PJSC "BANK CREDIT DNEPR"
Financial statements

As at and for the year ended 31 December 2011
Together with Independent Auditors' Report

Translation from original in Russian

Translation from original in Russian

CONTENTS

INDEPENDENT AUDITORS' REPORT

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

Translation from original in Russian

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INDEPENDENT AUDITOR'S REPORT

To the Shareholder and the Supervisory Council of Public Joint Stock Company "BANK CREDIT DNEPR"

We have audited the accompanying financial statements of Public Joint Stock Company "BANK CREDIT DNEPR", which comprise the statement of financial position as at 31 December 2011, and the statements of comprehensive income, of changes in equity and of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements present fairly, in all material respects, the financial position of Public Joint Stock Company "BANK CREDIT DNEPR" as at 31 December 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young Audit Services LLC

31 July 2012

Translation from original in Russian

STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

(Thousands of Ukrainian hryvnias)

	Notes	2011	2010
Assets			
Cash and cash equivalents, except for balances on current accounts with the National Bank of Ukraine	5	1,975,159	1,514,501
Balances with the National Bank of Ukraine	6	392,436	290,386
Amounts due from banks	7	15,393	78,102
Loans to customers	8	5,360,147	3,915,555
Financial assets available-for-sale	9	156,847	68,504
Property, equipment and intangible assets	10	202,816	172,349
Investment property	11	84,205	83,932
Assets held-for-sale	12	66,765	8,766
Other assets	14	33,826	16,238
Total assets		**8,287,594**	**6,148,333**
Liabilities			
Amounts due to banks	16	1,503,894	1,538,070
Amounts due to customers	17	5,584,811	3,738,110
Debt securities issued	18	106,363	-
Subordinated debt	19	292,398	64,183
Current income tax liabilities	13	1,876	3,496
Deferred income tax liabilities	13	26,278	43,569
Other liabilities	20	18,609	8,723
Total liabilities		**7,534,229**	**5,396,151**
Equity			
Share capital	21	338,666	338,666
Additional paid-in capital		17,678	17,678
Revaluation reserve		97,402	100,420
Retained earnings		299,619	295,418
Total capital		**753,365**	**752,182**
Total equity and liabilities		**8,287,594**	**6,148,333**

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

Chairman of the Management Board **Pavel Makarov**

Chief Accountant **Larisa Petrova**

31 July 2012

Translation from original in Russian

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

(Thousands of Ukrainian hryvnias)

	Notes	2011	2010
Interest income			
Loans to customers		668,865	520,980
Financial assets available-for-sale		7,057	12,123
Cash and cash equivalents, except for balances on current accounts with the National Bank of Ukraine		5,673	838
Balances with the National Bank of Ukraine		1,389	571
		682,984	**534,512**
Interest expenses			
Amounts due to customers		(395,187)	(312,576)
Amounts due to banks		(55,441)	(58,830)
Subordinated debt		(13,124)	(5,082)
Debt securities issued		(7,372)	(3,848)
		(471,124)	**(380,336)**
Net interest income		**211,860**	**154,176**
Charges to allowances for impairment of loans to customers	8	(40,839)	(31,784)
Net interest income after impairment of interest earning assets		**171,021**	**122,392**
Net fee and commission income	23	53,441	41,241
Net gains from financial assets available-for-sale	9	2,354	942
Net gains /(losses) arising from foreign currencies:			
- trading		41,354	17,583
- translation differences		(677)	4,146
Other income		3,417	2,218
Non-interest income		**99,889**	**66,130**
Personnel expenses	24	(110,819)	(64,843)
Other operating expenses	24	(135,408)	(74,734)
Depreciation and amortisation	10	(15,410)	(10,629)
Other charges to allowances for impairment and provisions	15	(1,775)	(7,976)
Non-interest expenses		**(263,412)**	**(158,182)**
Profit before income tax expenses		**7,498**	**30,340**
Income tax expenses	13	(3,297)	(6,218)
Profit for the year		**4,201**	**24,122**
Other comprehensive income, net of tax			
Effect of the fixed assets tax base adjustment	13	-	24,112
Unrealised (losses) /gains from financial assets available-for-sale		(1,367)	4,793
Realised gains from financial assets available-for-sale reclassified to profit or loss		(2,354)	(942)
Income tax relating to components of other comprehensive income		703	-
		(3,018)	**27,963**
Total comprehensive income for the year		**1,183**	**52,085**

Translation from original in Russian

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

(Thousands of Ukrainian hryvnias)

	Share capital	***Additional paid-in capital***	***Revaluation reserve***	***Retained earnings***	***Total equity***
31 December 2009	**338,666**	**17,678**	**72,457**	**271,296**	**700,097**
Comprehensive income for the year			27,963	24,122	**52,085**
31 December 2010	**338,666**	**17,678**	**100,420**	**295,418**	**752,182**
Comprehensive income for the year			(3,018)	4,201	**1,183**
31 December 2011	**338,666**	**17,678**	**97,402**	**299,619**	**753,365**

The accompanying notes on pages 5 to 51 form an integral part of these financial statements

Translation from original in Russian

STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

(Thousands of Ukrainian hryvnias)

	2011	*2010*
Cash flows from operating activities		
Interest received	716,691	479,469
Interest paid	(453,324)	(387,619)
Fee and commission income received	70,208	52,821
Fee and commission expenses paid	(16,858)	(13,226)
Net income from trading and other activities	21,283	27,583
Other operating expenses paid	(243,270)	(141,878)
Cash flows from operating activities before changes in operating assets and liabilities	**94,730**	**17,150**
Net (increase)/decrease in operating assets		
Balances with the National Bank of Ukraine	(86,681)	(16,132)
Amounts due from banks	(252,877)	(70,723)
Loans to customers	(1,580,915)	(971,606)
Other assets	(44,109)	(31)
Net increase/(decrease) in operating liabilities		
Amounts due to banks	285,725	111,530
Amounts due to customers	1,840,386	1,172,782
Other liabilities	35,139	(6,913)
Net cash flows from operating activities before income tax	**291,398**	**236,057**
Income tax paid	(21,505)	(2,293)
Net cash flows from operating activities	**269,893**	**233,764**
Cash flows from investing activities		
Proceeds from sale and redemption of financial assets available-for-sale	180,088	224,528
Purchase of financial assets available-for-sale	(269,490)	(208,569)
Dividends received	24	-
Purchase of property, equipment and intangible assets	(41,669)	(19,894)
Proceeds from disposals of property and equipment	30	795
Net cash flows used in investing activities	**(131,017)**	**(3,140)**
Cash flows from financing activities		
Proceeds from subordinated debt received	223,359	-
Proceeds from debt securities issued	106,470	-
Redemption of debt securities issued	-	(53,500)
Net cash flows from / (used in) financing activities	**329,829**	**(53,500)**
Effect of exchange rates changes on cash and cash equivalents	7,995	(37,498)
Net increase in cash and cash equivalents	**476,700**	**139,626**
Cash and cash equivalents at the beginning of the year	**1,740,900**	**1,601,274**
Cash and cash equivalents at the end of the year (Note 5)	**2,217,600**	**1,740,900**

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1. Principal activities

Public Joint Stock Company "BANK CREDIT DNEPR" (hereinafter "the Bank") was established on 7 July 1993 according to the decision of the General Meeting of Shareholders of the Bank and in accordance with the laws of Ukraine. On 16 July 2009 the change in the legal name and organizational form of the Bank from a closed joint-stock company to a public joint-stock company was officially registered. The Bank was initially registered by the National Bank of Ukraine (hereinafter – the "NBU") under its previous name "Municipal Bank". On 13 December 1994 the Bank changed its name to Bank "Credit Dnepr". On 16 July 2009, in connection with the change of the organizational form and in accordance with the new Charter edition the Bank was renamed into Public Joint-Stock Company "BANK CREDIT DNEPR". The Bank operates under a general banking license No. 70 renewed by the NBU on 13 October 2011, which allows the Bank to conduct banking operations, including foreign currency transactions. The Bank also holds licenses for transactions with securities and custody services from the State Commission for Securities and Stock Market of Ukraine, which were extended until 16 October 2012 on 08 August 2009.

The Bank accepts deposits from individuals and grants loans, transfers payments across Ukraine and abroad, exchanges foreign currencies and provides banking services to its corporate customers and individuals. Historically, the Bank's activities were focused on lending to corporate customers from various industries and attracting deposits from individuals.

The Bank's head office is located in Dnipropetrovsk, Ukraine. The Bank has 95 outlets all over Ukraine (2010: 70 outlets). The Bank's registered legal address and principal place of business is 17, Lenina St., Dnipropetrovsk.

As at 31 December 2011, 100% of the Bank's shares were owned by Brancroft Enterprises Limited, a company incorporated in a non-OECD country. In turn, 100% of shares of the company are indirectly held by the discretionary trust established for investments holding purposes, including those to the Bank. Mr. Viktor Pinchuk, a citizen of Ukraine, and his family members are beneficiaries of the discretionary trust.

Operating environment in Ukraine

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, but are not limited to, low levels of liquidity in the capital markets, relatively high inflation and the existence of currency controls which cause the national currency to be illiquid outside of Ukraine. The stability of the Ukrainian economy will be significantly impacted by the 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. The global financial crisis has resulted in a decline in the gross domestic product, instability in the capital markets, a significant deterioration in the liquidity of the banking sector, and tighter credit conditions within Ukraine. Whilst the Ukrainian Government continues to introduce various stabilisation measures aimed at supporting the banking sector and providing liquidity to Ukrainian banks and companies, there continues to be uncertainty regarding access to capital and its cost for the Bank and its counterparties, which could affect the Bank's financial position, results of operations and business prospects.

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

Management of the Bank believes it is taking appropriate measures to support the sustainability of the Bank's business under the current circumstances. However, further deterioration in the areas described above may negatively affect the Bank's results and financial position in a manner not currently determinable.

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2. Basis of preparation

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (hereinafter – "IFRS").

The Bank is required to maintain its books of accounts in the national currency and to prepare its statutory financial statements in accordance with the "Regulations on the Organisation of Accounting and Reporting for Ukrainian Banking Institutions" issued by the National Bank of Ukraine and in accordance with Ukrainian Accounting Standards (hereinafter – "UAS"). These financial statements are based on the Bank's UAS books and records, as adjusted and reclassified in order to comply with IFRS.

Basis of measurement

The financial statements are prepared under the historical cost convention except for buildings and investment property stated at revalued amount, financial assets available-for-sale and derivative financial instruments stated at fair value, as well as assets held-for-sale stated at the lower of cost and fair value less cost to sell.

Functional and presentation currency

The national currency of Ukraine is the Ukrainian hryvnia (hereinafter – "UAH"). The presentation currency for these financial statements is Ukrainian hryvnia, which is also the Bank's functional currency. These financial statements are presented in thousands of Ukrainian hryvnias (hereinafter – "thousands of UAH") unless otherwise is indicated.

Inflation accounting

The Ukrainian economy was considered hyperinflationary until 31 December 2000. As such, the Bank has applied IAS 29 "Financial accounting in hyperinflationary economies". The effect of applying IAS 29 is that non-monetary items of the financial statements were restated to the measuring units current at 31 December 2000 by applying the consumer price indexes to the historical cost, and that these restated values were used as a basis for accounting in the subsequent accounting periods.

Reclassifications

Certain comparative 2010 balances have been reclassified as presented below to conform to the 2011 presentation:

Statement of financial position as at 31 December 2010	***Before reclassification***	***Amount of reclassification***	***After reclassification***
Cash and cash equivalents, except for balances on current accounts with the National Bank of Ukraine	1,517,393	(2,892)	1,514,501
Other assets	13,346	2,892	16,238

Statement of cash flows for the year ended 31 December 2010	***Before reclassification***	***Amount of reclassification***	***After reclassification***
Net (increase)/decrease in operating assets:			
Other assets	2,861	(2,892)	(31)
Cash and cash equivalents at the end of the year	1,743,792	(2,892)	1,740,900

The Bank does not present the statement of financial position as at 31 December 2009 in these financial statements, because the above reclassifications did not have significant impact on the items of the statement of financial position as at 31 December 2009.

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3. Summary of accounting policies

Changes in accounting policies

The Bank has adopted the following amended IFRS and new IFRIC Interpretations during the year:

IAS 24 "Related party disclosures" (Revised)

The revised IAS 24, issued in November 2009 and effective for annual periods beginning on or after 1 January 2011, simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party. Previously, an entity controlled or significantly influenced by a government was required to disclose information about all transactions with other entities controlled or significantly influenced by the same government. The revised standard requires disclosure about these transactions only if they are individually or collectively significant. The revised standard had no impact on the Bank's financial statements.

Amendments to IAS 32 "Financial instruments: Presentation" –"Classification of Rights Issues"

In October 2009, the IASB issued amendment to IAS 32. Entities shall apply that amendment for annual periods beginning on or after 1 February 2010. The amendment alters the definition of a financial liability to classify rights issues as equity instruments. This is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, in order to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The amendment had no impact on the Bank's financial statements.

IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments"

IFRIC Interpretation 19 was issued in November 2009 and is effective for annual periods beginning on or after 1 July 2010. The interpretation clarifies the accounting when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor to extinguish all or part of the financial liability. This Interpretation had no impact on the Bank's financial statements.

Improvements to IFRSs

In May 2010 the IASB issued the third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. Most of the amendments are effective for annual periods beginning on or after 1 January 2011. There are separate transitional provisions for each standard. Amendments included in May 2010 "Improvements to IFRS" had impact on the accounting policies, financial position or performance of the Bank, as described below.

- IFRS 3 "Business combinations": limits the scope of the measurement choices that only the components of NCI that are present ownership interests that entitle their holders to a proportionate share of the entity's net assets, in the event of liquidation, shall be measured either at fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. This amendment did not have any impact on the accounting policies, financial position or performance of the Bank;

- IFRS 7 "Financial instruments: Disclosures": introduces the amendments to quantitative and credit risk disclosures. The additional requirements had minor impact as information is readily available;

- Other amendments to IFRS 1, IFRS 3, IAS 1, IAS 27, IAS 34 and IFRIC 13 will have no impact on the accounting policies, financial position or performance of the Bank;

- IFRS 1 "First-time Adoption of International Financial Reporting Standards" – "Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters". This amendment did not have any impact on the accounting policies, financial position or performance of the Bank;

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- IFRIC 14 "Prepayments of a Minimum Funding Requirement". This Interpretation did not have any impact on the accounting policies, financial position or performance of the Bank.

Foreign currency translation

Transactions in foreign currencies are translated to hryvnias at the foreign exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to hryvnias at the foreign exchange rate prevailing at that date. Foreign exchange differences arising on translation are recognised in Net gains / (losses) from foreign currencies in the profit or loss. Non-monetary assets and liabilities denominated in foreign currencies are translated to hryvnias at the foreign exchange rate prevailing at the date of the transaction.

The principal UAH exchange rates used in the preparation of these financial statements as at 31 December are as follows:

Currency	***31 December 2011.***	***31 December 2010***
US Dollar	7.9898	7.9617
Russian Ruble	0.24953	0.26124
Euro	10.298053	10.573138

Financial instruments

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets do not include assets that the management intends to sell immediately or in the nearest future and those that the management upon initial recognition designated as at fair value through profit or loss.

Financial assets available-for-sale are non-derivative financial assets are designated as available for sale or are not included into either of following categories: loans and receivables, held-to-maturity assets or financial instruments at fair value through profit or loss.

Financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity or to exchange financial instruments with another entity under conditions that are potentially unfavourable.

Recognition

Financial assets and liabilities are recognised in the statement of financial position when the Bank becomes a party to the contractual provisions of instrument. All regular way purchases and sales of financial assets/liabilities are accounted for at the settlement date.

Measurement

A financial asset or liability is initially measured at its fair value plus, in the case of a financial asset or liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of such financial asset or liability.

Subsequent to initial recognition, financial assets, including derivatives that are assets, are measured at their fair values, without deduction for any transaction costs that may be on their sale or other disposal, except for:

- loans and receivables that are measured at amortised cost using the effective interest method;

- investments into the equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, which are measured at cost less impairment losses.

All financial liabilities other than those designated at fair value through profit or loss and financial liabilities that arise when a transfer of a financial asset carried at fair value does not qualify for derecognition, are measured at amortised cost. Amortised cost is calculated using the effective interest method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

Financial assets or liabilities originated at interest rates different from market rates are re-measured at origination to their fair value. The fair value reflects future interest and principal redemptions discounted at market interest rates for similar instruments. The difference between the fair value and the nominal value at origination is credited or charged to "Gains / (losses) on origination of financial instruments at rates different from market rates" in the profit or loss. Subsequently, the carrying amount of such assets or liabilities is adjusted for amortization of the gains/losses recognized on origination and the related income/expense is recorded in interest income/expense within the profit or loss using the effective interest method.

Fair value measurement principles

The fair value of financial instruments is based on their market quotations at the reporting date without deduction for transaction costs. If market quotations are not available as at reporting date, fair value of the instrument is estimated using appropriate valuation models. The methodologies may contain modeling based on net present value, comparison with similar instruments for which prices exist on observable market, use of options pricing models and other valuation techniques.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates using a discount rate representing a market rate at the reporting date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the reporting date. If there are no appropriate methods to determine the fair value of the equity instruments for which a quoted market price is not available, these instruments are carried at historical cost less the impairment allowance.

Gains and losses on subsequent measurement

A gain or loss arising from a change in the fair value of a financial asset or liability is recognised as follows:

- a gain or loss from financial asset available-for-sale is recognised directly in other comprehensive income as (except for impairment losses and gains and losses from translation differences) until the asset is derecognized or impaired. On derecognition of the asset cumulative gains or losses are transferred to "Net gains from financial assets available-for-sale" in the profit or loss. Interest in relation to an available-for-sale financial asset is recognised as earned in the profit or loss as "Interest income on financial assets available-for-sale" and is calculated using the effective interest method;

- for financial assets and liabilities carried at amortised cost, a gain or loss is recognised in profit or loss in course of amortization, impairment of the asset or when the financial asset or liability is derecognized.

Derecognition

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 in the statement of financial position 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.

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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 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.

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, original liability is derecognized and a new liability, and the difference in the respective carrying amounts is recognised in the statement of comprehensive income.

Derivative financial instruments

Derivative financial instruments include foreign exchange swaps, forward transactions and any combinations of these instruments.

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Changes in the fair value of derivatives are recognised immediately in the profit or loss.

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 if, and only if, there is objective evidence of impairment as a result of one or several events that has occurred after the initial recognition of the asset (an incurred 'loss event') and such an 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.

Loans to customers

Management reviews the loan portfolio to assess impairment on a regular basis. A loan (or a group of loans) is impaired and individual impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the loan and that event (or events) has an impact on the estimated future cash flows of the loan (or the group of loans) that can be reliably estimated.

Management first assesses whether objective evidence of impairment exists individually for loans to customers that are individually significant, and individually or collectively for loans to customers that are not individually significant. The Bank uses internal expert rating model for assessment of significant loans on individual basis. In accordance with that model each lending transaction is assigned a credit rank that is based on financial standing of the borrower, qualitative assessment of solvency, debt servicing etc. The Bank applies several credit rank categories and each is featured by different credit risk ratio. If the Bank determines that there are no objective signs of impairment in regard of the asset assessed for impairment individually disregarding its significance, the Bank includes that asset in the group of assets with similar characteristics, which assess for impairment collectively. Loans that are individually assessed for impairment and for which, however, no impairment loss is recognized are included in assessment of impairment on collective basis.

Amount of allowance for impairment of loans to customers is estimated by deduction of discounted value of expected future cash flows excluding future losses not yet incurred and amounts of expected reimbursement from collateral adjusted using weighting discounts that take into account type of collateral and terms of its disposal from gross exposure of the borrower. Gross exposure of the borrower includes outstanding principal loan amount, accrued interest income as at the date of the statement of financial position, unamortized discount/premium as at the date of the statement of financial position, etc. Discounted value of expected future cash flows from the loan is calculated as the difference between gross exposure of the borrower and gross exposure of the borrower multiplied by a credit risk ratio corresponding to a credit rank of the transaction for individually assessed loans or a credit risk ratio for a group of financial assets corresponding to the particular loan in case of assessment on collective basis. When estimation of allowance for impairment of loans is based on assessment of expected cash flows from disposal of accepted collateral the Bank uses collateral relating to any of following "conventional lien" categories only:

- terms deposits placed with the Bank;
- residential mortgage;
- non-residential mortgage;
- land plots;
- proprietary complexes;
- cars and other motor vehicles.

The Bank applies weighting discounts to fair value of collateral depending on credit rank of the borrower and type of the collateral. Those discounts reflect time and efforts required to dispose of respective type of collateral.

Contractual cash flows and historical loss experience adjusted on the basis of relevant observable data that reflect current economic conditions provide the basis for estimating expected cash flows. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive income. 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 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 amount of estimated impairment losses increases or decreases due to event occurred after impairment losses have been recognized, amount of previously recognized impairment losses increases or decreases by means of allowance account adjustment. If amount written-off is subsequently recovered, then recovered amount is recognized in the profit or loss as "Charges to/ (recoveries of) allowances of impairment of loans to customers".

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, high probability that they will enter bankruptcy or other financial reorganisation as well as evidences based on observable data, which indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Factors taken into consideration when assessing whether objective evidence of impairment exists for loans assessed individually may include the following:

- any overdue principal and/or interest amounts;
- indications that the borrower or group of borrowers is in financial difficulties supported by their financial information;
- the borrower's ability to sustain the performance results even if there are financial difficulties;
- evidence that the borrower's or group's industry, geographic region or other relevant economic area is, or may be exposed in the foreseeable future to adverse changes that may result in significant changes in future cash flows;
- evidence of that the borrower may enter bankruptcy or financial reorganisation;
- evidence of adverse changes in international, national or local business environment that affects the borrower's cash flows;
- other observable data providing evidence of decrease in the cash flows.

(Thousands of Ukrainian hryvnias, unless otherwise is indicated)
Translation from original in Russian

Factors taken into consideration when assessing probability of collection of collectively assessed loans include historical data on default probability and indirect losses taking into account the data on overdue loans in similar portfolios. Credit risk ratios for groups of financial assets with similar characteristic of credit risk are determined in accordance to internal methodology of probability of default rates calculation that is based on history of changes in quality of debt servicing by borrowers based on number of days past due of the debt principal and/or accrued interest income. The amount of allowance for impairment is assessed using other historical data and taking into account the current economic conditions.

In some cases the observable data required to estimate the amount of an impairment loss on a loan may be limited or no longer fully relevant to current circumstances. This may be the case when a borrower is in financial difficulties and there are few available historical data relating to similar borrowers. In such cases, management uses its experience and judgment to estimate the amount of any impairment loss. The assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Renegotiated loans

Where possible, the Bank seeks to restructure loans rather than to enforce the collateral as well as for the purpose of time and material costs optimisation on the collateral agreement roll-over when extension of a term of the loan agreement is executed. This may involve extending the payment arrangements and the agreement of new loan conditions. The accounting treatment of such restructuring is as follows:

- if the currency of the loan has been changed the old loan is derecognised and the new loan is recognised in the statement of financial position;

- if the loan restructuring is not caused by the financial difficulties of the borrower, the Bank uses the approach similar to derecognition of financial liabilities.

- if the loan restructuring is caused by the financial difficulties of the borrower and the loan is impaired after the restructuring, the Bank recognises the difference between the present value of future cash flows with regard to new terms discounted using the original effective interest rate and the carrying amount before restructuring in the profit or loss as "Charges to allowances for impairment of loans to customers". If the loan is not impaired after restructuring, the Bank recalculates the effective interest rate.

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

Financial assets available-for-sale

For financial assets available-for-sale, the Bank assesses at each reporting date whether there is objective evidence that an asset or a group of assets 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 cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition coast and the current fair value, less any impairment loss on that investment previously recognised in the statement of comprehensive income – is transferred from other comprehensive income to the "Net gains from financial assets available-for-sale" in the profit or loss. Impairment losses on equity investments are not reversed through the income statement; increases in their fair value after impairment are recognised in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. Interest income accrual is based on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recognized in the profit or loss as "Interest income on financial assets available-for-sale". If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the profit or loss, the impairment loss is reversed through the "Net gains from financial assets available-for-sale".

Repurchase and reverse repurchase agreements

Sale and repurchase agreements ("repos") are treated as secured financing transactions. Securities sold under sale and repurchase agreements (direct "repo") are retained in the statement of financial position 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 banks or customers. Securities purchased under agreements to resell ("reverse repo") are recorded as amounts due from banks or loans to customers as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of repo agreements using the effective yield method.

Securities lent to counterparties on direct "repo" deal terms are retained in the statement of financial position. Securities borrowed on reverse "repo" deal terms are not recorded in the financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded within profit or loss line "Net gains from financial assets available-for-sale". The obligation to return them is recorded at fair value as a trading liability.

Property, equipment, intangible assets and investment property

Following initial recognition at cost, buildings are carried at a revalued amount, representing their fair value at the revaluation date less subsequent accumulated depreciation and, if applicable, subsequent accumulated impairment losses.

The Bank believes that the revaluation model is more relevant to account for the buildings as revalued cost of buildings owned by the Bank reflects more precisely their current value as opposed to historical value.

To determine the fair value of buildings management obtains appraisals from an independent professionally qualified appraiser. Revaluations of buildings are made with sufficient regularity such that carrying amount does not differ materially from that which would be determined using fair value at the revaluation date.

Accumulated depreciation as at the revaluation date is deducted from gross carrying value of the asset and the net amount is adjusted based on revaluation results. A revaluation surplus on buildings is recognised in other comprehensive income, except to the extent that it reverses a previous revaluation decrease recognised in the profit or loss as "Other charges to allowances for impairment and provisions". A revaluation deficit on buildings is recognised in the profit or loss as "Other charges to allowances for impairment and provisions", except that a deficit may be directly offset against surplus on the same asset recognized in the buildings revaluation reserve. On the retirement or disposal of the asset, the remaining buildings revaluation reserve is immediately transferred to the retained earnings.

Equipment and intangible assets are carried at cost less accumulated depreciation and amortisation and impairment losses. Carrying value of equipment is assessed for impairment in case of events occurrence or changes in circumstances evidencing on probable inability to recover carrying value of the asset. At the end of each reporting date, the Bank assesses whether there is any indication of impairment of equipment and intangible assets. If any such indication exists, the Banks estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in the profit or loss as "Other charges to allowances for impairment and provisions". An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Costs of minor repairs and maintenance are expensed when incurred. Expenditures for capital repairs and cost of replacing major parts or components of property and equipment are capitalised and further depreciated over the useful lives.

Property and equipment used by the Bank either to earn rental income or for capital appreciation or for both are carried as investment property at fair value. Changes in the fair values of investment properties are included in the profit or loss as "Other charges to allowances for impairment and provisions".

Intangible assets acquired separately (i.e., in the way other than business combination) 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.

Depreciation and amortisation

Depreciation and amortisation is calculated on a straight-line basis over the estimated useful lives of the assets. Depreciation and amortisation commences from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use.

The estimated useful lives are as follows:

Buildings	50 years
Furniture and equipment	5-7 years
Computers and software	2–5 years
Motor vehicles	up to 10 years

Costs on capital leasehold improvements are recognised as assets and charged to the profit or loss as "Depreciation and amortization" on a straight-line basis over the shorter of the applicable lease or the economic life of the leasehold improvement.

Intangible assets are amortised over the useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Assets held–for-sale

The Bank classifies a non-current asset (or a disposal group) as held-for-sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this case, the non-current asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and its sale must be highly probable.

The sale qualifies as highly probable if the Bank's management is committed to a plan to sell the non-current asset (or disposal group) and an active program to locate a buyer and complete the plan must have been initiated. Further, the non-current asset (or disposal group) must have been actively marketed for a sale at price that is reasonable in relation to its current fair value and in addition 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 (or disposal group) as held-for-sale.

The Bank measures an asset (or disposal group) classified as held-for-sale at the lower of its carrying amount and fair value less costs to sell. The Bank recognises an impairment loss as in other charges to allowances for impairment and provisions for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell if events or changes in circumstance indicate that their carrying amount may be impaired.

Leases

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 based on a pattern reflecting a constant periodic rate of return on the net investment outstanding. Initial direct costs are included in the initial measurement of the lease receivables.

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 the profit or loss as «Other operating expenses".

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Translation from original in Russian

Operating – Bank as a lessor

The Bank presents assets subject to operating leases in the statement of financial position according to the nature of the asset. Lease income from operating leases is recognised on a straight-line basis over the lease term in the profit or loss 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.

Provisions

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.

Financial guarantees

In the ordinary course of business, the Bank gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognised in the financial statements at fair value, in the statement of financial position as "Other liabilities", being the premium received. Commission received is recognized in the profit or loss on a straight-line basis during the financial guarantee agreement term. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the unamortized premium and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee.

Increase in liability relating to financial guarantee agreements is recognized in the profit or loss.

Income and expense recognition

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 expenses

For all financial instruments measured at amortised cost and interest bearing securities classified as 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.

Once the recorded carrying 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.

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Translation from original in Russian

Fee and commission income

The Bank earns fee and commission income from a 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 earned 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.

Share capital

Ordinary shares are recorded as share capital. External costs directly attributable to the issue of new shares are shown as a deduction from the proceeds in equity. Any excess of the fair value of consideration received over the par value of shares issued is recognised as additional paid-in capital.

Taxation

The income tax for the year comprises current and deferred tax. The income tax is recognised in the profit or loss as "Income tax expenses" except to the extent that it relates to items recognised directly in the statement of comprehensive income, or directly in the statement of changes in equity, in which case it is recognised respectively in other comprehensive income or in the statement of changes in equity.

Current income tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current income tax expenses are calculated in accordance with the legislation of Ukraine.

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates which will be effective in the periods of possible realization of temporary differences between tax and financial accounting.

Deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilized. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Ukraine also has various operating taxes that are assessed on the Bank activities. These taxes are included in other operating expenses.

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Employee benefits

There is the State pension system operates in Ukraine. Under the system rules the Bank and its employees execute obligatory payments calculated based on income received by the employees. The Bank recognizes amounts paid to that system in the profit or loss as "Personnel expenses", in the period the related salaries are earned. The Bank does not have any additional pension schemes and does not provide any other significant post-retirement payments to its employees.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances with the National Bank of Ukraine (except for obligatory reserves) and amounts due from banks that redeemed within ninety days of the event of origination and are free from contractual encumbrances.

Precious metals

Gold and other precious metals are recorded at the NBU exchange rates, which approximate their fair values. Changes in the NBU bid prices are recorded as translation differences on transactions with precious metals in the profit or loss as "Net gains/ (losses) arising from foreign currencies".

Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to set off and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Contingent assets and liabilities

Contingent liabilities are not recognised in the statement of financial position but are disclosed unless the possibility of any outflow in settlement is remote. A contingent asset is not recognised in the statement of financial position but disclosed when an inflow of economic benefits is probable.

Standards and interpretations issued but not year effective

IFRS 9 "Financial Instruments" (the first phase)

In November 2009 and 2010 the IASB issued the first phase of IFRS 9 "Financial instruments". This Standard will eventually replace IAS 39 "Financial Instrument: Recognition and Measurement". IFRS 9 becomes effective for financial years beginning on or after 1 January 2015. The first phase of IFRS 9 introduces new requirements on classification and measurement of financial instruments. In particular, for subsequent measurement all financial assets are to be classified at amortised cost or at fair value through profit or loss with the irrevocable option for equity instruments not held for trading to be measured at fair value through other comprehensive income. For financial liabilities designated at fair value through profit or loss using fair value option IFRS 9 requires the amount of change in fair value attributable to changes in credit risk to be presented in other comprehensive income. The Bank now evaluates the impact of the adoption of new Standard and considers the initial application date.

IFRS 10 "Consolidated Financial Statements"

IFRS 10 "Consolidated Financial Statements" establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27. In addition IFRS 10 introduces specific application guidance for agency relationships. IFRS 10 replaces the portion of IAS 27 "Consolidated and Separate Financial Statements" that addresses the accounting for consolidated financial statements. It also supersedes consolidation requirements raised in SIC-12 "Consolidation — Special Purpose Entities" and IAS 27 "Consolidated and Separate Financial Statements". It is effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted. Currently the Bank evaluates possible effect of the adoption of IFRS 10 on its financial position and performance.

IFRS 11" "Joint Arrangements"

IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. IFRS 11 supersedes IAS 31 "Interests in Joint Ventures" and SIC-13 "Jointly Controlled Entities—Non-monetary Contributions by Venturers" and is effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted. The Bank expects that adoption of IFRS 11 will have no effect on its financial position and performance.

IFRS 12 "Disclosure of Interests in Other Entities"

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. IFRS 12 is effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted. Adoption of the standard will require new disclosures to be made in the financial statements of the Bank but will have no impact on its financial position or performance.

IFRS 13 "Fair Value Measurement"

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. IFRS 13 is effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted. The adoption of the IFRS 13 may have effect on the measurement of the Bank's assets and liabilities accounted for at fair value. Currently the Bank evaluates possible effect of the adoption of IFRS 13 on its financial position and performance.

IAS 27 "Separate Financial Statements" (as revised in 2011)

As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The amendment becomes effective for annual periods beginning on or after 1 January 2013. This Amendment will have no impact on financial position and performance of the Bank.

IAS 28 "Investments in Associates and Joint Ventures" (as revised in 2011)

As a consequence of the new IFRS 11 and IFRS 12. IAS 28 has been renamed IAS 28 "Investments in Associates and Joint Ventures", and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after 1 January 2013. This Amendment will have no impact on financial position and performance of the Bank.

Amendments to IFRS 7 "Financial Instruments: Disclosures"

The IASB issued amendments to IFRS 7 in October 2010 effective for annual periods beginning on or after 1 July 2011. The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognised assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. The amendment affects disclosure only and has no impact on the Bank's financial position or performance.

Amendments to IAS 12 "Income Taxes" – "Deferred tax: Recovery of underlying assets"

In December 2010 the IASB issued amendments to IAS 12 effective for annual periods beginning on or after 1 January 2012. The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 always be measured on a sale basis of the asset. The Bank now evaluates the impact of the adoption of these amendments.

Amendments to IAS 19 "Employee Benefits"

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

Amendments to IAS 1 "Presentation of Financial Statements" – "Changes to the Presentation of Other Comprehensive Income"

The amendments to IAS 1 Presentation of Financial Statements, effective for annual periods beginning on or after 1 July 2012, change the grouping of items presented in other comprehensive income. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. These amendments will change presentation in the statement of comprehensive income but will have no effect on its financial position and performance.

Amendment to IFRS 1 "First Time Adoption of International Financial Reporting Standards" – "Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters"

These amendments to IFRS 1, effective for annual periods beginning on or after 1 July 2011, introduce a new deemed cost exemption for entities that have been subject to severe hyperinflation. The Bank expects that these amendments will have no impact on the Bank's financial position.

Amendments to IAS 32 / IFRS 7 "Offsetting of financial assets and financial liabilities"

Amendments to IAS 32 address inconsistencies in current practices of application of offsetting terms in accordance with IAS 32 "Financial Instruments: Presentation". The amendments clarify the definition «to have current legally enforceable right to offset recognized amounts" and clarify certain arrangements of gross payments that may be treated actually equivalent to offsetting. The amendments are effective for annual periods beginning on or after 1 January 2014, retrospective application is required.

These amendments are the part of the IASB offsetting program. Within the program the IASB has also separately published amendments to IFRS 7 "Disclosures: offsetting of financial assets and financial liabilities". New disclosures requirements shall facilitate investors and other users of financial statements in better estimation of (potential) impact of offsetting agreements on financial position of the entity. The amendment shall be applied for annual periods beginning on or after 1 January 2013. The Bank is currently estimates possible impact of these amendments on its financial position and performance.

4. Significant accounting judgments and estimates

Judgments and estimates

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expense. The estimates and associated assumptions are based on historical management experience and various other factors, which are believed to be reasonable under the circumstances that form a basis for judgment on the carrying values of assets and liabilities that are not readily available from other sources. Although these estimates are based on management's best understanding of the current events, actual results may ultimately differ from those estimates. Estimates and underlying assumption are reviewed on an ongoing basis.

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Uncertainty of estimations

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is otherwise required in establishing fair values.

Allowance for impairment of loans to customers and amounts receivable

The Bank regularly reviews its loans and receivables to assess their impairment. Based on existing experience the Bank uses its judgment to estimate the amount of any impairment loss in cases where a borrower is in financial difficulties and there is little available historical data and facts 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. Management uses estimates based on historical loss experience for assets with common credit risk characteristics and objective evidence of impairment similar to those in the group of loans and receivables. Based on existing experience the Bank uses its judgment to adjust observable data for a group of loans or receivables to reflect current circumstances.

In 2011 the Bank introduced certain changes in its methodology of estimation of loans to customers impairment. In particular, in accordance with the changes introduced all the loans are initially assessed for impairment individually disregarding credit rank assigned to them. If no instances of a loan individual impairment are found upon such an assessment, then the loan is included into portfolio of loans assessed for impairment collectively. Also, number of homogenous pools assessed for impairment collectively increased in order to achieve more adequate reflection of the loans redemption probability. Besides, the changed methodology allows deviations from the general approach for assessment of loans for impairment individually if such deviations are confirmed by agreements reached or additional information that was not available before. Had the Bank not applied mentioned changes amount of allowance for impairment of loans to customers would have amounted to UAH 242,723 thousand (currently reported amount is UAH 243,981 thousand).

Determination of revalued amount of buildings and investment property items

Buildings are carried at revalued amount that equals to fair value as at valuation date less any subsequent accumulated depreciation and impairment losses. Investment property is carried at fair value. Fair value of mentioned assets is determined using market approach. The market approach is based upon an analysis of the results of comparable sales of similar buildings, as well as possible lease income. Estimating the fair value of buildings requires the exercise of judgment and the use of assumptions regarding the comparability of buildings and other factors. The Bank's management engages external independent appraisers to estimate the fair value of buildings and investment property.

5. Cash and cash equivalents, except for current accounts with the National Bank of Ukraine

Cash and cash equivalents, except for current accounts with the NBU, comprised the following:

	2011	***2010***
Cash on hand	316,598	371,494
Current accounts with banks	1,566,327	1,142,609
Term loans and deposits with banks maturing up to 90 days	92,234	398
Cash and cash equivalents, except for current accounts with the NBU	**1,975,159**	**1,514,501**

As of 31 December 2011, the amount equivalent to UAH 1,390,907 thousand (2010: UAH 1,061,056 thousand) was placed on current accounts with three banks from OECD countries (2010: one bank outside OECD, and three banks from OECD countries) who are the main counterparties of the Bank in performing international settlements.

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Translation from original in Russian

For the purpose of the statement of cash flows cash and cash equivalents comprised the following items net of accrued interest income on respective balances on accounts:

	2011	***2010***
Cash on hand	316,598	371,494
Current accounts with banks	1,566,319	1,142,597
Term loans and deposits with banks maturing up to 90 days	92,234	398
Current accounts with the NBU (Note 6)	242,449	226,411
Cash and cash equivalents	**2,217,600**	**1,740,900**

6. Amounts due from the National Bank of Ukraine

Amounts due from the National Bank of Ukraine comprised:

	2011	***2010***
Current accounts with the NBU	242,580	226,411
Obligatory reserves with the NBU	149,856	63,975
Balances with the National Bank of Ukraine	**392,436**	**290,386**

In accordance to the NBU requirements banks shall create a number of obligatory reserves in cash and other high-liquid assets defined by the NBU. Use of such funds by the Bank is significantly restricted by the legislation. The Bank has met the NBU obligatory reserve requirements as at 31 December 2011 and 2010.

The obligatory reserve calculated based on monthly average balances of certain amounts due to customers and other borrowings shall be formed by cash held on a separate account with the NBU or by investments in state securities. Amount of the obligatory reserve held on accounts with the NBU amounted to UAH 95,241 thousand (2010: UAH 33,794 thousand).

As at 31 December 2011 financial assets available-for-sale include Euro-2012 state bonds issued by the Ministry of Finance of Ukraine with nominal value of UAH 34,000 thousand (2010: UAH 60,000 thousand) and carrying value of UAH 37,682 thousand (2010: 67,987 thousand). These investments were treated by the Bank as part of the obligatory reserves formed (Note 9). In 2011 the NBU changed the rules of Euro-2012 stated bonds use in meeting obligatory reserving requirements having reduced the coverage ratio down to 50% of the bonds nominal value (2010: 100%). As at 31 December 2011 the cover amount taken by the Bank to fulfill the obligatory reserve requirements amounted to UAH 17,000 thousand (2010: UAH 60,000 thousand) that comprised 50% (2010: 100%) of nominal value of mentioned bonds.

Also, the Bank shall maintain a cash balance on a separate account with the NBU in the amount determined by the latter requirements with respect to the loans denominated in foreign currencies of the first group of the NBU classifier and issued to those customers who have no foreign currency cash inflows herewith. Further, the Bank shall place 20% of funds borrowed from non-residents maturing up to 183 days from the reporting date on the account with the NBU. As at 31 December 2011 obligatory amount of such reserves was UAH 54,615 thousand (2010: 30,181 thousand).

7. Amounts due from banks

As at 31 December 2011, amounts due from banks include guarantee deposit in the amount of UAH 15,393 thousand (2010: UAH 78,102 thousand), placed with one Ukrainian bank (2010: two) as collateral under commitments and contingencies and transactions with payment cards of the Bank's customers. As at the reporting date, the deposit is not overdue, has no evidence of impairment and has maturity up to three months from the reporting date (Note 25).

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Translation from original in Russian

8. Loans to customers

Loans to customers comprised:

	2011	*2010*
Loans to legal entities	5,107,423	3,475,318
Loans to individuals	496,705	644,787
- mortgage	46,459	54,725
- car	43,734	45,612
- credit cards	40,868	25,163
- other	365,644	519,287
Total loans to customers	**5,604,128**	**4,120,105**
Allowance for impairment	(243,981)	(204,550)
Loans to customers	**5,360,147**	**3,915,555**

Loans granted to the five largest groups of borrowers, among which no entities being related parties to the Bank, of UAH 1,249,892 thousand or 22.3% of total loans to customers as at 31 December 2011 (2010: UAH 810,550 thousand or 19.7%).

Loans to individuals classified as "Other" include general purpose loans which cannot be included into any other category. Mortgage loans represent loans granted for purchase of residential property, which are secured by this property only.

The structure of allowance for impairment losses as at 31 December 2011 is:

	Gross exposure	*Impairment*	*Net exposure*	*Impairment to gross exposure*
Loans to individuals				
Individually impaired loans	135,178	(54,609)	80,569	40.4%
Loans with no individual impairment identified, including:	260,130	(7,921)	252,209	3.0%
- mortgage	25,536	(90)	25,446	0.4%
- car	20,045	(309)	19,736	1.5%
- credit cards	40,868	(5,747)	35,121	14.1%
- other	173,681	(1,775)	171,906	1.0%
Total loans to individuals	**395,308**	**(62,530)**	**332,778**	**15.8%**
Loans to legal entities				
Individually impaired loans	637,813	(172,579)	465,234	27.1%
Loans with no individual impairment identified	3,906,199	(8,872)	3,897,327	0.2%
Total loans to legal entities	**4,544,012**	**(181,451)**	**4,362,561**	**4.0%**
Total loans to customers less loans fully secured by cash	**4,939,320**	**(243,981)**	**4,695,339**	**4.9%**
Loans to customers fully secured by cash				
Loans to individuals	101,397	-	101,397	0.0%
Loans to legal entities	563,411	-	563,411	0.0%
Total loans to customers fully secured by cash	**664,808**	**-**	**664,808**	**0.0%**
Total loans to customers	**5,604,128**	**(243,981)**	**5,360,147**	**4.4%**

As at 31 December 2011accrued interest income on individually impaired loans was UAH 67,430 thousand (2010: UAH 28,353 thousand)

(Thousands of Ukrainian hryvnias, unless otherwise is indicated)
Translation from original in Russian

The structure of allowance for impairment losses as at 31 December 2010 is:

	Gross exposure	*Impairment*	*Net exposure*	*Impairment to gross exposure*
Loans to individuals				
Individually impaired loans	115,317	(51,230)	64,087	44.4%
Loans with no individual impairment identified, including:	339,863	(4,147)	335,716	1.2%
- mortgage	42,592	(68)	42,524	0.2%
- car	21,503	(19)	21,484	0.1%
- credit cards	25,163	(3,572)	21,591	14.2%
- other	250,605	(488)	250,117	0.2%
Total loans to individuals	**455,180,**	**(55,377)**	**399,803**	**12.2%**
Loans to legal entities				
Individually impaired loans	300,310	(140,406)	159,904	46.8%
Loans with no individual impairment identified	2,882,803	(8,767)	2,874,036	0.3%
Total loans to legal entities	**3,183,113**	**(149,173)**	**3,033,940**	**4.7%**
Total loans to customers less loans fully secured by cash	**3,638,293**	**(204,550)**	**3,433,743**	**5.6%**
Loans to customers fully secured by cash				
Loans to individuals	189,607	-	189,607	0.0%
Loans to legal entities	292,205	-	292,205	0.0%
Total loans to customers fully secured by cash	**481,812**	**-**	**481,812**	**0.0%**
Total loans to customers	**4,120,105**	**(204,550)**	**3,915,555**	**5.0%**

Changes in allowance for impairment losses in 2011 are:

	Loans to legal entities	*Loans to individuals*	*Total*
1 January 2011	**149,173**	**55,377**	**204,550**
Additional charge to allowance	32,958	7,881	40,839
Bad debt write-off	(264)	(892)	(1,156)
Translation differences	(416)	164	(252)
31 December 2011	**181,451**	**62,530**	**243,981**
Individually assessed impairment	172,579	54,609	227,188
Collectively assessed impairment	8,872	7,921	16,793
	181,451	**62,530**	**243,981**

(Thousands of Ukrainian hryvnias, unless otherwise is indicated)
Translation from original in Russian

Changes in allowance for impairment losses in 2010 are:

	Loans to legal entities	*Loans to individuals*	*Total*
1 January 2010	**151,948**	**25,865**	**177,813**
Additional charge to/ (decrease in) allowance	(856)	32,640	31,784
Bad debt write-off	(1,356)	(3,091)	(4,447)
Translation differences	(563)	(37)	(600)
31 December 2010	**149,173**	**55,377**	**204,550**
Individually assessed impairment	140,406	51,230	191,636
Collectively assessed impairment	8,767	4,147	12,914
	149,173	**55,377**	**204,550**

As at 31 December 2011 and 2010 the Bank had no loans that were past due but not impaired, because all past due loans were either individually or collectively assessed.

The below breakdown presents overdue loans to customers as at 31 December 2011, which were assessed for impairment only collectively:

	Up to 30 days	*From 30 to 60 days*	*From 60 to 90 days*	*From 90 to 180 days*	*Over 180 days*	*Total*
Loans to legal entities	-	3,238	-	-	22,886	**26,124**
Loans to individuals	5,760	1,870	15,629	567	5,297	**29,123**
Loans to customers	**5,760**	**5,108**	**15,629**	**567**	**28,183**	**55,247**

The below breakdown presents overdue loans to customers as at 31 December 2010, which were assessed for impairment only collectively:

	Up to 30 days	*From 30 to 60 days*	*From 60 to 90 days*	*From 90 to 180 days*	*Over 180 days*	*Total*
Loans to legal entities	344	-	-	-	-	**344**
Loans to individuals	963	115	237	35	17,933	**19,283**
Loans to customers	**1,307**	**115**	**237**	**35**	**17,933**	**19,627**

Loss from renegotiation of loans in the amount of UAH 1 063 thousand (2010: UAH 1,079 thousand) was recognised in other operating expenses (Note 24).

Collateral

Amount and type of collateral required by the Bank depends on assessment of the counterparty's credit risk. The Bank has policies and procedures established for accepting collateral types and their valuation.

The main types of the collateral received are as follows:

- loans under reverse repurchase agreements – cash, promissory notes or other securities;
- loans to legal entities and individuals – cash, real estate and other marketable assets, guarantees issued by other individuals or legal entities (however, guarantees, traded goods and contractual property rights are generally not considered in determining allowance for impairment) .

(Thousands of Ukrainian hryvnias, unless otherwise is indicated)
Translation from original in Russian

Breakdown of loans to customers by industries as at 31 December is:

	2011	*2010*
Trade	2,139,109	1,203,729
Agriculture and foods processing	1,251,836	595,497
Heavy industries	585,246	326,307
Individuals	496,705	644,787
Production of goods and equipment	480,998	580,761
Services	271,876	249,387
Energy	188,043	375,107
Transportation	126,963	47,061
Finance	42,793	41,342
Construction	7,653	54,485
Other	12,906	1,642
	5,604,128	**4,120,105**

As at 31 December 2011, loans to customers with carrying value of UAH 607,432 thousand, were pledged as collateral for the loan by the NBU (2010: UAH 524,569 thousand) (Note 16).

9. Financial assets available-for-sale

Investments in securities include:

	2011	*2010*
Domestic state bonds (OVGZ)	156,330	67,987
JSC "All-Ukrainian Securities Depository"	330	330
Other	187	187
	156,847	**68,504**

As at 31 December 2011 state bonds denominated in US Dollars with carrying value of USD 15,032 thousand (UAH 120,100 thousand in equivalent) (2010: nil) were pledged as collateral for the loans received from the NBU under direct "repo" terms (Note 16).

As at 31 December 2011 financial assets available-for-sale include Euro-2012 state bonds issued by the Ministry of Finance of Ukraine with nominal value of UAH 34,000 thousand (2010: UAH 60,000 thousand) and carrying value of UAH 37,682 thousand (2010: 67,987 thousand). These investments were treated by the Bank as part of the obligatory reserves formed (Note 6).

(Thousands of Ukrainian hryvnias, unless otherwise is indicated)
Translation from original in Russian

10. Property, equipment and intangible assets

Movements in property, equipment and intangible assets during the year ended 31 December 2011 are:

	Buildings	*Leasehold improvements*	*Furniture and equipment*	*Computers and software*	*Motor vehicles*	*Construction in progress*	*Total*
Cost or revalued amount							
31 December 2010	**149,730**	**9,974**	**22,839**	**18,043**	**6,896**	**5,314**	**212,796**
Additions	-	-	13,349	7,771	5,415	20,117	**46,652**
Transfers from assets held-for-sale	-	-	-	-	399	-	**399**
Placement into use	2,130	9,475	-	-	-	(11,605)	**-**
Transfers into assets held-for-sale	-	-	-	-	(1,452)	-	**(1,452)**
Disposals	-	(56)	(137)	(54)	-	(212)	**(459)**
31 December 2011	**151,860**	**19,393**	**36,051**	**25,760**	**11,258**	**13,614**	**257,936**
Accumulated depreciation and amortization							
31 December 2010	**(6,002)**	**(3,242)**	**(16,528)**	**(12,743)**	**(1,932)**		**(40,447)**
Charge for the year	(2,965)	(3,881)	(3,757)	(3,342)	(1,465)		**(15,410)**
Transfers into assets held-for-sale	-	-	-	-	526		**526**
Disposals	-	26	131	54	-		**211**
31 December 2011	**(8,967)**	**(7,097)**	**(20,154)**	**(16,031)**	**(2,871)**		**(55,120)**
Net book value							
31 December 2010	**143,728**	**6,732**	**6,311**	**5,300**	**4,964**	**5,314**	**172,349**
31 December 2011	**142,893**	**12,296**	**15,897**	**9,729**	**8,387**	**13,614**	**202,816**

Buildings are carried at a revalued amount representing fair value less subsequent accumulated depreciation and subsequent accumulated impairment losses. On 1 December 2008, the revaluation of assets included in buildings was conducted by an independent qualified appraiser with the relevant experience in appraising similar assets in similar locations. The buildings were revalued to their fair value using a combination of generally accepted appraisal methods. Key assumptions used consider location and specific features of the buildings.

In December 2011, the Bank's management decided not to adjust the carrying amount assets classified as buildings based on the results of their fair value assessment provided in the report prepared by independent appraisers as at 1 December 2011. The report confirmed absence of significant variances between fair value and carrying value of buildings.

As at 31 December 2011, cost of fully depreciated property, plant and equipment included in "Leasehold improvements" was UAH 1,332 thousand (2010: UAH 1,305 thousand), included in "Furniture and equipment" – UAH 9,697 thousand (2010: UAH 6,630 thousand), included in "Computers and software" - UAH 8,796 thousand (2010: UAH 7,458 thousand), included in "Motor vehicles" – UAH 364 thousand (2010: UAH 364 thousand).

As at 31 December 2011, the carrying value of premises, which would have been presented in the financial statements should the premises continued to be carried at historical cost less accumulated depreciation, was UAH 52,635 thousand (2010: UAH 52,277 thousand).

As at 31 December 2011, property, plant and equipment in the amount of UAH 123,399 thousand (2010: UAH 116,348 thousand) were pledged as collateral for the loan by the NBU (Note 16).

(Thousands of Ukrainian hryvnias, unless otherwise is indicated)
Translation from original in Russian

Movements in property, equipment and intangible assets during the year ended 31 December 2010 are:

	Buildings	*Leasehold improvements*	*Furniture and equipment*	*Computers and software*	*Motor vehicles*	*Construction in progress*	*Total*
Cost or revalued amount							
31 December 2009	**148,992**	**3,528**	**19,769**	**15,690**	**4,990**	**391**	**193,360**
Additions	-	-	3,439	2,678	891	12,193	**19,201**
Transfers from assets held-for-sale	-	-	-	-	1,178	-	**1,178**
Placement into use	738	6,507	-	-	-	(7,245)	**-**
Disposals	-	(61)	(369)	(325)	(163)	(25)	**(943)**
31 December 2010	**149,730**	**9,974**	**22,839**	**18,043**	**6,896**	**5,314**	**212,796**
Accumulated depreciation and amortization							
31 December 2009	**(3,081)**	**(1,909)**	**(14,320)**	**(9,900)**	**(1,426)**		**(30,636)**
Charge for the year	(2,921)	(1,388)	(2,554)	(3,160)	(606)		**(10,629)**
Disposals	-	55	346	317	100		**818**
31 December 2010	**(6,002)**	**(3,242)**	**(16,528)**	**(12,743)**	**(1,932)**		**(40,447)**
Net book value							
31 December 2009	**145,911**	**1,619**	**5,449**	**5,790**	**3,564**	**391**	**162,724**
31 December 2010	**143,728**	**6,732**	**6,311**	**5,300**	**4,964**	**5,314**	**172,349**

11. Investment property

Investment property initially received through enforcement of collateral is recognized in the statement of financial position as at 31 December 2011 at fair value of UAH 84,205 thousand (2010: UAH 83,932 thousand).

The Bank leases out this investment property to third parties under operating lease agreements and does not use it for personal needs.

In December 2011, the Bank's management decided not to adjust the carrying amount of investment property. As a basis for decision-making, investment property fair value assessment report prepared by independent appraisers as at 1 December 2011 was used, which confirmed absence of significant discrepancies between fair value and carrying value of investment property items.

(Thousands of Ukrainian hryvnias, unless otherwise is indicated)
Translation from original in Russian

12. Assets held-for-sale

Assets held-for-sale were received through enforcement of collateral and are recognized in the statement of financial position as at 31 December 2011 at fair value of UAH 66,765 thousand (2010: 8,766 thousand).

Changes in the structure of assets held-for-sale are:

	2011	*2010*
1 January	**8,766**	**9,301**
Foreclosure of collateral accepted to secure loans	63,181	77,752
Sale of assets held-for-sale	(3,534)	(2,940)
Transferred to investment property	-	(71,896)
Transferred to property and equipment	(399)	(1,178)
Transferred from property and equipment	926	-
Decrease in carrying value of assets held-for-sale up to fair value (Note 15)	(2,175)	(2,273)
31 December	**66,765**	**8,766**

13. Taxation

According to the Tax Code of Ukraine, the corporate income tax rate was decreased to 23% starting from 1 April 2011, to 21 % from 1 January 2012, to 19% from 1 January 2013 and to 16% from 1 January 2014. The Bank estimated deferred tax assets and liabilities using the income tax rate that will be effective in the period, in which the respective deferred tax assets and liabilities are expected to be realized.

The components of income tax expense recognized in the profit or loss for the year ended 31 December are:

	2011	*2010*
Current income tax charge	19,885	5,563
Deferred income tax (benefits)/ expenses – origination and reversal of temporary differences	(16,588)	655
Income tax expenses	**3,297**	**6,218**

The reconciliation between expected income tax expense computed by applying the enacted statutory income tax rate to profit before tax and the reported income tax expense is as follows:

	2011	*%*	*2010*	*%*
Profit before tax	7,498		30,340	
Expected income charge tax computed at effective statutory rate	1,725	23.0%	7,585	25.0%
Reassessment of temporary differences	3,488		-	
Effect from changes in income tax rate	(3,728)		(2,944)	
Net tax non-deductible expenses	1,812		1,577	
Income tax expenses	**3,297**	**44.0%**	**6,218**	**20.5%**

(Thousands of Ukrainian hryvnias, unless otherwise is indicated)
Translation from original in Russian

Deferred tax assets and liabilities as at 31 December 2011 are attributable to the items detailed as follows:

	31 December 2010	*Recognised in profit or loss*	*Recognised in other comprehensive income*	*31 December 2011*
	Asset/ (Liability)	*Benefit/ (Expense)*	*Benefit/ (Expense)*	*Asset/ (Liability)*
Amortised cost and allowance for impairment of loans to customers	(46,236)	17,042	-	(29,194)
Fair value of financial assets available-for-sale	1,106	(1,084)	703	725
Revalued amount of property, plant and equipment	-	406	-	406
Revalued amount of investment property	868	(1,709)	-	(841)
Impairment of other assets	8	384	-	392
Amortised cost of amounts due to banks	(139)	53	-	(86)
Amortised cost of amounts due to customers	84	(84)	-	-
Amortised cost of debt securities issued	-	1,336	-	1,336
Other temporary differences	740	244	-	984
	(43,569)	**16,588**	**703**	**(26,278)**

Deferred tax assets and liabilities as at 31 December 2010 are attributable to the items detailed as follows:

	31 December 2009	*Recognised in profit or loss*	*Recognised in other comprehensive income*	*31 December 2010*
	Asset/ (Liability)	*Benefit/ (Expense)*	*Benefit/ (Expense)*	*Asset/ (Liability)*
Amortised cost and allowance for impairment of loans to customers	(45,374)	(862)	-	(46,236)
Fair value of financial assets available-for-sale	-	1,106	-	1,106
Revalued amount of property, plant and equipment	(23,832)	(280)	24,112	-
Revalued amount of investment property	-	868	-	868
Impairment of other assets	818	(810)	-	8
Amortised cost of amounts due to banks	322	(461)	-	(139)
Amortised cost of amounts due to customers	-	84	-	84
Amortised cost of debt securities issued	198	(198)	-	-
Other temporary differences	842	(102)	-	740
	(67,026)	**(655)**	**24,112**	**(43,569)**

(Thousands of Ukrainian hryvnias, unless otherwise is indicated)
Translation from original in Russian

14. Other assets

As at 31 December other assets comprised:

	2011	2010
Accounts receivable from payments through plastic cards	7,755	1,519
Precious metals	7,127	2,892
Prepaid taxes and mandatory payments other than income tax	5,238	2,388
Prepaid expenses	5,034	3,834
Positive fair value of derivative financial instruments	2,894	2,470
Accrued income receivable	2,499	2,068
Accounts receivable for settlements with customers	2,290	1,213
Inventories	1,770	1,035
	34,607	**17,419**
Allowance for impairment	(781)	(1,181)
Other assets	**33,826**	**16,238**

15. Other charges to allowances for impairment and provisions

Other charges to allowances for impairment and provisions are:

	2011	2010
Reduction in carrying values of assets held for sale to their fair values	2,175	2,273
Charge to/ (decrease in) allowance for impairment of other assets	(400)	772
Revaluation of investment property	-	4,931
Other charges to allowances for impairment and provisions	**1,775**	**7,976**

16. Amounts due to banks

As at 31 December amounts due to banks include:

	2011	2010
Loans from the NBU	419,195	343,810
Current accounts of other banks	948,693	1,094,618
Term deposits and loans due to banks	136,006	99,642
Amounts due to banks	**1,503,894**	**1,538,070**

As at 31 December 2011, the amount included in current accounts of other banks equivalent to UAH 904,538 thousand (2010: UAH 910,070 thousand) was placed by two (2010: one) Ukrainian banks.

In December 2011 the Bank attracted from the NBU a short-term loan under direct repo deal terms of UAH 119,540 thousand. The Bank provided state bonds as collateral under the loan (Note 9).

To secure a loan with carrying value of UAH 299,655 thousand (2010: UAH 344,810 thousand) received from the NBU in 2009, the Bank pledged its loans to customers with the carrying value of UAH 607,432 thousand (2010: UAH 524,569 thousand) and the ownership rights for property, equipment and intangible assets in the amount of UAH 123,399 thousand (2010: UAH 116,348 thousand) (Notes 8, 10).

(Thousands of Ukrainian hryvnias, unless otherwise is indicated)
Translation from original in Russian

17. Amounts due to customers

As at 31 December Amounts due to customers comprised:

	2011	*2010*
Current accounts		
- legal entities	1,361,893	739,843
- individuals	464,322	214,272
	1,826,215	**954,115**
Time deposits		
- legal entities	929,627	682,671
- individuals	2,828,969	2,101,324
	3,758,596	**2,783,995**
Amounts due to customers	**5,584,811**	**3,738,110**

As at 31 December 2011, the balances on current accounts of legal entities amounting to UAH 983,105 thousand, or 53.8% of the total amount on current accounts of customers, were due to ten largest corporate customers (2010: UAH 501,329 thousand, or 52.5%), of which UAH 330,000 thousand (2010: UAH 120,000 thousand) is pledged as collateral for loans to those customers. The balance on the current account in the amount of UAH 33,701 thousand, which makes 1.8% of total balances on current accounts of customers, were due to one individual customer (2010: UAH 10,372 thousand, or 1.1%).

As at 31 December 2011, time deposits of individuals amounting to UAH 172,581 thousand, or 4.6% of the total amount of deposits from customers, were placed by the three largest customers (2010: UAH 269,204 thousand, or 9.7%).

As at 31 December 2011, deposits of legal entities in the amount of UAH 13,098 thousand (2010: UAH 78,679 thousand) were pledged as collateral under documentary transactions facilitated the Bank (Note 22).

As at 31 December 2011, term deposits of legal entities in the amount of UAH 7,990 thousand (2010: UAH 90,986 thousand) were placed by one non-resident financial organization registered outside OECD.

18. Debt securities issued

On 28 January 2011 the Bank received a permission to issue F-series debt securities with nominal amount of UAH 100,000 thousand and maturing in January 2016. The debt securities at 15.0% coupon rate were placed in full in July 2011. Effective interest rate on the debt securities issued is 15.8%. In accordance with the placement terms, the debt securities issued shall be redeemed by the Bank if so requested by their holders in the end of each half-year coupon periods in January or July.

19. Subordinated debt

Subordinated debt represents the amounts received under long-term loan agreements, which in case of the Bank's failure to meet its obligations, would have to be repaid only after the repayment of amounts due to all the other creditors. The subordinated loans were drawn in 2006 and 2011 from a non-resident entity registered outside OECD. The loans are denominated in US Dollars and their aggregate principal amount equals to USD 35,900 thousand as at 31 December 2011 (2010: USD 7,900 thousand). Effective interest rate is 8% p.a. on all the loans and they mature in December 2016.

(Thousands of Ukrainian hryvnias, unless otherwise is indicated)
Translation from original in Russian

20. Other liabilities

Other liabilities as at 31 December include the following items:

	2011	*2010*
Amounts payable on purchased intangible assets	5,008	-
Accrued payments on unused vacations	4,362	2,775
Amounts payable to Individuals' Deposit Guarantee Fund	3,529	2,248
Accrued expenses payable	1,363	1,037
Salary accruals to employees	1,262	-
Balances on transit accounts	1,244	1,923
Obligations on payments of taxes and mandatory payments, other than income tax	905	81
Other	936	659
Other liabilities	**18,609**	**8,723**

21. Equity

Movements in the Bank's shares issued, fully paid and outstanding are:

	Number of shares	*Nominal value*		
	Ordinary	*Ordinary*	*Inflation adjustment*	*Total*
31 December 2009	**315,000,000**	**315,000**	**23,666**	**338,666**
31 December 2010	**315,000,000**	**315,000**	**23,666**	**338,666**
31 December 2011	**315,000,000**	**315,000**	**23,666**	**338,666**

The nominal value of the ordinary shares is UAH 1.00 per share as at 31 December 2011 and 2010. The inflation adjustment to share capital was made to account for the hyperinflation effect in accordance with IAS 29 "Financial Reporting in Hyperinflationary Economies" and the Bank's accounting policy.

All ordinary shares are fully paid and have equal voting, dividend and capital repayment rights. No dividends were declared by the Bank during 2011 or 2010, as well as after the yearend and before the date of the approval of these financial statements by management.

In accordance with the Ukrainian legislation, the distributable reserves are limited to the balance of accumulated retained earnings as presented in the statutory financial statements prepared in accordance with the requirements of the NBU. These amounted to UAH 1,959 thousand as at 31 December 2011 (2010: UAH 4,567 thousand).

(Thousands of Ukrainian hryvnias, unless otherwise is indicated)
Translation from original in Russian

Revaluation reserves and changes in the reserve comprise:

	Revaluation reserve of buildings	Revaluation reserve of financial assets available-for-sale	Total revaluation reserve
31 December 2009	**72,335**	**122**	**72,457**
Effect of the fixed assets tax base adjustment	24,112		**24,112**
Unrealised (losses) /gains from financial assets available-for-sale		4,793	**4,793**
Realised gains from financial assets available-for-sale reclassified to profit and loss		(942)	**(942)**
31 December 2010	**96,447**	**3,973**	**100,420**
Unrealised (losses) /gains from financial assets available-for-sale		(1,367)	**(1,367)**
Realised gains from financial assets available-for-sale reclassified to profit and loss		(2,354)	**(2,354)**
Income tax relating to components of other comprehensive income		703	**703**
31 December 2011	**96,447**	**955**	**97,402**

22. Commitments and contingencies

Litigation

In the ordinary course of business, the Bank is subject to legal actions and complaints. The 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.

Insurance

The insurance industry in Ukraine is at a developing stage and many forms of insurance protection common to other countries are not yet generally available. The Bank does not have full insurance coverage with respect to its assets, in case of business interruption, or third party liability in respect of damage arising from accidents with the Bank property or relating to its operations. Until the Bank obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on its operations and financial position.

Taxation

The Ukrainian legislation applicable to taxation and other operational matters continue to evolve as a result of the economy being in transition to market economy. The legislative and regulatory acts are not always clearly written and their interpretation is subject to varying interpretations by local, regional and national authorities and other governmental bodies. Instances of inconsistent interpretations by different bodies are not unusual. Management believes that the Bank has complied with all regulations and paid or accrued all taxes that are applicable. Where the risk of outflow of resources is probable, the Bank has accrued tax liabilities based on management's best estimate.

The Bank's operations and financial position will continue to be affected by Ukrainian political developments including the application of existing and future legislation and tax regulations. Management of the Bank believes that obligations that could arise as a result of these contingencies, as relating to its operations, would not be more significant than those of similar businesses in Ukraine.

(Thousands of Ukrainian hryvnias, unless otherwise is indicated)
Translation from original in Russian

Commitments and contingencies

Revocable credit commitments and contingencies as at 31 December are:

	2011	*2010*
Letters of credit	36,951	87,260
Guarantees	23,881	70,351
Avals	5,657	6,411
	66,489	164,022
Cash collateral pledged for letters of credit and guarantees (Note 17)	(13,098)	(78,679)
Commitments and contingencies	**53,391**	**85,343**

As at 31 December 2011 loan facilities given by the Bank and yet undrawn by customers amounted to UAH 1,689,728 thousand (2010: UAH 973,490 thousand). Applications by the customers for drawing such facilities are subjected to the mandatory consent procedure established by the Bank, and the Bank may decline issuing a loan if the applying borrower's financial standing has deteriorated, if the customer has not complied with the required loan-related procedures or due to other reasons.

All the financial and operating lease contractual commitments of the Bank are revocable.

Derivative financial instruments

As at 31 December 2011, the Bank entered into agreements on currency swap transactions with seven Ukrainian banks and two non-OECD banks (2010: with one Ukrainian bank). According to its accounting policy, the Bank carries such assets and liabilities as derivative financial instruments at their fair value.

Derivative financial instruments as at 31 December were as follows:

	2011			*2010*		
	Notional principal	***Fair value, asset***	***Fair value, liability***	***Notional principal***	***Fair value, asset***	***Fair value, liability***
Currency swaps	435,816	2,894	-	82,085	2,470	-

The derivative financial instruments are included in "Other assets" at their fair value (Note 14).

(Thousands of Ukrainian hryvnias, unless otherwise is indicated)
Translation from original in Russian

23. Net fee and commission income

Net fee and commission income for the year is:

	2011	*2010*
Fee and commission income		
Cash payments and withdrawals	40,150	26,955
Foreign currency exchange transactions	16,478	11,157
Guarantees and letters of credit	5,106	6,902
Loan service fee and commissions	1,157	2,722
Trust management transactions	-	314
Other	1,680	1,142
	64,571	**49,192**
Fee and commission expenses		
Cash payments and withdrawals	(10,363)	(7,528)
Borrowing service fee	-	(68)
Other	(767)	(355)
	(11,130)	**(7,951)**
Net fee and commission income	**53,441**	**41,241**

24. Personnel and other operating expenses

Salaries and employee benefits and other operating expenses for the year are:

	2011	*2010*
Salaries and other employee benefits	85,173	49,522
Salary related charges	25,646	15,321
Personnel expenses	**110,819**	**64,843**
Rent	29,617	14,622
Insurance	27,715	6,899
Office maintenance	17,715	12,506
Marketing and advertisement	17,281	7,888
Contributions to the Individuals' Deposits Guarantee Fund	12,860	8,518
Security services	7,737	4,981
Communication services	6,657	5,556
Business trip expenses	4,442	2,093
Professional services	4,218	3,601
Taxes and other mandatory payments other than income tax	1,159	820
Losses on loans restructuring	1,063	1,079
Charity	335	141
Cash collection services	299	298
Other	4,310	5,732
Other operating expenses	**135,408**	**74,734**

Included in "Other" are administrative expenses, which cannot be allocated to any of the above group of expenses.

(Thousands of Ukrainian hryvnias, unless otherwise is indicated)
Translation from original in Russian

25. Financial risk management policies

Risks are inherent in the Bank's activities but they are managed through a process of ongoing identification, measurement and monitoring, establishing of the risk limits and other controls. This process of risk management is critical to the Bank's continuing profitability and each individual within the Bank is accountable for managing the risk exposures within his or her responsibilities. The Bank is exposed to credit risk, liquidity risk and market risk, the latter being subdivided into trading and non-trading risks. It is also subject to operating risks.

The independent risks control process is not applied to business risks such as changes in the environment, technology and industry. They are controlled through the Bank's strategic planning process.

Risk management framework

The risk management policies aim to identify, analyze and manage the risks faced by the Bank, to set appropriate risk limits and provisions for residual risks, to implement controls and to continuously monitor risk levels and adherence to risk limits.

The risk management functions are divided among the Supervisory Board, the Management Board, the Assets and Liabilities Management Committee (hereafter – "the ALCO"), the Risk Management Department, the Tariff Committee and the Credit Committee.

The risk management functions within the Bank are divided as follows:

Supervisory Board

The Supervisory Board is responsible for establishing overall approach to risk management, and for the approval of risk management strategy and principles.

Management Board

The Management Board implements and controls risk management process in the Bank. The Management Board's risk management function comprises development of risk management strategy as well as implementation of principles, concept, polices, and risk limits.

Risk Management Department

The Risk Management Department exercises an analytical and methodological function in risk management and is responsible for establishment of risk management procedures for independent control purposes.

Committees

The Large and Small Credit Committees, the ALCO, and the Tariff Committee are responsible for implementation of the risk management strategy.

Business Units

Each business unit has a separate independent risk control function, including control over adherence to the limits of the risk exposures and assessment of risks attributable to new products and structured transactions. In addition, business units are responsible for collecting complete, reliable and operating risk related information and risk reporting.

(Thousands of Ukrainian hryvnias, unless otherwise is indicated)
Translation from original in Russian

Internal Audit

The Internal Audit and Control Department performs regular audits of the risk management processes in order to review the adequacy of the risk management procedures and their execution. Internal Audit and Control Department discusses findings from its audits and presents its conclusions and recommendations to the Supervisory and Management Boards.

Excessive risk concentration

Risk concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. The concentrations reflect the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of the risks, the Bank's policies and procedures include specific guidelines focused on portfolio diversification. Identified risk concentrations are controlled and managed accordingly.

Credit risk

Credit risk is the risk of a financial loss to the Bank if a borrower or counterparty fails to meet its contractual obligations. The Bank manages its credit risk by establishing risk (limits) in relation to a single counterparty or groups of counterparties with similar business risks, geographic/ industry risk concentration, and by monitoring limit adherence.

Risks inherent in credit related commitments (undrawn loan commitments, letters of credit and guarantees) are similar to risks inherent in loans; they are mitigated using the same procedures and risk control policies. The maximum exposure related to commitments and contingencies is shown in Note 22.

Carrying value of the items presented in the statement of financial position (including derivative instruments and excluding the risk mitigating effect of master netting and collateral agreements) corresponds the most closely to the maximum credit risk arising from these items.

Carrying value of the financial instruments carried at fair value reflects current exposure to credit risk but not the maximum exposure, which may arise in future as a result of the changes in their values.

Risk concentrations reflect the relative sensitivity of the Bank's operational results to changes affecting specific industry or geographic location. In order to avoid unacceptable risk concentration, the Bank's applies specific policies and procedures aimed at diversification of the credit portfolio. Risk concentrations identified are managed accordingly.

Credit quality by class of financial asset

The Bank manages the credit quality of financial assets using its internal credit rating system. The system ensures focused risk management as well as it allows for credit risk exposure comparison by line of business, geographic location and product. The rating system is based on application of certain financial and analytical methods as well as use of observable market data, which represents main source of information for the purpose of counterparty's risk assessment. All internal risk categories are determined in accordance with the credit rating policy. Assigned ratings are assessed and revised by the Bank regularly.

The Bank's management assesses the impairment of loans to customers by evaluating the likelihood of repayment and reimbursement of the amounts advanced based on the analysis of the specific borrowers by the specific significant loans as well as by the groups of loans with the similar terms and risk characteristics. The factors taken into account in evaluating the specific loans include the debt service history, the borrower's current financial position, timeliness of repayments and quality of collateral, future interest payment schedule, the borrower's industry conditions, etc. In assessing the amount of impairment, management takes into account the expected future principal and interest repayments as well as the proceeds from the sale of collateral, if any. Further, these cash flows are discounted using the original effective interest rate of the loan. The actual repayment of the loan principal and interest depends on

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Translation from original in Russian

the borrowers' ability to generate cash flows from their operations or to obtain alternative financing and may differ from the management's estimates.

The factors taken into account when assessing collective impairment include the historical impairment loss experience, portfolio delinquencies and general economic conditions.

The credit quality analysis of financial asset categories presented in the statement of financial position made using the Bank's credit rating system as at 31 December 2011 is:

	Notes	*High rating*	*Standard rating*	*Low rating*	*Individually impaired or past due*	*Total*
Cash and cash equivalents, except for cash and balances on current accounts with the NBU	5	1,658,561	-	-	-	**1,658,561**
Balances with the National Bank of Ukraine	6	392,436	-	-	-	**392,436**
Amounts due from banks	7	15,393	-	-	-	**15,393**
Loans to customers	8					
- loans to legal entities		3,465,410	956,116	21,960	663,937	**5,107,423**
- loans to individuals		222,690	109,218	496	164,301	**496,705**
		3,688,100	1,065,334	22,456	828,238	**5,604,128**
Financial assets available-for-sale	9	156,847	-	-	-	**156,847**
Other financial assets		14,657	-	-	-	**14,657**
Total		**5,925,994**	**1,065,334**	**22,456**	**828,238**	**7,842,022**

The credit quality analysis of financial asset categories presented in the statement of financial position made using the Bank's credit rating system as at 31 December 2010 is:

	Notes	*High rating*	*Standard rating*	*Low rating*	*Individually impaired or past due*	*Total*
Cash and cash equivalents, except for balances on current accounts with the National Bank of Ukraine	5	1,143,007	-	-	-	**1,143,007**
Balances with the National Bank of Ukraine	6	290,386	-	-	-	**290,386**
Amounts due from banks	7	78,102	-	-	-	**78,102**
Loans to customers	8					
- loans to legal entities		1,868,341	1,199,767	106,556	300,654	**3,475,318**
- loans to individuals		328,802	174,851	6,534	134,600	**644,787**
		2,197,143	1,374,618	113,090	435,254	**4,120,105**
Financial assets available-for-sale	9	68,504	-	-	-	**68,504**
Other financial assets		6,089	-	-	-	**6,089**
Total		**3,783,231**	**1,374,618**	**113,090**	**435,254**	**5,706,193**

In the above tables amounts due from banks, loans to customers and derivative financial instruments rated high are the assets whose credit risk is minimal. Counterparties with good financial standing and good debt servicing are rated standard. Low rating comprises assets whose rating is lower than standard, but that were not impaired individually. For financial assets available-for-sale the Bank uses its own internal credit rating policy. In accordance to that policy high rating is assigned to the assets with minimal risk, other financial assets available-for-sale are assigned standard rating. Assets with high degree of risk except for those individually impaired are assigned low rating.

(Thousands of Ukrainian hryvnias, unless otherwise is indicated)
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The Bank has developed credit quality review procedures aimed on early identification of the potential changes in borrowers' credit standing, including periodical review of the collateral value. The credit quality review allows the Bank to estimate potential loss from the risks faced and taking appropriate actions.

One of the tools to mitigate the credit risk of the existing loan portfolio is the system of quick response to loan quality deterioration, which is based on the express analysis of the Bank's TOP-50 borrowers. The quick response system is a business process, which allows for a prompt evaluation of the borrowers' current financial position and, after taking into account the current debt service quality, marking the borrowers on the credit risk map. Further, depending on the location of the loan on the risk map, such loan is classified to a certain risk category. The Bank's Credit Committee decides on the follow-up actions in respect of the weak and bad loans.

The geographic concentration of financial assets and liabilities is as follows:

	2011				***2010***			
	Ukraine	***OECD***	***CIS and other countries***	***Total***	***Ukraine***	***OECD***	***CIS and other countries***	***Total***
Assets								
Cash and cash equivalents, except for balances on current accounts with the National Bank of Ukraine	388,180	1,552,429	34,550	**1,975,159**	403,422	995,961	115,118	**1,514,501**
Balances with the National Bank of Ukraine	392,436	-	-	**392,436**	290,386	-	-	**290,386**
Amounts due from banks	15,393	-	-	**15,393**	78,102	-	-	**78,102**
Loans to customers	5,345,541	-	14,606	**5,360,147**	3,895,833	-	19,722	**3,915,555**
Financial assets available-for-sale	156,847	-	-	**156,847**	68,504	-	-	**68,504**
Other financial assets	14,652	-	5	**14,657**	6,076	-	13	**6,089**
	6,313,049	**1,552,429**	**49,161**	**7,914,639**	**4,742,323**	**995,961**	**134,853**	**5,873,137**
Liabilities								
Amounts due to banks	1,447,772	-	56,122	**1,503,894**	1,538,011	-	59	**1,538,070**
Amounts due to customers	5,503,215	34,878	46,718	**5,584,811**	3,594,213	34,183	109,714	**3,738,110**
Debt securities issued	79,671	-	26,692	**106,363**	-	-	-	**-**
Subordinated debt	-	-	292,398	**292,398**	-	-	64,183	**64,183**
Other liabilities	16,767	1	-	**16,768**	7,982	1	-	**7,983**
	7,047,425	**34,879**	**421,930**	**7,504,234**	**5,140,206**	**34,184**	**173,956**	**5,348,346**
Net geographic concentration	**(734,376)**	**1,517,550**	**(372,769)**	**410,405**	**(397,883)**	**961,777**	**(39,103)**	**524,791**

Market risk

Market risk is the risk that changes in the market indexes, such as interest rate, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) will affect income or value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the value at risk.

The Bank separates its exposure to market risk between trading and non-trading portfolios.

Trading portfolios are mainly held by the securities department, and include positions arising from market making and own open position taking, together with financial assets and liabilities that are managed on a fair value basis.

The overall responsibility for market risk management is vested with the ALCO. The Risk Management Department is responsible for the development of detailed risk management policies (subject to review and approval by the Management Board) and for the day-to-day monitoring of the compliance with the policies.

(Thousands of Ukrainian hryvnias, unless otherwise is indicated)
Translation from original in Russian

Foreign currency risk

Currency risk is the risk that fluctuations in foreign exchange rates will affect the Bank's income or the value of its portfolios of financial instruments.

The Bank holds assets and liabilities denominated in several foreign currencies. Foreign currency risk arises when the existing or forecasted assets in a foreign currency are either greater or less than the liabilities in that currency. Management establishes limits and constantly monitors foreign currency positions in accordance with the regulations of the NBU and the internally developed methodology.

The policy with regard to open foreign currency positions is restricted by certain maximal exposure thresholds established under the Ukrainian statutory regulations; the NBU strictly monitors the compliance with the regulations on a daily basis.

Foreign currency positions of the Bank as at 31 December 2011 are:

	Ukrainian hryvnia	*US Dollar*	*Euro*	*Other*	*Total*
Assets					
Cash and cash equivalents, except for balances on current accounts with the National Bank of Ukraine	194,293	1,227,669	490,245	62,952	**1,975,159**
Balances with the National Bank of Ukraine	337,822	45,685	8,929	-	**392,436**
Amounts due from banks	-	15,393	-	-	**15,393**
Loans to customers	3,011,723	2,120,365	193,695	34,364	**5,360,147**
Financial assets available-for-sale	36,747	120,100	-	-	**156,847**
Other assets	17,545	4,398	1,564	7,425	**30,932**
Total assets	**3,598,130**	**3,533,610**	**694,433**	**104,741**	**7,930,914**
Liabilities					
Amounts due to banks	504,174	930,224	69,271	225	**1,503,894**
Amounts due to customers	2,736,446	2,160,023	629,098	59,244	**5,584,811**
Debt securities issued	106,363	-	-	-	**106,363**
Subordinated debt	-	292,398	-	-	**292,398**
Other liabilities	16,062	1,285	594	668	**18,609**
Total liabilities	**3,363,045**	**3,383,930**	**698,963**	**60,137**	**7,506,075**
Net long /(short) position	**235,085**	**149,680**	**(4,530)**	**44,604**	**424,839**
Derivative financial instruments	240,736	(204,904)	-	(32,938)	**2,894**
Net long /(short) position	**475,821**	**(55,224)**	**(4,530)**	**11,666**	**427,733**

(Thousands of Ukrainian hryvnias, unless otherwise is indicated)
Translation from original in Russian

Foreign currency positions of the Bank as at 31 December 2010 are:

	Ukrainian hryvnia	*US Dollar*	*Euro*	*Other*	*Total*
Assets					
Cash and cash equivalents, except for balances on current accounts with the National Bank of Ukraine	102,529	795,471	485,543	130,958	**1,514,501**
Balances with the National Bank of Ukraine	260,205	27,760	2,421	-	**290,386**
Amounts due from banks	68,700	9,402	-	-	**78,102**
Loans to customers	2,465,863	1,282,083	125,099	42,510	**3,915,555**
Financial assets available-for-sale	68,504	-	-	-	**68,504**
Other assets	12,317	983	294	174	**13,768**
Total assets	**2,978,118**	**2,115,699**	**613,357**	**173,642**	**5,880,816**
Liabilities					
Amounts due to banks	380,856	1,063,105	93,987	122	**1,538,070**
Amounts due to customers	1,817,166	1,262,154	518,217	140,573	**3,738,110**
Subordinated debt	-	64,183	-	-	**64,183**
Other liabilities	7,383	717	586	37	**8,723**
Total liabilities	**2,205,405**	**2,390,159**	**612,790**	**140,732**	**5,349,086**
Net long /(short) position	**772,713**	**(274,460)**	**567**	**32,910**	**531,730**
Derivative financial instruments	(79,615)	82,085	-	-	2,470
Net long /(short) position	**693,098**	**(192,375)**	**567**	**32,910**	**534,200**

As at 31 December, a 10-percent depreciation of the Ukrainian hryvnia against the following currencies would have had increased (decreased) pre-tax profit by the amounts shown below. This analysis assumes that all other variables, in particular, interest rates, remain constant:

	2011	*2010*
US Dollar	(5,526)	(5,019)
Euro	(177)	253

As at 31 December, a 10-percent appreciation of the Ukrainian hryvnia against the above currencies would have had an equal but opposite effect on the pre-tax profit in the amounts shown above, on the basis that all other variables remain constant.

Interest rate risk

Interest rate risk is the risk that movements in interest rates will affect future cash flows or fair value of financial instruments.

Interest rate risk is measured by the extent to which changes in market interest rates would impact interest margin and net interest income. To the extent the maturity structure of interest bearing assets differs from that of liabilities, net interest income will increase or decrease as a result of movements in interest rates. To manage interest rate risk, the Bank continually assesses market interest rates for different types of interest bearing assets and liabilities.

Interest margins on assets and liabilities having different maturities may increase as a result of changes in market interest rates. In practice, the Bank resets interest rates on both assets and liabilities based on current market conditions and mutual consent with its counterparties by formal amending the original agreements and setting forth the new interest rates.

The ALCO and the Credit Committee are responsible for interest rate risk management. The ALCO establishes the principal policies and approaches to interest rate risk management, including maximum loan and minimum borrowing rates by products, classes of customers and maturities. The Credit Committee is responsible for ensuring compliance with the guidelines set by the ALCO. At the same time, the Customers Management Department and the Retail Business Division, with the approval of the Risk Management Department, recommend to the ALCO altering certain interest rates subject to changes in the market conditions or for internal reasons. Interest rate risk management is conducted using the gap analysis method, whereby the difference or gap between the interest rate sensitive assets and the interest rate sensitive liabilities is determined and analyzed.

(Thousands of Ukrainian hryvnias, unless otherwise is indicated)

The average effective interest rates of the major interest bearing assets and liabilities are:

	31 December 2011			***31 December 2010***		
	Ukrainian hryvnia	***US Dollar***	***Euro***	***Ukrainian hryvnia***	***US Dollar***	***Euro***
Balances with the National Bank of Ukraine	2.33%	-	-	2.33%	-	-
Loans to customers	16.2%	10.6%	10.4%	18.2%	11.4%	11.3%
Amounts due from banks	10.8%	0.6%	-	9.6%	0.5%	-
Current accounts of customers	5.8%	1.4%	2.7%	3.8%	3.5%	3.2%
Term deposits of customers	15.3%	9.0%	6.9%	15.2%	10.3%	7.8%
Debt securities issued	15.8%	-	-	-	-	-
Subordinated debt	-	8.0%	-	-	8.0%	-

In case of the market changes, the Bank's management, under the terms of the loan agreements, has the right to change the interest rates on the loans to customers. Moreover, the Bank regularly revises interest rates on amounts due to customers depending on market structure. However, interest expenses on certain liabilities of the Bank are accrued at floating interest rate. If interest rates on these liabilities have had increased by 1% as at 31 December 2011, with all other variables remained unchanged, net interest income for the year would have had decreased by UAH 9,780 thousand (2010: decreased by UAH 1,343 thousand). A 1% decrease in interest rates would have had an equal but opposite effect on the net interest income by the amount shown above, on the basis that all other variables would remain constant.

Liquidity risk

Liquidity risk arises in course of the general funding activities as well as from management of open positions. It includes both the risk of being unable to raise the funding with appropriate maturities and rates and the risk of being unable to liquidate an asset at a reasonable price and in a due time as well as the risk of the Bank's failure to meet its obligations when due in the normal course of business or under unforeseen circumstances.

Management's approach to managing liquidity is to ensure that the Bank has reasonably sufficient liquidity to meet its liabilities when due, under both normal conditions and extraordinary circumstances, without incurring unjustifiable losses or damaging the Bank's reputation.

The Bank actively keeps a diversified and stable funding sources comprising of debt securities issued, long-term and short-term loans from other banks, core corporate and retail customer deposits, as well as diversified portfolios of highly liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

To maintain its short-term liquidity, the Bank takes short-term deposits, enters into repurchase transactions and buys and sells foreign currency, securities and precious metals. To maintain its long-term liquidity, the Bank takes medium and long-term deposits, purchases and sales securities, regulates its interest rate policy and controls expenses. In managing its liquidity the Bank considers the obligatory reserve placement requirements set by the NBU, which size, in particular, depends on the level of funds deposited by the customers.

The Bank has to comply with the mandatory liquidity ratios set by the NBU on a daily basis. These ratios include:

- quick ("acid") liquidity ratio, which is calculated as the ratio of highly-liquid assets to liabilities payable on demand;

(Thousands of Ukrainian hryvnias, unless otherwise is indicated)

- current liquidity ratio, which is calculated as the ratio of liquid assets to liabilities maturing within 31 calendar days;
- short-term liquidity ratio, which is calculated as the ratio of liquid assets to short-term liabilities maturing within one year.

Liabilities repayable on demand are treated as if redemption claim would have been made at the earliest date possible. However, the Bank expects that majority of the customers will not claim for redemption at such the earliest possible date and, consequently, the table does not take into account the cash flow effects expected by the Bank based on historical information on deposits redemption in past periods.

The Bank's undiscounted financial liabilities grouped by their residual contractual maturities and other undiscounted cash outflows as at 31 December 2011 are:

	Up to 3 months	*From 3 months to 1 year*	*From 1 to 5 years*	*Over 5 years*	*Total*
Financial liabilities					
Amounts due to banks	1,125,438	237,446	177,801	-	**1,540,685**
Amounts due to customers	3,484,241	2,018,812	241,893	14,387	**5,759,333**
Debt securities issued	106,565	-	-	-	**106,565**
Subordinated debt	5,564	17,226	383,021	-	**405,811**
Other liabilities	16,768	-	-	-	**16,768**
Total liabilities	**4,738,576**	**2,273,484**	**802,715**	**14,387**	**7,829,162**
Gross amount payable under currency swap arrangements	433,339	-	-	-	**433,339**
Undiscounted cash outflow	**5,171,915**	**2,273,484**	**802,715**	**14,387**	**8,262,501**

The category "Up to 3 months" above also includes amounts on demand.

The Bank's undiscounted financial liabilities grouped by their residual contractual maturities and other undiscounted cash outflows as at 31 December 2010 are:

	Up to 3 months	*From 3 months to 1 year*	*From 1 to 5 years*	*Over 5 years*	*Total*
Financial liabilities					
Amounts due to banks	1,105,076	50,748	473,703	-	**1,629,527**
Amounts due to customers	2,129,975	1,434,271	435,573	-	**3,999,819**
Subordinated debt	2,544	3,774	20,127	67,648	**94,093**
Other liabilities	7,983	-	-	-	**7,983**
Total liabilities	**3,245,578**	**1,488,793**	**929,403**	**67,648**	**5,731,422**
Gross amount payable under currency swap arrangements	81,918	-	-	**-**	**81,918**
Undiscounted cash outflow	**3,327,496**	**1,488,793**	**929,403**	**67,648**	**5,813,340**

The category "Up to 3 months" above also includes amounts on demand.

Timing of cash flows on assets and liabilities and the ability to replace, at acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity position of the Bank and its exposure to changes in interest and foreign exchange rates.

(Thousands of Ukrainian hryvnias, unless otherwise is indicated)
Translation from original in Russian

Residual contractual maturities of financial assets, net of allowance for impairment, and financial liabilities as at 31 December 2011 are:

	Up to 3 months	***From 3 months to 1 year***	***From 1 to 5 years***	***Over 5 years***	***Total***
Assets					
Cash and cash equivalents, except for balances on current accounts with the National Bank of Ukraine	1,975,159	-	-	-	**1,975,159**
Balances with the National Bank of Ukraine	392,436	-	-	-	**392,436**
Amounts due from banks	15,393	-	-	-	**15,393**
Loans to customers	1,963,583	2,125,140	,1,221,644	49,780	**5,360,147**
Financial assets available-for-sale	1,309	120,100	34,921	517	**156,847**
Other assets	21,784	-	-	-	**21,784**
Total assets	**4,369,664**	**2,245,240**	**1,256,565**	**50,297**	**7,921,766**
Liabilities					
Amounts due to banks	1,114,397	216,599	172,898	-	**1,503,894**
Amounts due to customers	3,062,437	2,037,278	473,040	12,056	**5,584,811**
Debt securities issued	106,363	-	-	-	**106,363**
Subordinated debt	5,564	-	286,834	-	**292,398**
Other liabilities	16,768	-	-	-	**16,768**
Total liabilities	**4,305,529**	**2,253,877**	**932,772**	**12,056**	**7,504,234**
Liquidity gap for the period	64,135	(8,637)	323,793	38,241	417,532
Cumulative liquidity gap	**64,135**	**55,498**	**379,291**	**417,532**	

The category "Up to 3 months" above also includes amounts on demand.

(Thousands of Ukrainian hryvnias, unless otherwise is indicated)
Translation from original in Russian

Residual contractual maturities of financial assets, net of allowance for impairment, and financial liabilities as at 31 December 2010 are:

	Up to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Total
Assets					
Cash and cash equivalents, except for balances on current accounts with the National Bank of Ukraine	1,514,501	-	-	-	1,514,501
Balances with the National Bank of Ukraine	290,386	-	-	-	290,386
Amounts due from banks	9,402	68,700	-	-	78,102
Loans to customers	1,475,291	1,480,352	919,859	40,053	3,915,555
Financial assets available-for-sale	2,367	-	65,620	517	**68,504**
Other assets	8,981	-	-	-	8,981
Total assets	**3,300,928**	**1,549,052**	**985,479**	**40,570**	**5,876,029**
Liabilities					
Amounts due to banks	1,094,618	50,025	393,427	-	1,538,070
Amounts due to customers	1,974,104	1,334,658	429,348	-	3,738,110
Subordinated debt	1,286	-	-	62,897	64,183
Other liabilities	7,983	-	-	-	7,983
Total liabilities	**3,077,991**	**1,384,683**	**822,775**	**62,897**	**5,348,346**
Liquidity gap for the period	222,937	164,369	162,704	(22,327)	527,683
Cumulative liquidity gap	**222,937**	**387,306**	**550,010**	**527,683**	

The category "Up to 3 months" above also includes amounts on demand.

In accordance with the Ukrainian legislation and contractual terms of the loans, the Bank has the right to demand the repayment of loans from customers prior to their contractual maturity if the borrowers' financial position deteriorates, or if the borrowers do not fulfill their contractual obligations as well as in some other cases. In accordance with the Ukrainian legislation and contractual terms of the deposits, the Bank's customers have the right to withdraw funds from term accounts prior to their contractual maturity with the accrued interest due being fully or partially lost.

Operating risk

Operating risk is the risk arisen as a result of the system error, human errors, fraud or external events. Where the control system malfunctions, the operating risks can damage the reputation and have legal implications or lead to financial losses. The Bank cannot assume that all operating risks are eliminated, however, by applying internal controls and by keeping track and responding to the potential risks the Bank can manage such risks. The internal controls provide for the effective segregation of duties, access rights, approval and reconciliation procedures, personnel training as well as assessment procedures, including internal audit.

26. Transactions with related parties

The Bank grants loans to customers, attracts deposits and performs other transactions with related parties in the ordinary course of business. Parties are considered to be related if one party has the ability to control the other party or exercises significant influence over the other party when making financial and operational decisions. Terms of transactions with related parties are established at the time of transaction. Related parties comprise the shareholders of the Bank, members of the Supervisory Board, key management personnel and their close family members, companies that are controlled or significantly influenced by shareholders, by key management personnel or by their close family members. The key management personnel are those individuals that have the authority and responsibility for planning, directing and controlling the activities of the Bank directly or indirectly, and include the members of the Management Board and the Supervisory Board.

(Thousands of Ukrainian hryvnias, unless otherwise is indicated)
Translation from original in Russian

The management of the Bank believes that the terms of transactions with the related parties were similar to those offered to non-related parties.

Transactions of the Bank with the related parties and balances with related parties as at 31 December 2011 and 2010 are:

	2011			2010		
	Shareholders	Key management personnel	Total related parties	Shareholders	Key management personnel	Total related parties
Loans to customers	-	322	322	-	62	62
Amounts due to customers	-	50	50	238	-	238
Interest income	-	22	22	-	15	15
Interest expenses	-	-	-	-	-	-

Interest rates applicable to the transactions with related parties are:

	2011			2010		
	Shareholders	Key management personnel	Total related parties	Shareholders	Key management personnel	Total related parties
Loans to customers:						
- in UAH	-	18.0%	18.0%	-	20.4%	20.4%
Amounts due to customers:						
- in foreign currencies	-	2.0%	2.0%	-	-	-

Loans to related parties of the Bank were issued in Ukrainian hrynvias.

Amounts due to customers, which are related parties of the Bank are represented by current accounts on demand. During 2011 the Bank received UAH 9 thousand of account service fee and commission income for servicing the related parties current accounts (2010: UAH 36 thousand).

Remuneration of the key management personnel for the year ended 31 December 2011 is represented by short-term employee benefits amounting to UAH 11,461 thousand (2010: UAH 6,528 thousand).

27. Segment reporting

For managerial purposes, the Bank is organised into three operating segments:

Corporate banking. Issuing loans, opening time deposit and serving current accounts of legal entities and institutional customers.

Retail banking. Serving deposits of individuals, providing consumer loans, overdrafts, credit card and fund transfer facilities.

Investment banking. Providing investment banking services, which includes trade financing, merger and acquisitions advice, specialised financial advice and trading.

(Thousands of Ukrainian hryvnias, unless otherwise is indicated)
Translation from original in Russian

Information on revenue and profit as well as assets and liabilities of the Bank's operating segments for the year ended 31 December 2011 is:

	Corporate banking	*Retail banking*	*Investment banking*	*Unallocated*	*Total*
Revenue					
External customers					
Interest income	596,165	72,700	14,119	-	**682,984**
Fee and commission income	46,485	5,907	12,179	-	**64,571**
Net gains from financial assets available-for-sale	-	-	2,354	-	**2,354**
Net gains /(losses) arising from transactions in foreign currencies	-	-	41,354	(677)	**40,677**
Other income	-	-	24	3,393	**3,417**
	642,650	**78,607**	**70,030**	**2,716**	**794,003**
Interest expenses	(110,776)	(272,642)	(74,582)	(13,124)	**(471,124)**
Fee and commission expenses	(620)	(147)	(10,363)	-	**(11,130)**
Charges to allowances for impairment of loans to customers	(32,958)	(7,881)	-	-	**(40,839)**
Personnel expenses	(52,074)	(34,417)	(7,730)	(16,598)	**(110,819)**
Depreciation and amortization	-	-	-	(15,410)	**(15,410)**
Other charges to allowances for impairment	-	-	-	(1,775)	**(1,775)**
Other segment expenses	(10,944)	(60,611)	(704)	(63,149)	**(135,408)**
Segment results	**435,278**	**(297,091)**	**(23,349)**	**(107,340)**	**7,498**
Income tax expenses				(3,297)	**(3,297)**
Profit for the year	**435,278**	**(297,091)**	**(23,349)**	**(110,637)**	**4,201**
Segment assets	4,926,141	434,005	2,539,696	387,752	**8,287,594**
Segment liabilities	2,291,520	3,293,291	1,610,257	339,161	**7,534,229**
Additions to property, equipment and intangible assets	-	-	-	46,652	**46,652**

Unallocated net gains/(losses) from transactions in foreign currencies represent revaluation of foreign currency positions in the statement of financial position, as well as other income not related to principal operating activities of the Bank. Unallocated interest expenses are interest expenses applicable to the subordinated debt. Other unallocated expenses represent general administrative expenses of the Bank and other expenses related to impairment of assets.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. The segment results are determined differently to those presented in the financial statements. Income taxes are managed centrally and are not allocated to the operating segments.

In 2011 and 2010, the Bank did not receive any revenue from a single external customer or counterparty, which would account for 10 or more per cent of the total revenue.

The Bank operates in Ukraine and nearly all of its 2011 and 2010 revenues were earned from Ukrainian counterparties. As at 31 December 2011 all tangible assets of the Bank were located in Ukraine (2010: 100%). The geographical concentration of the financial assets and liabilities is presented in Note 25.

(Thousands of Ukrainian hryvnias, unless otherwise is indicated)
Translation from original in Russian

Information on revenue and profit as well as assets and liabilities of the Bank's operating segments for the year ended 31 December 2010 is:

	Corporate banking	*Retail banking*	*Investment banking*	*Unallocated*	*Total*
Revenue					
External customers					
Interest income	412,621	108,459	13,432	-	**534,512**
Fee and commission income	28,900	15,122	5,170	-	**49,192**
Net gains from financial assets available-for-sale	-	-	942	-	**942**
Net gains /(losses) arising from transactions in foreign currencies	-	-	17,583	4,146	**21,729**
Other income	696	-	6	1,516	**2,218**
	442,217	**123,581**	**37,133**	**5,662**	**608,593**
Interest expenses	(58,940)	(242,004)	(74,310)	(5,082)	**(380,336)**
Fee and commission expenses	(317)	(5)	(7,629)	-	**(7,951)**
Charges to allowances for impairment of loans to customers	856	(32,640)	-	-	**(31,784)**
Personnel expenses	(30,476)	(20,101)	(4,538)	(9,728)	**(64,843)**
Depreciation and amortization	-	-	-	(10,629)	**(10,629)**
Other charges to allowances for impairment	-	-	-	(7,976)	**(7,976)**
Other segment expenses	(13,832)	(21,387)	(4,421)	(35,094)	**(74,734)**
Segment results	**339,508**	**(192,556)**	**(53,765)**	**(62,847)**	**30,340**
Income tax expenses				(6,218)	**(6,218)**
Profit for the year	**339,508**	**(192,556)**	**(53,765)**	**(69,065)**	**24,122**
Segment assets	3,326,145	589,410	1,954,385	278,393	**6,148,333**
Segment liabilities	1,422,514	2,315,596	1,538,070	119,971	**5,396,151**
Additions to property, equipment and intangible assets	-	-	-	19,201	**19,201**

28. Fair value measurement

The Bank applies the following hierarchic methods of measurement to determine and disclose the fair values of the financial instruments:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: measurement methods the inputs for which, having a material impact on fair values recognised in the financial statements, are based on observable market data, either directly or indirectly.
- Level 3: measurement methods the inputs for which, having a material impact on fair values recognised in the financial statements, are not based on observable market data.

Analysis of the financial instruments presented in the financial statements at fair value by hierarchic levels of fair value sources as at 31 December 2011 is:

	Level 1	*Level 2*	*Level 3*	*Total*
Financial assets				
Financial assets available-for-sale	156,330	517	-	**156,847**
Derivative financial instruments	-	2,894	-	**2,894**
	156,330	**3,411**	**-**	**159,741**

(Thousands of Ukrainian hryvnias, unless otherwise is indicated)
Translation from original in Russian

Analysis of the financial instruments presented in the financial statements at fair value by hierarchic levels of fair value sources as at 31 December 2010 is:

	Level 1	*Level 2*	*Level 3*	*Total*
Financial assets				
Financial assets available-for-sale	67,987	517	-	**68,504**
Derivative financial instruments	-	2,470	-	**2,470**
	67,987	**2,987**	**-**	**70,974**

The Bank did not change classification of the financial assets between the hierarchy levels either in 2011 or 2010.

Financial assets available-for-sale

Financial assets available-for-sale, which are valued using a valuation technique, primarily consist of debt securities and unquoted equity shares. These securities are valued using models which sometimes incorporate only data observable in the market and at other times use both observable and non-observable data. 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 the geographical jurisdiction in which the investee operates.

Derivatives

Derivatives, which are valued using a valuation technique with market observable inputs, mainly represent interest rate swaps, currency swaps and forward foreign exchange contracts. Valuation techniques most frequently applied include forward pricing and swap models, which use present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves.

Fair value of financial assets and liabilities not carried at fair value in the statement of financial position

Fair value of all short-term financial assets and liabilities is considered to be approximate to their carrying value due to short-term nature and market interest rates as at the period end. Fair value of loans maturing in more than one year approximates their carrying value since the Bank has the right and has already used that right to adjust interest rates on nearly all those loans when market rates change.

(Thousands of Ukrainian hryvnias, unless otherwise is indicated)
Translation from original in Russian

Comparison of carrying and fair value of the Bank's financial instruments that are not carried at the fair value in the statement of financial position is:

	2011 Carrying value	2011 Fair value	2011 Unrecognized gain/ (loss)	2010 Carrying value	2010 Fair value	2010 Unrecognized gain/ (loss)
Financial assets						
Cash and cash equivalents, except for balances on current accounts with the National Bank of Ukraine	1,975,159	1,975,159	-	1,514,501	1,514,501	-
Balances with the National Bank of Ukraine	392,436	392,436	-	290,386	290,386	-
Amounts due from banks	15,393	15,393	-	78,102	78,102	-
Loans to customers	5,360,147	5,360,147	-	3,915,555	3,915,555	-
Other assets	21,784	21,784	-	8,981	8,981	-
Financial liabilities						
Amounts due to banks	1,503,894	1,503,894	-	1,538,070	1,538,070	-
Amounts due to customers	5,584,811	5,584,130	681	3,738,110	3,742,427	(4,317)
Debt securities issued	106,363	106,363	-	-	-	-
Subordinated debt	292,398	292,398	-	64,183	64,183	-
Other liabilities	16,768	16,768	-	7,983	7,983	-
Total unrecognised change in unrealised fair value			**681**			**(4,317)**

29. Capital management

Regulatory 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 (including as amended in November 2005, considering among other the inclusion of market risk) 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 maximise the shareholders' value.

The Bank manages its capital structure and makes adjustments to it in the light of changes in the economic conditions and the risks attributable to its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payment to shareholders, issue additional shares or return capital to shareholders. No changes were made in the objectives, policies and processes from the previous years.

NBU capital adequacy

The NBU sets capital level requirements for banks and monitors their compliance. Under the current capital requirements set by the NBU, banks have to maintain a ratio of capital to risk weighted assets (the statutory capital adequacy ratio) above the established minimum level. If the bank does not maintain or sufficiently increase its capital base in line with the increase in its risk-weighted assets, it may violate the set capital adequacy benchmarks, which could lead to the sanctions from the NBU side and could affect the results of operations and the financial position. As at 31 December 2011, the minimum level of capital adequacy required by the NBU is 10.0% (2010: 10.0%).

(Thousands of Ukrainian hryvnias, unless otherwise is indicated)
Translation from original in Russian

As at 31 December 2011, the Bank's capital adequacy ratio calculated in accordance with the NBU rules was 16.4% (2010: 17.3%).

Capital adequacy ratio under Basel Capital Accord requirements

As at 31 December, the Bank's capital adequacy ratio, calculated in accordance with the Basel Capital Accord, with subsequent amendments incorporating market risks, on the basis of the amounts presented in these financial statements, comprised:

	2011	***2010***
Tier 1 capital		
Share capital	338,666	338,666
Retained earnings	299,619	295,418
Additional paid-in capital	17,678	17,678
Total tier 1 capital	**655,963**	**651,762**
Tier 2 capital		
Revaluation reserve	97,402	100,420
Allowable subordinated debt	292,398	64,183
Total tier 2 capital	**389,800**	**164,603**
Total regulatory capital	**1,045,763**	**816,365**
Total risk-weighted assets	**5,161,835**	**3,610,181**
Capital adequacy ratios		
Tier 1 capital adequacy ratio	**12.7%**	**18.1%**
Total capital adequacy ratio	**20.3%**	**22.6%**

30. Events after the reporting period

In January 2012 the Bank has repaid UAH 99,500 thousand of its F-series debt securities under early repayment option exercised by the bondholders. Debt securities with nominal value of UAH 500 thousand have then been sold to another holder and thus remain traded in the market.