claim and irrevocably waives such immunity to the fullest extent permitted by the law of such jurisdiction.

23. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

A person who is not a party to this Agreement has not rights under the Contracts (rights of Third Parties) Act 1999 to enforce any term of this Agreement, other than the Trustee in relation to Clause 12 (*Covenants*), Clause 13 (*Events of Default*), Clause 14 (*Indemnity*), Clause 15.2 (*Currency Indemnity*), Clause 17.2 (*Preservation and Enforcement of Rights*), Clause 17.3 (*Stamp Taxes*), Clause 17.4 (*Costs Relating to Amendments and Waivers*) and Clause 22 (*Law and Jurisdiction*), but this does not affect any right or remedy of a third party which exists or is available apart from the Act.

24. NBU REGISTRATION REQUIREMENTS

24.1 Registration

This Agreement shall become effective on the date of its registration with the NBU which shall be evidenced by the registration notation of the NBU issued to the Borrower by the NBU in relation to the Loan Agreement.

24.2 Maximum Interest Rate

Notwithstanding any other provisions hereof to the contrary, if and to the extent required by any law or regulations of Ukraine, the amount of payments under this Agreement (calculated at the rate of interest established by this Agreement, including fees, penalties and other payments arising under this Agreement and including those which are penalties for undue fulfilment of the terms and conditions of this Agreement) during the whole period thereof shall not exceed the amount of payments calculated by reference to the maximum interest rate established by the NBU for foreign currency loans from non-residents effective as at the date of the filing for, and specified at the time of, registration of this Agreement or any amendments thereto with the NBU. For the avoidance of doubt, any application of this requirement shall not limit the rights of the Lender (and/or the Trustee, as relevant) under Clause 13.1 (*Failure to Pay*) or Clause 13.11 (*Acceleration*) of this Agreement.

24.3 Amendments and Supplements

If and to the extent required by any law or regulation of Ukraine applicable at the time of making any amendment or supplement to this Agreement, such amendment or supplement shall become effective upon registration thereof with the NBU.

ANNEX 2 – AMENDED AND RESTATED 2023 LOAN AGREEMENT

This Agreement was made on 7 February 2006 and was amended and supplemented on 9 November 2006 and 29 May 2015 and is amended and restated pursuant to the Amendment and Restatement Agreement (as defined below) on 9 July 2015.

Between:

- (1) **JOINT STOCK COMPANY “THE STATE EXPORT-IMPORT BANK OF UKRAINE”**, a joint stock company incorporated under the laws of Ukraine whose registered office is at 127 Gorkogo Str., Kyiv 03150, Ukraine, as borrower (the “**Borrower**”); and
- (2) **BIZ FINANCE PLC**, a public limited company incorporated under the laws of England and Wales, whose registered office is at 4th Floor, 40 Dukes Place, London EC3A 7NH, United Kingdom (the “**Lender**”).

Whereas:

- (A) The Lender has at the request of the Borrower agreed to make available to the Borrower a subordinated credit facility in the amount of U.S.\$125,000,000 on the terms and subject to the conditions of this Agreement.
- (B) It is intended that by virtue of the provisions of this Agreement the Loan (as defined below) will qualify as Tier 2 Capital of the Borrower under the applicable regulations of the NBU (as defined below).

It is agreed as follows:

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Agreement the following terms have the meanings given to them in this Clause 1.1:

“**Account**” means an account in the name of the Lender with The Bank of New York Mellon, London Branch, with payment being made to The Bank of New York Mellon, New York (SWIFT: IRVTUS3N), for the account of The Bank of New York Mellon, Brussels (account number: 8900285451) for further credit to BIZ FINANCE PLC 2016 SEC (account number: 8550088400);

“**Additional Amounts**” has the meaning set forth in Clause 7.1 (*Additional Amounts*);

“**Affiliate**” of any specified Person means (a) any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person, (b) any other Person who is a director or officer of such specified Person, of any Subsidiary of such specified Person or of any Person described in clause (a) above;

“**Agency**” means any agency, authority, central bank, department, committee, government, legislature, minister, ministry, official or public or statutory person (whether autonomous or not) of, or of the government of, any state or supra-national body;

“**Amendment and Restatement Agreement**” means the amendment and restatement agreement between the Borrower and the Lender dated 9 July 2015;

“**Auditors**” means CJSC Ernst & Young Ukraudit or Ernst & Young Audit Services LLC or any internationally recognised firm of accountants approved by the Lender, such approval not to be unreasonably withheld, it being understood that it shall be reasonable for the Lender to withhold, such approval if the Trustee does not approve of such firm in accordance with the relevant provisions of the Funding Documents;

“Authorised Signatory” means, in the case of the Borrower, any of the persons referred to in the certificate listed as item 3 in Schedule 1 (*Conditions Precedent Documents*) hereto and, in the case of the Lender, a Person who is a duly authorised officer of the Lender, at the relevant time;

“Banking Business” means, in relation to the Borrower or any of its Subsidiaries, any type of banking business (including, without limitation, any inter-bank operations with maturities of 18 months or less, factoring, consumer credit and lending, commercial and residential property finance and mortgage lending, issuance of bank guarantees, letters of credit (and related cash cover provision), bills of exchange and promissory notes and making payments under such guarantees, letters of credit, bills and promissory notes, trading of securities, fund management and professional securities market participation) which it conducts or may conduct pursuant to its licence issued by the appropriate authorities, accepted market practice and any applicable law;

“Bankruptcy Event” means any of the following events: (i) a competent court of Ukraine making an order for the liquidation or declaration of bankruptcy of the Borrower; (ii) the NBU adopting a decision to liquidate the Borrower; or (iii) the Cabinet Ministers of Ukraine or the General Shareholders Assembly of the Borrower, as applicable, adopting a decision to liquidate the Borrower;

“Bankruptcy Proceedings” means any court, administrative or corporate proceedings in Ukraine purporting to liquidate or to declare the bankruptcy of the Borrower;

“Borrowing Date” means 9 February 2006 or such later date as may be agreed by the parties to this Agreement;

“Calculation Agent” means The Bank of New York Mellon, London Branch or such other person as may be appointed by the Lender and the Borrower;

“Capital Adequacy Requirements” means a request or requirement relating to the maintenance of capital, including one which makes any change to, or is based on any alteration in, the interpretation of the International Convergence of Capital Measurement and Capital Standards (a paper prepared by the Basel Committee on Banking Regulations and Supervision dated July 1988, and amended in November 1991) or which implements any of the matters set out in the third consultative paper entitled “The New Basel Capital Accord” produced by the Basel Committee on Banking Supervision dated April 2003 (or the first consultative paper entitled “A New Capital Adequacy Framework” dated June 1999 or the second consultative paper dated January 2001) or which increases the amounts of capital required thereunder (other than a request or requirement made by way of implementation of the International Convergence of Capital Measurement and Capital Standards in the manner in which it is being implemented at the date hereof);

“Capital Stock” means, with respect to any Person, any and all shares, interests, participations, rights to purchase, warrants, options or any other equivalent of any of the foregoing (however designated) in relation to the share capital of a company and any and all equivalent ownership interests in a Person other than a company, in each case whether now outstanding or hereafter issued;

“Change of Law” means, following the Effective Date, any of the enactment or introduction of any new law; the variation, amendment or repeal of an existing or new law; any ruling on or interpretation or application by a competent authority of any existing or new law; and the decision or ruling on, the interpretation or application of, or a change in the interpretation or application of, any law by any court of law, tribunal, central bank, monetary authority or agency or any Taxing Authority or fiscal or other competent authority or agency; which, in each case, occurs after the date hereof. For this purpose, the term “law” means all or any of the following whether in existence at the date hereof or introduced hereafter and with which it is obligatory or customary for banks, other financial institutions or, as the case may be, companies in the relevant jurisdiction to comply:

- (a) any statute, treaty, order, decree, instruction, letter, directive, instrument, regulation, ordinance or similar legislative or executive action by any national or international or local government or authority or by any ministry or department thereof and other agencies of state

power and administration (including, but not limited to, taxation departments and authorities); and

- (b) any letter, regulation, decree, instruction, request, notice, guideline, directive, statement of policy or practice statement given by, or required of, any central bank or other monetary authority, or by or of any Taxing Authority or fiscal or other authority or agency (whether or not having the force of law);

“Determination Date” means (i) for the purposes of Clause 5.4 (*Suspension of Interest Payments*), the date when the decision on suspension is made by the Borrower pursuant to Clause 5.4 (*Suspension of Interest Payments*), and (ii) for any other purpose under this Agreement, with respect to any Interest Period the second London Banking Day preceding the first day of that Interest Period.

“Double Tax Treaty” means the Convention of 10 February 1993 between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of Ukraine for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income and Capital Gains;

“Effective Date” means the date determined by the Borrower and notified to the Lender on which the Funding Instruments are issued and which is on or after the date on which the NBU issues and delivers the registration notice with a registration notation to the Borrower in respect of the amendments to this Agreement introduced by the Amendment and Restatement Agreement.

“Event of Default” means any breach of the terms of this Agreement, whether or not there has been any specified passage of time or notice or the initiation (whether or not subject to any qualification or waiting period) of any Bankruptcy Proceedings;

“Fees Letter” means any letter agreement between, *inter alios*, the Borrower and the Lender setting out the fees, expenses and certain other amounts payable by the Borrower in connection with this Agreement as amended, varied, novated or supplemented;

“Funding Documents” means the Fees Letter, the trust deed or the agency agreement entered into in connection with the issue of the Funding Instruments and the Funding Instruments themselves;

“Funding Instruments” means the U.S.\$125,000,000 Amortising Loan Participation Notes due 2023 proposed to be issued by the Lender pursuant to the Funding Documents on the Effective Date for the purpose of funding the Loan;

“Group” means the Borrower and its Subsidiaries from time to time taken as a whole;

“Guarantee” means, in relation to any Indebtedness of any Person, any obligation of another Person to pay such Indebtedness including (without limitation):

- (a) any obligation to purchase such Indebtedness;
- (b) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness;
- (c) any indemnity against the consequences of a default in the payment of such Indebtedness; and
- (d) any other agreement to be responsible for such Indebtedness;

“IFRS” means International Financial Reporting Standards, including International Accounting Standards and Interpretations, issued by the International Accounting Standards Board, as amended, supplemented or re-issued from time to time;

“IFRS Fiscal Period” means any fiscal period for which the Borrower has produced consolidated financial statements in accordance with IFRS which have either been audited or reviewed by the Auditors;

“incur” means issue, assume, guarantee, incur or otherwise become liable for; *provided that*, any Indebtedness or Capital Stock of a Person existing at the time such Person becomes a Subsidiary of another Person (whether by merger, consolidation, acquisition or otherwise) or is merged into a Subsidiary of another Person will be deemed to be incurred or issued by the other Person or such Subsidiary (as the case may be) at the time such Person becomes a Subsidiary of such other Person or is so merged into such Subsidiary;

“Indebtedness” means any indebtedness for, or in respect of, moneys borrowed or raised including, without limitation, any amount raised by acceptance under any acceptance credit facility; any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument; any amount raised pursuant to any issue of Capital Stock which is expressed to be redeemable; any amount raised under any other transaction having the economic effect of a borrowing (including any forward sale or purchase agreement) *provided that*, for the avoidance of doubt, such term shall not include any indebtedness owed to the State budget, any local budget or any non-budgetary fund of or in Ukraine for or on account of Taxes which are not overdue;

“Indemnity Amounts” has the meaning set out in Clause 7.3 (*Indemnity Amounts*);

“Independent Appraiser” means an investment banking firm or third party appraiser of international standing selected by the Borrower; *provided that* such firm or third party appraiser is not an Affiliate of the Borrower;

“Interest Payment Date” means 9 February and 9 August in each year in which the Loan remains outstanding or if any such day is not a Business Day, the next succeeding Business Day, commencing on 9 August 2015, with the last Interest Payment Date falling on the Repayment Date;

“Interest Period” means any of those periods mentioned in Clause 4 (*Interest Periods*);

“LIBOR” means the rate (expressed as a percentage rate *per annum*) for deposits in United States dollars for the Specified Period that appears on Reuters LIBOR01 Page (as defined below) as of 11:00 a.m., London time, on the Determination Date. If the Reuters LIBOR01 Page as of 11:00 a.m., London time, does not include the applicable rate or is unavailable on the Determination Date, the Calculation Agent will request the principal London office of each of four major banks in the London interbank market, as selected by the Calculation Agent (after consultation with the Lender and the Borrower), to provide that bank’s offered quotation (expressed as a percentage per annum) as of approximately 11:00 a.m., London time, on the Determination Date to prime banks in the London interbank market for deposits in a Representative Amount (as defined below) for the Specified Period. If at least two offered quotations are so provided, LIBOR will be the arithmetic mean (rounded upward if necessary to the nearest whole multiple of 0.00001%) of those quotations. If fewer than two quotations are so provided, the Calculation Agent (after consultation with the Lender and the Borrower) will request each of three major banks in New York City, as selected by the Calculation Agent, to provide that bank’s rate (expressed as a percentage per annum), as of approximately 11:00 a.m., New York City time, on the Determination Date for loans in a Representative Amount to leading European banks for the Specified Period. If at least three rates are so provided, LIBOR will be the arithmetic mean (rounded upward if necessary to the nearest whole multiple of 0.00001%) of those rates. If fewer than three rates are so provided, then LIBOR will be LIBOR in effect with respect to the immediately preceding Interest Period.

“Loan” shall have the meaning given to such term in Clause 2.1 (*Grant of the Credit Facility*);

“London Banking Day” is any day on which dealings in United States dollars are transacted or, with respect to any future date, are expected to be transacted in the London interbank market.

“Material Adverse Effect” means a material adverse change in, or material adverse effect on, the business, operations or financial condition of the Borrower or of the Group taken as a whole;

“Material Subsidiary” means, at any given time, any Subsidiary of the Borrower (a) whose total assets or gross revenues (or, where the Subsidiary in question prepares consolidated accounts, whose total consolidated assets or gross consolidated revenues, as the case may be) represent at least 10 per cent. of the total assets or, as the case may be, total revenues of the Borrower and its Subsidiaries and for these purposes (i) the total assets and gross revenues of such Subsidiary shall be determined by reference to its then most recent audited financial statements (or, if none, its then most recent management accounts) and (ii) the total assets and gross revenues of the Borrower shall be determined by reference to the Borrower’s then most recent audited financial statements (or, if none, its then most recent management accounts), in each case prepared in accordance with IFRS, or (b) to which is transferred the whole or substantially the whole of the undertaking and assets of a Subsidiary of the Borrower which immediately before the transfer is a Material Subsidiary of the Borrower. A certificate by any two members of the board of the Borrower that, in their opinion, a Subsidiary of the Borrower is or is not a Material Subsidiary, accompanied by a report by the Auditors addressed to the board of the Borrower as to proper extraction of the figures used by the members of the board of the Borrower in determining the Material Subsidiaries of the Borrower and mathematical accuracy of the calculations shall, in the absence of manifest error, be conclusive and binding on all parties;

“Memorandum” means the consent solicitation memorandum issued by the Borrower dated 8 June 2015;

“NBU” means the National Bank of Ukraine;

“Officers’ Certificate” means a certificate signed on behalf of the Borrower by two members of the board of the Borrower at least one of whom shall be the principal executive officer, principal accounting officer or principal financial officer of the Borrower and in the form set out in Schedule 2 hereto;

“Permit” means a permit or permits of the NBU issued to the Borrower allowing it to include the funds borrowed on subordinated terms hereunder (in whole or in part) as part of the capital of the Borrower for the period ending on the Repayment Date.

“Permitted Security Interests” means:

- (a) Security Interests arising in the ordinary course of Banking Business including, without limitation:
 - (i) Security Interests arising pursuant to any agreement (or other applicable terms and conditions) which are standard or customary in the relevant market in connection with (x) contracts entered into substantially simultaneously for sales and purchases at market prices of precious metals and/or securities and (y) the establishment of margin deposits and similar securities in connection with interest rate and foreign currency hedging operations and trading in securities; and
 - (ii) Security Interests upon, or with respect to, any present or future assets or revenues or any part thereof which is created pursuant to any Repo;
- (b) Security Interests granted by third parties in favour of the Borrower or any of its Subsidiaries;
- (c) Security Interests on property acquired (or deemed to be acquired) under a financial lease, or claims arising from the use or loss of or damage to such property; *provided that* any such Security Interest secures only Indebtedness under such lease;
- (d) Security Interests securing Indebtedness of a Person existing at the time that such Person is merged into or consolidated with the Borrower or becomes a Subsidiary of the Borrower;

provided that such Security Interests were not created in contemplation of such merger or consolidation or event and do not extend to any assets or property of the Borrower already existing or any Subsidiary of the Borrower other than those of the surviving Person and its Subsidiaries or the Person acquired and its Subsidiaries;

- (e) Security Interests already existing on assets or property acquired or to be acquired by the Borrower or a Subsidiary of the Borrower; *provided that* such Security Interests were not created in contemplation of such acquisition and do not extend to any other assets or property (other than proceeds of such acquired assets or property);
- (f) Security Interests granted upon or with regard to any property hereafter acquired by any member of the Group to secure the purchase price of such property or to secure Indebtedness incurred solely for the purpose of financing the acquisition of such property and transactional expenses related to such acquisition (other than a Security Interest created in contemplation of such acquisition); *provided that* the maximum amount of Indebtedness thereafter secured by such Security Interest does not exceed the purchase price of such property (including transactional expenses) or the Indebtedness incurred solely for the purpose of financing the acquisition of such property;
- (g) any Security Interest upon, or with respect to, any present or future assets or revenues or any part thereof which is created pursuant to any securitisation, asset-backed financing or similar financing structure whereby all payment obligations secured by such Security Interest or having the benefit of such Security Interest are to be discharged primarily from such assets or revenues; *provided that* the Indebtedness or Guarantee so secured pursuant to this paragraph (g) at any one time shall not exceed an amount in any currency or currencies equivalent to 20 per cent. of the Borrower's loans to customers before allowances for impairment (calculated by reference to the Borrower's consolidated balance sheet as at the end of its most recent IFRS Fiscal Period) and subject as provided in Clause 12.6 (*Disposals*);
- (h) any Security Interests arising by operation of law;
- (i) any Security Interests not otherwise permitted by the preceding paragraphs (a) through (h), *provided that* the aggregate principal amount of the Indebtedness secured by such Security Interests does not at any time exceed 10 per cent. of the Group's assets, determined by reference to the Borrower's consolidated balance sheet as at the end of its most recent IFRS Fiscal Period; and
- (j) any Security Interest arising out of the refinancing, extension, renewal or refunding of any Indebtedness secured by a Security Interest permitted by any of the above exceptions, *provided that* the Indebtedness thereafter secured by such Security Interest does not exceed the amount of the original Indebtedness and such Security Interest is not extended to cover any property not previously subject to such Security Interest;

"Person" means any individual, company, corporation, firm, partnership, joint venture, association, trust, institution, organisation, state or Agency or any other entity, whether or not having separate legal personality;

"Principal Paying Agent" means the party designated from time to time as principal paying agent under the Funding Documents;

"Qualifying Jurisdiction" means any jurisdiction which has a double taxation treaty with Ukraine under which the payment of interest by Ukrainian borrowers to lenders established in such jurisdiction is generally able to be made (upon completion of any necessary formalities required in relation thereto) without deduction or withholding of Ukrainian income tax;

"Rate of Interest" means a percentage rate *per annum* equal to (i) in respect of the Interest Period starting on (and including) 9 February 2015 5.79275 per cent; and (ii) in respect of each Interest Period thereafter 6-month LIBOR plus 7 per cent.;

“Rating Agency” means Standard & Poor’s Rating Services, a division of The McGraw Hill Companies, Inc. (“**S&P**”), Moody’s Investors Service Limited (“**Moody’s**”), Fitch Ratings Limited (“**Fitch**”) or any of their successors or any rating agency substituted for any of them (or any permitted substitute of them) by the Borrower, from time to time with the prior written approval of the Lender and the Trustee;

“Rating Categories” means (i) with respect to S&P, any of the following categories (any of which may or may not include a “+” or “-”): AAA, AA, A, BBB, BB, B, CCC, CC, C and D (or equivalent successor categories); (ii) with respect to Moody’s, any of the following categories (any of which may or may not include a “1”, “2” or “3”): Aaa, Aa, A, Baa, Ba, B, Caa, Ca, C and D (or equivalent successor categories); and (iii) the equivalent of any such categories of S&P or Moody’s used by another rating agency (including, without limitation, Fitch), if applicable, and each such category is referred to herein as a “full” Rating Category;

“Rating Decline” means that at any time within 90 days (which period shall be extended so long as the long term foreign currency debt or deposit rating of the Borrower is under publicly announced consideration for possible downgrade by any Rating Agency and is referred to herein as the **“Relevant Period”**) after an announcement by the Cabinet of Ministers or the State Property Fund of Ukraine as is referred to in the definition of Change of Control the long term foreign currency debt or deposit rating of the Borrower is decreased or downgraded by a Rating Agency by one or more full Rating Categories below such rating of the Borrower as of the date hereof (or if a Rating Agency has not assigned any such rating as of the date hereof, below the first such rating assigned to the Borrower by that Rating Agency after the date hereof);

“Relevant Event” has the meaning given thereto in the Funding Documents;

“Relevant Regulations” means (i) Article 52 of the Law of Ukraine “On Banks and Banking Activity” dated 7 December 2000, (ii) Regulation On Determination of a Bank’s Related Persons approved by Resolution of the Board of the NBU No. 315 dated 12 May 2015, and/or (iii) any regulations that may replace or amend such regulations from time to time, to the extent such replacement regulations or amendments apply to this Agreement.

“Repayment Date” means (i) 9 February 2023 or (ii) in case of Clauses 6.3 (*Repayment for Tax Reasons and Change in Circumstances*), 6.4 (*Repayment for Illegality*) and 6.5 (*Repayment in the event of a Change of Control*), the date specified in such Clauses, or, if such day is not a Business Day, the next succeeding Business Day;

“Repo” means a securities repurchase or resale agreement or reverse repurchase or resale agreement, a securities borrowing agreement or any agreement relating to securities which is similar in effect to any of the foregoing and, for purposes of this definition, the term “securities” means any Capital Stock, debenture or other debt or equity instrument, or any derivative thereof, whether issued by any private or public company, any Agency or any supranational, international or multilateral organisation;

“Representative Amount” means a principal amount of not less than US\$1,000,000 for a single transaction in the relevant market at the relevant time;

“Reserved Rights” has the meaning assigned to such term in the Funding Documents;

“Reuters LIBOR01 Page” means the display designated on page LIBOR01 on the Reuters Page (or such other page as may replace the LIBOR01 page on the Reuters Page or such other service as may be nominated by the British Bankers’ Association for the purpose of displaying London interbank offered rates for U.S. Dollar deposits);

“Reuters Page” means the display on Reuters Money 3000 Service, or any successor service. The interest rate on the Floating Rate Notes will in no event be higher than the maximum rate permitted by New York law as the same may be modified by United States law of general application;

“**Same-Day Funds**” means U.S. dollar funds settled through the New York Clearing House Interbank Payments System or such other funds for payment in U.S. dollars as the Lender may at any time reasonably determine to be customary for the settlement of international transactions in New York City of the type contemplated hereby;

“**Security Interest**” means any mortgage, pledge, encumbrance, lien, charge or other security interest (including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction);

“**Senior Loan Agreements**” means the U.S.\$758,245,000 loan agreement dated 16 April 2010 as amended and supplemented by the supplemental loan agreement dated 18 October 2010, second supplemental loan agreement dated 27 April 2015 and amended and restated by the amendment and restated loan agreement dated 9 July 2015 and the U.S.\$601,437,000 loan agreement dated 17 January 2013 as amended and supplemented by the supplemental loan agreement dated 28 March 2013 and amended and restated by the amendment and restated loan agreement dated 9 July 2015 between the Lender and the Borrower;

“**Specified Period**” means (i) for the purposes of calculating the relevant LIBOR under Clause 5.4 (*Suspension of Interest Payments*), a 12-month period, and (ii) for any other purpose under this Agreement, a six-month period.

“**Stock Exchange**” means the Irish Stock Exchange;

“**Subsidiary**” of a Person means another Person being a corporation or other business entity:

- (a) which is controlled, directly or indirectly, by that first-named Person; or
- (b) more than half the issued share capital of which is beneficially owned, directly or indirectly, by that first-named Person;

“**Taxes**” means any taxes, levies, duties, imposts or other charges or withholding of a similar nature no matter where arising (including interest and penalties thereon and additions thereto);

“**Taxing Authority**” has the meaning set out in Clause 7.1 (*Additional Amounts*);

“**Trustee**” means the party designated from time to time as trustee under the Funding Documents;

“**Ukraine**” means Ukraine and any province or political sub-division thereof or therein; and

“**United Kingdom**” means the United Kingdom of Great Britain and Northern Ireland and any political sub-division or agency thereof or therein.

1.2 Interpretation

Any reference in this Agreement to:

the “**Borrower**” or the “**Lender**” includes its and any subsequent successors, assignees and chargees in accordance with their respective interests;

a “**Business Day**” means any day (other than a Saturday, Sunday or public holiday) on which commercial banks and foreign exchange markets settle payments (including dealings in foreign currencies) in the principal financial centre for such currency;

“**control**” when used with respect to any Person means the power to direct the management and policies of such Person or to control the composition of such Person’s board or board of directors, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise and the terms “controlling” and “controlled” have meanings correlative to the foregoing;

the “**equivalent**” on any given date in one currency (the “**first currency**”) of an amount denominated in another currency (the “**second currency**”) is a reference to the amount of the first currency which could be purchased with the amount of the second currency at the spot rate of exchange quoted on the relevant Reuters page or, where the first currency is hryvnia and the second currency is U.S. dollars (or vice versa), at the official exchange rate of the NBU, at or about 10.00 a.m. (New York City time) or, as the case may be, between 1.00 p.m. and 4.00 p.m. (Kyiv time) on such date for the purchase of the first currency with the second currency;

a “**month**” means a period starting on one day in a calendar month and ending on the numerically corresponding day in the next succeeding calendar month; *provided that*, where any such period would otherwise end on a day which is not a business day, it shall end on the next succeeding Business Day, unless that day falls in the next calendar month, in which case it shall end on the immediately preceding Business Day and if a period starts on the last Business Day in a calendar month or if there is no numerically corresponding day in the month in which that period ends, that period shall end on the last Business Day in that later month (and references to “months” shall be construed accordingly);

the “**rights**” of the Lender in this Agreement shall be read as references to rights of the Trustee pursuant to the charge and assignment referred to in Clause 18.3 (*Assignments by the Lender*) except as in relation to the Reserved Rights as specified in the Funding Documents; and

“**VAT**” means value added tax, including any similar tax which may be imposed in place thereof from time to time.

1.3 Currency References

“**U.S.\$**” and “**U.S. dollars**” denote the lawful currency of the United States of America and “**hryvnia**” denotes the lawful currency of Ukraine.

1.4 Statutes

Any reference in this Agreement to a statute shall be construed as a reference to such statute as the same may have been, or may from time to time be, amended or re-enacted.

1.5 Headings

Clause and Schedule headings are for ease of reference only.

1.6 Amended Documents

Save where the contrary is indicated, any reference in this Agreement to any Funding Document or any other agreement or document shall be construed as a reference to such Funding Document or, as the case may be, such other agreement or document as the same may have been, or may from time to time be, amended, varied, novated or supplemented.

2. THE LOAN

2.1 Grant of the Credit Facility

The Lender grants to the Borrower, upon the terms and subject to the conditions hereof, a single disbursement term subordinated credit facility in the amount of U.S.\$125,000,000 (the “**Loan**”) and the Borrower hereby agrees to borrow such amount from the Lender on the Borrowing Date, subject as provided herein.

2.2 Purpose and Application

The Loan is intended to be counted by the Borrower as its Tier 2 capital and the proceeds of it shall be used by the Borrower primarily to provide loans to its corporate customers and for general

corporate purposes. Without affecting the obligations of the Borrower in any way, the Lender shall not be obliged to concern itself with such application.

2.3 Subordination

On the occurrence of a Bankruptcy Event and so long as the Bankruptcy Event is continuing, the claims of the Lender with respect to the repayment of the Loan under this Agreement shall be subordinate in right of payment to the claims of all other creditors preferred by virtue of Article 52 of the Law of Ukraine “On the System for Guaranteeing Deposits of Individuals” dated 23 February 2012. The obligations of the Borrower in respect of payment obligations other than the repayment of the Loan constitute the direct, unconditional, unsecured and unsubordinated obligations of the Borrower and will rank at least equally and rateably with other unsecured and unsubordinated obligations.

3. AVAILABILITY OF THE LOAN

3.1 Draw-down

Subject to the terms and conditions set out herein, the Loan will be available by way of a single draw-down which will be made by the Lender to the Borrower on the Borrowing Date by payment of the proceeds of the Loan to the Borrower’s U.S. dollar account with JPMorgan Chase Bank N.A., New York, SWIFT: CHAS US 33, account number 400-124432, provided that the Loan will only be advanced if:

- (c) the Lender has confirmed to the Borrower that it has received all of the documents listed in Schedule 1 hereto (*Conditions Precedent Documents*) and that each is in form and substance satisfactory to the Lender, save as the Lender may otherwise agree; and
- (d) as of the Effective Date (i) no event has occurred or circumstance has arisen which would constitute a Bankruptcy Event, Bankruptcy Proceedings or an Event of Default; (ii) the representations and warranties set out in Clause 10 (*Representations and Warranties of the Borrower*) are true and accurate with respect to the facts and circumstances then subsisting and (iii) the fees owed by the Borrower to the Lender pursuant to Clause 3.2 (*Fees*) below shall have been paid.

3.2 Fees

The Borrower hereby agrees that it shall pay to the Lender, in Same-Day Funds, all amounts payable up-front required to be paid by the Borrower to the Lender pursuant to and in accordance with the applicable Fees Letter between the Borrower and the Lender on the Effective Date.

4. INTEREST PERIODS

The Borrower will pay interest semi-annually in U.S. dollars to the Lender on the outstanding principal amount of the Loan from time to time at the relevant Rate of Interest, calculated in accordance with the provisions of this Agreement (including, without limitation, Clause 5.2 (*Accrual and Calculation of Interest*)). Each period beginning on (and including) 9 February 2015 or any Interest Payment Date and ending on (and excluding) the next Interest Payment Date or the Repayment Date is herein called an “**Interest Period**”.

5. PAYMENT, CALCULATION AND SUSPENSION OF INTEREST

5.1 Payments of Interest

The Borrower shall pay to the Account accrued interest on the outstanding principal amount of the Loan semi-annually in arrear in respect of each Interest Period calculated in accordance with Clause 5.2 (*Accrual and Calculation of Interest*) not later than 11.00 a.m. (New York City time) on the

Business Day falling two Business Days prior to the Interest Payment Date on which such Interest Period ends. Subject as provided in Clause 5.2 (*Accrual and Calculation of Interest*), interest on the Loan will cease to accrue on the due date for repayment thereof unless payment of principal is improperly withheld or refused, in which event interest will continue to accrue (before and after any judgement) at the Rate of Interest to but excluding the date on which payment in full of the outstanding principal amount of the Loan is made.

5.2 Accrual and Calculation of Interest

The Borrower shall compute the amount of interest accrued on the Loan on a monthly basis, subject to Clause 19.1 (*Evidence of Debt*) in accordance with its procedures for accounting for interest and fee income and expense.

The interest payable in respect of the Interest Period starting on (and including) 9 February 2015 and ending on (and excluding) 9 August 2015 shall be calculated by the Borrower on the basis of interest at the rate of 5.79275 per cent. *per annum*.

Except as specified above, the interest rate *per annum* payable on the Loan will be reset on the first day of each Interest Period (as defined in Clause 4 (*Interest Periods*)) and will be equal to 6-month LIBOR plus 7 per cent., the calculation of which shall be determined by the Calculation Agent.

The amount of interest payable in respect of the Loan for any Interest Period shall be calculated by applying the Rate of Interest to the outstanding principal amount of the Loan and dividing the product by two and rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

If interest is required to be calculated for any period other than an Interest Period, it will be calculated on the basis of a year of 360 days consisting of 12 months of 30 days each and, in the case of an incomplete month, the actual number of days elapsed.

The prepayment of interest or its capitalisation is not allowed.

5.3 Assumption when Calculating Interest

Whenever under this Agreement interest is to be calculated to the last day of an Interest Period and the calculation is required to be made before such last day, the parties shall assume that the amount of the Loan outstanding on the last day of the relevant Interest Period is the same as the amount of the Loan outstanding on the day of the calculation.

5.4 Suspension of Interest Payments

The provisions of this Clause 5.4 shall not apply unless the Lender is determined as a related person (in Ukrainian: *пов'язана з банком особа*) of the Borrower pursuant to the Relevant Regulations.

The Borrower may elect to suspend payment of interest on the Loan, and shall suspend payment of interest on the Loan if the NBU so requests, if at the time:

- (a) the Borrower fails to comply with the NBU's requirements on the formation of mandatory reserves (such requirements include but are not limited to ensuring that the Borrower maintains the minimum reserve requirements required by the NBU) during three consecutive reporting periods; and/or
- (b) the Borrower is in breach of any of its capital ratios or liquidity ratios (three or more consecutive times for economic ratios calculated on a daily basis and ten-day basis, and for three consecutive reporting periods for economic ratios calculated on a average-weighted monthly basis); and/or
- (c) the Borrower's activities have been loss making (as determined in accordance with Ukrainian accounting principles) for the most recent three calendar months; and/or

- (d) the Borrower is subject to any financial recovery programme as provided for in the Regulation on Imposition by the National Bank of Ukraine of Corrective Measures for Violation of the Banking Legislation approved by Resolution of the Board of the NBU No. 346 dated 17 August 2012), excluding any financial recovery programme prepared for the purposes of either: (i) obtaining a liquidity support loan from the NBU; or (ii) amending the terms of a liquidity support loan agreement; and/or
- (e) the Borrower has been declared a “problem bank” or an “insolvent bank” by the NBU in accordance with the provisions of the Law of Ukraine “On Banks and Banking Activity” dated 7 December 2000,

provided, in each case that all other requirements set forth by the then applicable mandatory provisions of Ukrainian laws and regulations providing grounds for such suspension of payment of interest have been otherwise satisfied.

The Borrower shall notify the Lender in writing (with a copy to the Trustee) of any proposed suspension of payment of interest hereunder not later than the eighth Business Day preceding the relevant Interest Payment Date.

During the period of suspension of payment of interest pursuant to this Clause 5.4, interest shall accrue on the outstanding principal amount of the Loan at the lower of (a) the relevant Rate of Interest and (b) 12-month LIBOR (as at the date of the decision of the Borrower or the NBU on suspension of interest pursuant to this Clause 5.4). Interest, the payment of which has been suspended pursuant to this Agreement, shall be payable as provided in Clause 5.5 (*Period of Suspension*).

5.5 Period of Suspension

The Borrower shall take all reasonable steps to remedy the conditions giving rise to any suspension pursuant to Clause 5.4 (*Suspension of Interest Payments*) and shall pay the full amount of the interest payment which has been suspended within 30 Business Days after the relevant conditions giving rise to the suspension cease to exist.

6. REPAYMENT

6.1 Repayment

Except as otherwise provided herein and in accordance with Clause 16.1 (*Payments to the Lender*), the Borrower shall:

- (a) not later than 11.00 a.m. (New York City time) on 9 February 2020, U.S.\$500 for each U.S.\$1,000 of the initial principal amount of the Loan then outstanding;
- (b) not later than 11.00 a.m. (New York City time) on each of the remaining Interest Payment Dates after 9 February 2020, repay the outstanding principal amount of the Loan in six equal instalments an amount of U.S.\$83.3333 for each U.S.\$1,000 of the initial principal amount of the Loan then outstanding (provided that the amount payable shall be rounded to the nearest cent after the amount for the total principal amount then outstanding is calculated), provided that, to the extent not already paid in accordance with Clause 5.1 (*Payment of Interest*), Clause 5.4 (*Suspension of Interest Payment*) or Clause 5.5 (*Period of Suspension*), the Borrower shall pay all interest accrued in respect of the last Interest Period (calculated to the Final Repayment Date) and all other amount payable hereunder (calculated as aforesaid) to the Account two Business Days prior to the Final Repayment Date.

6.2 Prepayment by the Borrower

Notwithstanding the provisions of Clause 6.1 (*Repayment*) above, the Borrower shall have the right to prepay the Loan as provided below in this Clause 6.2, together with accrued interest (up to but excluding the date of such payment) thereon:

- (a) at any time after the date of this Agreement if the NBU fails to provide the Borrower with a Permit or Permits in respect of the full amount of the Loan within 180 calendar days after the date of this Agreement; or
- (b) at any time after the issue of any Permit if as a result of any amendment to, clarification of or change in (including a change in interpretation of) applicable Ukrainian law or regulations, the NBU withdraws any Permit or a Permit ceases to apply to the principal amount of the Loan in respect of which it was issued;

provided that written notice thereof, together, in the case of a prepayment in accordance with Clause 6.2(a) or 6.2(b) only, with an Officers' Certificate confirming the existence of the relevant circumstances permitting such a prepayment, shall be given to the Lender not less than 30 days prior to the date of prepayment and provided further that, in the case of Clause 6.2(a) only, the Borrower shall only have the right to prepay the Loan within 60 days of expiry of the period specified in Clause 6.2(a) subject in any such case to compliance with NBU requirements if and to the extent applicable at the time of prepayment.

6.3 Repayment for Tax Reasons and Change in Circumstances

If,

- (a) as a result of the application of or any amendment to or change in (i) the Double Tax Treaty (or in the double taxation treaty between Ukraine and any Qualifying Jurisdiction in which the Lender or any successor thereto is resident for tax purposes) or (ii) the laws or regulations of the United Kingdom or Ukraine (or any Qualifying Jurisdiction where the Lender is resident for tax purposes) or of any political sub-division thereof or any authority therein having power to tax or any Agency therein, the Borrower would thereby be required to pay Additional Amounts in respect of Taxes as provided in Clause 7.1 (*Additional Amounts*) or Indemnity Amounts as provided in Clause 7.3 (*Indemnity Amounts*); or
- (b) the Lender ceases to be resident for tax purposes in a Qualifying Jurisdiction, or has a permanent establishment in Ukraine for the purposes of the Double Tax Treaty, and as a result the Borrower would be required to withhold or deduct an amount on account of tax from any payment to be made under this Agreement; or
- (c) (for whatever reason) the Borrower would have to or has been required to pay additional amounts pursuant to Clause 9 (*Changes in Circumstances*); or
- (d) after a Relevant Event, the Borrower is or would be required to increase the payment of principal or interest or any other payment due hereunder as provided in Clause 7.1 (*Additional Amounts*) as a result of such payments being made to any person other than the Lender to whom the benefit of the Double Tax Treaty is unavailable,

and, in any such case, such obligation cannot be avoided by the Borrower taking reasonable measures available to it, then the Borrower may (unless such repayment would be prohibited by Ukrainian legislation effective as at the proposed date of such repayment), upon not less than 30 days' written notice to the Lender and to the Trustee specifying the date of payment and including an Officers' Certificate to the effect that the Borrower would be required in the case of (a), (c) and (d) above to pay such Additional Amounts, Indemnity Amounts or additional amounts, and in the case of (b) above to withhold or deduct such amounts and such obligation cannot be avoided by the Borrower taking reasonable measures, supported (where the certification relates to tax matters) by an opinion of an independent tax adviser of recognised standing in the relevant tax jurisdiction, repay the Loan in whole (but not in part) together with any Additional Amounts then payable under Clause 7.1 (*Additional Amounts*), Indemnity Amounts payable under Clause 7.3 (*Indemnity Amounts*), additional amounts payable pursuant to Clause 9 (*Changes in Circumstances*) and accrued interest. Any such notice of repayment given by the Borrower shall be irrevocable and shall oblige the Borrower to make such repayment on such date. No such notice shall be given earlier than 90 calendar days prior to the earliest date on which the Borrower would be obliged to pay such

Additional Amounts, Indemnity Amounts or additional amounts, or deduct or withhold such amounts, as the case may be.

6.4 Repayment for Illegality

If, at any time, it is or would be unlawful or contrary to any applicable law or regulation or regulatory requirement or directive of any agency of any state or otherwise for the Lender to make, fund or allow all or part of the Funding Instruments or the Loan to remain outstanding or for the Lender to maintain or give effect to any of its obligations or rights in connection with this Agreement and/or to charge or receive or to be paid interest at the rate applicable in relation to the Loan (an “**Illegality**”), then the Lender shall deliver to the Borrower a written notice (with a copy to the Trustee) (setting out in reasonable detail the nature and extent of the relevant circumstances) to that effect and:

- (a) if the Loan has not been made, the Lender shall not thereafter be obliged to make the Loan; and
- (b) if the Loan is then outstanding, the Borrower will immediately upon receipt of such notice agree to repay the Loan and, if the Lender so consents, the Borrower shall (unless such repayment would be prohibited by Ukrainian legislation effective as at the proposed date of such repayment), on the latest date permitted by the relevant law or on such earlier day as the Borrower elects (as notified to the Lender not less than 30 days prior to the date of repayment), repay the whole (but not part only) of the outstanding principal amount of the Loan together with accrued interest (up to but excluding the date of such payment) thereon and all other amounts owing to the Lender hereunder.

The delivery of a written notice by the Lender to the Borrower pursuant to this Clause 6.4 shall not be construed as an initiation of prepayment of the Loan by the Lender under Clause 6.7(a)

6.5 Repayment in the event of a Change of Control

In the event that the loan under the Senior Loan Agreements is to be repaid following a Change of Control (as defined in and as provided in the Senior Loan Agreements), the Borrower shall (unless such repayment would be prohibited by Ukrainian legislation effective as at the proposed date of such repayment), with the consent of the Lender (and subject to prior notification to the Trustee and the Principal Paying Agent), repay the Loan together with all accrued and unpaid interest and any other amounts outstanding hereunder on the first Interest Payment Date next following the Change of Control Payment Date (as defined in the Senior Loan Agreements).

6.6 Costs of Repayment

The Borrower shall, not later than 11.00 a.m. (New York City time) two Business Days prior to the date of repayment, pay all accrued interest (calculated to (but excluding) the date of repayment) and all other amounts owing or payable to the Lender hereunder. The Borrower shall indemnify the Lender on written demand against any administrative costs and legal expenses reasonably incurred and properly documented by the Lender on account of any repayment made in accordance with this Clause 6 (*Repayment*).

6.7 Limitation on Prepayment; No Other Repayments and No Reborrowing

- (a) The Lender may not initiate any repayment under Clauses 6.2 to 6.5 hereof.
- (b) The Borrower may not prepay the Loan pursuant to Clauses 6.2 to 6.5 hereof if to do so would breach the then applicable regulations of the NBU and unless the Borrower has received a permit of the NBU for the subordinated debt prepayment if obtaining such permit is required by the then applicable regulations of the NBU. The Borrower shall not repay the whole or any part of the outstanding principal amount of the Loan except at the times and in the manner expressly provided for in this Agreement. No amount prepaid under this Agreement may be reborrowed.

- (c) The Lender hereby expressly consents to any repayment pursuant to Clauses 6.2 (*Repayment for Tax Reasons and Change in Circumstances*) and 6.8 (*Purchase of Funding Instruments*) and such consent shall qualify as the consent of the Lender required by the regulations of the NBU in case of any such repayment of the Loan at the election of the Borrower.

6.8 Purchase of Funding Instruments

Subject to the NBU limitations and requirements on prepayment of the Loan to the extent applicable, the Borrower shall be entitled from time to time to deliver to the Lender, as issuer of the Funding Instruments, Funding Instruments having an aggregate principal value of at least U.S.\$1,000,000, together with a request for the Lender to present such Funding Instruments to the Principal Paying Agent for cancellation, and may from time to time procure the delivery to the Principal Paying Agent of a Global Note (as such term is defined in the Funding Documents) with instructions to cancel a specified aggregate principal amount of Funding Instruments (being at least U.S.\$1,000,000) represented thereby, whereupon the Lender, as issuer of the Funding Instruments, shall request the cancellation of such Funding Instruments (or specified aggregate principal amount of Funding Instruments represented by such Global Note) as provided in the Funding Documents. Upon any such cancellation a principal amount of the Loan equal to the principal amount of such Funding Instruments shall be deemed to have been repaid as of the date of such cancellation and no further payment shall be made or required to be made by the Borrower in respect of such amounts. The Borrower shall, upon the request of the Lender or the Trustee from time to time, advise the person making the request of the aggregate principal amount of Funding Instruments then held by or on behalf of the Borrower.

7. TAXES

7.1 Additional Amounts

- (a) All payments to be made by the Borrower under this Agreement shall be made in full without set-off or counterclaim, free and clear of and without deduction for or on account of any present or future Taxes imposed by any taxing authority of or in, or having authority to tax in, Ukraine, the United Kingdom or any Qualifying Jurisdiction in which the Lender or any successor thereto is resident for tax purposes (each a “Taxing Authority”), unless the Borrower is required by applicable law to make such payment subject to the deduction or withholding of such Taxes. In the event that the Borrower is required to make any such payment subject to deduction or withholding of any such Tax the Borrower shall, on the due date for such payment, pay such additional amounts (“Additional Amounts”) as may be necessary to ensure that the Lender or the Trustee, as the case may be, receives a net amount in U.S. dollars which, following any such deduction or withholding on account of Taxes, shall be not less than the full amount which it would have received had the payment been made without such deduction or withholding and shall deliver to the Lender (or the Trustee, as the case may be) without undue delay, evidence satisfactory to the Lender (or the Trustee, as the case may be) of such deduction or withholding and of the accounting therefor to the relevant authority. Notwithstanding the foregoing, the Borrower shall not be obliged to pay any Additional Amounts if and to the extent that the relevant withholding or deduction is required following and on account of a Relevant Event.
- (b) At least 30 calendar days prior to each date on which any payment under or with respect to the Loan is due and payable, if the Borrower will be obliged to pay Additional Amounts with respect to such payment (upon and subject to written notice by the Lender or by the Trustee), the Borrower will deliver to the Lender (and to the Trustee) an Officers’ Certificate stating the fact that such Additional Amounts will be payable and the amounts so payable.
- (c) Whenever this Agreement mentions, in any context, the payment of amounts based upon the principal or premium, if any, interest or of any other amount payable under or with respect to the Loan, this includes, without duplication, payment of any Additional Amounts and Indemnity Amounts that may be applicable.

The foregoing provisions shall apply, modified as necessary, to any Taxes imposed or levied by any Taxing Authority in any jurisdiction in which any successor obligor to the Borrower is organised.

7.2 Double Tax Treaty Relief

- (a) The Lender will use its reasonable endeavours to furnish the Borrower, as soon as practicable after the start of each calendar year (or as frequently as may be requested to enable the Borrower to claim relief as provided below) with a duly signed and completed tax certificate issued by the competent taxing authority in the United Kingdom in respect of that year confirming that the Lender is a tax resident in the United Kingdom within the meaning of the Double Tax Treaty (each, a “Tax Certificate”). The Borrower shall claim relief from deducting withholding tax or a reduction in the withholding tax rate to the maximum extent possible in accordance with the Double Tax Treaty in respect of payments to be made by the Borrower under this Agreement.
- (b) Each of the Lender and the Borrower shall make reasonable and timely efforts to co-operate and assist each other in obtaining relief from withholding of Ukrainian income tax pursuant to the Double Tax Treaty which shall, for the avoidance of doubt, include (but not be limited to) the Lender making reasonable and timely efforts to:
- (c) furnish the Borrower with such information or forms (including a power of attorney in form and substance acceptable to the Borrower authorising it to file each Tax Certificate on behalf of the Lender with the relevant taxing authority) to enable the Borrower to apply to obtain relief from deduction or withholding of Ukrainian tax, and
- (d) obtain any available tax refund if a relief from deduction or withholding of Ukrainian tax has not been obtained on the basis of the relevant provisions of the Double Tax Treaty; and
- (e) procure that each Tax Certificate is stamped or otherwise approved by the competent Tax Authority in the United Kingdom, and apostilled or otherwise legalised.
- (f) If a relief from deduction or withholding of Ukrainian tax or a tax refund under this Clause 7.2 has not been obtained and further to an application of the Borrower to the relevant Ukrainian tax authorities the latter requests the Lender’s hryvnia bank account details, the Lender shall at the request of the Borrower (i) use reasonable efforts to procure that such hryvnia bank account of the Lender is duly opened and maintained, and (ii) thereafter furnish the Borrower with the details of such hryvnia bank account.
- (g) Nothing contained in this Clause 7.2 shall interfere with the right of the Lender to arrange its affairs generally in whatever manner it thinks fit nor oblige the Lender to disclose confidential information of any information relating to its affairs generally. The Borrower and the Lender will inform each other, in a reasonable and timely manner, on the status of the procedures and the steps necessary to be taken in pursuance of this Clause 7.2 The Lender makes no representation as to the application or interpretation of the Double Tax Treaty.
- (h) If the Lender becomes resident for tax purposes in another Qualifying Jurisdiction, references in paragraphs (a) and (b) to taxing authority of the United Kingdom, United Kingdom Tax Certificate and Double Tax Treaty shall be read, respectively, as including references to the taxing authority of the Qualifying Jurisdiction, a Qualifying Jurisdiction Tax Certificate and the double tax treaty between Ukraine and the Qualifying Jurisdiction.

7.3 Indemnity Amounts

Without prejudice to or duplication of the provisions of Clause 7.1 (*Additional Amounts*), if the Lender notifies the Borrower that:

- (a) it is obliged to make any deduction or withholding for or on account of any Taxes from any payment which the Lender (as issuer of the Funding Instruments) is obliged to make under or in respect of the Funding Instruments or any Funding Document and the Lender (as issuer

of the Funding Instruments) is required under the terms and conditions of the Funding Instruments or such Funding Document to pay additional amounts to the holders of the Funding Instruments in connection therewith, the Borrower shall pay to the Lender within 30 days of such notice (and otherwise in accordance with the terms of this Agreement) such additional amounts as are equal to the additional payments which the Lender (as issuer of the Funding Instruments) would be required to make under the terms and conditions of the Funding Instruments or such Funding Document, assuming in each case that an equivalent amount had been received from the Borrower, in order that the net amount received by each holder of Funding Instruments or other party to the relevant Funding Document is equal to the amount which such holder or party would have received had no such withholding or deduction been required to be made; and/or

- (b) it is obliged to pay any Taxes imposed by a Taxing Authority (other than Taxes assessed on the Lender by reference to its overall net income) in relation to this Agreement, the Funding Instruments or any Funding Document, the Borrower shall, as soon as reasonably practicable following, and in any event within 30 calendar days of, a written demand made by the Lender, indemnify the Lender in relation to such properly documented payment or liability.

Any payments required to be made by the Borrower under this Clause 7.3 are collectively referred to as “**Indemnity Amounts**”. For the avoidance of doubt, the provisions of this Clause 7.3 shall not apply to any withholding or deductions of Taxes with respect to the Loan which are subject to payment of Additional Amounts under Clause 7.1 (*Additional Amounts*).

7.4 Tax Claims

If the Lender intends to make a claim pursuant to Clause 7.3 (*Indemnity Amounts*), it shall notify the Borrower thereof as soon as reasonably practicable after the Lender becomes aware of any obligation to make the relevant withholding, deduction or payment; *provided that* nothing herein shall require the Lender to disclose any confidential information relating to the organisation of its affairs.

7.5 Tax Credits and Tax Refunds

- (a) If a payment is made under Clause 7.1 (*Additional Amounts*) or 7.3 (*Indemnity Amounts*) by the Borrower for the benefit of the Lender and the Lender determines in its absolute discretion (acting in good faith) that it has received or been granted a credit against, a relief or remission for or a repayment of, any Taxes, then, if and to the extent that the Lender, in its absolute discretion (acting in good faith), determines that such credit, relief, remission or repayment is in respect of or calculated by reference to the corresponding deduction, withholding liability, expense, loss or payment giving rise to such payment by the Borrower, the Lender shall, to the extent that it can do so without prejudice to the retention of the amount of such credit, relief, remission or repayment, pay to the Borrower such amount as the Lender shall, in its absolute discretion (acting in good faith), have concluded to be attributable to such deduction, withholding, liability, expense, loss or payment; provided that the Lender shall not be obliged to make any payment under this Clause 7.5 (*Tax Credits and Tax Refunds*) in respect of any such credit, relief, remission or repayment until the Lender is, in its absolute discretion (acting in good faith), satisfied that its Tax affairs for its Tax year in respect of which such credit, relief, remission or repayment was obtained have been finally settled and further provided that the Lender shall not be obliged to make any such payment if and to the extent that the Lender determines in its absolute discretion (acting in good faith) that to do so would leave it (after the payment) in a worse after-Tax position than it would have been in had the payment not been required under Clause 7.1 (*Additional Amounts*) or 7.3 (*Indemnity Amounts*). Without prejudice to the Lender’s obligations under Clause 7.2 (Double Tax Treaty Relief), nothing contained in this Clause 7.5 shall interfere with the right of the Lender to arrange its tax affairs in whatever manner it thinks fit nor oblige the Lender to disclose confidential information or any information relating to its Tax affairs generally or any computations in respect thereof.

- (b) If as a result of a failure to obtain relief from deduction or withholding of any Tax imposed by any Taxing Authority, in particular in accordance with the Double Tax Treaty, such Tax is deducted or withheld by the Borrower pursuant to Clause 7.1 (*Additional Amounts*) and an Additional Amount is paid by the Borrower to the Lender in respect of such deduction or withholding, the Borrower may apply, under the supervision and on behalf of the Lender, to the relevant Taxing Authority for a Tax refund. If and to the extent that any Tax refund is credited by such Taxing Authority to a bank account of the Lender, the Lender shall as soon as reasonably possible notify the Borrower of the receipt of such Tax refund and promptly transfer the entire amount of the Tax refund to an account specified by the Borrower if and to the extent that the Lender determines in its absolute discretion (acting in good faith) that to do so will leave it (after the payment and after deduction of costs and expenses incurred in relation to such Tax refund for which the Borrower is liable) in no worse an after-Tax position than it would have been in had there been no failure to obtain relief from such withholding or deduction.

7.6 Tax Position of the Lender

The Lender represents that it (i) is a resident in the United Kingdom for United Kingdom tax purposes as a result of being a United Kingdom incorporated company and is subject to taxation in the United Kingdom, (ii) does not have a permanent establishment in Ukraine, and (iii) does not have any current intentions to effect during the term of the Loan, any corporate action or reorganisation or change of taxing jurisdiction that would result in the Lender ceasing to be a resident in the United Kingdom.

8. TAX RECEIPTS

8.1 Notification of Requirement to Deduct Tax

If, at any time, the Borrower is required by law to make any deduction or withholding from any sum payable by it hereunder (or if thereafter there is any change in the rates at which or the manner in which such deductions or withholdings are calculated), the Borrower shall promptly notify the Lender.

8.2 Evidence of Payment of Tax

- (a) The Borrower will use its reasonable endeavours to provide the Lender with Tax receipts evidencing the payment of any Taxes deducted or withheld by it from each Tax Authority imposing such Taxes or, if such receipts are not obtainable, other evidence of such payments by the Borrower reasonably acceptable to the Lender. The Borrower will also provide English translations of such receipts.
- (b) The Lender will use its reasonable endeavours to provide the Borrower with Tax receipts evidencing the payment of any Taxes deducted or withheld by it from each Tax Authority imposing such Taxes or, if such receipts are not obtainable, other evidence of such payments by the Lender reasonably acceptable to the Borrower.

9. CHANGES IN CIRCUMSTANCES

9.1 Increased Costs

If, by reason of any Change of Law, other than a Change of Law which relates to the basis of computation of, or rate of, Tax on, the net income of the Lender:

- (a) the Lender incurs an additional cost as a result of the Lender entering into or performing its obligations (including its obligation to make the Loan) under this Agreement (excluding Taxes payable by the Lender on its overall net income); or

- (b) the Lender becomes liable to make any additional payment on account of Taxes or otherwise (not being Taxes imposed on its net income or the amounts due pursuant to the Fees Letter) on or calculated by reference to the amount of the Loan and/or to any sum received or receivable by it hereunder except where compensated under Clause 7.1 (*Additional Amounts*) or under Clause 7.3 (*Indemnity Amounts*),

then the Borrower shall, from time to time within 30 days of written demand of the Lender, pay to the Lender amounts sufficient to hold harmless and indemnify it from and against, as the case may be, such properly documented cost or liability, *provided that* the Lender will not be entitled to indemnification where such additional cost or liability arises as a result of the gross negligence, fraud or wilful default of the Lender and *provided, further, that* the amount of such increased cost or liability shall be deemed not to exceed an amount equal to the proportion of any cost or liability which is directly attributable to this Agreement.

9.2 Increased Costs Claims

If the Lender intends to make a claim pursuant to Clause 9.1 (*Increased Costs*), it shall promptly notify the Borrower thereof and provide a description in writing in reasonable detail of the relevant reason (as described in Clause 9.1 (*Increased Costs*) above) including a description of the relevant affected jurisdiction or country and the date on which the change in circumstances took effect. This written description shall demonstrate the connection between the change in circumstance and the increased costs and shall be accompanied by relevant supporting documents evidencing the matters described therein, *provided that* nothing herein shall require the Lender to disclose any confidential information relating to the organisation of its or any other Person's affairs.

9.3 Mitigation

If circumstances arise which would result in any payment being required to be made by the Borrower pursuant to Clauses 7.1 (*Additional Amounts*) or 7.3 (*Indemnity Amounts*) or this Clause 9, then, without in any way limiting, reducing or otherwise qualifying the rights of the Lender or the Borrower's obligations under any of the above mentioned provisions, the Lender shall as soon as reasonably practicable upon becoming aware of the same notify the Borrower thereof and, in consultation with the Borrower and to the extent it can lawfully do so and without prejudice to its own position, take reasonable steps to avoid or mitigate the effects of such circumstances including (without limitation) by the change of its lending office or transfer of its rights or obligations under this Agreement to another bank; *provided that* the Lender shall be under no obligation to take any such action if, in its opinion, to do so might have any adverse effect upon its business, operations or financial condition or might be in breach of any provisions of any Funding Document.

10. REPRESENTATIONS AND WARRANTIES OF THE BORROWER

The Borrower makes the representations and warranties set out in Clause 10.1 (*Status; Material Subsidiaries*) to Clause 10.14 (*Compliance with Laws*) (inclusive) and acknowledges that the Lender has entered into this Agreement in reliance on those representations and warranties.

10.1 Status; Material Subsidiaries

It validly exists under Ukrainian law, has full power and authority to own, lease and operate its properties and conduct its business as currently conducted and is able lawfully to execute and perform its obligations under this Agreement. At the date of this Agreement the Borrower has no Material Subsidiaries.

10.2 Governmental Approvals

Save as provided in Clause 12.1 (*Maintenance of Legal Validity*), all actions or things required to be taken, fulfilled or done by the laws and regulations of Ukraine (including, without limitation the obtaining of any authorisation, order, licence or qualification of or with any court or governmental agency) and all registrations, filings or notarisations required by the laws and regulations of Ukraine

in order to ensure (i) that the Borrower and each of its Subsidiaries is able to own its assets and carry on its business as currently conducted and, if not, the absence of which could not reasonably be expected to have a Material Adverse Effect and (ii) the due execution, delivery, validity and performance by the Borrower of this Agreement has been obtained, fulfilled or done and is in full force and effect (*provided that* the registration of the amendments introduced to this Agreement by the Amendment and Restatement Agreement with the NBU will be obtained upon execution of the Amendment and Restatement Agreement but not later than the Effective Date). For the avoidance of doubt, the Borrower makes no representation or warranty in respect of the availability of the Permit, which will be applied for by the Borrower after the Borrowing Date (and, in respect of the amendments introduced by the Amendment and Restatement Agreement, after the date of effectiveness thereof), and which may be issued or refused by the NBU in accordance with the powers granted to it under applicable Ukrainian legislation.

10.3 *Pari Passu* Obligations

Under the laws of Ukraine in force at the date of this Agreement, the claims of the Lender against the Borrower under this Agreement in relation to repayment of the Loan will be subordinate in right of payment to the claims of all other creditors preferred by virtue of Article 52 of the Law of Ukraine “On the System for Guaranteeing Deposits of Individuals” dated 23 February 2012 in case of liquidation (bankruptcy) of the Borrower and all other claims of the Lender on the Borrower hereunder will rank at least *pari passu* in right of payment with the claims of all its other unsecured and unsubordinated creditors, save those whose claims are preferred by any bankruptcy, insolvency, liquidation, moratorium or similar laws of general application.

10.4 No Deduction

Without prejudice to the provisions of Clause 7.1 (*Additional Amounts*), under the laws of Ukraine in force at the date of this Agreement, in accordance with the terms of the Double Tax Treaty and subject to the due satisfaction by the payee of certain conditions set forth therein and of certain requirements of applicable Ukrainian legislation, in particular as provided in Clause 7.2 (*Double Tax Treaty Relief*), payments of interest by the Borrower to the payee under this Agreement may be made without deduction on account of the generally applicable withholding tax (at a rate of 15 per cent.) established by applicable Ukrainian legislation.

10.5 Governing Law

Under the laws of Ukraine in force at the date of this Agreement, in any proceedings taken in Ukraine in relation to this Agreement, the choice of English law as the governing law of this Agreement and any arbitral award with respect to this Agreement obtained in the United Kingdom will be recognised and enforced in Ukraine after compliance with the applicable procedural rules in Ukraine.

10.6 Admissibility in Evidence

All acts, conditions and things required to be done, fulfilled and performed (other than by the Lender) to make this Agreement admissible in evidence in Ukraine (whether in arbitration proceedings or otherwise) have been done, fulfilled and performed.

10.7 Valid and Binding Obligations

Upon registration of this Agreement with the NBU, the obligations expressed to be assumed by the Borrower in this Agreement will be legal, valid and binding, subject to applicable bankruptcy, insolvency, fraudulent conveyance, reorganisation moratorium and similar laws relating to or affecting creditors' rights generally and to general principles of equity, enforceable against it in accordance with its terms.

10.8 No Stamp Taxes

Under the laws of Ukraine in force at the date of this Agreement, the execution and delivery of any Funding Document is not subject to any registration tax, stamp duty or similar levy imposed by any Taxing Authority of or in, or having authority to tax in, Ukraine.

10.9 No Default

No event has occurred and is continuing or circumstance has arisen and is continuing which would constitute an Event of Default or a Bankruptcy Event.

10.10 No Material Proceedings

There are no legal or administrative or arbitration proceedings current or pending or, to the best of the knowledge and belief of the Borrower, threatened before any court, tribunal, arbitration panel or Agency which might have a Material Adverse Effect.

10.11 No Material Adverse Change

Save as disclosed in the Memorandum, since 31 March 2015 there has been no material adverse change, or any development involving a prospective material adverse change of which the Borrower is or might reasonably be expected to be aware, in the business, financial condition or results of operations of the Group.

10.12 Financial Statements

The financial information of the Borrower has been derived, unless otherwise indicated, from its audited consolidated financial statements and the notes thereto as at and for the years ended 31 December 2014 and 31 December 2013 have been prepared in accordance with IFRS issued by the International Accounting Standards Board. The condensed interim consolidated financial information as at and for the three-month period ended 31 March 2015 has been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting.

10.13 Execution of Agreements

Its execution and delivery of this Agreement and its exercise of its rights and performance of its obligations hereunder do not and will not:

- (a) conflict with or result in a breach of any of the terms of, or constitute a default under, any material instrument, agreement or order to which the Borrower or any of its Material Subsidiaries is a party or by which it or its properties is bound; or
- (b) conflict with the provisions of the constitutional documents of the Borrower or any resolution of its shareholders; or
- (c) give rise to any event of default or moratorium in respect of any of the obligations of the Borrower or any of its Material Subsidiaries or the creation of any lien, encumbrance or other security interest (howsoever described) in respect of any of the assets of the Borrower or any of its Material Subsidiaries, which, in any case, could reasonably be expected to have a Material Adverse Effect on the Borrower's ability to perform its obligations under this Agreement.

10.14 Compliance with Laws

The Borrower and each of its Subsidiaries is in compliance with, in all material respects, all applicable laws and regulations.

10.15 Repetition

Each of the representations and warranties contained in this Clause 10 (except for Clause 10.11 (*No Material Adverse Change*)) shall be deemed to be repeated by the Borrower on the Effective Date.

11. REPRESENTATIONS AND WARRANTIES OF THE LENDER

The Lender makes the representations and warranties set out in Clause 7.6 (*Tax Position of the Lender*) and this Clause 11 and acknowledges that the Borrower has entered into this Agreement in reliance on those representations and warranties.

11.1 Status

The Lender is a public limited company duly incorporated under the laws of the United Kingdom and is resident for United Kingdom taxation purposes in the United Kingdom and has full corporate power and authority to enter into this Agreement and each Funding Document and to undertake and perform the obligations expressed to be assumed by it herein and therein. Pursuant to its constitutional documents, the Lender may lend money to any persons for any purpose whatsoever and carry on business as a financial institution.

11.2 Authorisation

Each of this Agreement and each Funding Document has been duly authorised, executed and delivered by the Lender and is a legal, valid and binding obligation of the Lender, enforceable against the Lender in accordance with its terms, except that the enforcement thereof may be subject to bankruptcy, insolvency, fraudulent conveyance, reorganisation, moratorium and other similar laws relating to or affecting creditors' rights generally and to general principles of equity.

11.3 Consents and Approvals

All authorisations, consents and approvals required by the Lender for or in connection with the execution of this Agreement and each Funding Document and the performance by the Lender of the obligations expressed to be undertaken in such agreements have been obtained and are in full force and effect.

11.4 No Conflicts

The execution of this Agreement and each Funding Document and the undertaking and performance by the Lender of the obligations expressed to be assumed by it herein and therein will not conflict with, or result in a breach of or default under, the laws of the United Kingdom.

12. COVENANTS

The covenants in this Clause 12 remain in force from the date of this Agreement for so long as the Loan or any part of it is or may be outstanding.

12.1 Maintenance of Legal Validity

The Borrower shall obtain, comply with the terms of and do all that is necessary to maintain in full force and effect all authorisations, approvals, licences and consents and make or cause to be made all registrations, recordings and filings required in or by the applicable laws and regulations of Ukraine to enable it lawfully to enter into and perform its obligations under this Agreement (including in respect of any payments due hereunder) to which it is a party and to ensure the legality, validity, enforceability or admissibility in evidence in Ukraine of this Agreement.

12.2 Notification of Default

The Borrower shall promptly on becoming aware of inform the Lender and the Trustee of the occurrence of any Event of Default and, upon receipt of a written request to that effect from the

Lender or the Trustee, confirm to the Lender and the Trustee that, save as previously notified to the Lender or as notified in such confirmation, no Event of Default has occurred.

12.3 Claims Pari Passu

The Borrower shall ensure that at all times to the extent possible under Ukrainian law the claims of the Lender and the Trustee against it in respect of the repayment of the Loan under this Agreement rank at least *pari passu* in right of payment with the claims of all other similarly subordinated creditors (and in respect of payment obligations other than the repayment of the Loan, unsubordinated creditors) of the Borrower, save for those claims that are preferred by any bankruptcy, insolvency, liquidation or similar laws of general application.

12.4 Negative Pledge

The Borrower shall not and shall not permit any of its Material Subsidiaries, directly or indirectly, to create, incur or suffer to exist any Security Interests, other than Permitted Security Interests, on any of its or their assets, now owned or hereafter acquired, securing any Indebtedness or any Guarantee of any Indebtedness, unless the Loan is secured equally and rateably with such other Indebtedness or Guarantee or otherwise as approved by the Lender and the Trustee and, in particular, no Security Interest shall be created by the Borrower over the proceeds of the Loan to secure the Loan or any other obligations of the Borrower, including obligations of the Borrower under this Agreement.

12.5 Mergers

The Borrower shall not, and shall ensure that none of its Material Subsidiaries will, without the prior written consent of the Lender and the Trustee, enter into any reorganisation (whether by way of a merger, accession, division, separation or transformation, as these terms are construed under applicable Ukrainian legislation), or participate in any other type of corporate reconstruction, if any such reorganisation or other type of corporate reconstruction would result in a Material Adverse Effect, *provided that*, the Borrower may in a single transaction or a series of related transactions, directly or indirectly, consolidate or merge with or into, or convey, transfer, lease, or otherwise dispose of, all or substantially all of the Borrower's properties or assets (determined on a consolidated basis), to any Subsidiary of the Borrower, where the resulting, surviving or transferee Person (the "**Successor Entity**"), shall be the Borrower or, if not the Borrower, shall be a Person organised and validly existing under the laws of Ukraine and such Successor Entity, if not the Borrower, shall expressly assume, by an agreement supplemental to this Agreement in form and substance satisfactory to the Lender and the Trustee, executed and delivered to the Lender and the Trustee, the due and punctual payment of the principal and interest under this Agreement and the performance and observance of every covenant of the Borrower under this Agreement.

12.6 Disposals

- (a) Without prejudice to the provisions of Clause 12.7 (*Transactions with Affiliates*), the Borrower shall not, and shall ensure that none of its Material Subsidiaries will, within a 12 month period, sell, lease, transfer or otherwise dispose of, to a Person other than the Borrower or a Subsidiary of the Borrower, as the case may be, by one or more transactions or series of transactions (whether related or not), the whole or any part of its revenues or its assets which together constitute more than 10 per cent. of the gross assets of the Group unless such transaction(s) is/are on an arm's-length basis and has/have been approved by a decision adopted by the competent governing body of the Borrower or the relevant Material Subsidiary (as the case may be).
- (b) This Clause 12.6 shall not apply to (i) any sale, lease, transfer or other disposition of any assets of the Borrower or property pledged as collateral by or to the Borrower or any of its Subsidiaries in the ordinary course of the Borrower's or, as the case may be, the relevant Subsidiary's business, (ii) any revenues or assets (or any part thereof) the subject of any securitisation of receivables, asset-backed financing or similar financing structure whereby all payment obligations are to be discharged primarily from such assets or revenues *provided that* principal amount raised pursuant to any financing referred to in this sub-clause (ii) when

aggregated with the principal amount of any previous and then outstanding such financing and the then outstanding principal amount of any Indebtedness or Guarantee referred to in the proviso to paragraph (g) of the definition of Permitted Security Interest does not exceed an amount equal to 20 per cent. of the Borrower's loans to customers before allowances for impairment (calculated by reference to the Borrower's consolidated balance sheet as at the end of its most recent IFRS Fiscal Period) or (iii) any compensation or employee benefit arrangements with any officer or director of the Borrower or any of its Subsidiaries arising as a result of their employment contract.

12.7 Transactions with Affiliates

- (a) The Borrower shall not, and shall ensure that none of its Subsidiaries, directly or indirectly, conduct any business, enter into or permit to exist any transaction or series of related transactions (including the purchase, sale, transfer, assignment, lease, conveyance or exchange of any property or the rendering of any service) with, or for the benefit of, any Affiliate (an "Affiliate Transaction"), including intercompany loans, unless the terms of such Affiliate Transaction are (taking into account the standing and credit rating of the relevant Affiliate) no less favourable to the Borrower or such Subsidiary, as the case may be, than those that could be obtained in a comparable arm's-length transaction with a Person that is not an Affiliate of the Borrower or any of its Subsidiaries.
- (b) With respect to an Affiliate Transaction involving aggregate payments or value in excess of U.S.\$15,000,000, the Borrower shall deliver to the Lender and the Trustee a written opinion from an Independent Appraiser to the effect that such Affiliate Transaction is fair, from a financial point of view, to the Borrower, *provided that* in no event shall the aggregate amount of all Affiliate Transactions exceed 35 per cent. of the Group's assets, determined by reference to the Borrower's consolidated balance sheet as at the end of its most recent IFRS Fiscal Period.
- (c) This Clause 12.7 shall not apply to (i) any Affiliate Transaction made pursuant to a contract existing on the date hereof and advised in writing to the Lender (excluding any amendments or modifications thereof made after the date hereof) or (ii) transactions between or among all or any of the Borrower and/or its Subsidiaries and paragraph (b) of this Clause 12.7 shall not apply to any Affiliate Transaction where the Affiliate in question is an Agency of Ukraine or a Person which is Subsidiary of an Agency of Ukraine.

12.8 Payment of Taxes and Other Claims

The Borrower shall, and shall ensure that its Material Subsidiaries pay or discharge or cause to be paid or discharged, before the same shall become overdue all Taxes, assessments and governmental charges levied or imposed upon, or upon the income, profits or property of the Borrower and its Material Subsidiaries; *provided that*, none of the Borrower nor any Material Subsidiary shall be required to pay or discharge or cause to be paid or discharged any such tax, assessment, charge or claim (i) whose amount, applicability or validity is being contested in good faith by appropriate proceedings and for which adequate reserves in accordance with IFRS or other appropriate provision has been made or (ii) whose amount, together with all such other unpaid or undischarged Taxes, assessments, charges and claims, does not in the aggregate exceed U.S.\$1,000,000 (or its equivalent in other currencies).

12.9 Financial Information

- (a) The Borrower hereby undertakes that it will deliver to the Lender and the Trustee within 180 days after the end of each of its financial years, copies of the Borrower's audited consolidated financial statements for such financial year, prepared in accordance with IFRS and together with the report of the Auditors thereon.
- (b) The Borrower hereby undertakes that it will deliver to the Lender and the Trustee within 90 days after the end of the second quarter of each of its financial years, copies of the Borrower's unaudited consolidated financial statements for six months, prepared in

accordance with IFRS. To the extent that the Borrower produces quarterly unaudited consolidated financial statements (“Quarterly Statements”), prepared in accordance with IFRS, the Borrower further undertakes to provide copies of Quarterly Statements within three months after the end of each quarter.

- (c) The Borrower hereby undertakes that it will deliver to the Lender and the Trustee, without undue delay, such additional information regarding the financial position or the business of the Borrower as the Lender or the Trustee may reasonably request.
- (d) The Borrower hereby undertakes that it will supply or procure to be supplied to the Lender (in sufficient copies as may reasonably be required by the Lender) with a copy to the Trustee all such information as the Stock Exchange (or any other or further stock exchange or stock exchanges or any other relevant authority or authorities on which the Funding Instruments may, from time to time, be listed or admitted to trading) may require in connection with the listing or admittance to trading of the Funding Instruments.

12.10 Maintenance of Capital Adequacy

The Borrower shall not, and shall ensure that each Subsidiary which carries on a Banking Business shall not, permit its total capital adequacy ratio to fall below the minimum total capital adequacy ratio required by the NBU and, in the case of a Subsidiary which carries on a Banking Business outside Ukraine, the relevant banking authority responsible for setting and/or supervising capital adequacy for financial institutions in the relevant jurisdiction in which such Subsidiary carries on its Banking Business.

12.11 Limitation on restrictions on distributions from Material Subsidiaries

The Borrower shall not, and shall not permit any of its Material Subsidiaries to, create or otherwise cause or permit to exist or become effective any consensual encumbrance or consensual restriction on the ability of any Subsidiary:

- (a) to pay dividends or make any other distributions on its share capital;
- (b) to make any loans or advances or pay any Indebtedness owed to the Borrower; or
- (c) to transfer any of its property or assets to the Borrower

other than encumbrances or restrictions existing under applicable law, any Funding Document or any other agreement in effect prior to the date hereof and advised in writing to the Lender.

12.12 Compliance Certificates

On each Interest Payment Date, the Borrower shall deliver to the Lender and the Trustee written notice in the form of an Officers’ Certificate stating whether any Event of Default, Bankruptcy Event, Relevant Event or Bankruptcy Proceedings has occurred and, if it has occurred and shall be continuing, the action the Borrower is taking or proposes to take with respect thereto.

12.13 Amendments to this Agreement

The Borrower shall not without the prior written consent of the Lender make any amendments to (i) this Agreement or (ii) the notification submitted to the NBU in respect of this Agreement and registered by the NBU (as evidenced by the respective registration notation) (the “**Registration Notification**”) that would, by virtue of their execution and subsequent registration by the NBU, in the case of amendments to this Agreement, or by virtue of their being made, in the case of amendments to the Registration Notification, in either case result in a lower maximum interest rate being applied to the amounts payable by the Borrower under this Agreement (including, but not limited to, interest payments, fees and indemnity amounts) than as set by the NBU as at the date hereof.

13. LIMITED ACCELERATION RIGHTS

13.1 Bankruptcy Event

Notwithstanding any other provision in this Agreement to the contrary, if any Bankruptcy Event has occurred and is continuing, the Lender or the Trustee may (i) by notice in writing to the Borrower, declare the facility granted hereunder to be cancelled, whereupon the same shall forthwith be cancelled and/or (ii) by notice in writing to the Borrower, declare all amounts payable hereunder by the Borrower to be due and payable (subject to the provisions of Clause 2.3 (*Subordination*)) (whereupon all such amounts shall become due and payable as provided in that notice); and/or (iii) subject to the provisions of Clause 2.3 (*Subordination*) prove in any Bankruptcy Proceedings.

13.2 Payment Defaults

The foregoing limitation shall not prejudice the right of the Lender to enforce the obligations of the Borrower under this Agreement when they fall due (subject to the provisions of Clause 2.3 (*Subordination*)), but otherwise the Lender shall have no right to accelerate payments under this Agreement in the case of a default in payments of principal, interest or other amounts due under this Agreement.

13.3 Notice of Bankruptcy Events, etc.

The Borrower shall promptly deliver to the Lender and the Trustee, upon it becoming aware thereof, written notice of any event that constitutes, or that, with the giving of notice or the lapse of time, or both, would constitute, a Bankruptcy Event.

13.4 Rights Not Exclusive

The Lender may not accelerate the Loan other than pursuant to Clause 13.1 (*Bankruptcy Event*) but, aside from such limited acceleration rights, the rights provided for herein are cumulative and are not exclusive of any other rights, powers, privileges or remedies provided by law.

14. INDEMNITY

14.1 The Borrower's Indemnity

- (a) **The Borrower undertakes to the Lender, that if the Lender or the Trustee (each an "indemnified party") reasonably incurs any loss, liability, cost, claim, charge or expense, together with in each case any VAT thereon) (a "Loss") as a result of or in connection with any Event of Default, the Borrower shall pay to the Lender or the Trustee, as the case may be, subject to the presentation of properly documented evidence thereof, an amount equal to such Loss and all costs, charges and expenses which it or any indemnified party may pay or incur in connection with investigating, disputing or defending any such action or claim as such costs, charges and expenses are incurred.**
- (b) **The indemnity in paragraph (a) above shall not apply to a Loss:**
 - (i) which is caused by an indemnified party's gross negligence or wilful default or misconduct;
 - (ii) which is recovered under Clause 7.1 (*Additional Amounts*); or
 - (iii) where an indemnity is sought already under Clause 7.3 (*Indemnity Amounts*), 9 (*Changes in Circumstances*) or 17 (*Costs and Expenses*).

14.2 Independent Obligation

Clause 14.1 (*The Borrower's Indemnity*) constitutes a separate and independent obligation of the Borrower from its other obligations under or in connection with this Agreement or any other obligations of the Borrower in connection with the issue of the Funding Instruments and shall not affect, or be construed to affect, any other provisions of this Agreement or any such other obligations.

14.3 Survival

The obligations of the Borrower pursuant to Clauses 7.1 (*Additional Amounts*), 16 (*Payments*), 14.1 (*The Borrower's Indemnity*) and 16.3 (*No Set-off*) shall survive the execution and delivery of this Agreement, the borrowing and the repayment of the Loan, in each case by the Borrower.

15. CURRENCY OF ACCOUNT AND PAYMENT

15.1 Currency of Account

The U.S. dollar is the currency of account and payment for each and every sum at any time due from the Borrower hereunder.

15.2 Currency Indemnity

If any sum due from the Borrower under this Agreement or any order or judgment given or made in relation hereto has to be converted from the currency (the “**first currency**”) in which the same is payable hereunder or under such order or judgment into another currency (the “**second currency**”) for the purpose of (a) making or filing a claim or proof against the Borrower, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation hereto, the Borrower shall indemnify and hold harmless the Lender (and the Trustee) from and against any loss suffered or reasonably incurred as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which the Lender (and the Trustee) may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

16. PAYMENTS

16.1 Payments to the Lender

On each date on which this Agreement requires an amount denominated in U.S. dollars to be paid by the Borrower, the Borrower shall make the same available to the Lender by payment in U.S. dollars and in Same-Day Funds (or in such other funds as may for the time being be customary for the settlement of international banking transactions in U.S. dollars) not later than 11.00 a.m. (New York City time) on the Business Day falling two Business Days prior to the Interest Payment Date to the Account other than amounts payable (i) in respect of Reserved Rights (as such term is defined in the Trust Deed), (ii) under the Fees Letter or (iii) in relation to Clause 14.1 (*The Borrower's Indemnity*) which the Borrower shall pay to such account or accounts as the Lender and/or the Trustee shall notify to the Borrower; *provided that* if at any time the Trustee notifies the Borrower that a Relevant Event has occurred, the Borrower shall make all subsequent payments, which would otherwise be made to the Account, to such other account as shall be notified by the Trustee to the Borrower. Without prejudice to its obligations under Clause 5.1 (*Payment of Interest*), the Borrower shall procure that, before 10.00 a.m. (New York City time) on the Banking Day before the due date of each payment made by it under this Clause 16.1 (*Payments to the Lender*), the bank effecting payment on its behalf confirms to the Lender or to such person as the Lender may direct by tested telex or authenticated SWIFT message the payment instructions relating to such payment. The Lender and/or the Trustee shall use their reasonable endeavours to provide the Borrower with information and documents as may be required by the applicable Ukrainian legislation for the purposes of making payments by the Borrower to any account other than the Account.

16.2 Alternative Payment Arrangements

If, at any time, it shall become impracticable (by reason of any action of any governmental authority or any change of law, exchange control regulations or any similar event) for the Borrower to make any payments under this Agreement in the manner specified in Clause 16.1 (*Payments to the Lender*), then the Borrower may agree with the Lender (and the Trustee) alternative arrangements for the payment to the Lender (or, as the case may be, the Trustee) of amounts due (prior to the delivery of any notice referred to in Clause 16.1 (*Payments to the Lender*)) under this Agreement *provided that*, in the absence of any such agreement with the Lender (or, as the case may be, the Trustee), the Borrower shall be obliged to make all payments due to the Lender in the manner specified above.

16.3 No Set-off

All payments required to be made by the Borrower hereunder shall be calculated without reference to any set-off or counterclaim and shall be made free and clear of and without any deduction for or on account of any set-off or counterclaim.

17. COSTS AND EXPENSES

17.1 Transaction Expenses and Fees

The Borrower agrees that it shall pay the fees and expenses of the Lender as specified in the Fees Letter.

17.2 Preservation and Enforcement of Rights

The Borrower shall, from time to time on written demand of the Lender (or the Trustee) reimburse the Lender (or, as the case may be, the Trustee) for all properly documented and reasonably incurred costs and expenses (including legal fees and expenses) together with any VAT thereon properly incurred in or in connection with the preservation and/or enforcement of any of its rights under this Agreement (except where the relevant claim is successfully defended by the Borrower).

17.3 Stamp Taxes

The Borrower shall pay all stamp, registration and other similar duties or Taxes (including any interest or penalties thereon or in connection therewith) to which the Funding Documents or any judgment given against the Borrower in connection therewith is or at any time may be subject and shall, from time to time on written demand of the Lender (or the Trustee), indemnify the Lender (or, as the case may be, the Trustee) against any properly documented liabilities, losses, costs, expenses (including, without limitation, legal fees and any applicable value added tax) and claims, actions or demand resulting from any failure to pay or any delay in paying any such duty or tax.

17.4 Costs Relating to Amendments and Waivers

The Borrower shall, from time to time on written demand of the Lender (or the Trustee) (and without prejudice to the provisions of Clause 14.1 (*The Borrower's Indemnity*) and Clause 17.2 (*Preservation and Enforcement of Rights*)) pay to the Lender (and, as the case may be, the Trustee) at such daily and/or hourly rates as the Lender (or, as the case may be, the Trustee) shall from time to time reasonably determine for all time expended by the Lender (or, as the case may be, the Trustee), their respective directors, officers and employees, and for all properly documented costs and expenses (including telephone, fax, copying and travel costs) they may reasonably incur, in connection with the Lender (and, as the case may be, the Trustee) taking such action as it may consider appropriate in connection with:

- (e) any meeting of holders of the Funding Instruments or the granting or proposed granting of any waiver or consent requested under this Agreement by the Borrower;
- (f) any actual or potential breach by the Borrower of any of its obligations under this Agreement;

- (g) the occurrence of any event which is an Event of Default; or
- (h) any amendment or proposed amendment to this Agreement or any Funding Document requested by the Borrower.

In that regard, the Lender shall, promptly upon request by the Borrower, convene a meeting of holders of Funding Instruments in accordance with the terms and conditions of the Funding Instruments and the provisions of the Funding Documents.

18. ASSIGNMENTS AND TRANSFERS

18.1 Binding Agreement

This Agreement shall be binding upon and enure to the benefit of each party hereto and its or any subsequent successors and assigns.

18.2 No Assignments and Transfers by the Borrower

The Borrower shall not be entitled to assign or transfer all or any of its rights, benefits and obligations hereunder.

18.3 Assignments by the Lender

Subject to the Funding Documents, the Lender may not assign or transfer, in whole or in part, any of its rights and benefits or obligations under this Agreement except for the charge by way of first fixed charge granted by the Lender in favour of the Trustee of the Lender's rights and benefits under this Agreement and the absolute assignment by way of security by the Lender to the Trustee of certain rights, interest and benefits under this Agreement and to the Account, in each case pursuant to the Funding Documents. If and to the extent required by applicable law or regulation of Ukraine, assignment or transfer by the Lender of its rights and benefits or obligations under this Agreement shall become effective upon registration with the NBU of an assignee or a transferee as the Lender under this Agreement.

19. CALCULATIONS AND EVIDENCE OF DEBT

19.1 Evidence of Debt

The Lender shall maintain accounts evidencing the amounts from time to time lent by and owing to it hereunder and in any legal action or proceeding arising out of or in connection with this Agreement, in the absence of manifest error and subject to the provision by the Lender to the Borrower of written information describing in reasonable detail the calculation or computation of such amounts together with the relevant supporting documents evidencing the matters described therein, the entries made in such accounts shall be conclusive evidence of the existence and amounts of the obligations of the Borrower therein recorded.

19.2 Change of Circumstance Certificates

A certificate signed by two Authorised Signatories of the Lender describing in reasonable detail the amount by which a sum payable to it hereunder is to be increased under Clause 7.1 (*Additional Amounts*) or the amount for the time being required to indemnify it against any such cost, payment or liability as is mentioned in Clause 7.3 (*Indemnity Amounts*) or Clause 9.1 (*Increased Costs*) or Clause 14.1 (*The Borrower's Indemnity*) shall, in the absence of manifest error, be conclusive evidence of the existence and amounts of the specified obligations of the Borrower.

20. REMEDIES AND WAIVERS, PARTIAL INVALIDITY

20.1 Remedies and Waivers

No failure by the Lender or the Trustee to exercise, nor any delay by the Lender or the Trustee in exercising, any right or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right or remedy prevent any further or other exercise thereof or the exercise of any other right or remedy. The rights and remedies herein provided are cumulative and not exclusive of any rights or remedies provided by law.

20.2 Partial Invalidity

If, at any time, any provision hereof is or becomes illegal, invalid or unenforceable in any respect under the law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions hereof nor the legality, validity or enforceability of such provision under the law of any other jurisdiction shall in any way be affected or impaired thereby.

21. NOTICES; LANGUAGE

21.1 Written Notice

All notices, requests, demands or other communication to be made under this Agreement shall be in writing and, unless otherwise stated, shall be delivered by fax or post.

21.2 Giving of Notice

(a) Any communication or document to be delivered by one person to another pursuant to this Agreement shall (unless that other person has by 15 days' written notice specified another address) be made or delivered to that other person, addressed as follows:

(i) If to the Borrower:

Joint-Stock Company "The State Export-Import Bank of Ukraine"
127 Gorkogo Street
Kyiv 03150
Ukraine

Attention: International Borrowings Division
Tel: +38 044 247 8010/8926
Fax: +38 044 247 8928

(ii) If to the Lender:

Biz Finance PLC
4th Floor, 40 Dukes Place
London EC3A 7NH

Attention: the Directors
Fax: +44 20 31700246

With a copy to:
Attention: Head of Loans Support
Fax: +44 20 7888 8896

(iii) If to the Trustee:

BNY Mellon Corporate Trustee Services Limited
One Canada Square
London E14 5AL

Attention: Trustee Administration Manager [Ukreximbank]
Fax: +44 207 964 2509

- (b) Each communication and document to be made or delivered by one party to another pursuant to this Agreement shall, unless that other party has by 15 calendar days' written notice to the same specified another address or fax number, be made or delivered to that other party at the address or fax number specified in this Clause 21.2 and shall be effective upon receipt by the addressee on a business day in the city of the recipient; *provided that*, (i) any such communication or document which would otherwise take effect after 4:00 p.m. on any particular business day shall not take effect until 10:00 a.m. on the immediately succeeding business day in the city of the addressee and (ii) any communication or document to be made or delivered by one party to the other party shall be effective only when received by such other party and then only if the same is expressly marked for the attention of the department or officer identified with such other party's signature below, or such other department or officer as such other party shall from time to time specify for this purpose.

21.3 English Language

Each communication and document delivered by one party to another pursuant to this Agreement shall be in the English language or accompanied by a translation into English certified (by an officer of the person delivering the same) as being a true and accurate translation. In the event of any discrepancies between the English and Ukrainian versions of such communication or document, or any dispute regarding the interpretation of any provision in the English or Ukrainian versions of such communication or document, the English version of such communication or document shall prevail, unless the document is a statutory or other official document.

21.4 Language of Agreement

This Agreement has been executed in both the English language and the Ukrainian language. In the event of any discrepancies between the English and Ukrainian versions of this Agreement, or any dispute regarding the interpretation of any provision in the English or Ukrainian versions of this Agreement, the English version of this Agreement shall prevail and any question of interpretation shall be addressed solely in the English language.

22. LAW AND JURISDICTION

22.1 English Law

This Agreement, including any non-contractual obligations arising out of or in connection with this Agreement, is governed by, and shall be construed in accordance with, English law.

22.2 Arbitration

The parties to this Agreement agree that any claim, dispute or difference of whatever nature arising under, out of or in connection with this Agreement (including a claim, dispute or difference regarding its existence, termination or validity) (a "**Dispute**"), shall be referred to and finally settled by arbitration in accordance with the Rules of the London Court of International Arbitration ("**LCIA**") (the "**Rules**") as at present in force and as modified by this Clause 22.2, which Rules shall be deemed incorporated into this Clause 22.2. The number of arbitrators shall be three, one of whom shall be nominated by the claimant(s), one by the respondent(s) and the third of whom, who shall act as chairman, shall be nominated by the two party-nominated arbitrators. The parties may nominate and the LCIA Court may appoint arbitrators from among the nationals of any country, whether or not a party is a national of that country. The seat of arbitration shall be London, England and the language of arbitration shall be English. Sections 45 and 69 of the Arbitration Act 1996 shall not apply.

22.3 Service of Process

The Borrower agrees that the service of process relating to any Dispute in England or Wales may be by delivery to Oleg Rzhondkovskiy, Head of London Representative Office of Joint Stock Company "The State Export-Import Bank of Ukraine", Juxon House, 100 St. Paul's Churchyard, London EC4M 8BU, United Kingdom. If such person is not or ceases to be effectively appointed to accept service of process, the Borrower shall immediately appoint a further person in England or Wales to accept service of process on its behalf and, failing such appointment within 15 days, the Lender shall be entitled to appoint such a person by written notice to the Borrower. Nothing in this Clause 22.3 shall affect the right of the Lender to serve process in any other manner permitted by law.

22.4 Waiver of Immunity

The Borrower agrees that any award made pursuant to Clause 22.2 (*Arbitration*) in relation to a Dispute may be enforced in a tribunal or court (as the case may be) to the jurisdiction of which the Borrower is or may be subject. To the extent that the Borrower may in any jurisdiction claim for itself, its assets or revenue, immunity from suit, execution, attachment (whether in aid of execution, before making a judgement, aware or otherwise) or other legal proceedings, including in relation to an enforcement of an arbitral award, and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Borrower, its assets or revenue, the Borrower agrees not to claim and irrevocably waives such immunity to the fullest extent permitted by the law of such jurisdiction.

23. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

A person who is not a party to this Agreement has not rights under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Agreement, other than the Trustee in relation to Clause 12 (*Covenants*), Clause 13 (*Limited Acceleration Rights*), Clause 14 (*Indemnity*), Clause 15.2 (*Currency Indemnity*), Clause 17.2 (*Preservation and Enforcement of Rights*), Clause 17.3 (*Stamp Taxes*), Clause 17.4 (*Costs Relating to Amendments and Waivers*) and Clause 22 (*Law and Jurisdiction*), but this does not affect any right or remedy of a third party which exists or is available apart from the Act.

24. PERMIT

In case of extension of the term of this Agreement, (i) the validity of any Permit shall not be automatically extended, and (ii) pursuant to the applicable NBU regulations, the Borrower will be required to amend the provisions of this Agreement in compliance with the requirements of the Ukrainian legislation (including the Instruction on the Regulation of the Activity of Banks in Ukraine, approved by Resolution of the Board of the Central Bank No. 368 dated 28 August 2001) as in effect as at the date of execution of the relevant amendment agreement and apply to the NBU for an extension of the Permit. If and for so long as, and to the extent that, any Permit is revoked or cancelled by the NBU or otherwise and/or the Loan or any part thereof otherwise fails to qualify as Tier 2 capital of the Borrower (excluding where any part of the Loan is not included as Tier 2 capital of the Borrower pursuant to the amortisation of such inclusion as provided under the NBU regulation), the limitations under this Agreement generally applicable under Ukrainian law to agreements for borrowing funds on subordinated terms shall not apply, to the extent not prohibited by Ukrainian law, to the Loan or such part thereof, as the case may be.

25. TRANSACTIONS WITH THE LENDER OR ITS RELATED ENTITIES

- (a) If and to the extent required by the NBU regulations and save as described in paragraph (b) below, during the term of this Agreement the Borrower may not enter into agreements pursuant to which: (i) an obligation arises (or may arise) for the Borrower to transfer funds or property to the Lender; and/or (ii) financial or property commitments are (or may be) established from the Borrower to the Lender; and/or (iii) the Borrower obtains (or may obtain) a right of claim against the Lender.

- (b) For the avoidance of doubt and notwithstanding the provisions of paragraph (a) of this Clause 25:
 - (i) the Borrower may enter into and perform its obligations under settlement transactions with the Lender pursuant to agreements providing for receipt of loans or other funds by the Borrower from the Lender and repayment thereof, together with all principal, interest, charges and other payments under the respective loan or other agreements, including, but not limited to the Senior Loan Agreements and this Agreement, and
 - (ii) the correspondent accounts of the Borrower may be debited or credited at the instruction of the Lender regarding its own operations or operations of its clients or correspondents.
- (c) Pursuant to NBU regulations, during the term of this Agreement, the amount of all claims of the Borrower to any related entities (as defined by reference to the applicable NBU regulations) of the Lender and/or the amount of financial and property commitments granted to such related entities may not exceed 5 per cent. of the Borrower's regulatory capital.

26. NBU REGISTRATION REQUIREMENTS

26.1 Registration

This Agreement shall become effective on the date of its registration with the NBU which shall be evidenced by the Borrower's loan registration notice, the registration notation and the stamp of the NBU.

26.2 Maximum Interest Rate

Notwithstanding any other provisions in this Agreement to the contrary, to the extent required by the mandatory provisions of the applicable regulations of the NBU (and only for so long as such requirements are in effect):

- (a) if the Borrower obtains a Permit within the period prescribed by the applicable regulations of the NBU and for so long as such Permit (as may be extended and/or replaced pursuant to the provisions of the applicable NBU regulations) remains in effect, the amount of payments under this Agreement (including fees, penalties and any other payments under this Agreement) during the whole period thereof shall not exceed the amount of payments calculated by reference to the maximum interest rate established by the NBU for borrowings on subordinated debt terms effective as at the date of this Agreement or any amendment thereto relating to extension of the Repayment Date;
- (b) if the Borrower fails to obtain a Permit within the period prescribed by the applicable regulations of the NBU or if, and for so long as, such Permit is revoked or cancelled by the NBU (other than a revocation or cancellation due to extension and/or replacement of such Permit pursuant to the applicable NBU regulation), the amount of payments under this Agreement (calculated at the rate of interest established by this Agreement, including fees, penalties and other payments arising under this Agreement and including those which are penalties for undue fulfilment of the terms and conditions of this Agreement) during the whole period thereof shall not exceed the amount of payments calculated by reference to the maximum interest rate established by the NBU for foreign currency loans from non-residents effective as at the date of the filing for, and specified at the time of, registration of this Agreement or any amendments thereto with the NBU.

For the avoidance of doubt, any application of this requirement shall not limit the rights of the Lender (and/or the Trustee, as relevant) under Clause 13 (*Limited Acceleration Rights*) of this Agreement.

26.3 Amendments and Supplements

If and to the extent required by any law or regulation of Ukraine applicable at the time of making any amendment or supplement to this Agreement, such amendment or supplement shall become effective upon registration thereof with the NBU.

If and to the extent required by applicable NBU regulations, prior to making any amendment of this Agreement, such amendment shall be agreed with the appropriate department or division of the NBU, to which the Borrower shall send a notarised copy of the executed amendment within five Business Days of the execution thereof.

ANNEX 3 – AMENDED AND RESTATED 2025 LOAN AGREEMENT

This Agreement was made on 17 January 2013 and was amended on 28 March 2013 and amended and restated pursuant to the Amendment and Restatement Agreement (as defined below) on 9 July 2015.

Between:

- (1) **JOINT STOCK COMPANY “THE STATE EXPORT-IMPORT BANK OF UKRAINE”**, a joint stock company incorporated under the laws of Ukraine whose registered office is at 127 Gorkogo Str., Kyiv 03150, Ukraine, as borrower (the “**Borrower**”); and
- (2) **BIZ FINANCE PLC**, a public limited company incorporated under the laws of England and Wales, whose registered office is at 4th Floor, 40 Dukes Place, London EC3A 7NH, United Kingdom (the “**Lender**”).

Whereas:

- (A) The Lender has at the request of the Borrower agreed to make available to the Borrower a credit facility in the amount of U.S.\$601,437,000 on the terms and subject to the conditions of this Agreement.
- (B) This Agreement will become effective on the date of registration of this Agreement with the NBU (as defined below).

It is agreed as follows:

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Agreement the following terms have the meanings given to them in this Clause 1.1:

“**Account**” means the account with the account number 3609048400 in the name of the Lender with the Bank of New York Mellon;

“**Additional Amounts**” has the meaning set forth in Clause 7.1 (*Additional Amounts*);

“**Affiliate**” of any specified Person means (a) any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person, (b) any other Person who is a director or officer of such specified Person, of any Subsidiary of such specified Person or of any Person described in clause (a) above;

“**Agency**” means any agency, authority, central bank, department, committee, government, legislature, minister, ministry, official or public or statutory person (whether autonomous or not) of, or of the government of, any state or supra-national body;

“**Amendment and Restatement Agreement**” means the amendment and restatement agreement between the Borrower and the Lender dated 9 July 2015;

“**Auditors**” means CJSC Ernst & Young Ukraudat or Ernst & Young Audit Services LLC or any internationally recognised firm of accountants approved by the Lender, such approval not to be unreasonably withheld, it being understood that it shall be reasonable for the Lender to withhold, such approval if the Trustee does not approve of such firm in accordance with the relevant provisions of the Funding Documents;

“**Authorised Signatory**” means, in the case of the Borrower, any of the persons referred to in the certificate listed as item 3 in Schedule 1 (*Conditions Precedent Documents*) hereto and, in the case of the Lender, a Person who is a duly authorised officer of the Lender, at the relevant time;

“Banking Business” means, in relation to the Borrower or any of its Subsidiaries, any type of banking business (including, without limitation, any inter-bank operations with maturities of 18 months or less, factoring, consumer credit and lending, commercial and residential property finance and mortgage lending, issuance of bank guarantees, letters of credit (and related cash cover provision), bills of exchange and promissory notes and making payments under such guarantees, letters of credit, bills and promissory notes, trading of securities, fund management and professional securities market participation) which it conducts or may conduct pursuant to its licence issued by the appropriate authorities, accepted market practice and any applicable law;

“Borrowing Date” means 22 January 2013 or such later date as may be agreed by the parties to this Agreement;

“Capital Stock” means, with respect to any Person, any and all shares, interests, participations, rights to purchase, warrants, options or any other equivalent of any of the foregoing (however designated) in relation to the share capital of a company and any and all equivalent ownership interests in a Person other than a company, in each case whether now outstanding or hereafter issued;

“Change of Control” shall be deemed to have occurred if:

- (a) Ukraine, whether through the Cabinet of Ministers of Ukraine or any other Agency of Ukraine, ceases to own, legally and beneficially, at least 51 per cent. of the Capital Stock of, or otherwise to control, the Borrower; or
- (b) an official public announcement is made by the Cabinet of Ministers or the State Property Fund of Ukraine of an intention that Ukraine would cease so to own or control the Borrower and (i) within the Relevant Period (see the definition of “Rating Decline” below) following such announcement there is a Rating Decline and (ii) in the announcement of the Rating Decline the relevant Rating Agency specifies that the proposed change in ownership or control of the Borrower is a factor in its decision to decrease or downgrade the Borrower’s rating;

“Change of Control Payment Date” means the date specified as such in the notice from the Lender to the Borrower pursuant to Clause 6.4 (*Repayment in the event of a Change of Control*);

“Change of Law” means, following the Effective Date, any of the enactment or introduction of any new law; the variation, amendment or repeal of an existing or new law; any ruling on or interpretation or application by a competent authority of any existing or new law; and the decision or ruling on, the interpretation or application of, or a change in the interpretation or application of, any law by any court of law, tribunal, central bank, monetary authority or agency or any Taxing Authority or fiscal or other competent authority or agency; which, in each case, occurs after the date hereof. For this purpose, the term “law” means all or any of the following whether in existence at the date hereof or introduced hereafter and with which it is obligatory or customary for banks, other financial institutions or, as the case may be, companies in the relevant jurisdiction to comply:

- (a) any statute, treaty, order, decree, instruction, letter, directive, instrument, regulation, ordinance or similar legislative or executive action by any national or international or local government or authority or by any ministry or department thereof and other agencies of state power and administration (including, but not limited to, taxation departments and authorities); and
- (b) any letter, regulation, decree, instruction, request, notice, guideline, directive, statement of policy or practice statement given by, or required of, any central bank or other monetary authority, or by or of any Taxing Authority or fiscal or other authority or agency (whether or not having the force of law);

“Double Tax Treaty” means the Convention of 10 February 1993 between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of Ukraine for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income and Capital Gains;

“Effective Date” means the date determined by the Borrower and notified to the Lender on which the Funding Instruments are issued and which is on or after the date on which the NBU issues and delivers the registration notice with a registration notation to the Borrower in respect of the amendments to this Agreement introduced by this Amendment and Restatement Agreement;

“Event of Default” means any circumstances described as such in Clause 13 (*Events of Default*);

“Fees Letter” means any letter agreement between, *inter alios*, the Borrower and the Lender setting out the fees, expenses and certain other amounts payable by the Borrower in connection with this Agreement as amended, varied, novated or supplemented;

“Final Repayment Date” means (i) 22 January 2025 or (ii) in case of Clauses 6.2 (*Repayment for Tax Reasons and Change in Circumstances*), 6.3 (*Repayment for Illegality*) and 6.4 (*Repayment in the event of a Change of Control*), the date specified in such Clauses, or, if such day is not a Business Day, the next succeeding Business Day;

“Funding Documents” means the Fees Letter, the trust deed or the agency agreement entered into in connection with the issue of the Funding Instruments and the Funding Instruments themselves;

“Funding Instruments” means the U.S.\$600,000,000 9.75 per cent. Amortising Loan Participation Notes due 2025 proposed to be issued by the Lender pursuant to the Funding Documents on the Effective Date for the purpose of funding the Loan;

“Group” means the Borrower and its Subsidiaries from time to time taken as a whole;

“Guarantee” means, in relation to any Indebtedness of any Person, any obligation of another Person to pay such Indebtedness including (without limitation):

- (a) any obligation to purchase such Indebtedness;
- (b) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness;
- (c) any indemnity against the consequences of a default in the payment of such Indebtedness; and
- (d) any other agreement to be responsible for such Indebtedness;

“IFRS” means International Financial Reporting Standards, including International Accounting Standards and Interpretations, issued by the International Accounting Standards Board, as amended, supplemented or re-issued from time to time;

“IFRS Fiscal Period” means any fiscal period for which the Borrower has produced consolidated financial statements in accordance with IFRS which have either been audited or reviewed by the Auditors;

“incur” means issue, assume, guarantee, incur or otherwise become liable for; *provided that*, any Indebtedness or Capital Stock of a Person existing at the time such Person becomes a Subsidiary of another Person (whether by merger, consolidation, acquisition or otherwise) or is merged into a Subsidiary of another Person will be deemed to be incurred or issued by the other Person or such Subsidiary (as the case may be) at the time such Person becomes a Subsidiary of such other Person or is so merged into such Subsidiary;

“Indebtedness” means any indebtedness for, or in respect of, moneys borrowed or raised including, without limitation, any amount raised by acceptance under any acceptance credit facility; any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument; any amount raised pursuant to any issue of Capital Stock which is expressed to be redeemable; any amount raised under any other transaction having the economic effect of a borrowing (including any forward sale or purchase agreement) *provided that*, for the

avoidance of doubt, such term shall not include any indebtedness owed to the State budget, any local budget or any non-budgetary fund of or in Ukraine for or on account of Taxes which are not overdue;

“Indemnity Amounts” has the meaning set out in Clause 7.3 (*Indemnity Amounts*);

“Independent Appraiser” means an investment banking firm or third party appraiser of international standing selected by the Borrower; *provided that* such firm or third party appraiser is not an Affiliate of the Borrower;

“Interest Payment Date” means 22 January and 22 July in each year in which the Loan remains outstanding or if any such day is not a Business Day, the next succeeding Business Day, commencing on 22 January 2015, with the last Interest Payment Date falling on the Final Repayment Date;

“Interest Period” means any of those periods mentioned in Clause 4 (*Interest Periods*);

“Loan” shall have the meaning given to such term in Clause 2.1 (*Grant of the Credit Facility*);

“Material Adverse Effect” means a material adverse change in, or material adverse effect on, the business, operations or financial condition of the Borrower or of the Group taken as a whole;

“Material Subsidiary” means, at any given time, any Subsidiary of the Borrower (a) whose total assets or gross revenues (or, where the Subsidiary in question prepares consolidated accounts, whose total consolidated assets or gross consolidated revenues, as the case may be) represent at least 10 per cent. of the total assets or, as the case may be, total revenues of the Borrower and its Subsidiaries and for these purposes (i) the total assets and gross revenues of such Subsidiary shall be determined by reference to its then most recent audited financial statements (or, if none, its then most recent management accounts) and (ii) the total assets and gross revenues of the Borrower shall be determined by reference to the Borrower’s then most recent audited financial statements (or, if none, its then most recent management accounts), in each case prepared in accordance with IFRS, or (b) to which is transferred the whole or substantially the whole of the undertaking and assets of a Subsidiary of the Borrower which immediately before the transfer is a Material Subsidiary of the Borrower. A certificate by any two members of the board of the Borrower that, in their opinion, a Subsidiary of the Borrower is or is not a Material Subsidiary, accompanied by a report by the Auditors addressed to the board of the Borrower as to proper extraction of the figures used by the members of the board of the Borrower in determining the Material Subsidiaries of the Borrower and mathematical accuracy of the calculations shall, in the absence of manifest error, be conclusive and binding on all parties;

“Memorandum” means the consent solicitation memorandum dated 8 June 2015;

“NBU” means the National Bank of Ukraine;

“Officers’ Certificate” means a certificate signed on behalf of the Borrower by two members of the board of the Borrower at least one of whom shall be the principal executive officer, principal accounting officer or principal financial officer of the Borrower and in the form set out in Schedule 2 (*Form of Officers’ Certificate*) hereto;

“Permitted Security Interests” means:

- (a) Security Interests arising in the ordinary course of Banking Business including, without limitation:
 - (i) Security Interests arising pursuant to any agreement (or other applicable terms and conditions) which are standard or customary in the relevant market in connection with (x) contracts entered into substantially simultaneously for sales and purchases at market prices of precious metals and/or securities and (y) the establishment of

margin deposits and similar securities in connection with interest rate and foreign currency hedging operations and trading in securities; and

- (ii) Security Interests upon, or with respect to, any present or future assets or revenues or any part thereof which is created pursuant to any Repo;
- (b) Security Interests granted by third parties in favour of the Borrower or any of its Subsidiaries;
- (c) Security Interests on property acquired (or deemed to be acquired) under a financial lease, or claims arising from the use or loss of or damage to such property; *provided that* any such Security Interest secures only Indebtedness under such lease;
- (d) Security Interests securing Indebtedness of a Person existing at the time that such Person is merged into or consolidated with the Borrower or becomes a Subsidiary of the Borrower; *provided that* such Security Interests were not created in contemplation of such merger or consolidation or event and do not extend to any assets or property of the Borrower already existing or any Subsidiary of the Borrower other than those of the surviving Person and its Subsidiaries or the Person acquired and its Subsidiaries;
- (e) Security Interests already existing on assets or property acquired or to be acquired by the Borrower or a Subsidiary of the Borrower; *provided that* such Security Interests were not created in contemplation of such acquisition and do not extend to any other assets or property (other than proceeds of such acquired assets or property);
- (f) Security Interests granted upon or with regard to any property hereafter acquired by any member of the Group to secure the purchase price of such property or to secure Indebtedness incurred solely for the purpose of financing the acquisition of such property and transactional expenses related to such acquisition (other than a Security Interest created in contemplation of such acquisition); *provided that* the maximum amount of Indebtedness thereafter secured by such Security Interest does not exceed the purchase price of such property (including transactional expenses) or the Indebtedness incurred solely for the purpose of financing the acquisition of such property;
- (g) any Security Interest upon, or with respect to, any present or future assets or revenues or any part thereof which is created pursuant to any securitisation, asset-backed financing or similar financing structure whereby all payment obligations secured by such Security Interest or having the benefit of such Security Interest are to be discharged primarily from such assets or revenues; *provided that* the Indebtedness or Guarantee so secured pursuant to this paragraph (g) at any one time shall not exceed an amount in any currency or currencies equivalent to 20 per cent. of the Borrower's loans to customers before allowances for impairment (calculated by reference to the Borrower's consolidated balance sheet as at the end of its most recent IFRS Fiscal Period) and subject as provided in Clause 12.6 (*Disposals*);
- (h) any Security Interests arising by operation of law;
- (i) any Security Interests not otherwise permitted by the preceding paragraphs (a) through (h), *provided that* the aggregate principal amount of the Indebtedness secured by such Security Interests does not at any time exceed 10 per cent. of the Group's assets, determined by reference to the Borrower's consolidated balance sheet as at the end of its most recent IFRS Fiscal Period; and
- (j) any Security Interest arising out of the refinancing, extension, renewal or refunding of any Indebtedness secured by a Security Interest permitted by any of the above exceptions, *provided that* the Indebtedness thereafter secured by such Security Interest does not exceed the amount of the original Indebtedness and such Security Interest is not extended to cover any property not previously subject to such Security Interest;

“**Person**” means any individual, company, corporation, firm, partnership, joint venture, association, trust, institution, organisation, state or Agency or any other entity, whether or not having separate legal personality;

“**Potential Event of Default**” means any event which may become (with the passage of time, the giving of notice and/or the making of a determination and/or the fulfilment of any other requirement) under this Agreement, an Event of Default;

“**Principal Paying Agent**” means the party designated from time to time as principal paying agent under the Funding Documents;

“**Qualifying Jurisdiction**” means any jurisdiction which has a double taxation treaty with Ukraine under which the payment of interest by Ukrainian borrowers to lenders established in such jurisdiction is generally able to be made (upon completion of any necessary formalities required in relation thereto) without deduction or withholding of Ukrainian income tax;

“**Rate of Interest**” means (i) 9.7267045426 per cent. per annum in respect of each Interest Period from and including 22 July 2015, to but excluding 22 July 2020; (ii) 9.248849007 per cent. per annum from (and including) 22 July 2020 to (but excluding) 22 January 2021 (the “**Adjusted Interest Period**”) (provided, however, that if the Loan is required to be repaid in the Adjusted Interest Period on a date prior to 22 January 2021 if any of the events described in Clause 6.2 (*Repayment for Tax Reasons and Change in Circumstances*), 6.3 (*Repayment for Illegality*), 6.4 (*Repayment in the event of a Change of Control*) and 13.11 (*Acceleration*) occur, the percentage rate *per annum* used for the calculation of interest in the Adjusted Interest Period shall be equal to 9.7267045426 per cent.) and (iii) in respect of each Interest Period thereafter 9.75 per cent. *per annum*;

“**Rating Agency**” means Standard & Poor’s Rating Services, a division of The McGraw Hill Companies, Inc. (“**S&P**”), Moody’s Investors Service Limited (“**Moody’s**”), Fitch Ratings Limited (“**Fitch**”) or any of their successors or any rating agency substituted for any of them (or any permitted substitute of them) by the Borrower, from time to time with the prior written approval of the Lender and the Trustee;

“**Rating Categories**” means (i) with respect to S&P, any of the following categories (any of which may or may not include a “+” or “-”): AAA, AA, A, BBB, BB, B, CCC, CC, C and D (or equivalent successor categories); (ii) with respect to Moody’s, any of the following categories (any of which may or may not include a “1”, “2” or “3”): Aaa, Aa, A, Baa, Ba, B, Caa, Ca, C and D (or equivalent successor categories); and (iii) the equivalent of any such categories of S&P or Moody’s used by another rating agency (including, without limitation, Fitch), if applicable, and each such category is referred to herein as a “full” Rating Category;

“**Rating Decline**” means that at any time within 90 days (which period shall be extended so long as the long term foreign currency debt or deposit rating of the Borrower is under publicly announced consideration for possible downgrade by any Rating Agency and is referred to herein as the “**Relevant Period**”) after an announcement by the Cabinet of Ministers or the State Property Fund of Ukraine as is referred to in the definition of Change of Control the long term foreign currency debt or deposit rating of the Borrower is decreased or downgraded by a Rating Agency by one or more full Rating Categories below such rating of the Borrower as of the date hereof (or if a Rating Agency has not assigned any such rating as of the date hereof, below the first such rating assigned to the Borrower by that Rating Agency after the date hereof);

“**Relevant Event**” has the meaning given thereto in the Funding Documents;

“**Repo**” means a securities repurchase or resale agreement or reverse repurchase or resale agreement, a securities borrowing agreement or any agreement relating to securities which is similar in effect to any of the foregoing and, for purposes of this definition, the term “securities” means any Capital Stock, debenture or other debt or equity instrument, or any derivative thereof, whether issued by any

private or public company, any Agency or any supranational, international or multilateral organisation;

“**Reserved Rights**” has the meaning assigned to such term in the Funding Documents;

“**Same-Day Funds**” means U.S. dollar funds settled through the New York Clearing House Interbank Payments System or such other funds for payment in U.S. dollars as the Lender may at any time reasonably determine to be customary for the settlement of international transactions in New York City of the type contemplated hereby;

“**Security Interest**” means any mortgage, pledge, encumbrance, lien, charge or other security interest (including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction);

“**Specified Government Securities**” means the bonds of domestic state borrowings (in Ukrainian: *obligatsii vnutrishnyoi derzhavnoi pozyky*) constituting obligations backed by the full faith and credit of Ukraine denominated in a currency other than the lawful currency of Ukraine;

“**Stock Exchange**” means the Irish Stock Exchange;

“**Subsidiary**” of a Person means another Person being a corporation or other business entity:

- (a) which is controlled, directly or indirectly, by that first-named Person; or
- (b) more than half the issued share capital of which is beneficially owned, directly or indirectly, by that first-named Person;

“**Taxes**” means any taxes, levies, duties, imposts or other charges or withholding of a similar nature no matter where arising (including interest and penalties thereon and additions thereto);

“**Taxing Authority**” has the meaning set out in Clause 7.1 (*Additional Amounts*);

“**Trustee**” means the party designated from time to time as trustee under the Funding Documents;

“**UAS**” means Ukrainian Accounting Standards, accounting principles generally accept and consistently applied in Ukraine;

“**Ukraine**” means Ukraine and any province or political sub-division thereof or therein; and

“**United Kingdom**” means the United Kingdom of Great Britain and Northern Ireland and any political sub-division or agency thereof or therein.

1.2 Interpretation

Any reference in this Agreement to:

the “**Borrower**” or the “**Lender**” includes its and any subsequent successors, assignees and chargees in accordance with their respective interests;

a “**Business Day**” means any day (other than a Saturday, Sunday or public holiday) on which commercial banks and foreign exchange markets settle payments (including dealings in foreign currencies) in the principal financial centre for such currency;

“**control**” when used with respect to any Person means the power to direct the management and policies of such Person or to control the composition of such Person’s board or board of directors, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise and the terms “controlling” and “controlled” have meanings correlative to the foregoing;

the “**equivalent**” on any given date in one currency (the “**first currency**”) of an amount denominated in another currency (the “**second currency**”) is a reference to the amount of the first currency which could be purchased with the amount of the second currency at the spot rate of exchange quoted on the relevant Reuters page or, where the first currency is hryvnia and the second currency is U.S. dollars (or vice versa), at the official exchange rate of the NBU, at or about 10.00 a.m. (New York City time) or, as the case may be, between 1.00 p.m. and 4.00 p.m. (Kyiv time) on such date for the purchase of the first currency with the second currency;

a “**month**” means a period starting on one day in a calendar month and ending on the numerically corresponding day in the next succeeding calendar month; *provided that*, where any such period would otherwise end on a day which is not a business day, it shall end on the next succeeding Business Day, unless that day falls in the next calendar month, in which case it shall end on the immediately preceding Business Day and if a period starts on the last Business Day in a calendar month or if there is no numerically corresponding day in the month in which that period ends, that period shall end on the last Business Day in that later month (and references to “months” shall be construed accordingly);

the “**rights**” of the Lender in this Agreement shall be read as references to rights of the Trustee pursuant to the charge and assignment referred to in Clause 18.3 (*Assignments by the Lender*) except as in relation to the Reserved Rights as specified in the Funding Documents; and

“**VAT**” means value added tax, including any similar tax which may be imposed in place thereof from time to time.

1.3 Currency References

“**U.S.\$**” and “**U.S. dollars**” denote the lawful currency of the United States of America and “**hryvnia**” denotes the lawful currency of Ukraine.

1.4 Statutes

Any reference in this Agreement to a statute shall be construed as a reference to such statute as the same may have been, or may from time to time be, amended or re-enacted.

1.5 Headings

Clause and Schedule headings are for ease of reference only.

1.6 Amended Documents

Save where the contrary is indicated, any reference in this Agreement to any Funding Document or any other agreement or document shall be construed as a reference to such Funding Document or, as the case may be, such other agreement or document as the same may have been, or may from time to time be, amended, varied, novated or supplemented.

2. THE LOAN

2.1 Grant of the Credit Facility

The Lender grants to the Borrower, upon the terms and subject to the conditions hereof, a single disbursement term credit facility consisting of (i) a loan in an amount U.S.\$600,000,000 (the “**Tranche A**”), and (ii) a loan in an amount of U.S.\$1,437,000 (the “**Tranche B**”; and together with Tranche A, the “**Loan**”) and the Borrower hereby agrees to borrow such amount from the Lender on the Borrowing Date, subject as provided herein.

2.2 Purpose and Application

The Loan is intended to be used by the Borrower primarily to provide loans to its corporate customers and for general corporate purposes. Without affecting the obligations of the Borrower in any way, the Lender shall not be obliged to concern itself with such application.

3. AVAILABILITY OF THE LOAN

3.1 Draw-down

Subject to the terms and conditions set out herein, the Loan will be available by way of a single draw-down which will be made by the Lender to the Borrower on the Borrowing Date by payment of the proceeds of the Loan to the Borrower's U.S. dollar account with JPMorgan Chase Bank N.A., New York, SWIFT: CHAS US 33, account number 400-124432, provided that the Loan will only be advanced if:

- (a) the Lender has confirmed to the Borrower that it has received all of the documents listed in Schedule 1 (*Conditions Precedent Documents*) hereto and that each is in form and substance satisfactory to the Lender, save as the Lender may otherwise agree; and
- (b) as of the Effective Date (i) no event has occurred or circumstance has arisen which would constitute an Event of Default or a Potential Event of Default; (ii) the representations and warranties set out in Clause 10 (*Representations and Warranties of the Borrower*) are true and accurate with respect to the facts and circumstances then subsisting and (iii) the fees owed by the Borrower to the Lender pursuant to Clause 3.2 (*Fees*) below shall have been paid.

3.2 Fees

The Borrower hereby agrees that it shall pay to the Lender, in Same-Day Funds, all amounts payable up-front required to be paid by the Borrower to the Lender pursuant to and in accordance with the applicable Fees Letter between the Borrower and the Lender on the Effective Date.

4. INTEREST PERIODS

The Borrower will pay interest semi-annually in U.S. dollars to the Lender on the outstanding principal amount of the Loan from time to time at the relevant Rate of Interest, calculated in accordance with the provisions of this Agreement (including, without limitation, Clause 5.2 (*Accrual and Calculation of Interest*)). Each period beginning on (and including) the Borrowing Date or any Interest Payment Date and ending on (and excluding) the next Interest Payment Date or the Final Repayment Date is herein called an "**Interest Period**".

5. PAYMENT AND CALCULATION OF INTEREST

5.1 Payments of Interest

The Borrower shall pay to the Account accrued interest on the outstanding principal amount of the Loan semi-annually in arrear in respect of each Interest Period calculated in accordance with Clause 5.2 (*Accrual and Calculation of Interest*) not later than 11.00 a.m. (New York City time) on the Business Day falling two Business Days prior to the Interest Payment Date on which such Interest Period ends. Subject as provided in Clause 5.2 (*Accrual and Calculation of Interest*), interest on the Loan will cease to accrue on the due date for repayment thereof unless payment of principal is improperly withheld or refused, in which event interest will continue to accrue (before and after any judgement) at the Rate of Interest to but excluding the date on which payment in full of the outstanding principal amount of the Loan is made.

5.2 Accrual and Calculation of Interest

The Borrower shall compute the amount of interest accrued on the outstanding principal amount of the Loan on a monthly basis, subject to Clause 19.1 (*Evidence of Debt*). The amount of interest payable in respect of the Loan for any Interest Period shall be calculated by applying the Rate of Interest to the outstanding principal amount of the Loan, dividing the product by two and rounding the resulting figure to the nearest cent (half a cent being rounded upwards). The amount of interest payable in respect of the Loan for any period other than an Interest Period shall be calculated on the basis of a year of 360 days consisting of 12 months of 30 days each and, in the case of each an incomplete month, the actual number of days elapsed.

5.3 Assumption when Calculating Interest

Whenever under this Agreement interest is to be calculated to the last day of an Interest Period and the calculation is required to be made before such last day, the parties shall assume that the amount of the Loan outstanding on the last day of the relevant Interest Period is the same as the amount of the Loan outstanding on the day of the calculation.

6. REPAYMENT

6.1 Repayment, No Prepayment

Except as otherwise provided herein and in accordance with Clause 16.1 (*Payments to the Lender*), the Borrower shall:

- (a) not later than 11.00 a.m. (New York City time) two Business Days prior to 22 January 2021, repay:
 - (i) the full principal amount of the Tranche B;
 - (ii) U.S.\$500 for each U.S.\$1,000 of the initial principal amount of the Tranche A then outstanding; and
- (b) not later than 11.00 a.m. (New York City time) two Business Days prior to each of the remaining Interest Payment Date thereafter (beginning on 22 July 2021 and ending on the Final Repayment Date), repay the outstanding principal amount of the Loan in eight equal instalments an amount of U.S.\$62.50 for each U.S.\$1,000 of the initial principal amount of the Tranche A then outstanding (provided that the amount payable shall be rounded to the nearest cent after the amount for the total principal amount then outstanding is calculated), provided that, to the extent not already paid in accordance with Clause 5.1 (*Payment of Interest*), the Borrower shall pay all interest accrued in respect of the last Interest Period (calculated to the Final Repayment Date) and all other amount payable hereunder (calculated as aforesaid) to the Account two Business Days prior to the Final Repayment Date.

6.2 Repayment for Tax Reasons and Change in Circumstances

If,

- (a) as a result of the application of or any amendment to or change in official interpretation of (i) the Double Tax Treaty (or in the double taxation treaty between Ukraine and any Qualifying Jurisdiction in which the Lender or any successor thereto is resident for tax purposes) or (ii) the laws or regulations of the United Kingdom or Ukraine (or any Qualifying Jurisdiction where the Lender is resident for tax purposes) or of any political subdivision thereof or any authority therein having power to tax or any Agency therein, the Borrower would thereby be required to pay Additional Amounts in respect of Taxes as provided in Clause 7.1 (*Additional Amounts*) or Indemnity Amounts as provided in Clause 7.3 (*Indemnity Amounts*); or

- (b) the Lender ceases to be resident for tax purposes in a Qualifying Jurisdiction, or has a permanent establishment in Ukraine for the purposes of the Double Tax Treaty, and as a result the Borrower would be required to withhold or deduct an amount on account of tax from any payment to be made under this Agreement; or
- (c) (for whatever reason) the Borrower would have to or has been required to pay additional amounts pursuant to Clause 9 (*Changes in Circumstances*); or
- (d) after a Relevant Event, the Borrower is or would be required to increase the payment of principal or interest or any other payment due hereunder as provided in Clause 7.1 (*Additional Amounts*) as a result of such payments being made to any person other than the Lender to whom the benefit of the Double Tax Treaty is unavailable,

and, in any such case, such obligation cannot be avoided by the Borrower taking reasonable measures available to it, then the Borrower may (unless such repayment would be prohibited by Ukrainian legislation effective as at the proposed date of such repayment), upon not less than 30 days' written notice to the Lender and to the Trustee specifying the date of payment and including an Officers' Certificate to the effect that the Borrower would be required in the case of (a), (c) and (d) above to pay such Additional Amounts, Indemnity Amounts or additional amounts, and in the case of (b) above to withhold or deduct such amounts and such obligation cannot be avoided by the Borrower taking reasonable measures, supported (where the certification relates to tax matters) by an opinion of an independent tax adviser of recognised standing in the relevant tax jurisdiction, repay the Loan in whole (but not in part) together with any Additional Amounts then payable under Clause 7.1 (*Additional Amounts*), Indemnity Amounts payable under Clause 7.3 (*Indemnity Amounts*), additional amounts payable pursuant to Clause 9 (*Changes in Circumstances*) and accrued interest. Any such notice of repayment given by the Borrower shall be irrevocable and shall oblige the Borrower to make such repayment on such date. No such notice shall be given earlier than 90 calendar days prior to the earliest date on which the Borrower would be obliged to pay such Additional Amounts, Indemnity Amounts or additional amounts, or deduct or withhold such amounts, as the case may be.

6.3 Repayment for Illegality

If, at any time, it is or would be unlawful or contrary to any applicable law or regulation or regulatory requirement or directive of any agency of any state or otherwise for the Lender to make, fund or allow all or part of the Funding Instruments or the Loan to remain outstanding or for the Lender to maintain or give effect to any of its obligations or rights in connection with this Agreement and/or to charge or receive or to be paid interest at the rate applicable in relation to the Loan (an "**Illegality**"), then the Lender shall deliver to the Borrower a written notice (with a copy to the Trustee) (setting out in reasonable detail the nature and extent of the relevant circumstances) to that effect and:

- (a) if the Loan has not been made, the Lender shall not thereafter be obliged to make the Loan; and
- (b) if the Loan is then outstanding and, if the Lender so requires, the Borrower shall (unless such repayment would be prohibited by Ukrainian legislation effective as at the proposed date of such repayment), on the latest date permitted by the relevant law or on such earlier day as the Borrower elects (as notified to the Lender not less than 30 days prior to the date of repayment), repay the whole (but not part only) of the outstanding principal amount of the Loan together with accrued interest (up to but excluding the date of such payment) thereon and all other amounts owing to the Lender hereunder.

6.4 Repayment in the event of a Change of Control

The Borrower shall notify the Lender promptly upon the occurrence of a Change of Control. In the event of a Change of Control, the Borrower may be required to repay the Loan together with all accrued and unpaid interest and any other amounts outstanding hereunder on the Change of Control Payment Date, to the extent and in the amount that the Lender is required to pay the holders of the

Funding Instruments as a result thereof as set forth in a written notice from the Lender to the Borrower (with a copy to the Trustee), including computation of such amount and specifying the Change of Control Payment Date, given at least five Business Days prior to the Change of Control Payment Date. Taking into account the terms of the Funding Instruments, the Lender shall, where reasonably practicable, specify a Change of Control Payment Date which falls before the date on which the actual Change of Control (as provided in paragraph (a) of the definition of that term) takes place.

6.5 Costs of Repayment

The Borrower shall, not later than 11.00 a.m. (New York City time) two Business Days prior to the date of repayment made in accordance with Clauses 6.2 (*Repayment for Tax Reasons and Change in Circumstances*), 6.3 (*Repayment for Illegality*) and 6.4 (*Repayment in the event of a Change of Control*), pay all accrued interest (calculated to (but excluding) the date of repayment) and all other amounts owing or payable to the Lender hereunder. The Borrower shall indemnify the Lender on written demand against any administrative costs and legal expenses reasonably incurred and properly documented by the Lender on account of any repayment made in accordance with Clauses 6.2 (*Repayment for Tax Reasons and Change in Circumstances*), 6.3 (*Repayment for Illegality*) and 6.4 (*Repayment in the event of a Change of Control*). In case of any repayment pursuant to Clauses 6.2 (*Repayment for Tax Reasons and Change in Circumstances*), 6.3 (*Repayment for Illegality*) and 6.4 (*Repayment in the event of a Change of Control*) prior to the last day of, the Adjusted Interest Period, the amount of interest to be received by the Lender shall be determined as follows:

- (a) the amount of interest calculated as provided in Clause 5.2 (*Accrual and Calculation of Interest*) less the outstanding principal amount of the Tranche B; or
- (b) in the event that the amount of interest calculated as provided in Clause 5.2 (*Accrual and Calculation of Interest*) is less than the outstanding principal amount of the Tranche B at the time of repayment, no interest shall be paid and the principal amount of the Loan shall be deemed reduced by an amount equal to the difference between the amount of interest to be calculated as provided in Clause 5.2 (*Accrual and Calculation of Interest*) and the outstanding principal amount of the Tranche B.

6.6 Limitation on Prepayment; No Other Repayments and No Reborrowing

The Borrower shall not repay the whole or any part of the outstanding principal amount of the Loan except at the times and in the manner expressly provided for in this Agreement. No amount prepaid under this Agreement may be reborrowed.

6.7 Purchase of Funding Instruments

The Borrower or any member of the Group may from time to time to deliver or cause to be delivered to the Lender, as issuer of the Funding Instruments, Funding Instruments together with a request for the Lender to present such Funding Instruments to the Principal Paying Agent for cancellation, and may from time to time procure the delivery to the Principal Paying Agent of a Global Note (as such term is defined in the Funding Documents) with instructions to cancel a specified aggregate principal amount of Funding Instruments represented thereby, whereupon the Lender, as issuer of the Funding Instruments, shall request the cancellation of such Funding Instruments (or specified aggregate principal amount of Funding Instruments represented by such Global Note) as provided in the Funding Documents. Upon any such cancellation a principal amount of the Loan equal to the principal amount of such Funding Instruments shall be deemed to have been repaid as of the date of such cancellation and no further payment shall be made or required to be made by the Borrower in respect of such amounts, provided that to the extent the relevant Funding Instruments are delivered and the cancellation occurs prior to 22 January 2021, for each U.S.\$1,000 in principal amount of Notes U.S.\$1,002.3950 in principal amount of the Loan shall be deemed to have been repaid and shall be applied pro rata among Tranche A and Tranche B. The Borrower shall, upon the request of the Lender or the Trustee from time to time, advise the person making the request of the aggregate principal amount of Funding Instruments then held by or on behalf of the Borrower.

7. TAXES

7.1 Additional Amounts

- (a) All payments to be made by the Borrower under this Agreement shall be made in full without set-off or counterclaim, free and clear of and without deduction for or on account of any present or future Taxes imposed by any taxing authority of or in, or having authority to tax in, Ukraine, the United Kingdom or any Qualifying Jurisdiction in which the Lender or any successor thereto is resident for tax purposes (each a “Taxing Authority”), unless the Borrower is required by applicable law to make such payment subject to the deduction or withholding of such Taxes. In the event that the Borrower is required to make any such payment subject to deduction or withholding of any such Tax the Borrower shall, on the due date for such payment, pay such additional amounts (“Additional Amounts”) as may be necessary to ensure that the Lender or the Trustee, as the case may be, receives a net amount in U.S. dollars which, following any such deduction or withholding on account of Taxes, shall be not less than the full amount which it would have received had the payment been made without such deduction or withholding and shall deliver to the Lender (or the Trustee, as the case may be) without undue delay, evidence satisfactory to the Lender (or the Trustee, as the case may be) of such deduction or withholding and of the accounting therefor to the relevant authority. Notwithstanding the foregoing, the Borrower shall not be obliged to pay any Additional Amounts if and to the extent that the relevant withholding or deduction is required following and on account of a Relevant Event.
- (b) At least 30 calendar days prior to each date on which any payment under or with respect to the Loan is due and payable, if the Borrower will be obliged to pay Additional Amounts with respect to such payment (upon and subject to written notice by the Lender or by the Trustee), the Borrower will deliver to the Lender (and to the Trustee) an Officers’ Certificate stating the fact that such Additional Amounts will be payable and the amounts so payable.
- (c) Whenever this Agreement mentions, in any context, the payment of amounts based upon the principal or premium, if any, interest or of any other amount payable under or with respect to the Loan, this includes, without duplication, payment of any Additional Amounts and Indemnity Amounts that may be applicable.

The foregoing provisions shall apply, modified as necessary, to any Taxes imposed or levied by any Taxing Authority in any jurisdiction in which any successor obligor to the Borrower is organised.

7.2 Double Tax Treaty Relief

- (a) The Lender will use its reasonable endeavours to furnish the Borrower, as soon as practicable after the start of each calendar year (or as frequently as may be requested to enable the Borrower to claim relief as provided below) with a duly signed and completed tax certificate issued by the competent taxing authority in the United Kingdom in respect of that year confirming that the Lender is a tax resident in the United Kingdom within the meaning of the Double Tax Treaty (each, a “Tax Certificate”). The Borrower shall claim relief from deducting withholding tax or a reduction in the withholding tax rate to the maximum extent possible in accordance with the Double Tax Treaty in respect of payments to be made by the Borrower under this Agreement.
- (b) Each of the Lender and the Borrower shall make reasonable and timely efforts to co-operate and assist each other in obtaining relief from withholding of Ukrainian income tax pursuant to the Double Tax Treaty which shall, for the avoidance of doubt, include (but not be limited to) the Lender making reasonable and timely efforts to:
- (c) furnish the Borrower with such information or forms (including a power of attorney in form and substance acceptable to the Borrower authorising it to file each Tax Certificate on behalf of the Lender with the relevant taxing authority) to enable the Borrower to apply to obtain relief from deduction or withholding of Ukrainian tax, and

- (d) obtain any available tax refund if a relief from deduction or withholding of Ukrainian tax has not been obtained on the basis of the relevant provisions of the Double Tax Treaty; and
- (e) procure that each Tax Certificate is stamped or otherwise approved by the competent Tax Authority in the United Kingdom, and apostilled or otherwise legalised.
- (f) If a relief from deduction or withholding of Ukrainian tax or a tax refund under this Clause 7.2 has not been obtained and further to an application of the Borrower to the relevant Ukrainian tax authorities the latter requests the Lender's hryvnia bank account details, the Lender shall at the request of the Borrower (i) use reasonable efforts to procure that such hryvnia bank account of the Lender is duly opened and maintained, and (ii) thereafter furnish the Borrower with the details of such hryvnia bank account.
- (g) Nothing contained in this Clause 7.2 shall interfere with the right of the Lender to arrange its affairs generally in whatever manner it thinks fit nor oblige the Lender to disclose confidential information of any information relating to its affairs generally. The Borrower and the Lender will inform each other, in a reasonable and timely manner, on the status of the procedures and the steps necessary to be taken in pursuance of this Clause 7.2. The Lender makes no representation as to the application or interpretation of the Double Tax Treaty.
- (h) If the Lender becomes resident for tax purposes in another Qualifying Jurisdiction, references in paragraphs (a) and (b) to taxing authority of the United Kingdom, United Kingdom Tax Certificate and Double Tax Treaty shall be read, respectively, as including references to the taxing authority of the Qualifying Jurisdiction, a Qualifying Jurisdiction Tax Certificate and the double tax treaty between Ukraine and the Qualifying Jurisdiction.

7.3 Indemnity Amounts

Without prejudice to or duplication of the provisions of Clause 7.1 (*Additional Amounts*), if the Lender notifies the Borrower that:

- (a) it is obliged to make any deduction or withholding for or on account of any Taxes from any payment which the Lender (as issuer of the Funding Instruments) is obliged to make under or in respect of the Funding Instruments or any Funding Document and the Lender (as issuer of the Funding Instruments) is required under the terms and conditions of the Funding Instruments or such Funding Document to pay additional amounts to the holders of the Funding Instruments in connection therewith, the Borrower shall pay to the Lender within 30 days of such notice (and otherwise in accordance with the terms of this Agreement) such additional amounts as are equal to the additional payments which the Lender (as issuer of the Funding Instruments) would be required to make under the terms and conditions of the Funding Instruments or such Funding Document, assuming in each case that an equivalent amount had been received from the Borrower, in order that the net amount received by each holder of Funding Instruments or other party to the relevant Funding Document is equal to the amount which such holder or party would have received had no such withholding or deduction been required to be made; and/or
- (b) it is obliged to pay any Taxes imposed by a Taxing Authority (other than Taxes assessed on the Lender by reference to its overall net income) in relation to this Agreement, the Funding Instruments or any Funding Document, the Borrower shall, as soon as reasonably practicable following, and in any event within 30 calendar days of, a written demand made by the Lender, indemnify the Lender in relation to such properly documented payment or liability.

Any payments required to be made by the Borrower under this Clause 7.3 are collectively referred to as "**Indemnity Amounts**". For the avoidance of doubt, the provisions of this Clause 7.3 shall not apply to any withholding or deductions of Taxes with respect to the Loan which are subject to payment of Additional Amounts under Clause 7.1 (*Additional Amounts*).

7.4 Tax Claims

If the Lender intends to make a claim pursuant to Clause 7.3 (*Indemnity Amounts*), it shall notify the Borrower thereof as soon as reasonably practicable after the Lender becomes aware of any obligation to make the relevant withholding, deduction or payment; *provided that* nothing herein shall require the Lender to disclose any confidential information relating to the organisation of its affairs.

7.5 Tax Credits and Tax Refunds

- (a) If a payment is made under Clause 7.1 (*Additional Amounts*) or 7.3 (*Indemnity Amounts*) by the Borrower for the benefit of the Lender and the Lender determines in its absolute discretion (acting in good faith) that it has received or been granted a credit against, a relief or remission for or a repayment of, any Taxes, then, if and to the extent that the Lender, in its absolute discretion (acting in good faith), determines that such credit, relief, remission or repayment is in respect of or calculated by reference to the corresponding deduction, withholding liability, expense, loss or payment giving rise to such payment by the Borrower, the Lender shall, to the extent that it can do so without prejudice to the retention of the amount of such credit, relief, remission or repayment, pay to the Borrower such amount as the Lender shall, in its absolute discretion (acting in good faith), have concluded to be attributable to such deduction, withholding, liability, expense, loss or payment; provided that the Lender shall not be obliged to make any payment under this Clause 7.5 (*Tax Credits and Tax Refunds*) in respect of any such credit, relief, remission or repayment until the Lender is, in its absolute discretion (acting in good faith), satisfied that its Tax affairs for its Tax year in respect of which such credit, relief, remission or repayment was obtained have been finally settled and further provided that the Lender shall not be obliged to make any such payment if and to the extent that the Lender determines in its absolute discretion (acting in good faith) that to do so would leave it (after the payment) in a worse after-Tax position than it would have been in had the payment not been required under Clause 7.1 (*Additional Amounts*) or 7.3 (*Indemnity Amounts*). Without prejudice to the Lender's obligations under Clause 7.2 (Double Tax Treaty Relief), nothing contained in this Clause 7.5 shall interfere with the right of the Lender to arrange its tax affairs in whatever manner it thinks fit nor oblige the Lender to disclose confidential information or any information relating to its Tax affairs generally or any computations in respect thereof.
- (b) If as a result of a failure to obtain relief from deduction or withholding of any Tax imposed by any Taxing Authority, in particular in accordance with the Double Tax Treaty, such Tax is deducted or withheld by the Borrower pursuant to Clause 7.1 (*Additional Amounts*) and an Additional Amount is paid by the Borrower to the Lender in respect of such deduction or withholding, the Borrower may apply, under the supervision and on behalf of the Lender, to the relevant Taxing Authority for a Tax refund. If and to the extent that any Tax refund is credited by such Taxing Authority to a bank account of the Lender, the Lender shall as soon as reasonably possible notify the Borrower of the receipt of such Tax refund and promptly transfer the entire amount of the Tax refund to an account specified by the Borrower if and to the extent that the Lender determines in its absolute discretion (acting in good faith) that to do so will leave it (after the payment and after deduction of costs and expenses incurred in relation to such Tax refund for which the Borrower is liable) in no worse an after-Tax position than it would have been in had there been no failure to obtain relief from such withholding or deduction.

7.6 Tax Position of the Lender

The Lender represents that it (i) is a resident in the United Kingdom for United Kingdom tax purposes as a result of being a United Kingdom incorporated company and is subject to taxation in the United Kingdom, (ii) does not have a permanent establishment in Ukraine, and (iii) does not have any current intentions to effect during the term of the Loan, any corporate action or reorganisation or change of taxing jurisdiction that would result in the Lender ceasing to be a resident in the United Kingdom.

8. TAX RECEIPTS

8.1 Notification of Requirement to Deduct Tax

If, at any time, the Borrower is required by law to make any deduction or withholding from any sum payable by it hereunder (or if thereafter there is any change in the rates at which or the manner in which such deductions or withholdings are calculated), the Borrower shall promptly notify the Lender.

8.2 Evidence of Payment of Tax

- (a) The Borrower will use its reasonable endeavours to provide the Lender with Tax receipts evidencing the payment of any Taxes deducted or withheld by it from each Tax Authority imposing such Taxes or, if such receipts are not obtainable, other evidence of such payments by the Borrower reasonably acceptable to the Lender. The Borrower will also provide English translations of such receipts.
- (b) The Lender will use its reasonable endeavours to provide the Borrower with Tax receipts evidencing the payment of any Taxes deducted or withheld by it from each Tax Authority imposing such Taxes or, if such receipts are not obtainable, other evidence of such payments by the Lender reasonably acceptable to the Borrower.

9. CHANGES IN CIRCUMSTANCES

9.1 Increased Costs

If, by reason of any Change of Law, other than a Change of Law which relates to the basis of computation of, or rate of, Tax on, the net income of the Lender:

- (a) the Lender incurs an additional cost as a result of the Lender entering into or performing its obligations (including its obligation to make the Loan) under this Agreement (excluding Taxes payable by the Lender on its overall net income); or
- (b) the Lender becomes liable to make any additional payment on account of Taxes or otherwise (not being Taxes imposed on its net income or the amounts due pursuant to the Fees Letter) on or calculated by reference to the amount of the Loan and/or to any sum received or receivable by it hereunder except where compensated under Clause 7.1 (*Additional Amounts*) or under Clause 7.3 (*Indemnity Amounts*),

then the Borrower shall, from time to time within 30 days of written demand of the Lender, pay to the Lender amounts sufficient to hold harmless and indemnify it from and against, as the case may be, such properly documented cost or liability, *provided that* the Lender will not be entitled to indemnification where such additional cost or liability arises as a result of the gross negligence, fraud or wilful default of the Lender and *provided, further, that* the amount of such increased cost or liability shall be deemed not to exceed an amount equal to the proportion of any cost or liability which is directly attributable to this Agreement.

9.2 Increased Costs Claims

If the Lender intends to make a claim pursuant to Clause 9.1 (*Increased Costs*), it shall promptly notify the Borrower thereof and provide a description in writing in reasonable detail of the relevant reason (as described in Clause 9.1 (*Increased Costs*) above) including a description of the relevant affected jurisdiction or country and the date on which the change in circumstances took effect. This written description shall demonstrate the connection between the change in circumstance and the increased costs and shall be accompanied by relevant supporting documents evidencing the matters described therein, *provided that* nothing herein shall require the Lender to disclose any confidential information relating to the organisation of its or any other Person's affairs.

9.3 Mitigation

If circumstances arise which would result in any payment being required to be made by the Borrower pursuant to Clauses 7.1 (*Additional Amounts*) or 7.3 (*Indemnity Amounts*) or this Clause 9, then, without in any way limiting, reducing or otherwise qualifying the rights of the Lender or the Borrower's obligations under any of the above mentioned provisions, the Lender shall as soon as reasonably practicable upon becoming aware of the same notify the Borrower thereof and, in consultation with the Borrower and to the extent it can lawfully do so and without material prejudice to its own position, take reasonable steps to avoid or mitigate the effects of such circumstances including (without limitation) by the change of its lending office or transfer of its rights or obligations under this Agreement to another bank.

10. REPRESENTATIONS AND WARRANTIES OF THE BORROWER

The Borrower makes the representations and warranties set out in Clause 10.1 (*Status; Material Subsidiaries*) to Clause 10.14 (*Compliance with Laws*) (inclusive) and acknowledges that the Lender has entered into this Agreement in reliance on those representations and warranties.

10.1 Status; Material Subsidiaries

It validly exists under Ukrainian law, has full power and authority to own, lease and operate its properties and conduct its business as currently conducted and is able lawfully to execute and perform its obligations under this Agreement. At the date of this Agreement the Borrower has no Material Subsidiaries.

10.2 Governmental Approvals

Save as provided in Clause 12.1 (*Maintenance of Legal Validity*), all actions or things required to be taken, fulfilled or done by the laws and regulations of Ukraine (including, without limitation the obtaining of any authorisation, order, licence or qualification of or with any court or governmental agency) and all registrations, filings or notarisations required by the laws and regulations of Ukraine in order to ensure (i) that the Borrower and each of its Subsidiaries is able to own its assets and carry on its business as currently conducted and, if not, the absence of which could not reasonably be expected to have a Material Adverse Effect and (ii) the due execution, delivery, validity and performance by the Borrower of this Agreement has been obtained, fulfilled or done and is in full force and effect (*provided that* the registration of the amendments introduced to this Agreement by the Amendment and Restatement Agreement with the NBU will be obtained upon execution of the Amendment and Restatement Agreement but not later than the Effective Date).

10.3 *Pari Passu* Obligations

Under the laws of Ukraine in force at the date of this Agreement, the claims of the Lender against the Borrower under this Agreement will rank at least *pari passu* in right of payment with the claims of all its other unsecured and unsubordinated creditors, save those whose claims are preferred by any bankruptcy, insolvency, liquidation, moratorium or similar laws of general application.

10.4 No Deduction

Without prejudice to the provisions of Clause 7.1 (*Additional Amounts*), under the laws of Ukraine in force at the date of this Agreement, in accordance with the terms of the Double Tax Treaty and subject to the due satisfaction by the payee of certain conditions set forth therein and of certain requirements of applicable Ukrainian legislation, in particular as provided in Clause 7.2 (*Double Tax Treaty Relief*), payments of interest by the Borrower to the payee under this Agreement may be made without deduction on account of the generally applicable withholding tax (at a rate of 15 per cent.) established by applicable Ukrainian legislation.

10.5 Governing Law

Under the laws of Ukraine in force at the date of this Agreement, in any proceedings taken in Ukraine in relation to this Agreement, the choice of English law as the governing law of this Agreement and any arbitral award with respect to this Agreement obtained in the United Kingdom will be recognised and enforced in Ukraine after compliance with the applicable procedural rules in Ukraine.

10.6 Admissibility in Evidence

All acts, conditions and things required to be done, fulfilled and performed (other than by the Lender) to make this Agreement admissible in evidence in Ukraine (whether in arbitration proceedings or otherwise) have been done, fulfilled and performed.

10.7 Valid and Binding Obligations

Upon registration of this Agreement with the NBU, the obligations expressed to be assumed by the Borrower in this Agreement will be legal, valid and binding, subject to applicable bankruptcy, insolvency, fraudulent conveyance, reorganisation moratorium and similar laws relating to or affecting creditors' rights generally and to general principles of equity, enforceable against it in accordance with its terms.

10.8 No Stamp Taxes

Under the laws of Ukraine in force at the date of this Agreement, the execution and delivery of any Funding Document is not subject to any registration tax, stamp duty or similar levy imposed by any Taxing Authority of or in, or having authority to tax in, Ukraine.

10.9 No Default

No event has occurred and is continuing or circumstance has arisen and is continuing which would constitute an Event of Default or a Potential Event of Default.

10.10 No Material Proceedings

There are no legal or administrative or arbitration proceedings current or pending or, to the best of the knowledge and belief of the Borrower, threatened before any court, tribunal, arbitration panel or Agency which might have a Material Adverse Effect.

10.11 No Material Adverse Change

Save as disclosed in the Memorandum, since 31 March 2015 there has been no material adverse change, or any development involving a prospective material adverse change of which the Borrower is or might reasonably be expected to be aware, in the business, financial condition or results of operations of the Group.

10.12 Financial Statements

The financial information of the Borrower has been derived, unless otherwise indicated, from its audited consolidated financial statements and the notes thereto as at and for the years ended 31 December 2014 and 31 December 2013 have been prepared in accordance with IFRS issued by the International Accounting Standards Board. The condensed interim consolidated financial information as at and for the three-month period ended 31 March 2015 has been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting.

10.13 Execution of Agreements

Its execution and delivery of this Agreement and its exercise of its rights and performance of its obligations hereunder do not and will not:

- (a) conflict with or result in a breach of any of the terms of, or constitute a default under, any material instrument, agreement or order to which the Borrower or any of its Material Subsidiaries is a party or by which it or its properties is bound; or
- (b) conflict with the provisions of the constitutional documents of the Borrower or any resolution of its shareholders; or
- (c) give rise to any event of default or moratorium in respect of any of the obligations of the Borrower or any of its Material Subsidiaries or the creation of any lien, encumbrance or other security interest (howsoever described) in respect of any of the assets of the Borrower or any of its Material Subsidiaries, which, in any case, could reasonably be expected to have a Material Adverse Effect on the Borrower's ability to perform its obligations under this Agreement.

10.14 Compliance with Laws

The Borrower and each of its Subsidiaries are in compliance with, in all material respects, all applicable laws and regulations.

10.15 Repetition

Each of the representations and warranties contained in this Clause 10 (except for Clause 10.11 (*No Material Adverse Change*)) shall be deemed to be repeated by the Borrower on the Effective Date.

11. REPRESENTATIONS AND WARRANTIES OF THE LENDER

The Lender makes the representations and warranties set out in Clause 7.6 (*Tax Position of the Lender*) and this Clause 11 and acknowledges that the Borrower has entered into this Agreement in reliance on those representations and warranties.

11.1 Status

The Lender is a public limited company duly incorporated under the laws of the United Kingdom and is resident for United Kingdom taxation purposes in the United Kingdom and has full corporate power and authority to enter into this Agreement and each Funding Document and to undertake and perform the obligations expressed to be assumed by it herein and therein. Pursuant to its constitutional documents, the Lender may lend money to any persons for any purpose whatsoever and carry on business as a financial institution.

11.2 Authorisation

Each of this Agreement and each Funding Document has been duly authorised, executed and delivered by the Lender and is a legal, valid and binding obligation of the Lender, enforceable against the Lender in accordance with its terms, except that the enforcement thereof may be subject to bankruptcy, insolvency, fraudulent conveyance, reorganisation, moratorium and other similar laws relating to or affecting creditors' rights generally and to general principles of equity.

11.3 Consents and Approvals

All authorisations, consents and approvals required by the Lender for or in connection with the execution of this Agreement and each Funding Document and the performance by the Lender of the obligations expressed to be undertaken in such agreements have been obtained and are in full force and effect.

11.4 No Conflicts

The execution of this Agreement and each Funding Document and the undertaking and performance by the Lender of the obligations expressed to be assumed by it herein and therein will not conflict with, or result in a breach of or default under, the laws of the United Kingdom.

12. COVENANTS

The covenants in this Clause 12 remain in force from the date of this Agreement for so long as the Loan or any part of it is or may be outstanding.

12.1 Maintenance of Legal Validity

The Borrower shall obtain, comply with the terms of and do all that is necessary to maintain in full force and effect all authorisations, approvals, licences and consents and make or cause to be made all registrations, recordings and filings required in or by the applicable laws and regulations of Ukraine to enable it lawfully to enter into and perform its obligations under this Agreement (including in respect of any payments due hereunder) to which it is a party and to ensure the legality, validity, enforceability or admissibility in evidence in Ukraine of this Agreement.

12.2 Notification of Default

The Borrower shall promptly inform the Lender and the Trustee on becoming aware of the occurrence of any Event of Default or Potential Event of Default and, upon receipt of a written request to that effect from the Lender or the Trustee, confirm to the Lender and the Trustee that, save as previously notified to the Lender or as notified in such confirmation, no Event of Default or Potential Event of Default has occurred.

12.3 Claims Pari Passu

The Borrower shall ensure that at all times the claims of the Lender and the Trustee against it under this Agreement rank at least *pari passu* in right of payment with the claims of all other unsecured and unsubordinated creditors of the Borrower, save for those claims that are preferred by any bankruptcy, insolvency, liquidation or similar laws of general application.

12.4 Negative Pledge

The Borrower shall not and shall not permit any of its Material Subsidiaries, directly or indirectly, to create, incur or suffer to exist any Security Interests, other than Permitted Security Interests, on any of its or their assets, now owned or hereafter acquired, securing any Indebtedness or any Guarantee of any Indebtedness, unless the Loan is secured equally and rateably with such other Indebtedness or Guarantee or otherwise as approved by the Lender and the Trustee.

12.5 Mergers

The Borrower shall not, and shall ensure that none of its Material Subsidiaries will, without the prior written consent of the Lender and the Trustee, enter into any reorganisation (whether by way of a merger, accession, division, separation or transformation, as these terms are construed under applicable Ukrainian legislation), or participate in any other type of corporate reconstruction, if any such reorganisation or other type of corporate reconstruction would result in a Material Adverse Effect, *provided that*, the Borrower may in a single transaction or a series of related transactions, directly or indirectly, consolidate or merge with or into, or convey, transfer, lease, or otherwise dispose of, all or substantially all of the Borrower's properties or assets (determined on a consolidated basis), to any Subsidiary of the Borrower, where the resulting, surviving or transferee Person (the "**Successor Entity**"), shall be the Borrower or, if not the Borrower, shall be a Person organised and validly existing under the laws of Ukraine and such Successor Entity, if not the Borrower, shall expressly assume, by an agreement supplemental to this Agreement in form and substance satisfactory to the Lender and the Trustee, executed and delivered to the Lender and the Trustee, the due and punctual payment of the principal and interest under this Agreement and the performance and observance of every covenant of the Borrower under this Agreement.

12.6 Disposals

- (a) Without prejudice to the provisions of Clause 12.7 (*Transactions with Affiliates*), the Borrower shall not, and shall ensure that none of its Material Subsidiaries will, within a 12

month period, sell, lease, transfer or otherwise dispose of, to a Person other than the Borrower or a Subsidiary of the Borrower, as the case may be, by one or more transactions or series of transactions (whether related or not), the whole or any part of its revenues or its assets which together constitute more than 10 per cent. of the gross assets of the Group unless such transaction(s) is/are on an arm's-length basis and has/have been approved by a decision adopted by the competent governing body of the Borrower or the relevant Material Subsidiary (as the case may be).

- (b) This Clause 12.6 shall not apply to (i) any sale, lease, transfer or other disposition of any assets of the Borrower or property pledged as collateral by or to the Borrower or any of its Subsidiaries in the ordinary course of the Borrower's or, as the case may be, the relevant Subsidiary's business, (ii) any revenues or assets (or any part thereof) the subject of any securitisation of receivables, asset-backed financing or similar financing structure whereby all payment obligations are to be discharged primarily from such assets or revenues *provided that* principal amount raised pursuant to any financing referred to in this sub-clause (ii) when aggregated with the principal amount of any previous and then outstanding such financing and the then outstanding principal amount of any Indebtedness or Guarantee referred to in the proviso to paragraph (g) of the definition of Permitted Security Interest does not exceed an amount equal to 20 per cent. of the Borrower's loans to customers before allowances for impairment (calculated by reference to the Borrower's consolidated balance sheet as at the end of its most recent IFRS Fiscal Period) or (iii) any compensation or employee benefit arrangements with any officer or director of the Borrower or any of its Subsidiaries arising as a result of their employment contract.

12.7 Transactions with Affiliates

- (a) The Borrower shall not, and shall ensure that none of its Subsidiaries, directly or indirectly, conduct any business, enter into or permit to exist any transaction or series of related transactions (including the purchase, sale, transfer, assignment, lease, conveyance or exchange of any property or the rendering of any service) with, or for the benefit of, any Affiliate (an "Affiliate Transaction"), including intercompany loans, unless the terms of such Affiliate Transaction are (taking into account the standing and credit rating of the relevant Affiliate) no less favourable to the Borrower or such Subsidiary, as the case may be, than those that could be obtained in a comparable arm's-length transaction with a Person that is not an Affiliate of the Borrower or any of its Subsidiaries.
- (b) With respect to an Affiliate Transaction involving aggregate payments or value in excess of U.S.\$15,000,000, the Borrower shall deliver to the Lender and the Trustee a written opinion from an Independent Appraiser to the effect that such Affiliate Transaction is fair, from a financial point of view, to the Borrower, *provided that* in no event shall the aggregate amount of all Affiliate Transactions exceed 35 per cent. of the Group's assets, determined by reference to the Borrower's consolidated balance sheet as at the end of its most recent IFRS Fiscal Period.
- (c) This Clause 12.7 shall not apply to (i) any Affiliate Transaction made pursuant to a contract existing on the date hereof and advised in writing to the Lender (excluding any amendments or modifications thereof made after the date hereof) or (ii) transactions between or among all or any of the Borrower and/or its Subsidiaries and paragraph (b) of this Clause 12.7 shall not apply to any Affiliate Transaction where the Affiliate in question is an Agency of Ukraine or a Person which is Subsidiary of an Agency of Ukraine.

12.8 Payment of Taxes and Other Claims

The Borrower shall, and shall ensure that its Material Subsidiaries pay or discharge or cause to be paid or discharged, before the same shall become overdue all Taxes, assessments and governmental charges levied or imposed upon, or upon the income, profits or property of the Borrower and its Material Subsidiaries; *provided that*, none of the Borrower nor any Material Subsidiary shall be required to pay or discharge or cause to be paid or discharged any such tax, assessment, charge or

claim (i) whose amount, applicability or validity is being contested in good faith by appropriate proceedings and for which adequate reserves in accordance with IFRS or other appropriate provision has been made or (ii) whose amount, together with all such other unpaid or undischarged Taxes, assessments, charges and claims, does not in the aggregate exceed U.S.\$1,000,000 (or its equivalent in other currencies).

12.9 Financial Information

- (a) The Borrower hereby undertakes that it will deliver to the Lender and the Trustee within 180 days after the end of each of its financial years, copies of the Borrower's audited consolidated financial statements for such financial year, prepared in accordance with IFRS and together with the report of the Auditors thereon.
- (b) The Borrower hereby undertakes that it will deliver to the Lender and the Trustee within 90 days after the end of the second quarter of each of its financial years, copies of the Borrower's unaudited consolidated financial statements for six months, prepared in accordance with IFRS. To the extent that the Borrower produces quarterly unaudited consolidated financial statements ("Quarterly Statements"), prepared in accordance with IFRS, the Borrower further undertakes to provide copies of Quarterly Statements within three months after the end of each quarter.
- (c) The Borrower hereby undertakes that it will deliver to the Lender and the Trustee, without undue delay, such additional information regarding the financial position or the business of the Borrower as the Lender or the Trustee may reasonably request.
- (d) The Borrower hereby undertakes that it will supply or procure to be supplied to the Lender (in sufficient copies as may reasonably be required by the Lender) with a copy to the Trustee all such information as the Stock Exchange (or any other or further stock exchange or stock exchanges or any other relevant authority or authorities on which the Funding Instruments may, from time to time, be listed or admitted to trading) may require in connection with the listing or admittance to trading of the Funding Instruments.

12.10 Maintenance of Capital Adequacy

The Borrower shall not, and shall ensure that each Subsidiary which carries on a Banking Business shall not, permit its total capital adequacy ratio to fall below the minimum total capital adequacy ratio required by the NBU and, in the case of a Subsidiary which carries on a Banking Business outside Ukraine, the relevant banking authority responsible for setting and/or supervising capital adequacy for financial institutions in the relevant jurisdiction in which such Subsidiary carries on its Banking Business.

12.11 Limitation on restrictions on distributions from Material Subsidiaries

The Borrower shall not, and shall not permit any of its Material Subsidiaries to, create or otherwise cause or permit to exist or become effective any consensual encumbrance or consensual restriction on the ability of any Subsidiary:

- (a) to pay dividends or make any other distributions on its share capital;
- (b) to make any loans or advances or pay any Indebtedness owed to the Borrower; or
- (c) to transfer any of its property or assets to the Borrower

other than encumbrances or restrictions existing under applicable law, any Funding Document or any other agreement in effect prior to the date hereof and advised in writing to the Lender.

12.12 Compliance Certificates

On each Interest Payment Date, the Borrower shall deliver to the Lender and the Trustee written notice in the form of an Officers' Certificate stating whether any Event of Default or Potential Event of Default has occurred and, if it has occurred and shall be continuing, the action the Borrower is taking or proposes to take with respect thereto.

12.13 Amendments to this Agreement

The Borrower shall not without the prior written consent of the Lender make any amendments to (i) this Agreement or (ii) the notification submitted to the NBU in respect of this Agreement and registered by the NBU (as evidenced by the respective registration notation) (the "**Registration Notification**") that would, by virtue of their execution and subsequent registration by the NBU, in the case of amendments to this Agreement, or by virtue of their being made, in the case of amendments to the Registration Notification, in either case result in a lower maximum interest rate being applied to the amounts payable by the Borrower under this Agreement (including, but not limited to, interest payments, fees and indemnity amounts) than as set by the NBU as at the date hereof.

13. EVENTS OF DEFAULT

Each of Clause 13.1 (*Failure to Pay*) to Clause 13.10 (*Analogous Events*) describes the circumstances which constitute an Event of Default for the purposes of this Agreement. If one or more Events of Default shall occur and be continuing, the Lender (or the Trustee, as applicable) shall be entitled to the remedies set forth in Clause 13.11 (*Acceleration*).

13.1 Failure to Pay

The Borrower fails to pay any sum due from it hereunder at the time, in the currency and in the manner specified herein, and such failure is not remedied within five Business Days of the due date for payment.

13.2 Obligations

The Borrower fails duly to perform or comply with, or is otherwise in breach of any other of its obligations (other than set out in Clause 13.1 (*Failure to Pay*)) expressed to be assumed by it in this Agreement and such failure or breach is not remedied within 15 days after the Lender (and, following a Relevant Event, the Trustee) has given notice of it to the Borrower requiring the same to be remedied.

13.3 Cross Acceleration

Any Indebtedness of the Borrower or any of its Subsidiaries becomes due and payable prior to the stated maturity thereof (other than at the option of the debtor) or the Borrower or any of its Subsidiaries shall fail to make any payment of principal in respect of any Indebtedness of the Borrower or any of its Subsidiaries or to make any payment under any Guarantee of any Indebtedness on the date on which such payment is due and payable or by the expiration of any grace period originally applicable thereto, unless the aggregate amount of Indebtedness relating to all the above events is less than U.S.\$10,000,000 (or its equivalent in any other currency).

13.4 Validity and Illegality

The validity of this Agreement is contested by the Borrower or the Borrower shall deny any of its obligations under this Agreement or (save as provided in Clause 12.1 (*Maintenance of Legal Validity*)) it is, or will become, unlawful for the Borrower to perform or comply with any of its obligations under this Agreement or any of such obligations shall become unenforceable or cease to be legal, valid and binding in a manner which has a material adverse effect on the rights or claims of the Lender or, following a Relevant Event, the Trustee under this Agreement.

13.5 Authorisations

Any regulation, decree, consent, approval, licence or other authority necessary to enable the Borrower to enter into or (save as provided in Clause 12.1 (*Maintenance of Legal Validity*)) perform its obligations under this Agreement or for the validity or enforceability thereof shall expire or be withheld, revoked or terminated or otherwise cease to remain in full force and effect or shall be modified in a manner which adversely affects any rights or claims of the Lender or, following a Relevant Event, the Trustee under this Agreement.

13.6 Revocation of Licence; Insolvency

- (a) The occurrence of any of the following events: (i) revocation of the general banking licence of the Borrower or, if applicable, of any of its Subsidiaries; (ii) any of the Borrower or any of its Material Subsidiaries seeking, consenting or acquiescing in the introduction of proceedings for its liquidation or bankruptcy or the appointment of a liquidation commission or a similar officer of any of the Borrower or any of its Material Subsidiaries, as the case may be; (iii) the presentation or filing of a petition in respect of any of the Borrower or any of its Material Subsidiaries in any court, arbitration court or before any agency alleging or for the bankruptcy, insolvency, dissolution, liquidation (or any analogous proceeding) of any of the Borrower or any of its Material Subsidiaries; (iv) the institution of the supervision, external management, bankruptcy management of any of the Borrower or any of its Material Subsidiaries; (v) the convening or announcement of an intention to convene a meeting of creditors of any of the Borrower or any of its Material Subsidiaries for the purposes of considering an amicable settlement and/or (vi) any extra judicial liquidation or analogous act in respect of any of the Borrower or any of its Material Subsidiaries by any Agency in or of Ukraine.
- (b) The Borrower or any of its Material Subsidiaries (i) fails or is unable to pay its debts generally as they become due, or (ii) consents by answer or otherwise to the commencement against it of an involuntary case in bankruptcy or any other such action or proceeding or to the appointment of a custodian of it or for any substantial part of its property or (iii) a court of competent jurisdiction enters an order for relief or a decree in an involuntary case in bankruptcy or any other such action or proceeding or for the appointment of a custodian in respect of the Borrower or any of its Material Subsidiaries or any part of their property and such order or decree remains unstayed and in effect for 60 days.
- (c) The shareholders of the Borrower shall have approved any plan of liquidation or dissolution of the Borrower.

13.7 Judgments

The aggregate amount of unsatisfied judgments, decrees or orders of courts or other appropriate law-enforcement bodies (from which no further appeal or judicial review is permissible under applicable law) for the payment of money against the Borrower and/or any Subsidiaries of the Borrower exceeds U.S.\$10,000,000 or the equivalent thereof in any other currency or currencies and there is a period of 60 days following the entry thereof (or, if later, the date therein specified for payment) during which all such judgments, decrees or orders are not discharged, waived or the execution thereof stayed and such default continues for five days.

13.8 Business

The Borrower ceases to carry on the principal business it carried on at the date hereof.

13.9 Specified Government Securities

Ukraine (a) fails to pay any amount of principal or interest when due and payable (after any applicable grace period) on the Specified Government Securities, or (b) successfully completes a restructuring of the terms of the Specified Government Securities whereby the terms of such restructuring include a reduction in the principal amount of the Specified Government Securities,

provided that in either case at the relevant time the Bank's holdings of Specified Government Securities constitute at least 12 per cent. of the Bank's total assets, as determined in accordance with the most recent UAS financial statements prepared and published by the Bank.

13.10 Analogous Events

Any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in Clauses 13.4 (*Validity and Illegality*) to 13.7 (*Judgments*).

13.11 Acceleration

If an Event of Default has occurred and is continuing, the Lender and/or the Trustee may by written notice to the Borrower declare the outstanding principal amount of the Loan to be immediately due and payable (whereupon the same shall become immediately due and payable together with accrued interest thereon and any other sums then owed by the Borrower hereunder) or declare the outstanding principal amount of the Loan to be due and payable on demand of the Lender and/or the Trustee, provided that upon an acceleration of the Loan prior to the last day of the Adjusted Interest Period, the amount of interest to be received by the Lender shall be determined as follows:

- (a) the amount of interest calculated as provided in Clause 5.2 (*Accrual and Calculation of Interest*) less the outstanding principal amount of the Tranche B; or
- (b) in the event that the amount of interest calculated as provided in Clause 5.2 (*Accrual and Calculation of Interest*) is less than the outstanding principal amount of the Tranche B at the time of repayment, no interest shall be paid and the principal amount of the Loan shall be deemed reduced by an amount equal to the difference between the amount of interest to be calculated as provided in Clause 5.2 (*Accrual and Calculation of Interest*) and the outstanding principal amount of the Tranche B.

13.12 Amounts Due on Demand

If, pursuant to Clause 13.11 (*Acceleration*), the Lender or the Trustee declares the outstanding principal amount of the Loan to be due and payable on demand of the Lender or the Trustee, then, and at any time thereafter, the Lender or the Trustee may by written notice to the Borrower require repayment of the outstanding principal amount of the Loan on such date as it may specify in such notice (whereupon the same shall become due and payable on such date together with accrued interest thereon and any other sums then owed by the Borrower hereunder) or withdraw its declaration with effect from such date as it may specify in such notice.

14. INDEMNITY

14.1 The Borrower's Indemnity

- (a) The Borrower undertakes to the Lender, that if the Lender or the Trustee (each an "indemnified party") reasonably incurs any loss, liability, cost, claim, charge or expense, together with in each case any VAT thereon) (a "Loss") as a result of or in connection with any Event of Default or Potential Event of Default, the Borrower shall pay to the Lender or the Trustee, as the case may be, subject to the presentation of properly documented evidence thereof, an amount equal to such Loss and all costs, charges and expenses which it or any indemnified party may pay or incur in connection with investigating, disputing or defending any such action or claim as such costs, charges and expenses are incurred.
- (b) The indemnity in paragraph (a) above shall not apply to a Loss:
 - (i) which is caused by an indemnified party's gross negligence or wilful default or misconduct;
 - (ii) which is recovered under Clause 7.1 (*Additional Amounts*); or

- (iii) where an indemnity is sought already under Clause 7.3 (*Indemnity Amounts*), 9 (*Changes in Circumstances*) or 17 (*Costs and Expenses*).

14.2 Independent Obligation

Clause 14.1 (*The Borrower's Indemnity*) constitutes a separate and independent obligation of the Borrower from its other obligations under or in connection with this Agreement or any other obligations of the Borrower in connection with the issue of the Funding Instruments and shall not affect, or be construed to affect, any other provisions of this Agreement or any such other obligations.

14.3 Survival

The obligations of the Borrower pursuant to Clauses 7.1 (*Additional Amounts*), 7.2 (*Double Tax Treaty Relief*), 7.3 (*Indemnity Amounts*), 9 (*Changes in Circumstances*), 16 (*Payments*), 14.1 (*The Borrower's Indemnity*) and 16.3 (*No Set-off*) shall survive the execution and delivery of this Agreement, the borrowing and the repayment of the Loan, in each case by the Borrower.

15. CURRENCY OF ACCOUNT AND PAYMENT

15.1 Currency of Account

The U.S. dollar is the currency of account and payment for each and every sum at any time due from the Borrower hereunder.

15.2 Currency Indemnity

If any sum due from the Borrower under this Agreement or any order or judgment given or made in relation hereto has to be converted from the currency (the “**first currency**”) in which the same is payable hereunder or under such order or judgment into another currency (the “**second currency**”) for the purpose of (a) making or filing a claim or proof against the Borrower, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation hereto, the Borrower shall indemnify and hold harmless the Lender (and the Trustee) from and against any loss suffered or reasonably incurred as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which the Lender (and the Trustee) may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

16. PAYMENTS

16.1 Payments to the Lender

On each date on which this Agreement requires an amount denominated in U.S. dollars to be paid by the Borrower, the Borrower shall make the same available to the Lender by payment in U.S. dollars and in Same-Day Funds (or in such other funds as may for the time being be customary for the settlement of international banking transactions in U.S. dollars) not later than 11.00 a.m. (New York City time) on the Business Day falling two Business Days prior to the Interest Payment Date to the Account other than amounts payable (i) in respect of Reserved Rights (as such term is defined in the Trust Deed), (ii) under the Fees Letter or (iii) in relation to Clause 14.2 (*The Borrower's Indemnity*) which the Borrower shall pay to such account or accounts as the Lender and/or the Trustee shall notify to the Borrower; *provided that* if at any time the Trustee notifies the Borrower that a Relevant Event has occurred, the Borrower shall make all subsequent payments, which would otherwise be made to the Account, to such other account as shall be notified by the Trustee to the Borrower. Without prejudice to its obligations under Clause 5.1 (*Payment of Interest*), the Borrower shall procure that, before 10.00 a.m. (New York City time) on the Banking Day before the due date of each payment made by it under this Clause 16.1 (*Payments to the Lender*), the bank effecting payment on its behalf confirms to the Lender or to such person as the Lender may direct by tested

telex or authenticated SWIFT message the payment instructions relating to such payment. The Lender and/or the Trustee shall use their reasonable endeavours to provide the Borrower with information and documents as may be required by the applicable Ukrainian legislation for the purposes of making payments by the Borrower to any account other than the Account.

16.2 Alternative Payment Arrangements

If, at any time, it shall become impracticable (by reason of any action of any governmental authority or any change of law, exchange control regulations or any similar event) for the Borrower to make any payments under this Agreement in the manner specified in Clause 16.1 (*Payments to the Lender*), then the Borrower may agree with the Lender (and the Trustee) alternative arrangements for the payment to the Lender (or, as the case may be, the Trustee) of amounts due (prior to the delivery of any notice referred to in Clause 16.1 (*Payments to the Lender*)) under this Agreement *provided that*, in the absence of any such agreement with the Lender (or, as the case may be, the Trustee), the Borrower shall be obliged to make all payments due to the Lender in the manner specified above.

16.3 No Set-off

All payments required to be made by the Borrower hereunder shall be calculated without reference to any set-off or counterclaim and shall be made free and clear of and without any deduction for or on account of any set-off or counterclaim.

17. COSTS AND EXPENSES

17.1 Transaction Expenses and Fees

The Borrower agrees that it shall pay the fees and expenses of the Lender as specified in the Fees Letter.

17.2 Preservation and Enforcement of Rights

The Borrower shall, from time to time on written demand of the Lender (or the Trustee) reimburse the Lender (or, as the case may be, the Trustee) for all properly documented and reasonably incurred costs and expenses (including legal fees and expenses) together with any VAT thereon properly incurred in or in connection with the preservation and/or enforcement of any of its rights under this Agreement (except where the relevant claim is successfully defended by the Borrower).

17.3 Stamp Taxes

The Borrower shall pay all stamp, registration and other similar duties or Taxes (including any interest or penalties thereon or in connection therewith) to which the Funding Documents or any judgment given against the Borrower in connection therewith is or at any time may be subject and shall, from time to time on written demand of the Lender (or the Trustee), indemnify the Lender (or, as the case may be, the Trustee) against any properly documented liabilities, losses, costs, expenses (including, without limitation, legal fees and any applicable value added tax) and claims, actions or demand resulting from any failure to pay or any delay in paying any such duty or tax.

17.4 Costs Relating to Amendments and Waivers

The Borrower shall, from time to time on written demand of the Lender (or the Trustee) (and without prejudice to the provisions of Clause 14.1 (*The Borrower's Indemnity*) and Clause 17.2 (*Preservation and Enforcement of Rights*)) pay to the Lender (and, as the case may be, the Trustee) at such daily and/or hourly rates as the Lender (or, as the case may be, the Trustee) shall from time to time reasonably determine for all time expended by the Lender (or, as the case may be, the Trustee), their respective directors, officers and employees, and for all properly documented costs and expenses (including telephone, fax, copying and travel costs) they may reasonably incur, in connection with the Lender (and, as the case may be, the Trustee) taking such action as it may consider appropriate in connection with:

- (a) any meeting of holders of the Funding Instruments or the granting or proposed granting of any waiver or consent requested under this Agreement by the Borrower;
- (b) any actual or potential breach by the Borrower of any of its obligations under this Agreement;
- (c) the occurrence of any event which is an Event of Default or a Potential Event of Default; or
- (d) any amendment or proposed amendment to this Agreement or any Funding Document requested by the Borrower.

In that regard, the Lender shall, promptly upon request by the Borrower, convene a meeting of holders of Funding Instruments in accordance with the terms and conditions of the Funding Instruments and the provisions of the Funding Documents.

18. ASSIGNMENTS AND TRANSFERS

18.1 Binding Agreement

This Agreement shall be binding upon and enure to the benefit of each party hereto and its or any subsequent successors and assigns.

18.2 No Assignments and Transfers by the Borrower

The Borrower shall not be entitled to assign or transfer all or any of its rights, benefits and obligations hereunder.

18.3 Assignments by the Lender

Subject to the Funding Documents, the Lender may not assign or transfer, in whole or in part, any of its rights and benefits or obligations under this Agreement except for the charge by way of first fixed charge granted by the Lender in favour of the Trustee of the Lender's rights and benefits under this Agreement and the absolute assignment by way of security by the Lender to the Trustee of certain rights, interest and benefits under this Agreement and to the Account, in each case pursuant to the Funding Documents. If and to the extent required by applicable law or regulation of Ukraine, assignment or transfer by the Lender of its rights and benefits or obligations under this Agreement shall become effective upon registration with the NBU of an assignee or a transferee as the Lender under this Agreement.

19. CALCULATIONS AND EVIDENCE OF DEBT

19.1 Evidence of Debt

The Lender shall maintain accounts evidencing the amounts from time to time lent by and owing to it hereunder and in any legal action or proceeding arising out of or in connection with this Agreement, in the absence of manifest error and subject to the provision by the Lender to the Borrower of written information describing in reasonable detail the calculation or computation of such amounts together with the relevant supporting documents evidencing the matters described therein, the entries made in such accounts shall be conclusive evidence of the existence and amounts of the obligations of the Borrower therein recorded.

19.2 Change of Circumstance Certificates

A certificate signed by two Authorised Signatories of the Lender describing in reasonable detail the amount by which a sum payable to it hereunder is to be increased under Clause 7.1 (*Additional Amounts*) or the amount for the time being required to indemnify it against any such cost, payment or liability as is mentioned in Clause 7.3 (*Indemnity Amounts*) or Clause 9.1 (*Increased Costs*) or

Clause 14.1 (*The Borrower's Indemnity*) shall, in the absence of manifest error, be conclusive evidence of the existence and amounts of the specified obligations of the Borrower.

20. REMEDIES AND WAIVERS, PARTIAL INVALIDITY

20.1 Remedies and Waivers

No failure by the Lender or the Trustee to exercise, nor any delay by the Lender or the Trustee in exercising, any right or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right or remedy prevent any further or other exercise thereof or the exercise of any other right or remedy. The rights and remedies herein provided are cumulative and not exclusive of any rights or remedies provided by law.

20.2 Partial Invalidity

If, at any time, any provision hereof is or becomes illegal, invalid or unenforceable in any respect under the law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions hereof nor the legality, validity or enforceability of such provision under the law of any other jurisdiction shall in any way be affected or impaired thereby.

21. NOTICES; LANGUAGE

21.1 Written Notice

All notices, requests, demands or other communication to be made under this Agreement shall be in writing and, unless otherwise stated, shall be delivered by fax or post.

21.2 Giving of Notice

(a) Any communication or document to be delivered by one person to another pursuant to this Agreement shall (unless that other person has by 15 days' written notice specified another address) be made or delivered to that other person, addressed as follows:

(i) If to the Borrower:

Joint-Stock Company "The State Export-Import Bank of Ukraine"
127 Gorkogo Street
Kyiv 03150
Ukraine

Attention: International Borrowings Division
Tel: +38 044 247 8010/8926
Fax: +38 044 247 8928

(ii) If to the Lender:

Biz Finance PLC
4th Floor, 40 Dukes Place
London EC3A 7NH

Attention: the Directors
Fax: +44 20 31700246

With a copy to:

Attention: Head of Loans Support
Fax: +44 20 7888 8896

(iii) If to the Trustee:

BNY Mellon Corporate Trustee Services Limited
One Canada Square
London E14 5AL

Attention: Trustee Administration Manager [Ukreximbank]
Fax: +44 207 964 2509

- (b) Each communication and document to be made or delivered by one party to another pursuant to this Agreement shall, unless that other party has by 15 calendar days' written notice to the same specified another address or fax number, be made or delivered to that other party at the address or fax number specified in this Clause 21.2 and shall be effective upon receipt by the addressee on a business day in the city of the recipient; *provided that*, (i) any such communication or document which would otherwise take effect after 4:00 p.m. on any particular business day shall not take effect until 10:00 a.m. on the immediately succeeding business day in the city of the addressee and (ii) any communication or document to be made or delivered by one party to the other party shall be effective only when received by such other party and then only if the same is expressly marked for the attention of the department or officer identified with such other party's signature below, or such other department or officer as such other party shall from time to time specify for this purpose.

21.3 English Language

Each communication and document delivered by one party to another pursuant to this Agreement shall be in the English language or accompanied by a translation into English certified (by an officer of the person delivering the same) as being a true and accurate translation. In the event of any discrepancies between the English and Ukrainian versions of such communication or document, or any dispute regarding the interpretation of any provision in the English or Ukrainian versions of such communication or document, the English version of such communication or document shall prevail, unless the document is a statutory or other official document.

21.4 Language of Agreement

This Agreement has been executed in both the English language and the Ukrainian language. In the event of any discrepancies between the English and Ukrainian versions of this Agreement, or any dispute regarding the interpretation of any provision in the English or Ukrainian versions of this Agreement, the English version of this Agreement shall prevail and any question of interpretation shall be addressed solely in the English language.

22. LAW AND JURISDICTION

22.1 English Law

This Agreement, including any non-contractual obligations arising out of or in connection with this Agreement, is governed by, and shall be construed in accordance with, English law.

22.2 Arbitration

The parties to this Agreement agree that any claim, dispute or difference of whatever nature arising under, out of or in connection with this Agreement (including a claim, dispute or difference regarding its existence, termination or validity) (a "**Dispute**"), shall be referred to and finally settled by arbitration in accordance with the Rules of the London Court of International Arbitration ("**LCIA**") (the "**Rules**") as at present in force and as modified by this Clause 22.2, which Rules shall be deemed incorporated into this Clause 22.2. The number of arbitrators shall be three, one of whom shall be nominated by the claimant(s), one by the respondent(s) and the third of whom, who shall act as chairman, shall be nominated by the two party-nominated arbitrators. The parties may nominate and the LCIA Court may appoint arbitrators from among the nationals of any country, whether or not a party is a national of that country. The seat of arbitration shall be London, England and the language of arbitration shall be English. Sections 45 and 69 of the Arbitration Act 1996 shall not apply.

22.3 Service of Process

The Borrower agrees that the service of process relating to any Dispute in England or Wales may be by delivery to Oleg Rzhondkovskiy, Head of London Representative Office of Joint Stock Company "The State Export-Import Bank of Ukraine", Juxon House, 100 St. Paul's Churchyard, London EC4M 8BU, United Kingdom. If such person is not or ceases to be effectively appointed to accept service of process, the Borrower shall immediately appoint a further person in England or Wales to accept service of process on its behalf and, failing such appointment within 15 days, the Lender shall be entitled to appoint such a person by written notice to the Borrower. Nothing in this Clause 22.3 shall affect the right of the Lender to serve process in any other manner permitted by law.

22.4 Waiver of Immunity

The Borrower agrees that any award made pursuant to Clause 22.2 (*Arbitration*) in relation to a Dispute may be enforced in a tribunal or court (as the case may be) to the jurisdiction of which the Borrower is or may be subject. To the extent that the Borrower may in any jurisdiction claim for itself, its assets or revenue, immunity from suit, execution, attachment (whether in aid of execution, before making a judgement, aware or otherwise) or other legal proceedings, including in relation to an enforcement of an arbitral award, and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Borrower, its assets or revenue, the Borrower agrees not to claim and irrevocably waives such immunity to the fullest extent permitted by the law of such jurisdiction.

23. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

A person who is not a party to this Agreement has not rights under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Agreement, other than the Trustee in relation to Clause 12 (*Covenants*), Clause 13 (*Events of Default*), Clause 14 (*Indemnity*), Clause 15.2 (*Currency Indemnity*), Clause 17.2 (*Preservation and Enforcement of Rights*), Clause 17.3 (*Stamp Taxes*), Clause 17.4 (*Costs Relating to Amendments and Waivers*) and Clause 22 (*Law and Jurisdiction*), but this does not affect any right or remedy of a third party which exists or is available apart from the Act.

24. NBU REGISTRATION REQUIREMENTS

24.1 Registration

This Agreement shall become effective on the date of its registration with the NBU which shall be evidenced by the registration notation of the NBU issued to the Borrower by the NBU in relation to the Loan Agreement.

24.2 Maximum Interest Rate

Notwithstanding any other provisions hereof to the contrary, if and to the extent required by any law or regulations of Ukraine, the amount of payments under this Agreement (calculated at the rate of interest established by this Agreement, including fees, penalties and other payments arising under this Agreement and including those which are penalties for undue fulfilment of the terms and conditions of this Agreement) during the whole period thereof shall not exceed the amount of payments calculated by reference to the maximum interest rate established by the NBU for foreign currency loans from non-residents effective as at the date of the filing for, and specified at the time of, registration of this Agreement or any amendments thereto with the NBU. For the avoidance of doubt, any application of this requirement shall not limit the rights of the Lender (and/or the Trustee, as relevant) under Clause 13.1 (*Failure to Pay*) or Clause 13.11 (*Acceleration*) of this Agreement.

24.3 Amendments and Supplements

If and to the extent required by any law or regulation of Ukraine applicable at the time of making any amendment or supplement to this Agreement, such amendment or supplement shall become effective upon registration thereof with the NBU.

SCHEDULE 3 – FINANCIAL STATEMENTS

ANNEX 1 – CONSOLIDATED FINANCIAL STATEMENTS OF THE BANK

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

As at 31 March 2015

Together with the Review Report

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REVIEW REPORT

To the Shareholders and Board of Directors of Joint Stock Company "The State Export-Import Bank of Ukraine":

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Joint Stock Company "The State Export-Import Bank of Ukraine" and its subsidiaries (the "Group") as at 31 March 2015 and the related interim condensed consolidated statements of profit and loss, comprehensive income, changes in equity and cash flows for the three-month period then ended. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

Emphasis of matter

We draw your attention to Note 2 to the accompanying interim condensed consolidated financial information. The operations of the Group, and those of other entities in Ukraine, have been affected and may continue to be affected for the foreseeable future by the continuing political and economic uncertainties in Ukraine. Our conclusion is not qualified in respect of this matter.

LLC AF PricewaterhouseCoopers (Audit)

28 May 2015
Kyiv, Ukraine

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2015

(thousands of Ukrainian hryvnia)

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

Authorised for release and signed

28 May 2015

Chairman of the Board



O.V. Hrytsenko

Head of Accounting and Reporting Department –
Chief Accountant


N.A. Potemskaya

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS

For three months ended 31 March 2015
(thousands of Ukrainian hryvnia)

	Notes	For three months ended 31 March 2015	2014
		(unaudited)	
Interest income			
Loans to customers		1,701,801	1,351,431
Investment securities other than designated at fair value through profit or loss		1,230,602	832,991
Due from credit institutions		156,369	39,068
Amounts due from the National Bank of Ukraine		5,953	2,497
		<u>3,094,725</u>	<u>2,225,987</u>
Investment securities designated at fair value through profit or loss		76,293	76,279
		<u>3,171,018</u>	<u>2,302,266</u>
Interest expense			
Amounts due to customers		(1,351,336)	(818,118)
Eurobonds issued		(645,181)	(290,777)
Amounts due to the National Bank of Ukraine		(367,714)	(205,543)
Amounts due to credit institutions		(281,867)	(109,437)
Subordinated debt		(211,155)	(96,580)
		<u>(2,857,253)</u>	<u>(1,520,455)</u>
Net interest income		<u>313,765</u>	<u>781,811</u>
Allowance for loan impairment charge	6,7	(3,103,403)	(950,683)
Net interest margin after allowance for loan impairment		<u>(2,789,638)</u>	<u>(168,872)</u>
Commission income		263,559	123,784
Commission expense		(101,115)	(36,212)
Commission income, net		<u>162,444</u>	<u>87,572</u>
Net gains from investment securities designated at fair value through profit and loss		5,079,462	1,732,843
Net gains/(losses) from available-for-sale investment securities:			
- dealing		31,204	10,623
- losses on impairment		(472,931)	(5,937)
Net gains/(losses) from foreign currencies:			
- dealing		316,820	192,857
- translation differences		(6,616,491)	(1,434,821)
Net gains/(losses) from precious metals:			
- dealing		9,690	2,486
- revaluation		(15,810)	17,569
Other income		23,843	15,302
Non-interest (loss) / income		<u>(1,644,213)</u>	<u>530,922</u>
Personnel costs		(213,536)	(216,716)
Depreciation and amortisation		(26,747)	(25,179)
Other operating expenses		(124,606)	(95,390)
Charge to other impairment and provisions		(149,520)	(44,962)
Non-interest expense		<u>(514,409)</u>	<u>(382,247)</u>
(Loss)/profit before tax		<u>(4,785,816)</u>	<u>67,375</u>
Income tax expense			(18,718)
(Loss)/profit for the period		<u>(4,785,816)</u>	<u>48,657</u>

Authorised for release and signed

28 May 2015

Chairman of the Board

Head of Accounting and Reporting Department –
Chief Accountant

O.V. Hrytsenko

N.A. Potemsky

**INTERIM CONDENSED CONSOLIDATED
 STATEMENT OF COMPREHENSIVE INCOME**

For three months ended 31 March 2015

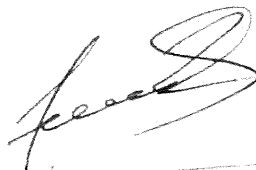
(thousands of Ukrainian hryvnia)

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

Authorised for release and signed

28 May 2015

Chairman of the Board



O.V. Hrytsenko

Head of Accounting and Reporting Department –
 Chief Accountant



N.A. Potemskaya

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

For three months ended 31 March 2015
(thousands of Ukrainian hryvnia)

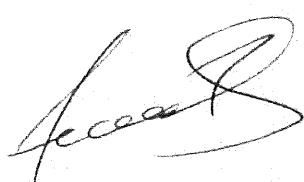
	Share capital	Unregiste- red contribu- tions to share capital	Revalua- tion reserve	Accumula- ted deficit	Reserve and other funds	Total capital
At 1 January 2014	16,514,051	-	974,461	(28,394)	151,203	17,611,321
Profit for the period	-	-	-	48,657	-	48,657
Other comprehensive income for the period	-	-	8,999	-	-	8,999
Total comprehensive income for the period	-	-	8,999	48,657	-	57,656
Depreciation of revaluation reserve, net of tax	-	-	(4,114)	4,114	-	-
As 31 March 2014 (unaudited)	16,514,051	-	979,346	24,377	151,203	17,668,977
At 1 January 2015	16,689,042	5,000,000	1,255,595	(11,531,985)	162,926	11,575,578
Loss of the period	-	-	-	(4,785,816)	-	(4,785,816)
Other comprehensive loss for the period	-	-	(126,180)	-	-	(126,180)
Total comprehensive loss for the period	-	-	(126,180)	(4,785,816)	-	(4,911,996)
Depreciation of revaluation reserve, net of tax	-	-	(4,771)	4,771	-	-
Increase in share capital (Note 14)	5,000,000	(5,000,000)	-	-	-	-
As 31 March 2015 (unaudited)	21,689,042	-	1,124,644	(16,313,030)	162,926	6,663,582

Authorised for release and signed

28 May 2015

Chairman of the Board

Head of Accounting and Reporting Department –
Chief Accountant


O.V. Hrytsenko


N.A. Potemskaya

**INTERIM CONDENSED CONSOLIDATED
STATEMENT OF CASH FLOWS**

For three months ended 31 March 2015

(direct method)

(thousands of Ukrainian hryvnia)

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

Authorised for release and signed

28 May 2015

Chairman of the Board

Head of Accounting and Reporting Department –
Chief Accountant

O.V. Hrytsenko

N.A. Potemskya

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

1. Principal activities

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

As at 31 March 2015 and 31 December 2014, 100% of UkrEximBank's shares were owned by the Cabinet Ministers of Ukraine on behalf of the State of Ukraine.

UkrEximBank's head office is in Kyiv at 127 Gorky Str. It has 27 branches and 93 operating outlets (31 December 2014: 27 branches and 93 operating outlets) and 2 representative offices located in London and New-York. UkrEximBank and its branches form a single legal entity.

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

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

The Bank's aim is to provide financing to investment projects (public and private) supporting the development of high value-adding industries and to manufacturers of export-oriented and import-substituting products, to raise foreign credit facilities to improve the economic development of Ukraine (including implementation of energy-saving technologies), to service foreign economic operations of its customers and to act as a financial agent on behalf of the Ukrainian Government. Due to this role the Bank has significant exposure to Ukrainian Government and state-owned entities as disclosed in Note 31.

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

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

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

2. Basis of preparation and summary of accounting policies

Basis of preparation

These interim condensed consolidated financial statements for three months ended 31 March 2015 have been prepared in accordance with the International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34").

These interim condensed consolidated financial statements do not include all information and data subject to disclosure in the annual financial statements and should be read in conjunction with the Bank's annual consolidated financial statements as at 31 December 2014, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

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

The accounting policies and methods of computation adopted in the preparation of these interim condensed consolidated financial statements are consistent with those followed in the preparation of the Bank's annual consolidated financial statements for the year ended 31 December 2014, except for the introduction of new standards as described in Note 2 to the annual consolidated financial statements of the Bank for the year ended 31 December 2014.

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

Operating environment

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

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

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

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

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

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

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

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

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

Changes in accounting policies

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

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

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

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

Future changes in accounting policies

Standards and interpretations issued but not yet effective

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

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

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

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

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

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

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

IFRS 15, Revenue from Contracts with Customers (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2017). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed. The Bank is currently assessing the impact of the new standard on its financial statements.

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

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

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

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

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

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

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

3. Segment information

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

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

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

Unallocated amounts include:

- income tax receivables and payables, the share of assets and costs associated with the work of the Bank's TOP management, i.e. personnel performing general management functions at the level of the whole Bank's system and the Bank's staff, supporting directly the work of TOP management;
- the result of the revaluation of open currency position;
- the difference between inter-segment revenues and costs of all business lines, obtained as a result of transfer rates.

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

During the three months ended 31 March 2015 and 2014, the Bank had revenues from transactions with a single external customer that accounted for more than 10% of the total income of the Bank, namely UAH 862,062 thousand (31 March 2014: UAH 349,726 thousand). Revenues from transactions with this external customer is reflected in the segment "Inter-bank and in

Analysis of income of the Bank from banking products and services is presented in the interim condensed statement profit and loss.

Geographical information.

Most revenues and capital expenditure relates to Ukraine. The Bank has no significant revenue from other countries.

The following table presents income and profit, asset and liabilities information regarding the Bank's operating segments for three months ended 31 March 2015 (unaudited):

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

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

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

4. Cash and cash equivalents

Cash and cash equivalents comprise:

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

5. Mandatory reserves with the National Bank of Ukraine

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

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

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

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

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

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

6. Due from credit institutions

Amounts due from credit institutions comprise:

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

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

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

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

7. Loans to customers

Loans to customers comprise:

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

Loans have been extended to the following types of customers:

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

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

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

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

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

Credit quality by category of financial assets

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

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

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

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

It is the Bank's policy to maintain accurate and consistent risk ratings across the credit portfolio. The rating system is supported by a variety of financial analytics, combined with processed market information to provide the main inputs for

the measurement of counterparty risk. All internal risk ratings are tailored to the various categories and are derived in accordance with the Bank's rating policy. The attributable risk ratings are assessed and updated regularly.

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

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

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

8. Investment securities

As at 31 March 2015, investment securities designated at fair value through profit and loss presented Ukrainian state bonds, principal of which will be indexed according to increases in the average interbank exchange rate of Hryvnia to United States dollar per month, prior to the month of issue, and the average exchange rate of Hryvnia to United States dollar per month, prior to maturity month. The Bank decided not to separate an embedded derivative instrument and to evaluate an instrument as a whole at its fair value, recognising revaluation as profit or loss.

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

Available-for-sale investment securities comprise:

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

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

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

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

Held-to-maturity investment securities comprise the following:

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

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

9. Investment property

The movements of investment property are as follows:

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

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

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

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

10. Amounts due to the National Bank of Ukraine

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

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

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

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

11. Amounts due to credit institutions

Amounts due to credit institutions comprise:

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

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

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

12. Amounts due to customers

Amounts due to customers comprise:

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

13. Eurobonds issued

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

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

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

April 2010.

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

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

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

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

All Eurobonds issued are subject to various covenants and restrictions.

14. Equity

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

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

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

15. Commitments and contingent liabilities

Commitments and contingent financial liabilities comprise the following:

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

16. Fair value of financial instruments

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

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

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

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

Assets for which fair value approximates carrying value

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

Fixed rate financial instruments

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

Fair value of financial assets and liabilities carried at fair value

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

- Level 1: fair value is measured directly at quoted prices in active markets;
- Level 2: where no market quotations are available for a financial instrument, the fair value is measured using valuation techniques based on assumptions supported by observable market prices and rates available at the reporting date, i.e. either directly or indirectly based on observable market inputs;
- Level 3: for financial instruments whose fair values cannot be measured using market quotations or measurement models with observable inputs, the Bank uses measurement techniques using non-observable inputs that have

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

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

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

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

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

Movements in level 3 assets measured at fair value

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

	<i>Total gain / (loss) recorded in</i>			<i>Proceeds</i>	<i>As at 31 March 2015</i>
	<i>At 01 January 2015</i>	<i>consolidated statement of profit and loss</i>	<i>other compre- hensive income</i>		
Available-for-sale investment securities	487,748	(453,282) ^(a)	-	(22,776)	11,690
Total assets	487,748	(453,282)	-	(22,776)	11,690

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

(thousands of Ukrainian hryvnia, unless otherwise stated)

(a) UAH 19,649 thousand included in "Interest income from Investment securities other than designated at fair value through profit or loss", and UAH 472,931 thousand of loss is included in losses from available-for-sale investment securities "Losses on impairment" (for three months ended 31 March 2014 UAH 5,937 thousand included in "Interest income from Investment securities other than designated at fair value through profit or loss", and UAH 472,931 thousand of loss is included in losses from available-for-sale investment securities "Losses on impairment").

The table below shows the quantitative information as at 31 March 2015 about significant unobservable inputs used for the fair valuation of assets classified as those of the 3 level of the fair value hierarchy:

<i>As 31 March 2015 (unaudited)</i>	<i>Carrying value</i>	<i>Valuation technique</i>	<i>Unobservable parameter</i>	<i>Range of parameter values</i>
Available-for-sale investment securities	11,690	Discounted cash flows	Expected profitability Risk factor (probability of default)	Corporate: 5% - 22.14%. Corporate: 0 - 1.0

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

	<i>For three months 2015 (unaudited)</i>		
	<i>R</i>		
Total gains and losses included in profit and loss for the period	14,161	(467,443)	(453,282)

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

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

- For equities, the Bank adjusted the assumptions as to the possibility of bankruptcy or losses that were used to determine the credit component in fair value. The adjustment made was to increase the assumption up to 100% subject to individual characteristics of the investee;
- For debt securities classified as level 3, the Bank adjusted the probability of changes in interest rate assumption applied for discounting cash flows from debt securities within the range of +/- 30% (31 March 2014: +/- 10%) of the level as at the end of the reporting period.

17. Related party disclosures

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

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

Transactions and balances with related parties comprise transactions with entities owned, both directly and indirectly, by Ukrainian government, and key management personnel.

The outstanding balances with key management personnel as at 31 March 2015 and 31 December 2014, and related income and expense for three months then ended are as follows:

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

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

The total remuneration and other benefits paid to key management personnel for three months ended 31 March 2015 is UAH 5,191 thousand (including UAH 70 thousand of payment to the non-state pension fund) (for three months ended 31 March 2014: UAH 5,290 thousand (including UAH 95 thousand of payment to the non-state pension fund)).

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

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

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

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

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

(thousands of Ukrainian hryvnia, unless otherwise stated)

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

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

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

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

18. Capital adequacy

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

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

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

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

Capital adequacy ratio under Basel Capital Accord 1988

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

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

As disclosed in Note 8, the Bank's securities portfolio includes investment securities designated at fair value through profit and loss which represent Ukrainian state bonds, principal of which will be indexed according to increases in the average interbank exchange rate of Hryvnia to United States dollar per month, prior to the month of issue, and the average exchange rate of Hryvnia to United States dollar per month, prior to maturity month. In 2015 there was repayment of part of these bonds and the Bank realised in cash the respective difference in exchange rate. Taking this into account, the Bank

considers these bonds as a hedging instrument and thus includes them in the calculation of currency risk for the purposes of capital adequacy ratio.

19. Subsequent events

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

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

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

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

for the year ended 31 December 2014
and Independent Auditor's Report

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This version of our report is a translation from the original, which was prepared in Ukrainian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Independent Auditor's Report

To the Shareholders and Board of Directors of Joint Stock Company "The State Export-Import Bank of Ukraine"

We have audited the accompanying consolidated financial statements of Joint Stock Company "The State Export-Import Bank of Ukraine" and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position (consolidated balance sheet) as at 31 December 2014 and the consolidated statement of profit and loss (consolidated income statement), consolidated statement of comprehensive income, consolidated statement of changes in equity (consolidated statement of equity) and consolidated statement of cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

We draw your attention to Note 23 and Note 33 to the consolidated financial statements. The operations of the Group, and those of other entities in Ukraine, have been affected and may continue to be affected for the foreseeable future by the continuing political and economic uncertainties in Ukraine. Our opinion is not qualified in respect of this matter.

LLC AF PricewaterhouseCoopers (Audit)

16 March 2015
Kyiv, Ukraine

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(CONSOLIDATED BALANCE SHEET)****As at 31 December 2014***(thousands of Ukrainian Hryvnia)*

	<i>Notes</i>	<i>31 December 2014</i>	<i>31 December 2013</i>
Assets			
Cash and cash equivalents	6	16,790,414	8,321,070
Mandatory restricted reserves with the National Bank of Ukraine	7	-	740,957
Due from credit institutions	8	1,967,651	1,005,655
Loans to customers	9	49,973,792	41,624,943
Investment securities:	10		
- designated at fair value through profit or loss		6,882,115	3,540,585
- available-for-sale		40,426,199	29,575,699
- held-to-maturity		820,866	1,370,663
Tax assets	14	691,771	639,420
Investment property	11	1,986,087	3,666,666
Property and equipment	12	2,251,643	2,272,163
Intangible assets	13	14,078	14,696
Deferred income tax asset	14	1,307,279	82,963
Other assets	16	418,288	419,289
Total assets		123,530,183	93,274,769
Liabilities			
Amounts due to the National Bank of Ukraine	17	5,248,980	9,223,005
Amounts due to credit institutions	18	16,556,455	8,155,881
Amounts due to customers	19	61,995,129	41,461,040
Eurobonds issued	20	21,764,479	13,519,313
Current income tax liabilities	14	25,181	32,703
Subordinated debt	21	6,140,035	3,112,441
Other liabilities	16	224,346	159,065
Total liabilities		111,954,605	75,663,448
Equity			
Share capital	22	16,689,042	16,514,051
Unregistered contributions to share capital	22	5,000,000	-
Revaluation reserves	22	1,255,595	974,461
Accumulated deficit		(11,531,985)	(28,394)
Reserve and other funds	22	162,926	151,203
Total equity		11,575,578	17,611,321
Total equity and liabilities		123,530,183	93,274,769

Authorised for release and signed

16 March 2015

Chairman of the Board



O.V. Hrytsenko

Head of Accounting and Reporting Department –
Chief Accountant


N.A. Potemskaya

**CONSOLIDATED STATEMENT OF PROFIT AND LOSS
(CONSOLIDATED INCOME STATEMENT)**

for the year ended 31 December 2014

(thousands of Ukrainian Hryvnia)

	Notes	2014	2013
Interest income			
Loans to customers		5,912,411	5,449,182
Investment securities other than designated at fair value through profit or loss		3,685,254	3,332,913
Due from credit institutions		165,357	146,004
Amounts due from the National Bank of Ukraine		23,707	6,835
		<u>9,786,729</u>	<u>8,934,934</u>
Investment securities designated at fair value through profit or loss		309,378	309,366
		<u>10,096,107</u>	<u>9,244,300</u>
Interest expense			
Amounts due to customers		(3,969,626)	(2,827,134)
Eurobonds issued		(1,445,808)	(1,142,570)
Amounts due to the National Bank of Ukraine		(1,090,596)	(679,688)
Amounts due to credit institutions		(387,246)	(322,600)
Subordinated debt		(525,277)	(326,918)
		<u>(7,418,553)</u>	<u>(5,298,910)</u>
Net interest income		<u>2,677,554</u>	<u>3,945,390</u>
Allowance for loan impairment charge	8,9	(11,430,955)	(2,779,838)
Net interest margin after allowance for loan impairment		<u>(8,753,401)</u>	<u>1,165,552</u>
Commission income		598,170	502,145
Commission expense		(168,359)	(132,124)
Commission income, net	24	<u>429,811</u>	<u>370,021</u>
Net profit from investment securities designated at fair value through profit and loss:			
- result from trading		8,747	-
- change in fair value		3,331,930	1,227
Net gains/(losses) from available-for-sale investment securities:			
- dealing		13,944	42,377
- losses on impairment		(493,418)	(165,922)
Net gains/(losses) from foreign currencies:			
- dealing		746,076	268,489
- translation differences		(4,292,128)	(54,159)
Net gains/(losses) from precious metals:			
- dealing		10,457	9,631
- revaluation		20,297	(11,348)
Other income		70,848	65,156
Non-interest income		<u>(583,247)</u>	<u>155,451</u>
Personnel expenses	25	(899,960)	(810,887)
Depreciation and amortisation	12,13	(104,776)	(98,911)
Other operating expenses	25	(2,497,486)	(391,209)
Loss from changes in terms of loans to customers		(53,278)	(50,174)
Reversal of / (charge to) other impairment and provisions	15	20,564	(6,641)
Non-interest expense		<u>(3,534,936)</u>	<u>(1,357,822)</u>
(Loss)/profit before tax		<u>(12,441,773)</u>	<u>333,202</u>
Income tax credit/(expense)	14	1,192,456	(132,570)
(Loss)/profit for the year		<u>(11,249,317)</u>	<u>200,632</u>

Authorised for release and signed
16 March 2015

Chairman of the Board

O.V. Hrytsenko

Head of Accounting and Reporting Department –
Chief Accountant

N.A. Potemskaya

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

(thousands of Ukrainian Hryvnia)

	<i>Notes</i>	<i>2014</i>	<i>2013</i>
(Loss)/profit for the year		(11,249,317)	200,632
Other comprehensive income:			
Other comprehensive income to be reclassified through the consolidated statement of profit and loss (the consolidated income statement):			
Disposal gains on investment securities available-for-sale reclassified to the consolidated statement of profit and loss (the consolidated income statement)		(13,944)	(42,377)
Impairment on investment securities available-for-sale reclassified to the consolidated statement of profit and loss (the consolidated income statement)		84,758	10,535
Net gains on investment securities available-for-sale	22	149,186	116,612
Income tax relating to components of other comprehensive income	14, 22	(41,191)	(8,477)
Other comprehensive income not to be reclassified through the consolidated statement of profit and loss (the consolidated income statement):			
Revaluation of property	22	169,294	-
Income tax relating to components of other comprehensive income	14, 22	(34,219)	-
Other comprehensive income for the year, net of tax		<u>313,884</u>	<u>76,293</u>
Total comprehensive (loss)/income for the year		<u>(10,935,433)</u>	<u>276,925</u>

Authorised for release and signed
16 March 2015

Chairman of the Board



O.V. Hrytsenko

Head of Accounting and Reporting Department –
Chief Accountant


N.A. Potemskaya

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(CONSOLIDATED STATEMENT OF EQUITY)**

For the year ended 31 December 2014

(thousands of Ukrainian Hryvnia)

	Share capital	Unregistered contributions to share capital	Revalua- tion reserve	Accumula- ted deficit	Reserve and other funds	Total capital
As at 1 January 2013	17,160,050	-	914,633	(840,431)	146,232	17,380,484
Profit for the year	-	-	-	200,632	-	200,632
Other comprehensive income for the year	-	-	76,293	-	-	76,293
Total comprehensive income for the year	-	-	76,293	200,632	-	276,925
Depreciation of revaluation reserve, net of tax (Note 22)	-	-	(16,465)	16,465	-	-
Distribution of part of profit to the shareholder (Note 22)	-	-	-	(46,088)	-	(46,088)
Allocation of profits to reserve and other funds	-	-	-	(4,971)	4,971	-
Increase in share capital (Note 22)	67,233	-	-	(67,233)	-	-
Write-off of the effect of applying IAS 29 (Note 22)	(713,232)	-	-	713,232	-	-
As at 31 December 2013	16,514,051	-	974,461	(28,394)	151,203	17,611,321
Loss for the year	-	-	-	(11,249,317)	-	(11,249,317)
Other comprehensive income for the year	-	-	313,884	-	-	313,884
Total comprehensive income/(loss) for the year	-	-	313,884	(11,249,317)	-	(10,935,433)
Depreciation of revaluation reserve, net of tax (Note 22)	-	-	(16,234)	16,234	-	-
Revaluation reserve on property transferred to investment property, net of tax (Note 22)	-	-	(16,510)	16,510	-	-
Realised revaluation result transferred to accumulated deficit	-	-	(6)	6	-	-
Distribution of part of profit to the shareholder (Note 22)	-	-	-	(100,310)	-	(100,310)
Allocation of profits to reserve and other funds	-	-	-	(11,723)	11,723	-
Increase in share capital (Note 22)	174,991	5,000,000	-	(174,991)	-	5,000,000
As at 31 December 2014	16,689,042	5,000,000	1,255,595	(11,531,985)	162,926	11,575,578

Authorised for release and signed
16 March 2015

Chairman of the Board



O.V. Hrytsenko

Head of Accounting and Reporting Department –
Chief Accountant


N.A. Potemskaya

CONSOLOIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

(direct method)

(thousands of Ukrainian Hryvnia)

	Notes	2014	2013
Cash flows from operating activities			
Interest received		8,762,270	8,101,550
Interest paid		(7,039,741)	(4,862,512)
Commissions received		599,308	499,311
Commissions paid		(168,359)	(132,124)
Result from dealing in foreign currencies and precious metals		756,533	278,120
Personnel expenses		(913,030)	(808,092)
Other operating income		70,681	64,523
Other operating and administrative expenses		(602,439)	(351,561)
Cash flow from operating activities before changes in operating assets and liabilities		1,465,223	2,789,215
<i>Net (increase)/decrease in operating assets:</i>			
Due from credit institutions		(491,637)	139,251
Deposit with the National Bank of Ukraine		755,193	(208,926)
Loans to customers		721,660	(3,822,447)
Other assets		79,662	(40,804)
<i>Net increase / (decrease) in operating liabilities</i>			
Amounts due to credit institutions		347,740	(877,497)
Amounts due to the National Bank of Ukraine		(4,356,529)	1,312,051
Amounts due to customers		840,610	(1,728,996)
Other liabilities		65,435	(89,344)
Net cash flows from operating activities paid before income tax		(572,643)	(2,527,497)
Income tax paid		(167,143)	(266,501)
Net cash flows from operating activities paid		(739,786)	(2,793,998)
 Proceeds from sale and redemption of investment securities		31,279,319	31,389,279
Purchase of investment securities		(23,689,358)	(45,582,336)
Dividends received		594	42
Purchases of property, equipment and intangible assets		(134,575)	(97,956)
Proceeds from sale of property and equipment		461	788
Purchases of investment property		(6,937)	-
Proceeds from sale of investment property		14,705	6,574
Net cash flows from/(used in) investing activities		7,464,209	(14,283,609)
 Cash flows from financing activities			
Distribution of part of profit to the shareholder		(100,310)	(46,088)
Proceeds from Eurobonds issued		-	4,794,839
Redemption of Eurobonds issued		(2,385,050)	-
Proceeds from borrowings from credit institutions		4,387,084	4,584,974
Repayment of borrowings from credit institutions		(4,296,333)	(3,116,866)
Net cash flows (used in) /from financing activities		(2,394,609)	6,216,859
 Effect of exchange rates changes on cash and cash equivalents		4,139,530	(15,478)
Net change in cash and cash equivalents		8,469,344	(10,876,226)
Cash and cash equivalents, 1 January		8,321,070	19,197,296
Cash and cash equivalents, 31 December	6	16,790,414	8,321,070

Authorised for release and signed
16 March 2015

Chairman of the Board

Head of Accounting and Reporting Department –
Chief Accountant


O.V. Hrytsenko



N.A. Potemskaya

Joint Stock Company

"The State Export-Import Bank of Ukraine"

Notes to the Consolidated Financial Statements for the year ended 31 December 2014

(thousands of Ukrainian hryvnia, unless otherwise stated)

1. Principal activities

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

As at 31 December 2014 and 2013, 100% of UkrEximBank's shares were owned by the Cabinet Ministers of Ukraine on behalf of the State of Ukraine.

UkrEximBank's head office is in Kyiv at 127 Gorky Str. It has 27 branches and 93 operating outlets (31 December 2013: 29 branches and 94 operating outlets) and 2 representative offices located in London and New-York. UkrEximBank and its branches form a single legal entity.

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

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

The Bank's aim is to provide financing to investment projects (public and private) supporting the development of high value-adding industries and to manufacturers of export-oriented and import-substituting products, to raise foreign credit facilities to improve the economic development of Ukraine (including implementation of energy-saving technologies), to service foreign economic operations of its customers and to act as a financial agent on behalf of the Ukrainian Government. In current environment to perform this mission the Bank, inter alia, conducts significant operations with securities of Ukrainian Government and state-owned entities as disclosed in Note 31.

These annual 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 of financial statements

General information

These annual consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The annual consolidated financial statements are prepared under the historical cost convention except as disclosed in the accounting policies, for example investment securities available-for-sale, investment securities designated at fair value through profit or loss, buildings and investment property have been measured at fair value.

These annual consolidated financial statements are presented in thousands of Ukrainian hryvnia ("UAH") unless otherwise indicated.

Going concern. Management prepared these consolidated financial statements on a going concern basis. Going concern assumption is supported by strong liquidity position of the Bank, support provided by the government (refer to Note 22) and three-year business plan, prepared by management.

Joint Stock Company

“The State Export-Import Bank of Ukraine”

Notes to the Consolidated Financial Statements for the year ended 31 December 2014

(thousands of Ukrainian hryvnia, unless otherwise stated)

3. Summary of accounting policies

Changes in accounting policies

The following new standards and interpretations became effective for the Bank from 1 January 2014:

“Offsetting Financial Assets and Financial Liabilities” - Amendments to IAS 32 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2014). The amendment added application guidance to IAS 32 to address inconsistencies identified in applying some of the offsetting criteria. This includes clarifying the meaning of ‘currently has a legally enforceable right of set-off’ and that some gross settlement systems may be considered equivalent to net settlement. The standard clarified that a qualifying right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) the event of default and (iii) the event of insolvency or bankruptcy. The amended standard did not have a material impact on the Bank’s financial statements.

“Amendments to IFRS 10, IFRS 12 and IAS 27 - Investment entities” (issued on 31 October 2012 and effective for annual periods beginning 1 January 2014). The amendment introduced a definition of an investment entity as an entity that (i) obtains funds from investors for the purpose of providing them with investment management services, (ii) commits to its investors that its business purpose is to invest funds solely for capital appreciation or investment income and (iii) measures and evaluates its investments on a fair value basis. An investment entity is required to account for its subsidiaries at fair value through profit or loss, and to consolidate only those subsidiaries that provide services that are related to the entity’s investment activities. IFRS 12 was amended to introduce new disclosures, including any significant judgements made in determining whether an entity is an investment entity and information about financial or other support to an unconsolidated subsidiary, whether intended or already provided to the subsidiary. The amended standard did not have a material impact on the Bank’s financial statements.

IFRIC 21 – “Levies” (issued on 20 May 2013 and effective for annual periods beginning 1 January 2014). The interpretation clarifies the accounting for an obligation to pay a levy that is not income tax. The obligating event that gives rise to a liability is the event identified by the legislation that triggers the obligation to pay the levy. The fact that an entity is economically compelled to continue operating in a future period, or prepares its financial statements under the going concern assumption, does not create an obligation. The same recognition principles apply in interim and annual financial statements. The application of the interpretation to liabilities arising from emissions trading schemes is optional. The interpretation did not have a material impact on the Bank’s financial statements.

Amendments to IAS 36 – “Recoverable amount disclosures for non-financial assets” (issued in May 2013 and effective for annual periods beginning 1 January 2014; earlier application is permitted if IFRS 13 is applied for the same accounting and comparative period). The amendments remove the requirement to disclose the recoverable amount when a CGU contains goodwill or indefinite lived intangible assets but there has been no impairment. The amended standard did not have a material impact on the Bank’s financial statements.

Amendments to IAS 39 – “Novation of Derivatives and Continuation of Hedge Accounting” (issued in June 2013 and effective for annual periods beginning 1 January 2014). The amendments allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated (i.e. parties have agreed to replace their original counterparty with a new one) to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met. The amended standard is not relevant for the Bank.

Basis of consolidation

Consolidated financial statements. Subsidiaries are those investees, including structured entities, that the Bank controls because the Bank (i) has power to direct relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of investor’s returns. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Bank has power over another entity. For a right to be substantive, the holder must have practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Bank may have power over an investee even when it holds less than majority of voting power in an investee. In such a case, the Bank assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee. Protective rights of other investors, such as those that relate to fundamental changes of investee’s activities or apply only in exceptional circumstances, do not prevent the Bank from controlling an investee. Subsidiaries are consolidated from the date on which control is transferred to the Bank, and are deconsolidated from the date on which control ceases.

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The acquisition method of accounting is used to account for the acquisition of subsidiaries. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

The Bank measures non-controlling interest that represents present ownership interest and entitles the holder to a proportionate share of net assets in the event of liquidation on a transaction by transaction basis, either at: (a) fair value, or (b) the non-controlling interest's proportionate share of net assets of the acquiree. Non-controlling interests that are not present ownership interests are measured at fair value.

Goodwill is measured by deducting the net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and fair value of an interest in the acquiree held immediately before the acquisition date. Any negative amount ("negative goodwill") is recognised in profit or loss, after management reassesses whether it identified all the assets acquired and all liabilities and contingent liabilities assumed, and reviews appropriateness of their measurement.

The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, including fair value of assets or liabilities from contingent consideration arrangements, but excludes acquisition related costs such as advisory, legal, valuation and similar professional services. Transaction costs incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt are deducted from its carrying amount and all other transaction costs associated with the acquisition are expensed.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. The Bank and all of its subsidiaries use uniform accounting policies consistent with the Bank's policies.

Non-controlling interest is that part of the net results and of the equity of a subsidiary attributable to interests which are not owned, directly or indirectly, by the Bank. Non-controlling interest forms a separate component of the Bank's equity.

Financial assets

Initial recognition

Financial assets in the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. When financial assets are initially recognised, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Bank determines the classification of its financial assets upon initial recognition, and subsequently can reclassify financial assets in certain cases as described below.

Date of recognition

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Bank commits itself to purchase an asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets at fair value through profit or loss

Financial assets, designated at fair value through profit or loss at inception, are included in the item 'Investment Securities' of the statement of financial position (balance sheet). Derivatives are classified as held for trading unless they are designated and effective hedging instruments. Gains or losses on financial assets at fair value through profit or loss are recognised in the consolidated statement of profit and loss (the consolidated income statement).

Financial assets classified in this category are designated by management on initial recognition when the following criteria are met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis; or
- The assets are part of a group of financial assets, financial liabilities or both which are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

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If the Bank is unable to determine the value of the embedded derivative separately at the acquisition date or at the end of the next financial reporting period, these financial assets are accounted at fair value with changes through profit or loss.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Bank has the intention and ability to hold them to maturity. Investments intended to be held for an undefined period are not included in this classification. Held-to-maturity investments are measured at amortised cost. Gains and losses are recognised in the consolidated statement of profit and loss (the consolidated income statement) when the investments are impaired, as well as through the amortisation process.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These loans and receivables are not entered into with the intention of either immediate or short-term resale and are not classified as trading securities or designated as investment securities available-for-sale. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the consolidated statement of profit and loss (the consolidated income statement) when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition available-for-sale financial assets are measured at fair value with gains or losses being recognised in other comprehensive income until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in other comprehensive income is reclassified to the consolidated statement of profit and loss (the consolidated income statement). However, interest calculated using the effective interest method is recognised in the consolidated statement of profit and loss (the consolidated income statement).

Investments in equity instruments that do not have a quoted market price in an active market and if their fair value cannot be reliably measured are accounted at cost less any allowance for impairment.

Determination of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value for financial instruments traded in active market at the reporting date is based on publicly available market prices or direct dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models and other relevant valuation models.

Offsetting

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position only when there is a legally enforceable right to set off the recognised amounts and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) the event of default and (iii) the event of insolvency or bankruptcy.

Reclassification of financial assets

If a non-derivative financial asset classified as held for trading ceases to be held for the purpose of selling in the near term, it may be reclassified out of the fair value through profit or loss category into one of the following:

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- a financial asset that would have met the definition of loans and receivables above may be reclassified to loans and receivables category if the Bank has the intention and ability to hold it for the foreseeable future or until maturity;
- other financial assets originally held for trading may be reclassified to available-for-sale or held to maturity categories only in exceptional circumstances.

A financial asset classified as available-for-sale that would have met the definition of loans and receivables may be reclassified to loans and receivables category if the Bank has the intention and ability to hold it for the foreseeable future or until maturity.

Financial assets are reclassified at their fair value on the date of reclassification. Any gain or loss already recognised in profit or loss (consolidated income statement) is not reversed. The fair value of the financial asset on the date of reclassification becomes its new cost or amortised cost, as appropriate.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, amounts due from the NBU, excluding restricted mandatory reserves, amounts due from credit institutions and reverse repurchase agreements that mature within ninety days of the date of origination and are free from contractual encumbrances, and are not impaired individually.

Precious metals

Gold and other precious metals are recorded at fair value, which approximate the NBU bid prices and are quoted at a discount to London Bullion Market rates. Changes in the NBU bid prices are recorded as revaluation differences from precious metals in the consolidated statement of profit and loss (the consolidated income statement).

Repurchase and reverse repurchase agreements and securities lending

Sale and repurchase agreements ("repos") are treated as secured financing transactions. Securities sold under sale and repurchase agreements are retained in the consolidated statement of financial position (the consolidated balance sheet) and in case the transferee has the right by contract or custom to sell or repledge them, reclassified as securities pledged under sale and repurchase agreements. The corresponding liability is presented within amounts due to credit institutions, the NBU or customers. Securities purchased under agreements to resell ("reverse repo") are recorded as cash and cash equivalents, amounts due from credit institutions or loans to customers as appropriate. The difference between sale and repurchase price is treated as interest and is accrued over the life of repo agreements using the effective interest method.

Securities lent to counterparties are retained in the consolidated financial statements. Securities borrowed are not recorded in the consolidated financial statements, unless they are sold to third parties, in which case the purchase and sale are recorded within gains less losses from trading securities in the consolidated statement of profit and loss (the consolidated income statement). The obligation to return them is recorded at fair value as a trading liability.

Promissory notes

Promissory notes purchased are included in available-for-sale investment securities, or in amounts due from credit institutions or in loans to customers, depending on their substance and are accounted for in accordance with the accounting policies for these categories of assets.

Derivative financial instruments

In the normal course of business, the Bank enters into derivative financial instruments including swaps in the foreign exchange market. Such financial instruments are held for trading and are recorded at fair value. The fair values are derived based on quoted market prices or valuation models that take into account current and contractual market prices of the underlying instruments and any other relevant factors. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Gains and losses resulting from these instruments are included in the consolidated statement of profit and loss (the consolidated income statement) as net gains/ (losses) from foreign currencies and precious metals dealing.

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Derivatives embedded in other financial instruments are treated as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contract, and the host contract is not itself held for trading or designated at fair value through profit or loss.

Borrowings

Issued financial instruments or their components are classified as liabilities, where the substance of the contractual arrangement results in the Bank having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity instruments. Such instruments include amounts due to the National Bank of Ukraine, amounts due to credit institutions, amounts due to customers, debt securities issued, Eurobonds issued and subordinated debt. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the consolidated statement of profit and loss (the consolidated income statement) when the borrowings are derecognised as well as through the amortisation process.

If the Bank purchases its own debt, it is removed from the consolidated statement of financial position (the consolidated balance sheet) and the difference between the carrying amount of the liability and the consideration paid is recognised in the consolidated statement of profit and loss (the consolidated income statement).

Leases

i. Finance – Bank as a lessor

The Bank recognises lease receivables at value equal to the net investment in the lease, starting from the date of commencement of the lease term. Finance income is recognised based on a constant periodic rate of return on the net investment outstanding. Initial direct costs are included in the initial measurement of the lease receivables.

ii. Operating – Bank as a lessee

Leases of assets under which the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under an operating lease are recognised as expenses on a straight-line basis over the lease term and included into other operating expenses.

iii. Operating – Bank as a lessor

The Bank presents assets subject to operating leases in the consolidated statement of financial position (the consolidated balance sheet) according to the nature of the asset. Lease income from operating leases is recognised in the consolidated statement of profit and loss (the consolidated income statement) on a straight-line basis over the lease term as other income. The aggregate cost of incentives provided to lessees is recognised as a reduction of rental income over the lease term on a straight-line basis. Initial direct costs incurred specifically to earn revenues from an operating lease are added to the carrying amount of the leased asset.

Impairment of financial assets

The Bank assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired only if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, an increased probability that they will enter bankruptcy or other financial reorganisation and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Amounts due from credit institutions and loans to customers

For amounts due from credit institutions and loans to customers carried at amortised cost, the Bank first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risks characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

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If there is an objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an impairment allowance account and the amount of the loss is recognised in the consolidated statement of profit and loss (the consolidated income statement). Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated impairment allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Bank. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the impairment allowance account. If a future write-off is later recovered, the recovery is credited to the consolidated statement of profit and loss (the consolidated income statement).

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Bank's internal credit grading system that considers credit risk characteristics such as asset type, industry, geographical location, collateral type, past-due status and other relevant factors.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the years on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are correlated with changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the group or their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Held-to-maturity investments

For held-to-maturity investments the Bank assesses individually whether there is objective evidence of impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of profit and loss (the consolidated income statement).

If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognised, any amounts formerly charged are credited to the consolidated statement of profit and loss (the consolidated income statement).

Available-for-sale financial assets

For available-for-sale financial assets, the Bank assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its acquisition cost. Where there is evidence of impairment, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated income statement — is reclassified from other comprehensive income and recognised in the consolidated statement of profit and loss (the consolidated income statement). Impairment losses on equity investments are not reversed through the consolidated statement of profit and loss (the consolidated income statement); increases in their fair value after impairment are recognised directly in other comprehensive income.

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In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as amounts due from credit institutions and loans to customers. Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded in the consolidated statement of profit and loss (the consolidated income statement). If, in a subsequent year the fair value of a debt instrument increases and the increase is objectively related to an event occurring after the impairment loss was recognised in the consolidated statement of profit and loss (the consolidated income statement), the impairment loss is reversed through the consolidated statement of profit and loss (the consolidated income statement).

Renegotiated loans

Where possible, the Bank seeks to renegotiate loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions.

The accounting treatment of such renegotiation is as follows:

- If the currency of the loan has been changed the old loan is derecognised and a new loan is recognised.
- If the loan renegotiation is not caused by the financial difficulties of the borrower but the cash flows were renegotiated on favourable terms for the borrower: the loan is not recognised as impaired.
- If the loan is impaired after renegotiation, the Bank uses the original effective interest rate in respect of new cash flows to estimate the recoverable amount of the loan. The difference between the recalculated present value of the new cash flows taking into account collateral and the carrying amount before renegotiation is included in the impairment charges for the period.

Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to be met. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original or current effective interest rate.

Asset management

The Bank acts as an asset manager in respect of certain funds related to construction financing. The Bank acts as an agent in these arrangements and its responsibility is limited to fiduciary duties, which are commonly applied in the asset management industry. Accordingly, the Bank does not incur any liability relating to the funds under management. These funds under management do not comprise legal entities under the laws of Ukraine and the management of these funds is administered by the Bank. The funds are held in current accounts in the Bank until such time as they are invested in eligible assets which meet the investment requirements of these funds.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Bank has transferred its rights to receive cash flows from the asset, or retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; and
- the Bank either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Bank has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Bank's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

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Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Bank's continuing involvement is the amount of the transferred asset that the Bank may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Bank's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated statement of profit and loss (the consolidated income statement).

Financial guarantees

In the ordinary course of business, the Bank gives financial guarantees, consisting of letters of credit, guarantees and avals. Financial guarantees are initially recognised in the consolidated financial statements at fair value, in 'Other liabilities', being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amortised premium and the best estimate of expenditure required settling any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees is taken to the consolidated statement of profit and loss (the consolidated income statement). The premium received is recognised in the consolidated statement of profit and loss (the consolidated income statement) on a straight-line basis over the life of the guarantee.

Commitments to provide a loan are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the commitment, except for commitments to originate loans if it is probable that the Bank will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination; such loan commitment fees are deferred and included in the carrying value of the loan on initial recognition. At the end of each reporting period, the commitments are measured at the higher of (i) the remaining unamortised balance of the amount at initial recognition and (ii) the best estimate of expenditure required to settle the commitment at the end of each reporting period.

Taxation

The current income tax charge is calculated in accordance with Ukrainian taxation regulations.

Deferred tax assets and liabilities are calculated in respect of temporary differences using the liability method. Deferred income taxes are provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, except where the deferred income tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Ukraine also has various operating taxes, which are assessed on the Bank's activities. These taxes are recorded in other operating expenses in the consolidated statement of profit and loss (the consolidated income statement).

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Property and equipment

Equipment is carried at cost or cost restated for effects of hyperinflation (for assets acquired prior to 31 December 2000), excluding the costs of day-to-day servicing, less accumulated depreciation and any accumulated impairment. Buildings are measured at fair value less depreciation and impairment charged subsequent to the date of the revaluation.

The carrying values of equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Following initial recognition at cost, buildings and land are subsequently carried at their revalued amount, which is the fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Any revaluation surplus is credited to the property revaluation reserve which is included in other comprehensive income, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the consolidated statement of profit and loss (the consolidated income statement), in which case the increase is recognised in the consolidated statement of profit and loss (the consolidated income statement). A revaluation deficit is recognised in the consolidated income statement, except that a deficit directly offsetting a previous surplus on the same asset is directly offset against the surplus in the property revaluation reserve.

An annual transfer from the property revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the assets' original cost. Specifically, the accumulated depreciation at the revaluation date is subtracted from the original (revalued) cost of property, plant and equipment, and the resulting net carrying amount is revalued to its fair value. The revalued amount of an asset as at the revaluation date equals its fair value and the accumulated depreciation equals zero. Upon disposal, any revaluation of property relating to the particular asset being sold is transferred to retained earnings/(accumulated deficit).

Depreciation of an asset begins when it is available for use. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

	Years
Buildings	15-75 years
Furniture and other assets	2-25 years
Equipment and computers	2-15 years
Motor vehicles	5 years

Leasehold improvements (refurbishment costs for premises under lease contract) are depreciated over a period not exceeding the leasing period.

The asset's residual values, useful lives and methods are reviewed and adjusted as appropriate, at each financial year-end.

Costs related to repairs and renewals are charged when incurred and included in other operating expenses unless they qualify for capitalisation.

Intangible assets

Intangible assets include acquired computer software and licences. Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic lives of five to ten years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortisation periods and methods for intangible assets with finite useful lives are reviewed at least at each financial year-end.

Investment property

Investment property is property held to earn rental income or for capital appreciation and which is not occupied by the Bank.

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Investment property is initially recognised at cost, including transaction costs, and subsequently re-measured at fair value based on its market value. Market value of the Bank's investment property is obtained from reports of independent appraisers, who hold a recognised and relevant professional qualification and who have recent experience in valuation of property in similar locations and categories.

Assets held for sale

The Bank classifies a non-current asset as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the non-current asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and the prospective sale is deemed feasible.

The prospective sale is deemed feasible if the Bank's management is committed to a plan to sell the non-current asset and an active program to locate a buyer and complete the plan has been initiated. Furthermore, the non-current asset must have been actively marketed for a sale at price that is reasonable in relation to its current fair value and the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification of the non-current asset as held for sale.

Provision

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of obligation can be made.

Retirement and other benefit obligations

The Bank has contribution pension plan separate from the State pension system of Ukraine, which requires current contributions by the employer calculated as a percentage of current gross salary payments; such expense is charged in the period the related salaries are earned. The contribution payable to a contribution plan is in proportion to the services rendered to the Bank by the employees, age of employees and years working for the Bank and is recorded as an expense under "Personnel expenses". Unpaid contributions are recorded as a liability. The Bank has no other post-retirement benefits or significant other compensated benefits requiring accrual.

Share capital

Ordinary shares are classified as equity. Share capital contributions received before 31 December 2000 are recognised at cost in the consolidated statement of financial position (consolidated balance sheet) as at 31 December 2014 and 31 December 2013.

Segment reporting

The Bank's segmental reporting is based on the following operating segments: Retail banking, Corporate banking and Financial institutions and investments.

Contingencies

Contingent liabilities are not recognised in the consolidated statement of financial position (the consolidated balance sheet) but are disclosed unless the possibility of any future outflow is considered remote. A contingent asset is not recognised in the consolidated statement of financial position (the consolidated balance sheet) but disclosed when an inflow of economic benefits is probable.

Recognition of income and expense

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest and similar income and expense

For all financial instruments measured at amortised cost and interest bearing securities classified as trading or available-for-sale, interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or

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incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the original effective interest rate applied to the new carrying amount.

Commission income

The Bank earns fee and commission income from the diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

- Fee income earned from services that are provided over a certain period of time

Fees arising for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management and advisory fees. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the effective interest rate on the loan.

- Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party — such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses — are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

Dividend income

Revenue is recognised when the Bank's right to receive the payment is established.

Foreign currency translation

The consolidated financial statements are presented in Ukrainian hryvnia ("UAH"), which is the Bank's functional and presentation currency. Transactions in foreign currencies are initially recorded in the functional currency, converted at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Gains and losses resulting from the translation of foreign currency transactions are recognised in the consolidated statement of profit and loss (the consolidated income statement) as gains less losses from foreign currencies— translation differences. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Differences between the contractual exchange rate of a transaction in a foreign currency and the NBU exchange rate on the date of the transaction are included in gains less losses from dealing in foreign currencies. The official NBU exchange rates at 31 December 2014 and 2013 were UAH 15.7686 and UAH 7.9930 to 1 US dollar and UAH 19.2329 and UAH 11.0415 to 1 euro, respectively.

Future changes in accounting policies

Standards and interpretations issued but not yet effective

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2015 or later, and which the Bank has not early adopted.

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

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- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).
 - Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.
 - Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.
 - Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.
 - IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.
 - Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.
- The Bank is currently assessing the impact of the new standard on its financial statements.

Amendments to IAS 19 – "Defined benefit plans: Employee contributions" (issued in November 2013 and effective for annual periods beginning 1 July 2014). The amendment allows entities to recognise employee contributions as a reduction in the service cost in the period in which the related employee service is rendered, instead of attributing the contributions to the periods of service, if the amount of the employee contributions is independent of the number of years of service. The amendment is not expected to have any material impact on the Bank's financial statements.

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

Annual Improvements to IFRSs 2013 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014). The improvements consist of changes to four standards. The basis for conclusions on IFRS 1 is amended to clarify that, where a new version of a standard is not yet mandatory but is available for early adoption; a first-time adopter can use either the old or the new version, provided the same standard is applied in all periods presented. IFRS 3 was amended to clarify that it does not apply to the accounting for the formation of any joint

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arrangement under IFRS 11. The amendment also clarifies that the scope exemption only applies in the financial statements of the joint arrangement itself. The amendment of IFRS 13 clarifies that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including contracts to buy or sell non-financial items) that are within the scope of IAS 39 or IFRS 9. IAS 40 was amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive. The guidance in IAS 40 assists preparers to distinguish between investment property and owner-occupied property. Preparers also need to refer to the guidance in IFRS 3 to determine whether the acquisition of an investment property is a business combination. The Bank is currently assessing the impact of the amendments on its financial statements.

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

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

IFRS 15, Revenue from Contracts with Customers (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2017). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed. The Bank is currently assessing the impact of the new standard on its financial statements.

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

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

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

Disclosure Initiative Amendments to IAS 1 (issued in December 2014 and effective for annual periods on or after 1 January 2016). The Standard was amended to clarify the concept of materiality and explains that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, even if the IFRS contains a list of specific requirements or describes them as minimum requirements. The Standard also provides new guidance on subtotals in financial statements, in particular, such subtotals (a) should be comprised of line items made up of amounts recognised and measured in accordance with IFRS; (b) be presented and labelled in a manner that makes the line items that constitute the subtotal clear and understandable; (c) be consistent from period to period; and (d) not be displayed with more prominence than the subtotals and totals required by IFRS standards.

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

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

4. Significant accounting judgements and estimates

In the process of applying the Bank's accounting policies, management has used its judgement and made estimates in determining the amounts recognised in the consolidated financial statements. The most significant use of judgements and estimates are as follows:

Allowance for impairment of loans and receivables

The Bank regularly reviews its loans and receivables to assess impairment. The Bank uses its judgement to estimate the amount of any impairment loss in cases where a borrower is in financial difficulties and there is little available historical data relating to similar borrowers. Similarly, the Bank estimates changes in future cash flows based on the observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. A 10% increase or decrease in actual loss experience compared to the loss estimates used would result in an increase or decrease in loan impairment losses of UAH 844.5 million and UAH 2,572.7 million (2013: UAH 418.7 million and UAH 1,020.2 million), respectively. The Bank increased or decreased by 10% probability of default (PD) for each individual customer and calculated deviation (increase or decrease) of the impairment provision compared to the actual provision in the calculation of the above provision sensitivity to changes in actual loss experience compared to the estimated. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the Bank of loans and receivables. The Bank uses its judgement to adjust observable data for a group of loans or receivables to reflect current circumstances. In particular, the Bank increased loss given default (LGD) in assessing impairment by 15% as at 31 December 2014. The impact of such an increase on the provision for impairment is UAH 334,079 thousand.

Deferred income tax assets

The recognised deferred tax asset in the amount of UAH 1,307,279 thousand (31 December 2013: UAH 82,963 thousand) represents income taxes recoverable through future deductions from taxable profits and is recorded in the statement of financial position. Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. The future taxable profits and the amount of tax benefits that are probable in the future are based on a 3-year business plan prepared by management. The business plan is based on management expectations that are believed to be reasonable under the circumstances. Key assumptions in the management expectations include stabilisation of the economy of Ukraine together with the recovery of the whole banking sector's profitability in 2016, as well as moderate growth in loan portfolio and reduced loan loss provisions charges due to the expected improvement in the economy. Taking into account planned future profits for 2016-2017 and the fact that current Ukrainian tax legislation does not place limits on the term of utilization of tax losses carried forward, management believes that it is appropriate to recognise the deferred tax asset.

5. Segment information

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

Retail banking	Business Unit focussing on servicing retail customers on the full list of products, and selling products that are mainly in standardized form (as per the tariffs approved and the standard procedures) and generally do not require individual approach.
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Corporate banking	Business Unit focussing on corporate customers selling products that require individual
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approach and are mainly offered to corporate clients.

Inter-bank and investments business Business Unit focussing on the provision of services to participants in the financial markets (money, currency, stock, etc.) and the sale of products related to transactions on the financial markets.

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

Unallocated amounts include:

- Income tax receivables and payables, the share of assets and costs associated with the work of the Bank's TOP management, i.e. personnel performing general management functions at the level of the whole Bank's system and the Bank's staff, supporting directly the work of TOP management;
- The result of the revaluation of open currency position;
- The difference between inter-segment revenues and costs of all business lines, obtained as a result of transfer rates.

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

During the twelve months ended 31 December 2014 and 2013, the Bank had revenues from transactions with a single external customer that accounted for more than 10% of the total income of the Bank, namely UAH 2,111,974 thousand (31 December 2013: UAH 1,685,860 thousand). Revenues from transactions with the external customer is reflected in the segment "Inter-bank and investments business".

Analysis of income of the Bank for banking products and services is presented in the profit and loss (interest income and expenses) and Note 24 (Fee and commission income and expenses).

Geographical information. Most revenues and capital expenditure relates to Ukraine. The Bank has no significant revenue from other countries. Geographical analysis of assets and liabilities is disclosed in Note 26.

The following table presents income and profit, certain asset and liabilities information regarding the Bank's operating segments for the year ended 31 December 2014:

	<i>Retail banking</i>	<i>Corporate banking</i>	<i>Interbank and investments business</i>	<i>Unallocated</i>	<i>Total</i>
External					
Interest income	213,363	5,845,662	4,037,082	-	10,096,107
Commission income	329,686	250,473	18,011	-	598,170
Other income	6,721	32,196	25,464	6,467	70,848
Nat gains from transactions with foreign currencies	139,116	1	580,297	-	719,414
Net gains from operations with banking metals	6,081	-	17,670	7,003	30,754
Gain from investment securities available-for-sale	-	-	13,944	-	13,944
Gain from changes in the fair value of investment securities designated at fair value through profit and loss	-	-	8,747	3,331,930	3,340,677
Reversal of provisions for impairment of other assets and for covering other losses	8,442	-	17,742	-	26,184
Income from other segments	2,705,490	2,162,877	3,803,915	(8,672,282)	-
Total income	3,408,899	8,291,209	8,522,872	(5,326,882)	14,896,098
Interest expenses	(2,185,457)	(1,755,055)	(3,478,041)	-	(7,418,553)
Commission expense	(92,829)	(64,021)	(11,261)	(248)	(168,359)

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	<i>Retail banking</i>	<i>Corporate banking</i>	<i>Interbank and investments business</i>	<i>Unallocated</i>	<i>Total</i>
Loan impairment charge	(262,507)	(11,071,928)	(96,520)	-	(11,430,955)
Loss from operations with foreign currencies	-	(281,102)	-	(3,984,364)	(4,265,466)
Personnel expenses	(415,876)	(272,731)	(89,051)	(122,302)	(899,960)
Depreciation and amortisation	(68,172)	(26,179)	(4,168)	(6,257)	(104,776)
Other operating expenses	(732,868)	(1,300,902)	(225,797)	(237,919)	(2,497,486)
Loss from investment securities available-for-sale	-	(476,057)	(11,784)	(5,577)	(493,418)
Charge for impairment of other assets and for covering other losses	-	(1,838)	-	(3,782)	(5,620)
Loss from changes in terms of loans to customers	-	(53,278)	-	-	(53,278)
Expenses from other segments	(238,110)	(6,127,910)	(3,978,334)	10,344,354	-
Segment results	(586,920)	(13,139,792)	627,916	657,023	(12,441,773)
Income tax expense					1,192,456
Loss for the period					(11,249,317)
Assets and liabilities as at 31 December 2014					
Segment assets	4,479,281	51,722,633	65,105,665	-	121,307,579
Unallocated assets	-	-	-	2,222,604	2,222,604
Total assets					123,530,183
Segment liabilities	27,778,522	34,471,802	49,500,438	-	111,750,762
Unallocated liabilities	-	-	-	203,843	203,843
Total liabilities					111,954,605
Other segment information					
Capital expenditure	(66,415)	(23,156)	(4,015)	(6,028)	(99,614)

The following table presents income and profit, certain asset and liabilities information regarding the Bank's operating segments for the year ended 31 December 2013:

	<i>Retail banking</i>	<i>Corporate banking</i>	<i>Interbank and investments business</i>	<i>Unallocated</i>	<i>Total</i>
External					
Interest income	262,663	5,337,477	3,644,160	-	9,244,300
Commission income	255,802	226,989	19,354	-	502,145
Other income	11,170	31,357	15,207	7,422	65,156
Net gains from transactions with foreign currencies	76,408	116,381	121,087	-	313,876
Net gains from operations with banking metals	10,576	-	-	-	10,576
Gain from investment securities available-for-sale	-	-	-	341	341
Gain from changes in the fair value of investment securities designated at fair value through profit and loss	-	-	1,227	-	1,227
Reversal of provisions for loan impairment	-	-	5,820	-	5,820
Reversal of provisions for impairment of other assets and for covering other losses	-	-	-	6,638	6,638
Income from other segments	2,118,742	1,316,656	3,221,517	(6,656,915)	-
Total income	2,735,361	7,028,860	7,028,372	(6,642,514)	10,150,079
Interest expenses	(1,759,596)	(1,017,079)	(2,522,235)	-	(5,298,910)

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	<i>Retail banking</i>	<i>Corporate banking</i>	<i>Interbank and investments business</i>	<i>Unallocated</i>	<i>Total</i>
Commission expense	(78,392)	(45,977)	(7,584)	(171)	(132,124)
Loan impairment charge	(21,763)	(2,763,895)	-	-	(2,785,658)
Loss from operations with foreign currencies	-	-	-	(99,546)	(99,546)
Loss from operations with precious metals	-	-	(6,825)	(5,468)	(12,293)
Loss from investment securities available-for-sale	-	-	(123,886)	-	(123,886)
Personnel expenses	(350,821)	(243,883)	(86,673)	(129,510)	(810,887)
Depreciation and amortisation	(64,714)	(24,655)	(3,782)	(5,760)	(98,911)
Other operating expenses	(127,546)	(68,661)	(30,922)	(164,080)	(391,209)
Charge for impairment of other assets and for covering other losses	(11,143)	(1,807)	(329)	-	(13,279)
Loss from changes in terms of loans	-	(50,174)	-	-	(50,174)
Expenses from other segments	(205,263)	(5,129,170)	(3,747,477)	9,081,910	-
Segment results	116,123	(2,316,441)	498,659	2,034,861	333,202
Income tax expense					(132,570)
Profit for the year					200,632
Assets and liabilities as at 31 December 2013					
Segment assets	4,651,579	45,432,676	42,278,145	-	92,362,400
Unallocated assets	-	-	-	912,369	912,369
Total assets					93,274,769
Segment liabilities	21,214,096	20,135,258	34,257,213	-	75,606,567
Unallocated liabilities	-	-	-	56,881	56,881
Total liabilities					75,663,448
Other segment information					
Capital expenditure	(86,433)	(29,922)	(5,228)	(7,962)	(129,545)

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

6. Cash and cash equivalents

Cash and cash equivalents comprise:

	<i>31 December 2014</i>	<i>31 December 2013</i>
Cash on hand	934,393	977,242
Current account with the National Bank of Ukraine (other than restricted mandatory reserves)	2,128,691	1,859,740
Current accounts with other credit institutions	10,598,929	3,734,311
Overnight deposits with other credit institutions	1,300,449	472,778
Time deposits with credit institutions up to 90 days	1,827,952	1,276,999
Cash and cash equivalents	16,790,414	8,321,070

As at 31 December 2014 included in current accounts with other credit institutions is UAH 10,348,146 thousand, placed on current accounts with five OECD and CIS banks (31 December 2013: UAH 3,177,104 thousand, placed on current accounts with five OECD banks, CIS banks and Ukrainian banks). These banks are the main counterparties of the Bank in performing international settlements. The placements have been made under normal banking terms and conditions.

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As at 31 December 2014 overnight deposits represent overnight deposits placed with OECD banks. These placements earn market interest rates. UAH 1,300,449 thousand was placed with one OECD bank (31 December 2013: UAH 472,778 thousand was placed with one OECD bank).

Financing transactions that did not require the use of cash and cash equivalents, and were excluded from the statement of cash flows are as follows:

	<i>31 December 2014</i>	<i>31 December 2013</i>
Non-cash financing activities		
Increase of share capital through capitalisation of retained earnings	174,991	67,233
Issue of ordinary shares in exchange for government securities	5,000,000	-
Non-cash financing activities	<u>5,174,991</u>	<u>67,233</u>

7. Mandatory restricted reserves with the National Bank of Ukraine

Since August 2014 Ukrainian banks are required to keep mandatory reserves on a correspondent account with the NBU. Prior to that time Ukrainian banks were required to keep part of mandatory reserves on a separate account with the NBU (2013: until 01.07.2013 – 50%, from 01.07.2013 to 23.02.2014 – 40%, from 24.02.2014 – 20%, as at 31 December 2013 the amount of funds on a separate account with the NBU was UAH 629,753 thousand). Since October 2013, the Ukrainian banks have been allowed to cover the mandatory reserve balance held on a separate correspondent account with the NBU with the purchased foreign-currency denominated Ukrainian state bonds amounting to 10% of their carrying value in the hryvnia equivalent and long-term national currency denominated Ukrainian state bonds with the maturity of more than 3,600 days according to the initial offering terms amounting to 100% of their carrying value. In addition, the Ukrainian banks can use placements on a correspondent account opened with PJSC "Clearing Centre". As at 31 December 2014, Ukrainian state bonds with a carrying value of UAH 30,898,854 thousand (31 December 2013: UAH 15,016,084 thousand) were used by the Bank to cover its NBU mandatory reserve requirement (Note 10).

Since August 2008, Ukrainian banks were required to deposit 20% of funds raised from non-residents in foreign currency for a period of less than 183 days on a separate account with the NBU, in the form of non-interest bearing cash deposit. Starting from August 2014 the reserve requirement for funds raised from non-residents in foreign currency is set by the NBU at 0%. As at 31 December 2014 no funds was placed by the Bank on this account (31 December 2013: UAH 6,312 thousand).

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 (31 December 2013: UAH 104,892 thousand was placed by the Bank).

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

8. Due from credit institutions

Amounts due from credit institutions comprise:

	<i>31 December 2014</i>	<i>31 December 2013</i>
Loans and deposits	1,960,403	890,689
Current accounts with other credit institutions in precious metals	116,908	123,603
Other amounts due from credit institutions	9,323	2,905
	<u>2,086,634</u>	<u>1,017,197</u>
Less– Allowance for impairment	(118,983)	(11,542)
Due from credit institutions	<u>1,967,651</u>	<u>1,005,655</u>

As at 31 December 2014, loans and deposits due from credit institutions include UAH 130,417 thousand of security deposits, placed mainly in respect of customers' transactions, such as letters of credit, performance guarantees and transactions with travellers' cheques (31 December 2013: UAH 63,193 thousand).

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

	<i>Loans and deposits</i>	<i>Total</i>
At 1 January 2013	17,028	17,028
Reversal	(5,820)	(5,820)
Translation differences	334	334
At 31 December 2013	11,542	11,542
Charge	96,520	96,520
Translation differences	10,921	10,921
At 31 December 2014	118,983	118,983

9. Loans to customers

Loans to customers comprise:

	<i>31 December 2014</i>	<i>31 December 2013</i>
Commercial loans	72,818,138	49,901,320
Overdrafts	304,580	420,975
Promissory notes	16,001	40,170
Financial lease receivables	22,182	21,207
	73,160,901	50,383,672
Less– Allowance for impairment	(23,187,109)	(8,758,729)
Loans to customers	49,973,792	41,624,943

Allowance for impairment of loans to customers

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

	<i>Commercial loans</i>	<i>Overdrafts</i>	<i>Financial lease receivables</i>	<i>Promissory notes</i>	<i>Total</i>
At 01 January 2014	8,711,816	6,684	10,608	29,621	8,758,729
Charge/(reversal) for the year	11,358,590	(1,468)	6,630	(29,317)	11,334,435
Recoveries	39,057	-	-	-	39,057
Amounts written-off	(1,316,710)	-	-	-	(1,316,710)
Translation differences	4,371,370	228	-	-	4,371,598
At 31 December 2014	23,164,123	5,444	17,238	304	23,187,109
Individual impairment	21,696,102	1,559	10,451	-	21,708,112
Collective impairment	1,468,021	3,885	6,787	304	1,478,997
	23,164,123	5,444	17,238	304	23,187,109

Gross amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance

29,693,265	10,425	10,452	-	29,714,142
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	<i>Commercial loans</i>	<i>Overdrafts</i>	<i>Financial lease receivables</i>	<i>Promissory notes</i>	<i>Total</i>
At 01 January 2013	9,115,437	1,160	10,522	5,625	9,132,744
Charge for the year	2,756,052	5,524	86	23,996	2,785,658
Recoveries	12,791	-	-	-	12,791
Amounts written-off	(3,226,768)	-	-	-	(3,226,768)
Translation differences	54,304	-	-	-	54,304
At 31 December 2013	8,711,816	6,684	10,608	29,621	8,758,729
Individual impairment	8,191,554	-	10,591	29,496	8,231,641
Collective impairment	520,262	6,684	17	125	527,088
	8,711,816	6,684	10,608	29,621	8,758,729

Gross amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance

14,136,220	-	11,543	29,496	14,177,259
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Individually impaired loans

As at 31 December 2014 interest income on loans, for which individual impairment allowances have been recognised, amounts to UAH 1,225,316 thousand (2013: UAH 907,059 thousand).

In accordance with Ukrainian legislation, loans may only be written off with the approval of the Board of Directors.

Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

- For securities lending and reverse repurchase transactions - cash or securities,
- For commercial lending - charges over real estate properties, inventory and trade receivables,
- For retail lending - mortgages over residential properties and vehicles.

The Bank monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for loan impairment.

As at 31 December 2014, loans to customers with a carrying value of UAH 6,899,998 thousand are pledged as collateral under loans received from the NBU (31 December 2013: UAH 5,462,087 thousand) (Note 17).

Concentration of loans to customers

As at 31 December 2014, the Bank has a concentration of loans represented by UAH 28,336,489 thousand due from the ten largest borrowers (38.73% of gross loan portfolio) (31 December 2013: UAH 17,717,687 thousand or 35.17%). An allowance of UAH 8,181,234 thousand has been recognised against these loans (31 December 2013: UAH 1,865,130 thousand).

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

	<i>31 December 2014</i>	<i>31 December 2013</i>
Private entities	57,196,728	39,575,472
State entities	14,408,725	9,524,472
Individuals	1,001,516	737,902
Municipal and utility entities	553,932	545,826
	73,160,901	50,383,672

Loans are made principally within Ukraine to companies of the following industry sectors:

	<i>2014</i>	<i>%</i>	<i>2013</i>	<i>%</i>
Agriculture and food industry	12,247,792	16.7	8,453,688	16.8
Trade	8,817,828	12.1	7,452,333	14.8
Extractive industry	7,458,774	10.2	4,057,443	8.1
Construction	6,836,398	9.3	5,643,212	11.2
Chemical industry	6,339,970	8.7	3,787,646	7.5
Real estate	5,361,050	7.3	2,304,399	4.6
Mechanical engineering	4,584,459	6.3	3,025,476	6.0
Metallurgy	3,848,349	5.3	2,108,140	4.2
Production of rubber and plastic goods	3,351,343	4.6	2,104,333	4.2
Production of construction materials	3,108,739	4.2	1,599,494	3.2
Power engineering	2,243,804	3.1	1,335,196	2.7
Road construction	2,100,773	2.9	2,095,773	4.2
Transport and communications	2,034,848	2.8	1,526,288	3.0
Individuals	1,001,516	1.4	737,902	1.5
Pulp and paper industry	977,997	1.3	806,680	1.6
Professional, scientific and technical activities	950,239	1.3	1,976,260	3.9
Light industry	328,957	0.4	175,569	0.3
Information and telecommunications	321,696	0.4	4,987	0.0
Finance	233,958	0.3	125,126	0.2
Health protection	187,212	0.3	135,581	0.3

Translation from Ukrainian original

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	2014	%	2013	%
Wood processing	166,633	0.2	216,813	0.4
Metal processing	135,139	0.2	139,028	0.3
Personal services	66,414	0.1	64,351	0.1
Hotels and restaurants	22,914	0.0	16,909	0.0
Other	434,099	0.6	491,045	0.9
	73,160,901	100	50,383,672	100

Included in the corporate lending portfolio are finance lease receivables. They may be analysed as follows:

	2014	2013
Gross investment in finance leases, receivable:		
Less than 1 year	13,481	16,672
From 1 to 5 years	9,468	7,645
	22,949	24,317
Unearned future finance income on finance leases	(767)	(3,110)
Net investment in finance leases	22,182	21,207

	2014	2013
Net investment in finance leases, receivable:		
Less than 1 year	13,072	14,888
From 1 to 5 years	9,110	6,319
Net investment in finance leases	22,182	21,207

10. Investment securities

As at 31 December 2014, investment securities designated at fair value through profit and loss presented Ukrainian state bonds, principal of which will be indexed according to increases in the average interbank exchange rate of Hryvnia to United States dollar per month, prior to the month of issue, and the average exchange rate of Hryvnia to United States dollar per month, prior to maturity month. The Bank decided not to separate an embedded derivative instrument and to evaluate an instrument as a whole at its fair value, recognising revaluation as profit or loss.

As at 31 December 2013, investment securities designated at fair value through profit and loss, with a carrying value of UAH 1,038,267 thousand were pledged as collateral for loans received from the NBU (Note 17).

As at 31 December 2013, investment securities designated at fair value through profit and loss, with a carrying value of UAH 307,463 thousand are pledged as collateral under repurchase agreements with the NBU (Note 17).

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

Available-for-sale investment securities comprise:

	31 December 2014	31 December 2013
Ukrainian state bonds	30,214,641	17,892,254
Corporate bonds	7,156,304	8,416,862
Municipal entities	3,043,563	3,249,315
Corporate shares	11,691	17,268
Available-for-sale investments	40,426,199	29,575,699

As at 31 December 2014, available-for-sale investment securities with a carrying value of UAH 1,635,455 thousand are pledged as collateral under loans received from the NBU (31 December 2013: UAH 4,038,764 thousand) (Note 17).

As at 31 December 2014, available-for-sale investment securities with a carrying value of UAH 808,541 thousand are pledged as collateral under repurchase agreements with the NBU (31 December 2013: UAH 1,836,421 thousand) (Note 17).

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As at 31 December 2014, Ukrainian state bonds classified as available-for-sale investment securities with a carrying value of UAH 30,898,854 thousand (31 December 2013: UAH 15,016,084 thousand) are used by the Bank for the partial fulfilment of the requirements for the mandatory reserves of the NBU (Note 7).

Held-to-maturity investment securities comprise the following:

	31 December 2014		31 December 2013	
	<i>Nominal value</i>	<i>Carrying value</i>	<i>Nominal value</i>	<i>Carrying value</i>
Municipal bonds	-	-	90,000	91,085
Corporate bonds	776,183	820,866	1,244,943	1,297,814
		820,866		1,388,899
Less: Allowance for impairment (Note 15)		-		(18,236)
Held-to-maturity investments		820,866		1,370,663

As at 31 December 2014, held-to-maturity investment securities with a carrying value of UAH 820,866 thousand are pledged as collateral under loans received from the NBU (31 December 2013: UAH 1,297,814 thousand) (Note 17).

11. Investment property

The movements of investment property are as follows:

	2014	2013
Investment property as at 1 January	3,666,666	3,707,841
Transfer from owner occupied property	40,921	-
Additions	6,937	-
Transfer from other assets	(639)	-
Disposals	(14,569)	(6,561)
Net loss from fair value remeasurement	(1,713,229)	(34,614)
Investment property as at 31 December	1,986,087	3,666,666

In 2014, the Bank sold an investment property item with the gain of UAH 136 thousand (2013: UAH 13 thousand).

In 2014 the Bank revalued its investment property. The valuation was performed by an independent appraiser, who holds a recognised and relevant professional qualification and who has relevant experience in valuation of property of similar location and category. The highest and best use method is the key valuation principle underlying the fair value measurements in the appraisers' reports. The highest and best use method specifies that the market value of the real estate property is based on its highest and best use which creates the highest value for the property. Only asset utilisations that are technically feasible, permissible and economically justifiable are considered.

In 2014 the Bank recognised the result from remeasurement of investment property fair value in the amount of UAH 1,713,229 thousand in other operating expenses (2013: UAH 34,614 thousand in other operating expenses).

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

	31 December 2014	31 December 2013
Less than 1 year	15,487	20,442
From 1 to 5 years	20,106	24,011
Future minimum receivables under non-cancellable operating lease	35,593	44,453

During 2014 the Bank has recognised rental income of UAH 29,942 thousand (2013: UAH 29,455 thousand), included in other income in the consolidated statement of profit and loss (the consolidated income statement).

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12. Property and equipment

The movements of property and equipment were as follows:

	<i>Buildings</i>	<i>Leasehold improve- ments</i>	<i>Computers and equipment</i>	<i>Furniture and other assets</i>	<i>Motor vehicles</i>	<i>Construc- tion in progress</i>	<i>Total</i>
Cost or revalued amount							
At 31 December 2013	1,952,077	12,443	372,443	190,287	29,810	137,117	2,694,177
Additions	-	-	58,499	29,147	-	41,599	129,245
Disposals	(30)	(3,292)	(7,506)	(2,174)	(956)	(9,891)	(23,849)
Transfer to investment property	(40,553)	-	(3,295)	(4,470)	(23)	-	(48,341)
Transfers	15,322	3,163	-	-	-	(18,485)	-
Deduction of accumulated depreciation prior to revaluation	(65,981)	-	-	-	-	-	(65,981)
Impairment (Note 25)	(157,039)	-	-	-	-	(11,925)	(168,964)
Revaluation through revaluation reserve in equity	169,621	-	-	-	-	(327)	169,294
At 31 December 2014	1,873,417	12,314	420,141	212,790	28,831	138,088	2,685,581
Accumulated depreciation							
At 31 December 2013	(36,180)	(11,334)	(234,295)	(123,524)	(16,681)	-	(422,014)
Charge for the year	(30,804)	(1,688)	(44,334)	(17,918)	(4,085)	-	(98,829)
Disposals	6	3,083	7,506	1,972	937	-	13,504
Transfer to investment property	997	-	2,848	3,552	23	-	7,420
Write-off of accumulated depreciation prior to revaluation	65,981	-	-	-	-	-	65,981
At 31 December 2014	-	(9,939)	(268,275)	(135,918)	(19,806)	-	(433,938)
Net book value:							
At 31 December 2013	1,915,897	1,109	138,148	66,763	13,129	137,117	2,272,163
At 31 December 2014	1,873,417	2,375	151,866	76,872	9,025	138,088	2,251,643

	<i>Buildings</i>	<i>Leasehold improve- ments</i>	<i>Computers and equipment</i>	<i>Furniture and other assets</i>	<i>Motor vehicles</i>	<i>Construc- tion in progress</i>	<i>Total</i>
Cost or revalued amount							
At 31 December 2012	1,931,015	11,876	334,628	175,181	26,865	138,990	2,618,555
Additions	12	-	46,333	17,627	5,121	20,104	89,197
Disposals	-	(186)	(8,518)	(2,521)	(2,176)	(174)	(13,575)
Transfers	21,050	753	-	-	-	(21,803)	-
At 31 December 2013	1,952,077	12,443	372,443	190,287	29,810	137,117	2,694,177
Accumulated depreciation							
At 31 December 2012	(5,205)	(10,828)	(200,819)	(109,454)	(14,994)	-	(341,300)
Charge for the year	(30,975)	(676)	(41,994)	(16,574)	(3,859)	-	(94,078)
Disposals	-	170	8,518	2,504	2,172	-	13,364
At 31 December 2013	(36,180)	(11,334)	(234,295)	(123,524)	(16,681)	-	(422,014)
Net book value:							
At 31 December 2012	1,925,810	1,048	133,809	65,727	11,871	138,990	2,277,255
At 31 December 2013	1,915,897	1,109	138,148	66,763	13,129	137,117	2,272,163

As at 31 December 2014, buildings, leasehold improvements and other items of property, plant and equipment include assets with a cost or revalued amount of UAH 239,547 thousand which are fully depreciated (31 December 2013: UAH 217,184 thousand). These assets are still used by the Bank.

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As at 31 December 2014, the Bank had capital commitments for the acquisition of property, plant and equipment of UAH 94,566 thousand (31 December 2013: UAH 131,299 thousand).

In 2014 the Bank revalued its buildings. Revaluation was performed by the independent valuers as at 31.12.2014 and fair value was determined by comparative, income and expense methods taking into account market information.

If the buildings are reported at cost, the carrying value is as follows:

	<i>31 December 2014</i>	<i>31 December 2014</i>	<i>31 December 2013</i>	<i>31 December 2013</i>
	<i>(revalued)</i>	<i>(at cost)</i>	<i>(revalued)</i>	<i>(at cost)</i>
Cost	1,873,417	1,425,632	1,952,077	1,043,960
Accumulated depreciation	-	(505,275)	(36,180)	(130,724)
Residual value	1,873,417	920,357	1,915,897	913,236

13. Intangible assets

The movements of intangible assets were as follows:

	<i>Computer software and licenses</i>
Cost	
At 31 December 2013	54,900
Additions	5,330
Disposals	(1)
At 31 December 2014	60,229
Accumulated depreciation	
At 31 December 2013	(40,204)
Charge for the year	(5,948)
Disposals	1
At 31 December 2014	(46,151)
Net book value:	
At 31 December 2013	14,696
At 31 December 2014	14,078
	<i>Computer software and licences</i>
Cost	
At 31 December 2012	46,821
Additions	8,759
Disposals	(680)
At 31 December 2013	54,900
Accumulated depreciation	
At 31 December 2012	(36,051)
Charge for the year	(4,833)
Disposals	680
At 31 December 2013	(40,204)
Net book value:	
At 31 December 2012	10,770
At 31 December 2013	14,696

As at 31 December 2014, intangible assets include assets with a cost of UAH 31,939 thousand which have been fully amortised (31 December 2013: UAH 27,194 thousand). These assets are still used by the Bank.

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14. Income tax

The corporate income tax charge comprises:

	2014	2013
Current tax charge	107,270	138,794
Deferred tax (credit)/charge	(1,299,726)	(6,224)
Income tax (credit)/expenses	(1,192,456)	132,570

As at 31 December 2014, Ukrainian corporate income tax was calculated as taxable income less allowable expenses at the rate of 18% (31 December 2013: 19%).

Income tax assets and liabilities consist of the following:

	31 December 2014	31 December 2013
Current tax assets	691,771	639,420
Deferred income tax assets	1,307,279	82,963
Income tax assets	1,999,050	722,383
Current income tax liabilities	25,181	32,703
Income tax liabilities	25,181	32,703

The effective income tax rate differs from the statutory income tax rate. A reconciliation of the income tax charge based on the statutory rate with the actual rate is as follows:

	2014	2013
Income before tax	(12,441,773)	333,202
Statutory tax rate	18%	19%
Income tax expense at the statutory rate	(2,239,519)	63,308
Effect of change in tax rates	1,867	4,591
Revaluation of temporary difference due to the changes in tax laws	314,454	51,129
Unrecognised deferred tax asset	717,018	-
Non-deductible expenditures:		
- salaries and bonuses	4,136	3,030
- consulting and marketing	862	670
- utilities	3,335	3,059
- repair and maintenance of property and equipment	2,627	2,278
- charity	521	272
- lease	425	306
- other banking operating services	1,558	1,565
- other expenses	260	2,362
Income tax (credit) / expenses	(1,192,456)	132,570

Deferred tax assets and liabilities include:

	Origination and reversal of temporary differences			Origination and reversal of temporary differences			
	01 January 2013	In the consolidated statement of profit and loss	In other compre- hensive income	31 December 2013	In the consolidated statement of profit and loss	In other compre- hensive income	31 December 2014
Tax effect of deductible temporary differences:							
Allowance for loan impairment	-	-	-	-	1,369,104	-	1,369,104
Accruals	15,417	(2,624)		12,793	(12,620)	-	173
Valuation of financial instruments	222,567	(8,241)	(8,477)	205,849	550,535	(41,191)	715,193
Other assets/ liabilities	3,393	(3,250)		143	(143)	-	-
Deferred income tax assets	241,377	(14,115)	(8,477)	218,785	1,906,876	(41,191)	2,084,470

Tax effect of taxable

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	Origination and reversal of temporary differences			Origination and reversal of temporary differences			
	01 January 2013	In the consolidated statement of profit and loss	In other compre- hensive income	31 December 2013	In the consolidated statement of profit and loss	In other compre- hensive income	31 December 2014
temporary differences:							
Allowance for loan impairment	(89,969)	17,541	-	(72,428)	72,428	-	-
Property, equipment and intangible assets	(46,984)	(845)	-	(47,829)	25,883	(34,219)	(56,165)
Investment property	(19,208)	3,643	-	(15,565)	15,565	-	-
Other assets/ liabilities	-	-	-	-	(4,008)	-	(4,008)
Deferred tax liabilities	<u>(156,161)</u>	<u>20,339</u>	<u>-</u>	<u>(135,822)</u>	<u>109,868</u>	<u>(34,219)</u>	<u>(60,173)</u>
Unrecognised deferred tax asset	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(717,018)</u>	<u>-</u>	<u>(717,018)</u>
Net deferred tax assets /(liabilities)	<u>85,216</u>	<u>6,224</u>	<u>(8,477)</u>	<u>82,963</u>	<u>1,299,726</u>	<u>(75,410)</u>	<u>1,307,279</u>

The Bank does not recognise deferred tax asset in the full amount and created respective provision for deferred tax asset as at 31 December 2014. For the information on the professional judgements of the management applied to the recognition of deferred tax assets refer to Note 4.

15. Other impairment and provisions

The movements in other impairment and provisions are as follows:

	<i>Investment securities held to maturity</i>	<i>Other assets</i>	<i>Guarantees and commitments</i>	<i>Total</i>
At 31 December 2012	18,252	37,595	-	55,847
Translation differences	-	166	-	166
Charge/(reversal)	(16)	6,657	-	6,641
Amounts written-off	-	(261)	-	(261)
At 31 December 2013	<u>18,236</u>	<u>44,157</u>	<u>-</u>	<u>62,393</u>
Translation differences	-	4,098	7,258	11,356
Charge/(reversal)	(18,236)	4,530	(6,858)	(20,564)
Transfer from investment securities	-	178,046	-	178,046
Amounts written-off	-	(136)	-	(136)
At 31 December 2014	<u>-</u>	<u>230,695</u>	<u>400</u>	<u>231,095</u>

During 2014 AFS securities of one issuer were not repaid on maturity and were reclassified to Other assets and fully provisioned (UAH 178,046 thousand).

Allowances for impairment of assets are deducted from the related assets. Provisions are recognised in liabilities.

16. Other assets and liabilities

Other assets comprise:

	<i>31 December 2014</i>	<i>31 December 2013</i>
- other financial assets:		
Transit accounts in respect of card operations	28,394	28,320
Other accrued income	21,405	10,201
Receivables on transactions with customers	199,584	11,919
Service fee on financial guarantees issued	5,873	5,518
Other	70	35
	<u>255,326</u>	<u>55,993</u>
Less: Allowance for impairment (Note 15)	<u>(206,629)</u>	<u>(15,950)</u>
Other financial assets	48,697	40,043

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	<u>31 December 2014</u>	<u>31 December 2013</u>
- other assets:		
Precious metals	50,712	30,572
Prepayments	44,885	79,127
Inventories	16,105	13,277
Other tax assets, except those related to income tax	280,320	283,044
Other	1,635	1,433
	<u>393,657</u>	<u>407,453</u>
Less: Allowance for impairment (Note 15)	<u>(24,066)</u>	<u>(28,207)</u>
Other assets	<u>369,591</u>	<u>379,246</u>
Total other assets	<u>418,288</u>	<u>419,289</u>

As at 31 December 2014 and 2013 other tax assets, except those related to income tax, mainly consist of a recognised VAT credit related to repossessed investment property (Note 11) which will be set-off against VAT liabilities recognised as a result of the future sale of the investment property.

As at 31 December 2014, prepayments include balances of UAH 2,456 thousand (31 December 2013: UAH 30,858 thousand) in respect of the purchase of property, equipment and intangible assets, and balances of UAH 4,029 thousand (31 December 2013: UAH 6,199 thousand) in respect of the construction of branch premises.

Other liabilities comprise

	<u>31 December 2014</u>	<u>31 December 2013</u>
- Other financial liabilities:		
Transit accounts in respect of card operations	49,439	10,204
Accrued expenses	9,341	6,465
Liabilities in respect of financial guarantees issued	5,888	4,395
Transit accounts on transactions with customers	1,661	3,889
Other financial liabilities	<u>66,329</u>	<u>24,953</u>
- Other liabilities:		
Provision for unused vacation	56,913	54,843
Payables to Guarantee Fund of Individuals' Deposits	42,164	30,042
Accrued salary payable	13,530	29,040
Deferred income	9,009	13,775
Accrued pension contribution	1,148	779
Other provision	400	-
Other	<u>34,853</u>	<u>5,633</u>
Other liabilities	<u>158,017</u>	<u>134,112</u>
Total other liabilities	<u>224,346</u>	<u>159,065</u>

17. Amounts due to the National Bank of Ukraine

Amounts due to the National Bank of Ukraine as at 31 December 2014 comprise:

	<u>31 December 2014</u>	<u>31 December 2013</u>
Loans due to the National Bank of Ukraine	4,445,182	7,111,848
Repurchase agreements	801,784	2,108,803
Correspondent account	2,014	2,354
Amounts due to the National Bank of Ukraine	<u>5,248,980</u>	<u>9,223,005</u>

As at 31 December 2014, the Bank entered into repurchase agreements with the NBU for the amount of UAH 801,784 thousand (31 December 2013: UAH 2,108,803 thousand). The subject of this agreement is Ukrainian state bonds with the fair value of UAH 808,541 thousand (31 December 2013: UAH 2,143,884 thousand) (Note 10).

As at 31 December 2014, loans due to the National Bank of Ukraine comprise:

Origination date	Maturity date	Type of interest rate	Interest rate	Carrying value
19 March 2009	12 November 2015	Floating (NBU rate +0.5%)	14.5%	1,745,510
19 March 2009	12 November 2015	Floating (NBU rate + 0.5%)	14.5%	2,044,309
03 February 2010	24 January 2016	Floating (NBU rate + 2%)	16%	655,363
Amounts due to the National Bank of Ukraine				<u>4,445,182</u>

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As at 31 December 2013, loans due to the National Bank of Ukraine comprise:

Origination date	Maturity date	Type of interest rate	Interest rate	Carrying value
19 March 2009	12 November 2015	Floating (NBU rate +0.5%)	7.0%	1,551,010
19 March 2009	12 November 2015	Floating (NBU rate + 0.5%)	7.0%	1,924,749
03 February 2010	24 January 2016	Floating (NBU rate + 2%)	8.5%	616,089
10 July 2013	04 July 2014	Fixed rate	7.0%	320,000
14 August 2013	08 August 2014	Fixed rate	7.0%	1,000,000
22 November 2013	14 November 2014	Fixed rate	6.5%	700,000
04 December 2013	09 January 2014	Fixed rate	6.5%	1,000,000
Amounts due to the National Bank of Ukraine				7,111,848

These loans are initially recognized at fair value, which was based on the market data at the date of recognition.

Loans due to the NBU are secured with loans to customers (Note 9) and investment securities (Note 10).

18. Amounts due to credit institutions

Amounts due to credit institutions comprise:

	31 December 2014	31 December 2013
Loans and deposits due to other banks	3,440,923	2,391,545
Loans due to international financial organisations	11,191,711	5,032,008
Current accounts	1,922,697	732,230
Other amounts due to credit institutions	1,124	98
Amounts due to credit institutions	16,556,455	8,155,881
Held as security against guarantees (Note 23)	44,557	52,446

As at 31 December 2014, included in current accounts is UAH 1,256,693 thousand received from five Ukrainian banks (31 December 2013: UAH 362,224 thousand received from five Ukrainian banks and non-OECD banks). The amount was received under normal banking terms and conditions.

As at 31 December 2014, included in amounts due to credit institutions is UAH 2,153,130 thousand received from Ukrainian banks (31 December 2013: UAH 851,419 thousand).

As at 31 December 2013, loans and deposits due to other banks included UAH 56,859 thousand received from Kreditanstalt für Wiederaufbau ("KfW") under loan agreements for financing small and medium-sized enterprises in Ukraine. The loans were denominated in US dollars, had interest rate of LIBOR +2.75% and matured in 2014. In 2014 these loans were fully repaid.

As at 31 December 2014, loans and deposits due to other banks and loans due to international financial organisations include UAH 1,166,656 thousand and UAH 848,391 thousand received from OECD banks and international financial organisations, respectively, under the trade and export financing agreements (31 December 2013: UAH 904,251 thousand and UAH 297,154 thousand respectively and UAH 2,080 thousand received from other foreign banks). These loans are denominated in US dollars, euros and Japanese yen and bear fixed and floating interest rates and are matched in maturity with loans to customers issued under the respective trade and export financing programmes.

As at 31 December 2014 international financial institutions loans include loans from the International Bank for Reconstruction and Development (IBRD) within the framework of the second project of export development and additional finance for the second project of export development totalling UAH 3,544,973 thousand (31 December 2013: UAH 1,129,043 thousand). The total amount of these loans under the loan agreements is USD 304,500 thousand.

Proceeds from these loans are used for mid and long-term financing of Ukrainian borrowers that meet the criteria of the IBRD, and are distributed among the Ukrainian commercial banks that meet the criteria of the IBRD. These loans are denominated in US dollars received by the Bank with interest rate of LIBOR + spread IBRD, which is reviewed twice a year, and have a current interest rate: 0.61% and 0.83%, maturing in 2026 and 2041 respectively.

Loans from international financial institutions also include loans from the International Bank for Reconstruction and Development ("IBRD") for the Project on Energy Efficiency in the amount of UAH 1,220,425 thousand (31 December 2013: UAH 415,973 thousand). Proceeds from this loan are used to finance Ukrainian borrowers who meet the criteria of the IBRD, and are distributed among the Ukrainian commercial banks that meet the criteria of the IBRD. The loan is

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denominated in US dollars with an interest rate of LIBOR + spread IBRD, which is reviewed twice a year, with the current interest rate: 0.82%, the loan matures in 2040.

International financial institutions loans include loans from the European Bank for Reconstruction and Development ("EBRD") within the framework of the energy efficiency programs in Ukraine totalling UAH 791,265 thousand (31 December 2013: UAH 449,745 thousand). These loans are denominated in US dollars and maturing in 2017, have floating interest rates LIBOR + spread EBRD, which is reviewed twice a year, with the current interest rate 6.63% and 6.60%.

For the purposes of the cash flow statement presentation, the Bank allocates funds, attracted from credit institutions, between the funds for the operating and financing activities. Funds raised from the Ukrainian banks are included in the category of funds for operating activities, and funds from other banks for financing activities.

19. Amounts due to customers

Amounts due to customers comprise:

	31 December 2014	31 December 2013
Current accounts		
- Legal entities	10,368,656	5,701,404
- Budget financed organisations	2,390,125	1,695,207
- Individuals	2,479,182	1,594,204
- Funds under the Bank's management (see below)	17,055	1,069
	15,255,018	8,991,884
Time deposits		
- Legal entities	27,444,607	16,847,917
- Individuals	19,295,504	15,621,239
	46,740,111	32,469,156
Amounts due to customers	61,995,129	41,461,040
Held as security against loans to customers	907,144	1,887,368
Held as security against letters of credit (Note 23)	188,135	82,615
Held as security against guarantees and avals (Note 23)	291,110	139,431
Held as security against undrawn loan commitments (Note 23)	19,932	10,614

As at 31 December 2014, legal entities current accounts included funds of top ten customers in the amount of UAH 2,494,286 thousand (24.1% of legal entities current accounts) (31 December 2013: UAH 950,558 thousand, or 16.7%).

As at 31 December 2014, individuals' current accounts included funds of top ten customers in the amount of UAH 61,918 thousand (2.5% of individuals' current accounts) (31 December 2013: UAH 20,628 thousand, or 1.3%).

As at 31 December 2014, term deposits of legal entities included funds raised from five customers – legal entities in the amount of UAH 18,296,943 thousand (66.67% of term deposits of legal entities) (31 December 2013: UAH 10,116,104 thousand, or 60.0%).

As at 31 December 2014, term deposits of individuals included funds raised from ten individuals in the amount of UAH 1,160,958 thousand (6.02% of term deposits of individuals) (31 December 2013: UAH 784,463 thousand, or 5.0%).

As at 31 December 2014, term deposits of legal entities included funds raised in gold, which are accounted for at fair value through profit or loss in the amount to UAH 11,054 thousand (31 December 2013: UAH 5,130 thousand).

As at 31 December 2014, term deposits of individuals included funds raised in gold, which are accounted at fair value through profit or loss in the amount to UAH 119,075 thousand (31 December 2013: UAH 98,619 thousand).

In accordance with Ukrainian legislation, the Bank is obliged to repay time deposits of individuals upon demand of a depositor. In the event that a term deposit is repaid upon demand of the depositor prior to maturity, interest is paid based on the interest rate for demand deposits, unless a different interest rate is specified in the agreement.

Funds under the Bank's management

The Bank acts as an asset manager in respect of certain funds related to construction financing. Amounts due to funds under the Bank's management are as follows:

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	2014	2013
At 1 January	1,069	7,516
Funds attracted from individuals	82,978	34,542
Invested funds	(66,992)	(40,989)
At 31 December	17,055	1,069

An analysis of customer accounts by economic sector is as follows:

	31 December 2014	%	31 December 2013	%
Individuals	21,774,686	35.1	17,215,443	41.5
Agriculture and food industry	17,823,477	28.7	10,794,465	26.0
Trade	6,147,434	9.9	2,858,978	6.9
Budget organizations	2,390,125	3.9	1,695,207	4.1
Finance	2,305,178	3.7	1,456,758	3.5
Transport and communications	2,052,308	3.3	1,124,164	2.7
Mechanical engineering	1,815,486	2.9	1,140,368	2.8
Real estate	1,055,002	1.7	840,387	2.0
Professional, scientific and technical activities	1,005,284	1.6	645,431	1.6
Construction	580,222	0.9	478,749	1.1
Chemical industry	480,516	0.8	191,623	0.5
Information and telecommunications	471,275	0.8	317,833	0.8
Metallurgy	418,182	0.7	66,910	0.2
Power engineering	396,968	0.6	218,472	0.5
Production of construction materials	350,607	0.6	165,338	0.4
Extractive industry	324,201	0.5	110,434	0.3
Metal processing	262,401	0.4	169,863	0.4
Processing	212,332	0.3	132,722	0.3
Production of rubber and plastic goods	192,251	0.3	93,420	0.2
Personal services	192,055	0.3	158,767	0.4
Wood processing	165,898	0.3	130,587	0.3
Pulp and paper industry	98,687	0.2	75,103	0.2
Education	96,503	0.2	86,646	0.2
Health protection	77,042	0.1	150,936	0.4
Hotels and restaurants	58,114	0.1	57,388	0.1
Culture and sport	31,667	0.1	41,090	0.1
Other	1,217,228	2.0	1,043,958	2.5
Amounts due to customers	61,995,129	100	41,461,040	100

20. Eurobonds issued

	31 December 2014		31 December 2013	
	Nominal value	Carrying value	Nominal value	Carrying value
April 2010 issue	3,996,500	7,998,928	3,996,500	4,048,178
October 2010 issue	1,998,250	3,999,464	1,998,250	2,024,089
February 2011 issue	-	-	2,385,050	2,504,580
January 2013 issue	3,996,500	8,138,406	3,996,500	4,118,722
April 2013 issue	799,300	1,627,681	799,300	823,744
Eurobonds issued		21,764,479		13,519,313

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

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

In February 2011, the Bank, through BIZ Finance PLC, issued Eurobonds in the form of deposit linked notes in UAH

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1,250 thousand denominations with a total nominal value for the issue of UAH 2,385,050 thousand. The bonds carry a fixed coupon rate of 11% p.a. The bonds were repaid on maturity in February 2014.

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

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

All Eurobonds issued are subject to various covenants and restrictions (Note 23).

21. Subordinated debt

In February 2006, the Bank obtained a loan of USD 95,000 thousand (UAH 1,498,013 thousand) from Credit Suisse International (carrying value of UAH 1,526,527 thousand as at 31 December 2014 (2013: UAH 771,430 thousand). This loan was funded by 8.4% loan participation notes issued on a limited recourse basis by Credit Suisse International, for the sole purpose of funding a subordinated loan to the Bank. The interest rate was changed to 5.79% in February 2011 according to the terms of the loan. The loan matures in February 2016. Interest payments are made semi-annually in arrears on 09 February and 09 August of each year, commencing on 09 August 2006.

In November 2006, the Bank obtained a further loan of USD 30,000 thousand (UAH 473,057 thousand) from Credit Suisse International (carrying value of UAH 482,061 thousand as at 31 December 2014 (2013: UAH 243,610 thousand). This loan was funded by 8.4% loan participation notes, which were consolidated and form a single series with the securities issued in February 2006. The interest rate was changed to 5.79% in February 2011 according to the terms of the loan.

In May 2009, the Bank obtained a loan amounting to USD 250,000 thousand (UAH 3,942,139 thousand) from the EBRD (carrying value of UAH 4,131,447 thousand as at 31 December 2014 (2013: UAH 2,097,401 thousand). The loan matures in May 2019 with an interest rate change in 2014. Interest rate was fixed for the first five years and comprised 13.21% per annum. Starting from 28 July 2014 for the next five years the interest rate is floating, set according to agreement terms and comprise 12% + 6-month LIBOR. As at 31 December 2014 the interest rate was 12.3291%. Interest payments are made semi-annually in arrears on 28 July and 28 January of each year, commencing on 28 July 2009.

Subordinated debts are subject to various covenants and restrictions (Note 23).

22. Equity

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

As at 31 December 2012, the annual consolidated financial statements reflected the amount of paid-in share capital stated at cost, which was restated using the consumer price index for the contributions made before 31 December 2000. The share capital of the Bank was contributed in Ukrainian hryvnia. Pursuant to the decision of the Board of Directors, the share capital of the Bank in the financial statements for the year ended 31 December 2013 was decreased by UAH 713,232 thousand, through the write-off of the effect of applying IAS 29 "Financial Reporting in Hyperinflationary Economies" recognised in the financial statements according to the account balances as at 31 December 2000.

The movements in share capital were as follows:

	Number of shares	Nominal amount, UAH'000	Restated cost, UAH'000
At 1 January 2013	11,414,901	16,446,818	17,160,050
Shares issued	-	67,233	67,233
Write-off of the effect of applying IAS 29	-	-	(713,232)

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	<i>Number of shares</i>	<i>Nominal amount, UAH'000</i>	<i>Restated cost, UAH'000</i>
At 31 December 2013	11,414,901	16,514,051	16,514,051
Shares issued	-	174,991	174,991
At 31 December 2014	11,414,901	16,689,042	16,689,042

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

In August 2014, according to the Resolution of the Cabinet of Ministers of Ukraine No 142 dated 21 May 2014 the Bank's share capital was increased by UAH 174,991 thousand through capitalisation of part of the net profit for 2012 and retained earnings of previous years according to UAR.

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

In December 2013, according to the Resolution of the Cabinet of Ministers of Ukraine No 630 dated 28 August 2013 the Bank's share capital was increased by UAH 67,233 thousand through capitalisation of part of the net profit for 2011 and retained earnings of previous years according to UAR.

In May 2013, in accordance with the legislation of Ukraine, the Bank made a profit distribution to shareholders in the amount of UAH 46,088 thousand.

The accumulated deficit shown in these consolidated annual financial statements arises as a result of capitalising results from previous years (as shown in the financial statements prepared according to UAR) and results for previous years according to IFRS which have been retained.

Movements in revaluation reserves

Movements in revaluation reserves were as follows:

	<i>Property revaluation reserve</i>	<i>Unrealised gains/ (losses) on investment securities available for sale</i>	<i>Revaluation reserves</i>
At 1 January 2013	973,030	(58,397)	914,633
Depreciation of revaluation reserve, net of tax	(16,465)	-	(16,465)
Disposal gains on investment securities available-for-sale reclassified to the consolidated statement of profit and loss	-	(42,377)	(42,377)
Impairment on investment securities available-for-sale reclassified to the consolidated statement of profit and loss	-	10,535	10,535
Net unrealised gains on available-for-sale investment securities	-	116,612	116,612
Tax effect of net income from investment securities available-for-sale	-	(8,477)	(8,477)
At 31 December 2013	956,565	17,896	974,461
Revaluation of property	169,294	-	169,294
Depreciation of revaluation reserve, net of tax	(16,234)	-	(16,234)
Realised revaluation result transferred to retained earnings	(16,516)	-	(16,516)
Disposal gains on investment securities available-for-sale reclassified to the consolidated statement of profit and loss (consolidated income statement)	-	(13,944)	(13,944)
Impairment on investment securities available-for-sale reclassified to the consolidated statement of profit and loss (consolidated income statement)	-	84,758	84,758
Net unrealised gains on available-for-sale investment securities	-	149,186	149,186
Tax effect of property revaluation, net income from investment securities available-for-sale	(34,219)	(41,191)	(75,410)
At 31 December 2014	1,058,890	196,705	1,255,595

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Nature and purpose of revaluation reserves

Property revaluation reserve

The revaluation reserve for property and equipment 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 recognised in equity.

Unrealised gains/ (losses) on investment securities available-for-sale

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

Reserves and other funds of the Bank

The reserve fund is created in accordance with the Charter to achieve 25 per cent of the size of the regulatory capital at the beginning of each year. The size of the allocations to the reserve fund is not less than 5 per cent of the amount of the Bank's annual profit. The reserve fund is created for incidental losses for all assets and off-balance sheet commitments.

The Bank's distributable reserves are determined by the amount of its reserves as disclosed in the accounts prepared in accordance with UAR. As at 31 December 2013 the Bank has distributable reserves amounting to UAH 215,688 thousand. As at 31 December 2014, the Bank did not have distributable reserves. The amount of non-distributable reserves was UAH 1,491,305 thousand (31 December 2013: UAH 1,167,323 thousand). Non-distributable reserves are represented by a statutory revaluation reserve and a general reserve fund, which is created to cover general banking risks, including future losses and other unforeseen risks or contingencies.

23. Commitments and contingencies

Operating environment

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

The Ukrainian economy is vulnerable to changes in the global financial and commodity markets. Deteriorated conditions of economic cooperation with the Customs Union's countries have resulted in the reduced export of commodities and accompanying services. A sharp devaluation of the national currency, acceleration of inflation, reduction of personal disposable income, decrease of revenue proceeds and capital investments, and capital outflow from the Ukrainian economy in the light of the annexation of Crimea and the "anti-terrorist" operation ("ATO") conducted in the east of the country have resulted in a decline in the gross domestic product. In particular, decrease of industrial production in 2014 in the Donetsk region was 31.5%, Lugansk - 42%.

Military actions in certain areas of Donetsk and Lugansk regions make impossible the normal functioning of the branches of the Bank on this territory, make it difficult to service loans for customers and have a negative impact on the Bank's overall activity.

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

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

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

As at 31 December 2014 the official NBU exchange rate of Hryvnia against US dollar was UAH 15.769 per USD 1, compared to UAH 7.993 per USD 1 as at 31 December 2013. According to data of the State Statistic Service of Ukraine, real GDP contracted by 15.2% in the fourth quarter of 2014 compared to the fourth quarter of 2013, inflation for 2014 amounted to 24.9% and industrial output in 2014 contracted by 10.7% compared to 2013.

Legal aspects

In the ordinary course of business, the Bank is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations of the Bank.

Tax and other regulatory compliance risks

Ukrainian legislation and regulations regarding taxation and other operational matters, including currency exchange control and custom regulations, continue to evolve. Legislation and regulations are not always clearly written and are subject to varying interpretations by local, regional and national authorities, and other Governmental bodies. Instances of inconsistent interpretations are not unusual. Management believes that its interpretation of the relevant legislation is appropriate and that the Bank has complied with all regulations and paid or accrued all taxes and withholdings that are applicable.

At the same time there is a risk that transactions and interpretations that have not been challenged in the past may be challenged by the authorities in the future, although this risk significantly reduces with the passage of time. It is not practical to determine the amount of unasserted claims that may manifest, if any, or the likelihood of any unfavourable outcome.

Since 1 September 2013 transfer pricing rules came into force. These rules provide that in the case of transactions with related parties and, in some cases with unrelated parties (controlled operations) are not at market value, entities should charge additional taxes.

The Bank enters into controlled transactions solely at market prices. The Bank has implemented the necessary internal controls for compliance of the transfer pricing.

Financial commitments and contingencies

The Bank's financial commitments and contingencies comprise the following:

	<u>31 December 2014</u>	<u>31 December 2013</u>
Letters of credit	536,425	570,869
Guarantees	2,215,425	2,137,681
Avals on promissory notes	39,835	28,152
Undrawn loan commitments	259,545	181,582
	<u>3,051,230</u>	<u>2,918,284</u>
Less – Provisions (Note 15)	(400)	-
Financial commitments and contingencies (before deducting collateral)	<u>3,050,830</u>	<u>2,918,284</u>
Less — cash held as security against letters of credit, avals and guarantees, and undrawn loan commitments (Note 18, Note 19)	(543,734)	(285,106)
Financial commitments and contingencies	<u>2,507,096</u>	<u>2,633,178</u>

As at 31 December 2014, the Bank issued letters of credit of UAH 504,008 thousand in favour of four Ukrainian companies that are partially secured by cash deposits of UAH 155,718 thousand (31 December 2013: UAH 483,376 thousand in favour of four Ukrainian companies that were partially secured by cash deposits of UAH 35,698 thousand). As at 31 December 2014, the Bank issued guarantees of UAH 1,442,633 thousand in favour of four Ukrainian companies that are partially secured by cash deposits of UAH 63,447 thousand (31 December 2013: UAH 1,539,297 thousand in favour of four Ukrainian companies that were partially secured by cash deposits of UAH 32,161 thousand).

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As at 31 December 2014 undrawn loan commitments for plastic cards amounted to UAH 160,047 thousand (31 December 2013: UAH 139,852 thousand).

Financial covenants

The Bank is a party to various arrangements with other credit institutions, which contain financial covenants relating to the financial performance and general risk profile of the Bank. Under such covenants, the Bank is required to maintain a minimum international risk based capital adequacy ratio of 10%, to limit credit exposure to a single borrower and to ensure a certain level of operating activity. These financial covenants may restrict the Bank's ability to execute certain business strategies and enter into other significant transactions in the future.

24. Net commission income

Net commission income comprises:

	2014	2013
Commission income		
Cash and settlement service	396,489	327,130
Guarantees and letters of credit	90,540	86,988
Operations with banks	82,160	65,038
Credit servicing commission	11,339	7,128
Other	17,642	15,861
	598,170	502,145
Commission expense		
Cash and settlement service	(134,787)	(110,527)
Guarantees and letters of credit	(27,244)	(16,746)
Currency conversion	(4,053)	(2,972)
Other	(2,275)	(1,879)
	(168,359)	(132,124)
Net commission income	429,811	370,021

25. Personnel and other operating expenses

Personnel and other operating expenses comprise:

	2014	2013
Salaries and bonuses	704,138	640,868
Charges on payroll	195,822	170,019
Personnel expenses	899,960	810,887
Loss on fair value remeasurement for investment property	1,713,230	34,614
Operating taxes	224,935	10,198
Loss on fair value adjustment for own property	168,964	-
Payables to Guarantee Fund of Individuals' Deposits	147,968	114,823
Repair and maintenance expenses	54,796	46,359
Security	25,684	26,388
Occupancy cost	23,257	23,492
Expenses for cash collection	22,608	18,529
Rent cost	21,637	17,860
Household expenses	17,632	14,130
Electronic and data processing costs	17,324	14,072
Marketing and advertising	10,216	16,626
Communications	7,734	6,594
Legal and advisory services	7,223	4,393
Expenses related to representative offices	5,977	6,028
Business travel and related expenses	4,960	6,968
Charity	3,306	1,860
Other	20,035	28,275
Other operating expenses	2,497,486	391,209

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Expenses for payment to the non-state pension fund in 2014 comprised UAH 11,046 thousand (2013: UAH 9,447 thousand).

26. Risk management

Introduction

The Bank is exposed to risks i.e. credit risk, liquidity risk and market risk (which is subdivided into interest rate risk, currency risk and trading book risk), operational risk as well as strategic and reputation risk which are continuously identified, assessed and controlled within the Risk management process. The risk management process makes a crucial contribution in ensuring the Bank's efficiency and profitability and each employee of the Bank is responsible for adhering to the risk management rules and procedures in the course of fulfilling their tasks and duties.

The Bank adheres to the following key risk management principles:

- centralisation of liquidity, interest and currency risk management at the Head Office level;
- unification of analysis and monitoring procedures for credit projects, assessment of the creditworthiness of each borrower and establishment of credit rating and rules for creating allowance for loan impairment across all branches of the Bank;
- clear definition of the roles of all participants in the risk management process and the interrelations among those participants;
- definition of risk limits for transaction volumes: by Bank or Branch Officer, limits on exposures to single borrowers, limits on exposures to related parties, credit portfolio concentration limits (by industry, counterparty banks, separate transactions/ balance sheet items, etc.);
- ensuring continuous risk monitoring and control and compliance with all established limits;
- avoidance of conflicts of interest;
- ensuring internal control over compliance with policies and procedures.

The risk management process includes four stages: identification of risk, its sources and risk areas; estimation of the level of risk; minimisation of risk or limitation of risk at an acceptable levels; on-going monitoring of positions at risk.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. These risks are monitored through the Bank's strategic planning process.

Risk management structure

The Supervisory Board is generally responsible for establishment and approval of objectives in the sphere of risk management and management of capital. In addition, the Bank has separate independent bodies responsible for managing and monitoring risks. The following bodies are responsible for the risk management process at the Bank: Management Board, Assets and Liabilities Committee ("ALCO"), Credit Committee, Retail Business Committee, Securities Division, Treasury Division, Risk Management Division, Audit and Revision Division.

Supervisory Board

The Supervisory Board is responsible for the overall risk management approach and for approving the risk strategies and principles.

Management Board

The Management Board has the overall responsibility for the development of the risk strategy and implementing of principles, frameworks, policies and limits within the Bank. Fundamental risk issues are managed and monitored by relevant risk decisions based on quarterly reports of the Risk Management Division, ALCO, Credit Committee and Retail Business Committee. The Management Board approves the Bank's risk management.

Assets and Liabilities Committee ("ALCO")

The ALCO has the overall responsibility for implementing principles, frameworks, policies and limits regarding liquidity and market risks within the Bank and ensuring that liquidity and market risks are within the specified ranges approved by the Management Board. The ALCO reports to the Management Board.

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Credit Committee and Retail Business Committee

The Credit Committee and Retail Business Committee have the overall responsibility for implementing principles, frameworks, policies and limits regarding credit risk within the Bank and ensuring that credit risk indicators are within the specified ranges approved by the Management Board. These committees report to the Management Board.

Risk Management Division

Risk Management Division is responsible for control, monitoring, analysis and reporting of key risk indicators connected with the Bank's activities. In addition, Risk Management Division elaborates and supervises implementation of risk management methodologies, norms and procedures, estimates the risk of all banking products and structured transactions. The Risk Management Division reports to the Management Board.

Treasury and Securities Divisions

Treasury is responsible for the management of the Bank's liquidity position via money market operations, while Securities Division is responsible for management of the Bank's liquidity position via capital market operations. The Treasury Division and Securities Division report to the Management Board.

Internal Audit Division

The risk management processes are audited on a regular basis by Internal Audit Division, which examines both the adequacy of procedures and the Bank's compliance with those procedures. Audit findings, conclusions and recommendations are submitted to the Management Board and the Supervisory Board.

Risk measurement and risk reporting systems

The Bank's risks are measured using methods which reflect both the expected loss under normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. The Bank also runs worse case scenarios reflecting the impact of extreme events with a low probability of occurrence. The Bank carries out back-testing of the models to check their adequacy.

Risks are monitored and controlled primarily based on limits established by the Bank. These limits reflect the business strategy and market environment of the Bank as well as the level of risk that the Bank is willing to accept, with additional emphasis on selected industries. In addition, the Bank monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

Information regarding the balance-sheet structure, capital adequacy, compliance with limits and indicators established by the ALCO, and covenants under contractual obligations of the Bank is submitted to the ALCO on a monthly basis. The Management Board receives a comprehensive risk report once a quarter which is designed to provide all the necessary information to assess and conclude on the risks of the Bank.

For all levels of the Bank's management, various risk reports are prepared in order to provide comprehensive, relevant and up-to-date information to all of the Bank's units.

Risk Mitigation

The Bank does not use derivatives to manage risks arising from changes in interest rates, credit risk and liquidity risk since a market for such financial instruments does not yet exist in Ukraine.

The Bank extensively uses collateral to minimise credit risk (see below for more detail).

Excessive risks concentration

Concentration arises when a number of counterparts are engaged in similar business activities, or activities in the same geographic region, or have similar economic characteristics, which determine their ability to meet contractual obligations that are equally affected by the changes in economic, political or other environment. Concentration indicates the relative sensitivity of the Bank's performance to the developments affecting a particular industry or geographical area.

In order to avoid excessive concentrations of risks, the Bank's internal policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified risks concentration is duly controlled and managed.

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Credit risk

The Bank considers credit risk as the probability of non-timely and/or insufficient receipt of funds from customers (counterparties) under their commitments.

Credit risk management is primarily aimed at ensuring fulfilment of commitments by the Bank's customers (counterparties) in form, volume and time periods adequate for maintaining liquidity, yield and capital adequacy ratios within the limits acceptable for the Bank.

In managing credit risk, the Bank considers the following:

- structural (strategic) management — acceptable level of loan portfolio structure and volume (on balance sheet and off balance sheet) in short, medium and long term horizon taking into consideration estimated and unpredictable changes in the financial and economic environment;
- on-going (operational) management - acceptable quality and volume of individual loans and commitments taking into consideration estimated and unpredictable changes in the financial and economic environment;
- structural (strategic) and on-going (operational) management of the allowance for impairment effect on the Bank's capital adequacy ratio in short, medium and long term horizon taking into consideration estimated and unpredictable changes in quality of the individual loans, credit portfolios and total credit portfolio.

The Bank manages and controls credit risk based on the following principles:

- setting targets (optimal and acceptable for the Bank), critical (undesirable, but manageable) and threshold (requiring urgent measures) values of the key credit risk exposures;
- providing loans or loan related commitments solely in accordance with the approved Credit policy and the Bank's internal regulations;
- creation and maintaining allowances and provisions for loan related operations in volumes, which are not lower than the Bank's best estimates;
- constant monitoring of the actual values of the key credit risk exposures at the level of individual loans/commitments, credit portfolios and total credit portfolio;
- taking efficient measures if the actual values of credit risk exposures approach their critical and/or threshold values.

Key credit risk exposures, their target, critical and threshold values are updated at least annually and approved by the Management Board of the Bank.

In response to the difficult economic and political situation in Ukraine during 2014, annexation of Crimea, the conflict in the east, the Bank in its credit policy imposed limits on the decisions in respect of credit risk (lending) for branches located in Crimea and on the territory not controlled by Ukrainian government. Collateral for the loans, which are located on the territory not controlled by Ukrainian authorities is not taken into account for the purposes of calculation of the allowance for impairment. In addition, the Bank created provisions for impairment for loans to customers located in Crimea approximately 100%.

Individual credit risk

Individual credit risk is a risk which can be attributed to a particular transaction or counterparty.

Individual credit risk is managed through: loan and customer (or counterparty) classification via the system of internal credit ratings determined on the basis of the customer's (counterparties') creditworthiness and an evaluation of their loan repayment quality; evaluation and monitoring of collateral value and liquidity; setting credit risk limits and monitoring compliance with the limits; creation of adequate allowance for asset's impairment.

The Bank's lending policy determines the type of collateral required for a particular transaction, industry or customer. The primary types of collateral include: guarantees of primary banks, deposits with the Bank, real estate property and pledges of equipment or vehicles. The Bank requires obligatory insurance of collateral to be provided by the customer.

In order to limit individual credit risk, the Bank sets the following limits: maximum volume of credit transactions (loans, securities, receivables) per single counterparty (or group of related counterparties), including financial commitments and contingencies; maximum volume of credit transactions (loans, securities, receivables) for one insider, including financial commitments and contingencies.

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Portfolio credit risk is the risk typical for a group of credit transactions (loans, securities, receivables) and group of counterparties with similar credit characteristics.

Portfolio credit risk management is exercised through: industry classification on the basis of an internal system of industry ratings, which characterises the systematic risk of the industry; monitoring of the credit portfolio structure (by category of customers, industries and credit ratings of customers and loans); establishment of concentration limits and appropriate monitoring and control thereof; diversification of credit portfolio (both by industry and customer category).

Diversification of credit portfolio (both by industry and customer category) is provided through establishment of the following limits: by industry; by maximum total volume of "large" loans (which constitute 10% or more of the regulatory capital of the Bank as to each counterparty or group of related counterparties); by maximum total volume of loans to insiders; by credit portfolio concentration per category of customers; by total indebtedness of 5 largest customers; by total indebtedness of 10 largest customers; by total indebtedness of 20 largest customers.

Credit-related commitment risks

The Bank issues guarantees to its customers, under which the Bank may be required to make payments on behalf of the relevant customers. These guarantees expose the Bank to risks similar to credit risks, and are mitigated by similar control procedures and principles.

The Bank undertakes to effect payment against presentation of complying documents under letters of credit. If the letters of credit are opened on uncovered basis the Bank has risks similar to credit risks, which are mitigated by similar control procedures and principles.

The maximum exposure to credit risk for the components of the consolidated statement of financial position before the effect of mitigation through the use of collateral agreements, is best represented by their carrying amounts.

Where financial instruments are recorded at fair value, the carrying value represents the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

For more details on the maximum exposure to credit risk for each class of financial instrument, references shall be made to the specific notes.

Credit quality by category of financial assets

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

	No- tes	Neither past due nor individually impaired			Past due or individually impaired		Total
		Rating A and B	Rating C	Rating D and lower	Rating D and higher	Rating E and F or no rating	
At 31 December 2014							
Cash and cash equivalents	6	16,754,230	14,677	21,507	-	-	16,790,414
Amounts due from foreign credit institutions	8	247,315	-	-	-	-	247,315
Amounts due from Ukrainian credit institutions	8	9,332	554,998	771,693	503,296	-	1,839,319
Investment securities:	10						

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	No- tes	Neither past due nor individually impaired			Past due or individually impaired		Total
		Rating A and B	Rating C	Rating D and lower	Rating D and higher	Rating E and F or no rating	
At 31 December 2014							
- designated at fair value through profit or loss		6,882,115	-	-	-	-	6,882,115
- available-for-sale		31,068,551	6,042,067	2,839,524	476,057	-	40,426,199
- held-to-maturity		-	-	820,866	-	-	820,866
Loans to corporate customers:	9						
Commercial loans		5,382,773	16,824,599	18,260,493	15,376,714	15,972,826	71,817,405
Overdrafts		97,868	184,064	11,440	10,425	-	303,797
Finance lease receivables		-	11,097	633	-	10,452	22,182
Promissory notes		6,740	-	9,261	-	-	16,001
		5,487,381	17,019,760	18,281,827	15,387,139	15,983,278	72,159,385
Loans to individuals	9	20,989	103,363	182,893	26,095	668,176	1,001,516
Total		60,469,913	23,734,865	22,918,310	16,392,587	16,651,454	140,167,129
Provision for impairment		(37,807)	(239,092)	(1,147,495)	(8,886,208)	(12,995,490)	(23,306,092)
Total after provision for impairment		60,432,106	23,495,773	21,770,815	7,506,379	3,655,964	116,861,037

	No- tes	Neither past due nor individually impaired			Past due or individually impaired		Total
		Rating A and B	Rating C	Rating D and lower	Rating D and higher	Rating E and F or no rating	
At 31 December 2013							
Cash and cash equivalents	6	8,158,426	130,781	31,863	-	-	8,321,070
Mandatory restricted reserves with the National Bank of Ukraine	7	740,957	-	-	-	-	740,957
Amounts due from foreign credit institutions	8	186,786	-	-	-	-	186,786
Amounts due from Ukrainian credit institutions	8	-	195,090	635,321	-	-	830,411
Investment securities:	10						
- designated at fair value through profit or loss		3,540,585	-	-	-	-	3,540,585
- available-for-sale		18,918,336	7,458,357	3,199,006	-	-	29,575,699
- held-to-maturity		197,253	-	1,100,561	91,085	-	1,388,899
Loans to corporate customers:	9						
Commercial loans		3,074,314	25,288,813	6,298,716	8,702,797	5,798,788	49,163,428
Overdrafts		33,051	167,093	220,821	-	-	420,965
Finance lease receivables		-	9,664	-	-	11,543	21,207
Promissory notes		-	10,674	-	29,496	-	40,170
		3,107,365	25,476,244	6,519,537	8,732,293	5,810,331	49,645,770
Loans to individuals	9	164,935	86,407	149,764	166,345	170,451	737,902
Total		35,014,643	33,346,879	11,636,052	8,989,723	5,980,782	94,968,079
Provision for impairment		(17,734)	(276,149)	(223,757)	(3,564,718)	(4,706,149)	(8,788,507)
Total after provision for impairment		34,996,909	33,070,730	11,412,295	5,425,005	1,274,633	86,179,572

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

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

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

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

The table below presents the value of collateral taken by the Bank when assessing the impairment of assets, in the amount not exceeding the carrying amount of the loan. For the purposes of impairment assessment the Bank does not take into account certain types of collateral, including trade receivables, inventory, movable property.

	<i>31 December 2014</i>	<i>31 December 2013</i>
Loans to corporate customers	35,485,759	33,329,390
Loans to individuals	550,993	469,795
Total	36,036,752	33,799,185

Impairment assessment

The main considerations for the loan impairment assessment is based on a determination whether any payments of principal or interest are overdue by more than 90 days or whether there are any known difficulties in the cash flows of counterparties, credit rating downgrades, or infringement of the original terms of the respective contract. The Bank addresses impairment assessment in two areas: individually assessed allowances and collectively assessed allowances (on a portfolio basis).

Geographical concentration

The geographical concentration of the Bank's financial assets and liabilities is set out below:

	<i>31 December 2014</i>			
	<i>Ukraine</i>	<i>OECD countries</i>	<i>CIS and other non-OECD countries</i>	<i>Total</i>
Assets:				
Cash and cash equivalents	4,964,362	11,679,419	146,633	16,790,414
Due from credit institutions	1,711,488	243,544	12,619	1,967,651
Loans to customers	49,973,792	-	-	49,973,792
Investment securities:				
- designated at fair value through profit or loss	6,882,115	-	-	6,882,115
- available-for-sale	40,426,199	-	-	40,426,199
- held-to-maturity	820,866	-	-	820,866
Other financial assets	47,094	821	782	48,697
	104,825,916	11,923,784	160,034	116,909,734
Liabilities:				
Amounts due to the National Bank of Ukraine	5,248,980	-	-	5,248,980
Amounts due to credit institutions	2,153,131	14,368,836	34,488	16,556,455
Amounts due to customers	60,998,151	283,785	713,193	61,995,129
Eurobonds issued	-	21,764,479	-	21,764,479
Subordinated debt	-	6,140,035	-	6,140,035

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31 December 2014				
	Ukraine	OECD countries	CIS and other non-OECD countries	Total
Other financial liabilities	58,409	7,872	48	66,329
	68,458,671	42,565,007	747,729	111,771,407
Net position	36,367,245	(30,641,223)	(587,695)	5,138,327
Commitments and contingencies (Note 23)	2,492,389	2,781	11,926	2,507,096
31 December 2013				
	Ukraine	OECD countries	CIS and other non-OECD countries	Total
Assets:				
Cash and cash equivalents	4,507,287	3,559,036	254,747	8,321,070
Mandatory restricted reserves with the National Bank of Ukraine	740,957	-	-	740,957
Due from credit institutions	816,471	184,875	4,309	1,005,655
Loans to customers	41,624,936	7	-	41,624,943
Investment securities:				
- designated at fair value through profit or loss	3,540,585	-	-	3,540,585
- available-for-sale	29,575,699	-	-	29,575,699
- held-to-maturity	1,370,663	-	-	1,370,663
Other financial assets	38,513	1,465	65	40,043
	82,215,111	3,745,383	259,121	86,219,615
Liabilities:				
Amounts due to the National Bank of Ukraine	9,223,005	-	-	9,223,005
Amounts due to credit institutions	851,359	7,014,698	289,824	8,155,881
Amounts due to customers	40,516,826	139,672	804,542	41,461,040
Eurobonds issued	-	13,519,313	-	13,519,313
Subordinated debt	-	3,112,441	-	3,112,441
Other financial liabilities	17,408	7,515	30	24,953
	50,608,598	23,793,639	1,094,396	75,496,633
Net position	31,606,513	(20,048,256)	(835,275)	10,722,982
Commitments and contingencies (Note 23)	2,630,775	2,323	80	2,633,178

Liquidity risk

The Bank considers liquidity risk as the risk of an inability to finance growth of the Bank's assets and to fulfil its own obligations when they fall due.

The main purpose of liquidity risk management is to ensure the ability of the Bank to fulfil its obligations when they fall due by maintaining acceptable (manageable) liquidity gaps. While managing liquidity risk, the Bank is considering a combination of the following:

- structural (short and long-term) assets and liabilities management focused on ensuring appropriate liquidity levels in the short and long-term time horizon;
- current (short-term) assets and liabilities management focused on ensuring appropriate level of instant and current liquidity taking into consideration estimated and unpredictable cash flow changes.

Liquidity risk management is based on acceptable levels of maturity gaps (by currency) and on the following principles:

- setting target (optimal and acceptable to the Bank), critical (undesirable but manageable) and threshold (requiring urgent measures) levels of key liquidity risk indicators;
- permanent monitoring of actual key liquidity risk indicators;
- use of adequate corrective actions if actual key liquidity risk indicators approach their critical and/or threshold levels.

Key liquidity risk indicators, their respective targets, critical and threshold levels are updated at least annually and approved by the Management Board of the Bank.

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*(thousands of Ukrainian hryvnia, unless otherwise stated)**Assessment of the liquidity position*

The adherence to the internal limits set by the Bank is in line with the liquidity risk standards established by the National Bank of Ukraine. The liquidity position is assessed and managed by the Bank, based on certain liquidity ratios established by the NBU.

The liquidity position, assessed by respective liquidity ratios established by the NBU, was as follows:

	31 December 2014, %	31 December 2013, %
N4 "Instant Liquidity Ratio" (cash in hand, balances on nostro accounts with banks and unpledged deposit certificates of the National Bank of Ukraine / balances on customers' current accounts) (minimum required by the NBU — 20%)	61.03	54.74
N5 "Current Liquidity Ratio" (cash in hand, balances on nostro accounts with banks, banking metals, claims on banks with residual maturity of up to 31 days and unpledged Ukrainian state bonds / balances on customers' current accounts, term deposits, debt obligations and commitments with residual maturity of up to 31 days) (minimum required by the NBU — 40%)	134.69	98.42
N6 "Short-Term Liquidity Ratio" (cash in hand, balances on nostro accounts with banks, banking metals, claims on banks with residual maturity of up to 1 year and unpledged Ukrainian state bonds / balances on customers' current accounts, term deposits, debt obligations and commitments with residual maturity of up to 1 year) (minimum required by the NBU — 60%)	114.29	97.47

Analysis of financial liabilities by remaining contractual maturities

The table below summarises the maturity profile of the Bank's financial liabilities based on contractual undiscounted repayment obligations. Less than 3 month liabilities are those that are due on the earliest date. However, the Bank expects that many customers will not demand repayment on the earliest date when the Bank could be required to make a respective repayment and the table does not reflect the expected cash flows calculated by the Bank on the basis of information on deposit repayment in previous periods.

Financial liabilities

At 31 December 2014	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Amounts due to the NBU	930,965	4,239,156	644,913	-	5,815,034
Amounts due to credit institutions	2,961,992	2,568,992	5,634,357	9,374,767	20,540,108
Amounts due to customers	48,845,903	12,815,917	1,288,392	168,626	63,118,838
Eurobonds issued	414,533	12,735,573	11,532,583	-	24,682,689
Subordinated debt	306,831	302,642	7,869,876	-	8,479,349
Other liabilities	66,329	-	-	-	66,329
Commitments and contingent financial liabilities	812,812	1,062,464	1,175,693	261	3,051,230
Total undiscounted financial liabilities	54,339,365	33,724,744	28,145,814	9,543,654	125,753,577

Financial liabilities

At 31 December 2013	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Amounts due to the NBU	3,244,913	2,320,104	4,727,368	-	10,292,385
Amounts due to credit institutions	1,543,330	1,887,610	2,811,657	3,809,851	10,052,448
Amounts due to customers	29,836,490	11,678,062	992,033	51,958	42,558,543
Eurobonds issued	2,726,044	712,504	12,511,528	-	15,950,076
Subordinated debt	161,284	159,838	2,146,388	2,217,153	4,684,663
Other liabilities	24,953	-	-	-	24,953
Commitments and contingent financial liabilities	624,201	1,643,991	625,853	24,239	2,918,284
Total undiscounted financial liabilities	38,161,215	18,402,109	23,814,827	6,103,201	86,481,352

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The above table shows the timing of expiry dates of commitments and contingent financial liabilities of the Bank according to the respective agreements. The Bank expects that not all of the contingent liabilities or commitments will be drawn before their expiry. In order to limit liquidity risk arising from asymmetric prepayment and early repayment prospective of the term assets and liabilities, the Bank incorporates in standard client agreements conditions that motivate customers not to use the options of prepayment and early repayment.

Market risk

The Bank considers market risk as the aggregate of interest rate risk and currency risk, i.e. inability to secure excess of income (including interest income) over expenses (including interest expenses) by currency in volumes required to fulfil the Bank's obligations and to maintain liquidity and capital adequacy risks within the range acceptable to the Bank.

Market risk management is performed by systematic combination of:

- interest risk management;
- foreign currency risk management.

Interest rate risk

Interest rate risk is considered by the Bank as the inability to secure excess of interest income over interest expenses in volumes required to fulfil the Bank's interest payment obligations and to maintain liquidity and capital adequacy risks within the range acceptable to the Bank. The Bank considers the mismatch of interest receipts and interest payments by volumes or dates to be the main source of interest rate risk.

The Bank considers interest rate risk management as an integral part of the Bank's operations including the effect of negative impact by internal and external factors.

Interest rate risk management is performed through a combination of:

- structural (strategic) and current (operational) management of interest-earning assets aimed at achieving acceptable structure and volume of interest income in short, middle and long-term time horizon taking into consideration estimated and unpredictable changes in interest rates;
- structural (strategic) and current (operational) management of interest-bearing liabilities aimed at achieving acceptable structure and volume of interest expenses in short, middle and long-term time horizon taking into consideration estimated and unpredictable changes in interest rates.

Interest rate risk management is aimed at securing the excess of interest income over interest expenses in volumes sufficient to fulfil the Bank's interest payment obligations and to maintain liquidity and capital adequacy risks within the range acceptable to the Bank. Interest rate risk management is performed via:

- setting target (optimal and acceptable to the Bank), critical (undesirable but manageable) and threshold (requiring urgent measures) levels of key interest rate risk indicators;
- permanent monitoring of actual values of key interest rate risk indicators;
- taking efficient measures if the actual values of key interest rate risk indicators approach their critical and/or threshold levels.

Key interest rate risk indicators, their respective targets, critical and threshold levels are updated at least annually and approved by the Management Board of the Bank.

The table below demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Bank's consolidated statement of profit and loss (consolidated income statement).

The sensitivity of the consolidated statement of profit and loss (consolidated income statement) reflects the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate non-trading financial assets and financial liabilities held at reporting date.

31 December 2014					
Currency	Base for interest rate	Increase in basis points	Effect on profit before income tax expense	Decrease in basis points	Effect on profit before income tax expense
UAH	NBU	+100	(8,727)	-100	8,727
USD	LIBOR	+75	(56,649)	-75	53,781
EUR	LIBOR	+75	37	-75	(37)
EUR	Euribor	+75	3,901	-75	(3,901)
Other	LIBOR	+75	423	-75	(418)
Other	Euribor	+75	2	-75	(2)
Total			(61,013)		58,150

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Currency	Base for interest rate	Increase in basis points	31 December 2013	
			Effect on profit before income tax expense	Effect on profit before income tax expense
UAH	NBU	+100	(12,062)	12,064
USD	LIBOR	+75	(15,895)	14,478
EUR	LIBOR	+75	115	(115)
EUR	Euribor	+75	2,863	(2,863)
Other	LIBOR	+75	341	(340)
Other	Euribor	+75	1	(1)
Total			(24,637)	23,223

The equity sensitivity is calculated by the revaluation of available-for-sale financial assets with fixed rate as at 31 December to assess the possible effects of the assumed changes in interest rates. For securities classified at the 1 and 2 levels of the fair value hierarchy of the asset, the method of modified duration is used, for securities classified at the 3 level of the hierarchy - a method of yield curve, with the following assumptions: +/- 400 b.p. for corporate bonds with government guarantee, +/- 300 b.p. for corporate bonds, +/- 300 b.p. for Ukrainian state bonds denominated in local currency, +/- 200 b.p. for Ukrainian state bonds in USD, +/- 20% interest rate change for corporate bonds of the 3 level of hierarchy. As at 31 December 2014, the total effect of the changes on the Bank's equity is: UAH (1,532,772) thousand / UAH 1,532,772 thousand (2013: UAH (597,858) thousand / UAH 597,858 thousand).

Sensitivity of net profit / (loss) on investment securities designated at fair value through profit or loss is calculated by the revaluation of financial instruments with fixed interest rate, and are revalued through profit / (loss) as of 31 December in terms of effects of the assumed changes in interest rates using the method of modified duration. The effect of changes in interest rate of +/- 200 b.p. for Ukrainian state bonds on the Bank's income is UAH (163,839) thousand / UAH 163,839 thousand (2013: UAH (106,890) thousand / UAH 106,890 thousand).

Currency risk

The Bank considers currency risk as the inability to secure excess of foreign currency cash inflow over foreign currency cash outflow (by currency) in amounts required to maintain liquidity and capital adequacy risks within the range acceptable to the Bank. The Bank considers the inconsistency of fluctuations in foreign currency exchange rates to be the main source of currency risk.

Currency risk management is performed through a combination of:

- structure (strategic) and current (operational) management of assets by currency aimed at achieving an acceptable structure and amount of foreign currency cash inflow in short, medium and long term time horizon taking into consideration estimated and unpredictable changes in foreign currency exchange rates;
- structure (strategic) and current (operational) liabilities management aimed at achieving an acceptable structure and amount of foreign currency cash outflow in short, medium and long term time horizon taking into consideration estimated and unpredictable changes in foreign currency exchange rates.

Currency risk management is aimed at securing an excess of foreign currency cash inflow over foreign currency cash outflow at the level acceptable for the Bank and necessary for maintaining liquidity and capital adequacy risks within the range acceptable to the Bank, and is performed via:

- setting targets (optimal and acceptable to the Bank), critical (undesired but manageable) and threshold (urgent measures) values of key currency risk indicators;
- continuous monitoring of actual values of key currency risk indicators;
- taking efficient measures if the actual values of key currency risk indicators approach their critical and/or threshold values.

Key currency risk indicators, their target, critical and threshold values are updated at least annually and approved by the Management Board of the Bank.

The tables below indicate the currencies to which the Bank has significant exposure at 31 December 2014 on its non-trading monetary assets and liabilities and its forecast cash flows. The analysis calculates the effect of a reasonably possible movement of the currency rate against hryvnia, with all other variables held constant on the consolidated statement of profit and loss (consolidated income statement) (due to the fair value of currency sensitive non-trading monetary assets and liabilities). The effect on equity does not differ from the effect on the consolidated income statement. A negative amount in the table reflects a potential net reduction in consolidated statement of profit and loss (consolidated income statement) or equity, while a positive amount reflects a net potential increase.

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Currency	31 December 2014		31 December 2013	
	Change in currency rate, %	Effect on profit before tax	Change in currency rate, %	Effect on profit before tax
UAH/USD	+40,00%	(1,567,516)	+40,00%	173,727
UAH/EUR	+40,00%	(1,278,795)	+40,00%	(376,760)
Total		(2,846,311)		(203,033)
UAH/USD	-30,00%	1,175,637	-30,00%	904,705
UAH/EUR	-30,00%	959,097	-30,00%	282,570
Total		2,134,734		1,187,275

Offsetting financial assets and financial liabilities

As at 31 December 2014 repurchase contracts in the amount of UAH 801,784 thousand (31 December 2013: UAH 2,108,803 thousand) include loans from the National Bank of Ukraine, which fall under the enforceable master netting or similar arrangement.

27. Transfer of financial assets***Transfers that did not qualify for derecognition of the financial asset in its entirety*****Sale and repurchase transactions**

As at 31 December 2013 the Bank had investment securities designated at fair value through profit or loss, which were represented by government bonds, in the carrying amount of UAH 307,463 thousand in respect of which the Bank has an obligation to repurchase for a predetermined fixed price. Information on the book value of liabilities in respect of sale and repurchase transactions is disclosed in Note 10 and Note 17.

As at 31 December 2014 the Bank had investment securities available for sale which are represented by government securities with carrying value of UAH 808,541 thousand (31 December 2013: UAH 1,836,421 thousand) in respect of which the Bank has an obligation to repurchase for a predetermined fixed price. Information on the book value of liabilities in respect of sale and repurchase transactions is disclosed in Note 10 and Note 17.

	31 December 2014		31 December 2013	
	Carrying amount of assets	Carrying amount of liabilities	Carrying amount of assets	Carrying amount of liabilities
<i>Investment securities designated at fair value through profit or loss:</i>				
Government bonds	-	-	307,463	301,913
<i>Investment securities available for sale:</i>				
Government bonds	808,541	801,784	1,836,421	1,806,890
Total	808,541	801,784	2,143,884	2,108,803

28. Fair value of assets and liabilities***Fair value measurement procedures***

For unquoted trading and available-for-sale securities and unquoted derivatives the fair value measurements are based on the accounting policies of the Bank and approved procedures of the securities portfolio management. The fair values are calculated regularly using key inputs of previous measurements and other relevant information as appropriate. Securities are revalued on a monthly basis and approved by the Bank's Credit Committee.

The Bank tests the fair values of investment properties and buildings twice a year by engaging domestic professionally qualified valuers that have extensive and relevant valuation expertise. The decision on revaluation of investment properties and buildings is made by the Board of Directors based on an evaluation of the fair value of investment

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properties compared to their carrying amount, and whether the fair value of buildings significantly differs from their carrying amount. The investment properties and buildings are valued by external independent appraisers that are accredited with the Bank and have the market knowledge, good reputation and adhere to the principles of independence and professional standards according to the decision made by the Board of Directors.

Levels of the fair value hierarchy

For the purposes of disclosing the information about fair value, the Bank classifies the assets and liabilities based on the nature, characteristics and risks of an asset or liability and the levels of the fair value hierarchy as shown below:

	Fair value measurement applied				
	Valuation date	Quoted market prices (Level 1)	Valuation based on assumptions confirmed by observable data (Level 2)	Valuation based on assumptions not confirmed by observable data (Level 3)	Total
31 December 2014					
Assets measured at fair value					
Current accounts with other credit institutions in precious metals	31.12.2014	-	116,908	-	116,908
Investment securities designed at fair value through profit or loss:					
Ukrainian state bonds	31.12.2014	-	6,882,115	-	6,882,115
Available-for-sale investment securities:					
Ukrainian state bonds	31.12.2014	-	30,214,641	-	30,214,641
Corporate bonds	31.12.2014	-	7,156,304	-	7,156,304
Municipal bonds	31.12.2014	-	3,043,563	-	3,043,563
Corporate shares	31.12.2014	-	-	11,691	11,691
Investment property	31.12.2014	-	-	1,986,087	1,986,087
Buildings	31.12.2014	-	-	1,873,417	1,873,417
Liabilities measured at fair value					
Due to customers in precious metals	31.12.2014	-	168,562	-	168,562
Assets for which fair value is disclosed					
Cash and cash equivalents	31.12.2014	3,063,084	13,727,330	-	16,790,414
Amounts due from credit institutions	31.12.2014	-	1,850,743	-	1,850,743
Loans to customers	31.12.2014	-	-	47,710,209	47,710,209
Securities held to maturity	31.12.2014	-	808,989	-	808,989
Other assets	31.12.2014	-	48,697	-	48,697
Liabilities for which fair value is disclosed					
Amounts due to the National Bank of Ukraine	31.12.2014	-	5,248,980	-	5,248,980
Amounts due to credit institutions	31.12.2014	-	16,556,455	-	16,556,455
Amounts due to customers	31.12.2014	-	61,800,361	-	61,800,361
Eurobonds issued	31.12.2014	15,474,116	-	-	15,474,116
Subordinated debt	31.12.2014	1,028,109	4,131,446	-	5,159,555
Other liabilities	31.12.2014	-	66,329	-	66,329

Levels of hierarchy for financial instruments measured at fair value as at 31 December 2013:

Translation from Ukrainian original

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	Fair value measurement applied				
	Valuation date	Quoted market prices (Level 1)	Valuation based on assumptions confirmed by observable data (Level 2)	Valuation based on assumptions not confirmed by observable data (Level 3)	Total
31 December 2013					
Assets measured at fair value					
Current accounts with other credit institutions in precious metals	31.12.2013	-	123,603	-	123,603
Investment securities designed at fair value through profit or loss:					
Ukrainian state bonds	31.12.2013	-	3,540,585	-	3,540,585
Available-for-sale investment securities:					
Ukrainian state bonds	31.12.2013	-	17,892,254	-	17,892,254
Corporate bonds	31.12.2013	-	8,416,862	-	8,416,862
Municipal bonds	31.12.2013	-	3,249,315	-	3,249,315
Corporate shares	31.12.2013	-	-	17,268	17,268
Investment property	01.10.2013	-	-	3,666,666	3,666,666
Buildings	01.07.2012	-	-	1,915,897	1,915,897
Liabilities measured at fair value					
Due to customers	31.12.2013	-	103,749	-	103,749
Assets for which fair value is disclosed					
Cash and cash equivalents	31.12.2013	2,836,982	5,484,088	-	8,321,070
Mandatory restricted reserves with the National Bank of Ukraine	31.12.2013	740,957	-	-	740,957
Amounts due from credit institutions	31.12.2013	-	882,052	-	882,052
Loans to customers	31.12.2013	-	-	39,896,462	39,896,462
Securities held to maturity	31.12.2013	-	1,309,091	74,348	1,383,439
Other assets	31.12.2013	-	40,043	-	40,043
Liabilities for which fair value is disclosed					
Amounts due to the National Bank of Ukraine	31.12.2013	-	9,223,005	-	9,223,005
Amounts due to credit institutions	31.12.2013	-	8,155,881	-	8,155,881
Amounts due to customers	31.12.2013	-	41,230,045	-	41,230,045
Eurobonds issued	31.12.2013	12,958,509	-	-	12,958,509
Subordinated debt	31.12.2013	882,077	2,097,401	-	2,979,478
Other liabilities	31.12.2013	-	24,953	-	24,953

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

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	31 December 2014			31 December 2013		
	Carrying value	Fair value	Unrecognised gain / (loss)	Carrying value	Fair value	Unrecognised gain / (loss)
Financial assets						
Cash and cash equivalents	16,790,414	16,790,414	-	8,321,070	8,321,070	-
Mandatory restricted reserves with the National Bank of Ukraine	-	-	-	740,957	740,957	-
Amounts due from credit institutions	1,850,743	1,850,743	-	882,052	882,052	-
Loans to customers	49,973,792	47,710,209	(2,263,583)	41,624,943	39,896,462	(1,728,481)
Securities held to maturity	820,866	808,989	(11,877)	1,370,663	1,383,439	12,776
Other assets	48,697	48,697	-	40,043	40,043	-
Financial liabilities						
Amounts due to the National Bank of Ukraine	5,248,980	5,248,980	-	9,223,005	9,223,005	-
Amounts due to credit institutions	16,556,455	16,556,455	-	8,155,881	8,155,881	-
Amounts due to customers	61,826,567	61,800,361	26,206	41,357,291	41,230,045	127,246
Eurobonds issued	21,764,479	15,474,116	6,290,363	13,519,313	12,958,509	560,804
Subordinated debt	6,140,035	5,159,555	980,480	3,112,441	2,979,478	132,963
Other liabilities	66,329	66,329	-	24,953	24,953	-
Total unrecognized change in unrealized fair value			5,021,589			(894,692)

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

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that are liquid or having a short term maturity (less than three months) it is assumed that the carrying amounts approximate 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.

Investment securities designated at fair value through profit or loss and available-for-sale investment securities

Investment securities designated at fair value through profit or loss and investment securities available for sale (excluding shares), are valued using market quotes. Securities available for sale which are valued using a valuation technique or pricing models primarily consist of shares. These securities are valued using models utilising data which is not based on the market observations. The non-observable inputs to the models include assumptions regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates level of enterprise goodwill, its management and founders / shareholders.

Investment property

The highest and best use method specifies that the market value of the real estate property is based on its highest and best use which creates the highest value for the property. Only asset utilisations that are technically feasible, permissible and economically justifiable are considered.

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Other valuation principles are used in line with the selected valuation approaches subject to the provisions of the national standard №1 "General Principles of valuation of property and property rights", approved by the Cabinet Ministers of Ukraine № 1440 from 10/09/2003.

Land plots are valued by applying the sales comparison approach.

Real estate is valued using either the comparative or income approach (based on the principle of expected future benefits from the use of a valued item) subject to the availability of market information and best use.

Real estate properties specialised in nature (engineering structures) are valued using the cost approach (by calculating the replacement cost of similar property taking into account further depreciation of a valued item).

Buildings

The fair value of buildings was measured mainly using the comparative approach and in certain cases by applying either or both of the cost and income approach.

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 2014	Total gain / (loss) recorded in		Purchases	Settlements	At 31 December 2014
		consolidated statement of profit and loss (consolidated income statement)	consolidated other compre- hensive income			
Available-for-sale investment securities	17,268	(4,983) ^(a)	-	-	(594) ^(b)	11,691
Investment property	3,666,666	(1,713,093) ^(c)	-	47,858 ^(d)	(15,344) ^(e)	1,986,087
Buildings	1,915,897	(187,843) ^(f)	169,621	15,322 ^(g)	(39,580) ^(h)	1,873,417
Total assets	5,599,831	(1,905,919)	169,621	63,180	(55,518)	3,871,195

	As at 1 January 2013	Total gain / (loss) recorded in		Purchases	Settlements	Trans- fers to Level 3	Transfers from Level 3	At 31 Decem- ber 2013
		consolidated statement of profit and loss (consolidated income statement)	consoli- dated other compre- hensive income					
Available-for-sale investment securities	884,509	1,403,588 ^(a)	(1,794)	4,158,569	(5,832,689) ^(b)	19,120,510	(19,715,425)	17,268
Investment property	3,707,841	(34,614) ^(c)	-	-	(6,561) ^(e)	-	-	3,666,666
Buildings	1,925,810	(30,975) ^(f)	-	21,062 ^(g)	-	-	-	1,915,897
Total assets	6,518,160	1,337,999	(1,794)	4,179,631	(5,839,250)	19,120,510	(19,715,425)	5,599,831

^(a) UAH 594 thousand included in "Other income" and UAH 5,577 thousand of loss is included in reversal of losses/(losses) on impairment (2013: UAH 1,537,484 thousand of gain is included within interest income from investment securities other than designated at fair value through profit or loss and UAH 133,896 thousand of loss is included in reversal of losses/(losses) on impairment).

^(b) UAH 594 thousand of settlements comprise: UAH 594 thousand of repayments (2013: UAH 5,832,689 thousand comprised: UAH 3,717,211 thousand of sales and UAH 2,115,478 thousand of repayments).

^(c) Loss from revaluation of investment property in the amount of UAH 1,713,229 thousand is included in other operating expenses, gain from sale of investment property of UAH 136 thousand is included in other income (2013: Loss from revaluation of investment property in the amount of UAH 34,614 is included in other operating expenses).

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(d) Purchases in the amount of UAH 47,858 thousand include UAH 6,937 thousand of acquisitions and UAH 40,921 thousand of own property transferred to investment property (2013: none).

(e) Settlements in the amount of UAH 15,344 thousand include UAH 14,705 thousand of sales and UAH 639 thousand of transfers to receivables (2013: UAH 6,561 thousand of sales).

(f) Loss of UAH 30,804 thousand is included into depreciation and amortization, and loss on revaluation of own property of UAH 157,039 thousand is included in other operating expenses (2013: loss of UAH 30,975 thousand is included into depreciation and amortization).

(g) Purchases in the amount of UAH 15,322 thousand include UAH 15,322 thousand of transfer from construction in progress to premises and equipment (2013: UAH 12 thousand of acquisitions and UAH 21,062 thousand of transfers).

(h) Settlements in the amount of UAH 39 580 thousand include UAH 24 thousand of disposals and UAH 39,556 thousand of transfers to investment property (2013: none).

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

	2014		
	Realised gains	Unrealised losses	Total
Investment securities available for sale	594	(5,577)	(4,983)
Investment property	136	(1,713,229)	(1,713,093)
Buildings	-	(187,843)	(187,843)
Total	730	(1,906,649)	(1,905,919)

	2013		
	Realised gains	Unrealised gains/(losses)	Total
Investment securities available for sale	1,372,818	30,770	1,403,588
Investment property	-	(34,614)	(34,614)
Buildings	-	(30,975)	(30,975)
Total	1,372,818	(34,819)	1,337,999

The tables below shows the quantitative information as at 31 December 2014 and 31 December 2013 about significant unobservable inputs used for the fair valuation of assets classified as those of the 3 level of the fair value hierarchy:

At 31 December 2014	Carrying value	Valuation technique	Unobservable parameter	Range of parameter values
Available-for-sale investment securities	11,691	Discounted cash flows	Expected profitability Risk factor	Corporate: 6.78% - 25.16% Corporate: 0 - 1.0
Investment property:				
- real estate	859,977	Comparative	Sqm	UAH 1 thousand - UAH 39 thousand (average UAH 4 thousand)
- land	1,126,110	Comparative	Are	UAH 2 thousand - UAH 1 577 thousand (average UAH 19 thousand)
Buildings:				
- real estate	1,871,779	Comparative	Sqm	UAH 1 thousand - UAH 35 thousand (average (UAH 18 thousand)
- land	1,638	Comparative	Are	UAH 56 thousand - UAH 194 thousand (average UAH 116 thousand)

At 31 December 2013	Carrying value	Valuation technique	Unobservable parameter	Range of parameter values
Available-for-sale investment securities	17,268	Discounted cash flows	Expected profitability Risk factor	Corporate: 1.07% - 28.39% Corporate: 0 - 1.0
Investment property:				

Translation from Ukrainian original

Joint Stock Company

"The State Export-Import Bank of Ukraine"

Notes to the Consolidated Financial Statements for the year ended 31 December 2014

(thousands of Ukrainian hryvnia, unless otherwise stated)

<i>At 31 December 2013</i>	<i>Carrying value</i>	<i>Valuation technique</i>	<i>Unobservable parameter</i>	<i>Range of parameter values</i>
- <i>real estate</i>	1,497,533	Comparative	Sqm	UAH 1 thousand – UAH 83 thousand
- <i>land</i>	2,169,133	Comparative	Are	UAH 4 thousand- UAH 1,623 thousand
Buildings:				
- <i>real estate</i>	1,914,466	Comparative	Sqm	UAH 1 thousand - UAH 51 thousand
- <i>land</i>	1,431	Comparative	Are	UAH 40 thousand- UAH 142 thousand

29. Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities according to when they are expected to be recovered or settled. See Note 26 for the Bank's contractual undiscounted repayment obligations.

	<i>31 December 2014</i>			<i>31 December 2013</i>		
	<i>Within one year</i>	<i>More than one year</i>	<i>Total</i>	<i>Within one year</i>	<i>More than one year</i>	<i>Total</i>
Assets						
Cash and cash equivalents	16,790,414	-	16,790,414	8,321,070	-	8,321,070
Mandatory restricted reserves with the National Bank of Ukraine	-	-	-	740,957	-	740,957
Due from credit institutions	507,627	1,460,024	1,967,651	232,665	772,990	1,005,655
Loans to customers	20,950,203	29,023,589	49,973,792	13,115,568	28,509,375	41,624,943
Investment securities:						
- designated at fair value through profit or loss	671,260	6,210,855	6,882,115	80,979	3,459,606	3,540,585
- available-for-sale	25,811,418	14,614,781	40,426,199	13,903,417	15,672,282	29,575,699
- held-to-maturity	820,866	-	820,866	405,998	964,665	1,370,663
Tax assets	-	691,771	691,771	-	639,420	639,420
Investment property	-	1,986,087	1,986,087	-	3,666,666	3,666,666
Property and equipment	-	2,251,643	2,251,643	-	2,272,163	2,272,163
Intangible assets	-	14,078	14,078	-	14,696	14,696
Deferred income tax assets	-	1,307,279	1,307,279	-	82,963	82,963
Other assets	418,288	-	418,288	419,289	-	419,289
Total	65,970,076	57,560,107	123,530,183	37,219,943	56,054,826	93,274,769
Liabilities						
Amounts due to the National Bank of Ukraine	4,593,617	655,363	5,248,980	5,131,157	4,091,848	9,223,005
Amounts due to credit institutions	4,924,349	11,632,106	16,556,455	3,105,994	5,049,887	8,155,881
Amounts due to customers	60,688,209	1,306,920	61,995,129	40,529,008	932,032	41,461,040
Eurobonds issued	12,365,831	9,398,648	21,764,479	2,781,100	10,738,213	13,519,313
Subordinated debt	257,151	5,882,884	6,140,035	135,725	2,976,716	3,112,441
Current income tax liabilities	25,181	-	25,181	32,703	-	32,703
Other liabilities	224,346	-	224,346	159,065	-	159,065
Total	83,078,684	28,875,921	111,954,605	51,874,752	23,788,696	75,663,448
Net amount	(17,108,608)	28,684,186	11,575,578	(14,654,809)	32,266,130	17,611,321

The maturity analysis does not reflect the historical stability of current accounts. In the table above current accounts are reflected in the Amount due to customers in "Within one year" maturity bucket. It should be noted that historically substantial portion of funds have remained on the current accounts for periods longer than one year. The category Amounts due to customers includes term deposits of individuals in accordance with their contractual maturity dates. However, under Ukrainian legislation the Bank is obliged to repay such deposits upon the demand of a depositor. The Bank expects that a significant portion of the customers will not request early repayment and expects that a substantial portion of deposits will be rolled over.

Joint Stock Company

"The State Export-Import Bank of Ukraine"

Notes to the Consolidated Financial Statements for the year ended 31 December 2014

*(thousands of Ukrainian hryvnia, unless otherwise stated)***30. Presentation of financial instruments by measurement category**

Assets by measurement categories as at 31 December 2014:

	<i>Loans and receivables</i>	<i>Assets available for sale</i>	<i>Assets at fair value through the gain or loss</i>	<i>Total</i>
Cash and cash equivalents	16,790,414	-	-	16,790,414
Due from credit institutions	1,850,743	-	116,908	1,967,651
Loans to customers	49,973,792	-	-	49,973,792
Investment securities:				
- designated at fair value through profit or loss	-	-	6,882,115	6,882,115
- available-for-sale	-	40,426,199	-	40,426,199
- held-to-maturity	820,866	-	-	820,866
Other financial assets	48,697	-	-	48,697
Total	69,484,512	40,426,199	6,999,023	116,909,734

Assets by measurement categories as at 31 December 2013:

	<i>Loans and receivables</i>	<i>Assets available for sale</i>	<i>Assets at fair value through the gain or loss</i>	<i>Total</i>
Cash and cash equivalents	8,321,070	-	-	8,321,070
Mandatory restricted reserves with the National Bank of Ukraine	740,957	-	-	740,957
Due from credit institutions	882,052	-	123,603	1,005,655
Loans to customers	41,624,943	-	-	41,624,943
Investment securities:				
- designated at fair value through profit or loss	-	-	3,540,585	3,540,585
- available-for-sale	-	29,575,699	-	29,575,699
- held-to-maturity	1,370,663	-	-	1,370,663
Other financial assets	40,043	-	-	40,043
Total	52,979,728	29,575,699	3,664,188	86,219,615

As at 31 December 2014 and 31 December 2013, all financial liabilities of the Bank were carried at amortized cost, except for deposits in gold, which belong to the fair value through profit or loss measurement category.

31. Related party disclosures

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

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

Transactions and balances with related parties comprise transactions with Ukrainian government-related entities (both directly and indirectly controlled by and under significant influence of the Government) and key management personnel.

The outstanding balances of key management personnel as at 31 December 2014 and 2013, and related income and expense for the years ended 31 December 2014 and 2013, are as follows:

	<i>31 December 2014</i>	<i>31 December 2013</i>
	<i>Key management personnel</i>	<i>Key management personnel</i>
Current accounts	18,160	3,606
Time deposits	6,016	26,931
Amounts due to customers	24,176	30,537

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(thousands of Ukrainian hryvnia, unless otherwise stated)

	2014	2013
	Key management personnel	Key management personnel
Interest income on loans	1	15
Interest expense on customers' deposits	(854)	(1,434)
Translation differences	8,210	119

The aggregate remuneration and other benefits paid to key management personnel for the year ended 31 December 2014 is UAH 29,530 thousand (UAH 365 thousand payment to non-state pension fund) (for the year ended 31 December 2013: UAH 36,702 thousand (UAH 431 thousand payment to non-state pension fund)).

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

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

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

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

Client	Sector	Cash and cash equivalents	Mandatory restricted reserves with the National Bank of Ukraine	Loans to customers	Amounts due to customers	Amounts due to NBU	Guarantees issued
Client 1	State entities	-	-	-	1,340,349	-	-
Client 2	Finance	1,859,739	740,957	-	-	9,223,005	-
Client 3	Finance	1,144,673	-	-	-	-	-
Client 16	Finance	239,939	-	-	-	-	-
Client 6	Agriculture and food industry	-	-	-	9,213,268	-	-
Client 4	Extractive industry	-	-	3,538,959	-	-	-

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Notes to the Consolidated Financial Statements for the year ended 31 December 2014

(thousands of Ukrainian hryvnia, unless otherwise stated)

Client	Sector	Cash and cash equivalents	Mandatory restricted reserves with the National Bank of Ukraine	Loans to customers	Amounts due to customers	Amounts due to NBU	Guarantees issued
Client 17	Extractive industry	-	-	-	-	-	43,158
Client 7	Road construction	-	-	2,077,848	-	-	-
Client 15	Trade	-	-	765,285	-	-	-
Client 9	Trade	-	-	-	-	-	722,803
Client 8	Trade	-	-	-	-	-	290,895
Client 11	Power engineering	-	-	919,947	-	-	-
Client 13	Transport and communications	-	-	417,453	330,474	-	-
Client 12	Mechanical engineering	-	-	439,326	-	-	145,980
Other	-	-	-	816,677	2,350,579	-	-

For the twelve-month period ended 31 December 2014, the Bank recorded UAH 1,455,920 thousand of interest income (for the twelve month period ended 31 December 2013: UAH 1,414,851 thousand) and UAH 2,154,307 thousand of interest expenses (for the twelve months period ended 31 December 2013: UAH 1,317,783 thousand) from significant transactions with the government-related entities.

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

	31 December 2014	31 December 2013
Available-for-sale investment securities	34,585,181	22,516,236
Investment securities designed at fair value through profit or loss	6,882,115	3,540,585
Investment securities held to maturity	820,866	1,297,814

Carrying value of government bonds, which are included in investment securities designated at fair value through profit or loss and investment securities available for sale is disclosed in Note 10.

For the twelve-month period ended 31 December 2014, the Bank recorded UAH 2,111,974 thousand (for the twelve-month period 2013: UAH 1,685,860 thousand) of interest income from transactions with government bonds, and UAH 895,187 thousand from transactions with other investment securities (for the twelve-month period 2013: UAH 844,188 thousand) of interest income and UAH 14,795 thousand of interest income from operations with the NBU deposit certificates with maturity up to 90 days.

32. Capital adequacy

The Bank pro-actively manages its exposures to ensure it that it maintains an adequate capital level to cover external risks inherent in the business. The adequacy of the Bank's capital is monitored using the ratios established by the NBU and Basel Capital Accord 1988.

During 2014 and 2013, the Bank had complied in full with all its externally imposed capital requirements.

The primary objectives of the Bank's capital management are to ensure that the Bank complies with externally imposed capital requirements and that the Bank maintains strong credit ratings and proper capital ratios in order to support its business activities.

The Bank manages its capital structure and adjusts its total assets to provide for observed and expected changes in the business environment and the risk profile of its business activities.

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 NBU regulations.

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(thousands of Ukrainian hryvnia, unless otherwise stated)

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

	31 December 2014	31 December 2013
Main capital	10,918,490	16,270,250
Additional capital	5,646,643	3,630,918
Total capital	16,565,133	19,901,168
Risk weighted assets	89,483,029	68,770,702
Capital adequacy ratio	18.51%	28.94%

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

Capital adequacy ratio under Basel Capital Accord 1988

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

	31 December 2014	31 December 2013
Tier 1 capital	10,319,983	16,636,860
Tier 2 capital	4,803,520	3,372,361
Total capital	15,123,503	20,009,221
Risk weighted assets	84,901,881	70,195,947
Tier 1 capital ratio	12.16%	23.70%
Total capital ratio	17.81%	28.50%

33. Subsequent events

In 2015 the negative trends of 2014 continued due to destruction of industrial enterprises and infrastructure in the Eastern Ukraine as a result of military actions, decrease in external demand, in particular due to deterioration of trade relationships with Russian Federation, deterioration of consumer and investment internal demand. After the reporting date Ukrainian hryvnia significantly depreciated against major foreign currencies, in particular exchange rate UAH/USD increased to UAH 21.616059 per USD 1 as at 15 March 2015 compared to UAH 15.7686 per USD 1 as at 31 December 2014. The NBU discount rate was increased to 19.5% from 6 February 2015 (from 14%) and further increased to 30% from 4 March 2015.

In January 2015 inflation accelerated to 28.5% in annual terms as a result of devaluation of the national currency and high inflationary and devaluation expectations. Internal migration and economic downturn lead to narrowing of labour market and growing unemployment which, in turn, resulted in decrease in real wages of population.

All these factors had further negative impact on the Ukrainian banking system and as a result, in 2015 the National Bank of Ukraine assigned further 11 banks to the insolvent category.

The Bank has balances with two of these banks as at 31 December 2014. Amounts due from one of these banks were fully provisioned as at the reporting date. Balances with another one were represented by interbank loans, which were fully collateralised and investment securities available for sale, for which the Bank raised impairment provision to reflect the impact of subsequent events.

On 11 March 2015 the Executive Board of the International Monetary Fund approved an Extended Arrangement under the Extended Fund Facility for Ukraine totalling USD 17.5 billion for the period of four years. As outlined in the Investor Presentation delivered by the Ministry of Finance of Ukraine, further savings of over USD 15 billion during the IMF program period should be generated in public sector financing from external debt payments on the sovereign, sovereign-guaranteed and state-owned entities debt. The list of such state-owned entities includes Ukreximbank which has Eurobonds maturing during this period (refer to Note 20). However, as clarified by the Government, each entity will undergo a separate procedure targeting its specific situation.

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

for the year ended 31 December 2013
and Independent Auditor's Report

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This version of our report is a translation from the original, which was prepared in Ukrainian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Independent Auditor's Report

To the Shareholders and Board of Directors of Joint Stock Company "The State Export-Import Bank of Ukraine"

We have audited the accompanying consolidated financial statements of Joint Stock Company "The State Export-Import Bank of Ukraine" and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position (consolidated balance sheet) as at 31 December 2013 and the consolidated statement of profit and loss (consolidated income statement), consolidated statement of comprehensive income, consolidated statement of changes in equity (consolidated statement of equity) and consolidated statement of cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

We draw your attention to Note 23 and Note 33 to the consolidated financial statements. The operations of the Group, and those of other entities in Ukraine, have been affected and may continue to be affected for the foreseeable future by the continuing political and economic uncertainties in Ukraine. Our opinion is not qualified in respect of this matter.

LLC AF PricewaterhouseCoopers (Audit)

31 March 2014
Kyiv, Ukraine

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(CONSOLIDATED BALANCE SHEET)****At 31 December 2013***(thousands of Ukrainian hryvnia)*


	<i>Notes</i>	<i>2013</i>	<i>2012</i>
Assets			
Cash and cash equivalents	6	8,321,070	19,197,296
Mandatory reserves with the National bank of Ukraine	7	740,957	531,152
Due from credit institutions	8	1,005,655	1,141,287
Loans to customers	9	41,624,943	39,365,763
Investment securities:	10		
- designated at fair value through profit or loss		3,540,585	3,538,447
- available-for-sale		29,575,699	15,026,195
- held-to-maturity		1,370,663	1,372,237
Tax assets	14	639,420	492,257
Investment property	11	3,666,666	3,707,841
Property and equipment	12	2,272,163	2,277,255
Intangible assets	13	14,696	10,770
Deferred income tax asset	14	82,963	85,216
Other assets	16	419,289	460,369
Total assets		93,274,769	87,206,085
Liabilities			
Amounts due to the National Bank of Ukraine	17	9,223,005	7,824,914
Amounts due to credit institutions	18	8,155,881	7,244,300
Amounts due to customers	19	41,461,040	42,834,285
Eurobonds issued	20	13,519,313	8,554,063
Current income tax liabilities	14	32,703	13,243
Subordinated debt	21	3,112,441	3,106,645
Other liabilities	16	159,065	248,151
Total liabilities		75,663,448	69,825,601
Equity			
Share capital	22	16,514,051	17,160,050
Revaluation reserve	22	974,461	914,633
Accumulated deficit		(28,394)	(840,431)
Reserve and other funds	22	151,203	146,232
Total equity		17,611,321	17,380,484
Total equity and liabilities		93,274,769	87,206,085


Signed and authorised for release

31 March 2014

Chairman of the Board

Chief Accountant





Vitalii Bilous

Natalia Potemskaya

**CONSOLIDATED STATEMENT OF PROFIT AND LOSS
(CONSOLIDATED INCOME STATEMENT)**

for the year ended 31 December 2013

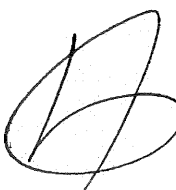

(thousands of Ukrainian hryvnia)

	<i>Notes</i>	2013	2012
Interest income			
Loans to customers		5,449,182	5,762,104
Investment securities other than designated at fair value through profit or loss		3,332,913	1,315,561
Due from credit institutions		146,004	301,457
Amounts due from the National Bank of Ukraine		6,835	10,387
		<u>8,934,934</u>	<u>7,389,509</u>
Investment securities designed at fair value through profit or loss		309,366	301,655
		<u>9,244,300</u>	<u>7,691,164</u>
Interest expense			
Amounts due to customers		(2,827,134)	(1,923,132)
Eurobonds issued		(1,142,570)	(885,582)
Amounts due to the National Bank of Ukraine		(679,688)	(612,707)
Amounts due to credit institutions		(322,600)	(384,403)
Subordinated debt		(326,918)	(327,388)
		<u>(5,298,910)</u>	<u>(4,133,212)</u>
Net interest income		3,945,390	3,557,952
Allowance for loan impairment charge	8,9	(2,779,838)	(3,070,870)
Net interest income after allowance for loan impairment		1,165,552	487,082
Commission income		502,145	497,753
Commission expense		(132,124)	(113,559)
Commission income, net	24	370,021	384,194
Net profit from investment securities designated at fair value through profit and loss:			
- change in fair value		1,227	9,871
Net gains/(losses) from available-for-sale investment securities:			
- dealing		42,377	270,243
- losses on impairment		(165,922)	(3,414)
Net gains/(losses) from foreign currencies:			
- dealing		268,489	287,316
- translation differences		(54,159)	(34,644)
Net gains/(losses) from precious metals:			
- dealing		9,631	3,837
- translation differences		(11,348)	867
Other income		65,156	91,195
Non-interest income		155,451	625,271
Loss from changes in terms of loans to customers		(50,174)	-
Personnel expenses	25	(810,887)	(812,543)
Depreciation and amortisation	12,13	(98,911)	(89,237)
Other operating expenses	25	(391,209)	(313,705)
Other impairment and provisions	15	(6,641)	(19,772)
Non-interest expense		(1,357,822)	(1,235,257)
Income before tax		333,202	261,290
Income tax expenses	14	(132,570)	(123,975)
Profit for the year		200,632	137,315

Signed and authorised for release
31 March 2014

Chairman of the Board

Chief Accountant

Vitalii Bilous

Natalia Potemskaya

The notes on pages 9-68 form an integral part of these financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**for the year ended 31 December 2013***(thousands of Ukrainian hryvnia)*


	<i>Notes</i>	<i>2013</i>	<i>2012</i>
Profit for the year		200,632	137,315
Other comprehensive income:			
Other comprehensive income to be reclassified through the statement of profit and loss (the income statement)			
Net gains on investment securities available-for-sale reclassified to the consolidated statement of profit and loss (the consolidated income statement)		(31,842)	(270,243)
Net gains on investment securities available-for-sale	22	116,612	271,461
Income tax relating to components of other comprehensive income	14, 22	(8,477)	(7,393)
Other comprehensive income not to be reclassified through the statement of profit and loss (the income statement)			
Revaluation of property	22	-	20,852
Income tax relating to components of other comprehensive income	14, 22	-	(3,336)
Other comprehensive income for the year, net of tax		76,293	11,341
Total comprehensive income for the year		276,925	148,656

Signed and authorised for release

31 March 2014

Chairman of the Board

Chief Accountant




Vitalii Bilous

Natalia Potemskas

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(CONSOLIDATED STATEMENT OF EQUITY)**

for the year ended 31 December 2013

(thousands of Ukrainian hryvnia)

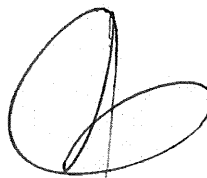
	<i>Share capital</i>	<i>Revaluation reserve</i>	<i>Accumulated deficit</i>	<i>Reserve and other funds</i>	<i>Total capital</i>
At 31 December 2011	<u>17,126,718</u>	<u>919,600</u>	<u>(931,694)</u>	<u>143,640</u>	<u>17,258,264</u>
Profit for the year	-	-	137,315	-	137,315
Other comprehensive income for the year	-	11,341	-	-	11,341
Total comprehensive income for the year	-	11,341	137,315	-	148,656
Depreciation of revaluation reserve, net of tax (Note 22)	-	(16,290)	16,290	-	-
Revaluation reserve on property transferred to investment property, net of tax (Note 22)	-	(18)	18	-	-
Distribution of profit to the shareholder (Note 22)	-	-	(26,436)	-	(26,436)
Allocation of profits to reserve and other funds	-	-	(2,592)	2,592	-
Increase in share capital (Note 22)	33,332	-	(33,332)	-	-
At 31 December 2012	<u>17,160,050</u>	<u>914,633</u>	<u>(840,431)</u>	<u>146,232</u>	<u>17,380,484</u>
Profit for the year	-	-	200,632	-	200,632
Other comprehensive income for the year	-	76,293	-	-	76,293
Total comprehensive income for the year	-	76,293	200,632	-	276,925
Depreciation of revaluation reserve, net of tax (Note 22)	-	(16,465)	16,465	-	-
Distribution of profit to the shareholder (Note 22)	-	-	(46,088)	-	(46,088)
Allocation of profits to reserve and other funds	-	-	(4,971)	4,971	-
Increase in share capital (Note 22)	67,233	-	(67,233)	-	-
Write-off of the effect of applying IAS 29 (Note 22)	(713,232)	-	713,232	-	-
At 31 December 2013	<u>16,514,051</u>	<u>974,461</u>	<u>(28,394)</u>	<u>151,203</u>	<u>17,611,321</u>

Signed and authorised for release

31 March 2014

Chairman of the Board

Chief Accountant



Vitalii Bilous



Natalia Potemka

CONSOLIDATED STATEMENT OF CASH FLOWS**for the year ended 31 December 2013****(direct method)***(thousands of Ukrainian hryvnia)*

	<i>Notes</i>	<i>2013</i>	<i>2012</i>
Cash flows from operating activities			
Interest received		8,101,550	6,768,629
Interest paid		(4,862,512)	(3,863,470)
Commissions received		499,311	499,523
Commissions paid		(132,124)	(113,559)
Result from dealing in foreign currencies and precious metals		278,120	291,153
Personnel expenses		(808,092)	(799,059)
Other operating income		64,523	71,336
Other operating and administrative expenses		(351,561)	(308,395)
Cash flow from operating activities before changes in operating assets and liabilities		2,789,215	2,546,158
<i>Net (increase)/decrease in operating assets:</i>			
Due from credit institutions		139,251	120,503
Deposit with the National Bank of Ukraine		(208,926)	50,465
Loans to customers		(3,822,447)	20,377
Other assets		(40,804)	(96,604)
<i>Net increase / (decrease) in operating liabilities</i>			
Amounts due to credit institutions		(877,497)	278,410
Amounts due to the National Bank of Ukraine		1,312,051	1,512,868
Amounts due to customers		(1,728,996)	12,912,058
Other liabilities		(89,344)	19,144
Net cash flows from operating activities (paid)/received before income tax		(2,527,497)	17,363,379
Income tax paid		(266,501)	(9,820)
Net cash flows from operating activities (paid)/received		(2,793,998)	17,353,559
Cash flows from investing activities			
Proceeds from sale and redemption of investment securities		31,389,279	56,638,450
Purchase of investment securities		(45,582,336)	(61,492,000)
Dividends received		42	-
Purchases of property, equipment and intangible assets		(97,956)	(111,120)
Proceeds from sale of property and equipment		788	453
Proceeds from sale of investment property		6,574	8,906
Net cash flows used in investing activities		(14,283,609)	(4,955,311)
Cash flows from financing activities			
Distribution of profit to the shareholder		(46,088)	(26,436)
Proceeds from Eurobonds issued		4,794,839	-
Proceeds from borrowings from credit institutions		4,584,974	1,685,701
Repayment of borrowings from credit institutions		(3,116,866)	(3,128,924)
Redemption of Eurobonds issued		-	(1,880,993)
Net cash flows from/(used in) financing activities		6,216,859	(3,350,652)

The notes on pages 9-68 form an integral part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2013
(direct method)
(thousands of Ukrainian hryvnia)

	<i>Notes</i>	<i>2013</i>	<i>2012</i>
Effect of exchange rates changes on cash and cash equivalents		(15,478)	97,860
Net change in in cash and cash equivalents		(10,876,226)	9,145,456
Cash and cash equivalents, 1 January		19,197,296	10,051,840
Cash and cash equivalents, 31 December	6	8,321,070	19,197,296

Signed and authorised for release

31 March 2014

Chairman of the Board

Chief Accountant




Vitalii Bilous

Natalia Potemka

Joint Stock Company

“The State Export-Import Bank of Ukraine”

Notes to the Consolidated Financial Statements for the year ended 31 December 2013

(thousands of Ukrainian hryvnia, unless otherwise stated)

1. Principal activities

Joint Stock Company “The State Export-Import Bank of Ukraine” (hereinafter – “UkrEximBank” or the “Bank”) was founded in 1992 and registered in the State Register of Banks on 23 January 1992, with registration number 5. UkrEximBank operates under banking licence No.2 dated 5 October 2011 and a general licence to conduct foreign currency transactions (No. 2 dated 5 October 2011).

As at 31 December 2013 and 2012, 100% of UkrEximBank's shares were owned by the Cabinet Ministers of Ukraine on behalf of the State of Ukraine.

UkrEximBank's head office is in Kyiv at 127 Gorky Str. It has 29 branches and 94 operating outlets (31 December 2012: 29 branches and 96 operating outlets) and 2 representative offices located in London and New-York. UkrEximBank and its branches form a single legal entity.

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

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

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

These annual 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

General information

These annual consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

The annual consolidated financial statements are prepared under the historical cost convention except as disclosed in the accounting policies, for example investment securities available-for-sale, investment securities designated at fair value through profit or loss, buildings and investment property have been measured at fair value.

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

Joint Stock Company

“The State Export-Import Bank of Ukraine”

Notes to the Consolidated Financial Statements for the year ended 31 December 2013

(thousands of Ukrainian hryvnia, unless otherwise stated)

3. Summary of accounting policies

Changes in accounting policies

The following new standards and interpretations became effective for the Bank from 1 January 2013:

IFRS 10 “Consolidated Financial Statements” (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013) replaces all of the guidance on control and consolidation in IAS 27 “Consolidated and separate financial statements” and SIC-12 “Consolidation - special purpose entities”. IFRS 10 changes the definition of control so that the same criteria are applied to all entities to determine control. This definition is supported by extensive application guidance. The Standard did not have any material impact on the Bank’s consolidated financial statements.

IFRS 12 “Disclosure of Interests in Other Entities” (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013) applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. It replaces the disclosure requirements previously found in IAS 28 “Investments in associates”. IFRS 12 requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity’s interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. To meet these objectives, the new standard requires disclosures in a number of areas, including significant judgements and assumptions made in determining whether an entity controls, jointly controls, or significantly influences its interests in other entities, extended disclosures on share of non-controlling interests in group activities and cash flows, summarised financial information of subsidiaries with material non-controlling interests, and detailed disclosures of interests in unconsolidated structured entities.

IFRS 13 “Fair Value Measurement” (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013) improved consistency and reduced complexity by providing a revised definition of fair value, and a single source of fair value measurement and disclosure requirements for use across IFRSs.

The Standard resulted in additional disclosures in these consolidated financial statements (refer to Note 28).

IAS 27 “Separate Financial Statements” (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013) was changed and its objective is now to prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The guidance on control and consolidated financial statements was replaced by IFRS 10 “Consolidated Financial Statements”. This revised Standard did not have any material impact on the Bank’s consolidated financial statements.

Amendments to IAS 1 “Presentation of Financial Statements” (issued in June 2011, effective for annual periods beginning on or after 1 July 2012) changed the disclosure of items presented in other comprehensive income. The amendments require entities to separate items presented in other comprehensive income into two groups, based on whether or not they may be reclassified to profit or loss in the future. The suggested title used by IAS 1 has changed to “statement of profit or loss and other comprehensive income”. The amended standard resulted in changed presentation of the consolidated financial statements, but did not have any impact on measurement of transactions and balances.

“Disclosures - Offsetting Financial Assets and Financial Liabilities” - Amendments to IFRS 7 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2013). The amendment requires disclosures that enable users of an entity’s financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off. This Standard resulted in additional disclosures in these consolidated financial statements (refer to Note 17).

Improvements to International Financial Reporting Standards (issued in May 2012 and effective for annual periods beginning 1 January 2013). The improvements consist of changes to five standards. IFRS 1 was amended to (i) clarify that an entity that resumes preparing its IFRS financial statements may either repeatedly apply IFRS 1 or apply all IFRSs retrospectively as if it had never stopped applying them, and (ii) to add an exemption from applying IAS 23 “Borrowing costs”, retrospectively by first-time adopters. IAS 1 was amended to clarify that explanatory notes are not required to support the third balance sheet presented at the beginning of the preceding period when it is provided because it was materially impacted by a retrospective restatement, changes in accounting policies or reclassifications for presentation purposes, while explanatory notes will be required when an entity voluntarily decides to provide additional comparative statements. IAS 16 was amended to clarify that servicing equipment that is used for more than one period is classified as property, plant and equipment rather than inventory. IAS 32 was amended to clarify that certain tax consequences of distributions to owners should be accounted for in the income statement as was always required by IAS 12. IAS 34 was amended to bring its requirements in line with IFRS 8. IAS 34 now requires disclosure of a measure of total assets and liabilities for an operating segment only if such information is regularly provided to chief operating

decision maker and there has been a material change in those measures since the last annual consolidated financial statements. The amended standards did not have any material impact on the Bank's consolidated financial statements.

“Transition Guidance Amendments to IFRS 10, IFRS 11 and IFRS 12” (issued in June 2012 and effective for annual periods beginning 1 January 2013). The amendments clarify the transition guidance in IFRS 10 “Consolidated Financial Statements”. Entities adopting IFRS 10 should assess control at the first day of the annual period in which IFRS 10 is adopted, and if the consolidation conclusion under IFRS 10 differs from IAS 27 and SIC 12, the immediately preceding comparative period (that is, year 2012) is restated, unless it is impractical. The amendments also provide additional transitional relief in respect of IFRS 10, IFRS 11 “Joint Arrangements” and IFRS 12 “Disclosure of Interests in Other Entities”, by limiting the requirement to provide adjusted comparative information to the immediately preceding comparative period. In addition the amendments remove the requirement to present comparative information for disclosures related to unconsolidated structured entities for periods before IFRS 12 is applied for the first time. The amended standards did not have any material impact on the Bank's consolidated financial statements other than application of the relief from disclosure of certain comparative information in the notes to the financial statements.

Other revised standards and interpretations are not relevant to the Bank.

Basis of consolidation

Consolidated financial statements. Subsidiaries are those investees, including structured entities, that the Bank controls because the Bank (i) has power to direct relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of investor's returns. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Bank has power over another entity. For a right to be substantive, the holder must have practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Bank may have power over an investee even when it holds less than majority of voting power in an investee. In such a case, the Bank assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee. Protective rights of other investors, such as those that relate to fundamental changes of investee's activities or apply only in exceptional circumstances, do not prevent the Bank from controlling an investee. Subsidiaries are consolidated from the date on which control is transferred to the Bank, and are deconsolidated from the date on which control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

The Bank measures non-controlling interest that represents present ownership interest and entitles the holder to a proportionate share of net assets in the event of liquidation on a transaction by transaction basis, either at: (a) fair value, or (b) the non-controlling interest's proportionate share of net assets of the acquiree. Non-controlling interests that are not present ownership interests are measured at fair value.

Goodwill is measured by deducting the net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and fair value of an interest in the acquiree held immediately before the acquisition date. Any negative amount (“negative goodwill”) is recognised in profit or loss, after management reassesses whether it identified all the assets acquired and all liabilities and contingent liabilities assumed, and reviews appropriateness of their measurement.

The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, including fair value of assets or liabilities from contingent consideration arrangements, but excludes acquisition related costs such as advisory, legal, valuation and similar professional services. Transaction costs incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt are deducted from its carrying amount and all other transaction costs associated with the acquisition are expensed.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. The Bank and all of its subsidiaries use uniform accounting policies consistent with the Bank's policies.

Non-controlling interest is that part of the net results and of the equity of a subsidiary attributable to interests which are not owned, directly or indirectly, by the Bank. Non-controlling interest forms a separate component of the Bank's equity.

Joint Stock Company

“The State Export-Import Bank of Ukraine”

Notes to the Consolidated Financial Statements for the year ended 31 December 2013

(thousands of Ukrainian hryvnia, unless otherwise stated)

Summary of accounting policies

Financial assets

Initial recognition

Financial assets in the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. When financial assets are initially recognised, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Bank determines the classification of its financial assets upon initial recognition, and subsequently can reclassify financial assets in certain cases as described below.

Date of recognition

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Bank commits itself to purchase an asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets at fair value through profit or loss

Financial assets, designated at fair value through profit or loss at inception, are included in the item 'Investment Securities' of the statement of financial position (balance sheet). Derivatives are classified as held for trading unless they are designated and effective hedging instruments. Gains or losses on financial assets at fair value through profit or loss are recognised in the consolidated statement of profit and loss (the consolidated income statement).

Financial assets classified in this category are designated by management on initial recognition when the following criteria are met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis; or
- The assets are part of a group of financial assets, financial liabilities or both which are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

If the Bank is unable to determine the value of the embedded derivative separately at the acquisition date or at the end of the next financial reporting period, these financial assets are accounted at fair value with changes through profit or loss.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Bank has the intention and ability to hold them to maturity. Investments intended to be held for an undefined period are not included in this classification. Held-to-maturity investments are measured at amortised cost. Gains and losses are recognised in the consolidated statement of profit and loss (the consolidated income statement) when the investments are impaired, as well as through the amortisation process.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These loans and receivables are not entered into with the intention of either immediate or short-term resale and are not classified as trading securities or designated as investment securities available-for-sale. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the consolidated statement of profit and loss (the consolidated income statement) when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Joint Stock Company

“The State Export-Import Bank of Ukraine”

Notes to the Consolidated Financial Statements for the year ended 31 December 2013

(thousands of Ukrainian hryvnia, unless otherwise stated)

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition available-for sale financial assets are measured at fair value with gains or losses being recognised in other comprehensive income until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in other comprehensive income is reclassified to the consolidated statement of profit and loss (the consolidated income statement). However, interest calculated using the effective interest method is recognised in the consolidated statement of profit and loss (the consolidated income statement).

Investments in equity instruments that do not have a quoted market price in an active market and if their fair value cannot be reliably measured are accounted at cost less any allowance for impairment.

Determination of fair value

The fair value for financial instruments traded in active market at the reporting date is based on publicly available market prices or direct dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models and other relevant valuation models.

Offsetting

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Reclassification of financial assets

If a non-derivative financial asset classified as held for trading ceases to be held for the purpose of selling in the near term, it may be reclassified out of the fair value through profit or loss category into one of the following :

- a financial asset that would have met the definition of loans and receivables above may be reclassified to loans and receivables category if the Bank has the intention and ability to hold it for the foreseeable future or until maturity;
- other financial assets may be reclassified to available-for-sale or held to maturity categories only in exceptional circumstances.

A financial asset classified as available-for-sale that would have met the definition of loans and receivables may be reclassified to loans and receivables category if the Bank has the intention and ability to hold it for the foreseeable future or until maturity.

Financial assets are reclassified at their fair value on the date of reclassification. Any gain or loss already recognised in profit or loss (consolidated income statement) is not reversed. The fair value of the financial asset on the date of reclassification becomes its new cost or amortised cost, as appropriate.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, amounts due from the NBU, excluding mandatory reserves, amounts due from credit institutions and reverse repurchase agreements that mature within ninety days of the date of origination and are free from contractual encumbrances, and are not impaired individually.

Joint Stock Company

"The State Export-Import Bank of Ukraine"

Notes to the Consolidated Financial Statements for the year ended 31 December 2013

(thousands of Ukrainian hryvnia, unless otherwise stated)

Precious metals

Gold and other precious metals are recorded at fair value, which approximate the NBU bid prices and are quoted at a discount to London Bullion Market rates. Changes in the NBU bid prices are recorded as translation differences from precious metals in the consolidated statement of profit and loss (the consolidated income statement).

Repurchase and reverse repurchase agreements and securities lending

Sale and repurchase agreements ("repos") are treated as secured financing transactions. Securities sold under sale and repurchase agreements are retained in the consolidated statement of financial position (the consolidated balance sheet) and in case the transferee has the right by contract or custom to sell or repledge them, reclassified as securities pledged under sale and repurchase agreements. The corresponding liability is presented within amounts due to credit institutions, the NBU or customers. Securities purchased under agreements to resell ("reverse repo") are recorded as cash and cash equivalents, amounts due from credit institutions or loans to customers as appropriate. The difference between sale and repurchase price is treated as interest and is accrued over the life of repo agreements using the effective interest method.

Securities lent to counterparties are retained in the consolidated financial statements. Securities borrowed are not recorded in the consolidated financial statements, unless they are sold to third parties, in which case the purchase and sale are recorded within gains less losses from trading securities in the consolidated statement of profit and loss (the consolidated income statement). The obligation to return them is recorded at fair value as a trading liability.

Promissory notes

Promissory notes purchased are included in available-for-sale investment securities, or in amounts due from credit institutions or in loans to customers, depending on their substance and are accounted for in accordance with the accounting policies for these categories of assets.

Derivative financial instruments

In the normal course of business, the Bank enters into derivative financial instruments including swaps in the foreign exchange market. Such financial instruments are held for trading and are recorded at fair value. The fair values are derived based on quoted market prices or valuation models that take into account current and contractual market prices of the underlying instruments and any other relevant factors. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Gains and losses resulting from these instruments are included in the consolidated statement of profit and loss (the consolidated income statement) as net gains/ (losses) from foreign currencies and precious metals dealing.

Derivatives embedded in other financial instruments are treated as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contract, and the host contract is not itself held for trading or designated at fair value through profit or loss.

Borrowings

Issued financial instruments or their components are classified as liabilities, where the substance of the contractual arrangement results in the Bank having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity instruments. Such instruments include amounts due to the National Bank of Ukraine, amounts due to credit institutions, amounts due to customers, debt securities issued, Eurobonds issued and subordinated debt. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the consolidated statement of profit and loss (the consolidated income statement) when the borrowings are derecognised as well as through the amortisation process.

If the Bank purchases its own debt, it is removed from the consolidated statement of financial position (the consolidated balance sheet) and the difference between the carrying amount of the liability and the consideration paid is recognised in the consolidated statement of profit and loss (the consolidated income statement).

Joint Stock Company

“The State Export-Import Bank of Ukraine”

Notes to the Consolidated Financial Statements for the year ended 31 December 2013

(thousands of Ukrainian hryvnia, unless otherwise stated)

Leases

i. Finance – Bank as a lessor

The Bank recognises lease receivables at value equal to the net investment in the lease, starting from the date of commencement of the lease term. Finance income is recognised based on a constant periodic rate of return on the net investment outstanding. Initial direct costs are included in the initial measurement of the lease receivables.

ii. Operating – Bank as a lessee

Leases of assets under which the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under an operating lease are recognised as expenses on a straight-line basis over the lease term and included into other operating expenses.

iii. Operating – Bank as a lessor

The Bank presents assets subject to operating leases in the consolidated statement of financial position (the consolidated balance sheet) according to the nature of the asset. Lease income from operating leases is recognised in the consolidated statement of profit and loss (the consolidated income statement) on a straight-line basis over the lease term as other income. The aggregate cost of incentives provided to lessees is recognised as a reduction of rental income over the lease term on a straight-line basis. Initial direct costs incurred specifically to earn revenues from an operating lease are added to the carrying amount of the leased asset.

Impairment of financial assets

The Bank assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired only if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, an increased probability that they will enter bankruptcy or other financial reorganisation and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Amounts due from credit institutions and loans to customers

For amounts due from credit institutions and loans to customers carried at amortised cost, the Bank first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risks characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is an objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an impairment allowance account and the amount of the loss is recognised in the consolidated statement of profit and loss (the consolidated income statement). Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated impairment allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Bank. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the impairment allowance account. If a future write-off is later recovered, the recovery is credited to the consolidated statement of profit and loss (the consolidated income statement).

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

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For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Bank's internal credit grading system that considers credit risk characteristics such as asset type, industry, geographical location, collateral type, past-due status and other relevant factors.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the years on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are correlated with changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the group or their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Held-to-maturity investments

For held-to-maturity investments the Bank assesses individually whether there is objective evidence of impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of profit and loss (the consolidated income statement).

If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognised, any amounts formerly charged are credited to the consolidated statement of profit and loss (the consolidated income statement).

Available-for-sale financial assets

For available-for-sale financial assets, the Bank assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its acquisition cost. Where there is evidence of impairment, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated income statement — is reclassified from other comprehensive income and recognised in the consolidated statement of profit and loss (the consolidated income statement). Impairment losses on equity investments are not reversed through the consolidated statement of profit and loss (the consolidated income statement); increases in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as amounts due from credit institutions and loans to customers. Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded in the consolidated statement of profit and loss (the consolidated income statement). If, in a subsequent year the fair value of a debt instrument increases and the increase is objectively related to an event occurring after the impairment loss was recognised in the consolidated statement of profit and loss (the consolidated income statement), the impairment loss is reversed through the consolidated statement of profit and loss (the consolidated income statement).

Renegotiated loans

Where possible, the Bank seeks to renegotiate loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions.

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The accounting treatment of such renegotiation is as follows:

- If the currency of the loan has been changed the old loan is derecognised and a new loan is recognised.
- If the loan renegotiation is not caused by the financial difficulties of the borrower but the cash flows were renegotiated on favourable terms for the borrower: the loan is not recognised as impaired.
- If the loan is impaired after renegotiation, the Bank uses the original effective interest rate in respect of new cash flows to estimate the recoverable amount of the loan. The difference between the recalculated present value of the new cash flows taking into account collateral and the carrying amount before renegotiation is included in the impairment charges for the period.

Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to be met. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original or current effective interest rate.

Asset management

The Bank acts as an asset manager in respect of certain funds related to construction financing. The Bank acts as an agent in these arrangements and its responsibility is limited to fiduciary duties, which are commonly applied in the asset management industry. Accordingly, the Bank does not incur any liability relating to the funds under management. These funds under management do not comprise legal entities under the laws of Ukraine and the management of these funds is administered by the Bank. The funds are held in current accounts in the Bank until such time as they are invested in eligible assets which meet the investment requirements of these funds.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Bank has transferred its rights to receive cash flows from the asset, or retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; and
- the Bank either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Bank has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Bank's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Bank's continuing involvement is the amount of the transferred asset that the Bank may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Bank's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

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Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated statement of profit and loss (the consolidated income statement).

Financial guarantees

In the ordinary course of business, the Bank gives financial guarantees, consisting of letters of credit, guarantees and avals. Financial guarantees are initially recognised in the consolidated financial statements at fair value, in 'Other liabilities', being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amortised premium and the best estimate of expenditure required settling any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees is taken to the consolidated statement of profit and loss (the consolidated income statement). The premium received is recognised in the consolidated statement of profit and loss (the consolidated income statement) on a straight-line basis over the life of the guarantee.

Taxation

The current income tax charge is calculated in accordance with Ukrainian taxation regulations.

Deferred tax assets and liabilities are calculated in respect of temporary differences using the liability method. Deferred income taxes are provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, except where the deferred income tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Ukraine also has various operating taxes, which are assessed on the Bank's activities. These taxes are recorded in other operating expenses in the consolidated statement of profit and loss (the consolidated income statement).

Property and equipment

Equipment is carried at cost or restated cost (for assets acquired prior to 31 December 2000), excluding the costs of day-to-day servicing, less accumulated depreciation and any accumulated impairment. Buildings are measured at fair value less depreciation and impairment charged subsequent to the date of the revaluation.

The carrying values of equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Following initial recognition at cost, buildings and land are carried at their revalued amount, which is the fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Any revaluation surplus is credited to the property revaluation reserve which is included in other comprehensive income, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the consolidated

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statement of profit and loss (the consolidated income statement), in which case the increase is recognised in the consolidated statement of profit and loss (the consolidated income statement). A revaluation deficit is recognised in the consolidated income statement, except that a deficit directly offsetting a previous surplus on the same asset is directly offset against the surplus in the property revaluation reserve.

An annual transfer from the property revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the assets' original cost. Specifically, the accumulated depreciation at the revaluation date is subtracted from the original (revalued) cost of property, plant and equipment, and the resulting net carrying amount is revalued to its fair value. The revalued amount of an asset as at the revaluation date equals its fair value and the accumulated depreciation equals zero. Upon disposal, any revaluation of property relating to the particular asset being sold is transferred to retained earnings/(accumulated deficit).

Depreciation of an asset begins when it is available for use. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

	<u>Years</u>
Buildings	15-75 years
Furniture and other assets	2-25 years
Equipment and computers	2-15 years
Motor vehicles	5 years

Leasehold improvements (refurbishment costs for premises under lease contract) are depreciated over a period not exceeding the leasing period.

The asset's residual values, useful lives and methods are reviewed and adjusted as appropriate, at each financial year-end.

Costs related to repairs and renewals are charged when incurred and included in other operating expenses unless they qualify for capitalisation.

Intangible assets

Intangible assets include acquired computer software and licences. Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic lives of five to ten years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortisation periods and methods for intangible assets with finite useful lives are reviewed at least at each financial year-end.

Investment property

Investment property is property held to earn rental income or for capital appreciation and which is not occupied by the Bank.

Investment property is initially recognised at cost, including transaction costs, and subsequently re-measured at fair value based on its market value. Market value of the Bank's investment property is obtained from reports of independent appraisers, who hold a recognised and relevant professional qualification and who have recent experience in valuation of property in similar locations and categories.

Assets held for sale

The Bank classifies a non-current asset as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the non-current asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and the prospective sale is deemed feasible.

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The prospective sale is deemed feasible if the Bank's management is committed to a plan to sell the non-current asset and an active program to locate a buyer and complete the plan has been initiated. Furthermore, the non-current asset must have been actively marketed for a sale at price that is reasonable in relation to its current fair value and the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification of the non-current asset as held for sale.

Provision

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of obligation can be made.

Retirement and other benefit obligations

The Bank has contribution pension plan separate from the State pension system of Ukraine, which requires current contributions by the employer calculated as a percentage of current gross salary payments; such expense is charged in the period the related salaries are earned. The contribution payable to a contribution plan is in proportion to the services rendered to the Bank by the employees, age of employees and years working for the Bank and is recorded as an expense under "Personnel expenses". Unpaid contributions are recorded as a liability. The Bank has no other post-retirement benefits or significant other compensated benefits requiring accrual.

Share capital

Ordinary shares are classified as equity. Share capital contributions received before 31 December 2000 are recognised at cost in the statement of financial position (balance sheet) as at 31 December 2013 (31 December 2012: were recognised at revalued amount following the application of IAS 29 "Financial Reporting in Hyperinflationary Economies).

Segment reporting

The Bank's segmental reporting is based on the following operating segments: Retail banking, Corporate banking and Financial institutions and investments.

Contingencies

Contingent liabilities are not recognised in the consolidated statement of financial position (the consolidated balance sheet) but are disclosed unless the possibility of any future outflow is considered remote. A contingent asset is not recognised in the consolidated statement of financial position (the consolidated balance sheet) but disclosed when an inflow of economic benefits is probable.

Recognition of income and expense

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest and similar income and expense

For all financial instruments measured at amortised cost and interest bearing securities classified as trading or available-for-sale, interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.

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Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the original effective interest rate applied to the new carrying amount.

Commission income

The Bank earns fee and commission income from the diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

- Fee income earned from services that are provided over a certain period of time

Fees arising from the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management and advisory fees. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the effective interest rate on the loan.

- Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party — such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses — are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

Dividend income

Revenue is recognised when the Bank's right to receive the payment is established.

Foreign currency translation

The consolidated financial statements are presented in Ukrainian hryvnia ("UAH"), which is the Bank's functional and presentation currency. Transactions in foreign currencies are initially recorded in the functional currency, converted at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Gains and losses resulting from the translation of foreign currency transactions are recognised in the consolidated statement of profit and loss (the consolidated income statement) as gains less losses from foreign currencies— translation differences. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Differences between the contractual exchange rate of a transaction in a foreign currency and the NBU exchange rate on the date of the transaction are included in gains less losses from dealing in foreign currencies. The official NBU exchange rates at 31 December 2013 and 2012 were UAH 7,9930 and UAH 7,9930 to 1 US dollar and UAH 11,0415 and UAH 10,5372 to 1 euro, respectively.

Future changes in accounting policies

Standards and interpretations issued but not yet effective

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2014 or later, and which the Bank has not early adopted.

IFRS 9 “Financial Instruments: Classification and Measurement”. Key features of the standard issued in November 2009 and amended in October 2010, December 2011 and November 2013 are:

- Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition.

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The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

- An instrument is subsequently measured at amortised cost only if it is a debt instrument and both (i) the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and (ii) the asset's contractual cash flows represent payments of principal and interest only (that is, it has only “basic loan features”). All other debt instruments are to be measured at fair value through profit or loss.
- All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.
- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

The amendments made to IFRS 9 in November 2013 removed its mandatory effective date, thus making application of the standard voluntary. The Bank does not intend to adopt the existing version of IFRS 9.

“Offsetting Financial Assets and Financial Liabilities” - Amendments to IAS 32 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2014). The amendment added application guidance to IAS 32 to address inconsistencies identified in applying some of the offsetting criteria. This includes clarifying the meaning of ‘currently has a legally enforceable right of set-off’ and that some gross settlement systems may be considered equivalent to net settlement. The Bank is considering the implications of the amendment and its impact on its consolidated financial statements.

“Amendments to IFRS 10, IFRS 12 and IAS 27 - Investment entities” (issued on 31 October 2012 and effective for annual periods beginning 1 January 2014). The amendment introduced a definition of an investment entity as an entity that (i) obtains funds from investors for the purpose of providing them with investment management services, (ii) commits to its investors that its business purpose is to invest funds solely for capital appreciation or investment income and (iii) measures and evaluates its investments on a fair value basis. An investment entity will be required to account for its subsidiaries at fair value through profit or loss, and to consolidate only those subsidiaries that provide services that are related to the entity's investment activities. IFRS 12 was amended to introduce new disclosures, including any significant judgements made in determining whether an entity is an investment entity and information about financial or other support to an unconsolidated subsidiary, whether intended or already provided to the subsidiary. The Bank does not expect the amendment to have any impact on its consolidated financial statements.

Amendments to IAS 36 – “Recoverable amount disclosures for non-financial assets” (issued in May 2013 and effective for annual periods beginning 1 January 2014; earlier application is permitted if IFRS 13 is applied for the same accounting and comparative period). The amendments remove the requirement to disclose the recoverable amount when a CGU contains goodwill or indefinite lived intangible assets but there has been no impairment. The Bank is currently assessing the impact of the amendments on the disclosures in its financial statements.

Amendments to IAS 39 – “Novation of Derivatives and Continuation of Hedge Accounting” (issued in June 2013 and effective for annual periods beginning 1 January 2014). The amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated (i.e parties have agreed to replace their original counterparty with a new one) to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met. The Bank does not expect the amendment to have any impact on its consolidated financial statements.

Annual Improvements to IFRSs 2012 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014, unless otherwise stated below). The improvements consist of changes to seven standards.

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IFRS 2 was amended to clarify the definition of a ‘vesting condition’ and to define separately ‘performance condition’ and ‘service condition’; The amendment is effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

IFRS 3 was amended to clarify that (1) an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in IAS 32, and (2) all non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognised in profit and loss. Amendments to IFRS 3 are effective for business combinations where the acquisition date is on or after 1 July 2014.

IFRS 8 was amended to require (1) disclosure of the judgements made by management in aggregating operating segments, including a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics, and (2) a reconciliation of segment assets to the entity’s assets when segment assets are reported.

The basis for conclusions on IFRS 13 was amended to clarify that deletion of certain paragraphs in IAS 39 upon publishing of IFRS 13 was not made with an intention to remove the ability to measure short-term receivables and payables at invoice amount where the impact of discounting is immaterial.

IAS 16 and IAS 38 were amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model.

IAS 24 was amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity (‘the management entity’), and to require to disclose the amounts charged to the reporting entity by the management entity for services provided.

The Bank is currently assessing the impact of the improvements on its consolidated financial statements.

Annual Improvements to IFRSs 2013 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014). The improvements consist of changes to four standards.

The basis for conclusions on IFRS 1 is amended to clarify that, where a new version of a standard is not yet mandatory but is available for early adoption; a first-time adopter can use either the old or the new version, provided the same standard is applied in all periods presented.

IFRS 3 was amended to clarify that it does not apply to the accounting for the formation of any joint arrangement under IFRS 11. The amendment also clarifies that the scope exemption only applies in the financial statements of the joint arrangement itself.

The amendment of IFRS 13 clarifies that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including contracts to buy or sell non-financial items) that are within the scope of IAS 39 or IFRS 9.

IAS 40 was amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive. The guidance in IAS 40 assists preparers to distinguish between investment property and owner-occupied property. Preparers also need to refer to the guidance in IFRS 3 to determine whether the acquisition of an investment property is a business combination.

The Bank is currently assessing the impact of the improvements on its consolidated financial statements.

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

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4. Significant accounting judgements and estimates

In the process of applying the Bank's accounting policies, management has used its judgement and made estimates in determining the amounts recognised in the consolidated financial statements. The most significant use of judgements and estimates are as follows:

Allowance for impairment of loans and receivables

The Bank regularly reviews its loans and receivables to assess impairment. The Bank uses its judgement to estimate the amount of any impairment loss in cases where a borrower is in financial difficulties and there is little available historical data relating to similar borrowers. Similarly, the Bank estimates changes in future cash flows based on the observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. A 10% increase or decrease in actual loss experience compared to the loss estimates used would result in an increase or decrease in loan impairment losses of UAH 418.47 million and UAH 1,020.2 million (2012: UAH 195.8 million and UAH 917.1 million), respectively. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the Bank of loans and receivables. The Bank uses its judgement to adjust observable data for a group of loans or receivables to reflect current circumstances.

Deferred income tax assets

As at 31 December 2013, the Bank has recognised a deferred tax asset of UAH 82,963 thousand (31 December 2012: UAH 85,216 thousand). The Bank's management believes that within five years the Bank will have sufficient taxable profits enabling it to utilise its deferred tax assets.

5. Segment information

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

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

The Board monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance, as explained in the table below, is measured differently from profit or loss in the consolidated financial statements.

Unallocated amounts include:

- Income tax receivables and payables, the share of assets and costs associated with the work of the Bank's TOP management, i.e. personnel performing general management functions at the level of the whole Bank's system and the Bank's staff, supporting directly the work of TOP management;
- The result of the revaluation of open currency position;
- The difference between inter-segment revenues and costs of all business lines, obtained as a result of transfer rates.

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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 twelve months ended 31 December 2013 and 2012, 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 1,685,860 thousand (31 December 2012: UAH 887,878 thousand). Revenues from transactions with the external customer is reflected in the segment “Inter-bank and investments business”.

Analysis of income of the Bank for banking products and services is presented in the profit and loss (interest income and expenses) and Note 24 (Fee and commission income and expenses).

Ukraine is the only one geographical segment, as most of the income and assets related to Ukraine. The Bank has no significant income from sources outside Ukraine. Geographical analysis of assets and liabilities is disclosed in Note 26.

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The following table presents income and profit, certain asset and liabilities information regarding the Bank's operating segments for the year ended 31 December 2013:

	<i>Retail banking</i>	<i>Corporate banking</i>	<i>Inter-bank and investments business</i>	<i>Other/ Unallocated</i>	<i>Total</i>
External					
Interest income	262,663	5,337,477	3,644,160	-	9,244,300
Commission income	255,802	226,989	19,354	-	502,145
Other income	11,170	31,357	15,207	7,422	65,156
Gain from foreign currencies and precious metals	86,984	116,381	114,262	-	317,627
Gain from investment securities available-for-sale	-	-	-	341	341
Gain from changes in the fair value of investment securities designated at fair value through profit and loss	-	-	1,227	-	1,227
Reversal of provisions for loan impairment	-	-	5,820	-	5,820
Reversal of provisions for impairment of other assets and for covering other losses	-	-	-	6,638	6,638
Income from other segments	2,118,742	1,316,656	3,221,517	(6,656,915)	-
Total income	2,735,361	7,028,860	7,021,547	(6,642,514)	10,143,254
Interest expenses	(1,759,596)	(1,017,079)	(2,522,235)	-	(5,298,910)
Commission expense	(78,392)	(45,977)	(7,584)	(171)	(132,124)
Loan impairment charge	(21,763)	(2,763,895)	-	-	(2,785,658)
Loss from operations with foreign currencies and precious metals	-	-	-	(105,014)	(105,014)
Loss from investment securities available-for-sale	-	-	(123,886)	-	(123,886)
Personnel expenses	(350,821)	(243,883)	(86,673)	(129,510)	(810,887)
Depreciation and amortisation	(64,714)	(24,655)	(3,782)	(5,760)	(98,911)
Other operating expenses	(127,546)	(68,661)	(30,922)	(164,080)	(391,209)
Charge for impairment of other assets and for covering other losses	(11,143)	(1,807)	(329)	-	(13,279)
Loss from changes in terms of loans to customers	-	(50,174)	-	-	(50,174)
Expenses from other segments	(205,263)	(5,129,170)	(3,747,477)	9,081,910	-
Segment results	116,123	(2,316,441)	498,659	2,034,861	333,202
Income tax expense					(132,570)
Profit for the year					200,632
Assets and liabilities					
Segment assets	4,651,579	45,432,676	42,278,145	-	92,362,400
Unallocated assets	-	-	-	912,369	912,369
Total assets					93,274,769
Segment liabilities	21,214,096	20,135,258	34,257,213	-	75,606,567
Unallocated liabilities	-	-	-	56,881	56,881
Total liabilities					75,663,448
Other segment information					
Capital expenditure	(86,433)	(29,922)	(5,228)	(7,962)	(129,545)

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The following table presents income and profit, certain asset and liabilities information regarding the Bank's operating segments for the year ended 31 December 2012:

	<i>Retail banking</i>	<i>Corporate banking</i>	<i>Inter-bank and investments business</i>	<i>Other/ Unallocated</i>	<i>Total</i>
External					
Interest income	261,166	5,648,051	1,781,947	-	7,691,164
Commission income	268,240	207,024	21,936	553	497,753
Other income	(21,993)	94,801	15,533	2,854	91,195
Gain from foreign currencies and precious metals	99,794	90,797	118,155	-	308,746
Gain from investment securities available-for-sale	-	24	270,136	-	270,160
Gain from changes in the fair value of investment securities designated at fair value through profit and loss	-	-	9,871	-	9,871
Reversal of provisions for loan impairment	65,092	-	-	-	65,092
Reversal of provisions for impairment of other assets and for covering other losses	-	-	257	-	257
Income from other segments	1,690,239	704,786	2,865,842	(5,260,867)	-
Total income	2,362,538	6,745,483	5,083,677	(5,257,460)	8,934,238
Interest expenses	(1,389,161)	(437,028)	(2,307,023)	-	(4,133,212)
Commission expense	(87,473)	(18,987)	(6,892)	(207)	(113,559)
Loan impairment charge	-	(3,119,008)	(16,954)	-	(3,135,962)
Loss from operations with foreign currencies and precious metals	-	-	-	(51,370)	(51,370)
Loss from investment securities available-for-sale	(22)	-	-	(3,309)	(3,331)
Personnel expenses	(411,662)	(223,567)	(85,533)	(91,781)	(812,543)
Depreciation and amortisation	(64,556)	(10,245)	(2,083)	(12,353)	(89,237)
Other operating expenses	(133,810)	(35,661)	(31,064)	(113,170)	(313,705)
Charge for impairment of other assets and for covering other losses	(4,193)	(14,831)	-	(1,005)	(20,029)
Expenses from other segments	(180,807)	(5,109,537)	(2,141,135)	7,431,479	-
Segment results	90,854	(2,223,381)	492,993	1,900,824	261,290
Income tax expense					(123,975)
Profit for the year					137,315
Assets and liabilities					
Segment assets	4,512,222	43,280,922	38,712,696	-	86,505,840
Unallocated assets	-	-	-	700,245	700,245
Total assets					87,206,085
Segment liabilities	19,182,794	23,177,907	27,435,205	-	69,795,906
Unallocated liabilities	-	-	-	29,695	29,695
Total liabilities					69,825,601
Other segment information					
Capital expenditure	(84,583)	(14,541)	(2,885)	(17,107)	(119,116)

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6. Cash and cash equivalents

Cash and cash equivalents comprise:

	<u>2013</u>	<u>2012</u>
Cash on hand	977,242	801,270
Current account with the National Bank of Ukraine (other than mandatory reserve)	1,859,740	1,629,018
Current accounts with other credit institutions	3,734,311	10,066,166
Overnight deposits with other credit institutions	472,778	6,114,016
Time deposits with credit institutions up to 90 days	1,276,999	586,826
Cash and cash equivalents	<u>8,321,070</u>	<u>19,197,296</u>

As at 31 December 2013, included in current accounts with other credit institutions is UAH 3,177,104 thousand, placed on current accounts with five OECD banks, CIS banks and banks of Ukraine (31 December 2012: UAH 9,543,007 thousand). These banks are the main counterparties of the Bank in performing international settlements. The placements have been made under normal banking terms and conditions.

As at 31 December 2013 overnight deposits represent overnight deposits placed with OECD banks. These placements earn market interest rates. UAH 472,778 thousand was placed with one OECD bank (31 December 2012: UAH 6,019,440 thousand was placed with two OECD banks).

7. Mandatory reserves with the National Bank of Ukraine

Since October 2013 Ukrainian banks are required to keep 40% of the mandatory reserve for the previous month on a separate account with the NBU (2012: 50%). The interest rate for this mandatory reserve is 30% of the official NBU discount rate. As at 31 December 2013, the amount placed by the Bank on this account, was UAH 629,753 thousand (31 December 2012: UAH 385,474 thousand). The Bank's ability to withdraw this deposit is restricted by regulatory and legislative provisions. Since October 2013, the Ukrainian banks have been allowed to cover the mandatory reserve balance held on a separate correspondent account with the NBU with the purchased foreign-currency denominated Ukrainian state bonds amounting to 10% of their carrying value in the hryvnia equivalent and long-term national currency denominated Ukrainian state bonds with the maturity of more than 3,600 days according to the initial offering terms amounting to 100% of their carrying value. In addition, the Ukrainian banks can use placements on a correspondent account opened with PJSC "Clearing Centre". As at 31 December 2013, Ukrainian state bonds with a carrying value of UAH 15,016,084 thousand (31 December 2012: UAH 3,214,963 thousand) were used by the Bank to cover its NBU mandatory reserve requirement (Note 10).

Since September 2008, Ukrainian banks are required to deposit 20% of funds raised from non-residents in foreign currency for a period of less than 183 days on a separate account with the NBU, in the form of non-interest bearing cash deposit. As at 31 December 2013 the amount placed by the Bank on this account was UAH 6,312 thousand (31 December 2012: UAH 39,458 thousand). The Bank's ability to withdraw this deposit is restricted by regulatory and legislative provisions.

Since 2009, Ukrainian banks are 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. As at 31 December 2013, the amount placed by the Bank on this account, was UAH 104,892 thousand (31 December 2012: UAH 106,220 thousand). The Bank's ability to withdraw this deposit is restricted by regulatory and legislative provisions.

As at 31 December 2013 and 2012 the Bank meets all the NBU's mandatory reserve requirements.

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8. Due from credit institutions

Amounts due from credit institutions comprise:

	2013	2012
Loans and deposits	890,689	963,149
Current accounts with other credit institutions in precious metals	123,603	191,529
Other amounts due from credit institutions	2,905	3,637
	1,017,197	1,158,315
Less— Allowance for impairment	(11,542)	(17,028)
Due from credit institutions	1,005,655	1,141,287

As at 31 December 2013, loans and deposits due from credit institutions include UAH 63,193 thousand of security deposits, placed mainly in respect of customers' transactions, such as letters of credit, performance guarantees and transactions with travellers' cheques (31 December 2012: UAH 51,708 thousand).

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

	Loans and deposits	Total
At 1 January 2012	-	-
Charge	16,954	16,954
Translation differences	74	74
At 31 December 2012	17,028	17,028
Reversal	(5,820)	(5,820)
Translation differences	334	334
At 31 December 2013	11,542	11,542

9. Loans to customers

Loans to customers comprise:

	2013	2012
Commercial loans	49,901,320	48,319,523
Overdrafts	420,975	120,940
Promissory notes	40,170	45,501
Financial lease receivables	21,207	12,543
	50,383,672	48,498,507
Less— Allowance for impairment	(8,758,729)	(9,132,744)
Loans to customers	41,624,943	39,365,763

Allowance for impairment of loans to customers

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

	Commercial loans	Overdrafts	Financial lease receivables	Promissory notes	Total
At 01 January 2013	9,115,437	1,160	10,522	5,625	9,132,744
Charge for the year	2,756,052	5,524	86	23,996	2,785,658
Recoveries	12,791	-	-	-	12,791
Amounts written-off	(3,226,768)	-	-	-	(3,226,768)
Translation differences	54,304	-	-	-	54,304

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	<i>Commercial loans</i>	<i>Overdrafts</i>	<i>Financial lease receivables</i>	<i>Promissory notes</i>	<i>Total</i>
At 31 December 2013	8,711,816	6,684	10,608	29,621	8,758,729
Individual impairment	8,191,554	-	10,591	29,496	8,231,641
Collective impairment	520,262	6,684	17	125	527,088
	8,711,816	6,684	10,608	29,621	8,758,729
Gross amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance	14,136,220	-	11,543	29,496	14,177,259
	<i>Commercial loans</i>	<i>Overdrafts</i>	<i>Financial lease receivables</i>	<i>Promissory notes</i>	<i>Total</i>
At 1 January 2012	9,412,914	26,018	4,949	42,208	9,486,089
Charge/(reversal) for the year	3,109,784	(24,858)	5,573	(36,583)	3,053,916
Recoveries	2	-	-	-	2
Amounts written-off	(3,447,997)	-	-	-	(3,447,997)
Translation differences	40,734	-	-	-	40,734
At 31 December 2012	9,115,437	1,160	10,522	5,625	9,132,744
Individual impairment	8,560,036	-	10,383	5,542	8,575,961
Collective impairment	555,401	1,160	139	83	556,783
	9,115,437	1,160	10,522	5,625	9,132,744
Gross amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance	11,428,591	-	10,385	32,449	11,471,425

Individually impaired loans

Interest income on loans, for which individual impairment allowances have been recognised, amounts to UAH 907,059 thousand in 2013 (2012: UAH 856,410 thousand).

In accordance with Ukrainian legislation, loans may only be written off with the approval of the Board of Directors.

Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

- For securities lending and reverse repurchase transactions - cash or securities,
- For commercial lending - charges over real estate properties, inventory and trade receivables,
- For retail lending - mortgages over residential properties and vehicles.

The Bank monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for loan impairment.

As at 31 December 2013, loans to customers with a carrying value of UAH 5,462,087 thousand are pledged as collateral under loans received from the NBU (31 December 2012: UAH 5,474,344 thousand) (Note 17).

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Concentration of loans to customers

As at 31 December 2013, the Bank has a concentration of loans represented by UAH 17,717,687 thousand due from the ten largest borrowers (35,17% of gross loan portfolio) (31 December 2012: UAH 16,763,605 thousand or 34,57%). An allowance of UAH 1,865,130 thousand has been recognised against these loans (31 December 2012: UAH 1,401,507 thousand).

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

	2013	2012
Private entities	39,575,472	35,803,405
State entities	9,524,472	11,309,974
Individuals	737,902	849,200
Municipal and utility entities	545,826	535,928
	50,383,672	48,498,507

Loans are made principally within Ukraine to companies of the following industry sectors:

	2013	%	2012	%
Agriculture and food industry	8,453,688	16.8	9,051,771	18.7
Trade	7,452,333	14.8	6,991,497	14.4
Construction	4,604,209	9.1	4,208,443	8.7
Extractive industry	4,057,443	8.1	4,256,418	8.8
Chemical industry	3,787,646	7.5	2,753,015	5.7
Mechanical engineering	3,025,476	6.0	4,063,681	8.4
Real estate	2,304,399	4.6	2,381,754	4.9
Metallurgy	2,108,140	4.2	1,707,229	3.5
Production of rubber and plastic goods	2,104,333	4.2	1,470,869	3.0
Road construction	2,095,773	4.2	2,128,029	4.4
Professional, scientific and technical activities	1,976,260	3.9	-	-
Production of construction materials	1,599,494	3.2	1,538,426	3.2
Transport and communications	1,526,288	3.0	1,975,136	4.1
Power engineering	1,335,196	2.7	1,130,453	2.3
Hotels and restaurants	1,055,912	2.1	708,463	1.5
Pulp and paper industry	806,680	1.6	694,586	1.4
Individuals	737,902	1.5	849,200	1.7
Wood processing	216,813	0.4	208,713	0.4
Light industry	175,569	0.3	404,598	0.8
Metal processing	139,028	0.3	267,834	0.5
Individual services	64,351	0.1	709,793	1.5
Other	756,739	1.4	998,599	2.1
	50,383,672	100	48,498,507	100

Included in the corporate lending portfolio are finance lease receivables. They may be analysed as follows:

	2013	2012
Gross investment in finance leases, receivable:		
Less than 1 year	16,672	12,121
From 1 to 5 years	7,645	722
	24,317	12,843
Unearned future finance income on finance leases	(3,110)	(300)
Net investment in finance leases	21,207	12,543
	2013	2012
Net investment in finance leases, receivable:		
Less than 1 year	14,888	11,925
From 1 to 5 years	6,319	618
Net investment in finance leases	21,207	12,543

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As at 31 December 2013, investment securities designated at fair value through profit and loss presented Ukrainian state bonds, principal of which will be indexed according to increases in the average interbank exchange rate of Hryvnia to United States dollar per month, prior to the month of issue, and the average exchange rate of Hryvnia to United States dollar per month, prior to maturity month. The Bank decided not to separate an embedded derivative instrument and to evaluate an instrument as a whole at its fair value, recognising revaluation as profit or loss.

As at 31 December 2013, investment securities designated at fair value through profit and loss, with a carrying value of UAH 1,038,267 thousand (31 December 2012: UAH 1,636,033 thousand) are pledged as collateral for loans received from the NBU (Note 17).

As at 31 December 2013, investment securities designated at fair value through profit and loss, with a carrying value of UAH 307,463 thousand are pledged as collateral under repurchase agreements with the NBU (31 December 2012: UAH 1,434,482 thousand) (Note 17).

Available-for-sale investment securities comprise:

	31 December 2013	31 December 2012
Ukrainian state bonds	17,892,254	5,220,455
Corporate bonds	8,416,862	6,540,515
Municipal entities	3,249,315	3,247,957
Corporate shares	17,268	17,268
Available-for-sale investments	29,575,699	15,026,195

As at 31 December 2013, Ukrainian state bonds classified as available-for-sale investment securities with a carrying value of UAH 15,016,084 thousand (31 December 2012: UAH 3,214,963 thousand) are used by the Bank for the partial fulfilment of the requirements for the mandatory reserves of the NBU (Note 7).

As at 31 December 2013, available-for-sale investment securities with a carrying value of UAH 4,038,764 thousand are pledged as collateral under loans received from the NBU (31 December 2012: UAH 1,447,682 thousand) (Note 17).

As at 31 December 2013, available-for-sale investment securities with a carrying value of UAH 1,836,421 thousand are pledged as collateral under repurchase agreements with the NBU (31 December 2012: nil) (Note 17).

Held-to-maturity investment securities comprise the following:

	31 December 2013		31 December 2012	
	<i>Nominal value</i>	<i>Carrying value</i>	<i>Nominal value</i>	<i>Carrying value</i>
Municipal bonds	90,000	91,085	90,000	91,219
Corporate bonds	1,244,943	1,297,814	1,244,943	1,299,270
		1,388,899		1,390,489
Less: Allowance for impairment (Note 15)		(18,236)		(18,252)
Held-to-maturity investments		1,370,663		1,372,237

As at 31 December 2013, held-to-maturity investment securities with a carrying value of UAH 1,297,814 thousand are pledged as collateral under loans received from the NBU (31 December 2012: UAH 1,299,270 thousand) (Note 17).

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11. Investment property

The movements of investment property are as follows:

	<i>31 December 2013</i>	<i>31 December 2012</i>
Investment property as at 1 January	3,707,841	3,088,254
Additions	-	628,346
Disposals	(6,561)	(8,837)
Net (loss) / profit from fair value adjustment	(34,614)	78
Investment property as at 31 December	3,666,666	3,707,841

In 2013, the Bank sold an investment property item with the gain of UAH 13 thousand (2012: UAH 69 thousand).

In 2013 the Bank revalued its investment property. The valuation was performed by an independent appraiser, who holds a recognised and relevant professional qualification and who has relevant experience in valuation of property of similar location and category. The highest and best use method is the key valuation principle underlying the fair value measurements in the appraisers' reports. The highest and best use method specifies that the market value of the real estate property is based on its highest and best use which creates the highest value for the property. Only asset utilisations that are technically feasible, permissible and economically justifiable are considered.

In 2013 the Bank recognised the result from adjustments of investment property fair value in the amount of UAH 34,614 thousand in other operating expenses (2012: UAH 78 thousand in other income).

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

	<i>At 31 December 2013</i>	<i>At 31 December 2012</i>
Less than 1 year	20,442	18,937
From 1 to 5 years	24,011	26,431
More than 5 years	-	4,113
Future minimum receivables under non-cancellable operating lease	44,453	49,481

During 2013 the Bank has recognised rental income of UAH 29,455 thousand (2012: UAH 31,125 thousand), included in other income in the consolidated statement of profit and loss (the consolidated income statement).

12. Property and equipment

The movements of property and equipment were as follows:

	<i>Buildings</i>	<i>Leasehold improvements</i>	<i>Computers and equipment</i>	<i>Furniture and other assets</i>	<i>Motor vehicles</i>	<i>Construction in progress</i>	<i>Total</i>
Cost or revalued amount							
At 31 December 2012	1,931,015	11,876	334,628	175,181	26,865	138,990	2,618,555
Additions	12	-	46,333	17,627	5,121	20,104	89,197
Disposals	-	(186)	(8,518)	(2,521)	(2,176)	(174)	(13,575)
Transfers	21,050	753	-	-	-	(21,803)	-
At 31 December 2013	1,952,077	12,443	372,443	190,287	29,810	137,117	2,694,177
Accumulated depreciation							
At 31 December 2012	(5,205)	(10,828)	(200,819)	(109,454)	(14,994)	-	(341,300)
Charge for the year	(30,975)	(676)	(41,994)	(16,574)	(3,859)	-	(94,078)
Disposals	-	170	8,518	2,504	2,172	-	13,364
At 31 December 2013	(36,180)	(11,334)	(234,295)	(123,524)	(16,681)	-	(422,014)

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Residual value:

At 31 December 2012	1,925,810	1,048	133,809	65,727	11,871	138,990	2,277,255
At 31 December 2013	1,915,897	1,109	138,148	66,763	13,129	137,117	2,272,163

	<i>Buildings</i>	<i>Leasehold improvements</i>	<i>Computers and equipment</i>	<i>Furniture and other assets</i>	<i>Motor vehicles</i>	<i>Construction in progress</i>	<i>Total</i>
Cost or revalued amount							
At 31 December 2011	1,945,797	12,191	265,343	161,475	23,742	160,421	2,568,969
Additions	-	-	77,307	17,622	4,518	9,405	108,852
Disposals	(82)	(447)	(8,022)	(3,916)	(1,395)	(7)	(13,869)
Less accumulated historical depreciation on revaluation	(66,220)	-	-	-	-	-	(66,220)
Transfers	30,697	132	-	-	-	(30,829)	-
Revaluation	20,823	-	-	-	-	-	20,823
At 31 December 2012	1,931,015	11,876	334,628	175,181	26,865	138,990	2,618,555
Accumulated depreciation							
At 31 December 2011	(41,099)	(10,332)	(174,256)	(97,570)	(13,372)	-	(336,629)
Charge for the year	(30,347)	(943)	(34,585)	(15,799)	(3,017)	-	(84,691)
Write-off of accumulated depreciation at revaluation	66,220	-	-	-	-	-	66,220
Disposals	21	447	8,022	3,915	1,395	-	13,800
At 31 December 2012	(5,205)	(10,828)	(200,819)	(109,454)	(14,994)	-	(341,300)
Residual value:							
At 31 December 2011	1,904,698	1,859	91,087	63,905	10,370	160,421	2,232,340
At 31 December 2012	1,925,810	1,048	133,809	65,727	11,871	138,990	2,277,255

As at 31 December 2013, buildings, leasehold improvements and other items of property, plant and equipment include assets with a cost or revalued amount of UAH 217,247 thousand which are fully depreciated (31 December 2012: UAH 184,154 thousand). These assets are still used by the Bank.

As at 31 December 2013, the Bank had capital commitments for the acquisition of property, plant and equipment of UAH 131,299 thousand (31 December 2012: UAH 87,540 thousand).

If the buildings are reported at cost, the carrying value is as follows:

	<i>31 December 2013 (revalued)</i>	<i>31 December 2013 (at cost)</i>	<i>31 December 2012 (revalued)</i>	<i>31 December 2012 (at cost)</i>
Cost	1,952,077	1,043,960	1,931,015	1,022,898
Accumulated depreciation	(36,180)	(130,724)	(5,205)	(116,214)
Residual value	1,915,897	913,236	1,925,810	906,684

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13. Intangible assets

The movements of intangible assets were as follows:

	<i>Computer software and licenses</i>
Cost	
At 31 December 2012	46,821
Additions	8,759
Disposals	(680)
At 31 December 2013	54,900
Accumulated depreciation	
At 31 December 2012	(36,051)
Charge for the year	(4,833)
Disposals	680
At 31 December 2013	(40,204)
Residual value:	
At 31 December 2012	10,770
At 31 December 2013	14,696
	<i>Computer software and licenses</i>
Cost	
At 31 December 2011	45,714
Additions	2,266
Disposals	(1,159)
At 31 December 2012	46,821
Accumulated depreciation	
At 31 December 2011	(32,664)
Charge for the year	(4,546)
Disposals	1,159
At 31 December 2012	(36,051)
Residual value:	
At 31 December 2011	13,050
At 31 December 2012	10,770

As at 31 December 2013, intangible assets include assets with a cost of UAH 27,194 thousand which have been fully amortised (31 December 2012: UAH 23,833 thousand). These assets are still used by the Bank.

14. Income tax

The corporate income tax charge comprises:

	<i>31 December 2013</i>	<i>31 December 2012</i>
Current tax charge	138,794	56,633
Deferred tax (credit)/charge	(6,224)	67,342
Income tax expenses	132,570	123,975

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As at 31 December 2013, Ukrainian corporate income tax was calculated as taxable income less allowable expenses at the rate of 19% (31 December 2012: 21%).

In December 2013, a tax rate of 18 % on corporate profits with effect from 1 January 2013 was introduced in the Tax Code of Ukraine with further annual reduction by 1% down to 16% from 2016 onwards. Deferred tax balances are determined using the tax rates that will be applicable when temporary differences are expected to reverse.

Income tax assets and liabilities consist of the following:

	31 December 2013	31 December 2012
Current tax assets	639,420	492,257
Deferred income tax assets	82,963	85,216
Income tax assets	722,383	577,473
Current income tax liabilities	32,703	13,243
Income tax liabilities	32,703	13,243

The effective income tax rate differs from the statutory income tax rate. A reconciliation of the income tax charge based on the statutory rate with the actual rate is as follows:

	31 December 2013	31 December 2012
Income before tax	333,202	261,290
Statutory tax rate	19%	21%
Income tax expense at the statutory rate	63,308	54,871
Effect of change in tax rates	4,591	611
Revaluation of temporary difference due to the changes in tax laws	51,129	50,187
Non-deductible expenditures:		
- initial recognition of investment property	9	1,146
- salaries and bonuses	3,030	3,731
- consulting and marketing	670	1,029
- utilities	3,059	2,096
- repair and maintenance of property and equipment	2,278	1,758
- charity	272	404
- lease	306	340
- other banking operating services	1,565	1,530
- other expenses	2,353	6,272
Income tax expenses	132,570	123,975

Deferred tax assets and liabilities:

	Origination and reversal of temporary differences			Origination and reversal of temporary differences		
	In the console- dated statement of profit and loss	In other comprehe nsive income	31 December 2012	In the console- dated statement of profit and loss	In other comprehen sive income	31 December 2013
01 January 2012						
Tax effect of deductible temporary differences:						
Allowance for loan impairment	184,683	(184,683)	-	-	-	-
Accruals	18,835	(3,418)	15,417	(2,624)	-	12,793
Valuation of financial instruments	17,713	212,247	(7,393)	(8,241)	(8,477)	205,849

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	<i>Origination and reversal of temporary differences</i>			<i>Origination and reversal of temporary differences</i>		
	<i>In the console- dated statement of profit and loss</i>	<i>In other comprehe nsive income</i>		<i>In the console- dated statement of profit and loss</i>	<i>In other comprehen sive income</i>	
	<i>01 January 2012</i>		<i>31 December 2012</i>			<i>31 December 2013</i>
Other assets/ liabilities	-	3,393	-	3,393	(3,250)	143
Deferred income tax assets	<u>221,231</u>	<u>27,539</u>	<u>(7,393)</u>	<u>241,377</u>	<u>(14,115)</u>	<u>218,785</u>
Tax effect of taxable temporary differences:						
Allowance for loan impairment	-	(89,969)	-	(89,969)	17,541	(72,428)
Property, equipment and intangible assets	(39,539)	(4,109)	(3,336)	(46,984)	(845)	(47,829)
Investment property	(17,921)	(1,287)	-	(19,208)	3,643	(15,565)
Other assets/ liabilities	(484)	484	-	-	-	-
Deferred tax liabilities	<u>(57,944)</u>	<u>(94,881)</u>	<u>(3,336)</u>	<u>(156,161)</u>	<u>20,339</u>	<u>(135,822)</u>
Net deferred tax assets /(liabilities)	<u>163,287</u>	<u>(67,342)</u>	<u>(10,729)</u>	<u>85,216</u>	<u>6,224</u>	<u>82,963</u>

15. Other impairment and provisions

The movements in other impairment and provisions are as follows:

	<i>Investment securities held to maturity</i>	<i>Other assets</i>	<i>Guarantees and commitments</i>	<i>Total</i>
At 31 December 2011	<u>18,270</u>	<u>17,565</u>	<u>307</u>	<u>36,142</u>
Translation differences	-	79	486	565
Charge/(reversal)	(18)	20,583	(793)	19,772
Amounts written-off	-	(632)	-	(632)
At 31 December 2012	<u>18,252</u>	<u>37,595</u>	<u>-</u>	<u>55,847</u>
Translation differences	-	166	-	166
Charge/(reversal)	(16)	6,657	-	6,641
Amounts written-off	-	(261)	-	(261)
At 31 December 2013	<u>18,236</u>	<u>44,157</u>	<u>-</u>	<u>62,393</u>

Allowances for impairment of assets are deducted from the related assets. Provisions are recognised in liabilities.

16. Other assets and liabilities

Other assets comprise:

	<i>31 December 2013</i>	<i>31 December 2012</i>
- other financial assets:		
Transit accounts in respect of card operations	28,320	97,331
Other accrued income	10,201	10,290
Transit accounts on transactions with customers	11,919	9,762

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Service fee on financial guarantees issued	5,518	4,114
Other	35	36
	55,993	121,533
Less: Allowance for impairment (Note 15)	(15,950)	(13,804)
Other financial assets	40 043	107,729
<i>- other assets:</i>		
Precious metals	30,572	41,583
Prepayments	79,127	37,658
Inventories	13,277	10,484
Other tax assets, except those related to income tax	283,044	285,287
Other	1,433	1,419
	407,453	376,431
Less: Allowance for impairment (Note 15)	(28,207)	(23,791)
Other assets	379,246	352,640
Total other assets	419,289	460,369

As at 31 December 2013 and 2012 other tax assets, except those related to income tax, mainly consist of a recognised VAT credit related to repossessed investment property (Note 11) which will be set-off against VAT liabilities recognised as a result of the future sale of the investment property.

As at 31 December 2013, prepayments include balances of UAH 30,858 thousand (31 December 2012: UAH 753 thousand) in respect of the purchase of property, equipment and intangible assets, and balances of UAH 6,199 thousand (31 December 2012: UAH 4,960 thousand) in respect of the construction of branch premises.

Other liabilities comprise:

	31 December 2013	31 December 2012
<i>- Other financial liabilities:</i>		
Transit accounts in respect of card operations	10,204	102,964
Liabilities in respect of financial guarantees issued	4,395	5,826
Accrued expenses	6,465	4,576
Transit accounts on transactions with customers	3,889	2,741
Other financial liabilities	24,953	116,107
<i>- Other liabilities:</i>		
Provision for unused vacation	54,843	51,805
Accrued salary payable	29,040	29,345
Payables to Guarantee Fund of Individuals' Deposits	30,042	26,861
Deferred income	13,775	19,260
Accrued pension contribution	779	716
Other	5,633	4,057
Other liabilities	134,112	132,044
Total other liabilities	159,065	248,151

17. Amounts due to the National Bank of Ukraine

Amounts due to the National Bank of Ukraine as at 31 December 2013 comprise:

	31 December 2013	31 December 2012
Loans due to the National Bank of Ukraine	7,111,848	6,408,540
Repurchase agreements	2,108,803	1,415,261

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Correspondent account	2,354	1,113
Amounts due to the National Bank of Ukraine	9,223,005	7,824,914

As at 31 December 2013, the Bank entered into repurchase agreements with the NBU for the amount of UAH 2,108,803 thousand (31 December 2012: UAH 1,415,261 thousand). The subject of this agreement is Ukrainian state bonds with the fair value of UAH 2,143,884 thousand (31 December 2012: UAH 1,434,482 thousand) (Note 10).

As at 31 December 2013, loans due to the National Bank of Ukraine comprise:

Origination date	Maturity date	Type of interest rate	Interest rate	Carrying value
19 March 2009	12 November 2015	Floating (NBU rate +0.5%)	7.0%	1,551,010
19 March 2009	12 November 2015	Floating (NBU rate + 0.5%)	7.0%	1,924,749
03 February 2010	24 January 2016	Floating (NBU rate + 2%)	8.5%	616,089
10 July 2013	04 July 2014	Fixed rate	7.0%	320,000
14 August 2013	08 August 2014	Fixed rate	7.0%	1,000,000
22 November 2013	14 November 2014	Fixed rate	6.5%	700,000
04 December 2013	09 January 2014	Fixed rate	6.5%	1,000,000
Amounts due to the National Bank of Ukraine				7,111,848

As at 31 December 2012, loans due to the National Bank of Ukraine comprise:

Origination date	Maturity date	Type of interest rate	Interest rate	Carrying value
19 March 2009	12 November 2015	Floating (NBU rate +0.5%)	8.0%	1,496,188
19 March 2009	12 November 2015	Floating (NBU rate + 0.5%)	8.0%	1,908,352
03 February 2010	24 January 2016	Floating (NBU rate + 2%)	9.5%	624,000
03 September 2012	23 August 2013	Fixed rate	7.5%	1,500,000
13 December 2012	18 October 2013	Fixed rate	7.5%	160,000
26 December 2012	10 December 2013	Fixed rate	7.5%	720,000
Amounts due to the National Bank of Ukraine				6,408,540

These loans are initially recognized at fair value, which was based on the market data at the date of recognition.

Loans due to the NBU are secured with loans to customers (Note 9) and investment securities (Note 10).

18. Amounts due to credit institutions

Amounts due to credit institutions comprise:

	31 December 2013	31 December 2012
Loans and deposits due to other banks	2,391,545	3,008,711
Loans due to international financial organisations	5,032,008	2,844,221
Current accounts	732,230	1,391,355
Other amounts due to credit institutions	98	13
Amounts due to credit institutions	8,155,881	7,244,300
Held as security against guarantees (Note 23)	52,446	53,275

As at 31 December 2013, included in current accounts is UAH 362,224 thousand received from five Ukrainian and non-OECD banks (31 December 2012: UAH 929,285 thousand received from five Ukrainian banks and non-OECD banks). The amount was received under normal banking terms and conditions.

As at 31 December 2013, included in amounts due to credit institutions is UAH 851,419 thousand received from Ukrainian banks (31 December 2012: UAH 1,213,375 thousand).

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As at 31 December 2013, loans and deposits due to other banks include UAH 56,859 thousand received from Kreditanstalt für Wiederaufbau ("KfW") under loan agreements for financing small and medium-sized enterprises in Ukraine (31 December 2012: UAH 112,343 thousand). The loans are denominated in US dollars, have a current interest rate of LIBOR +2.75% and mature in 2014.

As at 31 December 2013, loans and deposits due to other banks and loans due to international financial organisations include UAH 904,251 thousand, UAH 297,154 thousand and UAH 2,080 thousand received from OECD banks, international financial organisations and other foreign banks, respectively, under the trade and export financing agreements (31 December 2012: UAH 1,055,608 thousand, UAH 383,302 thousand and UAH 91 thousand respectively). These loans are denominated in US dollars, euros, Swiss francs and Japanese yen and bear fixed and floating interest rates and are matched in maturity with loans to customers issued under the respective trade and export financing programmes.

International financial institutions loans include loans from the International Bank for Reconstruction and Development (IBRD) within the framework of the second project of export development and additional finance for the second project of export development totalling UAH 1,129,043 thousand (31 December 2012: UAH 970,937 thousand). The total amount of these loans under the loan agreements is USD 304,500 thousand. Proceeds from these loans are used for mid and long-term financing of Ukrainian borrowers that meet the criteria of the IBRD, and are distributed among the Ukrainian commercial banks that meet the criteria of the IBRD. These loans are denominated in US dollars received by the Bank with interest rate of LIBOR + spread IBRD, which is reviewed twice a year, and have a current interest rate: 0.62% and 0.83%, maturing in 2026 and 2041 respectively.

Loans from international financial institutions include loans from the International Bank for Reconstruction and Development ("IBRD") for the Project on Energy Efficiency in the amount of UAH 415,973 thousand (31 December 2012: UAH 97,624 thousand). Proceeds from this loan are used to finance Ukrainian borrowers who meet the criteria of the IBRD, and are distributed among the Ukrainian commercial banks that meet the criteria of the IBRD. The loan is denominated in US dollars with an interest rate of LIBOR + spread IBRD, which is reviewed twice a year, with the current interest rate: 0.83%, the loan matures in 2040.

International financial institutions loans include loans from the European Bank for Reconstruction and Development ("EBRD") within the framework of the energy efficiency programs in Ukraine totalling UAH 449,745 thousand (31 December 2012: UAH 534,349 thousand). These loans are denominated in US dollars and maturing in 2014 and 2017 respectively, have floating interest rates: LIBOR +2.5%, LIBOR +5.5% and LIBOR +6.5%, which currently are 2.90%, 6.90%, 5.85% and 5.81% respectively.

For the purposes of the cash flow statement presentation, the Bank allocates funds, attracted from credit institutions, between the funds for the operating and financing activities. Funds raised from the Ukrainian banks are included in the category of funds for operational activities, and funds from other banks for financing activities.

19. Amounts due to customers

Amounts due to customers comprise:

	<i>31 December 2013</i>	<i>31 December 2012</i>
Current accounts		
- Legal entities	5,701,404	4,812,423
- Budget financed organisations	1,695,207	3,631,474
- Individuals	1,594,204	1,371,260
- Due to funds under the Bank's management (see below)	1,069	7,516
	8,991,884	9,822,673
Time deposits		
- Legal entities	16,847,917	18,710,284
- Individuals	15,621,239	14,300,749
- Budget financed organisations	-	579
	32,469,156	33,011,612

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Amounts due to customers	41,461,040	42,834,285
Held as security against loans to customers	1,887,368	614,737
Held as security against letters of credit (Note 23)	82,615	505,233
Held as security against guarantees and avals (Note 23)	139,431	155,161
Held as security against undrawn loan commitments (Note 23)	10,614	2,669

As at 31 December 2013, legal entities current accounts included funds of top ten customers in the amount of UAH 950,558 thousand (16.7% of legal entities current accounts) (31 December 2012: UAH 993,376 thousand, or 20.6%).

As at 31 December 2013, individuals' current accounts included funds of top ten customers in the amount of UAH 20,628 thousand (1.3% of individuals' current accounts) (31 December 2012: UAH 14,194 thousand, or 1.0%).

As at 31 December 2013, term deposits of legal entities included funds raised from five customers – legal entities in the amount of UAH 10,116,104 thousand (60.0% of term deposits of legal entities) (31 December 2012: UAH 13,511,754 thousand, or 72.2%).

As at 31 December 2013, term deposits of individuals included funds raised from ten individuals in the amount of UAH 784,463 thousand (5.0% of term deposits of individuals) (31 December 2012: UAH 739,347 thousand, or 5.2%).

As at 31 December 2013, term deposits of legal entities included funds raised in gold, which are accounted for at fair value through profit or loss in the amount to UAH 5,130 thousand (31 December 2012: UAH 15,724 thousand).

As at 31 December 2013, term deposits of individuals included funds raised in gold, which are accounted at fair value through profit or loss in the amount to UAH 98,619 thousand (31 December 2012: UAH 156,993 thousand).

In accordance with Ukrainian legislation, the Bank is obliged to repay time deposits of individuals upon demand of a depositor. In the event that a term deposit is repaid upon demand of the depositor prior to maturity, interest is paid based on the interest rate for demand deposits, unless a different interest rate is specified in the agreement.

Funds under the Bank's management

The Bank acts as an asset manager in respect of certain funds related to construction financing. Amounts due to funds under the Bank's management are as follows:

	2013	2012
At 1 January	7,516	12,674
Funds attracted from individuals	34,542	103,647
Invested funds	(40,989)	(108,805)
At 31 December	1,069	7,516

An analysis of customer accounts by economic sector is as follows:

	31 December 2013	%	31 December 2012	%
Individuals	17,215,443	41.5	15,672,009	36.6
Agriculture and food industry	10,794,465	26.0	12,934,457	30.2
Trade	2,858,978	6.9	2,005,492	4.7
Budget organizations	1,695,207	4.1	3,632,053	8.5
Finance	1,456,758	3.5	1,121,999	2.6
Mechanical engineering	1,140,368	2.8	875,775	2.0
Transport and communications	1,124,164	2.7	2,015,978	4.7
Real estate	840,387	2.0	903,468	2.1
Professional, scientific and technical activities	645,431	1.6	162,592	0.4
Construction	478,749	1.1	705,066	1.6
Information and telecommunications	317,833	0.8	152,373	0.4
Power engineering	218,472	0.5	645,301	1.5

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	31 December 2013	%	31 December 2012	%
Chemical industry	191,623	0.5	333,710	0.8
Metal processing	169,863	0.4	171,244	0.4
Production of construction materials	165,338	0.4	119,568	0.3
Personal services	158,767	0.4	134,179	0.3
Health protection	150,936	0.4	137,074	0.3
Processing	132,722	0.3	65,668	0.2
Wood processing	130,587	0.3	36,717	0.1
Extractive industry	110,434	0.3	119,734	0.3
Production of rubber and plastic goods	93,420	0.2	72,343	0.2
Education	86,646	0.2	82,638	0.2
Pulp and paper industry	75,103	0.2	106,707	0.2
Metallurgy	66,910	0.2	49,825	0.1
Hotels and restaurants	57,388	0.1	25,526	0.1
Culture and sport	41,090	0.1	65,362	0.1
Other	1,043,958	2.5	487,427	1.1
Amounts due to customers	41,461,040	100	42,834,285	100

20. Eurobonds issued

	At 31 December 2013		At 31 December 2012	
	Nominal value	Carrying value	Nominal value	Carrying value
April 2010 issue	3,996,500	4,048,178	3,996,500	4,042,389
October 2010 issue	1,998,250	2,024,089	1,998,250	2,021,195
February 2011 issue	2,385,050	2,504,580	2,385,050	2,490,479
January 2013 issue	3,996,500	4,118,722	-	-
April 2013 issue	799,300	823,744	-	-
Eurobonds issued		13,519,313		8,554,063

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

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

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

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

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

All Eurobonds issued are subject to various covenants and restrictions (Note 23).

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21. Subordinated debt

In February 2006, the Bank obtained a loan of USD 95,000 thousand (UAH 759,335 thousand) from Credit Suisse International (carrying value of UAH 771,430 thousand as at 31 December 2013 (2012: UAH 769,210 thousand)). This loan was funded by 8.4% loan participation notes issued on a limited recourse basis by Credit Suisse International, for the sole purpose of funding a subordinated loan to the Bank. The interest rate was changed to 5.79% in February 2011 according to the terms of the loan. The loan matures in February 2016. Interest payments are made semi-annually in arrears on 09 February and 09 August of each year, commencing on 09 August 2006.

In November 2006, the Bank obtained a further loan of USD 30,000 thousand (UAH 239,790 thousand) from Credit Suisse International (carrying value of UAH 243,610 thousand as at 31 December 2013 (2012: UAH 242,908 thousand)). This loan was funded by 8.4% loan participation notes, which were consolidated and form a single series with the securities issued in February 2006. The interest rate was changed to 5.79% in February 2011 according to the terms of the loan.

In May 2009, the Bank obtained a loan amounting to USD 250,000 thousand (UAH 1,998,250 thousand) from the EBRD (carrying value of UAH 2,097,401 thousand as at 31 December 2013 (2012: UAH 2,094,527 thousand)). The loan matures in May 2019 with an interest rate change in 2014. Interest payments are made semi-annually in arrears on 28 July and 28 January of each year, commencing on 28 July 2009.

Subordinated debts are subject to various covenants and restrictions (Note 23).

22. Equity

As at 31 December 2013, the Bank's authorised issued share capital comprised 11,414,901 (31 December 2012: 11,414,901) ordinary shares with a nominal value of UAH 1,446.71 per share (31 December 2012: 1,440.82 per share). All shares have equal voting rights. As at 31 December 2013, 11,414,901 shares were fully paid and registered (31 December 2012: shares were fully paid and registered).

As at 31 December 2012, the annual consolidated financial statements reflected the amount of paid-in share capital stated at cost, which was restated using the consumer price index for the contributions made before 31 December 2000. The share capital of the Bank was contributed in Ukrainian hryvnia. Pursuant to the decision of the Board of Directors, the share capital of the Bank in the financial statements for the year ended 31 December 2013 was decreased by UAH 713,232 thousand, through the write-off of the effect of applying IAS 29 "Financial Reporting in Hyperinflationary Economies" recognised in the financial statements according to the account balances as at 31 December 2000.

The movements in share capital were as follows:

	<i>Number of shares</i>	<i>Nominal amount, UAH'000</i>	<i>Restated cost, UAH'000</i>
At 01 January 2012	11,414,901	16,413,486	17,126,718
Shares issued	-	33,332	33,332
At 31 December 2012	11,414,901	16,446,818	17,160,050
Shares issued	-	67,233	67,233
Write-off of the effect of applying IAS 29	-	-	(713,232)
At 31 December 2013	11,414,901	16,514,051	16,514,051

In December 2013, according to the Resolution of the Cabinet of Ministers of Ukraine No 630 dated 28 August 2013 the Bank's share capital was increased by UAH 67,233 thousand through capitalisation of part of the net profit for 2011 and retained earnings of previous years according to UAR.

In May 2013, in accordance with the legislation of Ukraine, the Bank made a profit distribution to shareholders in the amount of UAH 46,088 thousand.

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In May 2012, according to the Resolution of the Cabinet of Ministers of Ukraine No 225 dated 21 March 2012 the Bank's share capital was increased by UAH 33,332 thousand through capitalisation of part of the net profit for 2010 and retained earnings of previous years according to UAR.

In May 2012, in accordance with the legislation of Ukraine, the Bank made a profit distribution to shareholders in the amount of UAH 26,436 thousand.

The accumulated deficit shown in these consolidated annual financial statements arises as a result of capitalising profits from previous years (as shown in the financial statements prepared according to UAR) and profits for previous years according to IFRS which have been retained.

Movements in revaluation reserves

Movements in revaluation reserves were as follows:

	<i>Property revaluation reserve</i>	<i>Unrealised gains/ (losses) on investment securities</i>	<i>Revaluation reserves</i>
At 01 January 2012	971,822	(52,222)	919,600
Revaluation of property, plant and equipment	20,852	-	20,852
Depreciation of revaluation reserve, net of tax	(16,290)	-	(16,290)
Realised revaluation reserve on property transferred to accumulated deficit	(18)	-	(18)
Realised gains on investment securities available-for-sale reclassified to the consolidated statement of profit and loss (consolidated income statement)	-	(270,243)	(270,243)
Net unrealised gains on available-for-sale investment securities	-	271,461	271,461
Tax effect of net losses on investment securities available-for-sale	(3,336)	(7,393)	(10,729)
At 31 December 2012	973,030	(58,397)	914,633
Depreciation of revaluation reserve, net of tax	(16,465)	-	(16,465)
Realised gains on investment securities available-for-sale reclassified to the consolidated statement of profit and loss	-	(31,842)	(42,377)
Net unrealised gains on available-for-sale investment securities	-	116,612	127,147
Tax effect of net income from investment securities available-for-sale	-	(8,477)	(8,477)
At 31 December 2013	956,565	17,896	974,461

Nature and purpose of revaluation reserves

Property revaluation reserve

The revaluation reserve for property, plant and equipment 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 recognised in equity.

Unrealised gains/ (losses) on investment securities available-for-sale

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

Reserves and other funds of the Bank

The reserve fund is created in accordance with the Charter to achieve 25 per cent of the size of the regulatory capital at the beginning of each year. The size of the allocations to the reserve fund is not less than 5 per cent of the amount of the Bank's annual profit. The reserve fund is created for incidental losses for all assets and off-balance sheet commitments.

The Bank's distributable reserves are determined by the amount of its reserves as disclosed in the accounts prepared in

accordance with UAR. As at 31 December 2013, the Bank has distributable reserves amounting to UAH 215,688 thousand (31 December 2012: UAH 232,809 thousand). The amount of non-distributable reserves was UAH 1,167,323 thousand (31 December 2012: UAH 1,098,102 thousand). Non-distributable reserves are represented by a statutory revaluation reserve and a general reserve fund, which is created to cover general banking risks, including future losses and other unforeseen risks or contingencies.

23. Commitments and contingencies

Operating environment

The Ukrainian economy is considered to be developing and characterised by relatively high economic and political risks. The future stability of the Ukrainian economy is largely dependent upon reforms and the effectiveness of economic, financial and monetary measures undertaken by government, together with tax, legal, regulatory, and political developments. As a developing economy, it is vulnerable to market downturns and economic slowdowns elsewhere in the world. In 2013, the world demand for Ukraine's main export commodities, steel and iron ore, was weak. The year was marked by one of the record crop harvests; however world prices for wheat, corn and sunflower seed reduced significantly due to peak harvests in other crop producing regions. In 2013 Ukraine's GDP was flat year on year (2012: increase by 0.2%), while industrial output contracted by 4.7% (2012: reduction by 0.5%). The Government of Ukraine introduced a number of restrictions in relation to foreign exchange aiming to support the national currency, the Ukrainian Hryvnia. Inflation during the year was close to zero as the National Bank of Ukraine reduced the money supply. The national foreign exchange reserves reduced to the level of 3 month imports at year end due to reduced inflows from sale of commodities and agro produce, the need to settle scheduled payments, primarily with International Monetary Fund, and to pay the current and past purchases of natural gas.

Legal aspects

In the ordinary course of business, the Bank is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations of the Bank.

Tax and other regulatory compliance risks

Ukrainian legislation and regulations regarding taxation and other operational matters, including currency exchange control and custom regulations, continue to evolve. Legislation and regulations are not always clearly written and are subject to varying interpretations by local, regional and national authorities, and other Governmental bodies. Instances of inconsistent interpretations are not unusual. Management believes that its interpretation of the relevant legislation is appropriate and that the Bank has complied with all regulations and paid or accrued all taxes and withholdings that are applicable.

At the same time there is a risk that transactions and interpretations that have not been challenged in the past may be challenged by the authorities in the future, although this risk significantly reduces with the passage of time. It is not practical to determine the amount of unasserted claims that may manifest, if any, or the likelihood of any unfavourable outcome.

Since 1 September 2013 transfer pricing rules came into force. These rules provide that in the case of transactions with related parties and, in some cases with unrelated parties (controlled operations) are not at market value, entities should charge additional taxes.

The Bank enters into controlled transactions solely at market prices. The Bank has implemented the necessary internal controls for compliance of the transfer pricing.

Financial commitments and contingencies

The Bank's financial commitments and contingencies comprise the following:

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	31 December 2013	31 December 2012
Letters of credit	570,869	723,645
Guarantees	2,137,681	2,664,776
Avals on promissory notes	28,152	32,046
Undrawn loan commitments	181,582	194,089
	2,918,284	3,614,556
Financial commitments and contingencies (before deducting collateral)	2,918,284	3,614,556
Less — cash held as security against letters of credit, avals and guarantees, and undrawn loan commitments (Note 18, Note 19)	(285,106)	(716,338)
Financial commitments and contingencies	2,633,178	2,898,218

As at 31 December 2013, the Bank issued letters of credit of UAH 483,376 thousand in favour of four Ukrainian companies that are partially secured by cash deposits of UAH 35,698 thousand (31 December 2012: UAH 508,346 thousand in favour of four Ukrainian companies that were partially secured by cash deposits of UAH 432,412 thousand). As at 31 December 2013, the Bank issued guarantees of UAH 1,539,297 thousand in favour of four Ukrainian companies that are partially secured by cash deposits of UAH 32,161 thousand (31 December 2012: UAH 2,139,749 thousand in favour of four Ukrainian companies that were partially secured by cash deposits of UAH 12,190 thousand).

As at 31 December 2013 undrawn loan commitments for plastic cards amounted to UAH 139,852 thousand (31 December 2012: UAH 82,486 thousand).

Financial covenants

The Bank is a party to various arrangements with other credit institutions, which contain financial covenants relating to the financial performance and general risk profile of the Bank. Under such covenants, the Bank is required to maintain a minimum international risk based capital adequacy ratio of 10%, to limit credit exposure to a single borrower and to ensure a certain level of operating activity. These financial covenants may restrict the Bank's ability to execute certain business strategies and enter into other significant transactions in the future.

24. Net commission income

Net commission income comprises:

	2013	2012
Commission income		
Cash and settlement service	327,130	313,758
Guarantees and letters of credit	86,988	104,646
Operations with banks	65,038	57,026
Credit servicing commission	7,128	9,290
Other	15,861	13,033
	502,145	497,753
Commission expense		
Cash and settlement service	(110,527)	(90,084)
Guarantees and letters of credit	(16,746)	(21,030)
Currency conversion	(2,972)	(2,392)
Other	(1,879)	(53)
	(132,124)	(113,559)
Net commission income	370,021	384,194

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Personnel and other operating expenses comprise:

	2013	2012
Salaries and bonuses	640,868	646,310
Charges on payroll	170,019	166,233
Personnel expenses	810,887	812,543
Payables to Guarantee Fund of Individuals' Deposits	114,823	77,768
Repair and maintenance expenses	46,359	46,445
Loss on fair value adjustment for investment property	34,614	-
Security	26,388	23,353
Occupancy cost	23,492	22,468
Expenses for cash collection	18,529	14,624
Rent cost	17,860	16,739
Marketing and advertising	16,626	14,043
Household expenses	14,130	11,757
Electronic and data processing costs	14,072	13,318
Operating taxes	10,198	10,202
Business travel and related expenses	6,968	7,405
Communications	6,594	6,016
Expenses related to representative offices	6,028	5,691
Legal and advisory services	4,393	6,841
Charity	1,860	1,546
Other	28,275	35,489
Other operating expenses	391,209	313,705

Expenses for payment to the non-state pension fund in 2013 comprised UAH 9,447 thousand (2012: UAH 9,171 thousand).

26. Risk management**Introduction**

The Bank is exposed to risks i.e. credit risk, liquidity risk and market risk (which is subdivided into interest rate risk, currency risk and trading book risk), operational risk as well as strategic and reputation risk which are continuously identified, assessed and controlled within the Risk management process. The risk management process makes a crucial contribution in ensuring the Bank's efficiency and profitability and each employee of the Bank is responsible for adhering to the risk management rules and procedures in the course of fulfilling their tasks and duties.

The Bank adheres to the following key risk management principles:

- centralisation of liquidity, interest and currency risk management at the Head Office level;
- unification of analysis and monitoring procedures for credit projects, assessment of the creditworthiness of each borrower and establishment of credit rating and rules for creating allowance for loan impairment across all branches of the Bank;
- clear definition of the roles of all participants in the risk management process and the interrelations among those participants;
- definition of risk limits for transaction volumes: by Bank or Branch Officer, limits on exposures to single borrowers, limits on exposures to related parties, credit portfolio concentration limits (by industry, counterparty banks, separate transactions/ balance sheet items, etc.);
- ensuring continuous risk monitoring and control and compliance with all established limits;
- avoidance of conflicts of interest;

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- ensuring internal control over compliance with policies and procedures.

The risk management process includes four stages: identification of risk, its sources and risk areas; estimation of the level of risk; minimisation of risk or limitation of risk at an acceptable levels; on-going monitoring of positions at risk.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. These risks are monitored through the Bank's strategic planning process.

Risk management structure

The Supervisory Board is generally responsible for establishment and approval of objectives in the sphere of risk management and management of capital. In addition, the Bank has separate independent bodies responsible for managing and monitoring risks. The following bodies are responsible for the risk management process at the Bank: Management Board, Assets and Liabilities Committee ("ALCO"), Credit Committee, Retail Business Committee, Securities Division, Treasury Division, Risk Management Division, Audit and Revision Division.

Supervisory Board

The Supervisory Board is responsible for the overall risk management approach and for approving the risk strategies and principles.

Management Board

The Management Board has the overall responsibility for the development of the risk strategy and implementing of principles, frameworks, policies and limits within the Bank. Fundamental risk issues are managed and monitored by relevant risk decisions based on quarterly reports of the Risk Management Division, ALCO, Credit Committee and Retail Business Committee. The Management Board approves the Bank's risk management.

Assets and Liabilities Committee ("ALCO")

The ALCO has the overall responsibility for implementing principles, frameworks, policies and limits regarding liquidity and market risks within the Bank and ensuring that liquidity and market risks are within the specified ranges approved by the Management Board. The ALCO reports to the Management Board.

Credit Committee and Retail Business Committee

The Credit Committee and Retail Business Committee have the overall responsibility for implementing principles, frameworks, policies and limits regarding credit risk within the Bank and ensuring that credit risk indicators are within the specified ranges approved by the Management Board. These committees report to the Management Board.

Risk Management Division

Risk Management Division is responsible for control, monitoring, analysis and reporting of key risk indicators connected with the Bank's activities. In addition, Risk Management Division elaborates and supervises implementation of risk management methodologies, norms and procedures, estimates the risk of all banking products and structured transactions. The Risk Management Division reports to the Management Board.

Treasury and Securities Divisions

Treasury is responsible for the management of the Bank's liquidity position via money market operations, while Securities Division is responsible for management of the Bank's liquidity position via capital market operations. The Treasury Division and Securities Division report to the Management Board.

Audit and Inspection Division

The risk management processes are audited on a regular basis by Audit and Inspection Division, which examines both the adequacy of procedures and the Bank's compliance with those procedures. Audit findings, conclusions and

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recommendations are submitted to the Management Board and the Supervisory Board.

Risk measurement and risk reporting systems

The Bank's risks are measured using methods which reflect both the expected loss under normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. The Bank also runs worse case scenarios reflecting the impact of extreme events with a low probability of occurrence. The Bank carries out back-testing of the models to check their adequacy.

Risks are monitored and controlled primarily based on limits established by the Bank. These limits reflect the business strategy and market environment of the Bank as well as the level of risk that the Bank is willing to accept, with additional emphasis on selected industries. In addition, the Bank monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

Information regarding the balance-sheet structure, capital adequacy, compliance with limits and indicators established by the ALCO, and covenants under contractual obligations of the Bank is submitted to the ALCO on a monthly basis. The Management Board receives a comprehensive risk report once a quarter which is designed to provide all the necessary information to assess and conclude on the risks of the Bank.

For all levels of the Bank's management, various risk reports are prepared in order to provide comprehensive, relevant and up-to-date information to all of the Bank's units.

Risk Mitigation

The Bank does not use derivatives to manage risks arising from changes in interest rates, credit risk and liquidity risk since a market for such financial instruments does not yet exist in Ukraine.

The Bank extensively uses collateral to minimise credit risk (see below for more detail).

Excessive risks concentration

Concentration arises when a number of counterparts are engaged in similar business activities, or activities in the same geographic region, or have similar economic characteristics, which determine their ability to meet contractual obligations that are equally affected by the changes in economic, political or other environment. Concentration indicates the relative sensitivity of the Bank's performance to the developments affecting a particular industry or geographical area.

In order to avoid excessive concentrations of risks, the Bank's internal policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified risks concentration is duly controlled and managed.

Credit risk

The Bank considers credit risk as the probability of non-timely and/or insufficient receipt of funds from customers (counterparties) under their commitments.

Credit risk management is primarily aimed at ensuring fulfilment of commitments by the Bank's customers (counterparties) in form, volume and time periods adequate for maintaining liquidity, yield and capital adequacy ratios within the limits acceptable for the Bank.

In managing credit risk, the Bank considers the following:

- structural (strategic) management — acceptable level of loan portfolio structure and volume (on balance sheet and off balance sheet) in short, medium and long term horizon taking into consideration estimated and unpredictable changes in the financial and economic environment;
- ongoing (operational) management - acceptable quality and volume of individual loans and commitments taking into consideration estimated and unpredictable changes in the financial and economic environment;
- structural (strategic) and ongoing (operational) management of the allowance for impairment effect on the Bank's capital adequacy ratio in short, medium and long term horizon taking into consideration estimated and

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unpredictable changes in quality of the individual loans, credit portfolios and total credit portfolio.

The Bank manages and controls credit risk based on the following principles:

- setting targets (optimal and acceptable for the Bank), critical (undesirable, but manageable) and threshold (requiring urgent measures) values of the key credit risk exposures;
- providing loans or loan related commitments solely in accordance with the approved Credit policy and the Bank's internal regulations;
- creation and maintaining allowances and provisions for loan related operations in volumes, which are not lower than the Bank's best estimates;
- constant monitoring of the actual values of the key credit risk exposures at the level of individual loans/commitments, credit portfolios and total credit portfolio;
- taking efficient measures if the actual values of credit risk exposures approach their critical and/or threshold values.

Key credit risk exposures, their target, critical and threshold values are updated at least annually and approved by the Management Board of the Bank.

Individual credit risk

Individual credit risk is a risk which can be attributed to a particular transaction or counterparty.

Individual credit risk is managed through: loan and customer (or counterparty) classification via the system of internal credit ratings determined on the basis of the customer's (counterparties') creditworthiness and an evaluation of their loan repayment quality; evaluation and monitoring of collateral value and liquidity; setting credit risk limits and monitoring compliance with the limits; creation of adequate allowance for asset's impairment.

The Bank's lending policy determines the type of collateral required for a particular transaction, industry or customer. The primary types of collateral include: guarantees of primary banks, deposits with the Bank, real estate property and pledges of equipment or vehicles. The Bank requires obligatory insurance of collateral to be provided by the customer.

In order to limit individual credit risk, the Bank sets the following limits: maximum volume of credit transactions (loans, securities, receivables) per single counterparty (or group of related counterparties), including financial commitments and contingencies; maximum volume of credit transactions (loans, securities, receivables) for one insider, including financial commitments and contingencies.

Portfolio credit risk

Portfolio credit risk is the risk typical for a group of credit transactions (loans, securities, receivables) and group of counterparties with similar credit characteristics.

Portfolio credit risk management is exercised through: industry classification on the basis of an internal system of industry ratings, which characterises the systematic risk of the industry; monitoring of the credit portfolio structure (by category of customers, industries and credit ratings of customers and loans); establishment of concentration limits and appropriate monitoring and control thereof; diversification of credit portfolio (both by industry and customer category).

Diversification of credit portfolio (both by industry and customer category) is provided through establishment of the following limits: by industry; by maximum total volume of "large" loans (which constitute 10% or more of the regulatory capital of the Bank as to each counterparty or group of related counterparties); by maximum total volume of loans to insiders; by credit portfolio concentration per category of customers; by total indebtedness of 5 largest customers; by total indebtedness of 10 largest customers; by total indebtedness of 20 largest customers.

Credit-related commitment risks

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The Bank issues guarantees to its customers, under which the Bank may be required to make payments on behalf of the relevant customers. These guarantees expose the Bank to risks similar to credit risks, and are mitigated by similar control procedures and principles.

The Bank undertakes to effect payment against presentation of complying documents under letters of credit. If the letters of credit are opened on uncovered basis the Bank has risks similar to credit risks, which are mitigated by similar control procedures and principles.

The maximum exposure to credit risk for the components of the consolidated statement of financial position before the effect of mitigation through the use of collateral agreements, is best represented by their carrying amounts.

Where financial instruments are recorded at fair value, the carrying value represents the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

For more details on the maximum exposure to credit risk for each class of financial instrument, references shall be made to the specific notes.

Credit quality by *category* of financial assets

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

At 31 December 2013	Neither past due nor individually impaired				Past due or individually impaired		Total
	Notes	Rating A and B	Rating C	Rating D and lower	Rating D and higher	Rating E and F or no rating	
Cash and cash equivalents	6	8,158,426	130,781	31,863	-	-	8,321,070
Mandatory reserves with the National Bank of Ukraine	7	740,957	-	-	-	-	740,957
Amounts due from foreign credit institutions	8	186,786	-	-	-	-	186,786
Amounts due from Ukrainian credit institutions	8	-	195,090	632,416	-	-	827,506
Investment securities:	10						
- designated at fair value through profit or loss		3,540,585	-	-	-	-	3,540,585
- available-for-sale		18,918,336	7,458,357	3,181,738	-	-	29,558,431
- held-to-maturity		197,253	-	1,100,561	91,085	-	1,388,899
Loans to corporate customers:	9						
Commercial loans		3,074,314	25,288,813	6,298,716	8,702,797	5,798,788	49,163,428
Overdrafts		33,051	167,093	220,821	-	-	420,965
Finance lease receivables		-	9,664	-	-	11,543	21,207

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	Notes	Neither past due nor individually impaired			Past due or individually impaired		Total
		Rating A and B	Rating C	Rating D and lower	Rating D and higher	Rating E and F or no rating	
At 31 December 2013							
Promissory notes		-	10,674	-	29,496	-	40,170
		3,107,365	25,476,244	6,519,537	8,732,293	5,810,331	49,645,770
Loans to individuals		164,935	86,407	149,764	166,345	170,451	737,902
Total		35,014,643	33,346,879	11,615,879	8,989,723	5,980,782	94,947,906
	Notes	Neither past due nor individually impaired			Past due or individually impaired		Total
		Rating A and B	Rating C	Rating D and lower	Rating D and higher	Rating E and F or no rating	
At 31 December 2012							
Cash and cash equivalents	6	18,512,404	118,094	566,798	-	-	19,197,296
Mandatory reserves with the National Bank of Ukraine	7	531,152	-	-	-	-	531,152
Amounts due from foreign credit institutions	8	245,822	-	-	-	-	245,822
Amounts due from Ukrainian credit institutions	8	-	178,846	733,647	-	-	912,493
Investment securities:							
- designated at fair value through profit or loss	10	3,538,447	-	-	-	-	3,538,447
- available-for-sale		6,261,666	5,466,557	3,280,704	-	-	15,008,927
- held-to-maturity		197,556	-	1,101,713	91,220	-	1,390,489
Loans to corporate customers:	9						
Commercial loans		2,935,214	22,758,500	10,296,041	5,857,145	5,623,427	47,470,327
Overdrafts		14,692	95,655	10,589	-	-	120,936
Finance lease receivables		-	-	2,158	-	10,385	12,543
Promissory notes		3,678	9,374	-	32,449	-	45,501
		2,953,584	22,863,529	10,308,788	5,889,594	5,633,812	47,649,307
Loans to individuals	9	202,594	264,910	29,467	64,713	287,516	849,200
Total		32,443,225	28,891,936	16,021,117	6,045,527	5,921,328	89,323,133

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

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

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

At 31 December 2012	Less than 30 days	31 to 60 days	61 to 90 days	More than 90 days	Total
Loans to customers:					
Loans to corporate customers	191,802	24,397	128,459	14,362	359,020
Loans to individuals	8,423	4,538	31,864	365	45,190
Total	200,225	28,935	160,323	14,727	404,210

The table below presents the value of collateral taken by the Bank when assessing the impairment of assets, in the amount not exceeding the carrying amount of the loan. For the purposes of impairment assessment the Bank does not take into account certain types of collateral, including trade receivables, inventory, movable property.

	31 December 2013	31 December 2012
Loans to corporate customers	33,329,390	29,595,959
Loans to individuals	469,795	552,539
Total	33,799,185	30,148,498

Impairment assessment

The main considerations for the loan impairment assessment is based on a determination whether any payments of principal or interest are overdue by more than 90 days or whether there are any known difficulties in the cash flows of counterparties, credit rating downgrades, or infringement of the original terms of the respective contract. The Bank addresses impairment assessment in two areas: individually assessed allowances and collectively assessed allowances (on a portfolio basis).

Geographical concentration

The geographical concentration of the Bank's financial assets and liabilities is set out below:

	31 December 2013			
	Ukraine	OECD countries	CIS and other non-OECD countries	Total
Assets:				
Cash and cash equivalents	4,507,287	3,559,036	254,747	8,321,070
Mandatory reserves with the National Bank of Ukraine	740,957	-	-	740,957
Due from credit institutions	816,471	184,875	4,309	1,005,655
Loans to customers	41,624,936	7	-	41,624,943
Investment securities:				
- designated at fair value through profit or loss	3,540,585	-	-	3,540,585
- available-for-sale	29,575,699	-	-	29,575,699
- held-to-maturity	1,370,663	-	-	1,370,663
Other financial assets	38,513	1,465	65	40,043
	82,215,111	3,745,383	259,121	86,219,615
Liabilities:				
Amounts due to the National Bank of Ukraine	9,223,005	-	-	9,223,005
Amounts due to credit institutions	851,359	7,014,698	289,824	8,155,881
Amounts due to customers	40,516,826	139,672	804,542	41,461,040

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Eurobonds issued	-	13,519,313	-	13,519,313
Subordinated debt	-	3,112,441	-	3,112,441
Other financial liabilities	17,408	7,515	30	24,953
	50,608,598	23,793,639	1,094,396	75,496,633
Net position	31,606,513	(20,048,256)	(835,275)	10,722,982
Commitments and contingencies (Note 23)	2,630,775	2,323	80	2,633,178

31 December 2012				
	Ukraine	OECD countries	CIS and other non-OECD countries	Total
Assets:				
Cash and cash equivalents	3,521,642	15,382,175	293,479	19,197,296
Mandatory reserves with the National Bank of Ukraine	531,152	-	-	531,152
Due from credit institutions	895,465	241,470	4,352	1,141,287
Loans to customers	39,365,647	116	-	39,365,763
Investment securities:				
- designated at fair value through profit or loss	3,538,447	-	-	3,538,447
- available-for-sale	15,026,195	-	-	15,026,195
- held-to-maturity	1,372,237	-	-	1,372,237
Other financial assets	107,652	19	58	107,729
	64,358,437	15,623,780	297,889	80,280,106
Liabilities:				
Amounts due to the National Bank of Ukraine	7,824,914	-	-	7,824,914
Amounts due to credit institutions	1,197,784	5,349,669	696,847	7,244,300
Amounts due to customers	42,320,982	176,552	336,751	42,834,285
Eurobonds issued	-	8,554,063	-	8,554,063
Subordinated debt	-	3,106,645	-	3,106,645
Other financial liabilities	113,290	2,159	658	116,107
	51,456,970	17,189,088	1,034,256	69,680,314
Net position	12,901,467	(1,565,308)	(736,367)	10,599,792
Commitments and contingencies (Note 23)	2,896,214	2,004	-	2,898,218

Liquidity risk

The Bank considers liquidity risk as the risk of an inability to finance growth of the Bank's assets and to fulfil its own obligations when they fall due.

The main purpose of liquidity risk management is to ensure the ability of the Bank to fulfil its obligations when they fall due by maintaining acceptable (manageable) liquidity gaps.

While managing liquidity risk, the Bank is considering a combination of the following:

- structural (short and long-term) assets and liabilities management focused on ensuring appropriate liquidity levels in the short and long-term time horizon;
- current (short-term) assets and liabilities management focused on ensuring appropriate level of instant and current liquidity taking into consideration estimated and unpredictable cash flow changes.

Liquidity risk management is based on acceptable levels of maturity gaps (by currency) and on the following principles:

- setting target (optimal and acceptable to the Bank), critical (undesirable but manageable) and threshold (requiring urgent measures) levels of key liquidity risk indicators;
- permanent monitoring of actual key liquidity risk indicators;
- use of adequate corrective actions if actual key liquidity risk indicators approach their critical and/or threshold levels.

Key liquidity risk indicators, their respective targets, critical and threshold levels are updated at least annually and approved by the Management Board of the Bank.

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Assessment of the liquidity position

The adherence to the internal limits set by the Bank is in line with the liquidity risk standards established by the National Bank of Ukraine. The liquidity position is assessed and managed by the Bank, based on certain liquidity ratios established by the NBU.

The liquidity position, assessed by respective liquidity ratios established by the NBU, was as follows:

	At 31 December 2013, %	At 31 December 2012, %
N4 "Instant Liquidity Ratio" (cash in hand and balances on nostro accounts with banks / balances on customers' current accounts) (minimum required by the NBU — 20%)	54.74	77.87
N5 "Current Liquidity Ratio" (cash in hand, balances on nostro accounts with banks, banking metals, claims on banks with residual maturity of up to 31 days and unpledged Ukrainian state bonds / balances on customers' current accounts, term deposits, debt obligations and commitments with residual maturity of up to 31 days) (minimum required by the NBU — 40%)	98.42	90.68
N6 "Short-Term Liquidity Ratio" (cash in hand, balances on nostro accounts with banks, banking metals, claims on banks with residual maturity of up to 1 year and unpledged Ukrainian state bonds / balances on customers' current accounts, term deposits, debt obligations and commitments with residual maturity of up to 1 year) (minimum required by the NBU — 60%)	97.47	95.61

Analysis of financial liabilities by remaining contractual maturities

The table below summarises the maturity profile of the Bank's financial liabilities based on contractual undiscounted repayment obligations. Less than 3 month liabilities are those that are due on the earliest date. However, the Bank expects that many customers will not demand repayment on the earliest date when the Bank could be required to make a respective repayment and the table does not reflect the expected cash flows calculated by the Bank on the basis of information on deposit repayment in previous periods.

Financial liabilities	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
As at 31 December 2013					
Amounts due to the NBU	3,244,913	2,320,104	4,727,368	-	10,292,385
Amounts due to credit institutions	1,543,330	1,887,610	2,811,657	3,809,851	10,052,448
Amounts due to customers	29,836,490	11,678,062	992,033	51,958	42,558,543
Eurobonds issued	2,726,044	712,504	12,511,528	-	15,950,076
Subordinated debt	161,284	159,838	2,146,388	2,217,153	4,684,663
Other liabilities	24,953	-	-	-	24,953
Commitments and contingent financial liabilities	624,201	1,643,991	625,853	24,239	2,918,284
Total undiscounted financial liabilities	38,161,215	18,402,109	23,814,827	6,103,201	86,481,352

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Financial liabilities	<i>Less than 3 months</i>	<i>3 to 12 months</i>	<i>1 to 5 years</i>	<i>More than 5 years</i>	<i>Total</i>
As at 31 December 2012					
Amounts due to the NBU	1,514,843	2,759,749	5,190,353	-	9,464,945
Amounts due to credit institutions	2,463,129	1,038,934	2,974,630	2,274,065	8,750,758
Amounts due to customers	33,683,057	8,578,896	1,411,062	21,511	43,694,526
Eurobonds issued	131,437	633,557	9,264,707	-	10,029,701
Subordinated debt	160,561	160,561	2,201,492	2,483,171	5,005,785
Other liabilities	116,107	-	-	-	116,107
Commitments and contingent financial liabilities	782,915	1,646,130	1,146,296	39,215	3,614,556
Total undiscounted financial liabilities	38,852,049	14,817,827	22,188,540	4,817,962	80,676,378

The above table shows the timing of expiry dates of commitments and contingent financial liabilities of the Bank according to the respective agreements. The Bank expects that not all of the contingent liabilities or commitments will be drawn before their expiry. In order to limit liquidity risk arising from asymmetric prepayment and early repayment prospective of the term assets and liabilities, the Bank incorporates in standard client agreements conditions that motivate customers not to use the options of prepayment and early repayment.

Market risk

The Bank considers market risk as the aggregate of interest rate risk and currency risk, i.e. inability to secure excess of income (including interest income) over expenses (including interest expenses) by currency in volumes required to fulfil the Bank's obligations and to maintain liquidity and capital adequacy risks within the range acceptable to the Bank.

Market risk management is performed by systematic combination of:

- interest risk management;
- foreign currency risk management.

Interest rate risk

Interest rate risk is considered by the Bank as the inability to secure excess of interest income over interest expenses in volumes required to fulfil the Bank's interest payment obligations and to maintain liquidity and capital adequacy risks within the range acceptable to the Bank. The Bank considers the mismatch of interest receipts and interest payments by volumes or dates to be the main source of interest rate risk.

The Bank considers interest rate risk management as an integral part of the Bank's operations including the effect of negative impact by internal and external factors.

Interest rate risk management is performed through a combination of:

- structural (strategic) and current (operational) management of interest-earning assets aimed at achieving acceptable structure and volume of interest income in short, middle and long-term time horizon taking into consideration estimated and unpredictable changes in interest rates;
- structural (strategic) and current (operational) management of interest-bearing liabilities aimed at achieving acceptable structure and volume of interest expenses in short, middle and long-term time horizon taking into consideration estimated and unpredictable changes in interest rates.

Interest rate risk management is aimed at securing the excess of interest income over interest expenses in volumes sufficient to fulfil the Bank's interest payment obligations and to maintain liquidity and capital adequacy risks within the range acceptable to the Bank. Interest rate risk management is performed via:

- setting target (optimal and acceptable to the Bank), critical (undesirable but manageable) and threshold (requiring urgent measures) levels of key interest rate risk indicators;
- permanent monitoring of actual values of key interest rate risk indicators;
- taking efficient measures if the actual values of key interest rate risk indicators approach their critical and/or threshold levels.

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Key interest rate risk indicators, their respective targets, critical and threshold levels are updated at least annually and approved by the Management Board of the Bank.

The table below demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Bank's consolidated statement of profit and loss (consolidated income statement).

The sensitivity of the consolidated statement of profit and loss (consolidated income statement) reflects the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate non-trading financial assets and financial liabilities held at reporting date.

2013					
Currency	Base for interest rate	Increase in basis points	Effect on profit before income tax expense	Decrease in basis points	Effect on profit before income tax expense
UAH	NBU	+100	(12,062)	-100	12,064
USD	LIBOR	+75	(15,895)	-75	14,478
EUR	LIBOR	+75	115	-75	(115)
EUR	Euribor	+75	2,863	-75	(2,863)
Other	LIBOR	+75	341	-75	(340)
Other	Euribor	+75	1	-75	(1)
Total			(24,637)		23,223

2012					
Currency	Base for interest rate	Increase in basis points	Effect on profit before income tax expense	Decrease in basis points	Effect on profit before income tax expense
UAH	NBU	+100	2,677	-100	(2,299)
USD	LIBOR	+75	(6,989)	-75	1,515
USD	NBU	+100	153	-100	(151)
EUR	LIBOR	+75	833	-75	(833)
EUR	Euribor	+75	3,751	-75	(4,374)
EUR	NBU	+100	339	-100	(339)
Other	LIBOR	+75	728	-75	(757)
Other	Euribor	+75	1	-75	(1)
Total			1,493		(7,239)

The equity sensitivity is calculated by the revaluation of available-for-sale financial assets with fixed rate as at 31 December to assess the possible effects of the assumed changes in interest rates. For securities classified at the 1 and 2 levels of the fair value hierarchy of the asset, the method of modified duration is used, for securities classified at the 3 level of the hierarchy - a method of yield curve, with the following assumptions: +/- 300 b.p. for corporate bonds, +/- 200 b.p. for Ukrainian state bonds denominated in local currency, +/- 100 b.p. for Ukrainian state bonds in USD, +/- 20% interest rate change for corporate bonds of the 3 level of hierarchy. As at December 31, the total effect of the changes on the Bank's equity is: UAH (597,858) thousand / UAH 597,858 thousand (2012: UAH (471,512) thousand / UAH 581,763 thousand).

Sensitivity of net profit / (loss) on investment securities designated at fair value through profit or loss is calculated by the revaluation of financial instruments with fixed interest rate, and are revalued through profit / (loss) as of 31 December in terms of effects of the assumed changes in interest rates using the method of modified duration. The effect of changes in interest rate of +/- 100 b.p. for Ukrainian state bonds on the Bank's income is UAH (106,890) thousand / UAH 106,890 thousand (2012: UAH (172,795) thousand / UAH 172,795 thousand).

Currency risk

The Bank considers currency risk as the inability to secure excess of foreign currency cash inflow over foreign currency cash outflow (by currency) in amounts required to maintain liquidity and capital adequacy risks within the range acceptable to the Bank. The Bank considers the inconsistency of fluctuations in foreign currency exchange rates to be the main source of currency risk.

Currency risk management is performed through a combination of:

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- structure (strategic) and current (operational) management of assets by currency aimed at achieving an acceptable structure and amount of foreign currency cash inflow in short, medium and long term time horizon taking into consideration estimated and unpredictable changes in foreign currency exchange rates;
- structure (strategic) and current (operational) liabilities management aimed at achieving an acceptable structure and amount of foreign currency cash outflow in short, medium and long term time horizon taking into consideration estimated and unpredictable changes in foreign currency exchange rates.

Currency risk management is aimed at securing an excess of foreign currency cash inflow over foreign currency cash outflow at the level acceptable for the Bank and necessary for maintaining liquidity and capital adequacy risks within the range acceptable to the Bank, and is performed via:

- setting targets (optimal and acceptable to the Bank), critical (undesired but manageable) and threshold (urgent measures) values of key currency risk indicators;
- continuous monitoring of actual values of key currency risk indicators;
- taking efficient measures if the actual values of key currency risk indicators approach their critical and/or threshold values.

Key currency risk indicators, their target, critical and threshold values are updated at least annually and approved by the Management Board of the Bank.

The tables below indicate the currencies to which the Bank has significant exposure at 31 December 2013 on its non-trading monetary assets and liabilities and its forecast cash flows. The analysis calculates the effect of a reasonably possible movement of the currency rate against hryvnia, with all other variables held constant on the consolidated statement of profit and loss (consolidated income statement) (due to the fair value of currency sensitive non-trading monetary assets and liabilities). The effect on equity does not differ from the effect on the consolidated income statement. A negative amount in the table reflects a potential net reduction in consolidated statement of profit and loss (consolidated income statement) or equity, while a positive amount reflects a net potential increase.

Currency	2013		2012	
	Change in currency rate, %	Effect on profit before tax	Change in currency rate, %	Effect on profit before tax
UAH/USD	+40.00%	173,727	+40.00%	(640,499)
UAH/EUR	+40.00%	(376,760)	+40.00%	(379,632)
Total		(203,033)		(1,020,131)
UAH/USD	-30.00%	904,705	-30.00%	1,515,374
UAH/EUR	-30.00%	282,570	-30.00%	284,724
Total		1,187,275		1,800,098

Offsetting financial assets and financial liabilities

As at 31 December 2013 repurchase contracts in the amount of UAH 2,108,803 thousand (31 December 2012: UAH 1,415,261 thousand) include loans from the National Bank of Ukraine, which fall under the enforceable master netting or similar arrangement.

27. Transfers of financial assets

Transfers that did not qualify for derecognition of the financial asset in its entirety

Sale and repurchase transactions

As at 31 December 2013 the Bank has investment securities designated at fair value through profit or loss, which are represented by government bonds, in the carrying amount of UAH 307,463 thousand (31 December 2012: UAH 1,434,482 thousand) and investment securities available for sale which are represented by government securities with carrying value of UAH 1,836,421 thousand (31 December 2012: nil) in respect of which the Bank has an obligation to

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repurchase for a predetermined fixed price. Information on the book value of liabilities in respect of sale and repurchase transactions is disclosed in Note 10 and Note 17.

	31 December 2013		31 December 2012	
	Carrying amount of assets	Carrying amount of liabilities	Carrying amount of assets	Carrying amount of liabilities
<i>Investment securities designated at fair value through profit or loss:</i>				
Government bonds	307,463	301,913	1,434,482	1,415,261
Investment securities available for sale:				
Government bonds	1,836,421	1,806,890	-	-
Total	2,143,884	2,108,803	1,434,482	1,415,261

28. Fair values of assets and liabilities

Fair value measurement procedures

For unquoted trading and available-for-sale securities and unquoted derivatives the fair value measurements are based on the accounting policies of the Bank and approved procedures of the securities portfolio management. The fair values are calculated regularly using key inputs of previous measurements and other relevant information as appropriate. Securities are revalued on a monthly basis and approved by the Bank's Credit Committee.

The Bank tests the fair values of investment properties and buildings twice a year by engaging domestic professionally qualified valuers that have extensive and relevant valuation expertise. The decision on revaluation of investment properties and buildings is made by the Board of Directors based on an evaluation of the fair value of investment properties compared to their carrying amount, and whether the fair value of buildings significantly differs from their carrying amount. The investment properties and buildings are valued by external independent appraisers that are accredited with the Bank and have the market knowledge, good reputation and adhere to the principles of independence and professional standards according to the decision made by the Board of Directors.

Levels of the fair value hierarchy

For the purposes of disclosing the information about fair value, the Bank classifies the assets and liabilities based on the nature, characteristics and risks of an asset or liability and the levels of the fair value hierarchy as shown below:

	Valuation date	Quoted market prices (Level 1)	Fair value measurement applied		Total
			Valuation based on assumptions confirmed by observable data (Level 2)	Valuation based on assumptions not confirmed by observable data (Level 3)	
Assets measured at fair value					
Current accounts with other credit institutions in precious metals	31/12/2013	-	123,603	-	123,603
Investment securities designed at fair value through profit or loss:					
Ukrainian state bonds	31/12/2013	-	3,540,585	-	3,540,585
Available-for-sale investment securities:					
Ukrainian state bonds	31/12/2013	-	17,892,254	-	17,892,254
Corporate bonds	31/12/2013	-	8,416,862	-	8,416,862
Municipal bonds	31/12/2013	-	3,249,315	-	3,249,315
Corporate shares	31/12/2013	-	-	17,268	17,268
Investment property	01/10/2013	-	-	3,666,666	3,666,666
Buildings	01/07/2012	-	-	1,915,897	1,915,897

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Liabilities measured at fair value

Due to customers	31/12/2013	-	103,749	-	103,749
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Assets for which fair value is disclosed

Cash and cash equivalents	31/12/2013	2,836,982	5,484,088	-	8,321,070
Mandatory reserves with the National Bank of Ukraine	31/12/2013	740,957	-	-	740,957
Amounts due from credit institutions	31/12/2013	-	882,052	-	882,052
Loans to customers	31/12/2013	-	-	39,896,462	39,896,462
Securities held to maturity	31/12/2013	-	1,309,091	74,348	1,383,439
Other assets	31/12/2013	-	40,043	-	40,043

Liabilities for which fair value is disclosed

Amounts due to the National Bank of Ukraine	31/12/2013	-	9,223,005	-	9,223,005
Amounts due to credit institutions	31/12/2013	-	8,155,881	-	8,155,881
Amounts due to customers	31/12/2013	-	41,230,045	-	41,230,045
Eurobonds issued	31/12/2013	12,958,509	-	-	12,958,509
Subordinated debt	31/12/2013	882,077	2,097,401	-	2,979,478
Other liabilities	31/12/2013	-	24,953	-	24,953

Levels of hierarchy for financial instruments measured at fair value as at 31 December 2012

At 31 December 2012	Level 2	Level 3	Total
Financial assets			
Current accounts with other credit institutions in precious metals	191,529	-	191,529
Investment securities designed at fair value through profit or loss:			
Ukrainian state bonds	3,538,447	-	3,538,447
Available-for-sale investment securities:			
Corporate bonds	5,673,274	867,241	6,540,515
Ukrainian state bonds	5,220,455	-	5,220,455
Municipal bonds	3,247,957	-	3,247,957
Corporate shares	-	17,268	17,268
	17,871,662	884,509	18,756,171

As at 31 December 2012 the fair value of term deposits of legal entities and individuals denominated in gold amounted to 172,717 thousand and related to the second level hierarchy financial instruments.

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

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

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	31 December 2013			31 December 2012		
	Carrying value	Fair value	Unrecognised gain / (loss)	Carrying value	Fair value	Unrecognised gain / (loss)
Financial assets						
Cash and cash equivalents	8,321,070	8,321,070	-	19,197,296	19,197,296	-
Mandatory reserves with the National Bank of Ukraine	740,957	740,957	-	531,152	531,152	-
Amounts due from credit institutions	882,052	882,052	-	949,758	949,758	-
Loans to customers	41,624,943	39,896,462	(1,728,481)	39,365,763	36,852,559	(2,513,204)
Securities held to maturity	1,370,663	1,383,439	12,776	1,372,237	1,372,237	-
Other assets	40,043	40,043	-	107,729	107,729	-
Financial liabilities						
Amounts due to the National Bank of Ukraine	9,223,005	9,223,005	-	7,824,914	7,824,914	-
Amounts due to credit institutions	8,155,881	8,155,881	-	7,244,300	7,244,300	-
Amounts due to customers	41,357,291	41,230,045	127,246	42,661,568	42,495,759	165,809
Eurobonds issued	13,519,313	12,958,509	560,804	8,554,063	8,241,719	312,344
Subordinated debt	3,112,441	2,979,478	132,963	3,106,645	2,967,862	138,783
Other liabilities	24,953	24,953	-	116,107	116,107	-
Total unrecognized change in unrealized fair value			(894,692)			(1,896,268)

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

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that are liquid or having a short term maturity (less than three months) it is assumed that the carrying amounts 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.

Investment securities designated at fair value through profit or loss and available-for-sale investment securities

Investment securities designated at fair value through profit or loss and investment securities available for sale (excluding shares), are valued using market quotes. Securities available for sale which are valued using a valuation technique or pricing models primarily consist of shares. These securities are valued using models utilising data which is not based on the market observations. The non observable inputs to the models include assumptions regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates, level of enterprise goodwill, its management and founders/ shareholders.

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Investment property

The highest and best use method specifies that the market value of the real estate property is based on its highest and best use which creates the highest value for the property. Only asset utilisations that are technically feasible, permissible and economically justifiable are considered.

Other valuation principles are used in line with the selected valuation approaches subject to the provisions of the national standard №1 "General Principles of valuation of property and property rights", approved by the Cabinet Ministers of Ukraine № 1440 from 10/09/2003.

Land plots are valued by applying the sales comparison approach.

Real estate is valued using either the comparative or income approach (based on the principle of expected future benefits from the use of a valued item) subject to the availability of market information and best use.

Real estate properties specialised in nature (engineering structures) are valued using the cost approach (by calculating the replacement cost of similar property taking into account further depreciation of a valued item).

Buildings

The fair value of buildings was measured mainly using the comparative approach and in certain cases by applying either or both of the cost and income approach.

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:

	<i>At 01 January 2013</i>	<i>Total gain / (loss) recorded in statement of profit and loss (income statement)</i>	<i>other comprehensive income</i>	<i>Purchases</i>	<i>Settlements</i>	<i>Transfers to Level 3</i>	<i>Transfers from Level 3</i>	<i>At 31 December 2013</i>
Available-for-sale investment securities	884,509	1,403,588 ^(a)	(1,794)	4,158,569	(5,832,689) ^(b)	19,120,510	(19,715,425)	17,268
Investment property	3,707,841	(34,614)	-	-	(6,561)	-	-	3,666,666
Buildings	1,925,810	(30,975)	-	21,062	-	-	-	1,915,897
Total assets	6,518,160	1,337,999	(1,794)	4,179,631	(5,839,250)	19,120,510	(19,715,425)	5,599,831

	<i>At 01 January 2012</i>	<i>Total gain / (loss) recorded in statement of profit and loss (income statement)</i>	<i>other compre- hensive income</i>	<i>Purchases</i>	<i>Settlements</i>	<i>Transfers to Level 1</i>	<i>At 31 December 2012</i>
Available-for-sale investment securities	867,906	102,116 ^(a)	(50,997)	879,273	(109,991) ^(b)	(803,798)	884,509
Total assets	867,906	102,116	(50,997)	879,273	(109,991)	(803,798)	884,509

^(a) UAH 1,537,484 thousand of gain is included within interest income from investment securities other than designated at fair value through profit or loss and UAH 133,896 thousand of loss is included in reversal of losses/(losses) on impairment (2012: UAH 105,531 thousand of gain is included within interest income from investment securities other than designated at fair value through profit or loss and UAH 3,415 thousand of loss is included in reversal of losses/(losses) on impairment).

^(b) UAH 5,832,689 thousand of settlements comprise: UAH 3,717,211 thousand of sales and UAH 2,115,478 thousand of repayments (2012: UAH 109,991 thousand comprised: UAH 7,230 thousand of sales and UAH 102,761 thousand of repayments).

During 2013, the Bank transferred certain financial assets from level 2 to level 3 of the fair value hierarchy. The carrying amounts of assets transferred to level 3 was UAH 19,120,510 thousand. The reason for the transfers of financial assets from

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level 2 to level 3 is that the market for certain securities has become illiquid, which led to a change in the method of determining fair value.

During 2013, the Bank transferred certain financial assets from level 3 to level 2 of the fair value hierarchy. The carrying amounts of assets transferred to level 2 was UAH 19,715,425 thousand. The reason for the transfers of financial assets from level 3 to level 2 is that the market for certain securities has become sufficiently liquid in the second half of 2013, which led to change in the method used to determine fair value.

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

	2013		
	<i>Realised gains</i>	<i>Unrealised gains/(losses)</i>	<i>Total</i>
Investment securities available for sale	1,372,818	30,770	1,403,588
Investment property	-	(34,614)	(34,614)
Buildings	-	(30,975)	(30,975)
Total	1,372,818	(34,819)	1,337,999

	2012		
	<i>Realised gains</i>	<i>Unrealised gains</i>	<i>Total</i>
Investment securities available for sale	100,728	1,388	102,116

The table below shows the quantitative information as at 31 December 2013 about significant unobservable inputs used for the fair valuation of assets classified as those of the 3 level of the fair value hierarchy.

<i>At 31 December 2013</i>	<i>Carrying value</i>	<i>Valuation technique</i>	<i>Unobservable parameter</i>	<i>Range of parameter values</i>
Available-for-sale investment securities	17,268	Discounted cash flows	Expected profitability Risk factor	Corporate: 1.07% - 28.39%. Corporate: 0 – 1,0
Investment property:				
- real estate	1,497,533	Comparative	Sqm	UAH 1 thousand – UAH 83 thousand
- land	2,169,133	Comparative	Are	UAH 4 thousand – UAH 1,623 thousand
Buildings:				
- real estate	1,914,466	Comparative	Sqm	UAH 1 thousand – UAH 51 thousand
- land	1,431	Comparative	Are	UAH 40 thousand- UAH 142 thousand

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

The following table shows the impact on the fair value of level 3 instruments of using reasonably possible alternative assumptions as at 31 December 2012:

	<i>Carrying value</i>	<i>Influence of possible alternative assumptions</i>
Available-for-sale investment securities	884,509	(24,252)

In order to determine the fair value of assets in the absence of consistent market observable input parameters the following internal assumptions were adopted: :

- 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;

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(thousands of Ukrainian hryvnia, unless otherwise stated)

- For debt securities, the Bank adjusted the probability of changes in interest rate assumption applied for discounting cash flows from debt securities within the range of +/- 10% (2012: +/- 30%) of the level as at the end of the reporting period.
- For Ukrainian state bonds, the Bank made an assumption under the terms and conditions of bond issue that allow the Bank to call for early redemption (within 20 days from the date of claim) at their nominal value. It makes the influence of possible alternative assumptions on the carrying amount insignificant.

29. Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities according to when they are expected to be recovered or settled. See Note 26 "Risk management" for the Bank's contractual undiscounted repayment obligations.

	2013			2012		
	<i>Within one year</i>	<i>More than one year</i>	<i>Total</i>	<i>Within one year</i>	<i>More than one year</i>	<i>Total</i>
Assets						
Cash and cash equivalents	8,321,070	-	8,321,070	19,197,296	-	19,197,296
Mandatory reserves with the National Bank of Ukraine	740,957	-	740,957	531,152	-	531,152
Due from credit institutions	232,665	772,990	1,005,655	331,448	809,839	1,141,287
Loans to customers	13,115,568	28,509,375	41,624,943	15,781,729	23,584,034	39,365,763
Investment securities:						
- designated at fair value through profit or loss	80,979	3,459,606	3,540,585	80,134	3,458,313	3,538,447
- available-for-sale	13,903,417	15,672,282	29,575,699	6,049,514	8,976,681	15,026,195
- held-to-maturity	405,998	964,665	1,370,663	55,546	1,316,691	1,372,237
Tax assets	-	639,420	639,420	492,257	-	492,257
Investment property	-	3,666,666	3,666,666	-	3,707,841	3,707,841
Property and equipment	-	2,272,163	2,272,163	-	2,277,255	2,277,255
Intangible assets	-	14,696	14,696	-	10,770	10,770
Deferred income tax assets	-	82,963	82,963	-	85,216	85,216
Other assets	419,289	-	419,289	460,369	-	460,369
Total	37,219,943	56,054,826	93,274,769	42,979,445	44,226,640	87,206,085
Liabilities						
Amounts due to the National Bank of Ukraine	5,131,157	4,091,848	9,223,005	3,796,373	4,028,541	7,824,914
Amounts due to credit institutions	3,105,994	5,049,887	8,155,881	3,242,884	4,001,416	7,244,300
Amounts due to customers	40,529,008	932,032	41,461,040	41,582,991	1,251,294	42,834,285
Eurobonds issued	2,781,100	10,738,213	13,519,313	198,327	8,355,736	8,554,063
Subordinated debt	135,725	2,976,716	3,112,441	135,002	2,971,643	3,106,645
Current income tax liabilities	32,703	-	32,703	13,243	-	13,243
Provisions to cover other losses	-	-	-	-	-	-
Other liabilities	159,065	-	159,065	248,151	-	248,151
Total	51,874,752	23,788,696	75,663,448	49,216,971	20,608,630	69,825,601
Net amount	(14,654,809)	32,266,130	17,611,321	(6,237,526)	23,618,010	17,380,484

The maturity analysis does not reflect the historical stability of current accounts. In the table above current accounts are reflected in the Amount due to customers in "Within one year" maturity bucket. It should be noted that historically substantial portion of funds have remained on the current accounts for periods longer than one year. The category Amounts due to customers includes term deposits of individuals in accordance with their contractual maturity dates. However, under Ukrainian legislation the Bank is obliged to repay such deposits upon the demand of a depositor. The Bank expects that a significant portion of the customers will not request early repayment and expects that a substantial portion of deposits will be rolled over.

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*(thousands of Ukrainian hryvnia, unless otherwise stated)***30. Presentation of Financial Instruments by Measurement Category**

Assets by measurement categories as at 31 December 2013:

	<i>Loans and receivables</i>	<i>Assets available for sale</i>	<i>Assets at fair value through the gain or loss</i>	<i>Total</i>
Cash and cash equivalents	8,321,070	-	-	8,321,070
Mandatory reserves with the National Bank of Ukraine	740,957	-	-	740,957
Due from credit institutions	882,052	-	123,603	1,005,655
Loans to customers	41,624,943	-	-	41,624,943
Investment securities:				
- designated at fair value through profit or loss	-	-	3,540,585	3,540,585
- available-for-sale	-	29,575,699	-	29,575,699
- held-to-maturity	1,370,663	-	-	1,370,663
Other assets	40,043	-	-	40,043
Total	52,979,728	29,575,699	3,664,188	86,219,615

Assets by measurement categories as at 31 December 2012:

	<i>Loans and receivables</i>	<i>Assets available for sale</i>	<i>Assets at fair value through the gain or loss</i>	<i>Total</i>
Cash and cash equivalents	19,197,296	-	-	19,197,296
Mandatory reserves with the National Bank of Ukraine	531,152	-	-	531,152
Due from credit institutions	949,758	-	191,529	1,141,287
Loans to customers	39,365,763	-	-	39,365,763
Investment securities:				
- designated at fair value through profit or loss	-	-	3,538,447	3,538,447
- available-for-sale	-	15,026,195	-	15,026,195
- held-to-maturity	1,372,237	-	-	1,372,237
Other assets	107,729	-	-	107,729
Total	61,523,935	15,026,195	3,729,976	80,280,106

As at 31 December 2013 and 31 December 2012, all financial liabilities of the Bank were carried at amortized cost, except for deposits in gold, which belong to the fair value through profit or loss measurement category.

31. Related party disclosures

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

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

Transactions and balances with related parties comprise transactions with Ukrainian government-related entities (both directly and indirectly controlled by and under significant influence of the Government) and key management personnel.

The outstanding balances of key management personnel as at 31 December 2013 and 2012, and related income and expense for the years ended 31 December 2013 and 2012, are as follows:

Joint Stock Company

“The State Export-Import Bank of Ukraine”

Notes to the Consolidated Financial Statements for the year ended 31 December 2013

(thousands of Ukrainian hryvnia, unless otherwise stated)

	<i>At 31 December 2013</i>	<i>At 31 December 2012</i>
	<i>Key management personnel</i>	<i>Key management personnel</i>
Loans to customers, gross	-	458
Less: allowance for impairment	-	-
Loans to customers, net	-	458
Current accounts	3,606	3,959
Time deposits	26,931	24,945
Amounts due to customers	30,537	28,904
	<i>2013</i>	<i>2012</i>
	<i>Key management personnel</i>	<i>Key management personnel</i>
Interest income on loans	15	38
Interest expense on customers' deposits	(1,434)	(3,101)
Commission income	-	2
Translation differences	119	140

The aggregate remuneration and other benefits paid to key management personnel for the year ended 31 December 2013 is UAH 36,702 thousand (UAH 431 thousand payment to non-state pension fund) (for the year ended 31 December 2012: UAH 38,232 thousand (UAH 507 thousand payment to non-state pension fund)).

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

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

Client	Sector	<i>Cash and cash equivalents</i>	<i>Mandatory reserves with the National Bank of Ukraine</i>	<i>Loans to customers</i>	<i>Amounts due to customers</i>	<i>Amounts due to NBU</i>	<i>Guarantees issued</i>
Client 1	State entities	-	-	-	1,340,349	-	-
Client 2	Finance	1,859,739	740,957	-	-	9,223,005	-
Client 3	Finance	1,144,674	-	-	-	-	-
Client 4	Finance	239,939	-	-	-	-	-
Client 5	Agriculture and food industry	-	-	-	9,213,268	-	-
Client 6	Extractive industry	-	-	3,538,959	-	-	-
Client 7	Extractive industry	-	-	-	-	-	43,158
Client 8	Road construction	-	-	2,077,848	-	-	-
Client 9	Trade	-	-	765,285	-	-	-
Client 10	Trade	-	-	-	-	-	722,803
Client 11	Trade	-	-	-	-	-	290,895
Client 12	Power engineering	-	-	919,947	-	-	-
Client 13	Transport and communications	-	-	417,453	330,474	-	-
Client 14	Mechanical engineering	-	-	439,326	-	-	145,980
Other	-	-	-	816,677	2,350,579	-	-

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Notes to the Consolidated Financial Statements for the year ended 31 December 2013

(thousands of Ukrainian hryvnia, unless otherwise stated)

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

Client	Sector	Cash and cash equivalents	Mandatory reserves with the National Bank of Ukraine	Loans to customers	Amounts due to customers	Amounts due to NBU	Guarantees issued
Client 1	State entities	-	-	-	3,313,916	-	-
Client 5	Agriculture and food industry	-	-	-	11,989,746	-	-
Client 2	Finance	1,629,018	531,152	-	-	7,824,914	-
Client 4	Finance	520,540	-	-	-	-	-
Client 6	Extractive industry	-	-	4,217,039	-	-	-
Client 10	Trade	-	-	-	-	-	1,215,755
Client 9	Trade	-	-	978,490	-	-	-
Client 11	Trade	-	-	-	-	-	467,273
Client 8	Road construction	-	-	2,109,805	-	-	-
Client 13	Transport and communications	-	-	558,002	867,968	-	-
Client 15	Transport and communications	-	-	455,781	-	-	-
Client 14	Mechanical engineering	-	-	432,207	-	-	283,968
Client 16	Mechanical engineering	-	-	594,421	-	-	-
Client 12	Power engineering	-	-	1,037,531	-	-	-
Other	-	-	-	475,833	2,411,033	-	-

For the twelve-month period ended 31 December 2013, the Bank recorded UAH 1,414,851 thousand of interest income (for the twelve month period ended 31 December 2012: UAH 1,626,764 thousand) and UAH 1,317,783 thousand of interest expenses (for the twelve months period ended 31 December 2012: UAH 755,026 thousand) from significant transactions with the government-related entities.

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

	2013	2012
Available-for-sale investment securities	22,516,236	8,447,202
Investment securities designed at fair value through profit or loss	3,540,585	3,538,447
Investment securities held to maturity	1,297,814	1,299,270

Carrying value of government bonds, which are included in investment securities designated at fair value through profit or loss and investment securities available for sale is disclosed in Note 10.

For the twelve-month period ended 31 December 2013, the Bank recorded UAH 1,685,860 thousand (for the twelve-month period 2012: UAH 887,878 thousand) of interest income from transactions with government bonds, and UAH 844,188 thousand from transactions with other investment securities (for the twelve-month period 2012: 186,269) of interest income.

32. Capital adequacy

The Bank pro-actively manages its exposures to ensure it that it maintains an adequate capital level to cover external risks inherent in the business. The adequacy of the Bank's capital is monitored using the ratios established by the NBU and Basel Capital Accord 1988.

Joint Stock Company

“The State Export-Import Bank of Ukraine”

Notes to the Consolidated Financial Statements for the year ended 31 December 2013

(thousands of Ukrainian hryvnia, unless otherwise stated)

During 2013 and 2012, the Bank had complied in full with all its externally imposed capital requirements.

The primary objectives of the Bank's capital management are to ensure that the Bank complies with externally imposed capital requirements and that the Bank maintains strong credit ratings and proper capital ratios in order to support its business activities..

The Bank manages its capital structure and adjusts its total assets to provide for observed and expected changes in the business environment and the risk profile of its business activities.

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 NBU regulations.

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

	2013	2012
Main capital	16,270,250	16,215,227
Additional capital	3,630,918	3,774,770
Less: deductions from capital	-	-
Total capital	19,901,168	19,989,997
Risk weighted assets	68,770,702	69,387,486
Capital adequacy ratio	28.94%	28.81%

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:

	2013	2012
Tier 1 capital	16,636,860	16,465,851
Tier 2 capital	3,372,361	3,512,358
Total capital	20,009,221	19,978,209
Risk weighted assets	70,195,947	71,448,759
Tier 1 capital ratio	23.70%	23.05%
Total capital ratio	28.50%	27.96%

33. Subsequent events

On 3 February 2014 the Bank made a timely repayment of the Eurobonds issued in February 2011 in the form of deposit linked bonds using BIZ Finance PLC, with a total nominal value of UAH 2,385,050 thousand.

After the end of the reporting period certain events occurred that potentially increase the risk of the operating environment and which may lead to a contraction in the economy. This includes an increase in the volatility of financial markets, a severe depreciation of the national currency against major foreign currencies, the downgrade of the Ukrainian sovereign debt ratings by international rating agencies in January - February 2014 with negative outlooks, and the deteriorating relationship with Russia who is an important trading partner of Ukraine. All these factors may contribute to a deterioration in the asset quality of the Bank.

ANNEX 2 – FINANCIAL STATEMENTS OF THE ISSUER

Company Registration No. 7161659

BIZ FINANCE PLC
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

BIZ FINANCE PLC

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BIZ FINANCE PLC

CORPORATE INFORMATION

DIRECTORS

Sue Lawrence
Capita Trust Corporate Limited
Capita Trust Corporate Services Limited

SECRETARY

Capita Trust Corporate Limited
The Registry
34 Beckenham Road
Beckenham
Kent

REGISTERED OFFICE

4th Floor
40 Dukes Place
London
EC3A 7NH

BANKERS

The Bank of New York Mellon
One Canada Square
London
E14 5AL

AUDITORS

Ernst & Young LLP
1 More London Place
London
SE1 2AF

BIZ FINANCE PLC

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

PRINCIPAL ACTIVITIES, BUSINESS REVIEW AND FUTURE DEVELOPMENTS

Biz Finance Plc (the 'Company') was incorporated in England and Wales on 18 February 2010, as a public company with limited liability under the Companies Act 2006.

The principal activity of the Company is to provide finance to Joint Stock Company "The State Export-Import Bank of Ukraine" ('Ukreximbank') under the terms of the transaction documents. The Company issued five Tranches of Loan Participation Notes ('Notes') as follows:

Tranche 1 was issued on 27 April 2010 for an Aggregate Nominal Amount of US \$500,000,000. Tranche 2 was issued on 21 October 2010 for an Aggregate Nominal Amount of US \$250,000,000. Both tranches were due on 27 April 2015. The issue price was 100% and 103.298% of the Aggregate Nominal Amount for Tranche 1 and Tranche 2 respectively, resulting in total gross proceeds of US \$758,245,000. These Notes bear interest at 8.375% and are listed on the SIX Swiss Stock Exchange. On the 27th of April 2015 the noteholders approved the extension of the maturity of the Tranche 1 and 2 Notes and the underlying loan to 27 July 2015. Note and loan interest will continue to accrue at the original rates to 27 July 2015. On the 8th of June 2015, the company sent out a consent solicitation memorandum to the noteholders requesting a further extension of the notes to 27 April 2022. The noteholders will meet on the 7th of July to consider this extension.

Tranche 3 was issued on 1 February 2011 with a nominal value of UAH2,385,050,000 and interest rate of 11% per annum. These Notes were issued at 100% and were listed on the Irish stock exchange. Although these notes and the corresponding long term deposit to Ukreximbank were issued in UAH, the resulting cashflows were in US Dollars, and as a result, the foreign exchange risk lay with the noteholders.

On 3 February 2014 the UAH2,385,050,000 deposit matured and the proceeds were used to repay the underlying notes.

Tranche 4 was issued on 22 January 2013 for an Aggregate Nominal Amount of US \$500,000,000. Tranche 5 was issued on 3 April 2013 for an Aggregate Nominal Amount of US \$100,000,000. Both tranches are due on 22 January 2018. The issue price was 100% and 101.437% of the Aggregate Nominal Amount for Tranche 4 and Tranche 5 respectively, resulting in total gross proceeds of US \$601,437,000. The Notes bear interest at 8.75% and are listed on the Irish Stock Exchange.

The proceeds from the issue of all the above Notes were used to provide finance to Ukreximbank.

POLITICAL INSTABILITY IN UKRAINE

Driven by political instability, Ukraine continues to display certain characteristics consistent with that of an economy in transition. These characteristics include, but are not limited to, low levels of liquidity in the capital markets, high inflation and significant imbalances in public finances and foreign trade. The stability of the Ukrainian economy will be significantly impacted by the Government's policies and actions with regard to administrative, legal and economic reforms. As a result, operations in Ukraine involve risks that are not typical for developed markets. The Ukrainian economy is vulnerable to market downturns and economic slowdowns elsewhere in the world.

In 2014, Ukrainian political and economic situation deteriorated significantly. Political and social unrest combined with regional tensions has led to the secession of the Autonomous Republic of Crimea to the Russian Federation, full-fledged armed confrontations with separatists in certain parts of the Donetsk and Lugansk regions and, ultimately, to the significant deterioration of the political and economic relations between Ukraine and the Russian Federation. These factors have contributed to the decline of key economic indices, increase of the state budget deficit, depletion of the foreign currency reserves of National Bank of Ukraine (NBU) and, as a result, downgrading of the Ukrainian sovereign debt credit ratings.

From 1 January 2014 and up to the date of signing these financial statements, the Ukrainian Hryvnia (the "UAH") depreciated against major foreign currencies by approximately 165% calculated based on NBU exchange rate of UAH to US Dollar. The NBU has imposed certain restrictions on purchase of foreign currencies, cross border settlements, and also mandated obligatory conversion of foreign

The combination of the above events has resulted in a deterioration of liquidity and much tighter credit conditions where credit is available.

BIZ FINANCE PLC

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)

POLITICAL INSTABILITY IN UKRAINE (continued)

The Government has committed to direct its policy towards the association with the European Union, to implement a set of reforms aiming at the removal of the existing imbalances in the economy, public finance and public governance, and the improvement of the investment climate. Stabilization of the Ukrainian economy in the foreseeable future depends on the success of the actions undertaken by the Government and securing continued financial support of Ukraine by international donors and international financial institutions.

Management is monitoring the developments in the current environment and taking actions, where appropriate, to minimize any negative effects to the extent possible. Further adverse developments in the political, macroeconomic and/or international trade conditions may further adversely affect the Company's financial position and performance in a manner not currently determinable.

The known and estimable effects of the above events on the financial position and performance of the Company in the reporting period have been taken into account in preparing these financial statements. However, the continuing impact of the situation described above may adversely affect the company in the future.

The noteholders will only be paid to the extent that Ukreximbank meets its obligations in respect of the loans.

Due to the circumstances described above, the directors believe that there is objective evidence that the Loans receivable are impaired as at 31 December 2014. It is therefore possible that the Loans may not be fully paid, which will result in Noteholders not being fully paid. An assessment has been performed to determine the amount of the impairment loss as at 31 December 2014.

In the circumstances set out above, it is not possible to estimate the present value of future cash flows of the Loans. In accordance with IAS 39, the Company may measure impairment of a financial asset measured at amortised cost on the basis of an instrument's fair value using an observable market price. The market price of the Notes has declined significantly at 31 December 2014 compared to its 31 December 2013 value. The directors believe that this decline reflects the market's perception of the future cash flows from the Loans as the Loans and Notes have similar maturities, credit risk and interest rates, and the Noteholders only have recourse to cash generated from the Loans. Based on the limited information available and the correlation of the Loans and Notes, the directors consider it appropriate to estimate the impairment of the Loans based on the observable market price of the Notes as at 31 December 2014. An impairment loss of \$461,781,673 has been recognised against the Loans receivable. Please see note 8 for more details.

RESULTS AND DIVIDENDS

The results for the year and the state of the Company's affairs are set out in the accompanying financial statements. The loss for the year, after taxation, amounted to -\$462,954,472 (the profit for the year 2013: \$143,040).

The Company was set up to make very minimal profit. The reported loss is as a result of accounting for the interest income and expense using the effective interest rate method, the foreign exchange loss on the UAH deposit and impairment of the loans.

Other key performance indicators for the Company are net interest income and impairment losses. The net interest expense for the year is \$1,112,845 (2013: \$202,323 net interest income) and an impairment loss of \$461,781,673 was charged.

No dividends were declared or paid by the Company during the current year and the directors do not propose a final dividend (2013: \$nil).

BIZ FINANCE PLC

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)

PRINCIPAL RISKS, UNCERTAINTIES AND FINANCIAL INSTRUMENTS

The Company is a securitisation company which has been structured so as to avoid, as far as possible, significant financial risk. Certain estimates in the financial statements are based wholly or in part on estimates or assumptions made by the directors, taking into consideration the current market and economic conditions. There is, therefore, a risk that these may be subject to change in future periods.

The Company's financial risk management objectives and policies are set out in note 16.

Approved by the Board of Directors and signed on behalf of the Board



Capita Trust Corporate Services Limited

Director

Date: 30 June 2015

BIZ FINANCE PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

DIRECTORS

The directors present their report on the affairs of the Company together with the financial statements for the year ended 31 December 2014. Please refer to the Strategic report for detailed disclosures relating to financial instruments and related risk management.

The directors who served during the year and subsequently are as follows:

Sue Lawrence
Capita Trust Corporate Limited
Capita Trust Corporate Services Limited

DIRECTORS' INDEMNITIES

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity is currently in force.

COMPANY SECRETARY

On 17 January 2014, Capita Trust Secretaries Limited resigned and Capita Trust Corporate Limited was appointed in their place.

EMPLOYEES

The Company had no employees during the current year. Capita Trust Corporate Limited performed the Company's secretarial functions during the year and Capita Trust Corporate Services Limited provided corporate and administration services.

CORPORATE GOVERNANCE

The directors have been charged with governance in accordance with the transactional documentation detailing the mechanism and structure of the transaction. The structure of the Company is such that the key policies have been predetermined at the time of issuance and the operational roles have been assigned to third parties with their roles strictly governed by the transaction documents.

The programme documentation provides for procedures that have been designed for safeguarding assets against unauthorised use or disposition; for maintaining proper accounting records; and for the reliability and usefulness of financial information used within the business or for publication. Such procedures are designed to manage rather than eliminate the risk of failure to achieve business objectives whilst enabling the directors to comply with the regulatory obligations.

The Company is exempt from the requirements of DTR 7.1 and 7.2 (except 7.2.5) by the nature of the securities which have been issued. The directors are therefore satisfied that there is no requirement for an audit committee or a supervisory body entrusted to carry out the functions of an audit committee.

GOING CONCERN

The Company's business activities, together with the factors likely to affect its future development, performance and its principal uncertainties are set out in the Strategic report.

Under the terms of the transaction documents, the Company is required to make payments to the note holders to the extent that there is cash available within the Company. At the end of the securitisation, any losses incurred due to any defaults by the borrower and resulting cash shortages are absorbed by the note holders according to the priority of payments as defined in the transaction documents.

The Notes are limited recourse obligations and the Company will not have any obligation to the noteholders other than the obligation to account to the noteholders for payments of all amounts received by it under the loans receivable less the reserved rights which the Company is entitled to retain from any amounts actually received. The directors therefore consider it appropriate to adopt the going concern basis in preparing the financial statements.

BIZ FINANCE PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)

EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

On the 27 April 2015 the noteholders approved the short term extension of tranche 1 & 2 notes and the corresponding loan maturity dates to 27 July 2015, to enable a continuing negotiations towards a longer term restructuring of each of the tranches.

On 8 June 2015 the Company issued a consent solicitation memorandum to noteholders whereby the principle terms include the extension of each tranche of loan notes and corresponding loans by seven years from the current maturity date, an uplift in interest rates and the novation of further tranche of loan notes and corresponding loans to Ukreximbank into the Company.

Futher details of the restructuring proposals are provided in the consent solicitation memorandum.

There have been several rating downgrades of the state of Ukraine and Ukreximbank post year-end. Currently, both the state of Ukraine and Ukreximbank are rated Ca by Moody's whilst Fitch rates the state of Ukraine as CC and Ukreximbank as RD (Restricted Default).

AUDITORS

Ernst & Young LLP have expressed their willingness to continue in the office of auditors.

DISCLOSURE OF INFORMATION TO THE AUDITORS

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

DIRECTORS' RESPONSIBILITIES STATEMENT

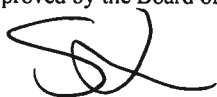
The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the Board of Directors and signed on behalf of the Board



Capita Trust Corporate Services Limited

Director

Date: 30 June 2015

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BIZ FINANCE PLC

We have audited the financial statements of Biz Finance Plc for the year ended 31 December 2014 which comprise the Statement of comprehensive income, the Statement of changes in equity, the Statement of financial position, the Statement of cashflows and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2014 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter - political unrest in Ukraine

In forming our opinion on the financial statements, which is not modified, we have considered the provision made by the directors for the impairment of the Loans. As discussed in Notes 8 and 16 to the financial statements the political and economic situation in Ukraine creates considerable uncertainty as to the recovery of the Loans which may impact the Company's future results and financial position in a manner not currently determinable. Our opinion is not qualified in respect of this matter.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Ernst & Young LLP

Kenneth Eglinton (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London, United Kingdom

Date:

30 June 2015

BIZ FINANCE PLC

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

		Year ended 31 December 2014 \$	Year ended 31 December 2013 \$
	Note		
INTEREST INCOME	4	115,730,681	144,009,083
INTEREST EXPENSE	5	(116,843,526)	(143,806,760)
NET INTEREST (EXPENSE)/INCOME		<u>(1,112,845)</u>	<u>202,323</u>
Other income		152,735	203,526
Administration expenses	6	(156,045)	(238,979)
Impairment loss	8	(461,781,673)	-
(LOSS)/PROFIT FOR THE YEAR BEFORE FOREIGN EXCHANGE GAIN AND TAX		<u>(462,897,828)</u>	<u>166,870</u>
Foreign exchange loss		<u>(56,636)</u>	<u>(23,822)</u>
(LOSS)/PROFIT FOR THE YEAR AFTER FOREIGN EXCHANGE GAIN BUT BEFORE TAX		<u>(462,954,464)</u>	<u>143,048</u>
Taxation	7	<u>(8)</u>	<u>(8)</u>
(LOSS)/PROFIT FOR THE YEAR AFTER TAXATION		<u>(462,954,472)</u>	<u>143,040</u>
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		<u><u>(462,954,472)</u></u>	<u><u>143,040</u></u>

The accompanying notes are an integral part of these financial statements.

The results above arose wholly from continuing operations.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Share capital \$	Retained earnings \$	Total \$
Balance as at 31 December 2012	73,300	(154,433)	(81,133)
Total comprehensive income for the year	-	143,040	143,040
Balance as at 31 December 2013	<u>73,300</u>	<u>(11,393)</u>	<u>61,907</u>
Total comprehensive loss for the year	-	(462,954,472)	(462,954,472)
Balance as at 31 December 2014	<u><u>73,300</u></u>	<u><u>(462,965,865)</u></u>	<u><u>(462,892,565)</u></u>

BIZ FINANCE PLC**STATEMENT OF FINANCIAL POSITION**

As at 31 December 2014

		2014 \$	2013 \$
ASSETS:	Note		
NON-CURRENT ASSETS			
Loans receivable	8	360,306,000	1,385,550,667
CURRENT ASSETS			
Long term deposit	9	-	303,887,433
Trade and other receivables	10	562,740,352	312,629
Cash and cash equivalents	11	86,191	161,548
		<u>562,826,543</u>	<u>304,361,610</u>
TOTAL ASSETS		923,132,543	1,689,912,277
LIABILITIES:			
NON-CURRENT LIABILITIES			
Notes issued	13	623,997,973	1,387,203,648
CURRENT LIABILITIES			
Trade and other payables	12	762,027,135	302,646,722
TOTAL LIABILITIES		<u>1,386,025,108</u>	<u>1,689,850,370</u>
NET ASSETS		<u>(462,892,565)</u>	<u>61,907</u>
CAPITAL AND EQUITY			
Called up share capital	14	73,300	73,300
Retained earnings		(462,965,865)	(11,393)
TOTAL SHAREHOLDERS' FUNDS		<u>(462,892,565)</u>	<u>61,907</u>

The accompanying notes are an integral part of these financial statements.

The financial statements of Biz Finance Plc, Company Registration No. 7161659 were approved by the Board of Directors and authorised for issue on 30 June 2015.

Signed on behalf of the Board of Directors



Capita Trust Corporate Services Limited

Director

Date: 30 June 2015

BIZ FINANCE PLC
STATEMENT OF CASH FLOWS
For the year ended 31 December 2014

		Year ended 31 December 2014 \$	Year ended 31 December 2013 \$
	Note		
Operating (loss) / profit before tax			
Foreign exchange rate movement on the long term deposit	9	(462,954,472)	143,040
Foreign exchange rate movement on the UAH notes	13	9,241,788	5,971,101
Impairment loss		(9,189,044)	(5,945,764)
Total Interest income charged to the Statement of Comprehensive Income on Loans & Deposits		461,781,673	-
Total Interest expense charged to the Statement of Comprehensive Income on Loans Notes	4	(115,730,640)	(144,009,044)
Decrease / (increase) in other debtors	5	116,843,526	143,806,760
(Decrease) / increase in other creditors(excluding tax)	10	72,277	(31,445)
Corporation tax paid	12	(140,457)	138,830
Net cash flow (used in) / from operating activities	12	<u>(8)</u> (75,357)	<u>(8)</u> 73,469
Cash flow from/(used in) investing activities			
Issue of loan	9	-	(601,437,000)
Cash received upfront for transaction costs	9	-	1,805,352
Interest received on loan receivable - Tranche 1 & 2		62,812,500	62,812,500.01
Interest received on long term deposit - Tranche 3		15,432,676	32,274,914.26
Interest received on loan receivable - Tranche 4 & 5		52,500,000	24,524,305.56
Proceeds from maturity of long term deposit		280,594,118	-
Net cash flow from/(used in) investing activities		<u>411,339,294</u>	<u>(480,019,928)</u>
Cash flow used in/(from) financing activities			
Issue of Notes			
Premium on notes issued	13	-	600,000,000
Other advance receipts in relation to Tranche 5	13	-	1,437,000
Transaction costs paid	13	-	1,725,694
Interest paid out on loan notes - Tranche 1 & 2	13	-	(1,805,352)
Interest paid out on loan notes - Tranche 3		(62,812,500)	(62,812,500)
Interest paid out on loan notes - Tranche 4 & 5		(15,432,676)	(32,274,914)
Repayment of UAH loan notes		(52,500,000)	(26,250,000)
Net cash flow (used in)/from financing activities		<u>(280,594,118)</u> (411,339,294)	<u>480,019,928</u>
Net (decrease) / increase in cash and cash equivalents		(75,357)	73,468
Cash and cash equivalents at beginning of year		161,548	88,080
Cash and cash equivalents at end of year	11	<u>86,191</u>	<u>161,548</u>

The accompanying notes are an integral part of these financial statements.

BIZ FINANCE PLC

1 GENERAL INFORMATION

Biz Finance Plc is a company incorporated in England and Wales on 18 February 2010. The address of the registered office is given on page 1. The nature of the Company and its principal activities are set out in the Strategic Report.

These financial statements are presented in US Dollars because this is the functional currency in which the Company's main cashflows are received and paid.

2 ACCOUNTING POLICIES

A summary of the principal accounting policies, all of which have been applied consistently throughout the year, is set out below:

a) Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted for use in the European Union.

The financial statements have been prepared on the historical cost basis as modified by International Accounting Standard 39 "Financial Instruments: Recognition and Measurement" ("IAS 39").

Due to the fact that the nature of the business is to provide finance, the directors are of the opinion that it is more appropriate to use interest income and interest expense rather than turnover and cost of sales in preparing the income statement.

Under the terms of the transaction documents, the Company is required to make payments to the note holders to the extent that there is cash available within the Company. At the maturity date of the Notes, any losses incurred due to defaults by the borrowers and resulting cash shortages are absorbed by the note holders according to the priority of payments as defined in the transaction documents. The Notes are limited recourse obligations and the Company will not have any obligation to the noteholders other than the obligation to account to the noteholders for payments of all amounts received by it under the Loans less the reserved rights which the Company is entitled to retain from any amounts actually received. The directors therefore consider it appropriate to adopt the going concern basis in preparing the financial statements.

b) Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expense, in particular over recoverability of assets. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements on carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates used in the financial statements.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both the current and future periods.

c) Interest income and receivable

Interest income is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's carrying amount. The stepped interest rate, cash received up-front to pay for transaction costs, advanced interest received and deposit fee included in the Loan receivables and Long Term Deposit balance (Note 8 & 9) are amortised through interest income using the effective interest rate.

d) Other income

Other income represents reimbursement of administration expenses by the Ukreximbank in accordance with the loan agreement and is recognised on an accruals basis.

e) Administration expenses

Administration expenses include corporate service fees, accounting fees and audit fees and are recognised on an accruals basis.

f) Interest expense and payable

Interest expense is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to that liability's carrying amount. Both transaction costs and the Note issuance premium (Note 13) are amortised through interest expense using the effective interest rate.

BIZ FINANCE PLC

2 ACCOUNTING POLICIES (continued)

g) Foreign currencies

Assets and liabilities denominated in foreign currency include capitalised corporate service fees paid upfront, and deferred income received up-front to pay for these expenses. These assets and liabilities are recorded at the rates of exchange prevailing on the dates of the transactions. The cash at bank is held in a pound sterling - denominated account. This is retranslated at the functional currency rate of exchange on the statement of financial position date. The gains/losses on retranslation are recognised in the Statement of Comprehensive income. On 1 February 2011, the Company issued another Tranche of Notes valued at UAH2,385,050,000. Although these notes and the corresponding long term deposit placed with Ukreximbank were issued in UAH, the resulting cashflows are in US Dollars, and as a result, the foreign exchange risk lies with the noteholders. The UAH deposit is retranslated at the functional currency rate of exchange on the statement of financial position date and gains/losses on retranslation are recognised in the statement of comprehensive income. The corresponding UAH loan notes are also revalued to match the value of the loans. The UAH deposit matured during the year and the underlying Notes were redeemed.

h) Taxation

The Company has elected to be taxed under the "permanent" tax regime for securitisation companies (contained in Statutory Instrument 2006/3296), under which the Company is taxed broadly by reference to its net cash flows during the year, and not by reference to its accounting profits, to the extent that these differ.

i) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank.

j) Trade and other receivables

This includes corporate service fees which were paid upfront and are amortised on a straight line basis over the life of the Notes issued, as well as interest receivable on the Loans.

k) Trade and other payables.

This includes deferred income which was received to pay for the corporate service fees upfront. It is amortised on a straight line basis over the life of the Notes issued, as well as interest payable on the Notes.

l) Financial instruments – initial recognition and subsequent measurement

i) *Loans receivable and long term cash deposit*

The Loans and long term cash deposits have been classified as Loans and receivables. They are measured on initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Subsequent increases of the value of the Loans, which can be objectively related to an event occurring after previous impairment losses have been recognised, are recorded in the income statement to the extent previous impairment losses have been taken through the income statement. The reversal shall not result in a carrying amount of the Loans that exceeds the amortised cost had no impairment been recognised.

ii) *Notes issued*

The Notes issued are classified as other financial liabilities and are initially recognised at fair value at the date of issuance of the liabilities, and are subsequently measured at amortised cost using the effective interest rate method.

m) Standards issued but not yet effective

At the date of authorisation of these financial statements, the following Standards and Interpretations, which have not been applied in these financial statements, were in issue but not yet effective (and in some cases had not yet been adopted by the EU) and are expected to have an impact on the Company's financial position, performance and / or disclosures:

Name of new Standards/amendments

Effective date

Annual Improvements 2010-2012 Cycle: Amendments to IAS 24 Related Party Disclosures -
Key management personnel

01 July 2014

IAS 1 Disclosure Initiative - Amendments to IAS 1

01 January 2016

IFRS 9: Financial Instruments

01 January 2018

BIZ FINANCE PLC

2 ACCOUNTING POLICIES (continued)

n) New and amended standards and interpretations

The following standards and interpretations, issued by International Accounting Standards Board (IASB) or the International Financial Reporting Interpretations Committee (IFRIC), are also effective (has been endorsed for use in the EU) for the first time in the current financial year and have been adopted by the Company with no significant impact on its results or financial position for the current reporting period:

Name of new Standards/amendments	Effective date
IFRS 10 Consolidated Financial Statements – (Amendments – Investment Entities)	01 January 2014
IAS 32 Financial Instruments: Presentation – (Amendments – Offsetting)	01 January 2014
IAS 36 Impairment of Assets (Amendments – Recoverable Amount Disclosures)	01 January 2014
IAS 39 Financial Instruments: Recognition and Measurement (Amendments – Novation of Derivatives)	01 January 2014
IFRIC 21 Levies	01 January 2014
Annual Improvements 2010-2012 Cycle: Amendments to IFRS 13 – Short-term receivables and payables	01 January 2014
Annual Improvements 2011-2013 Cycle: Amendments to IFRS 1 – Meaning of ‘effective IFRSs’	01 January 2014

3 DIRECTORS AND EMPLOYEES

None of the directors received any emoluments during the year for their services to the Company nor received any benefits from the Company (2013: \$ Nil). The directors are employed and remunerated by subsidiaries of the Capita Group in respect of their services to the Company. Subsidiaries of the Capita Group who are the appointed corporate service providers as per the offering document were paid an annual corporate fee of \$69,863 (2013: \$98,853) as a whole, and it is considered that there is no appropriate basis on which they can apportion part of this fee applicable to directors' services to the Company.

The Company has no employees (2013: none) and services required are contracted to third parties.

4 INTEREST INCOME

	Year ended 31 December 2014 \$	Year ended 31 December 2013 \$
Interest income (refer to note 8 and 9)	115,730,640	144,009,044
Bank interest	41	39
	<u>115,730,681</u>	<u>144,009,083</u>

All income is derived from the Company's principal activity in the Ukraine.

5 INTEREST EXPENSE

	Year ended 31 December 2014 \$	Year ended 31 December 2013 \$
Interest payable (refer note 13)	<u>116,843,526</u>	<u>143,806,760</u>

6 ADMINISTRATION EXPENSES

	Year ended 31 December 2014 \$	Year ended 31 December 2013 \$
Auditors' remuneration for the audit of the Company's statutory financial statements	76,609	100,301
Auditors' remuneration for the audit of the Company's prior year statutory financial statements	-	29,009
Auditors' remuneration for tax compliance services	8,408	10,817
Management and advisory fees	69,863	98,853
Legal fees	1,165	
	<u>156,045</u>	<u>238,979</u>

BIZ FINANCE PLC

7 TAXATION ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

Tax is based on the results for the year and comprises:

	Year ended 31 December 2014	Year ended 31 December 2013
	\$	\$
Current taxation:		
Charge for the year	8	8
Tax charge for the year	<u>8</u>	<u>8</u>

The tax rate assessed for the year is higher than the small companies rate of corporation tax in the UK of 20% (2013:20%). The factors affecting the tax charge are explained below:

	Year ended 31 December 2014	Year ended 31 December 2013
	\$	\$
(Loss)/profit on ordinary activities before tax	(462,954,464)	143,048
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax for small companies of 20% (2013: 20%)	(92,590,893)	28,610
Effects of:		
Application of Statutory Instrument No. 3296 The Taxation of Securitisation Companies Regulations 2006	92,590,893	(28,610)
Tax for the year at the small companies rate of corporation tax of 20% (2013: 20%) on the actual retained profit for 2014	8	8
Current tax charge for the year	<u>8</u>	<u>8</u>

This company is taxed in accordance with Statutory Instrument No. 3296 The Taxation of Securitisation Companies Regulations 2006 which requires that tax is charged on the profits 'retained by the issuer'. The 'retained profit'/'net cash margin' for the year amounted to \$41 (2013: \$39).

The directors are satisfied that this Company meets the definition of a securitisation Company as defined by both Finance Act 2005 and the subsequent legislation and that no incremental unfunded tax liabilities will arise.

The directors have accordingly elected that this Company be taxed by reference to its net cash margin, and not its accounting profit.

8 LOANS RECEIVABLE

	Interest rate	2014	2013
		\$	\$
Loans advanced		1,359,682,000	1,359,682,000
Upfront cash received		(5,273,098)	(5,273,098)
Accrued interest		31,510,548	34,500,490
Effective interest rate adjustment		(1,331,777)	(3,358,725)
Impairment loss		(461,781,673)	-
Reclassification of Loans (Tranche 1 & 2) to Trade and other receivables (note 10)		(562,500,000)	-
		<u>360,306,000</u>	<u>1,385,550,667</u>

The Loans were made to "The State Export-Import Bank of Ukraine" (Ukreximbank). The first loan has a principal value of \$758,245,000 and was due for repayment on 27 April 2015. It bears interest at a percentage rate per annum equal to (i) in respect of the first interest period for the initial Loan of \$500,000,000, 8.375% (ii) in respect of the first interest period for the subsequent Loan of \$258,245,000, 8.11% (iii) in respect of each interest period thereafter (other than the Last Interest Period (as defined in sub-paragraph (iv) below)), 8.28% and (iv) in respect of the interest period ending on 27 April 2015 (the "Last Interest Period"), 6.11%. On the 27th of April 2015 the noteholders approved the extension of the maturity of the tranche 1 and 2 \$750m notes and the underlying loan to 27 July 2015. Note and loan interest will continue to accrue to 27 July 2015.

BIZ FINANCE PLC

8 LOANS RECEIVABLE (continued)

The second loan has a principal value of \$601,437,000 and is due for repayment on 22 January 2018. It bears interest at a percentage rate per annum equal to (i) in respect of the first Interest Period for the Original Loan, 8.75%; (ii) in respect of the First Interest Period for the Further Loan, 8.62604375%; (iii) in respect of each Interest Period thereafter 8.72909382%; (iv) as described in the clauses to the Loan Agreement dated 17 January 2013, the percentage rate per annum used for the calculation of interest in the Last Interest Period shall equal 8.72909382%.

Subsequent to the year end, there have been negotiations towards a restructuring of the loans and notes. Please see post balance sheet events disclosure in note 19.

Due to the circumstances described in the credit risk disclosure in note 16, the directors believe that there is objective evidence that the Loans receivable are impaired as at 31 December 2014. It is therefore possible that the Loans may not be fully paid, which will result in Noteholders not being fully paid. An assessment has been performed to determine the amount of the impairment loss as at 31 December 2014.

In the circumstances set out in the credit risk disclosure in note 16, it is not possible to estimate the present value of future cash flows of the Loans. In accordance with IAS 39, the Company may measure impairment of a financial asset measured at amortised cost on the basis of an instrument's fair value using an observable market price. The market price of the Notes has declined significantly at 31 December 2014 compared to its 31 December 2013 value. The directors believe that this decline reflects the market's perception of the future cash flows from the Loans as the Loans and Notes have similar maturities, credit risk and interest rates, and the Noteholders only have recourse to cash generated from the Loans. Based on the limited information available and the correlation of the Loans and Notes, the directors consider it appropriate to estimate the impairment of the Loans based on the observable market price of the Notes as at 31 December 2014. On this basis, an impairment provision of \$461,781,673 has been recognised against the Loans receivable.

9 LONG TERM CASH DEPOSIT

	2014	2013
	\$	\$
Deposit	300,002,516	300,002,516
Loan deposit fee capitalised	204,573	204,573
Advance interest received	(2,390,175)	(2,390,175)
Accrued interest	-	14,012,492
Effective interest rate adjustment	2,840,534	2,879,569
Foreign exchange rate movement	(20,063,330)	(10,821,542)
Return of deposit	(280,594,118)	-
	<u>-</u>	<u>303,887,433</u>

The deposit was placed with Ukreximbank. It had a principal value of UAH2,385,050,000 and interest rate of 11% per annum. Although the deposit was placed in UAH, the resulting cashflows for both the deposit and underlying Tranche 3 Notes were in US Dollars, and as a result, the foreign exchange risk lies with the noteholders. The UAH deposit was retranslated at the functional currency rate of exchange on the statement of financial position date and gains/losses on retranslation were recognised in the statement of comprehensive income. The deposit matured on 16 January 2014 and the proceeds were used to repay the underlying tranche 3 Notes, which they matched exactly.

10 TRADE AND OTHER RECEIVABLES

	2014	2013
	\$	\$
Loans due in 1 year (note 8)	562,500,000	-
Prepayments and other debtors	240,352	312,629
	<u>562,740,352</u>	<u>312,629</u>

BIZ FINANCE PLC

11 CASH AND CASH EQUIVALENTS

Cash comprises cash in hand and demand deposits as well as short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

	2014 \$	2013 \$
Cash at bank and in hand	86,191	161,548

12 TRADE AND OTHER PAYABLES:

	2014 \$	2013 \$
Amounts falling due within one year:		
Notes due in 1 year (note 13)*	761,779,051	302,258,187
Accruals	248,076	388,527
Corporation tax payable	8	8
	<u>762,027,135</u>	<u>302,646,722</u>

*The 2013 balance relates to the UAH Deposit (tranche 3) and the 2014 balance relates to Tranche 1&2 which were due to mature in April 2015 but have applied with noteholders for an extension to 27 April 2022. Refer to Note 19.

13 NOTES ISSUED

	2014 \$	2013 \$
Tranche 1	-	506,812,006
Tranche 2	-	256,143,049
Tranche 4	518,277,318	518,008,516
Tranche 5	105,720,655	106,240,077
	<u>623,997,973</u>	<u>1,387,203,648</u>

Movement in Notes

As at 31 December 2013	1,387,203,648	1,071,580,911
Notes Issued in the year (Tranche 4&5)	-	600,000,000
Note Premium (Tranche 5)	-	1,437,000
Issue costs (Tranche 4&5)	-	(1,805,352)
Other advance receipts in relation to Tranche 5	-	1,725,694
Reversal of opening accrued interest	(34,500,493)	(24,521,311)
Accrued Interest	34,500,493	47,081,479
Effective interest rate adjustment	(1,426,624)	(90,823)
Foreign Exchange Movement	-	(5,945,764)
Reclassification of UAH Notes to Trade Payables	-	(302,258,187)
Reclassification of Notes (Tranche 1&2) to Trade payables (note 12)	(761,779,051)	-
As at 31 December 2014	<u>623,997,973</u>	<u>1,387,203,648</u>

The above Notes are fixed interest Loan Participating Notes. Tranche 1 was issued on 27 April 2010 for an Aggregate Nominal Amount of US\$500,000,000. Tranche 2 was issued on 21 October 2010 for an Aggregate Nominal Amount of US\$250,000,000. Both tranches bear interest at 8.375% per annum. The issue price was 100% and 103.298% of the Aggregate Nominal Amount for Tranche 1 and Tranche 2 respectively, resulting in total gross proceeds of US\$758,245,000. Both tranches were due on 27 April 2015. Tranche 4 was issued at par on 22 January 2013 for an Aggregate Nominal Amount of \$500,000,000. Tranche 5 was issued at 101.437% for an Aggregate Nominal Amount of \$100,000,000. Both tranche 4 and 5 bear interest at 8.75% and are due on 22 January 2018.

The Note premium and issue costs are amortised over the life of the Notes at the effective interest rate.

The Tranche 1 and 2 Notes are listed on the SIX Swiss Stock Exchange whilst Tranches 4 and 5 are listed on the Irish Stock Exchange. All the notes are unsecured. The Company however, has charged by way of security to the Trustee, all its right to receive principal and interest on the Loans under the loan agreements.

BIZ FINANCE PLC

14 SHARE CAPITAL

	2014	2013
	\$	\$
Authorised		
50,000 ordinary shares of £1 each	73,300	73,300
Allotted, called up and partly paid		
50,000 ordinary shares fully paid at £1:US\$1.466	73,300	73,300

15 CONTROLLING PARTIES

The entire share capital of Biz Finance Plc is held by Capita Trust Nominees No. 1 Limited, a company incorporated in the United Kingdom. Although Ukreximbank has no direct ownership interest in the Company, it is considered to be the ultimate controlling party in accordance with IFRS 10. The results of the Company are therefore included in the consolidated financial statements of Ukreximbank. This is the smallest group in which the Company's results are consolidated. Ukreximbank is registered in the Ukraine and copies of the financial statements may be obtained from the company's website; www.eximb.com.

Ukreximbank is 100% owned by the state of Ukraine therefore, the ultimate controlling party is the State of Ukraine.

16 FINANCIAL INSTRUMENTS

The Company's financial instruments comprise Loans and Notes. Cash, accrued interest income, accrued interest payable and other items arise directly from its operations. It is and has been throughout the year, the Company's policy that no trading in financial instruments shall be undertaken.

Because the payment and receipt of interest on Notes and Loans are matched and the expenses were either paid upfront or are reimbursed by Ukreximbank, there is limited liquidity risk. The principal risks arising from the Company's financial instruments are foreign exchange and credit risk. The sensitivity to risk is limited as there is minimal risk to interest rates because the loans and notes both bear interest at fixed rates, and to foreign exchange risk because there is limited foreign exchange exposure. The Board reviews and agrees policies for managing each of these risks and these are summarised below.

Foreign exchange risk

The functional currency of the Company is US Dollars. The Company is exposed to foreign exchange risk because the functional currency differs from the currency in which other expenses are incurred and the currency in which its cash at bank is held. This risk is however very minimal.

At 31 December 2014 the following assets were denominated in foreign currency:

	Base currency	2014	2013
		\$	\$
Long term deposits	UAH	-	303,887,433
Cash and cash equivalents	£	77,999	153,355
		<u>77,999</u>	<u>304,040,788</u>

As at 31 December 2014 the exchange rate of the US dollar to the Pound Sterling was 0.64222:1 (2013; 0.610:1) and the US dollar to the UAH was 13.1917:1 (2013; 8.243:1).

Credit risk

The maximum exposure to credit risk arising on the Company's financial assets at the reporting date is the carrying value of each class of financial assets disclosed in Notes 8 and 9.

The loans have been issued to one counterparty, Ukreximbank, therefore the credit risk is highly concentrated. Ukreximbank is 100% owned by the Government of Ukraine. There have been several rating downgrades during the year and post year-end. The state of Ukraine is currently rated as Ca by Moody's (4 April 2014:Caa3) and CC by Fitch (6 May 2014:CCC). Ukreximbank is rated by Moody's as Ca (9 April 2014:Ca) and by Fitch as RD (Restricted Default) (14 February 2014:CCC). These low ratings are reflective of the widespread problems in Ukraine given the significant correlation between Ukreximbank and the sovereign's credit profiles. For the year ended 31 December 2014, Ukreximbank made a loss of UAH11bn (2013:UAH200.6m profit) and its net assets were UAH11.5bn (2013:UAH17.6bn).

16 FINANCIAL INSTRUMENTS (continued)**Credit risk (continued)**

Driven by political instability, Ukraine continues to display certain characteristics consistent with those of an economy in transition. These characteristics include, but are not limited to, low levels of liquidity in the capital markets, high inflation and significant imbalances in public finances and foreign trade. The stability of the Ukrainian economy will be significantly impacted by the Government's policies and actions with regard to administrative, legal and economic reforms. As a result, operations in Ukraine involve risks that are not typical for developed markets. The Ukrainian economy is vulnerable to market downturns and economic slowdowns elsewhere in the world.

In 2014, the Ukrainian political and economic situation deteriorated significantly. Political and social unrest combined with regional tensions has led to the secession of the Autonomous Republic of Crimea to the Russian Federation, full-fledged armed confrontations with separatists in certain parts of the Donetsk and Lugansk regions and, ultimately, to the significant deterioration of the political and economic relations between Ukraine and the Russian Federation. These factors have contributed to the decline of key economic indices, increase of the state budget deficit, depletion of the foreign currency reserves of National Bank of Ukraine ("NBU") and, as a result, downgrading of the Ukrainian sovereign debt credit ratings.

From 1 January 2014 and up to date, the Ukrainian Hryvnia (the "UAH") depreciated against major foreign currencies by approximately 165% calculated based on NBU exchange rate of UAH to US Dollar. The NBU has imposed certain restrictions on purchase of foreign currencies, cross border settlements, and also mandated obligatory conversion of foreign currency proceeds into UAH.

The combination of the above events has resulted in a deterioration of liquidity and much tighter credit conditions where credit is available.

The Government has committed to direct its policy towards the association with the European Union, to implement a set of reforms aiming at the removal of the existing imbalances in the economy, public finance and public governance, and the improvement of the investment climate. Stabilization of the Ukrainian economy in the foreseeable future depends on the success of the actions undertaken by the Government and securing continued financial support of Ukraine by international donors and international financial institutions.

Management is monitoring the developments in the current environment and taking actions, where appropriate, to minimize any negative effects to the extent possible. Further adverse developments in the political, macroeconomic and/or international trade conditions may further adversely affect the Company's financial position and performance in a manner not currently determinable.

The known and estimable effects of the above events on the financial position and performance of the Company in the reporting period have been taken into account in preparing these financial statements. However, the continuing impact of the situation described above may adversely affect the company in the future.

The noteholders will only be paid to the extent that Ukreximbank meets its obligations in respect of the loans.

Due to the circumstances described above, the directors believe that there is objective evidence that the Loans receivable are impaired as at 31 December 2014. It is therefore possible that the Loans may not be fully paid, which will result in Noteholders not being fully paid. An impairment loss of \$461,781,673 has been recognised against the Loans receivable. Please see note 8 for more details.

Maturity of financial liabilities

The following maturity profile details the Company's expected maturity of its financial liabilities and is based on the undiscounted contractual maturities of the financial liabilities including interest that will be earned on those liabilities except where the Company anticipates that the cash flow will occur in a different period. The maturity profile of the loan receivable is similar to that of the notes below.

	2014	2013
	\$	\$
In one year or less, or on demand	822,634,418	418,340,041
In more than one year but not more than two years	52,500,000	822,634,418
In more than two years but not more than five years	655,708,333	708,208,333
	<u>1,530,842,751</u>	<u>1,949,182,792</u>

BIZ FINANCE PLC

16 FINANCIAL INSTRUMENTS (continued)

Capital Risk Management

Please refer to note 18.

Fair values

The fair value of the Notes is based on market prices. The fair value of the Loan has been based on the fair value of the Notes because they have similar maturities, credit risk and interest rates.

	Carrying amount	Fair value	Carrying amount	Fair value
	\$	\$	\$	\$
	2014	2014	2013	2013
Assets				
Loans	922,806,000	922,806,000	1,385,550,667	1,267,329,000
Long term deposit	-	-	303,887,433	297,002,491
	<u>922,806,000</u>	<u>922,806,000</u>	<u>1,689,438,100</u>	<u>1,564,331,491</u>
Liabilities				
Notes issued	<u>1,385,777,024</u>	<u>922,806,000</u>	<u>1,689,461,835</u>	<u>1,564,331,491</u>

No fair values have been disclosed for current assets because their carrying amount approximates to fair value due to their short-term maturities.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The Notes are categorised as level 1 because their fair value is based on market prices. The Loans are categorised as level 2 because their fair value is based on that of the Notes.

17 RELATED PARTY TRANSACTIONS

Capita Trust Corporate Limited is a director, and corporate service provider of the Company.

During the year the total fees incurred for these services were \$69,863 (2013: \$98,853) and \$101,412 (2013: \$171,275) was prepaid at year end. All transactions with the Capita group were at arm's length.

Ukreximbank is the Company's immediate controlling party and is the single counter party or borrower representing the entire loan receivable balance provided by the Company. The details of the amounts loaned, the amounts placed on deposit, interest receivable and interest accrued as at the year end from Ukreximbank can be found in notes 8, 9, 4 and 10 respectively.

18 CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for the shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. This was considered at the onset of the transaction by loaning the Note proceeds to a creditworthy bank which is government owned and consequently is expected to have a lower risk of default. The cost of capital was also considered by agreeing and paying most of the fees upfront. The capital structure of the Company consists of debt, which includes the borrowings disclosed in note 13 and equity attributable to the share trustee, comprising issued share capital and retained earnings as disclosed in the Statement of Financial Position. The Company is not subject to any external capital requirements except for the minimum requirement under the Companies Act 2006 which is £50,000. The Company has not breached the minimum requirement.

BIZ FINANCE PLC

19 POST BALANCE SHEET EVENTS

On the 27 April 2015 the noteholders approved the short term extension of tranche 1 & 2 notes and the corresponding loan maturity dates to 27 July 2015, to enable a continuing negotiations towards a longer term restructuring of each of the tranches.

On 8 June 2015 the Company issued a consent solicitation memorandum to noteholders whereby the principle terms include the extension of each tranche of loan notes and corresponding loans by seven years from the current maturity date, an uplift in interest rates and the novation of further tranche of loan notes and corresponding loans to Ukreximbank into the Company.

Futher details of the restructuring proposals are provided in the consent solicitation memorandum.

There have been several rating downgrades of the state of Ukraine and Ukreximbank post year-end. Currently, both the state of Ukraine and Ukreximbank are rated Ca by Moody's whilst Fitch rates the state of Ukraine as CC and Ukreximbank as RD (Restricted Default).

Company Registration No. 7161659

BIZ FINANCE PLC
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

BIZ FINANCE PLC

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BIZ FINANCE PLC

CORPORATE INFORMATION

DIRECTORS

Sue Lawrence
Capita Trust Corporate Limited
Capita Trust Corporate Services Limited

SECRETARY

Capita Trust Corporate Limited
The Registry
34 Beckenham Road
Beckenham
Kent

REGISTERED OFFICE

4th Floor
40 Dukes Place
London
EC3A 7NH

BANKERS

The Bank of New York Mellon
One Canada Square
London
E14 5AL

AUDITORS

Ernst & Young LLP
1 More London Place
London
SE1 2AF

BIZ FINANCE PLC

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2013

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company was incorporated in England and Wales on 18 February 2010, as a public Company with limited liability under the Companies Act 2006.

The principal activity of the Company is to provide finance to Joint Stock Company "The State Export-Import Bank of Ukraine" (Ukreximbank) under the terms of the transaction documents. The Company issued five Tranches of Loan Participation Notes ('Notes') as follows:

Tranche 1 was issued on 27 April 2010 for an Aggregate Nominal Amount of US \$500,000,000. Tranche 2 was issued on 21 October 2010 for an Aggregate Nominal Amount of US \$250,000,000. Both tranches are due on 27 April 2015. The issue price was 100% and 103.298% of the Aggregate Nominal Amount for Tranche 1 and Tranche 2 respectively, resulting in total gross proceeds of US \$758,245,000. The Notes bear interest at 8.375% and are listed on the SIX Swiss Stock Exchange.

Tranche 3 was issued on 1 February 2011 with a nominal value of UAH2,385,050,000. These Notes were due on 3 February 2014, bore interest at 11 % per annum and were issued at 100%. They were listed on the Irish stock exchange. Although these notes and the corresponding long term deposit to Ukreximbank were issued in UAH, the resulting cashflows were in US Dollars, and as a result, the foreign exchange risk lies with the noteholders.

Tranche 4 was issued on 22 January 2013 for an Aggregate Nominal Amount of US \$500,000,000. Tranche 5 was issued on 3 April 2013 for an Aggregate Nominal Amount of US \$100,000,000. Both tranches are due on 22 January 2018. The issue price was 100% and 101.437% of the Aggregate Nominal Amount for Tranche 4 and Tranche 5 respectively, resulting in total gross proceeds of US \$601,437,000. The Notes bear interest at 8.75% and are listed on the Irish Stock Exchange.

The proceeds from the issue of the above Notes were used to provide finance to Ukreximbank.

RESULTS AND DIVIDENDS

The results for the year and the state of the Company's affairs are set out in the accompanying financial statements. The profit for the year, after taxation, amounted to \$143,040 (2012: \$247,773).

The Company was set up to make very minimal profit. The reported profit is as a result of accounting for the interest income and expense using the effective interest rate method.

Other key performance indicators for the Company are net interest income and impairment losses. The net interest income for the year is \$202,323 (2012: \$279,622) and no impairment was charged.

No dividends were declared or paid by the Company during the current year and the directors do not propose a final dividend (2012: \$nil).

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

FUTURE PROSPECTS AND DEVELOPMENTS

Driven by political instability Ukraine continues to display certain characteristics consistent with that of an economy in transition. These characteristics include, but are not limited to, low levels of liquidity in the capital markets, high inflation and the existence of currency controls which cause the national currency to be illiquid outside Ukraine. The stability of the Ukrainian economy will be significantly impacted by the Government's policies and actions with regard to administrative, legal and economic reforms. As a result, operations in Ukraine involve risks that are not typical for developed markets. The Ukrainian economy is vulnerable to market downturns and economic slowdowns elsewhere in the world.

In November 2013, the Ukrainian government declined to sign the association agreement with the European Union, which resulted in protests and signs of political unrest. In January - April 2014, the political unrest escalated. In February 2014, the President and majority of the Government officials were dismissed by the Parliament. Parliament initiated certain political reforms, appointed a transitional Government and is forming a set of anti-crisis measures. On 21 March 2014, Ukraine signed a political association with the European Union.

In March 2014, a referendum held in the Autonomous Republic of Crimea supported seceding from Ukraine and becoming part of the Russian Federation. The Crimean Parliament declared independence. While the referendum and declaration of independence have been ruled unconstitutional by the Ukraine's Constitutional Court, the President of the Russian Federation and the representatives of Crimea signed an agreement on the accession of Crimea to the Russian Federation, which has been ratified by the Constitutional Court and the Parliament of the Russian Federation.

Furthermore, from 1 January to 23 June 2014, the Ukrainian Hryvnia devalued against major foreign currencies by approximately 48%, and the National Bank of Ukraine has imposed certain restrictions on purchase of foreign currencies at the inter-bank market. The international rating agencies have downgraded sovereign debt ratings for Ukraine. The combination of the above events has resulted in a deterioration of liquidity and much tighter credit conditions where credit is available.

From April 2014, Pro Russian protests in Eastern Ukraine have escalated into clashes with government forces.

Presidential elections were held in Ukraine on 25 May 2014, although due to instability in the Eastern Ukraine, the elections were not held there. A new President was elected. He has sought through various diplomatic and military measures to regain control over the eastern region.

Management is monitoring these developments in the current environment and taking actions where appropriate. Further negative developments, including the political unrest, could adversely affect the Company's results and financial position in a manner not currently determinable.

The Noteholders will only be paid to the extent that Ukreximbank meets its obligations in respect of the Loans. The directors are satisfied that Ukreximbank will continue to meet its obligations in respect of the Loans.

PRINCIPAL RISKS, UNCERTAINTIES AND FINANCIAL INSTRUMENTS

The Company is a securitisation Company which has been structured so as to avoid, as far as possible, significant financial risk. Certain estimates in the financial statements are based wholly or in part on estimates or assumptions made by the directors, taking into consideration the current market and economic conditions. There is, therefore, a risk that these may be subject to change in future periods.

The Company's financial risk management objectives and policies are set out in note 16.

Approved by the Board of Directors and signed on behalf of the Board



Paul Glendenning *for and on behalf of:*
Capita Trust Corporate Services Limited
Director
Date: 30 June 2014

BIZ FINANCE PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2013

DIRECTORS

The directors present their report on the affairs of Biz Finance Plc ("the Company") together with the financial statements for the year ended 31 December 2013.

The directors who served during the year and subsequently are as follows:

Sue Lawrence
Capita Trust Corporate Limited
Capita Trust Corporate Services Limited

EMPLOYEES

The Company had no employees during the current year. Capita Trust Secretaries Limited performed the Company's secretarial functions during the year and Capita Trust Corporate Limited provided corporate and administration services.

EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

On 3 February 2014 the the UAH2,385,050,000 deposit matured and the proceeds were used to repay the underlying notes.

On 17 January 2014 Capita Trust Secretaries Limited resigned and Capita Trust Corporate Limited was appointed in their place.

Also please see 'Future prospects and developments' section of the Strategic report for details on the current crisis in Ukraine.

CORPORATE GOVERNANCE

The Directors have been charged with governance in accordance with the transactional documentation detailing the mechanism and structure of the transaction. The structure of the Company is such that the key policies have been predetermined at the time of issuance and the operational roles have been assigned to third parties with their roles strictly governed by the transaction documents.

The programme documentation provides for procedures that have been designed for safeguarding assets against unauthorised use or disposition; for maintaining proper accounting records; and for the reliability and usefulness of financial information used within the business or for publication. Such procedures are designed to manage rather than eliminate the risk of failure to achieve business objectives whilst enabling them to comply with the regulatory obligations.

The Company is exempt from the requirements of DTR 7.1 and 7.2 (except 7.2.5) by the nature of the securities which have been issued. The directors are therefore satisfied that there is no requirement for an audit committee or a supervisory body entrusted to carry out the functions of an audit committee.

GOING CONCERN

Under the terms of the transaction documents, the Company is required to make payments to the Note holders to the extent that there is cash available within the Company. At the end of the securitisation, any losses incurred due to defaults by the borrower and resulting cash shortages are absorbed by the Note holders according to the priority of payments as defined in the transaction documents.

The performance of the Company depends on Ukreximbank's credit quality and its ability to make payments under the Loan agreement. The bank is 100% owned by the Government of Ukraine and there is currently a lot of uncertainty as to the recoverability of the loan because of the current crisis in Ukraine (see 'Future prospects and developments' section of the Strategic report).

BIZ FINANCE PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

GOING CONCERN (continued)

The Notes are limited recourse obligations and the Company will not have any obligation to the Noteholders other than the obligation to account to the Noteholders for payments of all amounts received by it under the Loan less the reserved rights which the Issuer is entitled to retain from any amounts actually received. The directors therefore consider it appropriate to adopt the going concern basis in preparing the financial statements.

AUDITORS

Ernst & Young LLP have expressed their willingness to continue in the office of auditors and a resolution to appoint them will be proposed at the forthcoming Annual General Meeting.

DISCLOSURE OF INFORMATION TO THE AUDITORS

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

DIRECTORS' RESPONSIBILITIES STATEMENT

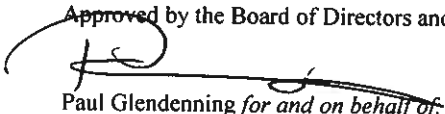
The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the Board of Directors and signed on behalf of the Board


Paul Glendenning *for and on behalf of*
Capita Trust Corporate Services Limited
Director

Date: 30 June 2014

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BIZ FINANCE PLC

We have audited the financial statements of Biz Finance Plc for the year ended 31 December 2013 which comprise the Statement of comprehensive income, the Statement of changes in equity, the Statement of financial position, the Statement of cashflows and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006

Emphasis of matter – Political unrest in Ukraine

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in Note 19 to the financial statements concerning the impact of the political unrest in Ukraine. The events referred to in Note 19 could adversely affect the Company's future results and financial position in a manner not currently determinable.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

Ernst & Young LLP

Kenneth Eglinton (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London, United Kingdom
Date:

30 June 2014

BIZ FINANCE PLC

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2013

		Year ended 31 December 2013 \$	Year ended 31 December 2012 \$
	Note		
INTEREST INCOME	4	144,009,083	95,279,008
INTEREST EXPENSE	5	(143,806,760)	(94,999,386)
NET INTEREST INCOME		202,323	279,622
Other income		203,526	120,025
Administration expenses	6	(238,979)	(155,551)
PROFIT FOR THE YEAR BEFORE FOREIGN EXCHANGE GAIN AND TAX		166,870	244,096
Foreign exchange (loss)/gain		(23,822)	3,685
PROFIT FOR THE YEAR AFTER FOREIGN EXCHANGE GAIN BUT BEFORE TAX		143,048	247,781
Taxation	7	(8)	(8)
PROFIT FOR THE YEAR AFTER TAXATION		143,040	247,773
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		143,040	247,773

The accompanying notes are an integral part of these financial statements.

The results above arose wholly from continuing operations.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	Share capital \$	Retained earnings \$	Total \$
Restated balance as at 31 December 2011	73,300	(402,206)	(328,906)
Total comprehensive income for the year	-	247,773	247,773
Balance as at 31 December 2012	73,300	(154,433)	(81,133)
Total comprehensive income for the year	-	143,040	143,040
Balance as at 31 December 2013	73,300	(11,393)	61,907

BIZ FINANCE PLC**STATEMENT OF FINANCIAL POSITION**

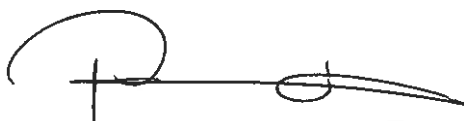
As at 31 December 2013

		2013 \$	2012 \$
ASSETS:	Note		
NON-CURRENT ASSETS			
Loans receivable	8	1,385,550,667	763,720,858
CURRENT ASSETS			
Long term deposit	9	303,887,433	307,659,356
Trade and other receivables	10	312,629	281,184
Cash and cash equivalents	11	161,548	88,080
		<u>304,361,610</u>	<u>308,028,620</u>
TOTAL ASSETS		1,689,912,277	1,071,749,478
LIABILITIES:			
NON-CURRENT LIABILITIES			
Notes issued	13	1,387,203,648	1,071,580,911
CURRENT LIABILITIES			
Trade and other payables	12	302,646,722	249,700
TOTAL LIABILITIES		<u>1,689,850,370</u>	<u>1,071,830,611</u>
NET ASSETS		<u>61,907</u>	<u>(81,133)</u>
CAPITAL AND EQUITY			
Called up share capital	14	73,300	73,300
Retained earnings		(11,393)	(154,433)
TOTAL SHAREHOLDERS' FUNDS		<u>61,907</u>	<u>(81,133)</u>

The accompanying notes are an integral part of these financial statements.

The financial statements of Biz Finance Plc, Company Registration No. 7161659 were approved by the Board of Directors and authorised for issue on 30th June 2014

Signed on behalf of the Board of Directors



Paul Glendenning for and on behalf of:
Capita Trust Corporate Services Limited
Director

Date: 30 June 2014

BIZ FINANCE PLC

STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

		Year ended 31 December 2013	Year ended 31 December 2012
		\$	\$
	Note		
Operating profit before tax		143,048	247,781
Foreign exchange rate movement on the long term deposit	9	5,971,101	1,372,078
Foreign exchange rate movement on the UAH notes	13	(5,945,764)	(1,372,310)
Movement in loan receivable effective interest rate adjustment	8	(22,198,161)	880,575
Movement in long term deposit effective interest rate adjustment	9	(2,199,178)	(939,696)
Movement in loan notes effective interest rate adjustment	13	22,469,345	(220,477)
(Increase) in other debtors	10	(31,445)	(1,466)
Increase in other creditors (excluding tax)		138,836	36,905
Corporation tax paid		(8)	(9)
Net cash flow from operating activities		(1,652,226)	3,381
Cashflow from investing activities			
Issue of loan	9	(601,437,000)	-
Cash received upfront for transaction costs	9	1,805,352	-
Net cash outflow from investing activities		(599,631,648)	-
Cashflow from financing activities			
Issue of Notes	13	600,000,000	-
Premium on notes issued	13	1,437,000	-
Other advance receipts in relation to Tranche 5	13	1,725,694	-
Transaction costs paid	13	(1,805,352)	-
Net cash flow from financing activities		601,357,342	-
Net increase in cash and cash equivalents		73,468	3,381
Cash and cash equivalents at beginning of year		88,080	84,699
Cash and cash equivalents at end of year	11	<u>161,548</u>	<u>88,080</u>

The accompanying notes are an integral part of these financial statements.

1 GENERAL INFORMATION

Biz Finance Plc is a Company incorporated in England and Wales on 18 February 2010. The address of the registered office is given on page 1. The nature of the Company and its principal activities are set out in the Strategic Report.

These financial statements are presented in US Dollars because this is the functional currency in which the Company's main cashflows are received and paid.

2 ACCOUNTING POLICIES

A summary of the principal accounting policies, all of which have been applied consistently throughout the year, is set out below:

a) Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted for use in the European Union.

The financial statements have been prepared on the historical cost basis as modified by International Accounting Standard 39 "Financial Instruments: Recognition and Measurement" ("IAS 39").

Due to the fact that the nature of the business is to provide finance, the directors are of the opinion that it is more appropriate to use interest income and interest expense rather than turnover and cost of sales in preparing the income statement.

Under the terms of the transaction documents, the Company is required to make payments to the Note holders to the extent that there is cash available within the Company. At the maturity date of the Notes, any losses incurred due to defaults by the borrowers and resulting cash shortages are absorbed by the Note holders according to the priority of payments as defined in the transaction documents. The Notes are limited recourse obligations and the Company will not have any obligation to the Noteholders other than the obligation to account to the Noteholders for payments of all amounts received by it under the Loan less the reserved rights which the Issuer is entitled to retain from any amounts actually received. The directors therefore consider it appropriate to adopt the going concern basis in preparing the financial statements.

b) Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expense, in particular over recoverability of assets. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements on carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates used in the financial statements.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both the current and future periods.

c) Interest income and receivable

Interest income is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's carrying amount. The stepped interest rate, cash received up-front to pay for transaction costs, advanced interest received and incurred deposit fee included in Loan receivables and long Term Deposit balance (Note 8 & 9) are amortised through interest income using the effective interest rate.

2 ACCOUNTING POLICIES (continued)

d) Other income

Other income represents reimbursement of administration expenses by the borrower in accordance with the Loan agreement and is recognised on an accruals basis.

e) Administration expenses

Administration expenses include corporate service fees, accounting fees and audit fees and are recognised on an accruals basis.

f) Interest expense and payable

Interest expense is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to that liability's carrying amount. Both transaction costs and the Note issuance premium (Note 13) are amortised through interest expense using the effective interest rate.

g) Foreign currencies

Assets and liabilities denominated in foreign currency include capitalised corporate service fees paid upfront, and deferred income received up-front to pay for these expenses. These assets and liabilities are recorded at the rates of exchange prevailing on the dates of the transactions. The cash at bank is held in a pound sterling - denominated account. This is retranslated at the functional currency rate of exchange on the statement of financial position date. The gains/losses on retranslation are recognised in the Statement of Comprehensive income. On 1 February 2011, the Company issued a further Tranche of Notes valued at UAH2,385,050,000. Although these notes and the corresponding long term deposit placed with Ukreximbank were issued in UAH, the resulting cashflows are in US Dollars, and as a result, the foreign exchange risk lies with the noteholders. The UAH deposit is retranslated at the functional currency rate of exchange on the statement of financial position date and gains/losses on retranslation are recognised in the statement of comprehensive income. The corresponding UAH loan notes are also revalued to match the value of the loans.

h) Taxation

The Company has elected to be taxed under the "permanent" tax regime for securitisation companies (contained in Statutory Instrument 2006/3296), under which the Company is taxed broadly by reference to its net cash flows during the year, and not by reference to its accounting profits, to the extent that these differ.

i) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank.

j) Trade and other receivables

This includes corporate service fees which were paid upfront and are amortised on a straight line basis over the life of the Loan Notes issued, as well as interest receivable on the loan.

k) Trade and other payables.

This includes deferred income which was received to pay for the corporate service fees upfront. It is amortised on a straight line basis over the life of the Loan Notes issued, as well as interest payable on the notes.

2 ACCOUNTING POLICIES (continued)

l) Financial instruments – initial recognition and subsequent measurement

i) *Loans receivable and long term cash deposit*

The Loans and long term cash deposits have been classified as Loans and receivables. They are measured on initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Subsequent increases of the value of the Loan, which can be objectively related to an event occurring after previous impairment losses have been recognised, are recorded in the income statement to the extent previous impairment losses have been taken through the income statement. The reversal shall not result in a carrying amount of the Loan that exceeds the amortised cost had no impairment been recognised.

ii) *Notes issued*

The Notes issued are classified as other financial liabilities and are initially recognised at fair value at the date of issuance of the liabilities, and are subsequently measured at amortised cost using the effective interest rate method.

m) Derecognition of financial assets and financial liabilities

i) *Financial assets*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass through” arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained all the risks and rewards of the asset, but has transferred control of the asset.

Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of the consideration that the Company could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Company's continuing involvement is the amount of the transferred asset that the Company may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Company's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

ii) *Financial liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

2 ACCOUNTING POLICIES (continued)

n) New Standards adopted in the year

The adoption of Standards and Interpretations issued by the International Accounting Standards Board (IASB) that were effective for the current year has not had a material impact on the financial statements of the Company. IFRS 13 became effective on 1 January 2013, it establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS. IFRS 13 defines fair value as an exit price. As a result of the guidance in IFRS 13, the Company re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. IFRS 13 also requires additional disclosures. Application of IFRS 13 has not materially impacted the fair value measurements of the Company. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchy is provided in Note 16.

o) Standards issued but not yet effective

At the date of authorisation of these financial statements, the following Standards and Interpretations, which have not been applied in these financial statements, were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

Name of new Standards/amendments	Effective date
Amendments to IFRS 10, IFRS 12, and IAS 27 (Oct 2012): Investment Entities	1 January 2014
Amendments to IAS 32 (Dec 2011): Offsetting Financial Assets and Financial Liabilities	1 January 2014
IFRS 9: Financial Instruments	(Proposed) 1 January 2018
IFRS 12: Disclosure of Interests in Other Entities	1 January 2014
IFRS 11: Joint Arrangements	1 January 2014
IFRS 10: Consolidated Financial Statements	1 January 2014
Annual Improvements to IFRSs: 2010-2012 Cycle	1 July 2014
Annual Improvements to IFRSs: 2011-2013 Cycle	1 July 2014
Amendments to IFRS 10, IFRS 11, and IFRS 12: Transition Guidance	1 January 2014
Amendments to IAS 39: Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
Amendments to IAS 36: Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
Amendments to IAS 19: Employee Contributions	1 July 2014
IFRIC 21 Levies	1 January 2014
IFRS 14 - Regulatory Deferral Accounts	1 January 2014

The directors considered the potential impact of the adoption of IFRS 9 on the financial statements of the Company, but they do not believe that the adoption at any time in the future of the remaining Standards above will have any material impact on the amounts reported in these financial statements.

3 DIRECTORS AND EMPLOYEES

None of the directors received any emoluments during the year for their services to the Company nor received any benefits from the Company (2012: \$ Nil). The directors are employed and remunerated by subsidiaries of the Capita Group in respect of their services to the Company. Subsidiaries of the Capita Group who are the appointed corporate service providers as per the offering document were paid an annual corporate fee of \$98,853 (2012: \$75,236) as a whole, and it is considered that there is no appropriate basis on which they can apportion part of this fee applicable to directors' services to the Company.

The Company has no employees (2012: none) and services required are contracted to third parties.

4 INTEREST INCOME

	Year ended 31 December 2013	Year ended 31 December 2012
	\$	\$
Interest income (refer to note 8 and 9)	144,009,044	95,278,969
Bank interest	39	39
	<u>144,009,083</u>	<u>95,279,008</u>

All income is derived from the Company's principal activity in the Ukraine.

5 INTEREST EXPENSE

	Year ended 31 December 2013	Year ended 31 December 2012
	\$	\$
Interest payable (refer note 13)	<u>143,806,760</u>	<u>94,999,386</u>

6 ADMINISTRATION EXPENSES

	Year ended 31 December 2013	Year ended 31 December 2012
	\$	\$
Auditors' remuneration for the audit of the Company's statutory accounts	100,301	66,757
Auditors' remuneration for the audit of the Company's prior year statutory accounts	29,009	851
Auditors' remuneration for tax compliance services	10,817	10,199
Management and advisory fees	98,853	75,236
Other expenses	-	509
Listing fees	-	2,000
	<u>238,979</u>	<u>155,551</u>

7 TAXATION ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

Tax is based on the results for the year and comprises:

	Year ended 31 December 2013	Year ended 31 December 2012
	\$	\$
Current taxation:		
Charge for the year	8	8
Tax charge for the year	<u>8</u>	<u>8</u>

The tax rate assessed for the year is lower than the small companies rate of corporation tax in the UK of 20% (2012 - 20%). The factors affecting the tax charge are explained below:

	Year ended 31 December 2013	Year ended 31 December 2012
	\$	\$
Profit/(loss) on ordinary activities before tax	143,048	247,781
Profit/(Loss) on ordinary activities multiplied by the standard rate of corporation tax for small companies of 20% (2012: 20%)	28,610	49,556
Effects of:		
Application of Statutory Instrument No. 3296 The Taxation of Securitisation Companies Regulations 2006	(28,610)	(49,556)
Tax for the year at the small companies rate of corporation tax of 20% (2012: 20%) on the actual retained profit for 2013	8	8
Current tax charge for the year	<u>8</u>	<u>8</u>

Factors affecting the tax charge in the year:

This company is taxed in accordance with Statutory Instrument No. 3296 The Taxation of Securitisation Companies Regulations 2006 which requires that tax is charged on the profits 'retained by the issuer'. The 'retained profit' for the year amounted to \$39 (2012: \$40).

The directors are satisfied that this Company meets the definition of a securitisation Company as defined by both Finance Act 2005 and the subsequent legislation and that no incremental unfunded tax liabilities will arise.

The directors have accordingly elected that this Company be taxed by reference to its net cash margin, and not its accounting profit.

8 LOANS RECEIVABLE

	Interest rate	2013	2012
	See note below	\$	\$
Loans advanced		1,359,682,000	758,245,000
Upfront cash received		(5,273,098)	(3,467,746)
Accrued interest		34,500,490	11,389,077
Effective interest rate adjustment		(3,358,725)	(2,445,473)
		<u>1,385,550,667</u>	<u>763,720,858</u>

The Loans were made to "The State Export-Import Bank of Ukraine" (Ukreximbank). The first loan has a principal value of \$758,245,000 and is due for repayment on 27 April 2015. It bears interest at a percentage rate per annum equal to (i) in respect of the first interest period for the initial Loan of \$500,000,000, 8.375% (ii) in respect of the first interest period for the subsequent Loan of \$258,245,000, 8.11% (iii) in respect of each interest period thereafter (other than the Last Interest Period (as defined in sub-paragraph (iv) below)), 8.28% and (iv) in respect of the interest period ending on 27 April 2015 (the "Last Interest Period"), 6.11%.

The second loan has a principal value of \$601,437,000 and is due for repayment on 22 January 2018. It bears interest at a percentage rate per annum equal to (i) in respect of the first Interest Period for the Original Loan, 8.75%; (ii) in respect of the First Interest Period for the Further Loan, 8.62604375%; (iii) in respect of each Interest Period thereafter 8.72909382%; (iv) in respect of the Interest Period ending on 22 January 2018 (the "Last Interest Period"), 8.251238284%, provided, however, that if the Loan is required to be repaid in the Last Interest Period on a date prior to 22 January 2018 if any of the events described in Clauses 7.1 (Repayment for Tax Reasons and Change in Circumstances), 7.2 (Repayment for Illegality), 7.3 (Repayment in the event of a Change of Control) and 14.10 (Acceleration) occur, the percentage rate per annum used for the calculation of interest in the Last Interest Period shall equal 8.72909382%.

Subsequent to year end, there has been political unrest in Ukraine which could impact on the recoverability of the loans. Please see credit risk disclosure in note 16.

9 LONG TERM CASH DEPOSIT

	2013	2012
	\$	\$
Deposit	300,002,516	300,002,516
Loan deposit fee capitalised	204,573	204,573
Advance interest received	(2,390,175)	(2,390,175)
Accrued interest	14,012,492	13,132,231
Effective interest rate adjustment	2,879,569	1,560,652
Foreign exchange rate movement	(10,821,542)	(4,850,441)
	<u>303,887,433</u>	<u>307,659,356</u>

The deposit was placed with Ukreximbank. It had a principal value of UAH2,385,050,000 and was due for repayment on 3 February 2014. It bore interest at 11%. Although the deposit was placed in UAH, the resulting cashflows for both the deposit and underlying Notes were in US Dollars, and as a result, the foreign exchange risk lies with the noteholders. The UAH deposit was retranslated at the functional currency rate of exchange on the statement of financial position date and gains/losses on retranslation were recognised in the statement of comprehensive income. The deposit matured on 3 February 2014 and the proceeds were used to repay the underlying notes.

10 TRADE AND OTHER RECEIVABLES

	2013	2012
	\$	\$
Prepayments and other debtors	<u>312,629</u>	<u>281,184</u>

11 CASH AND CASH EQUIVALENTS

Cash comprises cash on hand and demand deposits as well as short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

	2013	2012
	\$	\$
Cash at bank and in hand	161,548	88,080

12 TRADE AND OTHER PAYABLES:

	2013	2012
	\$	\$
Amounts falling due within one year:		
UAH Notes due in 1 year	302,258,187	-
Accruals	388,527	249,692
Corporation tax payable	8	8
	<u>302,646,722</u>	<u>249,700</u>

13 NOTES ISSUED

	2013	2012
	\$	\$
Tranche 1	506,812,006	506,273,522
Tranche 2	256,143,049	257,777,512
Tranche 3	-	307,529,878
Tranche 4	518,008,516	-
Tranche 5	106,240,077	-
	<u>1,387,203,648</u>	<u>1,071,580,911</u>
Movement in Notes		
As at 31 December 2012	1,071,580,911	1,073,294,435
Notes Issued in the year (Tranche 4&5)	600,000,000	-
Note Premium (Tranche 5)	1,437,000	-
Issue costs (Tranche 4&5)	(1,805,352)	-
Other advance receipts in relation to Tranche 5	1,725,694	-
Reversal of opening accrued interest	(24,521,311)	(24,642,046)
Accrued Interest	47,081,479	24,521,311
Effective interest rate adjustment	(90,823)	(220,478)
Foreign Exchange Movement	(5,945,764)	(1,372,311)
Reclassification of UAH Notes to Trade Payables	(302,258,187)	-
As at 31 December 2013	<u>1,387,203,648</u>	<u>1,071,580,911</u>

The above Notes are fixed interest Loan Participating Notes. Tranche 1 was issued on 27 April 2010 for an Aggregate Nominal Amount of US\$500,000,000. Tranche 2 was issued on 21 October 2010 for an Aggregate Nominal Amount of US\$250,000,000. Both tranches bear interest at 8.375% per annum. The issue price was 100% and 103.298% of the Aggregate Nominal Amount for Tranche 1 and Tranche 2 respectively, resulting in total gross proceeds of US\$758,245,000. Both tranches are due on 27 April 2015. Tranche 3 was issued at par for an Aggregate Nominal Amount of UAH2,385,050,000 on 3 February 2011. It was due on 3 February 2014 and it bore interest at 11% per annum. Tranche 4 was issued at par on 22 January 2013 for an Aggregate Nominal Amount of \$500,000,000. Tranche 5 was issued at 101.437% for an Aggregate Nominal Amount of \$100,000,000. Both tranche 4 and 5 bear interest at 8.75% and are due on 22 January 2018.

Although the Tranche 3 notes were issued in UAH, the resulting cashflows were in US Dollars, and as a result, the foreign exchange risk lay with the noteholders. The UAH loan notes were therefore revalued to match the value of the Deposit on each statement of financial position date. These were repaid on 3 February 2014.

The Note premium and issue costs are amortised over the life of the Notes at the effective interest rate.

The Tranche 1 and 2 Notes are listed on the SIX Swiss Stock Exchange whilst Tranches 3, 4 and 5 are listed on the Irish Stock Exchange. All the notes are unsecured. The Company however, has charged by way of security to the Trustee, all its right to receive principal and interest on the Loan under the Loan Agreements.

14 SHARE CAPITAL

	2013	2012
	\$	\$
Authorised		
50,000 ordinary shares of £1 each	73,300	73,300
Allotted, called up and partly paid		
50,000 ordinary shares fully paid at £1:US\$1.466	73,300	73,300

15 CONTROLLING PARTIES

The entire share capital of Biz Finance Plc is held by Capita Trust Nominees No. 1 Limited, a company incorporated in the United Kingdom. Although Ukreximbank has no direct ownership interest in the Company, it is considered to benefit from the risk and rewards of its activities in the Loan receivable and Loan notes issued. The results of the Company are therefore included in the consolidated financial statements of Ukreximbank. This is the smallest group in which the Company's results are consolidated. Ukreximbank is registered in the Ukraine and copies of the financial statements may be obtained from the company's website; www.eximb.com.

Ukreximbank is 100% owned by the state of Ukraine therefore, the ultimate controlling party is the State of Ukraine.

16 FINANCIAL INSTRUMENTS

The Company's financial instruments comprise loans, long term deposits and notes. Cash, accrued interest income, accrued interest payable and other items arise directly from its operations. It is and has been throughout the year, the Company's policy that no trading in financial instruments shall be undertaken.

Because the payment and receipt of interest on notes and loans and deposits respectively, are matched and the expenses were either paid upfront or are reimbursed by the borrower, there is limited liquidity risk. The principal risks arising from the Company's financial instruments are foreign exchange and credit risk. The Board reviews and agrees policies for managing each of these risks and these are summarised below.

Foreign exchange risk

The functional currency of the Company is US Dollars. The Company is exposed to foreign exchange risk because the functional currency differs from the currency in which other expenses are incurred and the currency in which its cash at bank is held. This risk is however very minimal. On 1 February 2011, the Company issued a further Tranche of Notes valued at UAH2,385,050,000. Although these notes and the corresponding long term deposit placed with Ukreximbank was issued in UAH, the resulting cashflows are in US Dollars, and as a result, the foreign exchange risk lies with the noteholders.

At 31 December 2013 the following assets were denominated in foreign currency:

	Base currency	2013	2012
		\$	\$
Long term deposits	UAH	303,887,433	307,659,356
Cash and cash equivalents	£	153,355	88,080
		304,040,788	307,747,436

As at 31 December 2013 the exchange rate of the US dollar to the Pound Sterling was 0.610:1 (2012; 0.619:1) and the US dollar to the UAH was 8.243:1 (2012; 8.08:1).

16 FINANCIAL INSTRUMENTS (continued)

Credit risk

The loans have been issued to and the long term deposit placed with one counterparty, "The State Export-Import Bank of Ukraine" (Ukreximbank), therefore the credit risk is highly concentrated. Ukreximbank is 100% owned by the Government of Ukraine and the directors believe that the risk of default is currently low. Subsequent to year end., in line with the current crisis in Ukraine, the state of Ukraine is currently downgraded to Caa3 by Moody's (B3 as of 21 February 2013) and CCC by Fitch (B as of 21 February 2013). Ukreximbank was rated by Moody's as Ca (2013: Caa1) and by Fitch as CCC (2013:B-). These downgrades are reflective of the widespread problems in Ukraine given the significant correlation between Ukreximbank and the sovereign's credit profiles. For the year ended 31 December 2013, Ukreximbank's profits were about US\$16.5m (2012:US\$17.1m) and its net assets were about US\$1.4bn (2012:US\$2.16bn). The loan and the long term deposit are neither past due nor impaired. Based on the above, the directors believe that the Loan will be fully recoverable and they do not consider any impairment charge necessary.

Driven by political instability Ukraine continues to display certain characteristics consistent with that of an economy in transition. These characteristics include, but are not limited to, low levels of liquidity in the capital markets, high inflation and the existence of currency controls which cause the national currency to be illiquid outside Ukraine. The stability of the Ukrainian economy will be significantly impacted by the Government's policies and actions with regard to administrative, legal and economic reforms. As a result, operations in Ukraine involve risks that are not typical for developed markets. The Ukrainian economy is vulnerable to market downturns and economic slowdowns elsewhere in the world.

In November 2013, the Ukrainian government declined to sign the association agreement with the European Union, which resulted in protests and signs of political unrest. In January - April 2014, the political unrest escalated. In February 2014, the President and majority of the Government officials were dismissed by the Parliament. Parliament initiated certain political reforms, appointed a transitional Government and is forming a set of anti-crisis measures. On 21 March 2014, Ukraine signed a political association with the European Union.

In March 2014, a referendum held in the Autonomous Republic of Crimea supported seceding from Ukraine and becoming part of the Russian Federation. The Crimean Parliament declared independence. While the referendum and declaration of independence have been ruled unconstitutional by the Ukraine's Constitutional Court, the President of the Russian Federation and the representatives of Crimea signed an agreement on the accession of Crimea to the Russian Federation, which has been ratified by the Constitutional Court and the Parliament of the Russian Federation.

Furthermore, from 1 January to 23 June 2014, the Ukrainian Hryvnia devalued against major foreign currencies by approximately 48%, and the National Bank of Ukraine has imposed certain restrictions on purchase of foreign currencies at the inter-bank market. The international rating agencies have downgraded sovereign debt ratings for Ukraine. The combination of the above events has resulted in a deterioration of liquidity and much tighter credit conditions where credit is available.

From April 2014, Pro Russian protests in Eastern Ukraine have escalated into clashes with government forces. Presidential elections were held in Ukraine on 25 May 2014, although due to instability in the Eastern Ukraine, the elections were not held there. A new President was elected. He has sought through various diplomatic and military measures to regain control over the eastern region.

Management is monitoring these developments in the current environment and taking actions where appropriate. Further negative developments, including the political unrest, could adversely affect the Company's results and financial position in a manner not currently determinable.

The Noteholders will only be paid to the extent that Ukreximbank meets its obligations in respect of the Loans. The directors are satisfied that Ukreximbank will continue to meet its obligations in respect of the Loans.

Maturity of financial liabilities

The following maturity profile details the Company's expected maturity of its financial liabilities and is based on the undiscounted contractual maturities of the financial liabilities including interest that will be earned on those liabilities except where the Company anticipates that the cash flow will occur in a different period. The maturity profile of the loan receivable is similar to that of the notes below.

	2013 \$	2012 \$
In one year or less, or on demand	418,340,041	95,812,777
In more than one year but not more than two years	822,634,418	365,840,041
In more than two years but not more than five years	708,208,333	770,134,418
	<u>1,949,182,792</u>	<u>1,231,787,236</u>

16 FINANCIAL INSTRUMENTS (continued)

Fair values

The fair value of the Notes is based on market prices. The fair value of the Loan has been based on the fair value of the Notes because they have similar maturities and interest rate.

	Carrying amount \$ 2013	Fair value \$ 2013	Carrying amount \$ 2012	Fair value \$ 2012
Assets				
Loans	1,385,550,667	1,267,329,000	763,720,858	755,655,000
Long term deposit	303,887,433	297,002,491	307,659,356	252,002,113
	<u>1,689,438,100</u>	<u>1,564,331,491</u>	<u>1,071,380,213</u>	<u>1,007,657,113</u>
Liabilities				
Notes issued	<u>1,689,461,835</u>	<u>1,564,331,491</u>	<u>1,071,580,911</u>	<u>1,007,657,113</u>

No fair values have been disclosed for current assets because their carrying amount approximates to fair value due to their short-term maturities.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The Notes are categorised as level 1 because their fair value is based on market prices. The Loans are categorised as level 2 because their fair value is based on that of the Notes.

17 RELATED PARTY TRANSACTIONS

Capita Trust Corporate Limited is a director, and corporate service provider of the Company.

During the year the total fees incurred for these services were \$98,853 (2012: \$75,236) and \$171,275 (2012: \$125,277) was prepaid at year end. All transactions with the Capita group were at arm's length.

Ukreximbank is the Company's immediate controlling party and is the single counter party or borrower representing the entire loan receivable balance provided by the Company. The details of the amounts loaned, the amounts placed on deposit, interest receivable and interest accrued as at the year end from Ukreximbank can be found in notes 8, 9, 4 and 10 respectively.

18 CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for the shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. This was considered at the onset of the transaction by loaning the Note proceeds to a creditworthy bank which is government owned and consequently is expected to have a lower risk of default. The cost of capital was also considered by agreeing and paying most of the fees upfront. The capital structure of the Company consists of debt, which includes the borrowings disclosed in Note 13 and equity attributable to the share Trustee, comprising issued share capital, reserves and retained earnings as disclosed in Note 14.

19 POST BALANCE SHEET EVENTS

On 3 February 2014 the UAH2,385,050,000 deposit matured and the proceeds were used to repay the underlying notes.

On 17 January 2014 Capita Trust Secretaries Limited resigned and Capita Trust Corporate Limited was appointed in their place.

Subsequent to year end, there has been political unrest in Ukraine which could impact on the recoverability of the loans to Ukreximbank. Please see credit risk disclosure in note 16.

THE ISSUER

Biz Finance PLC
4th Floor, 40 Dukes Place
London EC3A 7NH
United Kingdom

THE BANK

Joint Stock Company “The State Export-Import Bank of Ukraine”
127 Gorkogo Street
Kyiv 03150
Ukraine

TRUSTEE

BNY Mellon Corporate Trustee Services Limited
One Canada Square
London E14 5AL
United Kingdom

**PRINCIPAL PAYING AGENT AND
TRANSFER AGENT**

The Bank of New York Mellon, London Branch
One Canada Square
London E14 5AL
United Kingdom

REGISTRAR

The Bank of New York Mellon (Luxembourg) S.A.
Aerogolf Center 1A, Hoehenhof
L-1736 Senningerberg
Luxembourg

LEGAL ADVISORS TO THE BANK

White & Case LLP
5 Old Broad Street
London EC2N 1DW
United Kingdom

LEGAL ADVISORS TO THE ISSUER

K&L Gates LLP
One New Change
London EC4M 9AF
United Kingdom

BANK’S AUDITORS

**LLC Audit Firm “PricewaterhouseCoopers
(Audit)”**
9-10th Floors
75 Zhylyanska Street
Kyiv 01032
Ukraine

ISSUER’S AUDITORS

Ernst & Young LLP
1 More London Place
London SE1 2AF
United Kingdom

LISTING AGENT

Arthur Cox Listing Services Limited
Earlsfort Centre
Earlsfort Terrace
Dublin 2
Ireland