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

Year ended 31 December 2009
Together with Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of Open Joint Stock Company "The State Export-Import Bank of Ukraine" and its subsidiaries (the "Bank"), which comprise the consolidated statement of financial position as at 31 December 2009 and the consolidated income statement, consolidated 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 notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, 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 consolidated financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2009, 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

29 March 2010

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2009

(Thousands of Ukrainian hryvnia)

	Notes	*2009*	*2008*
Assets			
Cash and cash equivalents	6	4,851,691	6,308,694
Amounts due from credit institutions	7	1,736,194	963,014
Loans to customers	8	43,006,245	36,608,067
Investment securities:	9		
- designated at fair value through profit and loss		575,040	965,404
- available-for-sale		987,443	857,268
- held-to-maturity		791,162	192,767
Current income tax assets	14	614,358	-
Investment property	10	159,554	-
Assets held for sale	11	1,204,456	-
Property and equipment	12	2,019,674	1,450,409
Intangible assets	13	12,596	10,159
Deferred income tax assets	14	45,929	16,323
Other assets	16	158,865	217,097
Total assets		**56,163,207**	**47,589,202**
Liabilities			
Amounts due to the National Bank of Ukraine	17	7,819,774	1,408,000
Amounts due to credit institutions	18	8,536,555	15,475,954
Amounts due to customers	19	19,953,160	16,599,704
Debt securities issued	21	502,135	1,062,149
Eurobonds issued	20	5,780,200	7,851,856
Current income tax liabilities	14	5,281	15,561
Subordinated debt	22	3,105,434	977,738
Provisions	15	3,521	102,742
Other liabilities	16	144,691	156,072
Total liabilities		**45,850,751**	**43,649,776**
Equity			
Share capital	23	10,716,745	3,775,865
Revaluation reserve	23	644,388	655,340
Accumulated deficit		(1,048,677)	(491,779)
Total equity		**10,312,456**	**3,939,426**
Total equity and liabilities		**56,163,207**	**47,589,202**

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

Yurii Khramov — Acting Chairman of the Board

Natalia Potemska — Chief Accountant

29 March 2010

The accompanying notes on pages 6 to 61 are an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2009

(Thousands of Ukrainian hryvnia)

	Notes	*2009*	*2008*
Interest income			
Loans to customers		6,068,962	3,686,525
Investment securities other than designated at fair value through profit or loss		232,936	98,110
Amounts due from credit institutions		187,435	177,501
Amounts due from the National Bank of Ukraine		2,537	-
		6,491,870	3,962,136
Investment securities designated at fair value through profit and loss		89,161	88,846
		6,581,031	4,050,982
Interest expense			
Amounts due to customers		(1,415,093)	(1,113,002)
Amounts due to the National Bank of Ukraine		(651,285)	(42,453)
Eurobonds issued		(527,678)	(407,249)
Amounts due to credit institutions		(251,255)	(679,068)
Subordinated debt		(239,339)	(57,727)
Debt securities issued		(82,244)	(121,754)
		(3,166,894)	(2,421,253)
Net interest income		**3,414,137**	**1,629,729**
Allowance for loan impairment	7,8	(2,920,954)	(1,293,899)
Net interest income after allowance for loan impairment		**493,183**	**335,830**
Fee and commission income		377,109	327,685
Fee and commission expense		(56,969)	(46,497)
Fees and commissions, net	25	**320,140**	**281,188**
Net gains/(losses) from investment securities designated at fair value through profit and loss:			
- dealing		-	60
- change in fair value		(118,369)	(4,740)
Net gains/(losses) from available-for-sale investment securities:			
- dealing		(41,481)	18,453
- losses on impairment		(19,480)	(2,985)
Net gains/(losses) from foreign currencies and precious metals:			
- dealing		401,673	388,956
- translation differences		(4,617)	62,983
Net gains on initial recognition of financial instruments		11,664	-
Other income		24,806	48,672
Non interest income		**254,196**	**511,399**
Personnel expenses	26	(604,813)	(613,306)
Depreciation and amortisation	12, 13	(61,061)	(50,510)
Other operating expenses	26	(222,332)	(179,644)
Other impairment and provisions	15	(133,753)	(105,037)
Non interest expense		**(1,021,959)**	**(948,497)**
Profit before income tax expense		**45,560**	**179,920**
Income tax expense	14	(22,078)	(57,647)
Profit for the year		**23,482**	**122,273**

The accompanying notes on pages 6 to 61 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2009

(Thousands of Ukrainian hryvnia)

		2009	*2008*
Profit for the year		**23,482**	**122,273**
Other comprehensive (loss)/income:			
Net losses on investment securities available-for-sale	23	(600)	(2,528)
Revaluation of property	23	-	306,007
Income tax relating to components of other comprehensive income	23	150	(75,870)
Other comprehensive (loss)/income for the year, net of tax		**(450)**	**227,609**
Total comprehensive income for the year		**23,032**	**349,882**

The accompanying notes on pages 6 to 61 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2009

(Thousands of Ukrainian hryvnia)

	Share capital	*Revaluation reserve*	*Accumulated deficit*	*Total equity*
31 December 2007	**2,199,232**	**441,239**	**(150,925)**	**2,489,546**
Total comprehensive income for the year	-	227,609	122,273	349,882
Depreciation of revaluation reserve, net of tax (Note 23)	-	(13,493)	13,493	-
Disposal of property, net of tax (Note 23)	-	(15)	15	-
Increase in share capital (Note 23)	1,476,634	-	(476,635)	999,999
Paid in share capital (Note 23)	99,999	-	-	99,999
31 December 2008	**3,775,865**	**655,340**	**(491,779)**	**3,939,426**
Total comprehensive income for the year	-	(450)	23,482	23,032
Depreciation of revaluation reserve, net of tax (Note 23)	-	(10,291)	10,291	-
Disposal of property, net of tax (Note 23)	-	(211)	211	-
Increase in share capital (Note 23)	6,940,880	-	(590,882)	6,349,998
31 December 2009	**10,716,745**	**644,388**	**(1,048,677)**	**10,312,456**

The accompanying notes on pages 6 to 61 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2009

(Thousands of Ukrainian hryvnia)

	Notes	2009	2008
Cash flows from operating activities			
Interest and commissions received		5,848,944	4,052,978
Interest and commissions paid		(3,983,533)	(2,283,963)
Gains less losses from dealing in foreign currencies, precious metals		401,673	388,956
Other operating income received		24,661	48,171
Personnel expenses paid		(605,654)	(566,098)
Other operating expenses paid		(221,254)	(168,787)
Cash flow from operating activities before changes in operating assets and liabilities		**1,464,837**	**1,471,257**
Net increase in operating assets			
Amounts due from credit institutions		(361,878)	(523,729)
Deposit with the NBU		(329,209)	-
Loans to customers		(8,810,580)	(4,289,722)
Other assets		(4,181)	(90,735)
Net increase / decrease in operating liabilities			
Amounts due to the National Bank of Ukraine		6,735,725	1,408,000
Amounts due to credit institutions		(203,676)	254,657
Amounts due to customers		2,603,125	2,829,293
Other liabilities		(30,015)	24,562
Net cash flows from operating activities before income tax		**1,064,148**	**1,083,583**
Income tax paid		(676,172)	(287,793)
Net cash flows from operating activities		**387,976**	**795,790**
Cash flows from investing activities			
Proceeds from sale and redemption of investment securities		9,685,132	6,293,819
Purchase of investment securities		(3,764,671)	(5,445,856)
Purchases of property, equipment and intangible assets		(173,485)	(172,625)
Proceeds from sale of property and equipment		349	1,136
Net cash flows from investing activities		**5,747,325**	**676,474**
Cash flows used in financing activities			
Proceeds from borrowings from credit institutions		2,291,339	7,069,497
Repayment of borrowings from credit institutions		(9,757,200)	(7,345,675)
Share capital increase		-	99,999
Redemption of Eurobonds issued		(2,023,643)	-
Proceeds from subordinated debt issued		1,904,700	-
Redemption of bonds issued		(551,320)	(223,680)
Net cash flows used in financing activities		**(8,136,124)**	**(399,859)**
Effect of exchange rates changes on cash and cash equivalents		543,820	1,776,185
Net change in cash and cash equivalents		**(1,457,003)**	**2,848,590**
Cash and cash equivalents, beginning of the year		**6,308,694**	**3,460,104**
Cash and cash equivalents, ending of the year	6	**4,851,691**	**6,308,694**

The accompanying notes on pages 6 to 61 are an integral part of these consolidated financial statements.

1. Principal activities

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

As at 31 December 2009 and 2008, 100% of the EximBank's shares were owned by the Cabinet Ministers of Ukraine on behalf of the State of Ukraine.

The EximBank's head office is in Kyiv at 127 Gorky St. It has 29 branches and 93 operating outlets (2008: 30 branches and 100 operating outlets) located in Kyiv and other regions of Ukraine and 2 representative offices located in London and New-York. The EximBank and its branches form a single legal entity.

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

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

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

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

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

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

2. Basis of preparation

General

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

The Bank is required to maintain its books of account in Ukrainian hryvnia and prepare statements for regulatory purposes 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 ("UAS"). These consolidated financial statements are based on the Bank's UAS books and records, as adjusted and reclassified in order to comply with IFRS. The reconciliation between UAS and IFRS is presented later in this note.

The consolidated financial statements are prepared under the historical cost convention except as disclosed in the accounting policies, such as investment securities available-for-sale , investment securities designated at fair value through profit and loss, buildings and investment property have been measured at fair value.

These consolidated financial statements are presented in thousands of Ukrainian hryvnia ("UAH") unless otherwise indicated.

(in thousands of Ukrainian hryvnia, unless otherwise 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, including components of equity, 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 subsequent accounting periods.

Reclassifications

The following reclassifications have been made to 2008 balances to conform to the 2009 presentation.

Amount	*Previously reported*	*As reclassified*	*Comment*
2,985	Other impairment and provisions	Net gains/(losses) from available-for-sale investment securities	To achieve better presentation
(4,740)	Losses on initial recognition of financial instruments, net	Net gains/(losses) from investment securities designated at fair value through profit and loss	To achieve better presentation
126,500	Fee and commission income – currency convertion	Net gains/ (losses) from foreign currencies and precious metals - dealing	To achieve better presentation

Reconciliation of UAS and IFRS equity and profit for the year

Equity and profit for the year are reconciled between UAS and IFRS as follows:

	2009		*2008*	
	Equity	*Profit for the year*	*Equity*	*Profit for the year*
UAS (combined)	**10,864,425**	**10,375**	**4,495,495**	**620,171**
Application of IAS 29	54,538	60	63,485	(265)
Measurement of financial instrument	(114,142)	(114,654)	512	13,961
Additional allowance for impairment	(590,213)	164,136	(754,349)	(704,570)
Accruals	1,012	15,289	(14,277)	(9,729)
Additional IFRS depreciation	(66,654)	198	(66,852)	2,691
Deferred tax	157,247	(43,543)	200,790	181,962
Other	6,243	(8,379)	14,622	18,052
IFRS	**10,312,456**	**23,482**	**3,939,426**	**122,273**

3. Summary of accounting policies

Changes in accounting policies

During the year, the Bank has adopted the following amended IFRS and new IFRIC Interpretations. The principal effects of these changes are as follows:

Improvements to IFRS
In May 2008, the IASB issued amendments to IFRS, which resulted from the IASB's annual improvements project. They comprise amendments that result in accounting changes for presentation, recognition or measurement purposes as well as terminology or editorial amendments related to a variety of individual IFRS standards. Most of the amendments are effective for annual periods beginning on or after 1 January 2009, with earlier application permitted. Amendments included in May 2008 "Improvements to IFRS" did not have any impact on the financial position or performance of the Bank.

IAS 1 "Presentation of Financial Statements" (Revised)
A revised IAS 1 was issued in September 2007, and became effective for annual periods beginning on or after 1 January 2009. This revised Standard separates owner and non-owner changes in equity. The statement of changes in equity

includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The revised standard also requires that the income tax effect of each component of comprehensive income be disclosed. In addition, it requires entities to present a comparative statement of financial position as at the beginning of the earliest comparative period when the entity has applied an accounting policy retrospectively, makes a retrospective restatement, or reclassifies items in the financial statements.

The Bank has elected to present comprehensive income in two separate statements: income statement and statement of comprehensive income. The Bank has not provided a restated comparative set of financial position for the earliest comparative period, as it has not adopted any new accounting policies retrospectively, or has made a retrospective restatement in the consolidated financial statements.

IFRS 7 "Financial Instruments: Disclosures"
The amendments to IFRS 7 were issued in March 2009, to enhance fair value and liquidity disclosures. With respect to fair value, the amendments require disclosure of a three-level fair value hierarchy, by class, for all financial instruments recognised at fair value and specific disclosures related to the transfers between levels in the hierarchy and detailed disclosures related to level 3 of the fair value hierarchy. In addition, the amendments modify the required liquidity disclosures with respect to derivative transactions and assets used for liquidity management. Comparative information has not been provided as permitted by the transition provisions of the amendment.

IAS 23 "Borrowing Costs" (Revised)
A revised IAS 23 Borrowing costs was issued in March 2007, and became effective for financial years beginning on or after 1 January 2009. The standard has been revised to require capitalisation of borrowing costs when such costs relate to a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. In accordance with the transitional requirements in the Standard, the Bank adopted this as a prospective change.

Amendments to IAS 32 "Financial Instruments: Presentation" and IAS 1 "Presentation of Financial Statements" – Puttable Financial Instruments and Obligations Arising on Liquidation
These amendments were issued in February 2008, and became effective for annual periods beginning on or after 1 January 2009. The amendments require puttable instruments that represent a residual interest in an entity to be classified as equity, provided they satisfy certain conditions. These amendments did not have any impact on the financial position or performance of the Bank.

Amendments to IFRS 2 "Share-based Payment"- Vesting Conditions and Cancellations
Amendments to IFRS 2 were issued in January 2008 and became effective for annual periods beginning on or after 1 January 2009. This amendment clarifies the definition of vesting conditions and prescribes the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied. This amendment did not have any impact on the financial position or performance of the Bank as the Bank currently does not provide share-based payment.

IFRS 8 "Operating Segments"
IFRS 8 became effective for annual periods beginning on or after 1 January 2009. This Standard requires disclosure of information about the Bank's operating segments and replaces the requirement to determine primary (business) and secondary (geographical) reporting segments of the Bank. Adoption of this Standard did not have any impact on the consolidated financial statement of the Bank. The Bank determined that the operating segments are the same as the business segments previously identified under IAS 14 'Segment Reporting".

IFRIC 13 "Customer Loyalty Programmes"
IFRIC Interpretation 13 was issued in June 2007 and became effective for annual periods beginning on or after 1 July 2008. This Interpretation requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received is allocated to the award credits and deferred over the period that the award credits are fulfilled. This interpretation did not have any impact on the Bank's consolidated financial statements as no such schemes currently exist.

IFRIC 15 "Agreements for the Construction of Real Estate"
IFRIC Interpretation 15 was issued in July 2008 and is applicable retrospectively for annual periods beginning on or after 1 January 2009. IFRIC 15 clarifies when and how revenue and related expenses from the sale of a real estate unit should be recognized if an agreement between a developer and a buyer is reached before the construction of the real estate is completed. The interpretation also provides guidance on how to determine whether an agreement is within the scope of IAS 11 "Construction Contracts" or IAS 18 "Revenue" and supersedes the current guidance for real estate in the

Appendix to IAS 18. This interpretation did not have any impact on the consolidated financial statements, because the Bank is not a developer.

IFRIC 16 "Hedges of a Net Investment in a Foreign Operation"
IFRIC Interpretation 16 was issued in July 2008 and is applicable for annual periods beginning on or after 1 October 2008. This Interpretation provides guidance on identifying the foreign currency risks that qualify for hedge accounting in the hedge of net investment, where within the group the hedging instrument can be held and how an entity should determine the amount of foreign currency gain or loss, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment. This interpretation did not have any impact on the Bank's consolidated financial statements.

Amendments to IFRIC 9 "Reassessment of Embedded Derivatives"
The amendments require entities to assess whether to separate an embedded derivative from a host contract in the case where the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. The amendments are applicable for annual periods ending on or after 30 June 2009. The application of the amendment did not have a significant impact on the Bank's consolidated financial statements as no reclassifications were made for instruments that contained embedded derivatives.

IFRIC 18 "Transfers of Assets from Customers"
IFRIC 18 was issued in January 2009 and becomes effective for transfers of assets from customers received on or after 1 July 2009 with early application permitted, provided valuations were obtained at the date those transfers occurred. This interpretation should be applied prospectively. IFRIC 18 provides guidance on accounting for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services or to do both. This interpretation did not have any impact on the financial position or performance of the Bank as the Bank has no transfers of assets from its customers.

Subsidiaries

Subsidiaries, which are those entities in which the Bank has an interest of more than one half of the voting rights, or otherwise has power to exercise control over their operations, are consolidated. Subsidiaries are consolidated from the date on which control is transferred to the Bank and are no longer consolidated from the date that control ceases. All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated in full; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Bank.

Acquisition of subsidiaries

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Bank. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

The excess of purchase consideration over the Bank's share in the net fair value of the identifiable assets, liabilities and contingent liabilities is recorded as goodwill. If the cost of the acquisition is less than the Bank's share in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary acquired the difference is recognised directly in the consolidated income statement.

Minority interest is the interest in subsidiaries not held by the Bank. Minority interest at the reporting date represents the minority shareholders' share in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary at the acquisition date and the minorities' share in movements in equity since the acquisition date. Minority interest is presented within other liabilities.

Losses allocated to minority interest do not exceed the minority interest in the equity of the subsidiary unless there is a binding obligation of the minority to fund the losses. All such losses are allocated to the Bank.

Financial assets

Initial recognition

Financial assets in the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Bank determines the classification of its financial assets upon initial recognition, and subsequently can reclassify financial assets in certain cases as described below.

Date of recognition

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Bank commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

Financial assets classified as held for trading and those designated at fair value through profit or loss at inception are included in the category 'investment securities designated at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated and effective hedging instruments. Gains or losses on financial assets at fair value through profit or loss are recognised in the consolidated income statement.

Financial asset classified in this category are designated by management on initial recognition when the following criteria are met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis: or
- The assets are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Bank has the positive intention and ability to hold them to maturity. Investments intended to be held for an undefined period are not included in this classification. Held-to-maturity investments are subsequently measured at amortised cost. Gains and losses are recognised in the consolidated income statement when the investments are impaired, as well as through the amortisation process.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as trading securities or designated as investment securities available-for-sale. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the consolidated income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition available-for sale financial assets are measured at fair value with gains or losses being recognised in other comprehensive income until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in other comprehensive income is reclassified to the consolidated income statement. However, interest calculated using the effective interest method is recognised in the consolidated income statement.

Investments in equity instruments that do not have a quoted market price in an active market and if their fair value can not be reliably measured are accounted at cost less any allowance for impairment.

Determination of fair value

The fair value for financial instruments traded in active market at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models and other relevant valuation models.

Offsetting

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

Reclassification of financial assets

If a non-derivative financial asset classified as held for trading is no longer held for the purpose of selling in the near term, it may be reclassified out of the fair value through profit or loss category in one of the following cases:

- a financial asset that would have met the definition of loans and receivables above may be reclassified to loans and receivables category if the Bank has the intention and ability to hold it for the foreseeable future or until maturity;
- other financial assets may be reclassified to available-for-sale or held to maturity categories only in rare circumstances.

A financial asset classified as available-for-sale that would have met the definition of loans and receivables may be reclassified to loans and receivables category of the Bank has the intention and ability to hold it for the foreseeable future or until maturity.

Financial assets are reclassified at their fair value on the date of reclassification. Any gain or loss already recognized in profit or loss is not reversed. The fair value of the financial asset on the date of reclassification becomes its new cost or amortised cost, as applicable.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, amounts due from the NBU, excluding obligator reserves, and amounts due from credit institutions that mature within ninety days of the date of origination and are free from contractual encumbrances.

Precious metals

Gold and other precious metals are recorded at the NBU bid prices, which approximate fair values and are quoted at a discount to London Bullion Market rates. Changes in the NBU bid prices are recorded as translation differences in net gains from foreign currencies and precious metals in the consolidated income statement.

Repurchase and reverse repurchase agreements and securities lending

Sale and repurchase agreements ("repos") are treated as secured financing transactions. Securities sold under sale and repurchase agreements are retained in the 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 credit institutions or customers. Securities purchased under agreements to resell ("reverse repo") are recorded as amounts due from credit institutions 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 are retained in the financial statements. Securities borrowed are not recorded in the consolidated financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded within gains less losses from trading securities in the consolidated income statement. The obligation to return them is recorded at fair value as a trading liability.

Promissory notes

Promissory notes purchased are included in available-for-sale investment securities, or in amounts due from credit institutions or in loans to customers, depending on their substance and are accounted for in accordance with the accounting policies for these categories of assets.

Borrowings

Issued financial instruments or their components are classified as liabilities, where the substance of the contractual arrangement results in the Bank having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity instruments. Such instruments include amounts due to the National Bank of Ukraine, amounts due to credit institutions, amounts due to customers, debt securities issued, Eurobonds issued and subordinated debt. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the consolidated income statement when the borrowings are derecognised as well as through the amortisation process.

If the Bank purchases its own debt, it is removed from the consolidated statement of financial position and the difference between the carrying amount of the liability and the consideration paid is recognised in the consolidated income statement.

Leases

i. Finance – Bank as lessee

The Bank recognises finance leases as assets and liabilities in the consolidated statement of financial position at the date of commencement of the lease term at amounts equal to the fair value of the leased property or, if lower, at the present value of the minimum lease payments. In calculating the present value of the minimum lease payments the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Bank's incremental borrowing rate is used. Initial direct costs incurred are included as part of the asset. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The costs identified as directly attributable to activities performed by the lessee for a finance lease, are included as part of the amount recognised as an asset under the lease.

ii. Finance – Bank as 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.

iii. Operating – Bank as lessee

Leases of assets under which the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under an operating lease are recognised as expenses on a straight-line basis over the lease term and included into other operating expenses.

iv. Operating – Bank as lessor

The Bank presents assets subject to operating leases in the consolidated statement of financial position according to the nature of the asset. Lease income from operating leases is recognised in the consolidated income statement on a straight-line basis over the lease term as other income. The aggregate cost of incentives provided to lessees is recognised as a reduction of rental income over the lease term on a straight-line basis. Initial direct costs incurred specifically to earn revenues from an operating lease are added to the carrying amount of the leased asset.

Impairment of financial assets

The Bank assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data 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.

Amounts due from credit institutions and loans to customers

For amounts due from credit institutions and loans to customers carried at amortised cost, the Bank first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risks characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is an objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the consolidated income statement. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Bank. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the consolidated income statement.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Bank's internal credit grading system that considers credit risk characteristics such as asset type, industry, geographical location, collateral type, past-due status and other relevant factors.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the years on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the group or their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Held-to-maturity investments

For held-to-maturity investments the Bank assesses individually whether there is objective evidence of impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement.

If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognised, any amounts formerly charged are credited to the consolidated income statement.

Available-for-sale financial assets

For available-for-sale financial assets, the Bank assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its 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 consolidated income statement – is reclassified from other comprehensive income and recognised in the consolidated income statement. Impairment losses on equity investments are not reversed through the consolidated income statement; increases in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded in the consolidated income statement. 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 consolidated income statement, the impairment loss is reversed through the consolidated income statement.

Renegotiated loans

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

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.

- If the loan restructuring is not caused by the financial difficulties of the borrower but the cash flows were renegotiated on the favourable terms for the borrower: in this case the loan is not recognised as impaired. The loan is not derecognised but the new effective interest rate is determined based on the remaining cash flows under the loan agreement till maturity.

- If the loan is impaired after restructuring, the Bank uses the original effective interest rate in respect of new cash flows to estimate the recoverable amount of the loan. The difference between the recalculated present value of the new cash flows taking into account collateral and the carrying amount before restructuring is included in the provision charges for the period.

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

Asset management

The Bank acts as an asset manager for a number of construction financing funds. The Bank acts as an agent in such arrangements and its responsibility is limited to fiduciary duties, which are commonly applied in the asset management business. Accordingly, the Bank does not recognise liabilities relating to the funds under management, but assesses the need to recognise any provisions related to additional guarantees issued by the Bank with respect to the activities of such funds. Funds under management are not legal entities under the laws of Ukraine. The management of fund activity is effectively delegated to the Bank. The funds keep their current accounts in the Bank to the extent to which the funds are not invested in eligible assets, which meet the investment profile for the fund.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Bank has transferred its rights to receive cash flows from the asset, or retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; and
- the Bank either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Bank has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Bank's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Bank's continuing involvement is the amount of the transferred asset that the Bank may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Bank's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated income statement.

Financial guarantees

In the ordinary course of business, the Bank gives financial guarantees, consisting of letters of credit, guarantees and avals. Financial guarantees are initially recognised in the consolidated financial statements at fair value, in 'Other liabilities', being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amortised premium and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees is taken to the consolidated income statement. The premium received is recognised in the consolidated income statement on a straight-line basis over the life of the guarantee.

Taxation

The current income tax charge is calculated in accordance with Ukrainian taxation regulations.

Deferred tax assets and liabilities are calculated in respect of temporary differences using the liability method. Deferred income taxes are provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, except where the deferred income tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Ukraine also has various operating taxes, which are assessed on the Bank's activities. These taxes are included as a component of administrative and operating expenses.

Property and equipment

Equipment is carried at cost or restated cost (for assets acquired prior to 31 December 2000), excluding the costs of day-to-day servicing, less accumulated depreciation and any accumulated impairment. Buildings are measured at fair value less depreciation and impairment charged subsequent to the date of the revaluation.

The carrying values of equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Following initial recognition at cost, buildings are carried at their revalued amount, which is the fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Any revaluation surplus is credited to the property revaluation reserve which is included in other comprehensive income, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the consolidated income statement, in which case the increase is recognised in the consolidated income statement. A revaluation deficit is recognised in the consolidated income statement, except that a deficit directly offsetting a previous surplus on the same asset is directly offset against the surplus in the property revaluation reserve.

An annual transfer from the property revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the assets' original cost. Additionally, accumulated depreciation as at the revaluation date is restated proportionally with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount. Upon disposal, any revaluation of property relating to the particular asset being sold is transferred to retained earnings.

Depreciation of an asset begins when it is available for use. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

	Years
Buildings	6-75 years
Furniture, fixtures and other assets	2-25 years
Equipment and computers	2-15 years
Motor vehicles	5 years

The amount of impact of adopted changes on future periods is not disclosed as the latter could not be estimated reliably because the information on fair value and movements of buildings in the future is not readily available.

Leasehold improvements (restructuring costs for premises in lease contract) are depreciated over a period not exceeding the leasing period.

The asset's residual values, useful lives and methods are reviewed, and adjusted as appropriate, at each financial year-end.

Costs related to repairs and renewals are charged when incurred and included in other operating expenses unless they qualify for capitalisation.

Intangible assets

Intangible assets include acquired computer software and licences. Intangible assets acquired separately are measured on initial recognition at cost or restated cost (for assets acquired prior to 31 December 2000). Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic lives of five to ten years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortisation periods and methods for intangible assets with finite useful lives are reviewed at least at each financial year-end.

Investment property

Investment property is property held to earn rental income or for capital appreciation and which is not occupied by the Bank.

Investment property is initially recognised at cost, including transaction costs, and subsequently re-measured at fair value based on its market value. Market value of the Bank's investment property is obtained from reports of independent and internal appraisers, who hold a recognised and relevant professional qualification and who have recent experience in valuation of property of similar location and category.

Assets held for sale

The Bank classifies a non-current asset as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the non-current asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and 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 and an active program to locate a buyer and complete the plan must have been initiated. Further, the non-current asset must have been actively marketed for a sale at price that is reasonable in relation to its current fair value and 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 as held for sale.

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.

Retirement and other benefit obligations

The Bank has defined contribution pension plan separate from the State pension system of Ukraine, which requires current contributions by the employer calculated as a percentage of current gross salary payments; such expense is charged in the period the related salaries are earned. The contribution payable to a defined contribution plan is in proportion to the services rendered to the Bank by the employees, age of employees and years working for the Bank and is recorded as an expenses under "Personnel expenses". Unpaid contributions are recorded as a liability. In addition, the Bank has no post-retirement benefits or significant other compensated benefits requiring accrual.

Share capital

Ordinary shares are classified as equity. Share capital contributions received before 31 December 2000 are recognised at restated cost following the application of IAS 29 "Financial Reporting in Hyperinflationary Economies".

Segment reporting

The Bank's segmental reporting is based on the following operating segments: Retail banking, Corporate banking and Financial Institutions and Investments.

Contingencies

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

Recognition of income and expense

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest and similar income and expense

For all financial instruments measured at amortised cost and interest bearing securities classified as trading or available-for-sale, interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the original effective interest rate applied to the new carrying amount.

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.

Foreign currency translation

The consolidated financial statements are presented in Ukrainian hryvnia ("UAH"), which is the Bank's functional and presentation currency. Transactions in foreign currencies are initially recorded in the functional currency, converted at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Gains and losses resulting from the translation of foreign currency transactions are recognised in the consolidated income statement as gains less losses from foreign currencies and precious metals – translation differences. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Differences between the contractual exchange rate of a transaction in a foreign currency and the NBU exchange rate on the date of the transaction are included in gains less losses from dealing in foreign currencies. The official NBU exchange rates at 31 December 2009 and 2008 were UAH 7.9850 and UAH 7.7000 to 1 US dollar and UAH 11.4489 and UAH 10.8555 to 1 Euro, respectively.

Future changes in accounting policies

Standards and interpretations issued but not yet effective

Amendment to IAS 39 "Financial Instruments: recognition and measurement" – Eligible Hedged Items
The amendment to IAS 39 was issued in August 2008, and becomes effective for annual periods beginning on or after 1 July 2009. The amendment addresses the designation of a one-sided risk in a hedged item, and designation of inflation as a hedged risk or portion in particular situations. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as hedged item. Management does not expect the amendment to IAS 39 to affect the Bank's consolidated financial statements as the Bank has not entered into any such hedges.

IFRS 3 "Business Combinations" (revised in January 2008) and IAS 27 "Consolidated and Separate Financial Statements" (revised in January 2008)
The revised standards were issued in January 2008 and become effective for financial years beginning on or after 1 July 2009. Revised IFRS 3 introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. Revised IAS 27 requires that a change in the ownership interest of a subsidiary is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give raise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes introduced by the revised Standards must be applied prospectively and will affect only future acquisitions and transactions with minority interests.

IFRS 2 Share-based Payment: Group Cash-settled Share-based Payment Transactions
The amendment to IFRS 2 was issued in June 2009 and become effective for financial years beginning on or after 1 January 2010. The amendment clarifies the scope and the accounting for group cash-settled share-based payment transactions. This amendment also supersedes IFRIC 8 and IFRIC 11. The Bank expects that this amendment will have no impact on the Bank's consolidated financial statements.

IAS 24 "Related party disclosures" (Revised)
The revised IAS 24, issued in November 2009, 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 IAS 24 is effective for annual periods beginning on or after 1 January 2011, with earlier application permitted. The Bank now evaluates the impact of the adoption of new Standard.

IFRIC 17 "Distribution of Non-Cash Assets to Owners"
IFRIC Interpretation 17 was issued on 27 November 2008 and is effective for annual periods beginning on or after 1 July 2009. IFRIC 17 applies to pro rata distributions of non-cash assets except for common control transactions and requires that a dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity; an entity should measure the dividend payable at the fair value of the net assets to be distributed; an entity should recognise the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss. The Interpretation also requires an entity to provide additional disclosures if the net assets being held for distribution to owners meet the definition of a discontinued operation. The Bank expects that this interpretation will have no impact on the Bank's consolidated financial statements.

IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments"
IFRIC Interpretation 19 was issued on 26 November 2009 and is effective for annual periods beginning on or after 1 July 2010. IFRIC 19 clarifies the requirements of IFRSs when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. The Bank expects that this interpretation will have no impact on the Bank's consolidated financial statements.

Improvements to IFRSs
In April 2009 the IASB issued the second 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 2010. There are separate transitional provisions for each standard. Amendments included in April 2009 "Improvements to IFRS" will have no impact on the accounting policies of the Bank, except the following amendments resulting in changes to accounting policies, as described below.

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations: clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in IFRS 5. The disclosure requirements of other IFRSs only apply if specifically required for such non-current assets or discontinued operations. The Bank expects that this amendment will have no impact on the Bank's consolidated financial statements.
- IFRS 8 Operating Segment Information: clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker. As the Bank's chief operating decision maker does review segment assets and liabilities, the Bank will continue to disclose this information.
- IAS 36 Impairment of Assets: The amendment clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in IFRS 8 before aggregation for reporting purposes. The amendment will have no impact on the Bank as the annual impairment test is performed before aggregation.
- IAS 7 Statement of Cash Flows: Explicitly states that only expenditure that results in recognising an asset can be classified as a cash flow from investing activities. The Bank now evaluates the impact of the adoption of new Standard.

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. Earlier application is permitted. The amendment alters the definition of a financial liability in IAS 32 to classify rights issues and certain options or warrants 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 Bank expects that this amendment will have no impact on the Bank's consolidated financial statements.

IFRS 9 "Financial Instruments"
In November 2009 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 2013. Entities may adopt the first phase for reporting periods ending on or after 31 December 2009. The first phase of IFRS 9 introduces new requirements on classification and measurement of financial assets. 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. The Bank now evaluates the impact of the adoption of new Standard and considers the initial application date.

4. Significant accounting judgements and estimates

Judgements

In the process of applying the Bank's accounting policies, management has made the following judgements, apart from those involving estimates, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Classification of securities
Securities owned by the Bank comprise Ukrainian State and corporate bonds and corporate shares. Upon initial recognition, the Bank designates securities as financial assets with recognition of changes in fair value through profit or loss, held to maturity financial assets or available-for-sale financial assets with recognition of changes in fair value through other comprehensive income.

Estimation uncertainty

In the process of applying the Bank's accounting policies, management has used its judgements and made estimates in determining the amounts recognised in the consolidated financial statements. The most significant use of judgements and estimates are as follows:

Allowance for impairment of loans and receivables
The Bank regularly reviews its loans and receivables to assess impairment. The Bank uses its judgement to estimate the amount of any impairment loss in cases where a borrower is in financial difficulties and there is little available historical data relating to similar borrowers. Similarly, the Bank estimates changes in future cash flows based on the observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the group of loans and receivables. The Bank uses its judgement to adjust observable data for a group of loans or receivables to reflect current circumstances.

Deferred tax asset recognition
As at 31 December 2009, the Bank has recognised a deferred tax asset of UAH 368,112 thousand (2008: UAH 316,077 thousand). The Bank's management believes that within a reasonable period the Bank will have sufficient taxable profit that will enable it to utilise its deferred tax benefit.

5. Segment information

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

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

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance, as explained in the table below, is measured differently from profit or loss in the consolidated financial statements. Income taxes are managed on a group basis and are not allocated to operating segments.

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

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Bank's total revenue in 2009 or 2008.

(in thousands of Ukrainian hryvnia, unless otherwise indicated)

The following table presents income and profit, certain asset and liabilities information regarding the Bank's operating segments for the year ended 31 December 2009:

	Retail banking	***Corporate banking***	***Financial institutions and investments***	***Other/ Unallocated***	***Total***
Third party					
Interest income	312,947	5,788,786	479,298	-	6,581,031
Fee and commission income	262,735	99,474	14,900	-	377,109
Other income	4,719	15,773	312	4,002	24,806
Gain from foreign currencies and precious metals	181,695	1,692	253,016	-	436,403
Gains on initial recognition of financial instruments	-	11,664	-	-	11,664
Inter-segmental revenue	**943,507**	**(3,740,148)**	**1,595,876**	**1,200,765**	**-**
Total revenue	**1,705,603**	**2,177,241**	**2,343,402**	**1,204,767**	**7,431,013**
Interest expenses	(997,144)	(484,383)	(1,685,367)	-	(3,166,894)
Fee and commission expense	(50,188)	(6,670)	(104)	(7)	(56,969)
Loan impairment charge	(158,374)	(2,762,580)	-	-	(2,920,954)
Loss from change in fair value of investment securities designated at fair value through profit and loss	-	-	(118,369)	-	(118,369)
Loss from investment securities available-for-sale	-	-	(60,961)	-	(60,961)
Loss from foreign currency and precious metals	-	-	-	(39,347)	(39,347)
Personnel expenses	(273,911)	(137,255)	(42,359)	(151,288)	(604,813)
Depreciation and amortisation	(44,933)	(7,741)	(1,389)	(6,998)	(61,061)
Other operating expense	(159,396)	(17,252)	(3,207)	(42,477)	(222,332)
Other impairment and provisions	(5,330)	(59,926)	(71,575)	3,078	(133,753)
Segment results	**16,327**	**(1,298,566)**	**360,071**	**967,728**	**45,560**
Income tax benefit					(22,078)
Profit for the year					**23,482**
Assets and liabilities					
Segment assets	4,253,955	43,415,335	7,551,593		55,220,883
Unallocated assets				942,324	942,324
Total assets					**56,163,207**
Segment liabilities	11,691,894	16,289,321	17,831,684		45,812,899
Unallocated liabilities				37,852	37,852
Total liabilities					**45,850,751**
Other segment information					
Capital expenditure	97,445	18,385	3,299	16,622	135,751

(in thousands of Ukrainian hryvnia, unless otherwise indicated)

The following table presents income and profit and certain asset and liability information regarding the Bank's business segments for the year ended 31 December 2008:

	Retail banking	*Corporate banking*	*Financial institutions and investments*	*Other/ Unallocated*	*Total*
Third party					
Interest income	219,763	3,477,519	353,700	-	4,050,982
Fee and commission income	213,749	100,129	13,807	-	327,685
Other income	1,735	42,251	678	4,008	48,672
Gain from dealing in investment securities designated at fair value through profit or loss	-	-	60	-	60
Gain from dealing in available-for-sale investment securities	22,372	-	-	-	22,372
Net gains from foreign currencies and precious metals	178,616	-	232,085	41,238	451,939
Inter-segmental revenue	**821,598**	**(1,954,483)**	**1,017,958**	**114,927**	**-**
Total revenue	**1,457,833**	**1,665,416**	**1,618,288**	**160,173**	**4,901,710**
Interest expenses	(774,518)	(530,857)	(1,115,878)	-	(2,421,253)
Fee and commission expense	(43,011)	(3,455)	(21)	(10)	(46,497)
Loan impairment charge	(84,210)	(1,209,689)	-	-	(1,293,899)
Loss from change in fair value of investment securities designated at fair value through profit and loss	-	-	(4,740)	-	(4,740)
Loss from investment securities available-for-sale	-	-	(6,904)	-	(6,904)
Personnel expenses	(291,591)	(129,482)	(43,053)	(149,180)	(613,306)
Depreciation and amortisation	(37,319)	(6,401)	(1,169)	(5,621)	(50,510)
Other operating expense	(92,442)	(4,939)	(4,416)	(77,847)	(179,644)
Other impairment and provisions	-	(105,611)	864	(290)	(105,037)
Segment results	**134,742**	**(325,018)**	**442,971**	**(72,775)**	**179,920**
Income tax expense					(57,647)
Profit for the year					**122,273**
Assets and liabilities					
Segment assets	4,210,327	35,257,023	7,888,867	-	47,356,217
Unallocated assets				232,985	232,985
Total assets					**47,589,202**
Segment liabilities	10,475,963	12,094,630	21,039,541	-	43,610,134
Unallocated liabilities				39,642	39,642
Total liabilities					**43,649,776**
Other segment information					
Capital expenditure	124,481	20,164	3,684	17,703	166,032

Eximbank and its subidiaires are located in Ukraine and almost 100% of the consolidated revenue is form Ukraine. For details of geographical concentration of the Bank's monetary assets and liabilities see Note 27.

(in thousands of Ukrainian hryvnia, unless otherwise indicated)

6. Cash and cash equivalents

Cash and cash equivalents comprise:

	2009	*2008*
Cash on hand	694,567	538,834
Current account with the National Bank of Ukraine	681,971	2,255,045
Current accounts with other credit institutions	2,357,131	2,064,340
Overnight deposits with other credit institutions	1,032,157	783,339
Time deposits with credit institutions up to 90 days	85,865	667,136
Cash and cash equivalents	**4,851,691**	**6,308,694**

The current account with the NBU represents amounts deposited with the NBU relating to daily settlements and other activities. The Bank is also required to maintain, in the form of a non-interest earning cash deposit, certain cash reserves with the NBU (obligatory reserve), which are computed as a percentage of certain of the Bank's liabilities. There are no restrictions on the withdrawal of funds from the NBU, however, if minimum average reserve requirements are not met, the Bank could be subject to certain penalties. The Bank was obligated to and maintained the minimal cumulative average reserve calculated on a daily basis over a monthly period. The average daily requirement for the period from 1 to 31 December 2009 was UAH 661,001 thousand (2008: UAH 324,804 thousand).

The Bank meets the NBU obligatory reserve requirements as at 31 December 2009 and 2008.

As at 31 December 2009, included in current accounts with other credit institutions is an amount of UAH 2,013,799 thousand placed on current accounts with five OECD and CIS banks (2008: UAH 1,645,756 thousand). These banks are the main counterparties of the Bank in performing international settlements. The placements have been made under normal banking terms and conditions.

Overnight deposits represent overnight deposits placed with OECD banks. These placements bear market interest rates. As at 31 December 2009, UAH 826,943 thousand was placed with two OECD banks (2008: UAH 755,901 thousand).

Significant non-cash transactions performed by the Bank during 2009 are represented by:
- capitalisation of profit for the year ended 31 December 2009 determined under UAS of UAH 590,882 thousand (2008: UAH 476,635 thousand);
- contribution into share capital in the form of Ukrainian state bonds of UAH 6,349,998 thousand (2008: UAH 999,999 thousand).

7. Amounts due from credit institutions

Amounts due from credit institutions comprise:

	2009	*2008*
Loans and deposits	1,423,987	940,713
Deposits with the NBU	329,209	-
Other amounts due from credit institutions	1,819	22,301
	1,755,015	**963,014**
Less – Allowance for impairment	(18,821)	-
Due from credit institutions	**1,736,194**	**963,014**

Starting from August 2009, Ukrainian banks are required to keep 50% of the obligatory reserve for the previous month on a separate account with the NBU with interest at 3% p.a. As at 31 December 2009, the amount placed by the Bank on such account was UAH 329,209 thousand (2008: nil). The Bank's ability to withdraw such deposit is significantly restricted by the statutory legislation.

(in thousands of Ukrainian hryvnia, unless otherwise indicated)

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

	Amounts due from credit institutions
1 January 2009	-
Charge	18,821
31 December 2009	**18,821**

As at 31 December 2009, loans and deposits due from credit institutions include UAH 62,485 thousand of security deposits, placed mainly in respect of customers' transactions, such as letters of credit, performance guarantees and transactions with travellers' cheques (2008: UAH 509,115 thousand).

8. Loans to customers

Loans to customers comprise:

	2009	2008
Loans to customers	47,452,510	37,807,859
Overdrafts	274,176	695,783
Finance lease receivables	215,480	190,064
Promissory notes	87,130	114,267
	48,029,296	**38,807,973**
Less – Allowance for impairment	(5,023,051)	(2,199,906)
Loans to customers	**43,006,245**	**36,608,067**

Allowance for impairment of loans to customers

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

	Loans to customers	Overdrafts	Finance lease receivables	Promissory notes	Total
At 1 January 2009	2,170,908	11,071	8,227	9,700	2,199,906
Charge for the year	2,853,057	27,022	14,202	7,852	2,902,133
Recoveries	8	-	-	-	8
Amounts written off	(141,014)	-	(400)	-	(141,414)
Translation differences	62,192	62	164	-	62,418
At 31 December 2009	**4,945,151**	**38,155**	**22,193**	**17,552**	**5,023,051**
Individual impairment	3,958,266	32,530	-	17,026	4,007,822
Collective impairment	986,885	5,625	22,193	526	1,015,229
	4,945,151	**38,155**	**22,193**	**17,552**	**5,023,051**
Gross amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance	**3,958,641**	**32,530**	**-**	**17,026**	**4,008,197**

(in thousands of Ukrainian hryvnia, unless otherwise indicated)

	Loans to customers	*Overdrafts*	*Finance lease receivables*	*Promissory notes*	*Total*
At 1 January 2008	719,393	6,848	5,598	1,129	732,968
Charge for the year	1,279,866	3,665	1,797	8,571	1,293,899
Recoveries	5,490	-	-	-	5,490
Amounts written off	(135,023)	-	(278)	-	(135,301)
Translation differences	301,182	558	1,110	-	302,850
At 31 December 2008	**2,170,908**	**11,071**	**8,227**	**9,700**	**2,199,906**
Individual impairment	1,088,137	4,154	-	9,360	1,101,651
Collective impairment	1,082,771	6,917	8,227	340	1,098,255
	2,170,908	**11,071**	**8,227**	**9,700**	**2,199,906**
Gross amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance	**3,338,168**	**33,694**	**-**	**87,574**	**3,459,436**

Individually impaired loans

Interest income on loans, for which individual impairment allowances have been recognised, as at 31 December 2009, comprise UAH 350,528 thousand (2008: UAH 343,542 thousand).

The fair value of collateral that the Bank holds relating to loans individually determined to be impaired at 31 December 2009 amounts to UAH 374 thousand (2008: UAH 12,346 thousand). The collateral consists of cash deposits placed with the Bank. In accordance with the Ukrainian legislation, loans may only be written off with the approval of the Board of Directors and, in certain cases, with the respective decision of the Court.

Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

- For securities lending and reverse repurchase transactions - cash or securities,
- For commercial lending - charges over real estate properties, inventory and trade receivables,
- For retail lending - mortgages over residential properties and vehicles.

The Bank monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for loan impairment.

As at 31 December 2009, loans to customers with a carrying value of UAH 12,714,529 thousand are pledged as collateral under loans received from the NBU (2008: UAH 2,420,122 thousand) (Note 17).

Concentration of loans to customers

As at 31 December 2009, the Bank has a concentration of loans represented by UAH 10,662,776 thousand due from the ten largest third party borrowers (22.2% of gross loan portfolio) (2008: UAH 7,220,108 thousand or 18.60%). An allowance of UAH 210,465 thousand (2008: UAH 259,985 thousand) is recognised against these loans.

(in thousands of Ukrainian hryvnia, unless otherwise indicated)

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

	2009	*2008*
Private entities	40,011,587	33,416,744
State and municipal entities	6,694,531	3,282,019
Individuals	1,323,178	2,109,210
	48,029,296	**38,807,973**

Loans are made principally within Ukraine to companies of the following industry sectors:

	2009	*%*	*2008*	*%*
Trade enterprises	10,349,127	21.6	10,661,956	27.5
Agriculture and food processing	8,981,612	18.8	6,246,771	16.1
Real estate	4,212,097	8.8	3,077,375	7.9
Construction	3,224,440	6.7	3,273,020	8.4
Engineering	2,805,106	5.8	2,307,998	5.9
Extractive industry	2,214,299	4.6	1,175,360	3.0
Road construction	2,129,838	4.4	-	0.0
Production of rubber and plastic goods	1,894,457	3.9	1,888,834	4.9
Production of construction materials	1,776,276	3.7	1,653,311	4.3
Chemistry	1,535,628	3.2	353,786	0.9
Transport & communications	1,444,969	3.0	834,761	2.2
Individuals	1,323,178	2.8	2,109,210	5.4
Metallurgy	1,070,151	2.2	803,423	2.1
Power utilities	1,048,844	2.2	722,141	1.8
Metal processing	941,806	2.0	866,123	2.2
Pulp and paper industry	793,396	1.7	642,751	1.7
Finance	582,951	1.2	32,294	0.1
Wood processing	450,174	0.9	369,116	1.0
Light industry	356,163	0.7	703,049	1.8
Culture and sport	233,338	0.5	121,113	0.3
Health protection	60,511	0.1	169,613	0.4
Education	1,657	0.0	182,628	0.5
Other	599,278	1.2	613,340	1.6
	48,029,296	**100**	**38,807,973**	**100**

Included in corporate lending portfolio are finance lease receivables. They may be analysed as follows:

	2009	*2008*
Gross investment in finance leases, receivable:		
Not later than 1 year	178,925	96,539
Later than 1 year and not later than 5 years	52,659	126,419
	231,584	222,958
Unearned future finance income on finance leases	(16,104)	(32,894)
Net investment in finance leases	**215,480**	**190,064**

	2009	*2008*
Net investment in finance leases, receivable:		
Not later than 1 year	166,483	82,296
Later than 1 year and not later than 5 years	48,997	107,768
Net investment in finance leases	**215,480**	**190,064**

(in thousands of Ukrainian hryvnia, unless otherwise indicated)

9. Investment securities

Investment securities designated at fair value through profit or loss comprise:

	2009	*2008*
Corporate bonds	174,454	397,158
Ukrainian State bonds	400,586	568,246
Investment securities designated at fair value	**575,040**	**965,404**

Included in investment securities designated at fair value through profit and loss (designated at initial recognition) are the investments made by the Bank into Ukrainian State bonds and corporate bonds. This portfolio is risk managed on a fair value basis and its performance is reported on that basis to key management personnel.

As at 31 December 2009, corporate bonds designated at fair value include bonds issued by a number of Ukrainian entities maturing in 2010-2012 with an effective yield of 20.96% (2008: 2009-2012 with an effective yield 17.44%).

As at 31 December 2009, Ukrainian State bonds include state bonds issued by the Ministry of Finance for internal debt financing of UAH 400,586 thousand (2008: UAH 561,427 thousand), maturing in 2010 and with an effective yield of 6.6% (2008: 7.6%).

Available-for-sale investment securities comprise:

	2009	*2008*
Corporate shares	6,371	2,303
Corporate bonds	485,304	278,617
Ukrainian State bonds	495,768	576,348
Available-for-sale investments	**987,443**	**857,268**

Held-to-maturity investment securities comprise the following:

	2009		*2008*	
	Nominal value	***Carrying value***	***Nominal value***	***Carrying value***
Municipal bonds	200,000	203,578	-	-
Corporate bonds	637,620	659,190	190,000	192,767
		862,768		**192,767**
Less – Allowance for impairment (Note 15)		(71,606)		-
Held-to-maturity investments		**791,162**		**192,767**

As at 31 December 2009, corporate bonds with a carrying value of UAH 432,527 thousand are pledged as collateral under a loan received from the NBU (2008: UAH 172,367 thousand) (Note 17).

10. Investment property

The movements of investment property are as follows:	*2009*	*2008*
Investment property as at 1 January	-	-
Additions	158,449	-
Transfer from property and equipment (Note 12)	162	-
Net gains from fair value adjustment	943	-
Investment property as at 31 December	**159,554**	-

During the year 2009, the Bank revalued its investment property. The valuation was performed by an independent appraiser and the fair value was determined by reference to market-based evidence.

11. Assets held for sale

During 2009, the Bank received real estate objects (building and land) as a part of consideration of loan repayment. The Bank decided to dispose the assets and classified them as non-current assets held for sale. As at 31 December 2009, the assets are measured at lower of their carrying amount and fair value less costs to sell.

(in thousands of Ukrainian hryvnia, unless otherwise indicated)

The movements of assets held for sale were as follows:

	2009	*2008*
Assets held for sale as at 1 January	-	
Additions	1,217,207	-
Impairment (Note 26)	(12,751)	-
Assets held for sale as at 31 December	**1,204,456**	-

12. Property and equipment

The movements of property and equipment were as follows:

	Buildings	*Leasehold improve-ments*	*Computers and equipment*	*Furniture, fixtures and other assets*	*Motor vehicles*	*Construction in progress*	*Total*
Cost or revalued amount							
31 December 2008	**1,491,808**	**11,552**	**200,528**	**110,299**	**16,711**	**118,466**	**1,949,364**
Additions	63	-	29,060	16,794	864	581,543	628,324
Disposals	(244)	(865)	(3,226)	(820)	(1,069)	-	(6,224)
Transfers	468,067	1,517	-	-	-	(469,584)	-
Transfers to investment property (Note 10)	(224)	-	-	-	-	-	(224)
31 December 2009	**1,959,470**	**12,204**	**226,362**	**126,273**	**16,506**	**230,425**	**2,571,240**
Accumulated depreciation							
31 December 2008	**(294,995)**	**(5,841)**	**(120,740)**	**(65,078)**	**(12,301)**		**(498,955)**
Charge for the year	(19,642)	(2,055)	(21,919)	(13,258)	(1,406)		(58,280)
Disposals	159	445	2,958	804	1,241		5,607
Transfers to investment property (Note 10)	62	-	-	-	-		62
31 December 2009	**(314,416)**	**(7,451)**	**(139,701)**	**(77,532)**	**(12,466)**		**(551,566)**
Net book value:							
31 December 2008	**1,196,813**	**5,711**	**79,788**	**45,221**	**4,410**	**118,466**	**1,450,409**
31 December 2009	**1,645,054**	**4,753**	**86,661**	**48,741**	**4,040**	**230,425**	**2,019,674**

(in thousands of Ukrainian hryvnia, unless otherwise indicated)

	Buildings	*Leasehold improve-ments*	*Computers and equipment*	*Furniture, fixtures and other assets*	*Motor vehicles*	*Construction in progress*	*Total*
Cost or revalued amount							
31 December 2007	**1,088,317**	**10,047**	**166,766**	**97,586**	**15,973**	**38,596**	**1,417,285**
Additions	822	-	38,873	13,721	2,346	112,728	168,490
Disposals	(128)	(192)	(5,111)	(1,008)	(1,608)	(326)	(8,373)
Transfers	30,835	1,697	-	-	-	(32,532)	-
Impairment	(1,623)	-	-	-	-	-	(1,623)
Revaluation	373,585	-	-	-	-	-	373,585
31 December 2008	**1,491,808**	**11,552**	**200,528**	**110,299**	**16,711**	**118,466**	**1,949,364**
Accumulated depreciation							
31 December 2007	**(210,463)**	**(3,698)**	**(109,055)**	**(56,194)**	**(12,395)**		**(391,805)**
Charge for the year	(16,991)	(2,186)	(16,796)	(9,892)	(1,441)		(47,306)
Disposals	37	43	5,111	1,008	1,535		7,734
Revaluation	(67,578)	-	-	-	-		(67,578)
31 December 2008	**(294,995)**	**(5,841)**	**(120,740)**	**(65,078)**	**(12,301)**		**(498,955)**
Net book value:							
31 December 2007	**877,854**	**6,349**	**57,711**	**41,392**	**3,578**	**38,596**	**1,025,480**
31 December 2008	**1,196,813**	**5,711**	**79,788**	**45,221**	**4,410**	**118,466**	**1,450,409**

As at 31 December 2009, the Bank had capital commitments to purchase property amounting to UAH 21,184 thousand (2008: UAH 55,928 thousand).

If the buildings were measured using the cost model, the carrying amounts would be as follows:

	31 December 2009 (revalued)	*31 December 2009 (at cost)*	*31 December 2008 (revalued)*	*31 December 2008 (at cost)*
Cost	1,959,470	845,189	1,491,808	377,191
Accumulated depreciation	(314,416)	(80,314)	(294,995)	(71,039)
Net carrying amount	**1,645,054**	**764,875**	**1,196,813**	**306,152**

13. Intangible assets

The movements of intangible assets were as follows:

	Computer software and licenses
Cost	
31 December 2008	**33,156**
Additions	5,217
Disposals	(1,793)
31 December 2009	**36,580**
Accumulated amortisation	
31 December 2008	**(22,997)**
Charge for the year	(2,781)
Disposals	1,794
31 December 2009	**(23,984)**
Net book value:	
31 December 2008	**10,159**
31 December 2009	**12,596**

(in thousands of Ukrainian hryvnia, unless otherwise indicated)

	Computer software and licenses
Cost	
31 December 2007	**29,104**
Additions	4,135
Disposals	(83)
31 December 2008	**33,156**
Accumulated amortisation	
31 December 2007	**(19,876)**
Charge for the year	(3,204)
Disposals	83
31 December 2008	**(22,997)**
Net book value:	
31 December 2007	**9,228**
31 December 2008	**10,159**

14. Income tax

The corporate income tax charge comprises:

	2009	*2008*
Current tax charge	51,534	281,742
Deferred tax benefit	(29,456)	(224,095)
Income tax expense	**22,078**	**57,647**

In 2009, Ukrainian corporate income tax was levied on taxable income less allowable expenses at the rate of 25% (2008: 25%).

In 2009, the Bank paid UAH 650,000 thousand as an advanced income tax payment (as at 31 December 2009 the balance was UAH 614,358 thousand), which will be off set against the Bank's future current income tax liability.

Tax assets and liabilities consist of the following:

	2009	*2008*
Current tax assets	614,358	-
Deferred tax asset	45,929	16,323
Tax asset	**660,287**	**16,323**
Current tax liabilities	5,281	15,561
Tax liabilities	**5,281**	**15,561**

(in thousands of Ukrainian hryvnia, unless otherwise indicated)

The effective income tax rate differs from the statutory income tax rate. A reconciliation of the income tax charge based on the statutory rate with the actual rate is as follows:

	2009	*2008*
Income before tax	45,560	179,920
Statutory tax rate	25%	25%
Income tax expense at the statutory rate	11,390	44,980
Income recognised for tax purposes only	2,135	-
Non-deductible expenditures:		
- salaries and bonuses	3,509	1,786
- consulting and marketing	1,478	2,769
- insurance	805	639
- repair and maintenance property and equipment	665	384
- utilities	453	1,312
- charity	475	2,737
- lease	417	303
-other expenses	751	2,737
Income tax expense	**22,078**	**57,647**

Deferred tax assets and liabilities as at 31 December comprise:

		Origination and reversal of temporary differences			*Origination and reversal of temporary differences*		
	2007	*in the income statement*	*in other comprehe-nsive income*	*2008*	*in the income statement*	*in other comprehe-nsive income*	*2009*
Tax effect of deductible temporary differences:							
Allowance for loan impairment	62,437	195,854	-	258,291	84,103	-	342,394
Assets held for sale	-	-	-	-	3,187	-	3,187
Accruals	18,916	38,870	-	57,786	(38,706)	-	19,080
Other asset/ liabilities	574	(574)	-	-	3,451	-	3,451
Deferred tax asset	**81,927**	**234,150**	**-**	**316,077**	**52,035**	**-**	**368,112**
Tax effect of taxable temporary differences:							
Property, equipment and intangible assets	(177,995)	(915)	(76,502)	(255,412)	(87)	-	(255,499)
Investment property	-	-	-	-	(236)	-	(236)
Valuation of financial instruments	(35,834)	(8,499)	632	(43,701)	(22,897)	150	(66,448)
Other assets/ liabilities	-	(641)	-	(641)	641	-	-
Deferred tax liability	**(213,829)**	**(10,055)**	**(75,870)**	**(299,754)**	**(22,579)**	**150**	**(322,183)**
Net deferred tax asset/ (liability)	**(131,902)**	**224,095**	**(75,870)**	**16,323**	**29,456**	**150**	**45,929**

(in thousands of Ukrainian hryvnia, unless otherwise indicated)

15. Other impairment and provisions

The movements in other impairment and provisions are as follows:

	Investment securities held-to-maturity	*Other assets*	*Guarantees and commitments*	*Total*
31 December 2007	**-**	**4,010**	**7,301**	**11,311**
Translation differences	-	14,334	22,982	37,316
Charge	-	32,578	72,459	105,037
Write-offs	-	(135)	-	(135)
31 December 2008	**-**	**50,787**	**102,742**	**153,529**
Translation differences	-	3,388	1,263	4,651
Charge	71,606	62,147	-	133,753
Write-offs	-	(4)	(100,484)	(100,488)
31 December 2009	**71,606**	**116,318**	**3,521**	**191,445**

Allowances for impairment of assets are deducted from the related assets. Provisions are recognised in liabilities.

16. Other assets and liabilities

Other assets comprise:

	2009	*2008*
Settlements on transactions with customers	151,111	85,906
Prepayments	36,900	114,435
Precious metals	32,615	9,239
Inventory	8,803	6,980
Other accrued income	7,071	4,457
Settlements on card operations	5,367	16,133
Service fee on issued financial guarantees	4,902	6,860
Collateral held for resale	-	219
Other	28,414	23,655
	275,183	**267,884**
Less – Allowance for impairment (Note 15)	(116,318)	(50,787)
Other assets	**158,865**	**217,097**

As at 31 December 2009, prepayments include balances of UAH 6,255 thousand (2008: UAH 41,663 thousand) in respect of the construction of branch and part of head office buildings.

Other liabilities comprise:

	2009	*2008*
Provision for unused vacations	41,331	41,887
Accrued salary payable	34,252	33,772
Fair value of financial guarantees issued	23,631	5,151
Settlements on card operations	20,460	33,940
Payables to Guarantee Fund of Individuals' Deposits	9,339	8,142
Settlements on transactions with customers	3,841	1,316
Deferred income	3,703	17,556
Other accrued expenses	2,224	7,976
Accrued pension contribution	844	1,610
Minority interest	-	66
Other liabilities	5,066	4,656
Other liabilities	**144,691**	**156,072**

(in thousands of Ukrainian hryvnia, unless otherwise indicated)

17. Amounts due to the National Bank of Ukraine

In February, March and December 2009, the Bank received five loans from the NBU for a total of UAH 7,819,774 thousand for liquidity support purposes. Loans are denominated in UAH, bear fixed interest rate at 14% for a loan of UAH 2,099,999 thousand (maturity in February 2010), 16.5% for a loan of UAH 2,168,716 thousand (maturity in March 2010), bear floating interest rate at 12.25% for a loans of UAH 1,121,680 thousand and UAH 424,748 thousand (maturity in December 2010) and 10.75% for a loan of UAH 2,004,631 thousand (matures in November 2015). Loans due to the NBU are secured with corporate bonds (Note 9) and loans to customers (Note 8).

18. Amounts due to credit institutions

Amounts due to credit institutions comprise:

	2009	*2008*
Current accounts	256,445	463,235
Loans and deposits due to other banks	5,947,341	12,683,596
Loans due to international financial organisations	2,324,940	2,329,123
Other amounts due to credit institutions	7,829	-
Amounts due to credit institutions	**8,536,555**	**15,475,954**

As at 31 December 2009, included in current accounts is UAH 136,747 thousand received from five Ukrainian banks (2008: UAH 341,389 thousand). The amount was received under normal banking terms and conditions.

As at 31 December 2009, included in amounts due to credit institutions is UAH 781,974 thousand received from Ukrainian banks (2008: 897,358 UAH thousand).

As at 31 December 2009, loans and deposits due to other banks include UAH 268,928 thousand granted by Kreditanstalt fur Wiederaufbau ("KfW") under loan agreements for financing small and medium sized enterprises in Ukraine (2008: UAH 293,277 thousand). The loans are denominated in US dollars have a current interest rate of EURLIBOR+2.75% and mature in 2014.

As at 31 December 2009, loans and deposits due to other banks include UAH 2,305,787 thousand and UAH 2,962 thousand received from OECD banks and other foreign banks, respectively, under trade and export financing agreements (2008: UAH 4,550,179 thousand and UAH 9,994 thousand, respectively). These loans are denominated in US dollars, euro, Swiss frank, Japanese yen, pound sterling and bear fixed and floating interest rates and are matched in maturity with loans to customers issued under these trade and export financing programmes.

Loans due to international financial organisations include loans from the International Bank for Reconstruction and Development (the "IBRD") under the Export Development Project of UAH 189,401 thousand (2008: UAH 229,502 thousand). Proceeds from these loans are used to provide financing for eligible Ukrainian borrowers. These loans are denominated in US dollars or Euro, have a coupon interest rate of LIBOR+0.5% with repricing twice a year and have a current interest rate of LIBOR+0.17% and mature in 2013. This debt is subject to various covenants and restrictions as described in Note 24.

As at 31 December 2009, loans due to international financial organisations include loans from the International Bank for Reconstruction and Development (the "IBRD") under the Second Export Development Project of UAH 509,746 thousand (2008: UAH 374,442 thousand) (total amount of this loan facility is USD 154,500 thousand). Proceeds from this loan are used to provide medium and long term financing for eligible Ukrainian borrowers and distributed through eligible Ukrainian commercial banks. This loan is denominated in US dollars, have a coupon interest rate of LIBOR+0.75% with repricing twice a year and have a current interest rate of LIBOR+0.42%. The loans mature in 2026.

Loans due to international financial organisations include loans from the European Bank for Reconstruction and Development (the EBRD) under the program of energy efficiency of UAH 467,685 thousand (2008: 350,794 thousand). The loans are denominated in US dollars bear floating interest rate are 3.43% and 5.75% and mature to 2014.

As at 31 December 2009, loans due to international financial organisations include unsecured loan from the EBRD for the amount of UAH 1,058,644 thousand. The first part of the loan ("A") of UAH 389,675 thousand matures in two years and the second ("B") of USD 668,969 thousand in 364 days after the date of issue (16 July 2009). The parts bear interest at Libor+8.5% and Libor+7.5% per annum, respectively.

(in thousands of Ukrainian hryvnia, unless otherwise indicated)

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

19. Amounts due to customers

Amounts due to customers comprise:

	2009	*2008*
Current accounts		
- Budget funds	974,866	274,939
- Legal entities	4,897,803	5,344,933
- Individuals	903,900	717,849
- Due to funds under the Bank's management (see below)	25,784	14,701
	6,802,353	**6,352,422**
Time deposits		
- Budget funds	1,004,709	76,558
- Legal entities	4,150,622	3,074,301
- Individuals	7,995,476	7,096,423
	13,150,807	**10,247,282**
Due to customers	**19,953,160**	**16,599,704**
Held as security against letters of credit	105,743	94,824
Held as security against guarantees and avals	407,209	147,629
Held as security against undrawn loan commitments	62,720	86,368
Held as security against loans to customers	614,874	863,290

As at 31 December 2009, legal entities current accounts include UAH 141,293 thousand attracted as security against legal entities finance lease receivables (2008: UAH 136,250 thousand).

As at 31 December 2009, legal entities current accounts of UAH 1,579,866 thousand (32.3% of legal entities current accounts) were due to the ten largest clients (2008: UAH 1,848,863 thousand or 34.6%).

As at 31 December 2009, time deposits due to legal entities include UAH 846,847 (20.4% of time deposits due to legal entities) thousand attracted from five legal entities (2008: UAH 992,878 thousand or 32.3 %).

In accordance with Ukrainian legislation, the Bank is obliged to repay time deposits of individuals upon demand of a depositor. In the event that a term deposit is repaid upon demand of the depositor prior to maturity, interest is paid based on the interest rate for demand deposits, unless a different interest rate is specified in the agreement.

Funds under the Bank's management

The Bank acts as a fund manager for construction-financing funds. Amounts due to funds under the Bank's management are summarised as follows:

	2009	*2008*
At 1 January	**14,701**	**11,858**
Funds attracted from individuals	105,321	132,446
Invested funds	(94,238)	(129,603)
At 31 December	**25,784**	**14,701**

(in thousands of Ukrainian hryvnia, unless otherwise indicated)

An analysis of customer accounts by economic sector follows:

	2009	*%*	*2008*	*%*
Individuals	8,899,376	44.6	7,814,272	47.1
Budget	1,979,575	9.9	351,497	2.1
Transport and communications	1,688,617	8.5	664,183	4.0
Trade enterprises	1,668,167	8.4	1,474,291	8.9
Real estate	1,246,665	6.2	1,053,945	6.4
Engineering	1,223,208	6.1	795,443	4.8
Finance	724,122	3.6	957,243	5.8
Construction	468,400	2.3	421,857	2.5
Agriculture and food processing	370,386	1.9	443,925	2.7
Extractive industry	219,273	1.1	810,163	4.9
Culture and sport	190,673	1.0	153,945	0.9
Non-residents	152,720	0.8	382,071	2.3
Health protection	150,340	0.7	79,701	0.5
Power utilities	148,401	0.7	182,985	1.1
Chemistry	109,815	0.6	169,386	1.0
Personal services	94,615	0.5	73,214	0.4
Education	75,267	0.4	41,020	0.3
Metallurgy	79,336	0.4	180,213	1.1
Production of construction materials	83,659	0.4	103,545	0.6
Production of rubber and plastic goods	63,885	0.3	107,545	0.6
Metal processing	59,553	0.3	51,321	0.3
Other	257,107	1.3	287,939	1.7
Amounts due to customers	**19,953,160**	**100**	**16,599,704**	**100**

20. Eurobonds issued

	2009		*2008*	
	Nominal value	***Carrying value***	***Nominal value***	***Carrying value***
September 2004 issue	-	-	1,155,000	1,163,198
February 2005 issue	-	-	770,000	798,483
October 2005 issue	1,879,110	1,903,503	1,925,000	1,947,961
September 2006 issue	2,794,750	2,857,484	2,695,000	2,753,170
November 2006 issue	991,857	1,019,213	1,155,000	1,189,044
Eurobonds issued		**5,780,200**		**7,851,856**

In October 2005, the Bank obtained a loan amounting to USD 250,000 thousand (UAH 1,996,250 thousand) from Credit Suisse First Boston International (carrying value of UAH 1,903,503 thousand as at 31 December 2009 (2008: UAH 1,947,961 thousand). This loan was funded by 6.80% loan participation notes ("Eurobonds") issued by, but without recourse to, Credit Suisse First Boston International, for the sole purpose of funding this loan to the Bank. The loan matures in October 2012 and the interest rate is 6.80% p.a. Interest payments are made semi-annually in arrears on 4 April and 4 October of each year, commencing on 4 April 2006.

In September 2006, the Bank obtained a loan amounting to USD 350,000 thousand (UAH 2,794,750 thousand) from Credit Suisse International (carrying value of UAH 2,857,484 thousand as at 31 December 2009 (2008: UAH 2,753,170 thousand). The loan was funded by 7.65% loan participation notes ("Eurobonds) issued by, but without recourse to, Credit Suisse International, for the sole purpose of funding this loan to the Bank. The loan matures in September 2011 and the interest rate is 7.65% p.a. Interest payments are made semi-annual in arrears on 7 March and 7 September of each year, commencing on 7 March 2007.

In November 2006, the Bank obtained a further loan amounting to USD 150,000 thousand (UAH 1,197,750 thousand) from Credit Suisse International (carrying value is UAH 1,019,213 thousand as at 31 December 2009 (2008: UAH 1,189,044 thousand). This loan was funded by 7.65% loan participation notes ("Eurobonds") which were consolidated and form a single series with the notes issued in September 2006. The issue price of these notes was 101.25 per cent of principle amount plus accrued interest and the Bank received a premium amounting to USD 1,875 thousand.

(in thousands of Ukrainian hryvnia, unless otherwise indicated)

21. Debt securities issued

In June 2007, the Bank issued local bonds series C amounting to UAH 500,000 thousand (carrying value of UAH 502,135 thousand as at 31 December 2009 (2008: UAH 502,005 thousand). The bonds are denominated in hryvnia, bear interest at 9.75% p.a. and mature in June 2010. Interest payments are made semi-annually in arrears in June and December.

In June 2009, the Bank redeemed series D local bonds for the nominal amount of UAH 275,000 thousand. In October 2009, the Bank redeemed series B local bonds for the nominal amount of UAH 276,320 thousand.

As at 31 December 2009, bonds with a carrying value of UAH 365,713 thousand were due to two legal entities (2008: UAH 479,821 thousand due to one legal entity).

22. Subordinated debt

In February 2006, the Bank obtained a loan amounting to USD 95,000 thousand (UAH 758,575 thousand) from Credit Suisse International (carrying value of UAH 770,372 thousand as at 31 December 2009 (2008: UAH 741,354 thousand). This loan was funded by 8.40% loan participation notes issued by on a limited recourse basis to Credit Suisse International, for the sole purpose of funding a subordinated loan to the Bank. The loan matures in February 2016 with an interest rate step-up in 2011. Interest payments are made semi-annually in arrears on 9 February and 9 August of each year, commencing on 9 August 2006.

In November 2006, the Bank obtained a further loan amounting to USD 30,000 thousand (UAH 239,550 thousand) from Credit Suisse International (carrying value of UAH 245,383 thousand as at 31 December 2009 (2008: UAH 236,384 thousand). This loan was funded by 8.40% loan participation notes, which were consolidated and form a single series with the notes issued in February 2006.

In May 2009, the Bank obtained a loan amounting to USD 250,000 thousand (UAH 1,996,250 thousand) from the EBRD (carrying value of UAH 2,089,679 thousand as at 31 December 2009). This loan bears interest at 13.24% per annum. The loan matures in May 2019 with an interest rate change in 2014. Interest payments are made semi-annually in arrears on 28 July and 28 January of each year, commencing on 28 July 2009. This debt is subject to various covenants and restrictions (Note 24).

23. Equity

As at 31 December 2009, the Bank's authorised issued share capital comprised 6,965,507 (2008: 2,318,859) ordinary shares, with a nominal value of UAH 1,436.15 per share (2008: 1,320.75). All shares have equal voting rights. As at 31 December 2009, 6,965,507 shares were fully paid and registered (2008: all shares were fully paid and registered).

These consolidated financial statements reflect the amount of paid-in share capital stated at cost, which is restated on applied IAS 29 "Financial accounting in hyperinflationary economies". The share capital of the Bank was contributed in Ukrainian hryvnia.

The movements in share capital were as follows:

	Number of shares	*Nominal amount, UAH'000*	*Restated cost, UAH'000*
31 December 2007	**1,486,000**	**1,486,000**	**2,199,232**
Shares issued	832,859	1,576,633	1,576,633
31 December 2008	**2,318,859**	**3,062,633**	**3,775,865**
Shares issued	4,646,648	6,940,880	6,940,880
31 December 2009	**6,965,507**	**10,003,513**	**10,716,745**

In February 2008, the Eximbank's Supervisory Board approved a decision to increase the share capital through capitalisation of profit for 2007 in the amount of UAH 476,635 thousand. This decision was approved by the Cabinet of Ministers of Ukraine on 22 February 2008.

In accordance with the Decision of the Cabinet of Ministers of Ukraine dated 25 June 2008, the Eximbank's share capital was further increased by UAH 99,999 thousand through additional cash contribution.

In addition to cash contribution, according to the Decision of the Cabinet of Ministers of Ukraine dated 26 November 2008 Ukrainian State bonds of UAH 999,999 thousand were received as a contribution to share capital of Eximbank. In December 2008, these Ukrainian State bonds were sold to the National Bank of Ukraine at nominal value.

In January 2009, according to the Resolution of the Cabinet of Ministers of Ukraine dated 17 December 2008, the Eximbank's share capital was increased by UAH 3,699,999 thousand. The increase was financed by Ukrainian State bonds. In February – March 2009, these Ukrainian State bonds were sold to the National Bank of Ukraine at nominal value.

In Fabruary 2009, the Eximbank's Supervisory Board approved a decision to increase the share capital through capitalisation of profit according to UAR for 2008 in the amount of UAH 590,882 thousand. This decision was approved by the Cabinet of Ministers of Ukraine on 15 April 2009. As at 31 December 2009, share capital increase was approved and registered by all Ukrainian authorities.

In June 2009, according to the Resolution of the Cabinet of Ministers of Ukraine dated May 2009, the Eximbank's share capital was increased by UAH 1,000,000 thousand. The increase was financed by Ukrainian State bonds. In August – September 2009, these Ukrainian State bonds were sold to the National Bank of Ukraine at nominal value. As at 31 December 2009, share capital increase was approved and registered by all Ukrainian authorities.

In November 2009, according to the Resolution of the Cabinet of Ministers of Ukraine dated July 2009, the Eximbank's share capital was increased by UAH 999,999 thousand. The increase was financed by Ukrainian State bonds. In November 2009, these Ukrainian State bonds were sold to the National Bank of Ukraine at nominal value. As at 31 December 2009, share capital increase was approved and registered by all Ukrainian authorities.

In December 2009, according to the Resolution of the Cabinet of Ministers of Ukraine dated August 2009, the Eximbank's share capital was increased by UAH 649,999 thousand. The increase was financed by Ukrainian State bonds. In December 2009, these Ukrainian State bonds were sold to the National Bank of Ukraine at nominal value.

These consolidated financial statements reflect the amount of accumulated deficit, which consists of difference between profit for previous years according to UAR, capitalised in share capital, and profit according to IFRS for certain period (movement in accumulated deficit is represented in the consolidated statement of changes in equity).

(in thousands of Ukrainian hryvnia, unless otherwise indicated)

Movements in revaluation reserves
Movements in reserve were as follows:

	Property revaluation reserve	*Unrealised gains/(losses) on investment securities available-for-sale*	*Revaluation reserve*
31 December 2007	**441,239**	**-**	**441,239**
Revaluation of buildings (Note 12)	306,007		306,007
Tax effect of revaluation of buildings (Note 14)	(76,502)		(76,502)
Depreciation of revaluation reserve, net of tax	(13,493)		(13,493)
Disposal of property, net of tax	(15)		(15)
Net unrealised losses on available-for-sale securities		(2,528)	(2,528)
Tax effect of net losses on investment securities available-for-sale (Note 14)		632	632
31 December 2008	**657,236**	**(1,896)**	**655,340**
Depreciation of revaluation reserve, net of tax	(10,291)		(10,291)
Disposal of property, net of tax	(211)		(211)
Realised losses on investment securities available-for-sale reclassified to the income statement		674	674
Unrealised losses reclassified to the income statement on impairment		2,963	2,963
Net unrealised losses on available-for-sale investments		(4,237)	(4,237)
Tax effect of net losses on investment securities available-for-sale (Note 14)		150	150
31 December 2009	**646,734**	**(2,346)**	**644,388**

Nature and purpose of revaluation reserves

Property revaluation reserve

The revaluation reserve for property and equipment is used to record increases in the fair value of buildings and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in equity.

Unrealised gains/(losses) on investment securities available-for-sale

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

The Bank's distributable reserves are determined by the amount of its reserves as disclosed in the accounts prepared in accordance with UAR. As at 31 December 2009, the Bank has distributable reserves amounting to UAH 30,697 thousand (2008: UAH 622,035 thousand). The amount of non-distributable reserves was UAH 846,384 thousand (2008: UAH 821,042 thousand). Non-distributable reserves are represented by a statutory revaluation reserve and a general reserve fund, which is created to cover general banking risks, including future losses and other unforeseen risks or contingencies.

24. Commitments and contingencies

Operating environment

The Ukrainian economy while deemed to be of market status, continues to display certain characteristics consistent with that of an economy in transition. These characteristics include, but are not limited to, low levels of liquidity in the capital markets, high inflation and the existence of currency controls which cause the national currency to be illiquid outside 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 ongoing global financial crisis has resulted in considerable instability in the capital markets, significant deterioration in the liquidity of banks, much tighter credit conditions where credit is available, and significant devaluation of the national currency against major currencies. Furthermore, the downgrade of the country's credit ratings, which began in late 2008, continued in 2009. Whilst the Ukrainian Government is introducing various stabilisation measures aimed at providing liquidity for Ukrainian banks, there continues to be uncertainty regarding access to capital and its cost for the Bank and its counterparties. These factors could affect the Bank's financial position, results of operations and business prospects.

(in thousands of Ukrainian hryvnia, unless otherwise indicated)

In addition, the borrowers of the Bank may have been affected by a deterioration in their own liquidity, which could in turn impact their ability to repay the amounts due to the Bank. The decrease in values in the Ukrainian real estate market may affect recoverability of the Bank's loans secured by pledges of property. To the extent that information is available, the Bank has reflected revised estimates of expected future cash flows in its impairment assessment.

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

Legal

In the ordinary course of business, the Bank is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations of the Bank.

Tax and other regulatory compliance risks

Ukrainian legislation and regulations regarding taxation and other operational matters, including currency exchange control and custom regulations, continue to evolve. Legislation and regulations are not always clearly written and are subject to varying interpretations by local, regional and national authorities, and other Governmental bodies. Instances of inconsistent interpretations are not unusual. Management believes that its interpretation of the relevant legislation is appropriate and that the Bank has complied with all regulations and paid or accrued all taxes and withholdings that are applicable.

At the same time it is a risk that transactions and interpretations that have not been challenged in the past may be challenged by the authorities in the future, although this risk significantly diminishes with the passage of time. It is not practical to determine the amount of unasserted claims that may manifest, if any, or the likelihood of any unfavourable outcome.

Financial commitments and contingencies

The Bank's financial commitments and contingencies comprise the following:

	2009	*2008*
Letters of credit	671,027	1,016,741
Guarantees	2,321,263	2,117,327
Avals on promissory notes	172,147	76,678
Undrawn loan commitments	213,955	546,381
	3,378,392	**3,757,127**
Less – Provisions (Note 15)	(3,521)	(102,742)
Financial commitments and contingencies (before deducting collateral)	**3,374,871**	**3,654,385**
Less – cash held as security against letters of credit, avals and guarantees, and undrawn loan commitments (Note 19)	(575,672)	(328,821)
Financial commitments and contingencies	**2,799,199**	**3,325,564**

As at 31 December 2009, the Bank issued letters of credit of UAH 561,969 thousand to four Ukrainian companies partially secured by a cash deposit of UAH 79,850 thousand (2008: UAH 535,820 thousand). As at 31 December 2009, the Bank issued guarantees of UAH 1,506,017 thousand in favour of four Ukrainian companies that are partially secured by a cash deposit of UAH 148,748 thousand (2008: UAH 1,298,367 thousand in favour of four Ukrainian companies secured by a cash deposit of UAH 68,899 thousand).

Financial covenants

The Bank is a party to various arrangements with other credit institutions, which contain financial covenants relating to the financial performance and general risk profile of the Bank. Under such covenants, the Bank is required to maintain a minimum international risk based capital adequacy ratio of 10%, to limit credit exposure to a single borrower and to ensure a certain level of operating activity. These financial covenants may restrict the Bank's ability to execute certain business strategies and enter into other significant transactions in the future.

(in thousands of Ukrainian hryvnia, unless otherwise indicated)

25. Fees and commissions, net

Fees and commissions comprise:

	2009	*2008*
Fee and commission income		
Cash and settlement operations	236,453	192,880
Guarantees and letters of credit	69,426	73,028
Operations with banks	36,691	38,637
Credit servicing commission	22,020	15,593
Other	12,519	7,547
	377,109	**327,685**
Fee and commission expenses		
Cash and settlement operations	(48,700)	(41,310)
Currency conversion	(1,457)	(1,395)
Guarantees and letters of credit	(1,561)	-
Other	(5,251)	(3,792)
	(56,969)	**(46,497)**
Fees and commissions, net	**320,140**	**281,188**

26. Personnel and other operating expenses

Personnel and other operating expenses comprise:

	2009	*2008*
Salaries and bonuses	510,781	516,895
Employment taxes	94,032	96,411
Personnel expenses	**604,813**	**613,306**
Expenses related to Guarantee Fund of Individuals' Deposits	37,830	29,587
Occupancy and rent	33,183	24,749
Repair and maintenance expenses	29,473	25,116
Marketing and advertising	16,420	19,673
Impairment charge for assets held to sale (Note 11)	12,751	-
Security	15,231	11,824
Operating taxes	11,728	5,218
Electronic and data processing costs	11,253	9,568
Legal and consultancy	8,657	5,914
Expenses for cash collection	8,383	7,204
Charity	1,900	6,949
Business travel and related expenses	4,478	5,754
Communications	4,609	4,880
Expenses related to representative offices	4,759	2,649
Impairment charge for property (Note 12)	-	1,623
Other	21,677	18,936
Other operating expenses	**222,332**	**179,644**

Expenses on payment to the non-state pension fund comprised to UAH 7,807 thousand (2008: UAH 13,795 thousand).

27. Risk management

Introduction

The Bank is exposed to risks i.e. credit risk, liquidity risk and market risk (which is subdivided into interest rate risk, currency risk and trading book risk), operational risk as well as strategic and reputation risk which are continuously identified, assessed and controlled within the Risk management process. Risk management process is decisive for ensuring the Bank's efficiency and profitability and each employee of the Bank is responsible for respecting the risk management rules and procedures in the course of fulfilling their tasks and duties.

The Bank adheres to the following key risk management principles:

- centralisation of liquidity, interest and currency risk management at the Head Office level;
- unification of analysis and monitoring procedures for credit projects, assessment of the creditworthiness of each borrower and establishment of credit rating and rules for creating allowance for loan impairment across all branches of the Bank;
- clear definition of the roles of all participants in the risk management process and the interrelations among those participants;
- definition of risk limits for transaction volumes: by Bank or Branch Officer, limits on exposures to single borrowers, limits on exposures to related parties, credit portfolio concentration limits (by industry, counterparty groups, separate transactions/ balance sheet items, etc.);
- ensuring continuous risk monitoring and control and compliance with all established limits;
- avoidance of conflicts of interest;
- ensuring internal control over compliance with policies and procedures.

The risk management process includes four stages: identification of risk, its sources and risk areas; estimation of the level of risk; minimisation of risk or limitation of risk at an acceptable levels; on-going monitoring of positions at risk.
The independent risk control process does not include business risks such as changes in the environment, technology and industry. These risks are monitored through the Bank's strategic planning process.

Risk management structure

Supervisory Board is generally responsible for establishment and approval of missions in the sphere of risk management and management of capital. In addition, the Bank has separate independent bodies responsible for managing and monitoring risks. The following bodies are responsible for the risk management process at the Bank: Management Board, Assets and Liabilities Committee ("ALCO"), Credit Committee, Retail Business Committee, Security Division, Treasury Division, Risk Management Division, Audit and Revision Division.

Supervisory Board

Supervisory Board is responsible for the overall risk management approach and for approving the risk strategies and principles.

Management Board

Management Board has the overall responsibility for the development of the risk strategy and implementing of principles, frameworks, policies and limits within the Bank. Fundamental risk issues are managed and monitored by relevant risk decisions based on quarterly reports of Risk Management Division, ALCO, Credit Committee and Retail Business Committee. Management Board approves the Bank's risk management policy for the next year on an annual basis.

Assets and Liabilities Committee

ALCO has the overall responsibility for the implementing of principles, frameworks, policies and limits regarding liquidity and market risks within the Bank and ensuring that liquidity and market risks are within the specified ranges approved by the Management Board. ALCO reports to the Management Board.

Credit Committee and Retail Business Committee

Credit Committee and Retail Business Committee have the overall responsibility for the implementing of principles, frameworks, policies and limits regarding credit risk within the Bank and ensuring that credit risk indicators are within the specified ranges approved by the Management Board. These Committees report to the Management Board.

Treasury and Securities Divisions

Treasury is responsible for management of the Bank's liquidity position via money market operations, while Securities Division is responsible for management of the Bank's liquidity position via capital market operations. Treasury Division and Securities Division report to the Management Board.

Risk Management Division

Risk Management Division is responsible for control, monitoring, analysis and reporting of key risk indicators connected with the Bank's activities. In addition, Risk Management Division elaborates and supervises implementation of risk management methodologies, norms and procedures, estimates the risk of all banking products and structured transactions. Risk Management Division reports to the Management Board.

Audit and Inspection Division

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

Risk measurement and risk reporting systems

The Bank's risks are measured using methods which reflect both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. The Bank also runs worse case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur. The Bank carries out back-testing of the models and checks their adequacy.

Risks are monitored and controlled primarily based on limits established by the Bank. These limits reflect the business strategy and market environment of the Bank as well as the level of risk that the Bank is willing to accept, with additional emphasis on selected industries. In addition, the Bank monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risks types and activities.

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

For all levels of the Bank's management, various risk reports are prepared in order to provide access all of the Bank's units to comprehensive, relevant and up-to-date information.

Risk Mitigation

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

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

Excessive risks concentration

Concentration arises when a number of counterparts are engaged in similar business activities, or activities in the same geographic region, or have similar economic characteristics, which determine their ability to meet contractual obligations that are equally affected by the changes in economic, political or other environment. Concentration indicates the relative sensitivity of the Bank's performance to the developments affecting a particular industry or geographical area.

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

Credit risk

The Banks considers a credit risk as a probability of untimely and/or insufficient receipt of funds from customers (counterparties) under their commitments.

Credit risk management is primarily aimed at ensuring fulfilment of commitments by the Bank's customers (counterparties) in form, volume and time periods adequate for maintaining liquidity, yield and capital adequacy ratios within the limits acceptable for the Bank.

While managing credit risk, the Bank is considering the combination of the following;

- the structural (strategic) management – acceptable level of loan portfolio structure and volume (on balance sheet and off balance sheet) in short, medium and long term horizon taking into consideration estimated and unpredictable changes in the financial and economic environment;
- ongoing (operational) management - acceptable quality and volume of individual loans and commitments taking into consideration estimated and unpredictable changes in the financial and economic environment;
- structural (strategic) and ongoing (operational) management of the allowance for impairment effect on the Bank's capital adequacy ratio in short, medium and long term horizon taking into consideration estimated and unpredictable changes in quality of the individual loans, credit portfolios and total credit portfolio.

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

- setting target (optimal and acceptable for the Bank), critical (undesirable, but manageable) and threshold (requiring urgent measures) values of the key credit risk exposures;
- providing loans or loan related commitments solely in accordance with the approved Credit policy and the Bank's internal regulations;
- creation and maintaining allowances and provisions for loan related operations in volumes, which are not lower than the Bank's best estimates;
- constant monitoring of the actual values of the key credit risk exposures at the level of individual loans/commitments, credit portfolios and total credit portfolio;
- taking efficient measures if the actual values of credit risk exposures approach their critical and/or threshold values.

Key credit risk exposures, their target, critical and threshold values are updated at least annually and approved by the Management Board of the Bank.

Individual credit risk

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

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

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

In order to limit individual credit risk, the Bank sets the following limits: maximum volume of credit transactions (loans, securities, receivables) per single counterparty (or group of related counterparties), including financial commitments and contingencies; maximum volume of credit transactions (loans, securities, receivables) for one insider, including financial commitments and contingencies.

(in thousands of Ukrainian hryvnia, unless otherwise indicated)

Portfolio credit risk

Portfolio credit risk is the risk typical for a group of credit transactions (loans, securities, receivables) and group of counterparties with similar credit characteristics.

Portfolio credit risk management is exercised through: industry classification on the basis of an internal system of industry ratings, which characterises the systematic risk of the industry; monitoring of the credit portfolio structure (by category of customers, industries and credit ratings of customers and loans); establishment of concentration limits and appropriate monitoring and control thereof; diversification of credit portfolio (both by industry and customer category).

Diversification of credit portfolio (both by industry and customer category) is provided through establishment of the following limits: by industry; by maximum total volume of "large" loans (which constitute 10% or more of the regulatory capital of the Bank as to each counterparty or group of related counterparties); by maximum total volume of loans to insiders; by credit portfolio concentration per category of customers; by total indebtedness of 5 largest customers; by total indebtedness of 10 largest customers; by total indebtedness of 20 largest customers.

Credit-related commitment risks

The Bank issues guarantees to its customers, under which the Bank may be required to make payments on behalf of the relevant customers. Such payments are collected from customers under the terms of the letters of credit. The mentioned guarantees expose the Bank to the risks similar to the credit risks, which are mitigated by the similar control procedures and principles.

The table below shows the maximum credit risk exposures under the balance sheet items. The maximum exposure is shown without regard to risk mitigation effect through the execution of the Master netting and collateral agreements and after deducting any allowance for impairment.

	Notes	***Maximum exposure 2009***	***Maximum exposure 2008***
Cash and cash equivalents (excluding cash on hand)	6	4,157,124	5,769,860
Amounts due from credit institutions	7	1,736,194	963,014
Loans to customers	8	43,006,245	36,608,067
Investment securities	9	2,347,274	2,013,136
Other assets	16	89,033	177,004
		51,335,870	**45,531,081**
Financial commitments and contingencies	24	3,374,871	3,654,385
Total credit risk exposure		**54,710,741**	**49,185,466**

If recorded at fair value, the amounts shown above represent the current credit risk exposure but not the maximum risk exposure that could arise in future as a result of changes in values.

(in thousands of Ukrainian hryvnia, unless otherwise indicated)

Credit quality per class of financial assets

	Notes	Neither past due nor impaired				
		High grade 2009	**Standard grade 2009**	**Sub-standard grade 2009**	**Past due or individually impaired 2009**	**Total 2009**
Amounts due from foreign credit institutions	7	63,440	-	-	-	63,440
Amounts due from Ukrainian credit institutions	7	879	1,011,648	312,198	37,641	1,362,366
Investment securities:	9					
At fair value through profit or loss		400,586	-	174,454	-	575,040
Available-for-sale		495,768	-	485,363	21,258	1,002,389
Held-to-maturity		20,407	171,763	127,424	543,174	862,768
Loans to corporate customers:	8					
Loans		3,710,893	16,428,181	21,789,310	4,226,416	46,154,800
Overdrafts		19,304	123,278	99,041	32,530	274,153
Finance lease receivables		-	201,379	14,101	-	215,480
Promissory notes		59,401	304	-	1,980	61,685
		3,789,598	16,753,142	21,902,452	4,260,926	46,706,118
Loans to individuals	8	364,504	593,206	132,467	233,001	1,323,178
Total		**5,135,182**	**18,529,759**	**23,134,358**	**5,096,000**	**51,895,299**

	Notes	Neither past due nor impaired				
		High grade 2008	**Standard grade 2008**	**Sub-standard grade 2008**	**Past due or individually impaired 2008**	**Total 2008**
Amounts due from foreign credit institutions	7	509,115	-	-	-	509,115
Amounts due from Ukrainian credit institutions	7	73,869	185,216	194,814	-	453,899
Investment securities:	9					
At fair value through profit or loss		568,246	397,158	-	-	965,404
Available-for-sale		776,232	78,733	-	-	854,965
Held-to-maturity		192,767	-	-	-	192,767
Loans to corporate customers:	8					
Loans		18,839,524	9,802,094	3,607,258	3,449,773	35,698,649
Overdrafts		562,896	91,274	-	41,613	695,783
Finance lease receivables		-	190,064	-	-	190,064
Promissory notes		9,307	15,863	1,523	87,574	114,267
		19,411,727	10,099,295	3,608,781	3,578,960	36,698,763
Loans to individuals	8	1,127,914	824,405	33,911	122,980	2,109,210
Total		**22,659,870**	**11,584,807**	**3,837,506**	**3,701,940**	**41,784,123**

(in thousands of Ukrainian hryvnia, unless otherwise indicated)

The following table shows the principle, according to which the credit quality grades were assigned to financial assets.

		Rating values		
	Rating system	***High grade***	***Standard grade***	***Sub-standard grade***
Amounts due from foreign credit institutions	Fitch rating system	AAA, AA+, AA, AA-, A+, A, BBB+, BBB, BBB-	BB+, BB, BB-, B+, B, B-	CCC+, CCC, CCC-, CC, C
Amounts due from Ukrainian credit institutions	The NBU's classification system for credit institutions	A	B	C, D, E
Loans to corporate customers 2009 Investment securities 2009	Internal rating system for corporate customers	A, B	C	D, E
Loans to corporate customers 2008 Investment securities 2008	Internal rating system for corporate customers	1,2	3	4,5,6,7
Loans to individual customers	The NBU's classification system for individual customers	A	B	C, D, E

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

Aging analysis of past due but not impaired loans is provided below.

	Less than 30 days 2009	***31 to 60 days 2009***	***61 to 90 days 2009***	***More than 90 days 2009***	***Total 2009***
Loans to customers					
Loans	139,300	299,816	17,529	-	456,645
Promissory notes	-	1,713	-	-	1,713
	139,300	**301,529**	**17,529**	**-**	**458,358**
Loans to individuals	11,280	8,591	7,501	-	27,372
Total	**150,580**	**310,120**	**25,030**	**-**	**485,730**

	Less than 30 days 2008	***31 to 60 days 2008***	***61 to 90 days 2008***	***More than 90 days 2008***	***Total 2008***
Loans to customers					
Loans	53,659	21,574	77,432	8,253	160,918
Overdrafts	7,918	-	-	-	7,918
	61,577	**21,574**	**77,432**	**8,253**	**168,836**
Loans to individuals	25,765	22,511	18,065	7,327	73,668
Total	**87,342**	**44,085**	**95,497**	**15,580**	**242,504**

Of the total aggregate amount of gross past due but not impaired loans to customers, the fair value of collateral that the Bank held as at 31 December 2009 UAH 5,163 thousand (2008: nil).

(in thousands of Ukrainian hryvnia, unless otherwise indicated)

The table below shows the carrying amount for renegotiated financial assets, by class:

	2009	*2008*
Loans to customers:		
Loans	16,306,691	4,625,375
Overdrafts	14,668	-
Finance lease receivables	1,713	-
Total	**16,323,072**	**4,625,375**

Impairment assessment

The main considerations for the loan impairment assessment include whether any payments of principal or interest are overdue by more than 90 days or there are any known difficulties in the cash flows of counterparties, credit rating downgrades, or infringement of the original terms of the respective contract. The Bank addresses impairment assessment in two areas: individually assessed allowances and collectively assessed allowances (on a portfolio basis).

The geographical concentration of the Bank's monetary assets and liabilities is set out below:

	2009			
	Ukraine	*OECD countries*	*CIS and other non-OECD countries*	*Total*
Assets:				
Cash and cash equivalents	1,528,294	3,133,090	190,307	4,851,691
Due from credit institutions	1,672,754	58,444	4,996	1,736,194
Loans to customers	42,937,617	473	68,155	43,006,245
Investment securities:				
- designated at fair value through profit or loss	575,040	-	-	575,040
- available-for-sale	981,072	-	-	981,072
- held-to-maturity	791,162	-	-	791,162
Other assets (monetary)	52,133	-	-	52,133
	48,538,072	**3,192,007**	**263,458**	**51,993,537**
Liabilities:				
Amounts due to the National Bank of Ukraine	7,819,774	-	-	7,819,774
Due to credit institutions	792,921	7,740,391	3,243	8,536,555
Due to customers	19,659,872	176,882	116,406	19,953,160
Eurobonds issued	-	5,780,200	-	5,780,200
Bonds issued	502,135	-	-	502,135
Subordinated debt	-	3,105,434	-	3,105,434
Other liabilities (monetary)	108,688	3,603	-	112,291
	28,883,390	**16,806,510**	**119,649**	**45,809,549**
Net position	**19,654,682**	**(13,614,503)**	**143,809**	**6,183,988**
Financial commitments and contingencies (Note 24)	**2,796,041**	**240**	**2,918**	**2,799,199**

(in thousands of Ukrainian hryvnia, unless otherwise indicated)

	2008			
	Ukraine	*OECD countries*	*CIS and other non-OECD countries*	*Total*
Assets:				
Cash and cash equivalents	3,464,715	2,596,131	247,848	6,308,694
Due from credit institutions	453,899	503,853	5,262	963,014
Loans to customers	36,586,944	2,619	18,504	36,608,067
Investment securities:				
- designated at fair value through profit or loss	965,404	-	-	965,404
- available-for-sale	857,268	-	-	857,268
- held-to-maturity	192,767	-	-	192,767
Other assets (monetary)	113,356	-	-	113,356
	42,634,353	**3,102,603**	**271,614**	**46,008,570**
Liabilities:				
Amounts due to the National Bank of Ukraine	1,408,000	-	-	1,408,000
Due to credit institutions	936,972	14,528,584	10,398	15,475,954
Due to customers	16,105,714	276,682	217,308	16,599,704
Eurobonds issued	-	7,851,856	-	7,851,856
Bonds issued	1,062,149	-	-	1,062,149
Subordinated debt	-	977,738	-	977,738
Other liabilities (monetary)	128,208	336	99	128,643
	19,641,043	**23,635,196**	**227,805**	**43,504,044**
Net position	**22,993,310**	**(20,532,593)**	**43,809**	**2,504,526**
Financial commitments and contingencies (Note 24)	**3,323,210**	**770**	**1,584**	**3,325,564**

Liquidity risk

The Bank considers liquidity risk as a risk of inability to finance growth of the Bank's assets and to fulfil its own obligations when fall due.

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

While managing liquidity risk, the Bank is considering the combination of the following;

- structural (short and long-term) assets and liabilities management focused on ensuring appropriate liquidity level in the short and long-term time horizon;
- current (short-term) assets and liabilities management focused on ensuring appropriate level of instant and current liquidity taking into consideration estimated and unpredictable cash flow changes.

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

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

Key liquidity risk indicators, their respective target, critical and threshold levels are updated at least annually and approved by the Management Board of the Bank.

Assessment of the liquidity position

The adherence to the internal limits set by the Bank is in line with the liquidity risk standards established by the National Bank of Ukraine. The liquidity position is assessed and managed by the Bank, based on certain liquidity ratios established by the NBU as described in the Short-Term Liquidity Risk Management section.

(in thousands of Ukrainian hryvnia, unless otherwise indicated)

As at 31 December, the liquidity position, assessed by respective liquidity ratios established by the NBU, was as follows:

	2009, %	*2008, %*
N4 "Instant Liquidity Ratio" (vault cash and balances on nostro accounts with banks / balances on customers' current accounts) (minimum required by the NBU – 20%)	66.40	93.42
N5 "Current Liquidity Ratio" (vault cash, balances on nostro accounts with banks, banking metals, claims on banks maturing within with residual maturity of up to 31 days, bills and bonds with residual maturity of up to 31 days/ balances on customers' current accounts, term deposits, debt obligations and commitments with residual maturity of up to 31 days) (minimum required by the NBU – 40%)	62.07	82.96
N6 "Short-Term Liquidity Ratio" (vault cash, balances on nostro accounts with banks, banking metals, claims on banks with residual maturity of up to 1 year, bills and bonds with residual maturity of up to 1 year / balances on customers' current accounts, term deposits, debt obligations and commitments with residual maturity of up to 1 year) (minimum required by the NBU – 20%)	24.82	34.92

Analysis of financial liabilities by remaining contractual maturities

The table below summarises the maturity profile of the Bank's financial liabilities at 31 December based on contractual undiscounted repayment obligations. Less than 3 months liabilities are those that due on the earliest date. However, the Bank expects that many customers will not demand repayment on the earliest date when the Bank could be required to make a respective repayment and the table does not reflect the expected cash flows calculated by the Bank on the basis of information on deposit repayment in previous period.

Financial liabilities As at 31 December 2009	***Less than 3 months***	***3 to 12 months***	***1 to 5 years***	***Over 5 years***	***Total***
Amounts due to credit institutions	4,472,643	1,910,963	981,305	2,492,117	9,857,028
Amounts due to the NBU	1,050,433	1,260,307	5,268,013	2,715,041	10,293,794
Amounts due to customers	13,434,210	5,174,006	2,088,282	97,382	20,793,880
Eurobonds issued	102,934	314,521	6,088,083	-	6,505,538
Bonds issued	12,021	510,017	-	-	522,038
Subordinated debt	-	347,547	1,391,141	4,248,921	5,987,609
Other liabilities	55,222	-	-	-	55,222
Total undiscounted financial liabilities	**19,127,463**	**9,517,361**	**15,816,824**	**9,553,461**	**54,015,109**

Financial liabilities As at 31 December 2008	***Less than 3 months***	***3 to 12 months***	***1 to 5 years***	***Over 5 years***	***Total***
Amounts due to credit institutions	3,767,592	6,673,684	6,805,114	4,069,447	21,315,837
Amounts due to the NBU	59,590	1,529,194	-	-	1,588,784
Amounts due to customers	10,189,974	5,073,258	2,768,547	317,982	18,349,761
Eurobonds issued	268,028	3,814,331	11,040,705	-	15,123,064
Bonds issued	78,761	683,583	1,760,396	-	2,522,740
Subordinated debt	26,730	66,387	535,867	1,943,292	2,572,276
Other liabilities	50,156	-	-	-	50,156
Total undiscounted financial liabilities	**14,440,831**	**17,840,437**	**22,910,629**	**6,330,721**	**61,522,618**

The table below shows the contractual expiry by maturity of the Bank's financial commitments and contingencies.

	Less than 3 months	***3 to 12 months***	***1 to 5 years***	***Over 5 years***	***Total***
2009	551,092	1,272,517	1,331,643	223,140	3,378,392
2008	1,162,746	1,141,781	1,235,952	216,648	3,757,127

The Bank expects that not all of the contingent liabilities or commitments will be drawn before their expiry. In order to limit liquidity risk arising from asymmetric prepayment and early repayment prospective of the term assets and liabilities, the Bank incorporates in standard client agreements conditions that motivate customers not to use the options of prepayment and early repayment.

Market risk

The Bank considers market risk as an aggregate of interest rate risk and currency risk, i.e. inability to secure excess of income (including interest income) over expenses (including interest expenses) by currency in volumes required to fulfil the Bank's obligations and to maintain liquidity and capital adequacy risks within the range acceptable to the Bank.

Market risk management is performed by systematic combination of:

- interest risk management;
- foreign currency risk management.

Market risk management is aimed at securing the excess of income (including interest income) over expenses (including interest expenses) by currency in volumes required to fulfil the Bank's obligations and to maintain liquidity risk and capital adequacy risk within the range acceptable to the Bank and is carried out by:

- setting target (optimal and acceptable to the Bank), critical (undesirable but manageable) and threshold (requiring urgent measures) levels of key market risk indicators;
- permanent monitoring of actual values of key market risk indicators;
- taking efficient measures if the actual values of key market risk indicators approach their critical and/or threshold levels.

Key market risk indicators their target, critical and threshold levels are updated at least annually and approved by the Management Board of the Bank.

Interest rate risk

Interest rate risk is considered by the Bank as inability to secure excess of interest income over interest expenses in volumes required to fulfil the Bank's interest payment obligations and to maintain liquidity and capital adequacy risks within the range acceptable to the Bank. The Bank considers the mismatch of interest receipts and interest payments by volumes or dates to be the main source of interest rate risk.

The Bank considers interest rate risk management as an integral part of the Bank's operations including the effect of negative impact by internal and external factors.

Interest rate risk management is performed by systematic combination of:

- structural (strategic) and current (operational) management of interest-bearing assets aimed at achieving acceptable structure and volume of interest income in short, middle and long-term time horizon taking into consideration estimated and unpredictable changes in interest rates;
- structural (strategic) and current (operational) management of interest-bearing liabilities aimed at achieving acceptable structure and volume of interest expenses in short, middle and long-term time horizon taking into consideration estimated and unpredictable changes in interest rates.

Interest rate risk management is aimed at securing the excess of interest income over interest expenses in volumes sufficient to fulfil the Bank's interest payment obligations and to maintain liquidity and capital adequacy risks within the range acceptable to the Bank. Interest rate risk management is performed via:

- setting target (optimal and acceptable to the Bank), critical (undesirable but manageable) and threshold (requiring urgent measures) levels of key interest rate risk indicators;
- permanent monitoring of actual values of key interest rate risk indicators;
- taking efficient measures if the actual value of key interest rate risk indicators approach their critical and/or threshold levels.

Key interest rate risk indicators, their respective target, critical and threshold levels are updated at least annually and approved by the Management Board of the Bank.

(in thousands of Ukrainian hryvnia, unless otherwise indicated)

The sensitivity of the consolidated income statement is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate non-trading financial assets and financial liabilities held at 31 December 2009.

		2009			
Currency	***Base for interest rate***	***Increase in basis points***	***Effect on profit before income tax expense***	***Decrease in basis points***	***Effect on profit before income tax expense***
UAH	NBU	+100	34,830	-100	(26,058)
USD	LIBOR	+75	277	-75	195
EUR	LIBOR	+75	1,835	-75	(1,835)
	EurIBOR	+75	7,947	-75	(8,122)
EUR Total			**9,782**		**(9,957)**
Other	LIBOR	+75	2,294	-75	(2,294)
Total			**47,183**		**(38,114)**

		2008			
Currency	***Base for interest rate***	***Increase in basis points***	***Effect on profit before income tax expense***	***Decrease in basis points***	***Effect on profit before income tax expense***
UAH	NBU	+100	24,418	-100	(24,418)
USD	LIBOR	+75	210,683	-75	(210,683)
EUR	EurIBOR	+75	14,912	-75	(14,912)
Other	LIBOR	+75	21,200	-75	(21,200)
Total			**271,213**		**(271,213)**

Currency risk

The Bank considers currency risk as inability to secure excess of foreign currency cash inflow over foreign currency cash outflow (by currency) in amount required to maintain liquidity and capital adequacy risks within the range acceptable to the Bank. The Bank considers the inconsistency of fluctuations in foreign currency exchange rates to be the main source of currency risk.

Currency risk management is performed by systematic combination of:

- structure (strategic) and current (operational) management of assets by currency aimed at achieving an acceptable structure and amount of foreign currency cash inflow in short, medium and long term time horizon taking into consideration estimated and unpredictable changes in foreign currency exchange rates;
- structure (strategic) and current (operational) liabilities management aimed at achieving an acceptable structure and amount of foreign currency cash outflow in short, medium and long term time horizon taking into consideration estimated and unpredictable changes in foreign currency exchange rates.

Currency risk management is aimed at securing the excess of foreign currency cash inflow over foreign currency cash outflow at the level acceptable for the Bank and necessary for maintaining liquidity and capital adequacy risks within the range acceptable to the Bank, and is performed via:

- setting target (optimal and acceptable to the Bank), critical (undesired but manageable) and threshold (urgent measures) values of key currency risk indicators;
- continuous monitoring of actual values of key currency risk indicators;
- taking efficient measures if the actual values of key currency risk indicators approach their critical and/or threshold values.

Key currency risk indicators, their target, critical and threshold values are updated at least annually and approved by the Management Board of the Bank.

(in thousands of Ukrainian hryvnia, unless otherwise indicated)

The tables below indicate the currencies to which the Bank has significant exposure at 31 December 2009 on its non-trading monetary assets and liabilities and its forecast cash flows. The analysis calculates the effect of a reasonably possible movement of the currency rate against hryvnia, with all other variables held constant on the consolidated income statement (due to the fair value of currency sensitive non-trading monetary assets and liabilities). The effect on equity does not differ from the effect on the consolidated income statement. A negative amount in the table reflects a potential net reduction in consolidated income statement or equity, while a positive amount reflects a net potential increase.

	2009		***2008***	
Currency	***Change in currency rate***	***Effect on profit before income tax expenses***	***Change in currency rate***	***Effect on profit before income tax expenses***
USD/UAH	+40.00%	(658,990)	+50.00%	(116,171)
EUR/UAH	+40.00%	(137,995)	+50.00%	(17,349)
Total		**(796,985)**		**(133,520)**
USD/UAH	-30.00%	494,243	-50.00%	116,171
EUR/UAH	-30.00%	103,496	-50.00%	17,349
Total		**597,739**		**133,520**

Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. In case the internal controls system fails to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Bank cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Bank is able to manage the risks. Controls system includes efficient segregation of duties, access, authorization and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

28. Fair values of financial instruments

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

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

	Carrying value 2009	***Fair value 2009***	***Unrecognised gain/(loss) 2009***	***Carrying value 2008***	***Fair value 2008***	***Unrecognised gain/(loss) 2008***
Financial assets						
Cash and cash equivalents	4,851,691	4,851,691	-	6,308,694	6,308,694	-
Due from credit institutions	1,736,194	1,736,194	-	963,014	963,014	-
Loans to customers	43,006,245	40,657,179	(2,349,066)	36,608,067	36,041,103	(566,964)
Investment securities:						
- held-to-maturity	791,162	791,162	-	192,767	192,767	-
Other assets	52,133	52,133		108,900	108,900	-
Financial liabilities						
Amounts due to the NBU	7,819,774	7,819,774	-	1,408,000	1,408,000	-
Amounts due to credit institutions	8,536,555	8,536,555	-	15,475,954	15,475,954	-
Amounts due to customers	19,953,160	19,903,506	49,654	16,599,704	16,430,866	168,838
Eurobonds issued	5,780,200	4,837,750	942,450	7,851,856	3,886,370	3,965,486
Debt securities issued	502,135	502,135	-	1,062,149	1,062,149	-
Subordinated debt	3,105,434	3,105,434	-	977,738	977,738	-
Other liabilities	50,156	50,156	-	47,956	47,956	-
Total unrecognised change in unrealised fair value			**(1,356,962)**			**3,567,360**

(in thousands of Ukrainian hryvnia, unless otherwise indicated)

The following describes the methodologies and assumptions used to determine fair values for those financial instruments, which are not recorded at fair value in the financial statements.

Assets for which fair value approximates carrying value

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

Fixed rate financial instruments

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

Financial instruments reported at fair value

The Bank applies the following hierarchal structure of evaluation methods for measurement of and disclosure of information about fair value of financial assets that includes variations of fair value due to certain alternative assumptions used in the evaluation model:

- Level 1: fair value is measured directly on the basis of financial instrument market quotations in the active markets.
- Level 2: in respect of financial instruments for which market quotations are not available, their fair value is measured through evaluation models based on assumptions confirmed by observed market prices and rates effective on the reporting date, i.e. directly or indirectly based on market observations;
- Level 3: for financial instruments, which fair value can not be measured on the basis of market quotations and evaluation models based on market observations, the Bank uses evaluation models with initial data that have considerable effect on the reported fair value of financial instruments that are not based on market observations. Such approach is adequate for investments in non-listed equity and debt securities.

The following table presents evaluation methods used for measurement of fair value of financial instruments at fair value through profit or loss or other comprehensive income:

31 December 2009	***Level 1***	***Level 2***	***Level 3***	***Total***
Investment securities designed at fair value through profit or loss	-	-	575,040	**575,040**
Available-for-sale investment securities	184,413	-	803,030	**987,443**
Total assets	**184,413**	**-**	**1,378,070**	**1,562,483**

31 December 2008	***Level 1***	***Level 2***	***Level 3***	***Total***
Investment securities designed at fair value through profit or loss	397,158	-	568,246	**965,404**
Available-for-sale investment securities	278,632	-	578,636	**857,268**
Total assets	**675,790**	**-**	**1,146,882**	**1,822,672**

Financial instruments recorded at fair value

The following is a description of the determination of fair value for financial instruments which are recorded at fair value using valuation techniques. These incorporate the Bank's estimate of assumptions that a market participant would make when valuing the instruments.

Investment securities designated at fair value through profit or loss and available-for-sale investment securities

Securities designated at fair value through profit or loss and investment securities available-for-sale valued using a valuation technique or pricing models primarily consist of unquoted equity and debt securities. These securities are valued using models which incorporate only data, which is not based on the market observations. The non-observable inputs to the models include assumptions regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates, level of enterprise good-will, its management and founders/ shareholders.

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Movements in level 3 financial instruments measured at fair value

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

		Total gain/ (loss) recorded in					
	At 1 January 2009	***profit or loss***	***other comprehensive income***	***Purchases***	***Settlements***	***Transfers to Level 3***	***As 31 December 2009***
Investment securities designed at fair value through profit or loss	568,246	(106,908)[(a)]	-	-	(164,674)	278,376	575,040
Available-for-sale investment securities	578,636	2,474[(b)]	(799)	671,506	(584,904)	136,117	803,030
Total assets	**1,146,882**	**(104,434)**	**(799)**	**671,506**	**(749,578)**	**414,493**	**1,378,070**

[(a)] UAH 11,461 thousand of gain is included within interest income from investment securities designated at fair value through profit or loss and UAH 118,369 thousand of loss is included in net gains/ (losses) from change in fair value of investment securities designated at fair value through profit or loss.

[(b)] UAH 44,812 thousand of gain is included in interest income from investment securities other than designated at fair value through profit or loss, UAH 42,338 thousand of loss is included in net gains/ (losses) from available-for-sale investment securities – dealing.

During the year, the Bank transferred certain financial assets from level 1 to level 3 of the fair value hierarchy. The carrying amount of the total assets transferred was UAH 414,949 thousand. The cumulative unrealised loss at the time of transfer was UAH 5,512 thousand.

The reason for the transfers from level 1 to level 3 is that the market for some securities has become inactive, which has led to a change in the method used to determine fair value. Prior to transfer, the fair value of the instruments was determined using observable market transactions or binding broker quotes for the same or similar instruments. Since the transfer, these instruments have been valued using valuation models incorporating significant non market-observable inputs.

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

	2009		
	Realised gains	***Unrealised losses***	***Total***
Total losses included in the profit or loss for the year	13,935	(118,369)	(104,434)

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

The following table shows the impact on the fair value of level 3 instruments of using reasonably possible alternative assumptions:

	31 December 2009	
	Carrying value	***Influence of possible alternative assumptions***
Investment securities designed at fair value through profit or loss	575,040	(1,466)
Available-for-sale investment securities	803,030	(16,103)

In order to determine reasonably possible alternative assumptions the Bank adjusted key unobservable model inputs as follows:

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

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- For debt securities, the Bank adjusted the probability of default and loss given default assumption by increasing and decreasing the value of assumptions by 20% being the range corresponding to the internal ratings of counterparts credit risk applied by the Bank. In addition, the Bank adjusted the probability of changes in interest rate assumption applied for discounting cash flows from debt securities within the range of +/- 40% of the level as at the end of the reporting period.

29. Maturity analysis of assets and liabilities

The table below shows an analysis of financial assets and liabilities according to when they are expected to be recovered or settled.

	2009			*2008*		
	Within one year	***More than one year***	***Total***	***Within one year***	***More than one year***	***Total***
Assets						
Cash and cash equivalents	4,851,691	-	4,851,691	6,308,694	-	6,308,694
Due from credit institutions	1,238,934	497,260	1,736,194	563,835	399,179	963,014
Loans to customers	18,795,470	24,210,775	43,006,245	17,208,045	19,400,022	36,608,067
Investment securities:						
- designated at fair value through profit or loss	400,586	174,454	575,040	486,354	479,050	965,404
- available-for-sale	503,632	483,811	987,443	814,378	42,890	857,268
- held-to-maturity	20,405	770,757	791,162	-	192,767	192,767
Current tax assets	614,358	-	614,358	-	-	-
Investment property	-	159,554	159,554	-	-	-
Assets held for sale	1,204,456	-	1,204,456	-	-	-
Property and equipment	-	2,019,674	2,019,674	-	1,450,409	1,450,409
Intangible assets	-	12,596	12,596	-	10,159	10,159
Deferred income tax assets	-	45,929	45,929	-	16,323	16,323
Other assets	158,866	-	158,866	217,097	-	217,097
Total	**27,788,398**	**28,374,810**	**56,163,208**	**25,598,403**	**21,990,799**	**47,589,202**
Liabilities						
Due to the NBU	5,815,143	2,004,631	7,819,774	1,408,000	-	1,408,000
Due to credit institutions	1,978,071	6,558,484	8,536,555	9,020,289	6,455,665	15,475,954
Due to customers	18,199,412	1,753,748	19,953,160	14,409,989	2,189,715	16,599,704
Debt securities issued	502,135	-	502,135	287,149	775,000	1,062,149
Eurobonds issued	122,611	5,657,589	5,780,200	1,961,681	5,890,175	7,851,856
Current income tax liabilities	5,281	-	5,281	15,561	-	15,561
Subordinated debt	146,777	2,958,657	3,105,434	31,891	945,847	977,738
Provisions	3,521	-	3,521	102,742	-	102,742
Other liabilities	131,004	13,687	144,691	156,072	-	156,072
Total	**26,903,955**	**18,946,796**	**45,850,751**	**27,393,374**	**16,256,402**	**43,649,776**
Net	**884,443**	**9,428,014**	**10,312,457**	**(1,794,971)**	**5,734,397**	**3,939,426**

The Bank has received significant funds from different credit and international financial institutions (Note 17 and 18). Any significant withdrawal of these funds would have an adverse impact on the operations of the Bank. Management believes that this level of funding will remain with the Bank for the foreseeable future and that in the event of withdrawal of funds, the Bank would be given sufficient notice so as to realise its liquid assets to enable repayment.

Long-term loans are generally not available in Ukraine, except for programmes set up by international financial institutions. However, in the Ukrainian marketplace, many short-term credits are granted with the expectation of renewing the loans at maturity. As such, the ultimate maturity of assets may be different from the analysis presented above. In addition, the maturity analysis does not reflect the historical stability of current accounts. Their liquidation has historically taken place over a longer period than indicated in the tables above. These balances are included in amounts due within one year in the tables above. While investment securities are shown as realisable within one year, realising such assets upon demand is dependent upon financial market conditions. Significant security positions may not be liquidated in a short period of time without adverse price effects.

Included in amounts due to customers are term deposits of individuals. Pursuant to the Ukrainian legislation the Bank is obliged to repay such deposits upon the depositor's demand (Note 19).

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30. Disposal of subsidiary

In February 2009, the Bank sold the investment certificates of the investment fund "Agat" to a third party for UAH 97,390 thousand. As a result of the deal the Bank lost control over the entity. The sale resulted in neirther gain no loss for the Bank..

31. Related party disclosures

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

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

The outstanding balances of related party transactions at the year end, and related expense and income for the years are as follows:

	2009		*2008*	
	State controlled entities	***Key management personnel***	***State controlled entities***	***Key management personnel***
Correspondent account with the NBU at 31 December	**1,011,180**	**-**	**2,255,045**	**-**
Amounts due from credit institutions at 31 December	**190,176**	**-**	**5**	**-**
State bonds designated at fair value through profit and loss at 1 January	**568,246**	**-**	**755,808**	**-**
Purchase of securities	-	-	-	-
Sale of securities	(164,674)	-	(193,184)	-
Other movements	(2,986)	-	5,622	-
State bonds designated at fair value through profit and loss at 31 December	**400,586**	**-**	**568,246**	**-**
Held-to-maturity State bonds at 1 January	**-**	**-**	**14,689**	**-**
Purchase of State bonds	-	-	-	-
Redemption of State bonds	-	-	(14,616)	-
Other movements	-	-	(73)	-
Held-to-maturity State bonds at 31 December	**-**	**-**	**-**	**-**
Held-to-maturity NBU deposit certificates at 1 January	**-**	**-**	**300,074**	**-**
Purchase of NBU deposit certificates	-	-	-	-
Redemption of deposit certificates	-	-	(300,000)	-
Other movements	-	-	(74)	-
Held-to-maturity NBU deposit certificates at 31 December	**-**	**-**	**-**	**-**

(in thousands of Ukrainian hryvnia, unless otherwise indicated)

	2009		2008	
	State controlled entities	*Key management personnel*	*State controlled entities*	*Key management personnel*
Held-to-maturity other corporate bonds at 1 January	**192,767**	**-**	**193,263**	**-**
Purchase of other corporate bonds	447,620	-	-	-
Redemption of other corporate bonds	-	-	-	-
Other movements	18,803	-	(496)	-
Held-to-maturity other corporate bonds at 31 December	**659,190**	**-**	**192,767**	**-**
Held-to-maturity municipal bonds at 1 January	**-**	**-**	**-**	**-**
Purchase of other corporate bonds	200,000	-	-	-
Redemption of other corporate bonds	-	-	-	-
Other movements	3,578	-	-	-
Held-to-maturity municipal bonds at 31 December	**203,578**	**-**	**-**	**-**
NBU deposit certificates classifies as available-for-sale at 1 January	**-**	**-**	**-**	**-**
Purchase of NBU deposit certificates	-	-	1,350,000	-
Sale of NBU deposit certificates	-	-	(1,350,000)	-
NBU deposit classifies as available-for-sale at 31 December	**-**	**-**	**-**	**-**
State bonds classifies as available-for-sale at 1 January	**576,348**	**-**	**-**	**-**
Purchase of securities	9,233,733	-	584,904	-
Redemption of securities	(9,291,681)	-	-	-
Other movements	(22,632)	-	(8,556)	-
State bonds classifies as available-for-sale at 31 December	**495,768**	**-**	**576,348**	**-**
Corporate bonds classifies as available-for-sale at 1 January	**40,587**	-	**-**	-
Purchase of securities	121,275	-	40,000	-
Redemption of securities	(24,700)	-	-	-
Other movements	(4,676)	-	587	-
Corporate bonds classifies as available-for-sale at 31 December	**132,486**	**-**	**40,587**	**-**
Loans outstanding at 1 January, gross (less overdrafts)	**3,246,626**	**-**	**1,753,479**	**129**
Loans issued during the year	10,309,217	-	3,595,795	-
Loan repayments during the year	(7,039,447)	-	(3,014,772)	(129)
Other movements	85,859	-	912,124	-
Loans outstanding at 1 January, gross (less overdrafts)	**6,602,255**	**-**	**3,246,626**	**-**
Overdrafts at 31 December	92,276	279	35,393	317

(in thousands of Ukrainian hryvnia, unless otherwise indicated)

	2009		*2008*	
	State controlled entities	***Key management personnel***	***State controlled entities***	***Key management personnel***
Loans outstanding at 31 December, gross (include overdrafts)	6,694,531	279	3,282,019	317
Less: allowance for impairment at 31 December	(123,801)	-	(354,940)	-
Loans outstanding at 31 December, net	**6,570,730**	**279**	**2,927,079**	**317**
Other assets at 31 December	**4,035**	**-**	**2,366**	**-**
Loans due to the NBU at 1 January	**1,408,000**	**-**	**-**	**-**
Loans received during the year	13,287,943	-	1,703,000	-
Loans repaid during the year	(6,551,983)	-	(295,000)	-
Other movements	(324,186)	-	-	-
Loans due to the NBU at 31 December	**7,819,774**	**-**	**1,408,000**	**-**
Amounts due to credit institutions	**16,567**	**-**	**1,225**	**-**
Current accounts at 31 December	**2,922,337**	**4,808**	**2,101,164**	**1,705**
Time deposits as at 1 January	**232,791**	**52,682**	**130,288**	**38,489**
Time deposits received during the year	6,732,966	66,592	1,628,340	67,053
Time deposits repaid during the year	(5,023,711)	(57,793)	(1,548,093)	(59,188)
Other movements	(29,990)	394	22,256	6,328
Time deposits as at 31 December	**1,912,056**	**61,875**	**232,791**	**52,682**
Amounts due to customers	**4,834,393**	**66,683**	**2,333,955**	**54,387**
Debt securities issued	**-**	**-**	**102,803**	**-**
Other liabilities	**17,744**	**-**	**3,639**	**-**
Provisions	**-**	**-**	**22,220**	**-**
Commitments and guarantees issued	**1,326,212**	**-**	**954,074**	**-**
Interest income on loans	842,550	56	300,362	38
Interest income on securities	227,398	-	87,221	-
Interest income on amounts due from the NBU	2,537	-	-	-
Interest income on amounts due from credit institutions	5,601	-	3,285	-
Interest income	**1,078,086**	**56**	**390,868**	**38**
Interest expenses on amounts due to credit institutions	-	-	(916)	-
Interest expense on clients' deposits	(147,494)	(2,057)	(48,929)	(1,556)
Interest expenses on debt securities issued	(8,975)	-	(13,837)	-
Interest expenses on amounts due to the NBU	(651,285)	-	(42,453)	-
Interest expenses	**(807,754)**	**(2,057)**	**(106,135)**	**(1,556)**
Commission income	62,873	37	39,145	-
Commission expenses	(7)	-	(57)	-
Translation differences	267,878	(73)	331,137	(4,543)
Other operating income	6	-	39	-

(in thousands of Ukrainian hryvnia, unless otherwise indicated)

	2009		2008	
	State controlled entities	**Key management personnel**	**State controlled entities**	**Key management personnel**
Other operating expenses	(895)	-	(221)	-

The aggregate short term benefits paid to the key management personnel for 2009 is UAH 37,597 thousand (UAH 815 thousand payment to non-state pension fund) (2008: UAH 39,322 thousand (UAH 1,404 thousand payment to non-state pension fund)).

32. Capital

The Bank maintains an actively managed adequate capital level to cover external risks inherent in the business. The adequacy of the Bank's capital is monitored using the ratios established by the NBU and Basel Capital Accord 1988.

During 2009, the Bank had complied in full with all its externally imposed capital requirements.

The primary objectives of the Bank's capital management are to ensure that the Bank complies with externally imposed capital requirements and that the Bank maintains strong credit ratings and proper capital ratios in order to support its business and to maximise shareholders' value.

The Bank manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities.

NBU capital adequacy ratio
The NBU requires banks to maintain a capital adequacy ratio of 10% of the amount of risk-weighted assets, computed in accordance with the UAS.

As at 31 December 2009, the Bank's capital adequacy ratio on this basis was as follows:

	2009	2008
Main capital	9,460,540	3,162,978
Additional capital	3,708,552	1,781,134
Less: deductions from capital		-
Total capital	**13,169,092**	**4,944,112**
Risk weighted assets	**39,069,508**	**45,922,299**
Capital adequacy ratio	33.71%	10.77%

Regulatory capital of Tier 1 comprises Tier 1 capital (Main capital) consisting of paid-in registered share capital, reserves less expected losses, and Tier 2 capital (Additional capital), consisting of credit risk provisions, asset revaluation provision, current profit, subordinated capital and retained earnings. Tier 2 capital is limited to 100% of Tier 1 capital. Subordinated capital is limited to 50% of Tier 1 capital.

Capital adequacy ratio under Basel Capital Accord 1988

As at 31 December 2009, the Bank's capital adequacy ratio, computed in accordance with the Basel Capital Accord 1988 amended to include market risk was as follows:

	2009	2008
Tier 1 capital	9,668,068	3,284,086
Tier 2 capital	3,749,822	1,286,590
Total capital	**13,417,890**	**4,570,676**
Risk weighted assets	**52,723,265**	**41,641,190**
Tier 1 capital ratio	18.34%	7.89%
Total capital ratio	25.45%	10.98%

33. Events after the reporting period

In January and February 2010, according to the Resolution of the Cabinet of Ministers of Ukraine, the Bank's share capital was increased by UAH 1,800,000 thousand and UAH 4,590,000 thousand, respectively. The increase was financed by Ukrainian State bonds.