UKRSIBBANK

International Financial Reporting Standards Consolidated Financial Statements and Independent Auditor's Report

31 December 2009

CONTENTS

PRICEWATERHOUSECOOPERS

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Board of Directors of UkrSibbank:

1 We have audited the accompanying consolidated financial statements of UkrSibbank and its subsidiaries (the "Bank") which comprise the consolidated statement of financial position as of 31 December 2009 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement 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

2 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 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.

Auditor's Responsibility

3 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 financial statements are free from material misstatement.

4 An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

5 We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6 In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Bank as of 31 December 2009, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

LLC AF PricewaterhouseCoopers Audit

1 April 2010
Kyiv, Ukraine

Auditor L. Pakhucha
Bank auditor's certificate # 0025 issued by the Chamber of Auditors of Ukraine

In thousands of Ukrainian hryvnias	Note	31 December 2009	31 December 2008
Assets			
Cash and cash equivalents and mandatory reserves	7	3,697,669	3,123,107
Trading securities		-	69,711
Due from other banks	8	345,053	271,450
Loans and advances to customers	9	35,087,556	46,923,098
Investment securities available-for-sale	10	599,301	897,114
Investments accounted for using the equity method	11	63,305	81,166
Current income tax prepayment		1,452	3,202
Deferred income tax asset	26	1,411,070	436,905
Intangible assets	12	151,840	141,048
Premises, leasehold improvements and equipment	12	1,521,584	1,491,223
Other financial and non-financial assets	13	429,889	487,538
Total assets		**43,308,719**	**53,925,562**
Liabilities			
Due to other banks	14	14,801,277	22,184,515
Customer accounts	15	14,181,040	15,019,453
Due to the National Bank of Ukraine	16	805,869	-
Domestic debt securities in issue	17	11	51,063
Eurobonds issued	18	7,698,417	7,413,876
Syndicated loans and other borrowed funds	19	425,272	2,949,525
Current income tax liability		-	26,072
Deferred income tax liability	26	4,839	1,178
Provisions for liabilities and charges and other liabilities	20	195,052	286,427
Subordinated debt	21	3,072,917	2,281,446
Total liabilities		**41,184,694**	**50,213,555**
EQUITY			
Share capital	22	5,280,000	4,005,000
Share premium		5,620	5,620
Revaluation reserve for investment securities available-for-sale		(27,271)	(19,710)
Accumulated deficit		(3,149,929)	(285,550)
Net assets attributable to the Company's equity holders		**2,108,420**	**3,705,360**
Minority interest		**15,605**	**6,647**
Total equity		**2,124,025**	**3,712,007**
Total liabilities and equity		**43,308,719**	**53,925,562**

Approved for issue and signed on behalf of the Board of Directors on 1 April 2010.

Sergiy Naumov
Chairman of the Board

Ganna Samarina
Head of Finance

The notes set out on pages 5 to 99 form an integral part of these consolidated financial statements.

In thousands of Ukrainian hryvnias	Note	2009	2008
Interest income	23	6,097,781	5,020,333
Interest expense	23	(3,794,913)	(2,873,212)
Net interest income		**2,302,868**	**2,147,121**
Provision for loan impairment	8, 9	(5,089,969)	(2,742,846)
Net interest margin after provision for loan impairment		**(2,787,101)**	**(595,725)**
Fee and commission income	24	545,724	529,962
Fee and commission expense	24	(55,786)	(39,903)
Losses less gains from trading securities		-	(684)
Gains less losses from disposal of investment securities available-for-sale	10	1,293	11,941
Impairment of investment securities available-for-sale	10	(15,564)	(20,096)
Gains less losses from trading in foreign currencies		131,888	336,062
Foreign exchange translation gains less losses		72,719	236,262
Reversal of provision/(provision) for losses on credit related commitments	31	3,341	(3,756)
Gains less losses from derivative financial instruments	32	97,837	244,508
Other operating income		32,053	26,639
Administrative and other operating expenses	25	(1,785,116)	(1,837,969)
Share of loss of joint ventures accounted for using the equity method	11	(64,623)	(93,762)
Loss before tax		**(3,823,335)**	**(1,206,521)**
Income tax credit	26	967,978	291,258
Loss for the year		**(2,855,357)**	**(915,263)**
Other comprehensive loss for the year:			
Available-for-sale financial assets, net of tax including:			
- gains and losses recycled to profit or loss upon disposal or impairment		14,271	8,155
- fair value losses less gains		(24,417)	(34,030)
- income tax recorded in equity		2,521	6,470
Other comprehensive loss for the year		**(7,625)**	**(19,405)**
Total comprehensive loss for the year		**(2,862,982)**	**(934,668)**
Loss is attributable to			
Owners of the Company		(2,864,379)	(913,538)
Minority interest		9,022	(1,725)
Loss for the year		**(2,855,357)**	**(915,263)**
Total comprehensive loss is attributable to			
Owners of the Company		(2,871,940)	(932,943)
Minority interest		8,958	(1,725)
Total comprehensive loss for the year		**(2,862,982)**	**(934,668)**
Loss per share for loss attributable to the equity holders of the Company, basic and diluted (expressed in UAH per share)	**27**	**(0.0294)**	**(0.0125)**

The notes set out on pages 5 to 99 form an integral part of these consolidated financial statements.

In thousands of Ukrainian hryvnias	**Attributable to owners of the Company**					**Minority interest**	**Total equity**
	Share capital	**Share premium**	**Revaluation reserve for investment securities available-for-sale**	**Accumula-ted deficit**	**Total**		
Balance at 1 January 2008	**3,518,684**	**5,620**	**(305)**	**(315,696)**	**3,208,303**	**9,706**	**3,218,009**
Total comprehensive loss for the year ended 31 December 2008	-	-	(19,405)	(913,538)	(932,943)	(1,725)	(934,668)
Share issues (Note 22)	1,430,000	-	-	-	1,430,000	-	1,430,000
Change in share ownership in subsidiaries	-	-	-	-	-	(1,334)	(1,334)
Transfer of monetary loss (Note 22)	(943,684)	-	-	943,684	-	-	-
Balance at 31 December 2008	**4,005,000**	**5,620**	**(19,710)**	**(285,550)**	**3,705,360**	**6,647**	**3,712,007**
Total comprehensive loss for the year ended 31 December 2009	-	-	(7,561)	(2,864,379)	(2,871,940)	8,958	(2,862,982)
Share issue (Note 22)	1,275,000	-	-	-	1,275,000	-	1,275,000
Balance at 31 December 2009	**5,280,000**	**5,620**	**(27,271)**	**(3,149,929)**	**2,108,420**	**15,605**	**2,124,025**

In thousands of Ukrainian hryvnias	Note	2009	2008
Cash flows from operating activities			
Interest received on loans and placements		5,680,995	4,539,081
Interest received on securities		146,719	120,062
Interest paid		(3,914,293)	(2,490,635)
Loss paid from trading in trading securities		-	(545)
Income received from trading in foreign currencies		131,888	336,062
Fees and commissions received		543,424	536,597
Fees and commissions paid		(55,789)	(41,116)
Other operating income received		33,501	9,182
Gains less losses from derivative financial instruments		157,608	-
Staff costs paid		(999,180)	(976,567)
Administrative and other operating expenses paid		(638,585)	(631,281)
Income tax paid		(24,317)	(181,749)
Cash flows from operating activities before changes in operating assets and liabilities		**1,061,971**	**1,219,091**
Changes in operating assets and liabilities			
Net decrease/(increase) in mandatory reserve balances		382,326	(350,824)
Net decrease in trading securities		-	36,827
Net (increase)/decrease in due from other banks		(144,000)	845,358
Net decrease/(increase) in loans and advances to customers		8,440,293	(3,479,846)
Net increase in other assets		(761)	(13,958)
Net (decrease)/increase in due to other banks		(8,133,829)	691,047
Net (decrease)/increase in customer accounts		(1,058,796)	538,572
Net increase in due to the NBU		805,869	-
Net decrease in other liabilities		(30,072)	(253,436)
Net cash from/(used in) operating activities		**1,323,001**	**(767,169)**
Cash flows from investing activities			
Acquisition of investment securities available-for-sale		(1,650,237)	(4,219,295)
Proceeds from disposal of investment securities available-for-sale		1,926,411	4,095,972
Additional investment in a jointly controlled entity		(46,762)	(54,351)
Acquisition of premises, leasehold improvements, equipment and intangible assets		(256,725)	(423,675)
Proceeds from disposal of premises and equipment		3,855	11,100
Cash paid on acquisition of minority		-	(1,333)
Net cash used in investing activities		**(23,458)**	**(591,582)**
Cash flows from financing activities			
Redemption of long-term domestic debt securities		(50,002)	(796,152)
Redemption of Eurobonds		-	(605,262)
Issue of Eurobonds		-	1,210,700
Proceeds from other borrowed funds		-	277,648
Repayment of other borrowed funds		(2,559,675)	(147,600)
Issue of subordinated debt		696,050	101,000
Issue of ordinary shares		1,275,000	1,127,500
Net cash (used in)/from financing activities		**(638,627)**	**1,167,834**
Effect of exchange rate changes on cash and cash equivalents		**295,972**	**336,556**
Net increase in cash and cash equivalents		**956,888**	**145,639**
Cash and cash equivalents at the beginning of the year		1,831,298	1,685,659
Cash and cash equivalents at the end of the year	7	**2,788,186**	**1,831,298**

The notes set out on pages 5 to 99 form an integral part of these consolidated financial statements.

1 Introduction

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2009 for Public Joint-Stock Company UKRSIBBANK ("UkrSibbank" or the "Company") and its subsidiaries and special purpose entities (together referred to as the "Bank").

UkrSibbank was incorporated and is domiciled in Ukraine. UkrSibbank is a joint stock company limited by shares and was set up in accordance with Ukrainian regulations.

As at 31 December 2009 the parent company of the Bank was BNP Paribas SA (France) (31 December 2008: BNP Paribas SA (France)). As at 31 December 2009 the parent company ownership share is 81.42% (31 December 2008: 51%)

Principal activity. UkrSibbank operates under a banking license issued by the National Bank of Ukraine ("the NBU"). UkrSibbank's principal business activity is commercial and retail banking operations within Ukraine. UkrSibbank was formed in 1990 as Commercial Innovation Bank Kharkovincomebank and registered by Gosbank of USSR. In 1991 UkrSibbank was reorganised as an open-type joint-stock company and registered by the NBU. In 1992 it was renamed as UKRSIBBANK. The Bank participates in the state deposit insurance scheme (registration #86 dated 02 September 1999), which operates according to the Law #2740-III "On Individuals Deposits Guarantee Fund" dated 20 September 2001. Individuals Deposits Guarantee Fund guarantees repayment of individual deposits up to UAH 150 thousand (2008: UAH 150 thousand) per individual in case bank liquidation procedure is started.

As at 31 December 2009 UkrSibbank has 757 outlets in Ukraine (2008: 957 outlets). Additionally, UkrSibbank has representative offices in Kyiv and Kharkiv (Ukraine).

Registered address and place of business. UkrSibbank's registered office is located at the following address:

60 Moskovsky Ave.
61005, Kharkiv
Ukraine.

UkrSibbank's principal place of business is located at the following address:

2/12 Andriyivska Str.
Kyiv
Ukraine.

Presentation currency. These consolidated financial statements are presented in Ukrainian hryvnias ("UAH").

2 Operating Environment of the Bank

Ukraine displays certain characteristics of an emerging market, including but not limited to, the existence of a currency that is not freely convertible outside of Ukraine, restrictive currency controls, high inflation of 12.3% for 2009 (2008: 22.3%) and high interest rates. The financial situation in the Ukrainian financial and corporate sectors significantly deteriorated since mid-2008. The global financial crisis has had a severe effect on the Ukrainian economy:

- Lower commodity prices and decrease in external demand have resulted in lower income from exports and thus lower domestic demand. Ukraine's economy contracted in 2009, real GDP decreased by approximately 15% and industrial production decreased by 21.9% compared to 2008.
- The rise in Ukrainian and emerging market risk premia resulted in a steep increase in foreign financing costs.
- The depreciation of the Ukrainian hryvnias against major foreign currencies increased the burden of foreign currency corporate and retail debt, which has risen considerably in recent years. The official UAH to US Dollar (USD) exchange rate of the NBU devalued from UAH 4.861 at 30 September 2008 to UAH 7.985 at 31 December 2009 and UAH 7.925 at the date of issuance of the financial statements.
- The country ratings by international rating agencies were downgraded in October 2008, February 2009 and November 2009. As at 31 December 2009 Ukraine's long-term foreign currency ratings were 'B-' by Fitch Ratings, 'B2' by Moody's and 'CCC+' by Standard & Poor's.
- The level of non-performing loans in corporate and retail portfolios of Ukrainian banks increased considerably in 2009.
- Since October 2008 the NBU introduced temporary administration at a number of Ukrainian banks due to their liquidity problems, and started liquidation procedures at a number of Ukrainian banks.

2 Operating Environment of the Bank (Continued)

- Due to changes in the NBU foreign currency regulatory requirements banks were forced to shorten their open foreign currency positions, which led to significant foreign exchange translation losses.
- As a result of global volatility in financial and commodity markets, among other factors, there has been a significant decline in the Ukrainian stock market since mid-2008.

Management is unable to predict all developments which could have an impact on the banking sector and the wider economy and consequently what effect, if any, they could have on the future financial position of the Bank.

In the light of the current economic turmoil, the International Monetary Fund (the IMF) has agreed to issue an SDR 11 billion stabilizing loan to Ukraine if the country complies with certain requirements. The first tranche of SDR 3 billion has been received in November 2008, the second tranche of SDR 1.9 billion was received in May 2009, the third tranche of SDR 2.1 billion was received in July 2009 and the fourth tranche of SDR 2.5 billion was expected in November 2009. The major condition for qualifying for the loan was the development and ratification of a government anti-crisis package aiming to stabilize the economy, including determining the shortfall in capital and liquidity existing in the banking sector and taking the necessary steps to address the shortfalls.

However completion of the first review of Ukraine’s economic performance under the Stand-By Arrangement was significantly delayed and the release of the second tranche was approved only after the Executive Board of the IMF granted waivers of non-observance of certain performance criteria.

The allocation of the fourth tranche, worth SDR 2.5 billion, was scheduled for November 2009 following the third review of the IMF's cooperation program with Ukraine. The IMF mission completed its work in Kyiv late in October 2009, however, the IMF was not satisfied with the measures taken by the Ukrainian government in order to overcome the negative consequences of the financial crisis. Therefore the IMF delayed granting the fourth tranche. Now, as the presidential elections have been finalised in 2010, it is expected that there may be some movement on Ukraine receiving this fourth tranche.

Borrowers of the Bank were adversely affected by the financial and economic environment, which in turn impacted their ability to repay the amounts owed. As a significant part of loans to customers was issued in foreign currencies, UAH depreciation against these currencies had a significant impact on borrowers’ ability to service the loans. Deteriorating economic conditions for borrowers were reflected in revised estimates of expected future cash flows in impairment assessments.

The amount of provision for impaired loans is based on management's appraisals of these assets at the end of the reporting period after taking into consideration the cash flows that may result from foreclosure less costs for obtaining and selling the collateral.

The market in Ukraine for many types of collateral, especially real estate, has been severely affected by the volatile global financial markets, resulting in a low level of liquidity for certain types of assets. As a result, the actual realisable value on future foreclosure may differ from the value ascribed in estimating allowances for impairment at the end of the reporting period. Under IFRS, impairment losses on financial assets expected as a result of future events, no matter how likely, cannot be recognised until such events arise.

The volume of wholesale financing available in particular from overseas has significantly reduced since August 2007. Such circumstances may affect the ability of the Bank to obtain new borrowings and re-finance its existing borrowings at terms and conditions similar to those applied to earlier transactions.

As a result of the volatility in financial markets there are no longer regularly occurring transactions on an arm's length basis for certain bonds traded on Ukrainian market and, as such, in the opinion of management certain bonds are no longer being quoted on an active market. Hence fair value as at 31 December 2009 of certain bonds has been determined using a valuation technique. The objective of the valuation technique is to establish what the transaction price would have been at the end of the reporting period in an arm's length exchange motivated by normal business considerations. Determining fair value requires consideration of current market conditions, including the relative liquidity of the market and current credit spreads. The valuation techniques used by management to determine fair value in the absence of an active market include discounted cash flows.

The tax, currency and customs legislation within Ukraine is subject to varying interpretations and frequent changes. Furthermore, the need for further developments in the bankruptcy laws, the formalised procedures for the registration and enforcement of collateral, and other legal and fiscal impediments contribute to the challenges faced by banks currently operating in Ukraine. The future economic direction of Ukraine is largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by the Government, together with tax, legal, regulatory and political developments.

Management is unable to reliably determine the effects on the Bank's future financial position of any potential further deterioration in the liquidity of the financial markets and the increased volatility in the currency and equity markets. Management believes it is taking all the necessary measures to support the sustainability and development of the Bank’s business in the current circumstances.

3 Basis of Preparation and Significant Accounting Policies

Basis of Preparation. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value, and by the revaluation of trading securities and available-for-sale financial assets. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated (refer to Note 5).

Consolidated financial statements. Subsidiaries are those companies and other entities (including special purpose entities) in which the Bank, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies so as to obtain benefits. The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Bank controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Bank (acquisition date) and are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. The date of exchange is the acquisition date where a business combination is achieved in a single transaction, and is the date of each share purchase where a business combination is achieved in stages by successive share purchases.

The excess of the cost of acquisition over the acquirer's share of the fair value of the net assets of the acquiree at each exchange transaction is recorded as goodwill. The excess of the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired over cost ("negative goodwill") is recognised immediately in profit or loss.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any minority interest. The difference, if any, between the fair values of the net assets at the dates of exchange and at the date of acquisition is recorded directly in other comprehensive income.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. The Company and all of its subsidiaries use uniform accounting policies consistent with the Bank's policies.

Minority interest is that part of the net results and of the net assets of a subsidiary attributable to interests which are not owned, directly or indirectly, by the Company. Minority interest forms a separate component of the Bank's equity.

Purchases and sales of minority interests. The Bank applies the parent company model to account for transactions with minority shareholders. Any difference between the purchase consideration and the carrying amount of minority interest acquired is recognised as goodwill. The difference between sales consideration and carrying amount of minority interest sold is recognised as a gain in the profit or loss for the year.

Interest in joint venture. A joint venture is created through an agreement establishing joint control over the financial and operating policies of the joint venture together with other investors. A jointly controlled entity is a joint venture that involves the establishment of a separate legal entity in which each venturer has an interest. The Bank recognises its interests in jointly controlled entities using the equity method. The joint venture is initially recorded at cost and the Bank's share of post-acquisition profit or loss of the joint venture is recognised in the Bank's statement of comprehensive income. The Bank eliminates its share of unrealised profits or losses from intercompany transactions with joint ventures.

Financial instruments - key measurement terms. Depending on their classification financial instruments are carried at fair value, cost or amortised cost as described below.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair value is the current bid price for financial assets and current asking price for financial liabilities which are quoted in an active market. For assets and liabilities with offsetting market risks, the Bank may use mid-market prices as a basis for establishing fair values for the offsetting risk positions and apply the bid or asking price to the net open position as appropriate. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange or other institution and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Valuation techniques such as discounted cash flows models or models based on recent arm's length transactions and consideration of financial data of the investees are used to fair value certain financial instruments for which external market pricing information is not available. Valuation techniques may require assumptions not supported by observable market data. Disclosures are made in these consolidated financial statements if changing any such assumptions to a reasonably possible alternative would result in significantly different profit, income, total assets or total liabilities.

3 Basis of Preparation and Significant Accounting Policies (Continued)

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition and includes *transaction costs*. Measurement at cost is only applicable to investments in equity instruments that do not have a quoted market price and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments. Refer to Note 10.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination if any), are not presented separately and are included in the carrying values of related items in the statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate.

Initial recognition of financial instruments. Trading securities and derivatives are initially recorded at fair value. All other financial instruments are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

All purchases and sales of financial instruments that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date that the Bank commits to deliver a financial asset. All other purchases and sales are recognised when the entity becomes a party to the contractual provisions of the instrument.

The Bank uses discounted cash flow valuation techniques to determine the fair value of certain bonds that are not traded in an active market. Differences may arise between the fair value at initial recognition which is considered to be the transaction price and the amount determined at initial recognition using the valuation technique. Any such differences are amortised on a straight line basis over the term of the bonds.

Derecognition of financial assets. The Bank derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Bank has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

Cash and cash equivalents. Cash and cash equivalents are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. All short term interbank placements except overnight placements are included in due from other banks. Amounts, which relate to funds that are of a restricted nature, are excluded from cash and cash equivalents. Cash and cash equivalents are carried at amortised cost.

Mandatory reserve balances. Mandatory reserve balances with the NBU are carried at amortised cost and represent mandatory reserve assets which are not available to finance the Bank's day to day operations and hence are not considered as part of cash and cash equivalents for the purposes of the consolidated cash flow statement.

3 Basis of Preparation and Significant Accounting Policies (Continued)

Trading securities. Trading securities are financial assets which are either acquired for generating a profit from short-term fluctuations in price or trader's margin, or are securities included in a portfolio in which a pattern of short-term trading exists. The Bank classifies securities into trading securities if it has an intention to sell them within a short period after purchase, i.e. within 3 months. The Bank may choose to reclassify a non-derivative trading financial asset out of the fair value through profit or loss category if the asset is no longer held for the purpose of selling it in the near term. Such financial assets other than loans and receivables are permitted to be reclassified out of fair value through profit or loss category only in rare circumstances arising from a single event that is unusual and highly unlikely to reoccur in the near term. Financial assets that would meet the definition of loans and receivables may be reclassified if the Bank has the intention and ability to hold these financial assets for the foreseeable future or until maturity.

Trading securities are carried at fair value. Interest earned on trading securities calculated using the effective interest method is presented in profit or loss for the year as interest income. All other elements of the changes in the fair value and gains or losses on derecognition are recorded in profit or loss as gains less losses from trading securities in the period in which they arise.

Due from other banks. Amounts due from other banks are recorded when the Bank advances money to counterparty banks with no intention of trading the resulting unquoted non-derivative receivable due on fixed or determinable dates. Amounts due from other banks are carried at amortised cost.

Loans and advances to customers. Loans and advances to customers are recorded when the Bank advances money to purchase or originate an unquoted non-derivative receivable from a customer due on fixed or determinable dates and has no intention of trading the receivable. Loans and advances to customers are carried at amortised cost.

Impairment of financial assets carried at amortised cost. Impairment losses are recognised in profit or loss when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If the Bank determines that no objective evidence exists that impairment was incurred for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. The primary factors that the Bank considers whether a financial asset is impaired is its overdue status and realisability of related collateral, if any. The following other principal criteria are also used to determine that there is objective evidence that an impairment loss has occurred:

- any instalment is overdue and the late payment cannot be attributed to a delay caused by the settlement systems;
- the borrower experiences a significant financial difficulty as evidenced by borrower's financial information that the Bank obtains;
- the borrower considers bankruptcy or a financial reorganisation;
- there is adverse change in the payment status of the borrower as a result of changes in the national or local economic conditions that impact the borrower; or
- the value of collateral significantly decreases as a result of deteriorating market conditions.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets and the experience of management in respect of the extent to which amounts will become overdue as a result of past loss events and the success of recovery of overdue amounts. Past experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect past periods and to remove the effects of past conditions that do not exist currently.

If the terms of an impaired financial asset held at amortised cost are renegotiated or otherwise modified because of financial difficulties of the borrower or issuer, impairment is measured using the original effective interest rate before the modification of terms.

Impairment losses are recognised through an allowance account to write down the asset's carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the effective interest rate of the asset. 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.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account through profit or loss for the year.

Uncollectible assets are written off against the related impairment loss provision after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to impairment loss account in profit or loss for the year.

3 Basis of Preparation and Significant Accounting Policies (Continued)

Credit related commitments. The Bank enters into credit related commitments, including commitments to extend credit, underwriting commitments, letters of credit, guarantees and promissory note endorsements. Financial guarantees represent irrevocable assurances to make payments in the event that a customer cannot meet its obligations to third parties and carry the same credit risk as loans. Financial guarantees and commitments to provide a loan are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the commitment, except for commitments to originate loans if it is probable that the Bank will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination; such loan commitment fees are deferred and included in the carrying value of the loan on initial recognition. At the end of each reporting period, the commitments are measured at the higher of (i) the remaining unamortised balance of the amount at initial recognition and (ii) the best estimate of expenditure required to settle the commitment at the end of each reporting period.

Investment securities available-for-sale. This classification includes investment securities which the Bank intends to hold for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. The Bank classifies investments as available-for-sale at the time of purchase.

Investment securities available-for-sale are carried at fair value. Interest income on available-for-sale debt securities is calculated using the effective interest method and recognised in profit or loss. Dividends on available-for-sale equity instruments are recognised in profit or loss when the Bank's right to receive payment is established and it is probable that the dividends will be collected. All other elements of changes in the fair value are deferred in equity until the investment is derecognised or impaired, at which time the cumulative gain or loss is reclassified from other comprehensive income to profit or loss for the year.

Impairment losses are recognised in profit or loss when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of investment securities available-for-sale. A significant or prolonged decline in the fair value of an equity security below its cost is an indicator that it is impaired. The cumulative impairment loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognised in profit or loss – is reclassified from other comprehensive income to profit or loss for the year. Impairment losses on equity instruments are not reversed and any subsequent gains are recorded in other comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss for the year.

Sale and repurchase agreements and lending of securities. Sale and repurchase agreements ("repo agreements") which effectively provide a lender's return to the counterparty are treated as secured financing transactions. Securities sold under sale and repurchase agreements are not derecognised. The securities are not reclassified in the statement of financial position unless the transferee has the right by contract or custom to sell or repledge the securities, in which case they are reclassified as repurchase receivables. The corresponding liability is presented within amounts due to other banks or customer accounts.

Securities purchased under agreements to resell ("reverse repo agreements") which effectively provide a lender's return to the Bank are recorded as due from other banks or loans and advances to customers, as appropriate. The difference between the sale and repurchase price is treated as interest income and accrued over the life of repo agreements using the effective interest method.

Securities lent to counterparties for a fixed fee are retained in the consolidated financial statements in their original category in the statement of financial position unless the counterparty has the right by contract or custom to sell or repledge the securities, in which case they are reclassified and presented separately. 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 in profit or loss for the year within gains less losses arising from trading securities. The obligation to return the securities is recorded at fair value in other liabilities.

Promissory notes purchased. Promissory notes purchased are included in trading securities, investment securities available-for-sale or in loans and advances to customers, depending on their substance and are recorded, subsequently remeasured and accounted for in accordance with the accounting policies for these categories of assets.

Goodwill. Goodwill represents the excess of the cost of an acquisition over the fair value of the acquirer's share of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiary or associate at the date of exchange. Goodwill on acquisitions of associates is included in the investment in associates. Goodwill is carried at cost less accumulated impairment losses, if any.

The Bank tests goodwill for impairment at least annually and whenever there are indications that goodwill may be impaired. Goodwill is allocated to the cash-generating units, or group of cash-generating units, that are expected to benefit from the synergies of the business combination. Such units or group of units represent the lowest level at which the Bank monitors goodwill and are not larger than a segment. Gains or losses on disposal of an operation within a cash generating unit to which goodwill has been allocated include the carrying amount of goodwill associated with the operation disposed of, generally measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit which is retained.

3 Basis of Preparation and Significant Accounting Policies (Continued)

Premises, leasehold improvements and equipment. Premises, leasehold improvements and equipment are stated at cost, less accumulated depreciation and provision for impairment, where required. Cost of premises, leasehold improvements and equipment of acquired subsidiaries is the estimated fair value at the date of acquisition.

Construction in progress is carried at cost, less provision for impairment where required. Upon completion, assets are transferred to premises and leasehold improvements, at their carrying amount. Construction in progress is not depreciated until the asset is available for use.

Costs of minor repairs and maintenance are expensed when incurred. Cost of replacing major parts or components of premises and equipment items are capitalised and the replaced part is retired.

At each reporting date management assesses whether there is any indication of impairment of premises and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss for the year. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in profit or loss for the year.

Depreciation. Depreciation of premises, leasehold improvements and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives as follows:

Premises	30 years
Office and computer equipment	5-15 years
Motor vehicles	5 years
Leasehold improvements	Over the term of the underlying lease

The residual value of an asset is the estimated amount that the Bank would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Intangible assets. All of the Bank's intangible assets have definite useful life and primarily include capitalised computer software.

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Development costs that are directly associated with identifiable and unique software controlled by the Bank are recorded as intangible assets if the inflow of incremental economic benefits exceeding costs is probable. Capitalised costs include staff costs of the software development team and an appropriate portion of relevant overheads. All other costs associated with computer software, e.g. its maintenance, are expensed when incurred. Capitalised computer software is amortised on a straight line basis over expected useful lives of 3-7 years.

Operating leases. Where the Bank is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Bank, the total lease payments, including those on expected termination, are charged to profit or loss on a straight-line basis over the period of the lease.

Leases embedded in other agreements are separated if (a) fulfilment of the arrangement is dependent on the use of a specific asset or assets and (b) the arrangement conveys a right to use the asset.

Finance leases. Where the Bank is a lessor in a lease which transfers substantially all the risks and rewards incidental to ownership to the lessee, the assets leased out are presented as a finance lease receivable and carried at the present value of the future lease payments. Finance lease receivables are initially recognised at commencement (when the lease term begins) using a discount rate determined at inception (the earlier of the date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease).

The difference between the gross receivable and the present value represents unearned finance income. This income is recognised over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return. Incremental costs directly attributable to negotiating and arranging the lease are included in the initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease term. Finance income from leases is recorded within interest income in profit or loss for the year.

Impairment losses are recognised in profit or loss for the year when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of finance lease receivables. The Bank uses the same principal criteria to determine whether there is objective evidence that an impairment loss has occurred as for loans carried at amortised cost. Impairment losses are recognised through an allowance account to write down the receivables' net carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the interest rates implicit in the finance leases. The estimated future cash flows reflect the cash flows that may result from obtaining and selling the assets subject to the lease.

3 Basis of Preparation and Significant Accounting Policies (Continued)

Finance lease liabilities. Where the Bank is a lessee in a lease which transferred substantially all the risks and rewards incidental to ownership to the Bank, the assets leased are capitalised in premises, leasehold improvements and equipment at the commencement of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance lease balance outstanding. The corresponding rental obligations, net of future finance charges, are included in other liabilities. The interest cost is charged to the profit or loss for the year over the lease period using the effective interest method. The assets acquired under finance leases are depreciated over their useful life or the shorter lease term if the Bank is not reasonably certain that it will obtain ownership by the end of the lease term.

Due to other banks. Amounts due to other banks are recorded when money or other assets are advanced to the Bank by counterparty banks. The non-derivative liability is carried at amortised cost. 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 included in gains or losses arising from retirement of debt.

Customer accounts. Customer accounts are non-derivative liabilities to individuals, state or corporate customers and are carried at amortised cost.

Domestic debt securities in issue*.* Domestic debt securities in issue include bonds, promissory notes and certificates of deposit issued by the Bank. Domestic debt securities are stated at amortised cost. If the Bank purchases its own debt securities in issue, they are removed from the consolidated statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in gains arising from retirement of debt.

Eurobonds issued*.* Eurobonds issued include debt issued by the Bank in the form of loan participation notes. Eurobonds issued are stated at amortised cost. If the Bank purchases its Eurobonds issued, they are removed from the consolidated statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in gains arising from retirement of debt.

Syndicated loans. Syndicated loans include loans received from groups of lenders. Syndicated loans are carried at amortised cost.

Other borrowed funds*.* Other borrowed funds include trade financing received from non-banking financial institutions and Government institutions. Other borrowed funds are carried at amortised cost.

Subordinated debt. Subordinated debt represents long-term borrowing agreements that, in case of the Bank's default, would be secondary to the Bank's primary debt obligations. Subordinated debt is carried at amortised cost.

Derivative financial instruments. Derivative financial instruments, including foreign exchange contracts, are carried at their fair value.

All derivative instruments are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of derivative instruments are included in profit or loss for the year as gains less losses arising from derivative financial instruments.

Income taxes. Income taxes have been provided for in the consolidated financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss for the year except if it is recognised directly in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if the consolidated financial statements are authorised prior to filing relevant tax returns. Taxes, other than on income, are recorded within administrative and other operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax liabilities are not recorded for temporary differences on initial recognition of goodwill and subsequently for goodwill which is not deductible for tax purposes. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets and liabilities are netted only within the individual companies of the Bank. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

3 Basis of Preparation and Significant Accounting Policies (Continued)

Deferred income tax is not provided on post acquisition retained earnings of subsidiaries, except where the Bank does not control the subsidiary's dividend policy or it is probable that the difference will reverse through dividends or otherwise in the foreseeable future.

Provisions for liabilities and charges. Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. They are accrued when the Bank has a present legal or constructive obligation as a result of past events, 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 the obligation can be made.

Trade and other payables. Trade payables are accrued when the counterparty performed its obligations under the contract and are carried at amortised cost.

Share capital. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity.

Dividends. Dividends are recorded in equity in the period in which they are declared. Any dividends declared after the balance sheet date and before the consolidated financial statements are authorised for issue are disclosed in the subsequent events note. The statutory accounting reports of the Company are the basis for profit distribution and other appropriations. Ukrainian legislation identifies the basis of distribution as retained earnings.

Income and expense recognition. Interest income and expense are recorded for all debt instruments on an accrual basis using the effective interest method. This method defers, as part of interest income or expense, all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Fees integral to the effective interest rate include origination fees received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents. Commitment fees received by the Bank to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Bank will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination. The Bank does not designate loan commitments as financial liabilities at fair value through profit or loss.

When loans and other debt instruments become doubtful of collection, they are written down to present value of expected cash inflows and interest income is thereafter recorded for the unwinding of the present value discount based on the asset's effective interest rate which was used to measure the impairment loss.

All other fees, including agency fees, commissions and other income and expense items are generally recorded on an accrual basis by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. Loan syndication fees are recognised as income when the syndication has been completed and the Bank retained no part of the loan package for itself or retained a part at the same effective interest rate for the other participants.

Commissions and fees arising from negotiating, or participating in the negotiation of a transaction for a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses, which are earned on execution of the underlying transaction are recorded on its completion. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-proportion basis. Asset management fees related to investment funds are recorded rateably over the period the service is provided. The same principle is applied for wealth management, financial planning and custody services that are continuously provided over an extended period of time.

Foreign currency translation. The functional currency of each of the Bank's consolidated entities is the currency of the primary economic environment in which the entity operates. The Company's functional currency and the Bank's presentation currency is the national currency of Ukraine, Ukrainian hryvnias ("UAH").

3 Basis of Preparation and Significant Accounting Policies (Continued)

Monetary assets and liabilities are translated into each entity's functional currency at the official exchange rate at the end of the respective reporting period. Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities into each entity's functional currency at year-end official exchange rates are recognised in profit or loss for the year. Translation at year-end rates does not apply to non-monetary items, including equity investments. Effects of exchange rate changes on the fair value of equity securities are recorded as part of the fair value gain or loss.

The results and financial position of each group entity (functional currency of none of which is a currency of a hyperinflationary economy) are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at each reporting date;

(ii) income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions);

(iii) components of equity are translated at the historic rate; and

(iv) all resulting exchange differences are recognised in other comprehensive income.

When a subsidiary is disposed of through sale, liquidation, repayment of share capital or abandonment of all, or part of, that entity, the exchange differences deferred in equity are reclassified to profit or loss for the year.

The principal rates of exchange used for translating foreign currency balances were:

	31 December 2009, UAH	**31 December 2008, UAH**
1 US dollar (USD)	7.985000	7.700000
1 Euro (EUR)	11.448893	10.855460
1 Russian Rouble (RUB)	0.264020	0.262080

Exchange restrictions and controls exist relating to converting Ukrainian hryvnia into other currencies. At present, Ukrainian hryvnia is not a freely convertible currency outside Ukraine.

Fiduciary assets. Assets held by the Bank in its own name, but on the account of third parties, are not reported on the consolidated statement of financial position. The extent of such balances and transactions is indicated in Note 31. For the purposes of disclosure, fiduciary activities do not encompass safe custody functions. Commissions received from fiduciary activities are shown in fee and commission income.

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

Transfer of monetary loss. During years of hyperinflation the nominal share capital was increased to reflect the effect of hyperinflation and the consequent monetary loss was charged to the profit or loss for the year. As a consequence the share capital is no longer carried at, nor does it reflect, the statutory (historic) cost. Management decided to re-establish the share capital of the Bank at the statutory carrying value, as a result of which the accumulated monetary loss has been taken out of retained earnings and offset against the IFRS share capital. This did not involve a change in the net assets of the Bank. Refer to Note 22.

Staff costs and related contributions. Wages, salaries, contributions to the Ukrainian state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Bank. The Bank has no legal or constructive obligation to make pension or similar benefit payments other than the payments to the statutory defined contribution scheme.

***Segment reporting*.** Operating segments are reported in a manner consistent with the internal reporting provided to the Bank's chief operating decision maker. Segments whose revenue, result or assets are ten percent or more of all the segments are reported separately. The basis of allocation of costs between segments is disclosed in Note 28.

Earnings per share. The Bank calculates basic earnings per share amounts. Earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period. Shares are usually included in the weighted average number of shares from the date when they become classified as equity in accordance with IAS 32. The Bank's shares are not traded in the market and the increase of the share capital is possible only by way of the rights issue at their nominal price. The Bank believes that the agreements with equity holders for issuance of new shares were fairly priced and were neither dilutive nor antidilutive.

3 Basis of Preparation and Significant Accounting Policies (Continued)

Change in presentation of previously reported amounts. Where necessary, corresponding figures have been adjusted to conform to changes in the presentation of the current period.

The Bank has prepared the revised credit quality disclosures as on 31 December 2008, in order to better reflect the credit quality characteristics of exposures outstanding, as analysed by management . Please refer to notes 7, 8, 9 and 10.

Cash and cash equivalents and Mandatory Reserves as originally presented as at 31 December 2008 :

In thousands of Ukrainian hryvnias	**Cash on hand**	**Cash balances with the National Bank of Ukraine**	**Correspondent accounts and overnight placements with other banks**	**Total**
Neither past due nor impaired				
Cash on hand	1,141,325	-	-	1,141,325
Cash balances with the NBU	-	1,444,504	-	1,444,504
Top 20 Ukrainian banks	-	-	14,505	14,505
Large OECD banks	-	-	477,261	477,261
Non-OECD banks	-	-	44,097	44,097
Other Ukrainian banks	-	-	1,415	1,415
Total cash and cash equivalents and mandatory reserve balances	**1,141,325**	**1,444,504**	**537,278**	**3,123,107**

As presented after the reclassification for 31 December 2008:

In thousands of Ukrainian hryvnias	**Cash on hand**	**Cash balances with the National Bank of Ukraine**	**Correspondent accounts and overnight placements with other banks**	**Total**
Neither past due nor impaired				
- Cash on hand	1,141,325	-	-	1,141,325
- National Bank of Ukraine	-	1,444,504	-	1,444,504
- High Quality	-	-	535,809	535,809
- Medium Quality	-	-	1,316	1,316
- Low Quality	-	-	153	153
Total cash and cash equivalents and mandatory reserves	**1,141,325**	**1,444,504**	**537,278**	**3,123,107**

Due from Other Banks as originally presented as at 31 December 2008:

In thousands of Ukrainian hryvnias	**Term placements with other banks**	**Guarantee deposits with other banks**	**Total**
Neither past due nor impaired			
- Top 20 Ukrainian banks	174,732	-	174,732
- Other Ukrainian banks	95,178	-	95,178
- OECD Banks	-	1,540	1,540
Total due from other banks	**269,910**	**1,540**	**271,450**

3 Basis of Preparation and Significant Accounting Policies (Continued)

As presented after the reclassification as at 31 December 2008:

In thousands of Ukrainian hryvnias	Short-term placements with other banks	Guarantee deposits with other banks	Total
Neither past due nor impaired			
- High Quality	115,910	1,540	117,450
- Medium Quality	154,000	-	154,000
Total neither past due nor impaired	**269,910**	**1,540**	**271,450**

Loans and Advances to Customers as originally presented as at 31 December 2008:

In thousands of Ukrainian hryvnias	Car loans	Mortgage loans	Other term loans	Overdrafts	Finance lease receivab-les	Reverse sale and repur-chase agree-ments	Total
Neither past due nor impaired							
- short-term financing - up to 1 year	977	59,313	2,670,141	482,677	2,787	15,224	3,231,119
- medium term facilities - from 1 to 10 years	6,326,779	2,760,221	14,269,520	-	237,808	-	23,594,328
- investment loans - over 10 years	1,501	14,135,286	2,478,135	519	-	-	16,615,441
- Loans renegotiated in 2008	22,854	18,040	1,056,130	-	-	-	1,097,024
Total neither past due nor impaired	**6,352,111**	**16,972,860**	**20,473,926**	**483,196**	**240,595**	**15,224**	**44,537,912**
Past due but not impaired							
- 1 to 10 days overdue	176,942	729,708	420,919	23,557	24,484	-	1,375,610
- 11 to 30 days overdue	202,714	832,733	328,652	15,448	43,707	-	1,423,254
- 31 to 60 days overdue	167,880	660,303	245,490	23,534	131,580	-	1,228,787
Total past due but not impaired	**547,536**	**2,222,744**	**995,061**	**62,539**	**199,771**	**-**	**4,027,651**
Loans individually determined to be impaired (gross)							
- less than 30 days overdue	16,972	37,720	9,477	41	1,418	-	65,628
- 31 to 90 days overdue	94,252	383,238	134,038	9,631	2,071	-	623,230
- 91 to 180 days overdue	107,831	411,594	112,688	10,473	17,579	-	660,165
- 181 to 360 days overdue	122,846	311,977	80,267	11,913	9,156	-	536,159
- over 360 days overdue	154,080	235,772	84,890	36,777	6,470	-	517,989
Total individually impaired loans (gross)	**495,981**	**1,380,301**	**421,360**	**68,835**	**36,694**	**-**	**2,403,171**
Gross carrying value of loans and advances to customers	**7,395,628**	**20,575,905**	**21,890,347**	**614,570**	**477,060**	**15,224**	**50,968,734**
Less impairment provisions	**(609,997)**	**(1,404,654)**	**(1,917,055)**	**(97,479)**	**(16,451)**	**-**	**(4,045,636)**
Total loans and advances to customers	**6,785,631**	**19,171,251**	**19,973,292**	**517,091**	**460,609**	**15,224**	**46,923,098**

3 Basis of Preparation and Significant Accounting Policies (Continued)

As presented after the reclassification for 31 December 2008:

In thousands of Ukrainian hryvnias	**Car loans**	**Mortgage loans**	**Other term loans**	**Overdrafts**	**Net invest-ment in finance leases**	**Reverse sale and repurchase agreements**	**Total:**
Neither past due nor impaired							
High Quality Corporate Loans	120,718	348,350	9,655,948	103,317	-	-	**10,228,333**
Medium Quality Corporate Loans	18,879	58,743	2,462,106	80,150	-	-	**2,619,878**
Low Quality Corporate Loans	1,806	11,982	1,868,088	46,753	-	-	**1,928,629**
Unrated - short-term financing - up to 1 year	899	440	552,639	252,457	2,787	15,224	**824,446**
Unrated - medium term facilities - from 1 to 10 years	6,185,454	2,490,399	2,498,212	-	237,808	-	**11,411,873**
Unrated - investment loans - over 10 year	1,501	14,044,906	2,380,803	519	-	-	**16,427,729**
Loans renegotiated as at 31 December 2008	22,854	18,040	1,056,130	-	-	-	**1,097,024**
Total neither past due nor impaired	**6,352,111**	**16,972,860**	**20,473,926**	**483,196**	**240,595**	**15,224**	**44,537,912**
Past due but not impaired							
- 1 to 10 days overdue	176,942	729,708	420,919	23,557	24,484	-	**1,375,610**
- 11 to 30 days overdue	202,714	832,733	328,652	15,448	43,707	-	**1,423,254**
- 31 to 60 days overdue	167,880	660,303	245,490	23,534	131,580	-	**1,228,787**
Total past due but not impaired	**547,536**	**2,222,744**	**995,061**	**62,539**	**199,771**	**-**	**4,027,651**
Loans individually determined to be impaired (gross)							
non-overdue	11,736	28,487	6,319	-	1,289	-	**47,831**
- 1 to 10 days overdue	1,454	3,920	1,076	-	-	-	**6,450**
- 11 to 30 days overdue	3,782	5,313	2,082	41	129	-	**11,347**
- 31 to 90 days overdue	94,252	383,238	134,038	9,631	2,071	-	**623,230**
- 91 to 180 days overdue	107,831	411,594	112,688	10,473	17,579	-	**660,165**
- 181 to 360 days overdue	122,846	311,977	80,267	11,913	9,156	-	**536,159**
- over 360 days overdue	154,080	235,772	84,890	36,777	6,470	-	**517,989**
Total individually impaired loans	**495,981**	**1,380,301**	**421,360**	**68,835**	**36,694**	**-**	**2,403,171**
Gross carrying value of loans and advances to customers	**7,395,628**	**20,575,905**	**21,890,347**	**614,570**	**477,060**	**15,224**	**50,968,734**
Less impairment provisions	**(609,997)**	**(1,404,654)**	**(1,917,055)**	**(97,479)**	**(16,451)**	**-**	**(4,045,636)**
Total loans and advances to customers	**6,785,631**	**19,171,251**	**19,973,292**	**517,091**	**460,609**	**15,224**	**46,923,098**

3 Basis of Preparation and Significant Accounting Policies (Continued)

Investment securities available-for-sale as originally presented as at 31 December 2008:

In thousands of Ukrainian hryvnias	**Ukrainian govern-ment bonds**	**Municipal bonds**	**Corporate bonds**	**Bank bonds**	**Total**
Neither past due nor impaired					
- Ukrainian Government	102,653	-	-	-	102,653
- Ukrainian municipalities	-	2,959	-	-	2,959
- Large Ukrainian legal entities	-	-	638,174	-	638,174
- Top 20 Ukrainian banks	-	-	-	110,282	110,282
- Other Ukrainian banks	-	-	-	9,291	9,291
Total neither past due nor impaired	**102,653**	**2,959**	**638,174**	**119,573**	**863,359**
Debt securities individually determined to be impaired					
- less than 30 days overdue	-	-	26,384	-	26,384
Total individually impaired debt securities	-	-	26,384	-	26,384
Total debt securities available-for-sale	**102,653**	**2,959**	**664,558**	**119,573**	**889,743**

As presented after the reclassification for 31 December 2008:

In thousands of Ukrainian hryvnias	**Corporate bonds**	**Ukrainian govern-ment bonds**	**Municipal bonds**	**Bank bonds**	**Total**
Neither past due nor impaired					
High Quality Securities	290,864	102,653	-	58,631	452,148
Medium Quality Securities	292,237	-	-	-	292,237
Low Quality Securities	55,073	-	-	60,942	116,015
Unrated - short-term financing - up to 1 year	-	-	2,947	-	2,947
Unrated – medium/long term financing - from 1 to 10 years	-	-	12	-	12
Total neither past due nor impaired	**638,174**	**102,653**	**2,959**	**119,573**	**863,359**
Securities individually determined to be impaired					
1 to 10 days overdue	26,384	-	-	-	26,384
Total individually impaired debt securities	**26,384**	**-**	**-**	**-**	**26,384**
Total Investment securities available-for-sale	**664,558**	**102,653**	**2,959**	**119,573**	**889,743**

- ***Assessment of credit quality.*** The Bank analyses its exposures to corporate borrowers, due from other Banks and debt securities available-for-sale individually to determine their credit quality. Models based on the individual analysis of borrowers require the Bank to assign a risk category level to each borrower. In making such judgements, the Bank

3 Basis of Preparation and Significant Accounting Policies (Continued)

considers the risk factors like country environment, business sector, shareholders and management, payment capacity and financial sources.

Upon completion of this analysis, each exposure is assigned with one of three risk category levels:

- **High quality exposures** belong to the borrowers with payment capacity sufficient to cover their obligations. They have no apparent credit risk and their payment capacity is not affected by unfavourable business, economic or financial situations;
- **Medium quality exposures** are characterized by borrowers with payment capacity sufficient to cover their obligations. While they present some risk, their payment capacity is not affected by unfavourable business, economic or financial situations; and
- **Low quality exposures** represent liabilities of the borrowers with insufficient payment capacity to cover their obligations under predictable circumstances.

Opening statement of financial position at the beginning of the earliest comparative period presented and related information in the notes. The revised IAS 1 which became effective from 1 January 2009 requires an entity to present a statement of financial position as at the beginning of the earliest comparative period ('opening statement of financial position'), when the entity applies an accounting policy retrospectively or makes a retrospective restatement or when it reclassifies items in its financial statements. Therefore, an entity that makes such a prior period adjustment or reclassification normally presents, as a minimum, three statements of financial position, two of each of the other statements, and related notes.

In 2009, the Bank made restatements required by the amended IAS 1 that do not impact on the statement of financial position, for example the Bank now presents gains and losses on available-for-sale financial instruments in the statement of comprehensive income rather than in the statement of changes in equity. The Bank also amended presentation of certain disclosures as indicated in Note 3. IAS 1 suggests that the opening statement of financial position should be presented even if the restatements have an impact only on the other primary statements. In these circumstances, management considered whether omitting the opening statement of financial position at 1 January 2008 would represent a material omission of information. In management's opinion, the omission of the opening statement of financial position, where the restatement or reclassification does not affect any statement of financial position (and that fact is disclosed), is not material and is therefore permitted. Management considered that materiality of an omission is measured against its ability to influence the economic decisions of the users of the financial statements.

Presentation of each item of other comprehensive income in the statement of changes in equity. The revised IAS 1 which became effective from 1 January 2009 requires an entity to present for each component of equity, a reconciliation between the carrying amount at the beginning and the end of the period, separately disclosing each change. This could include presenting profit or loss and each item of other comprehensive income in the statement of changes in equity. Management considered materiality and concluded that it is sufficient for an entity to present such information only in the statement of comprehensive income and that repeating the same information in the statement of changes in equity, is not a material omission of information. In reaching this conclusion, Management considered the examples provided in the guidance on implementational guidance, which accompanies the revised IAS 1.

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies

The Bank makes estimates and assumptions that affect the amounts recognised in the financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Impairment test for property was made by management as at 31 December 2009. As the result, no impairment was recognised. If the market prices for property will decrease by 10%, it would have no impact on profit and loss.

Impairment losses on loans and advances. Risk Management of the Bank reviews all corporates, bank and retail loans in default at monthly intervals to determine the amount of any impairment loss to be recognised by recording a provision for impairment. The amount of the impairment loss is based on the present value of probable net recoveries, including from the realisation of collateral. In addition, a collective impairment is established for each class of loans on a historical loss basis. This is based on simulations of losses to maturity on portfolios of loans which are past due, but where the exposures have not been identified as individually impaired.

During the year, the Bank made changes in its impairment assessment methodology, relating to the identification of default period and assumptions on realisation of collateral, supported by observed performance of past due loans as well as other small changes. The changes did not have a material impact on the consolidated financial statements of the Bank.

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies (Continued)

The Bank rates its corporate clients based on the credit risk stemming from relevant exposures. Credit Risk associated to a borrower arises from the combination of the obligor's default risk with the risk on the recovery in the event of default and the risk on the exposure at default. According to the internal credit rating system each loan transaction is assigned four ratings respectively corresponding to (i) the structure of the transaction, (ii) the borrower's financial position, (iii) the borrower's credit history and (iv) the quality of the collateral. Refer to notes 8, 9 and 10. A 10 % increase or decrease between actual loss experience and the loss estimates used will result in an increase or decrease in loan impairment losses of UAH 691,770 thousand (2008: UAH 396,396 thousand), respectively. Impairment provisions for individually significant loans are based on the estimate of discounted future cash flows of the individual loans taking into account repayments and realisation of any assets held as collateral against the loan. A 10 % increase or decrease in the actual future discounted cash flows from individually significant loans which could arise from a combination of differences in amounts and timing of the cash flows will result in a decrease or increase in loan loss provision of UAH 216,808 thousand (2008: UAH 8,167 thousand), respectively.

Fair value of derivatives. The fair values of financial derivatives that are not quoted in active markets are determined by using valuation techniques. To the extent practical, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require Management to make estimates. Changes in assumptions about these factors could affect reported fair values.

Derivatives on converted loans. The Bank introduced a new product, indexed loans, which allows its clients to convert USD loans into the UAH. All conditions of the converted loan remained the same as for the USD loan (rate, maturity, repayment schedule, etc.). The Bank charges a commission after the loan conversion which is indexed to the evolution of the original loan currency rate in respect of UAH after the conversion date except that the commission can not be negative. The Bank considers the commission as an embedded derivative and recognises it separately from the host contract at fair value through profit or loss. As at 31 December 2009 the carrying value of converted loans was UAH 349,435 thousand, and the fair value of the related derivative, estimated using a valuation technique, was UAH 6,024 thousand.

Changing the assumptions about expected exchange rates influence the valuation result of the indexed loan derivatives. If the expected UAH/USD and UAH/EUR exchange rate for the year 2010 would be higher/lower by 12.7% and 2.2% correspondingly, the fair value of the derivative and the respective profit or loss amount would increase/decrease by UAH 2,364 thousand. If the discount rate used for fair valuation of the given derivatives for the year 2010 would be higher/lower by 1%, the fair value of the derivative and the respective profit or loss amount would decrease/ increase by UAH 5,496 thousand. The effect would be immaterial for the consolidated financial statements of the Bank.

Derivatives on finance lease contracts. In addition, as at 31 December 2009 the Bank had finance lease receivables totalling UAH 387,781 thousand (31 December 2008: UAH 477,060 thousand) issued in UAH with the condition of compensation to be received by the Bank in the event that the official exchange rate of UAH depreciates against USD, EUR or CHF, depending upon the type of the contract. The contract to receive compensation was accounted for by the Bank as a financial derivative with the fair value of UAH 204,880 thousand as at 31 December 2009 (31 December 2008: UAH 248,828 thousand) estimated using a valuation technique. This valuation technique takes into account expected movements in exchange rates.

Changing the assumptions about expected exchange rates may result in a different fair value of derivatives. If the expected UAH/USD, UAH/EUR or UAH/CHF exchange rate for the year 2010 would be higher/lower by 12.7%, 2.2% and 12.5% correspondingly the fair value of the financial leasing derivative and the respective profit or loss amount would increase/decrease by UAH 51,676 thousand. If the discount rate used for fair valuation of the given derivatives for the year 2010 would be higher/lower by 1%, the fair value of the derivative and the respective profit or loss amount would decrease/ increase by UAH 2,346 thousand. If the provision for impairment of underlying assets for the year 2010 would be higher/lower by 10%, the fair value of the derivative and the respective profit or loss amount would decrease/ increase by UAH 5,809 thousand. The effect would be immaterial for the consolidated financial statements of the Bank.

Deferred income tax asset recognition. The recognised deferred tax asset on the consolidated statement of financial position primarily represents income tax losses incurred which are recoverable through future deductions from taxable profits. Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. The future taxable profits and the amount of tax benefits that are probable in the future are based on a medium term business plan prepared by management and extrapolated results thereafter. The business plan is based on management expectations that are believed to be reasonable under the circumstances. Key assumptions in the business plan include expected recovery of the banking system's strength and profitability by 2011. Evidence of a recovery of confidence in Ukraine is reflected in the decrease of Ukrainian market CDS (3 years) from 33% as at 1 January 2009 to 13% as at 1 January 2010; recovery of residents confidence in the banks as seen by an increase of overall market volume of individuals deposits starting from April 2009; and support of a stable currency exchange rate by the National Bank of Ukraine. Management expectations also include gradual decline in interest rates (on loans and funding), moderate growth in loan portfolio of the Bank and continuation of development of Personal finance (during 2009, about 250 new points of sales were opened), strong efforts on customers acquisition and product range improvement resulting in the increase of commission income, decrease in loan portfolio quality in 2010 however with

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies (Continued)

improvement during the subsequent years with recovery of 30% of non-performing loans, quality of which decreased during 2008-2010; strong cost-control initiatives implemented, network efficiency improvement and further headcount optimization in 2010-2012. It should be also noted that tax losses under Ukrainian legislation can be carried forward for indefinite period of time. Substantial changes in the above assumptions concerning the recognition of the deferred tax asset would potentially result in derecognition of the deferred income tax asset.

Going concern. Management prepared these financial statements on a going concern basis. In making this judgement management takes into account the changes of external environment: recovery of confidence to Ukraine, reasonable expectation of continuous support of Ukraine by the IMF by funding and advice; support of banks (including UkrSibbank) by the National Bank of Ukraine by means of refinancing established in 2009 and continued in 2010; and forecasted increase of Ukraine's GDP in 2010 by 3% (Fitch forecast). The internal circumstances are taken into account as follows: the increase of retail deposit portfolio budgeted for 2010, adequate liquidity level, timely repayment of all liabilities (including BNPP funding); expansion of consumer financing; and strong collection activity. The Bank receives the permanent attention and advisory support from global BNPP team, and management, technical and expertise support as well as financial support as necessary as demonstrated in 2009 by its contribution of new capital of UAH 1.275 billion and also purchase of existing shares to lift its ownership in the Bank by 30.42% to 81.42%. The Bank's Management believes that the Bank can if necessary obtain further funding from BNPP, in addition to the current usage of UAH 10.9 billion of available funds under an existing credit line of UAH 23.8 billion as of 31 December 2009 (refer to Note 35).

5 Adoption of New or Revised Standards and Interpretations

Certain new standards and interpretations became effective for the Bank from 1 January 2009:

IFRS 8, Operating Segments**.** The standard applies to entities whose debt or equity instruments are traded in a public market or that file, or are in the process of filing, their financial statements with a regulatory organisation for the purpose of issuing any class of instruments in a public market. IFRS 8 requires an entity to report financial and descriptive information about its operating segments, with segment information presented on a similar basis to that used for internal reporting purposes. The adoption of IFRS 8 has resulted in the change of the presentation of information consistent to those provided to the chief operating decision-maker. For details please refer to Note 28.

IAS 23, Borrowing Costs, revised in March 2007. The main change is the removal of the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale (a qualifying asset) form part of the cost of that asset, if the commencement date for capitalisation is on or after 1 January 2009. Other borrowing costs are recognised as an expense using the effective interest method. The amendment did not have a material impact on the consolidated financial statements of the Bank.

IAS 1, Presentation of Financial Statements, revised in September 2007**.** The main change in IAS 1 is the replacement of the income statement by a statement of comprehensive income which includes all non-owner changes in equity, such as the revaluation of available-for-sale financial assets. Alternatively, entities are allowed to present two statements: a separate income statement and a statement of comprehensive income. The Bank has elected to present a single statement of comprehensive income. The revised IAS 1 also introduces a requirement to present a statement of financial position (balance sheet) at the beginning of the earliest comparative period whenever the entity restates comparatives due to reclassifications, changes in accounting policies, or corrections of errors. The revised IAS 1 had an impact on the presentation of the Bank's financial statements but had no impact on the recognition or measurement of specific transactions and balances.

Improvements to International Financial Reporting Standards (issued in May 2008). In 2008, the International Accounting Standards Board decided to initiate an annual improvements project as a method of making necessary, but non-urgent, amendments to IFRS. The amendments consist of a mixture of substantive changes, clarifications, and changes in terminology in various standards. The substantive changes relate to the following areas: classification as held for sale under IFRS 5 in case of a loss of control over a subsidiary; possibility of presentation of financial instruments held for trading as non-current under IAS 1; accounting for sale of IAS 16 assets which were previously held for rental and classification of the related cash flows under IAS 7 as cash flows from operating activities; clarification of definition of a curtailment under IAS 19; accounting for below market interest rate government loans in accordance with IAS 20; making the definition of borrowing costs in IAS 23 consistent with the effective interest method; clarification of accounting for subsidiaries held for sale under IAS 27 and IFRS 5; reduction in the disclosure requirements relating to associates and joint ventures under IAS 28 and IAS 31; enhancement of disclosures required by IAS 36; clarification of accounting for advertising costs under IAS 38; amending the definition of the fair value through profit or loss category to be consistent with hedge accounting under IAS 39; introduction of accounting for investment properties under construction in accordance with IAS 40; and reduction in restrictions over manner of determining fair value of biological assets under IAS 41. Further amendments made to IAS 8, 10, 18, 20, 29, 34, 40,

5 Adoption of New or Revised Standards and Interpretations (Continued)

41 and to IFRS 7 represent terminology or editorial changes only, which the IASB believes have no or minimal effect on accounting. The amendments did not have an impact on the consolidated financial statements of the Bank.

Puttable Financial Instruments and Obligations Arising on Liquidation – IAS 32 and IAS 1 Amendment. The amendment requires classification as equity of some financial instruments that meet the definition of financial liabilities. The amendment did not have an impact on these consolidated financial statements.

Vesting Conditions and Cancellations – Amendment to IFRS 2, Share-based Payment. The amendment clarified that only service conditions and performance conditions are vesting conditions. Other features of a share-based payment are not vesting conditions. The amendment specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The amendment did not have an impact on these consolidated financial statements.

IFRIC 13, Customer Loyalty Programmes. IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. The amendment did not have an impact on these consolidated financial statements.

IFRIC 15, Agreements for the Construction of Real Estate. The interpretation applies to the accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors, and provides guidance for determining whether agreements for the construction of real estate are within the scope of IAS 11 or IAS 18. It also provides criteria for determining when entities should recognise revenue on such transactions. The amendment did not have any material impact on these consolidated financial statements.

Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate – IFRS 1 and IAS 27 Amendment, issued in May 2008. The amendment allows first-time adopters of IFRS to measure investments in subsidiaries, jointly controlled entities or associates at fair value or at previous GAAP carrying value as deemed cost in the separate financial statements. The amendment also requires distributions from pre-acquisition net assets of investees to be recognised in profit or loss for the year rather than as a recovery of the investment. The amendment did not have an impact on these consolidated financial statements.

Improving Disclosures about Financial Instruments – Amendment to IFRS 7, Financial Instruments: Disclosures, issued in March 2009. The amendment requires enhanced disclosures about fair value measurements and liquidity risk. The entity is required to disclose an analysis of financial instruments using a three-level fair value measurement hierarchy. The amendment (a) clarifies that the maturity analysis of liabilities should include issued financial guarantee contracts at the maximum amount of the guarantee in the earliest period in which the guarantee could be called; and (b) requires disclosure of remaining contractual maturities of financial derivatives if the contractual maturities are essential for an understanding of the timing of the cash flows. An entity will further have to disclose a maturity analysis of financial assets it holds for managing liquidity risk, if that information is necessary to enable users of its financial statements to evaluate the nature and extent of liquidity risk. The enhanced disclosures are included in these financial statements.

Embedded Derivatives – Amendments to IFRIC 9 and IAS 39, issued in March 2009. The amendments clarify that on reclassification of a financial asset out of the ‘at fair value through profit or loss’ category, all embedded derivatives have to be assessed and, if necessary, separately accounted for. The amendment did not have an impact on these consolidated financial statements.

IFRIC 16, Hedges of a Net Investment in a Foreign Operation. The interpretation explains which currency risk exposures are eligible for hedge accounting and states that translation from the functional currency to the presentation currency does not create an exposure to which hedge accounting could be applied. The IFRIC allows the hedging instrument to be held by any entity or entities within a group except the foreign operation that itself is being hedged. The interpretation also clarifies how the currency translation gain or loss reclassified from other comprehensive income to profit or loss is calculated on disposal of the hedged foreign operation. Reporting entities apply IAS 39 to discontinue hedge accounting prospectively when their hedges do not meet the criteria for hedge accounting in IFRIC 16. IFRIC 16 did not have an impact on these consolidated financial statements.

The International Financial Reporting Standard for Small and Medium-sized Entities (issued in July 2009) is a self-contained standard, tailored to the needs and capabilities of smaller businesses. Many of the principles of full IFRS for recognising and measuring assets, liabilities, income and expense have been simplified, and the number of required disclosures have been simplified and significantly reduced. The IFRS for SMEs may be applied by entities which publish general purpose financial statements for external users and do not have public accountability. The Bank is not eligible to apply the IFRS for SMEs due to the public accountability of its banking business.

Unless otherwise stated above, the amendments and interpretations did not have any significant effect on the Bank’s consolidated financial statements.

6 New Accounting Pronouncements

Certain new standards and interpretations have been published that are mandatory for the Bank's accounting periods beginning on or after 1 January 2010 or later periods and which the Bank has not early adopted:

IFRIC 17, Distributions of Non-Cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009). The interpretation clarifies when and how distribution of non-cash assets as dividends to the owners should be recognised. An entity should measure a liability to distribute non-cash assets as a dividend to its owners at the fair value of the assets to be distributed. A gain or loss on disposal of the distributed non-cash assets will be recognised in profit or loss for the year when the entity settles the dividend payable. IFRIC 17 is not relevant to the Bank's operations because it does not distribute non-cash assets to owners.

IFRIC 18, Transfers of Assets from Customers (effective for annual periods beginning on or after 1 July 2009). The interpretation clarifies the accounting for transfers of assets from customers, namely, the circumstances in which the definition of an asset is met; the recognition of the asset and the measurement of its cost on initial recognition; the identification of the separately identifiable services (one or more services in exchange for the transferred asset); the recognition of revenue, and the accounting for transfers of cash from customers. IFRIC 18 is not expected to have any impact on the Bank's consolidated financial statements.

Classification of Rights Issues - Amendment to IAS 32 (issued 8 October 2009; effective for annual periods beginning on or after 1 February 2010). The amendment exempts certain rights issues of shares with proceeds denominated in foreign currencies from classification as financial derivatives. The amendment did not have a material impact on the consolidated financial statements of the Bank.

IAS 27, Consolidated and Separate Financial Statements (revised January 2008; effective for annual periods beginning on or after 1 July 2009). The revised IAS 27 will require an entity to attribute total comprehensive income to the owners of the parent and to the non-controlling interests (previously "minority interests") even if this results in the non-controlling interests having a deficit balance (the current standard requires the excess losses to be allocated to the owners of the parent in most cases). The revised standard specifies that changes in a parent's ownership interest in a subsidiary that do not result in the loss of control must be accounted for as equity transactions. It also specifies how an entity should measure any gain or loss arising on the loss of control of a subsidiary. At the date when control is lost, any investment retained in the former subsidiary will have to be measured at its fair value. The Bank is currently assessing the impact of the amended standard on its consolidated financial statements.

IFRS 3, Business Combinations (revised January 2008; effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009). The revised IFRS 3 will allow entities to choose to measure non-controlling interests using the existing IFRS 3 method (proportionate share of the acquiree's identifiable net assets) or at fair value. The revised IFRS 3 is more detailed in providing guidance on the application of the purchase method to business combinations. The requirement to measure at fair value every asset and liability at each step in a step acquisition for the purposes of calculating a portion of goodwill has been removed. Instead, in a business combination achieved in stages, the acquirer will have to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognise the resulting gain or loss, if any, in profit or loss for the year. Acquisition-related costs will be accounted for separately from the business combination and therefore recognised as expenses rather than included in goodwill. An acquirer will have to recognise at the acquisition date a liability for any contingent purchase consideration. Changes in the value of that liability after the acquisition date will be recognised in accordance with other applicable IFRSs, as appropriate, rather than by adjusting goodwill. The revised IFRS 3 brings into its scope business combinations involving only mutual entities and business combinations achieved by contract alone. The Bank does not expect the amended standard to have a material effect on its consolidated financial statements.

Eligible Hedged Items – Amendment to IAS 39, Financial Instruments: Recognition and Measurement (effective with retrospective application for annual periods beginning on or after 1 July 2009). The amendment clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in particular situations. The amendment is not expected to have any impact on the Bank's consolidated financial statements as the Bank does not apply hedge accounting.

IFRS 1, First-time Adoption of International Financial Reporting Standards (following an amendment in December 2008, effective for the first IFRS financial statements for a period beginning on or after 1 July 2009). The revised IFRS 1 retains the substance of its previous version but within a changed structure in order to make it easier for the reader to understand and to better accommodate future changes. The Bank concluded that the revised standard does not have any effect on its consolidated financial statements.

Group Cash-settled Share-based Payment Transactions - Amendments to IFRS 2, Share-based Payment (effective for annual periods beginning on or after 1 January 2010). The amendments provide a clear basis to determine the classification of share-based payment awards in both consolidated and separate financial statements. The amendments incorporate into the standard the guidance in IFRIC 8 and IFRIC 11, which are withdrawn. The amendments expand on the guidance given in IFRIC 11 to address plans that were previously not considered in the interpretation. The amendments also clarify the defined terms in the Appendix to the standard. The Bank does not expect the amendments to have any material effect on its consolidated financial statements.

6 New Accounting Pronouncements (Continued)

Additional Exemptions for First-time Adopters - Amendments to IFRS 1, First-time Adoption of IFRS (effective for annual periods beginning on or after 1 January 2010). The amendments exempt entities using the full cost method from retrospective application of IFRSs for oil and gas assets and also exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with IFRIC 4, 'Determining Whether an Arrangement Contains a Lease' when the application of their national accounting requirements produced the same result. The amendments will not have any impact on the Bank's consolidated financial statements.

Improvements to International Financial Reporting Standards (issued in April 2009; amendments to IFRS 2, IAS 38, IFRIC 9 and IFRIC 16 are effective for annual periods beginning on or after 1 July 2009; amendments to IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 36 and IAS 39 are effective for annual periods beginning on or after 1 January 2010). The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations: clarification that contributions of businesses in common control transactions and formation of joint ventures are not within the scope of IFRS 2; clarification of disclosure requirements set by IFRS 5 and other standards for non-current assets (or disposal groups) classified as held for sale or discontinued operations; requiring to report a measure of total assets and liabilities for each reportable segment under IFRS 8 only if such amounts are regularly provided to the chief operating decision maker; amending IAS 1 to allow classification of certain liabilities settled by entity's own equity instruments as non-current; changing IAS 7 such that only expenditures that result in a recognised asset are eligible for classification as investing activities; allowing classification of certain long-term land leases as finance leases under IAS 17 even without transfer of ownership of the land at the end of the lease; providing additional guidance in IAS 18 for determining whether an entity acts as a principal or an agent; clarification in IAS 36 that a cash generating unit shall not be larger than an operating segment before aggregation; supplementing IAS 38 regarding measurement of fair value of intangible assets acquired in a business combination; amending IAS 39 (i) to include in its scope option contracts that could result in business combinations, (ii) to clarify the period of reclassifying gains or losses on cash flow hedging instruments from equity to profit or loss for the year and (iii) to state that a prepayment option is closely related to the host contract if upon exercise the borrower reimburses economic loss of the lender; amending IFRIC 9 to state that embedded derivatives in contracts acquired in common control transactions and formation of joint ventures are not within its scope; and removing the restriction in IFRIC 16 that hedging instruments may not be held by the foreign operation that itself is being hedged. The Bank does not expect the amendments to have any material effect on its consolidated financial statements.

Amendment to IAS 24, Related Party Disclosures (issued in November 2009 and effective for annual periods beginning on or after 1 January 2011). IAS 24 was revised in 2009 by: (a) simplifying the definition of a related party, clarifying its intended meaning and eliminating inconsistencies; and by (b) providing a partial exemption from the disclosure requirements for government-related entities.

IFRS 9, Financial Instruments Part 1: Classification and Measurement. IFRS 9 was issued in November 2009 and replaces those parts of IAS 39 relating to the classification and measurement of financial assets. Key features are as follows:

- Financial assets are required to be classified into two measurement categories: those to be measured subsequently at amortised cost, and those to be measured subsequently at fair value. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

- An instrument is subsequently measured at amortised cost only if it is a debt instrument and both (i) the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and (ii) the asset's contractual cash flows represent only payments of principal and interest (that is, it has only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss.

- All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.

- While adoption of IFRS 9 is mandatory from 1 January 2013, earlier adoption is permitted.

The Bank is considering the implications of the standard, the impact on the Bank and the timing of its adoption by the Bank.

6 New Accounting Pronouncements (Continued)

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (Issued in November 2009 and effective for annual periods beginning on or after 1 July 2010). This IFRIC clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished through the debtor issuing its own equity instruments to the creditor. A gain or loss is recognised in the profit and loss account based on the fair value of the equity instruments compared to the carrying amount of the debt. The Bank is considering the implications of this amendment on its consolidated financial statements.

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

7 Cash and Cash Equivalents and Mandatory Reserves

In thousands of Ukrainian hryvnias	**2009**	**2008**
Cash on hand	1,274,809	1,141,325
Cash balances with the National Bank of Ukraine	1,305,418	1,444,504
Correspondent accounts and overnight placements with other banks		
- Ukraine	60,962	15,920
- other countries	1,056,480	521,358
Total cash and cash equivalents and mandatory reserves	**3,697,669**	**3,123,107**

As at 31 December 2009 the mandatory reserve balance with the NBU is calculated on the basis of a simple average over a monthly period (31 December 2008: monthly period) and should be maintained at the level of 0 to 7 per cent (31 December 2008: 0.5 to 5 per cent) on certain types of liabilities. The Bank`s mandatory reserve balance with the NBU for December 2009 was UAH 909,483 thousand (2008: UAH 1,291,809 thousand).

As at 31 December 2009 in accordance with the NBU regulations the Bank was required to maintain the balance on accounts with the NBU at the level not less than 90% of the mandatory reserves balance for the preceding month (31 December 2008: not less than 90% of the mandatory reserve balance for the preceding month). As at 31 December 2009 it was also required to maintain the balance on the separate account with the NBU at the level not less than 50% of the mandatory reserves balance for the preceding month, as a part of the total required level of mandatory reserves; the amount is subject to interest payments from the side of the NBU at rate 3.075% (30% of the NBU official interest rate), provided that the Bank is in compliance with the mandatory reserve requirements (31 December 2008: no such requirement was in place).

As the respective liquid assets are not freely available to finance the Bank's day-to-day operations, for the purposes of the consolidated cash flow statement, the mandatory reserve balance for December 2009 is excluded from cash and cash equivalents.

The Bank's cash and cash equivalents for the purposes of consolidated statement of cash flows were as follows:

In thousands of Ukrainian hryvnias	**2009**	**2008**
Total cash and cash equivalents and mandatory reserves	3,697,669	3,123,107
Less: mandatory reserves balances	(909,483)	(1,291,809)
Cash and cash equivalents for the purposes of cash flow statement	**2,788,186**	**1,831,298**

The credit quality of cash and cash equivalents and mandatory reserves balances may be summarised as follows at 31 December 2009:

In thousands of Ukrainian hryvnias	**Cash on hand**	**Cash balances with the National Bank of Ukraine**	**Correspondent accounts and overnight placements with other banks**	**Total**
Neither past due nor impaired				
- Cash on hand	1,274,809	-	-	1,274,809
- National Bank of Ukraine	-	1,305,418	-	1,305,418
- High quality	-	-	1,092,462	1,092,462
- Medium Quality	-	-	24,940	24,940
- Low Quality	-	-	40	40
Total cash and cash equivalents and mandatory reserves	**1,274,809**	**1,305,418**	**1,117,442**	**3,697,669**

7 Cash and Cash Equivalents and Mandatory Reserves (Continued)

Analysis by credit quality of cash and cash equivalents and mandatory reserve balances at 31 December 2008 is as follows:

In thousands of Ukrainian hryvnias	**Cash on hand**	**Cash balances with the National Bank of Ukraine**	**Correspondent accounts and overnight placements with other banks**	**Total**
Neither past due nor impaired				
- Cash on hand	1,141,325	-	-	1,141,325
- National Bank of Ukraine	-	1,444,504	-	1,444,504
- High Quality	-	-	535,809	535,809
- Medium Quality	-	-	1,316	1,316
- Low Quality	-	-	153	153
Total cash and cash equivalents and mandatory reserves	**1,141,325**	**1,444,504**	**537,278**	**3,123,107**

Disclosure of credit quality is presented in Note 3.

Geographical, currency and interest rate analyses of cash and cash equivalents and mandatory reserves are disclosed in Note 29. Information on balances with related parties is disclosed in Note 35.

8 Due from Other Banks

In thousands of Ukrainian hryvnias	**2009**	**2008**
Short-term placements with other banks	423,381	269,910
Guarantee deposits with other banks	1,597	1,540
Less: Provision for impairment of due from other banks	(79,925)	-
Total due from other banks	**345,053**	**271,450**

Guarantee deposits include balances placed with other banks on behalf of the Bank's customers as cover for letters of credit totalling UAH 1,597 thousand (31 December 2008: UAH 1,540 thousand). The Bank does not have the right to use these funds for the purposes of funding its own activities.

Amounts of impaired interbank placements of UAH 214,126 thousand (gross) are the amounts due from two Ukrainian banks, in one of which, with the exposure of UAH 164,126 thousand (gross), the National Bank of Ukraine implemented temporary administration.

The total aggregated balances of top 5 counterparties amounts to UAH 373,380 thousand, gross of impairment provision (2008: 259,544 thousand, gross of impairment provision) or 88% of the total amount due from other banks (2008: 96%).

Movements in the provision for impairment of amounts due from other banks during 2009 are as follows:

In thousands of Ukrainian hryvnias	**Short-term placements with other banks**	**Guarantee deposits with other banks**	**Total**
Provision for impairment of due from other banks at 1 January 2009			
Provision for impairment during the year	79,925	-	79,925
Provision for impairment of due from other banks at 31 December 2009	**79,925**	**-**	**79,925**

Information about fair value of collateral for impaired amounts due from other banks at 31 December 2009 is as follows:

In thousands of Ukrainian hryvnias	**Short-term placements with other banks**	**Guarantee deposits with other banks**	**Total**
- Real estate	166,736	-	166,736

8 Due from Other Banks (Continued)

Analysis by credit quality of amounts due from other banks outstanding at 31 December 2009 is as follows:

In thousands of Ukrainian hryvnias	**Short-term placements with other banks**	**Guarantee deposits with other banks**	**Total**
Neither past due nor impaired			
- High Quality	169,255	1,597	170,852
- Medium Quality	40,000	-	40,000
Total neither past due nor impaired	**209,255**	**1,597**	**210,852**
Impaired (gross)			
- 91 to 180 days overdue	164,126	-	164,126
- 181 to 360 days overdue	50,000	-	50,000
Total Impaired (gross)	**214,126**	**-**	**214,126**
Less provision for impairment	(79,925)	-	(79,925)
Total due from other banks	**343,456**	**1,597**	**345,053**

Analysis by credit quality of amounts due from other banks outstanding at 31 December 2008 is as follows:

In thousands of Ukrainian hryvnias	**Short-term placements with other banks**	**Guarantee deposits with other banks**	**Total**
Neither past due nor impaired			
- High Quality	115,910	1,540	117,450
- Medium Quality	154,000	-	154,000
Total neither past due nor impaired	**269,910**	**1,540**	**271,450**

Disclosure of credit quality is presented in Note 3. Refer to Note 33 for the estimated fair value of each class of amounts due from other banks. Geographical, currency, maturity and Interest rate analyses of due from other banks are disclosed in Note 29.

9 Loans and Advances to Customers

In thousands of Ukrainian hryvnias	2009	2008
Car loans	5,799,803	7,395,628
Mortgage loans	19,164,921	20,575,905
Other term loans	18,468,678	21,890,347
Overdrafts	352,158	614,570
Net investment in finance leases	387,781	477,060
Reverse sale and repurchase agreements	-	15,224
Total loans and advances to customers before impairment	**44,173,341**	**50,968,734**
Less: Provision for loan impairment	(9,085,785)	(4,045,636)
Total loans and advances to customers	**35,087,556**	**46,923,098**

Other term loans include term loans provided to corporates, small and medium enterprises and individuals.

At 31 December 2008 loans and advances to customers of UAH 15,224 thousand were effectively collateralised by securities purchased under reverse sale and repurchase agreements at a fair value of UAH 14,560 thousand.

Movements in the provision for loan impairment during 2009 are as follows:

In thousands of Ukrainian hryvnias	Car loans	Mortgage loans	Other term loans	Overdrafts	Finance lease receivab-les	Total
Provision for loan impairment at 1 January 2009	**609,997**	**1,404,654**	**1,917,055**	**97,479**	**16,451**	**4,045,636**
Provision for impairment during the year	537,570	1,875,532	2,473,118	55,361	68,463	5,010,044
Currency translation difference	5,982	60,068	17,479	538	-	84,067
Amounts written off during the year as uncollectible	(25,243)	(3,510)	(24,907)	(302)	-	(53,962)
Provision for loan impairment at 31 December 2009	**1,128,306**	**3,336,744**	**4,382,745**	**153,076**	**84,914**	**9,085,785**

Movements in the provision for loan impairment during 2008 are as follows:

In thousands of Ukrainian hryvnias	Car loans	Mortgage loans	Other term loans	Overdrafts	Finance lease receivab-les	Total
Provision for loan impairment at 1 January 2008	**171,508**	**225,585**	**393,807**	**43,031**	**2,081**	**836,012**
Provision for impairment during the year	342,686	970,441	1,363,203	52,146	14,370	2,742,846
Currency translation difference	96,848	209,675	169,668	2,302	-	478,493
Amounts written off during the year as uncollectible	(1,045)	(1,047)	(9,623)	-	-	(11,715)
Provision for loan impairment at 31 December 2008	**609,997**	**1,404,654**	**1,917,055**	**97,479**	**16,451**	**4,045,636**

9 Loans and Advances to Customers (Continued)

Economic sector risk concentrations within the customer loan portfolio are as follows:

In thousands of Ukrainian hryvnias	2009 Amount	%	2008 Amount	%
Private individuals	27,231,803	62	30,682,233	60
Commerce and finance	6,612,409	15	7,074,835	14
Agriculture and food	2,423,490	5	4,069,342	8
Metallurgy and mining	1,232,384	3	1,169,201	2
Oil and gas	1,265,429	3	1,346,727	3
Property construction	1,017,971	2	1,314,065	3
Motor vehicles trading	1,109,974	3	1,527,467	3
Air and other transport services	926,028	2	975,857	2
Manufacture and machinery building	872,357	2	1,137,718	2
Chemical industry	509,775	1	643,788	1
Other	971,721	2	1,027,501	2
Total loans and advances to customers (before impairment)	**44,173,341**	**100**	**50,968,734**	**100**

At 31 December 2009 total aggregate amount of loans to top 10 borrowers of the Bank was UAH 3,950,738 thousand (31 December 2008: UAH 4,156,989 thousand) or 9 % of the gross loan portfolio (31 December 2008: 8 %).

At 31 December 2009 loans to customers with carrying value of UAH 1,473,248 thousand have been pledged as collateral against short term loan received from the National Bank of Ukraine in the amount of UAH 805,869 thousand. Refer to Notes 16, 31 and 37.

At 31 December 2009 loans to customers with carrying value of UAH 23,931 thousand have been pledged as collateral against other borrowed funds received from the State Mortgage Institution in the amount of UAH 23,839 thousand. Refer to Notes 19 and 31.

The Bank has 13 borrowers each of whose gross loan exposure exceed 10% of net assets, in total amount of UAH 4,618,420 thousand (2008: 6 borrowers in total amount of UAH 2,792,125 thousand).

Information about collateral at 31 December 2009 is as follows:

In thousands of Ukrainian hryvnias	Car loans	Mortgage loans	Other term loans	Over-drafts	Net invest-ment in finance leases	Reverse sale and repur-chase agree-ments	Total
Unsecured loans	-	-	555,686	143,105	-	-	698,791
Loans collateralised by:							
- real estate	-	19,086,342	8,278,376	8,128	2,615	-	27,375,461
- auto	5,797,444	-	140,924	-	137,729	-	6,076,097
- securities	-	-	172,694	-	-	-	172,694
- cash deposits (Note 15)	2,359	78,579	866,811	1,262	-	-	949,011
- equipment	-	-	2,642,194	-	247,437	-	2,889,631
- tradable goods	-	-	2,120,683	94,077	-	-	2,214,760
- guarantees	-	-	2,008,360	82,707	-	-	2,091,067
- other assets	-	-	1,682,950	22,879	-	-	1,705,829
Total loans and advances to customers (before impairment)	**5,799,803**	**19,164,921**	**18,468,678**	**352,158**	**387,781**	**-**	**44,173,341**

9 Loans and Advances to Customers (Continued)

Information about collateral at 31 December 2008 is as follows:

In thousands of Ukrainian hryvnias	Car loans	Mortgage loans	Other term loans	Overdrafts	Finance lease receivables	Reverse sale and repurchase agreements	Total
Unsecured loans	-	-	157,653	553,434	-	-	711,087
Loans collateralised by:							
- real estate	-	20,453,132	6,069,727	4,755	2,165	-	26,529,779
- motor vehicles	7,394,438	-	264,255	-	187,873	-	7,846,566
- securities	-	-	936,297	-	-	15,224	951,521
- cash deposits (Note 15)	1,190	122,773	2,756,497	372	-	-	2,880,832
- equipment	-	-	1,868,127	-	286,680	-	2,154,807
- tradable goods	-	-	1,412,356	4,499	-	-	1,416,855
- guarantees	-	-	6,134,382	45,333	-	-	6,179,715
- other assets	-	-	2,291,053	6,177	342	-	2,297,572
Total loans and advances to customers (before impairment)	**7,395,628**	**20,575,905**	**21,890,347**	**614,570**	**477,060**	**15,224**	**50,968,734**

Other assets include freehold rights, inventory and accounts receivable.

9 Loans and Advances to Customers (Continued)

Analysis by credit quality of loans outstanding at 31 December 2009 is as follows:

In thousands of Ukrainian hryvnias	**Car loans**	**Mortgage loans**	**Other term loans**	**Overdrafts**	**Net investment in finance leases**	**Total**
Neither past due nor impaired						
High Quality Corporate Loans	26,118	30,836	2,335,337	27,688	-	2,419,979
Medium Quality Corporate Loans	9,825	51,516	963,794	76,046	-	1,101,181
Low Quality Corporate Loans	16,111	17,499	884,630	12,807	-	931,047
Unrated - short-term financing - up to 1 year	20	-	144,507	52,036	2	196,565
Unrated - medium term facilities - from 1 to 10 years	3,425,772	1,122,328	660,439	658	79,434	5,288,631
Unrated - investment loans - over 10 year	550	8,422,373	1,143,530	-	-	9,566,453
Loans renegotiated as at 31 December 2009	526,470	2,092,644	3,671,279	-	-	6,290,393
Total neither past due nor impaired	**4,004,866**	**11,737,196**	**9,803,516**	**169,235**	**79,436**	**25,794,249**
Past due but not impaired						
- 1 to 10 days overdue	145,159	430,569	191,827	3,968	51,641	823,164
- 11 to 30 days overdue	71,724	202,988	421,891	2,679	37,592	736,874
- 31 to 90 days overdue	171,332	542,183	682,762	1,109	28,147	1,425,533
- 91 to 180 days overdue	16,803	-	638,823	79	13,714	669,419
- 181 to 360 days overdue	1,779	7,203	134,080	704	11,587	155,353
- over 360 days overdue	1	3,678	2,684	74	1,046	7,483
Total past due but not impaired	**406,798**	**1,186,621**	**2,072,067**	**8,613**	**143,727**	**3,817,826**
Loans individually determined to be impaired (gross)						
- not past due	41,466	235,847	2,395,028	7,705	1,208	2,681,254
- 1 to 10 days overdue	6,577	15,476	7,803	-	-	29,856
- 11 to 30 days overdue	3,614	9,989	213,234	-	1,380	228,217
- 31 to 90 days overdue	20,762	32,936	85,583	1,370	8,324	148,975
- 91 to 180 days overdue	188,382	876,241	369,744	12,022	15,523	1,461,912
- 181 to 360 days overdue	541,851	2,988,569	2,918,225	57,758	44,463	6,550,866
- over 360 days overdue	585,487	2,082,046	603,478	95,455	93,720	3,460,186
Total individually impaired loans	**1,388,139**	**6,241,104**	**6,593,095**	**174,310**	**164,618**	**14,561,266**
Gross carrying value of loans and advances to customers	**5,799,803**	**19,164,921**	**18,468,678**	**352,158**	**387,781**	**44,173,341**
Less impairment provisions	**(1,128,306)**	**(3,336,744)**	**(4,382,745)**	**(153,076)**	**(84,914)**	**(9,085,785)**
Total loans and advances to customers	**4,671,497**	**15,828,177**	**14,085,933**	**199,082**	**302,867**	**35,087,556**

9 Loans and Advances to Customers (Continued)

Analysis by credit quality of loans outstanding at 31 December 2008 is as follows:

In thousands of Ukrainian hryvnias	**Car loans**	**Mortgage loans**	**Other term loans**	**Overdrafts**	**Net investment in finance leases**	**Reverse sale and repurchase agreements**	**Total:**
Neither past due nor impaired							
High Quality Corporate Loans	120,718	348,350	9,655,948	103,317	-	-	**10,228,333**
Medium Quality Corporate Loans	18,879	58,743	2,462,106	80,150	-	-	**2,619,878**
Low Quality Corporate Loans	1,806	11,982	1,868,088	46,753	-	-	**1,928,629**
Unrated - short-term financing - up to 1 year	899	440	552,639	252,457	2,787	15,224	**824,446**
Unrated - medium term facilities - from 1 to 10 years	6,185,454	2,490,399	2,498,212	-	237,808	-	**11,411,873**
Unrated - investment loans - over 10 year	1,501	14,044,906	2,380,803	519	-	-	**16,427,729**
Loans renegotiated as at 31 December 2008	22,854	18,040	1,056,130	-	-	-	**1,097,024**
Total neither past due nor impaired	**6,352,111**	**16,972,860**	**20,473,926**	**483,196**	**240,595**	**15,224**	**44,537,912**
Past due but not impaired							
- 1 to 10 days overdue	176,942	729,708	420,919	23,557	24,484	-	**1,375,610**
- 11 to 30 days overdue	202,714	832,733	328,652	15,448	43,707	-	**1,423,254**
- 31 to 60 days overdue	167,880	660,303	245,490	23,534	131,580	-	**1,228,787**
Total past due but not impaired	**547,536**	**2,222,744**	**995,061**	**62,539**	**199,771**	**-**	**4,027,651**
Loans individually determined to be impaired (gross)							
- non-overdue	11,736	28,487	6,319	-	1,289	-	**47,831**
- 1 to 10 days overdue	1,454	3,920	1,076	-	-	-	**6,450**
- 11 to 30 days overdue	3,782	5,313	2,082	41	129	-	**11,347**
- 31 to 90 days overdue	94,252	383,238	134,038	9,631	2,071	-	**623,230**
- 91 to 180 days overdue	107,831	411,594	112,688	10,473	17,579	-	**660,165**
- 181 to 360 days overdue	122,846	311,977	80,267	11,913	9,156	-	**536,159**
- over 360 days overdue	154,080	235,772	84,890	36,777	6,470	-	**517,989**
Total individually impaired loans	**495,981**	**1,380,301**	**421,360**	**68,835**	**36,694**	**-**	**2,403,171**
Gross carrying value of loans and advances to customers	**7,395,628**	**20,575,905**	**21,890,347**	**614,570**	**477,060**	**15,224**	**50,968,734**
Less impairment provisions	**(609,997)**	**(1,404,654)**	**(1,917,055)**	**(97,479)**	**(16,451)**	**-**	**(4,045,636)**
Total loans and advances to customers	**6,785,631**	**19,171,251**	**19,973,292**	**517,091**	**460,609**	**15,224**	**46,923,098**

9 Loans and Advances to Customers (Continued)

Disclosure of credit quality is presented in Note 3.

The Bank applied the portfolio provisioning methodology prescribed by IAS 39, Financial Instruments: Recognition and Measurement, and created portfolio provisions for impairment losses that were incurred but have not been specifically identified with any individual loan by the balance sheet date. The Bank's policy is to classify each loan as 'neither past due nor impaired' until specific objective evidence of impairment of the loan is identified. The impairment provisions may exceed the total gross amount of individually impaired loans as a result of this policy and the portfolio impairment methodology.

For corporate loans, which are defined as individually significant loans, the bank considers whether a loan is impaired, irrespectively of its overdue status, but according to expectations of its repayment and realisability of related collateral, if any. For retail loans, the primary factors that the Bank considers whether a loan is impaired is its overdue status, based on historical loss experience. As a result, the Bank presents above an ageing analysis of loans that are individually determined to be impaired. Although included in past due but not impaired for the purposes of this table, the Bank considers that loans and advances to customers with overdue period up to 10 days do not show sufficient evidence of the borrower being in financial difficulty.

Neither past due nor impaired, but renegotiated loans represent the carrying amount of loans that would otherwise be past due or impaired whose terms have been renegotiated. Past due but not impaired loans primarily represent collateralized loans where the fair value of collateral covers the overdue interest and principal repayments. The amount reported as past due but not impaired is the whole balance of such loans, not only the individual installments that are past due.

Fair value of collateral in respect of loans past due but not impaired and in respect of loans individually determined to be impaired at 31 December 2009 was as follows:

In thousands of Ukrainian hryvnias	**Car loans**	**Mortgage loans**	**Other term loans**	**Overdrafts**	**Net investment in finance leases**	**Reverse sale and repurchase agreements**	**Total:**
Fair value of collateral - loans past due but not impaired							
real estate	-	875,726	266,730	-	-	-	1,142,456
auto	367,986	-	-	-	-	-	367,986
securities	-	-	-	-	-	-	-
cash deposits	161	7,336	239,945	-	-	-	247,442
equipment	-	-	63,646	-	-	-	63,646
tradable goods	-	-	285,829	1,688	-	-	287,517
guarantees	-	-	307,412	-	-	-	307,412
other assets	-	-	169,177	-	-	-	169,177
Fair value of collateral - individually impaired loans							
real estate	-	3,293,032	1,763,686	1,442	796	-	5,058,956
auto	735,719	-	-	-	15,256	-	750,975
securities	-	-	124,218	-	-	-	124,218
cash deposits	398	8,532	172,570	-	-	-	181,500
equipment	-	-	109,926	-	81,464	-	191,390
tradable goods	-	-	396,624	8,221	-	-	404,845
guarantees	-	-	764,933	672	-	-	765,605
other assets	-	-	519,970	-	-	-	519,970
Total	**1,104,264**	**4,184,626**	**5,184,666**	**12,023**	**97,516**	**-**	**10,583,095**

9 Loans and Advances to Customers (Continued)

Fair value of collateral in respect of loans past due but not impaired and in respect of loans individually determined to be impaired at 31 December 2008 was as follows:

In thousands of Ukrainian hryvnias	**Car loans**	**Mortgage loans**	**Other term loans**	**Over-drafts**	**Finance lease receivab-les**	**Reverse sale and repur-chase agree-ments**	**Total**
Fair value of collateral - loans past due but not impaired							
- real estate	-	1,386,904	209,901	274	-	-	1,597,079
- motor vehicles	336,175	-	-	-	-	-	336,175
- securities	-	-	6,425	-	-	-	6,425
- cash deposits	70	16,217	15,693	120	-	-	32,100
- equipment	-	-	7,959	-	-	-	7,959
- tradable goods	-	-	28,104	3,906	-	-	32,010
- guarantees	-	-	180,569	4,553	-	-	185,122
- other assets	-	-	55,880	-	-	-	55,880
Fair value of collateral - individually impaired loans							
- real estate	-	999,386	117,974	3	-	-	1,117,363
- motor vehicles	269,696	-	-	-	5,052	-	274,748
- cash deposits	-	1,320	3,302	-	-	-	4,622
- equipment	-	-	12,872	-	19,127	-	31,999
- tradable goods	-	-	1,937	69	-	-	2,006
- guarantees	-	-	140,895	2,308	-	-	143,203
- other assets	-	-	6,425	25	-	-	6,450
Total	**605,941**	**2,403,827**	**787,936**	**11,258**	**24,179**	**-**	**3,833,141**

The fair value of residential real estate at the end of the reporting period was estimated by indexing the values determined by the Banks internal credit department staff at the time of loan inception for the average increases in residential real estate prices by city and region. The fair value of other real estate and other assets was determined by the Bank’s credit department using the Bank’s internal guidelines.

During 2009, the Bank obtained cash of UAH 110,706 thousand (2008: UAH 66,584 thousand) by taking possession of collateral and subsequent liquidation.

The loans and advances to customers include finance lease receivables, which are analysed as follows:

In thousands of Ukrainian hryvnias	**2009**	**2008**
Gross investment in finance leases, receivable:		
- Not later than 1 year	252,473	218,036
- Later than 1 year and not later than 5 years	210,748	361,917
- Later than 5 years	414	8,995
Less: unearned finance income	(75,854)	(111,888)
Net investment in finance leases	**387,781**	**477,060**

9 Loans and Advances to Customers (Continued)

Net investment in finance leases are analysed as follows:

In thousands of Ukrainian hryvnias	**2009**	**2008**
Net investment in finance leases, receivable:		
- Not later than 1 year	120,846	195,703
- Later than 1 year and not later than 5 years	266,787	276,981
- Later than 5 years	148	4,376
Net investment in finance leases	**387,781**	**477,060**

Refer to Note 33 for the estimated fair value of each class of loans and advances to customers. Geographical, currency, maturity and interest rate analyses of loans and advances to customers are disclosed in Note 29. The information on related party balances is disclosed in Note 35.

10 Investment Securities Available-for-Sale

In thousands of Ukrainian hryvnias	**2009**	**2008**
Ukrainian government bonds	325,379	102,653
Corporate bonds	255,612	664,558
Bank bonds	2,402	119,573
Municipal bonds	12	2,959
Total debt securities	**583,405**	**889,743**
Corporate shares – quoted	-	1,675
Corporate shares – unquoted	15,896	5,696
Total investment securities available-for-sale	**599,301**	**897,114**

As at 31 December 2009 securities available-for-sale with the fair value UAH 11,420 thousand are pledged as collateral under sale and repurchase agreements (2008: UAH 13,888 thousand). Refer to Notes 14, 15 and 31.

Analysis by credit quality of debt securities outstanding at 31 December 2009 is as follows:

In thousands of Ukrainian hryvnias	**Ukrainian govern-ment bonds**	**Corporate bonds**	**Bank bonds**	**Municipal bonds**	**Total**
Neither past due nor impaired					
High Quality Securities	325,379	51,342	-	-	376,721
Medium Quality Securities	-	142,306	-	-	142,306
Low Quality Securities	-	40,822	-	-	40,822
Unrated - short-term financing - up to 1 year	-	-	-	12	12
Total neither past due nor impaired	**325,379**	**234,470**	**-**	**12**	**559,861**
Securities individually determined to be impaired					
1 to 10 days overdue	-	791	-	-	791
181 – 360 days overdue	-	20,351	2,402	-	22,753
Total individually impaired securities	**-**	**21,142**	**2,402**	**-**	**23,544**
Total Investment securities available-for-sale	**325,379**	**255,612**	**2,402**	**12**	**583,405**

10 Investment Securities Available-for-Sale (Continued)

Analysis by credit quality of debt securities outstanding at 31 December 2008 is as follows:

In thousands of Ukrainian hryvnias	Corporate bonds	Ukrainian government bonds	Municipal bonds	Bank bonds	Total
Neither past due nor impaired					
High Quality Securities	290,864	102,653	-	58,631	452,148
Medium Quality Securities	292,237	-	-	-	292,237
Low Quality Securities	55,073	-	-	60,942	116,015
Unrated - short-term financing - up to 1 year	-	-	2,947	-	2,947
Unrated – medium/long term financing - from 1 to 10 years	-	-	12	-	12
Total neither past due nor impaired	**638,174**	**102,653**	**2,959**	**119,573**	**863,359**
Securities individually determined to be impaired					
1 to 10 days overdue	26,384	-	-	-	26,384
Total individually impaired debt securities	**26,384**	**-**	**-**	**-**	**26,384**
Total Investment securities available-for-sale	**664,558**	**102,653**	**2,959**	**119,573**	**889,743**

Disclosure of credit quality is presented in Note 3.

The movements in investment securities available-for-sale are as follows:

In thousands of Ukrainian hryvnias	2009	2008
Carrying amount at 1 January	**897,114**	**691,854**
Purchases of investment securities available-for-sale	1,650,237	4,219,295
Interest income accrued on investment securities available-for-sale	2,778	8,714
Fair value losses less gains recognised in other comprehensive income	(8,853)	(13,934)
Amounts recycled from other comprehensive income and recognised in profit or loss	(1,293)	(11,941)
Impairment of investment securities available-for-sale	(15,564)	(20,096)
Other movements	-	107,253
Gains less losses from disposal of investment securities available- for-sale	1,293	11,941
Disposals of investment securities available-for-sale	(1,926,411)	(4,095,972)
Carrying amount at 31 December	**599,301**	**897,114**

Geographical, currency, maturity and interest rate analyses of investment securities available-for-sale are disclosed in Note 29.

10 Investment Securities Available-for-Sale (Continued)

The Bank reclassified the following financial assets from held for trading category during 2008:

In thousands of Ukrainian hryvnias	**Amount reclassified**	**Cash flows expected to be recovered**	**Effective interest rate**
Reclassified into available-for-sale			
Ukrainian government bonds	107,241	126,930	12.67%
Municipal bonds	12	15	12.73%
Total	**107,253**	**126,945**	

The Bank has retrospectively (since 1 July 2008) reclassified trading securities with the fair value of UAH 107,253 thousand into investment securities available-for-sale in accordance with amendments to IAS 39, approved by the IASB in October 2008. The Bank's management analysed the movement of Ukrainian Stock Market (PFTS) index and bonds' quotations for the reporting period. Starting from 1 July 2008 index was decreasing significantly. Management treated such a decrease as a "rare event" in accordance with the provisions of the new guidance on reclassifications of financial instruments (see Note 5). The decision was also made in order to better reflect the Banks up-to-date intention regarding its portfolio of securities.

At 31 December 2008, the carrying amounts and fair values of all financial assets that have been reclassified from trading securities and which were not yet sold or otherwise derecognised, were as follows:

In thousands of Ukrainian hryvnias	**Carrying value**	**Fair value**
Available-for-sale		
Ukrainian government bonds	107,241	80,981
Municipal bonds	12	12
Total	**107,253**	**80,993**

At 31 December 2009, all the financial assets that have been reclassified from trading securities, were either sold or repaid at maturity.

The fair value gain or loss on these financial assets recognised in profit or loss up to the date of reclassification, income or loss recognised after reclassification, and fair value gain or loss that would have been recognised if the assets had not been reclassified, were as follows:

	The fair value gain/(loss) recognized up to the date of reclassification		**Income recognised after reclassification ***		**Gain/(loss) that would have been recognised if the assets had not been reclassifies**	
In thousands of Ukrainian hryvnias	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
Ukrainian government bonds	-	(6,913)	10,882	6,730	(1,597)	(6,140)
Municipal bonds	-	1	1	1	-	1
Total	**-**	**(6,912)**	**10,883**	**6,731**	**(1,597)**	**(6,139)**

* Income recognised after reclassification comprises interest income.

11 Investments Accounted for Using the Equity Method

The table below summarises the movements in the carrying amount of the Bank's investment in joint ventures.

In thousands of Ukrainian hryvnias	**2009**	**2008**
Carrying amount at 1 January	**81,166**	**120,577**
Additional investment in joint venture	46,762	54,351
Share of loss of joint venture	(5,375)	(48,639)
Recognition of previously unrecognised losses	-	(5,680)
Impairment of investment in joint venture	(59,248)	(39,443)
Carrying amount at 31 December	**63,305**	**81,166**

At 31 December 2009, the Bank's interests in its principal joint ventures and their summarised financial information, including total assets (excluding goodwill), liabilities, revenues and profit or loss for 2009, were as follows:

Name	**Total assets (in UAH thousand)**	**Total liabilities (in UAH thousand)**	**Revenue (in UAH thousand)**	**Loss (in UAH thousand)**	**% of interest held**	**Country of incorporation**
IC AXA Insurance	382,773	(331,348)	358,036	(61,883)	49,674%	Ukraine
IC AXA Ukraine	445,010	(369,489)	377,756	50,246	49,999%	Ukraine
Total	**827,783**	**(700,837)**	**735,792**	**(11,637)**		

At 31 December 2008, the Bank's interests in its principal joint ventures and their summarised financial information, including total assets, liabilities, revenues and loss for the period after acquisition, were as follows:

Name	**Total assets (in UAH thousand)**	**Total liabilities (in UAH thousand)**	**Revenue (in UAH thousand)**	**Loss (in UAH thousand)**	**% of interest held**	**Country of incorporation**
IC AXA Insurance	263,443	(243,856)	257,210	(68,330)	49.63%	Ukraine
IC AXA Ukraine	298,842	(274,365)	297,027	(29,580)	50.00%	Ukraine
Total	**562,285**	**(518,221)**	**554,237**	**(97,910)**		

The Bank and AXA have equal voting rights in the joint venture, but the actual management of activity of the joint venture is carried out by AXA. The Bank and AXA have equal representation in the supervisory boards of each of the individual companies. According to the joint venture contract with AXA, the Bank does not incur any obligation for the excess of losses over net assets of the jointly controlled entity.

11 Investment Accounted for Using Equity Method (Continued)

Assets and liabilities of the joint ventures as at 31 December 2009 and 31 December 2008 are as follows:

In thousands of Ukrainian hryvnias	2009	2008
ASSETS		
Non-current assets		
Premises, leasehold improvements and equipment	39,320	19,528
Deferred tax asset	7,198	24,433
Investment securities available-for-sale	162,714	70,911
Reinsurer’s portion in provisions	21	9
Term deposits in banks	-	800
	209,253	**115,681**
Current assets		
Trading securities	-	31,708
Other assets	103,032	15,440
Reinsurer's portion in provisions	10,195	6,304
Reverse sale and repurchase agreements	10,297	37,518
Term deposits in banks	-	235,711
Due from other banks	471,875	-
Cash and cash equivalents	23,131	119,923
	618,530	**446,604**
Total assets	**827,783**	**562,285**
LIABILITIES		
Non-current liabilities		
Insurance provisions	(2,309)	(2,532)
	(2,309)	**(2,532)**
Current liabilities		
Insurance provisions	(580,611)	(451,110)
Sale and repurchase agreements	(17,186)	-
Other liabilities	(88,653)	(60,414)
Current income tax liability	(12,078)	(4,165)
	(698,528)	**(515,689)**
Total liabilities	**(700,837)**	**(518,221)**

Income and expenses related to Bank's interests in joint ventures are as follows:

In thousands of Ukrainian hryvnias	2009	2008
Net premiums earned	631,709	485,842
Net claims incurred	(329,718)	(258,664)
Other operating income	3,800	2,850
Losses less gains from trading securities	17,388	(5,966)
Gains less losses from trading in foreign currencies	(1,856)	2,300
Losses less gains arising from investment securities available-for-sale	2,082	-
Interest income	100,283	65,545
Impairment provision	5,757	(22,211)
Administrative expenses	(104,605)	(94,518)
Fee and commission expense	(126,179)	(129,669)
Depreciation	(8,401)	(7,447)
Staff costs	(139,747)	(99,316)
Current income tax charge	(45,079)	(34,192)
Deferred taxes	(17,071)	(2,464)
Loss for the period	**(11,637)**	**(97,910)**

12 Premises, Leasehold Improvements, Equipment and Intangible Assets

In thousands of Ukrainian hryvnias	Note	Premises	Lease-hold improve-ments	Office and computer equip-ment	Aircraft and motor vehicles	Construc-tion in progress	Total tangible assets	Intangible assets	Total
Cost at 31 December 2007		861,232	60,957	404,036	44,851	142,318	1,513,394	123,503	1,636,897
Accumulated depreciation		(50,928)	(21,382)	(162,593)	(18,557)	-	(253,460)	(28,742)	(282,202)
Carrying amount at 31 December 2007		**810,304**	**39,575**	**241,443**	**26,294**	**142,318**	**1,259,934**	**94,761**	**1,354,695**
Additions		7	-	158,271	15,832	176,559	350,669	73,006	423,675
Transfers		58,864	12,339	-	-	(71,203)	-	-	-
Disposals		(1,116)	(1,831)	(1,917)	(871)	-	(5,735)	-	(5,735)
Depreciation and amortisation charge	25	(29,887)	(7,905)	(66,338)	(9,515)	-	(113,645)	(26,719)	(140,364)
Carrying amount at 31 December 2008		**838,172**	**42,178**	**331,459**	**31,740**	**247,674**	**1,491,223**	**141,048**	**1,632,271**
Cost at 31 December 2008		917,423	70,395	546,946	57,755	247,674	1,840,193	195,916	2,036,109
Accumulated depreciation		(79,251)	(28,217)	(215,487)	(26,015)	-	(348,970)	(54,868)	(403,838)
Carrying amount at 31 December 2008		**838,172**	**42,178**	**331,459**	**31,740**	**247,674**	**1,491,223**	**141,048**	**1,632,271**
Additions		-	-	114,603	3,961	78,293	196,857	70,545	267,402
Transfers		109,105	7,119	(926)	926	(116,224)	-	-	-
Reclassification to non-current assets held for sale	13	(2,598)	-	-	-	-	(2,598)	-	(2,598)
Disposals		(900)	(4,500)	(4,712)	231	-	(9,881)	(100)	(9,981)
Depreciation and amortisation charge	25	(43,200)	(14,816)	(83,372)	(12,629)	-	(154,017)	(59,653)	(213,670)
Carrying amount at 31 December 2009		**900,579**	**29,981**	**357,052**	**24,229**	**209,743**	**1,521,584**	**151,840**	**1,673,424**
Cost at 31 December 2009		1,006,098	68,312	634,310	59,202	209,743	1,977,665	262,770	2,240,435
Accumulated depreciation		(105,519)	(38,331)	(277,258)	(34,973)	-	(456,081)	(110,930)	(567,011)
Carrying amount at 31 December 2009		**900,579**	**29,981**	**357,052**	**24,229**	**209,743**	**1,521,584**	**151,840**	**1,673,424**

At 31 December 2009 premises, leasehold improvements and equipment include assets totalling UAH 91,271 thousand at cost, which are fully depreciated (2008: UAH 75,958 thousand). These assets are still used by the Bank.

Construction in progress consists mainly of construction and refurbishment of the premises and IT investments.

13 Other Financial and Non-financial Assets

In thousands of Ukrainian hryvnias	**2009**	**2008**
Other financial assets		
Derivative financial instruments	210,922	266,371
Amounts in the course of settlements	58,981	111,446
Receivables on settlements for securities	26,596	979
Accrued income receivable	15,813	16,140
	-	-
Less: Provision for impairment	(119)	(6)
Total other financial assets	312,193	394,930
Other non-financial assets		
Prepaid expenses	35,718	21,981
Inventory	32,736	7,975
Prepayments for premises and equipment	28,192	54,732
Assets held for sale (Note 12)	2,598	-
Other prepayments, sundry debtors and accruals	26,787	16,571
	-	-
Less: Provision for impairment of sundry debtors	(8,335)	(8,651)
Total other non-financial assets	117,696	92,608
Total other financial and non-financial assets	**429,889**	**487,538**

Derivative financial instruments include financial derivatives with the fair value of UAH 210,904 thousand as of 31 December 2009 (31 December 2008: UAH 248,828 thousand), that were separated from the UAH denominated finance lease contracts which require the lessee to compensate the Group in the case of UAH depreciation against USD, CHF and EUR, as well as financial derivatives separated from indexed loans. Refer to Notes 4 and 32.

Assets held for sale comprise of premises owned by Bank. Management approved a plan to sell premises with the book value of UAH 2,598 thousand and the fair value of 3,791 UAH thousand in December 2009.

The Bank actively markets these assets and expects the sale to complete by April 2010.

In thousands of Ukrainian hryvnias	**2009**		**2008**	
	non-financial	*financial*	*non-financial*	*financial*
Provision for impairment at 1 January	**8,651**	**6**	**6,679**	**2,156**
Provision (recovery of) for impairment of sundry debtors during the year	5,120	2,725	4,694	(2,150)
Amounts written off during the year as uncollectible	(5,436)	(2,612)	(2,722)	-
Provision for impairment at 31 December	**8,335**	**119**	**8,651**	**6**

Geographical, currency and maturity analyses of other assets are disclosed in Note 29. The information on related party balances is disclosed in Note 35.

14 Due to Other Banks

In thousands of Ukrainian hryvnias	**2009**	**2008**
Loans received from other banks	14,740,133	21,790,203
Amounts payable under repurchase agreements	10,023	-
Correspondent accounts and overnight placements of other banks	49,954	391,439
Guarantees deposits of other banks	1,167	2,873
Total due to other banks	**14,801,277**	**22,184,515**

At 31 December 2009 amounts due to other banks of UAH 10,023 thousand are effectively collateralised by securities sold under sale and repurchase agreements at a fair value of UAH 10,491 thousand. Refer to Notes 10, 31.

As at 31 December 2009 loans received from other banks totalling UAH 92,808 thousand (2008: UAH 76,238 thousand) represent long-term loans received from foreign banks for the purposes of financing purchase of import equipment by the Bank's customers.

Included in loans received from other banks as at 31 December 2009 are loans received from parent company BNP Paribas Paris and its related entities in the amount of UAH 13,556,257 thousand (2008: 19,481,507 thousand).

Refer to Note 33 for the disclosure of the fair value of each class of amounts due to other banks Geographical, currency, maturity and interest rate analyses of due to other banks are disclosed in Note 29. Information on related party balances is disclosed in Note 35.

15 Customer Accounts

In thousands of Ukrainian hryvnias	**2009**	**2008**
Legal entities		
- Current/settlement accounts	2,651,370	2,775,959
- Term deposits	1,582,806	4,157,450
Individuals		
- Current/demand accounts	5,238,085	2,880,860
- Term deposits	4,708,779	5,205,184
Total customer accounts	**14,181,040**	**15,019,453**

As at 31 December 2009 included in term deposits of legal entities are liabilities of UAH 938 thousand (2008: UAH 25,887 thousand) from sale and repurchase agreements. As at 31 December 2009 securities sold under sale and repurchase agreements were corporate bonds with a fair value of UAH 929 thousand (2008: UAH 26,092 thousand). Refer to Notes 10 and 31.

15 Customer Accounts (Continued)

Economic sector concentrations within customer accounts are as follows:

In thousands of Ukrainian hryvnias	**2009** Amount	**2009** %	**2008** Amount	**2008** %
Individuals	9,946,864	70	8,086,044	54
Commerce and trade	1,838,833	13	2,713,632	18
Transport and communication	1,261,351	9	2,257,911	15
Manufacturing	619,246	4	1,432,243	10
Financial service	396,214	3	435,966	3
Cultural and education services	78,134	1	57,244	0
Other	40,398	0	36,413	0
Total customer accounts	**14,181,040**	**100**	**15,019,453**	**100**

At 31 December 2009 the aggregate balance on accounts of top 10 customers of the Bank was UAH 1,201,515 thousand (2008: UAH 3,103,271 thousand) or 8% (2008: 21%) of total customer accounts.

At 31 December 2009 included in customer accounts are balances totaling UAH 673,678 thousand (2008: UAH 2,891,465 thousand) placed by customers as collateral for loans to customers totaling UAH 949,011 thousand (2008: UAH 2,880,832 thousand) and commitments under guarantees, promissory note endorsements and letters of credit totalling UAH 9,681 thousand (2008: UAH 10,633 thousand). Refer to Notes 9 and 31.

Refer to Note 33 for the disclosure of the fair value of each class of customer accounts. Geographical, currency, maturity and interest rate analyses of customer accounts are disclosed in Note 29. Information on related party balances is disclosed in Note 35.

16 Due to the National Bank of Ukraine

In thousands of Ukrainian hryvnias	**2009**	**2008**
Short-term loans	805,869	-
Total due to the National Bank of Ukraine	805,869	**-**

In accordance with the loan agreement with NBU, UkrSibbank received short term refinancing facility with the limit of UAH 1,000,000 thousand in two tranches of UAH 620,000 thousand on 18 March 2009 and of UAH 380,000 thousand in June 2009. This facility has nominal rate of 16.5% per annum and maturity of 5 March 2010. Amounts due to NBU are collateralised by loans to customers. Refer to Notes 9 and 31.

Refer to Note 33 for the disclosure of the fair value of amounts due to the National Bank of Ukraine. Interest rate analysis of amounts due to the National Bank of Ukraine is disclosed in Note 29.

The Bank repaid the amount due to the National Bank of Ukraine at maturity. Refer to Note 37.

17 Domestic Debt Securities in Issue

Under the terms of bonds issue, the holders of the bonds have the right to present the bonds for early redemption at par. In January 2009 the Bank early repaid G series domestic bonds with the par value of UAH 50,000 thousand.

Refer to Note 33 for the disclosure of the fair value of each class of debt securities in issue. Currency, maturity and interest rate analyses of domestic debt securities in issue are disclosed in Note 29.

18 Eurobonds Issued

In thousands of Ukrainian hryvnias	**2009**	**2008**
LPN with maturity in July 2010 (HSBC Bank PLC)	1,646,798	1,585,118
LPN with maturity in December 2011 (HSBC Bank PLC)	3,992,469	3,847,518
LPN with maturity in August 2011 (MTN Finance)	2,059,150	1,981,240
Total Eurobonds in issue	**7,698,417**	**7,413,876**

During 2009 the Bank did not issue or repay Eurobonds. Difference in book value of Eurobonds between 2009 and 2008 is due to the UAH/USD exchange rate movement and interest amortisation.

In July 2008 the Bank issued Eurobonds in the form of loan participation notes with a par value of USD 250,000 thousand (UAH 1,210,700 thousand at the exchange rate at the time of issue). The bonds carry a fixed coupon rate of 9.25% per annum, effective interest rate of 9.3593% per annum and mature in August 2011. The Eurobonds are listed on the Luxembourg Stock Exchange.

In July 2008 the Bank repaid Eurobonds in the form of loan participation notes with a par value of USD 125,000 thousand (UAH 605,262 thousand at the exchange rate at the time of repayment).

Eurobonds of the Bank are listed on London or Luxembourg Stock Exchanges, depending upon the type of issue.

Refer to Note 33 for disclosure of the fair value of Eurobonds issued. Geographical, currency, maturity and interest rate analyses of Eurobonds issued are disclosed in Note 29.

19 Syndicated Loans and Other Borrowed Funds

Lender	Currency	Date of contract	Date of maturity	Interest rate 2009, %	Interest rate 2008, %	Balance outstanding, UAH thousand 2009	2008
Syndicated loans:							
Bayerische Landesbank	USD	25 May 2007	15 May 2009	2.8-4.73	3.59	-	1,928,384
Bayerische Landesbank	USD	26 October 2007	16 October 2009	2.8-3.6	4.73	-	618,659
Total syndicated loans						**-**	**2,547,043**
EBRD	USD	28 March 2008	4 April 2013	6.12	4.6-6.15	401,433	386,497
Intesa Soditic Trade Finance Limited	USD	28 February 2008	2 March 2009	4.50	4.50	-	15,985
State Mortgage Institution	UAH	01 June 2006	26 March 2038	13.50	-	23,839	-
Total syndicated loans and other borrowed funds						**425,272**	**2,949,525**

In March 2008 UkrSibbank received a loan from INTESA SODITIC TRADE FINANCE LIMITED of USD 2,000 thousand (equivalent of UAH 10,100 thousand at the exchange rate at the date of receipt) with the rate 4.5% per annum. This loan was repaid by the Bank in March 2009.

In May 2009 the Bank repaid a syndicated loan of Bayerische Landesbank with par value of USD 250,000 thousand (UAH 1,905,875 thousand at the exchange rate at the time of repayment).

In October 2009 the Bank fully repaid a second syndicated loan of Bayerische Landesbank with par value of USD 80,000 thousand (UAH 638,400 thousand at the exchange rate at the time of repayment).

In accordance with loan agreement with European Bank for Reconstruction and Development (EBRD), UkrSibbank received the loan of USD 50,000 thousand by three tranches of USD 10,000 thousand at 28 March 2009, of USD 15,000 thousand at 29 July 2008 and of USD 25,000 thousand at 12 November 2008. Since April 2009 all conditions for tranches are equal and the given loans are considered by the counterparties as one loan.

The loan from the State Mortgage Institution is used to refinance the mortgage loans of private individuals. As at 31 December 2009, the loan from the State Mortgage Institution is collateralized by loans to customers in the amount of UAH 23,931 thousand. Refer to Notes 9 and 31.

Refer to Note 33 for the disclosure of syndicated loans and other borrowed funds. Interest rate analyses of syndicated loans and other borrowed funds are disclosed in Note 29. Information on balances of related parties is disclosed in Note 35.

20 Provisions for Liabilities and Charges and Other Liabilities

In thousands of Ukrainian hryvnias	**2009**	**2008**
Accrued expenses on professional services	31,658	33,635
Payables for purchased premises and equipment	13,411	19,455
Present value of minimum finance lease payments	6,190	8,612
Funds in settlements	4,068	9,690
Derivative financial instruments	2,622	4,416
Provision for losses on credit related commitments	2,231	5,572
Settlements for securities transactions	1,249	7,134
Total other financial liabilities	**61,429**	**88,514**
Accrued employee benefit costs	78,586	151,285
Payables to Individuals Deposits Guarantee Fund	10,862	9,127
Taxes payable other than income tax	9,457	7,431
Other	34,718	30,070
Total other non-financial liabilities	**133,623**	**197,913**
Total provision for liabilities and charges and other liabilities	**195,052**	**286,427**

During 2008, the Bank accrued bonuses for the amount of UAH 72,809 thousand, and included them in accrued employee benefit costs as at 31 December 2008 and staff costs for 2008. In May 2009, due to the current economic situation the Supervisory Board of the Bank took a decision to cancel the bonus for 2008. The decision was communicated to the Board of Directors in June 2009. The bonus was reversed in 2009 as a credit to staff costs. Refer to Note 25.

21 Subordinated Debt

Issuer	Currency	Year of issue	Year of maturity	Interest rate, %	2009	2008
BNP Paribas	USD	2007	2009	8.75	-	38,074
BNP Paribas	USD	2007	2009	8.75	-	70,070
BNP Paribas	USD	2007	2013	8.62	530,424	155,541
BNP Paribas	USD	2007	2013	6.68	281,742	157,424
BNP Paribas	USD	2006	2016	8.75	389,254	314,848
BNP Paribas	USD	2007	2017	8.75	244,891	375,338
BNP Paribas	USD	2007	2011	8.75	163,260	236,136
BNP Paribas	USD	2007	2011	8.75	163,260	511,463
BNP Paribas	CHF	2007	2012	8.75	326,521	265,608
BNP Paribas	USD	2008	2014	7.40	162,753	156,944
EBRD	USD	2009	2019	15.24	409,582	-
EBRD	USD	2009	2019	15.16	401,230	-
Total subordinated debt					**3,072,917**	**2,281,446**

In April 2009 UkrSibbank repaid subordinated debts from BNP PARIBAS PARIS of USD 4,500 thousand and of USD 9,000 thousand (total equivalent of UAH 108,144 thousand at the exchange rate at the dates of repayment).

In October and November 2009 the Bank received two tranches of subordinated debt from European Bank for Reconstruction and Development of a total amount of USD 100,000 thousand and maturity date in 2019. Refer to Note 33 for the disclosure of the fair value of subordinated debt. Geographical, currency, maturity and interest rate analyses of subordinated debt are disclosed in Note 29. Information on related party balances is disclosed in Note 35.

22 Share Capital

In thousands of Ukrainian hryvnias	**Number of outstanding shares, thousands**	**Nominal amount**	**Inflation adjusted amount**
Shares issued and fully paid as at 31 December 2007	**51,500,000**	**2,575,000**	**3,518,684**
New shares issued, fully paid and registered	28,600,000	1,430,000	1,430,000
Transfer of monetary loss	-	-	(943,684)
Shares issued and fully paid as at 31 December 2008	**80,100,000**	**4,005,000**	**4,005,000**
New shares issued, fully paid and registered	25,500,000	1,275,000	1,275,000
Shares issued and fully paid as at 31 December 2009	**105,600,000**	**5,280,000**	**5,280,000**

At 31 December 2009 all of the Company's outstanding shares were authorised, issued and fully paid.

All ordinary shares have a nominal value of UAH 0.05 per share (31 December 2008: UAH 0.05 per share), rank equally and each share carries one vote.

On 19 September 2007 the shareholders of the Company took a decision to issue 10 billion shares totalling UAH 500,000 thousand. The placement of shares commenced on 21 December 2007 and was completed on 10 January 2008. All shares were fully paid by the end of January 2008. The shareholders meeting of 11 January 2008 approved the results of the new share issue and decided to make the respective changes to the Company's Charter. On 29 February 2008 the National Bank of Ukraine registered the respective changes in the Company's Charter.

On 14 March 2008 the shareholders of the Company took a decision to issue 18.6 billion shares totalling UAH 930,000 thousand. The placement of shares commenced on 28 April 2008 and was completed on 14 May 2008. All shares were fully paid by the end of May 2008. The shareholders meeting of 15 May 2008 approved the results of the new share issue and decided to make the respective changes to the Company's Charter. On 17 July 2008 the National Bank of Ukraine registered the respective changes in the Company's Charter.

On 12 February 2009 the shareholders of the Company took a decision to issue 25.5 billion shares totalling UAH 1,275,000 thousand. The placement of shares commenced on 9 April 2009 and was completed on 27 April 2009. All shares were fully paid by the end of April 2009. The shareholders meeting of 28 April 2009 approved the results of the new share issue and decided to make the respective changes to the Company's Charter. On 4 June 2009 the National Bank of Ukraine registered the respective changes in the Company's Charter.

The structure of the Bank's shareholders changed during 2009. Since 28 April 2009 BNP Paribas SA (France) owns 81.42% of the Bank's shares, CJSC "Ukrainian Metallurgy Company" owns 18.57% of the Bank's shares; and the shares totalling less than 0.01% of shares are owned by other shareholders.

Transfer of monetary loss. During years of hyperinflation, entities preparing IFRS accounts were required to make appropriate adjustments to share capital to reflect the measuring unit current at the respective reporting dates. Upon cessation of hyperinflation, the amounts expressed in the measuring unit current at the end of the previous reporting period are treated as the basis for the carrying amounts in the entity's subsequent financial statements. As a consequence, share capital is no longer carried at, nor does it reflect, statutory (historic cost) share capital as registered with local regulatory and filing authorities. In 2008, the Bank's management approved a resolution to transfer from retained earnings to share capital the monetary loss recognised in previous years on restatement of share capital without any changes in net assets. Such transaction is reflected only in the IFRS financial statements as a transfer between retained earnings and share capital, and did not affect the statutory amount of share capital.

Other reserves. In accordance with Ukrainian legislation, UkrSibbank distributes profits or transfers them to reserves (fund accounts) on the basis of financial statements prepared in accordance with Ukrainian Accounting Rules. The UkrSibbank's reserves (unaudited) under Ukrainian Accounting Rules at 31 December 2009 are UAH 862,022 thousand (31 December 2008: UAH 444,388 thousand). The reserves under Ukrainian Accounting Rules are different from the respective amount disclosed in these consolidated financial statements as accumulated deficit, mainly because of the different approaches to the recognition of impairment losses on loans to customers."

23 Interest Income and Expenses

In thousands of Ukrainian hryvnias	**2009**	**2008**
Interest income		
Loans and advances to individuals	2,902,026	2,809,281
Loans and advances to corporate customers	2,384,881	1,914,914
Interest income on impaired financial assets	531,737	19,224
Debt securities	145,132	128,776
Finance lease receivables	80,937	80,096
Due from other banks	53,068	68,042
Total interest income	**6,097,781**	**5,020,333**
Interest expense		
Due to other banks	1,210,090	1,061,630
Eurobonds issued	610,932	352,184
Term deposits of individuals	570,023	560,234
Current/settlement accounts	528,203	212,328
Term deposits of legal entities	315,891	346,672
Syndicated loans and other borrowed funds	244,736	148,393
Subordinated debt	203,748	128,788
Due to the National Bank of Ukraine	105,840	13,235
Finance leases	5,130	2,134
Domestic debt securities in issue	320	47,614
Total interest expense	**3,794,913**	**2,873,212**
Net interest income	**2,302,868**	**2,147,121**

Information on interest income and expense from transactions with related parties is disclosed in Note 35.

24 Fee and Commissions Income

In thousands of Ukrainian hryvnias	**2009**	**2008**
Fee and commission income		
Fee and commission income in respect of financial instruments not at fair value through profit or loss:		
- Cash and settlement transactions	370,154	340,312
- Trade finance operations	59,829	54,987
- Agency fees	50,051	58,365
- Foreign exchange transactions	44,764	50,014
- Transactions with securities	13,339	17,065
- Fiduciary activities	1,329	1,663
- Underwriting	512	-
- Other fee and commission income	5,746	7,556
Total fee and commission income	**545,724**	**529,962**
Fee and commission expense		
Fee and commission expense in respect of financial instruments not at fair value through profit or loss:		
- Settlement transactions	36,166	29,356
- Other	19,620	10,547
Total fee and commission expense	**55,786**	**39,903**
Net fee and commission income	**489,938**	**490,059**

Information on fee and commission income from transactions with related parties is disclosed in Note 35

25 Administrative and Other Operating Expenses

In thousands of Ukrainian hryvnias	**2009**	**2008**
Staff costs	925,580	1,009,463
Depreciation and amortisation of premises, leasehold improvements, equipment and intangible assets (Note 12)	213,670	140,364
Maintenance of premises and equipment	148,223	120,435
Rent	134,078	139,490
Mail and telecommunication	71,912	69,074
Individuals Deposits Guarantee Fund	41,801	34,377
Security services	39,941	31,553
Taxes other than on income	36,453	32,053
Professional services	35,794	75,428
Advertising and marketing services	29,198	65,434
Business trip expenses	13,250	19,027
Insurance of property and equipment	10,840	7,117
Provision for impairment of sundry debtors (Note 13)	7,845	2,544
Charity	1,708	1,543
Other	74,823	90,067
Total administrative and other operating expenses	**1,785,116**	**1,837,969**

Included in staff costs are statutory social security and pension contributions of UAH 218,750 thousand (2008: UAH 213,245 thousand).

Pension contributions are made into State pension fund which is a defined contribution plan and amounted to UAH 197,570 thousand in 2009 (2008: UAH 193,173 thousand).

During 2008, the Bank accrued bonuses for the amount of UAH 72,809 thousand, and included them in accrued employee benefit costs as at 31 December 2008 and staff costs for 2008. In May 2009, due to the current economic situation the Supervisory Board of the Bank took a decision to cancel the bonus for 2008. The decision was communicated to the Board of Directors in June 2009. The bonus was reversed in 2009 as a credit to staff costs. Refer to Note 20.

Information on administrative and other operating expenses from transactions with related parties is disclosed in Note 35.

26 Income Taxes

In thousands of Ukrainian hryvnias	**2009**	**2008**
Current tax	5	214,883
Deferred tax	(967,983)	(506,141)
Income tax credit for the year	**(967,978)**	**(291,258)**

The income tax rate applicable to the Company's income is 25% (2008: 25%). The income tax rate applicable to the subsidiaries' income is 25% (2008: 25%), except for income arising from investment funding activities which was taxed at 0% rate (2008: income arising from investment funding activities which was taxed at 0% rate). A reconciliation between the expected and the actual taxation charge is provided below.

In thousands of Ukrainian hryvnias	**2009**	**2008**
Loss profit before tax	**(3,823,788)**	**(1,206,521)**
Theoretical tax (credit)/charge at statutory rate (2009: 25%; 2008: 25%)	(955,947)	(301,630)
Indexation tax base of fixed assets	(35,938)	(7,453)
Non-deductible expenses	23,649	18,978
Income taxed at different rates	258	(1,153)
Income tax credit for the year	**(967,978)**	**(291,258)**

During 2009 a deferred tax asset of UAH 2,521 thousand (2008: UAH 6,470 thousand) has been recorded in other comprehensive income in respect of the fair valuation of investment securities available-for-sale.

Differences between IFRS and taxation regulations in Ukraine and other countries give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below and is recorded at the rate of 25% (2008: 25%).

26 Income Taxes (Continued)

In thousands of Ukrainian hryvnias	**31 December 2008**	**Movement recognised directly in other compre-hensive income**	**Movement recognised in profit or loss**	**31 December 2009**
Tax effect of deductible temporary differences				
Remeasurement of financial instruments at amortised cost	39,180	-	(11,571)	27,609
Trading securities, investment securities available-for-sale and investments accounted for using the equity method	7,005	2,521	(9,076)	450
Provision for loan impairment	339,537	-	336,542	676,079
Provision for credit related commitments	1,393	-	(835)	558
Other liabilities	46,600	-	(13,811)	32,789
Other assets	4,224	-	(4,224)	-
Accrued interest expense	-	-	2,508	2,508
Accrued interest income	37,108	-	196,852	233,960
Tax losses carried forward	-	-	444,583	444,583
Gross deferred tax asset	**475,047**	**2,521**	**940,968**	**1,418,536**
Less offsetting with deferred tax liabilities	*(38,142)*	-	*30,676*	*(7,466)*
Recognised deferred tax asset	**436,905**	**2,521**	**971,644**	**1,411,070**
Tax effect of taxable temporary differences				
Premises, leasehold improvements and equipment	(38,384)	-	27,128	(11,256)
Other assets	-	-	(1,049)	(1,049)
Accrued interest income	(936)	-	936	-
Gross deferred tax liability	**(39,320)**	**-**	**27,015**	**(12,305)**
Less offsetting with deferred tax assets	*38,142*	-	*(30,676)*	*7,466*
Recognised deferred tax liability	**(1,178)**	**-**	**(3,661)**	**(4,839)**

Tax losses under Ukrainian legislation can be carried forward for indefinite period of time. Refer to Note 4.

26 Income Taxes (Continued)

In the context of the Bank's current structure, tax losses and current tax assets of different companies may not be offset against current tax liabilities and taxable profits of other companies and, accordingly, taxes may accrue even where there is a consolidated tax loss. Therefore, deferred tax assets and liabilities are offset only when they relate to the same taxable entity.

In thousands of Ukrainian hryvnias	**31 December 2007**	**Movement recognised directly in other comprehensive income**	**Movements recognised in profit or loss**	**31 December 2008**
Tax effect of deductible temporary differences				
Remeasurement of financial instruments at amortised cost	-	-	39,180	39,180
Trading securities, investment securities available-for-sale and investments accounted for using the equity method	-	6,470	535	7,005
Provision for loan impairment	-	-	339,537	339,537
Provision for credit related commitments	-	-	1,393	1,393
Other liabilities	37,170	-	9,430	46,600
Other assets	464	-	3,760	4,224
Accrued interest expense	2,182	-	(2,182)	-
Accrued interest income	-	-	37,108	37,108
Gross deferred tax asset	**39,816**	**6,470**	**428,761**	**475,047**
Less offsetting with deferred tax liabilities	(32,368)	-	(5,774)	(38,142)
Recognised deferred tax asset	**7,448**	**6,470**	**422,987**	**436,905**
Tax effect of taxable temporary differences				
Premises, leasehold improvements and equipment	(29,384)	-	(9,000)	(38,384)
Trading securities, investment securities available-for-sale and investments accounted for using the equity method	(5,576)	-	5,576	-
Remeasurement of financial instruments at amortised cost	(2,211)	-	2,211	-
Provision for loan impairment	(62,311)	-	62,311	-
Provision for credit related commitments	(12,836)	-	12,836	-
Accrued interest income	(4,382)	-	4,382	-
Accrued interest expense	-	-	(936)	(936)
Gross deferred tax liability	**(116,700)**	**-**	**77,380**	**(39,320)**
Less offsetting with deferred tax assets	32,368	-	5,774	38,142
Recognised deferred tax liability	**(84,332)**	**-**	**83,154**	**(1,178)**

27 Earnings per Share

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year. The Company has no dilutive potential ordinary shares; therefore, the diluted earnings per share equal the basic earnings per share.

In thousands of Ukrainian hryvnias	**2009**	**2008**
Loss attributable to equity holders of the Company	(2,864,379)	(913,538)
Weighted average number of ordinary shares in issue (thousands)	97,426,027	72,966,120
Basic and diluted loss per share (expressed in UAH per share)	**(0.0294)**	**(0.0125)**

28 Segment Analysis

Starting from 1 January 2009, the Bank prepares its segment analysis in accordance with IFRS 8, 'Operating segments' requirements which replace IAS 14, 'Segment reporting'.

Operating segments under IFRS 8 are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM) and for which discrete financial information is available. The CODM is the person or group of persons who allocates resources and assesses the performance for the entity. The functions of CODM are performed by the ***Board of Directors*** (management board) of the Bank.

(a) Description of products and services from which each reportable segment derives its revenue

The Bank is organised on a basis of the main business segments as follows:

- Corporate banking – representing current accounts of large legal entities, deposits, overdrafts, card accounts, loan and other credit facilities, foreign currency and trading finance products. The main principle for allocation of clients to the corporate segment is the amount of their annual income (more than UAH 75 million).
- Retail banking – small and medium enterprises, private entrepreneurs and individuals – includes the same types of products as for Corporate banking and accounts of private entrepreneurs and individuals including accounts for personal use, savings, deposits, credit and debit cards, consumer loans and mortgages.
- Private banking – includes individuals with the same types of products as retail banking that make an agreement with the bank on using special services.
- Investment banking – includes financial instruments trading, debt and equity capital markets, securities, foreign exchange and banknote trading and corporate finance.
- Head office – representing cash, correspondent account with the NBU, fixed assets, deferred tax asset, prepayments and receivables for administrative purposes.

(b) Factors that management used to identify the reportable segments

The Group's segments are strategic business units that focus on different customers. Segment financial information reviewed by the CODM does not include the financial information of the Bank's subsidiaries.

28 Segment Analysis (Continued)

(c) Measurement of operating segment profit or loss, assets and liabilities

Segment assets and liabilities comprise operating assets and liabilities, being the majority of the statement of financial position, but excluding taxation. Segment amounts of loans to customers, interbank loans, deposits from customers, borrowings do not include accrued interest.

The amount of investments in joint ventures accounted for using the equity method is not included into the measure of reportable segment assets. Refer to Note 11.

Transactions between the business segments are on normal commercial terms and conditions. Funds are ordinarily reallocated between segments, resulting in funding cost transfers disclosed in operating income. Interest charged for these funds is based on the Bank's cost of capital. Internal charges and transfer pricing adjustments have been reflected in the performance of each business segment. There are no other material items of income or expense between the business segments.

Items of business segments in the segment reporting are based on management accounting data, where the allocation procedure is implanted.

Allocation of Head office operating income principles: all operating incomes of Head office, which can not be directly related to business segments, are allocated among them. Head office operating income includes net transfer result of Head office and other commission incomes. The range of these items can vary. The basis for allocation of Head office operating income is the share of the each segment in total assets and liabilities.

Assets and liabilities are considered to be relatively stable items. Assets of Corporate banking, Retail and Private banking are mainly represented by loans to customers. Liabilities of Retail, Private banking are mainly represented by customer funds and post-import financing for Corporate banking. Own debt securities and borrowings are considered to be Investment banking liabilities.

Allocation of expenses of Support departments: all supporting departments incur expenses (salary and operating expense), which are allocated to Business line according to certain parameters. These parameters are defined separately for every department and depend on share of provided services to each segment. The biggest share of allocated expenses falls to Retail banking. These allocations include:

- Head office expenses (mobile communication, postage expenses, expenses on stationary, maintenance of computer equipment, property damage insurance fees, tax on land);
- support of intangible assets (SAP, other IT), rent of premises, utility (communal) services, expenses on buildings maintenance, telephone communications, organization of channels for telephone communications; and
- depreciation of fixed assets and intangible assets, and other items.

Fixed assets are included in Head office segment, while depreciation of fixed assets and intangible assets are mainly included in Retail banking resulting in an asymmetrical allocation.

28 Segment Analysis (Continued)

(d) Information about reportable segment profit or loss, assets and liabilities

Segment information for the main reportable segments of the Bank for the year ended 31 December 2009 is set out below:

In thousands of Ukrainian hryvnias	Corporate banking	Private Banking	Retail	Investment banking	Head office	Eliminations	Total
2009							
External revenues	2,348,517	49,844	3,955,144	233,026	7,388	-	6,593,919
Revenues from other segments	-	199,589	-	2,175,507	965,643	(3,340,739)	-
Total segment revenues	**2,348,517**	**249,433**	**3,955,144**	**2,408,533**	**973,031**	**(3,340,739)**	**6,593,919**
Total segment revenues comprise:							
Interest income	2,178,880	244,372	3,600,440	2,380,090	969,302	(3,340,739)	6,032,345
Fee and commission income	169,637	5,061	354,704	28,443	3,729	-	561,574
Total segment revenues	**2,348,517**	**249,433**	**3,955,144**	**2,408,533**	**973,031**	**(3,340,739)**	**6,593,919**
Trade result	-	2,077	25	183,006	118,743	-	303,851
Allocation of non-business operating income/(loss)	91,758	15,583	186,165	157,426	(450,932)	-	-
Interest expenses	(1,326,315)	(242,855)	(2,673,469)	(2,344,081)	(522,354)	3,340,739	(3,768,335)
Fee and commission expenses	(11,966)	(10,818)	(67,383)	(7,303)	-	-	(97,470)
Other operating income/expenses	-	-	-	-	5,814	-	5,814
Operating expenses - direct and allocated	(177,364)	(32,305)	(1,464,536)	(93,266)	(696)	-	(1,768,167)
Segment gross operating income/(loss)	**924,630**	**(18,885)**	**(64,054)**	**304,315**	**123,606**	**-**	**1,269,612**
Cost of risk	(1,650,546)	(44,738)	(3,225,955)	(125,186)	(5,118)	-	(5,051,543)
Segment result	**(725,916)**	**(63,623)**	**(3,290,009)**	**179,129**	**118,488**	**-**	**(3,781,931)**
Total segment assets	**11,270,389**	**234,687**	**23,594,772**	**2,038,200**	**6,175,188**	**(341,333)**	**42,971,903**
of which loans to customers	14,173,812	291,824	28,789,377	-	-	-	43,255,013
of which interbank loans and securities	-	-	-	2,045,206	-	-	2,045,206
Total segment liabilities	**2,683,658**	**2,390,368**	**9,264,051**	**26,415,503**	**302,374**	**-**	**41,055,954**
of which deposits from customers	2,575,623	2,378,134	9,148,593	24	-	-	14,102,374
of which borrowings	92,210	-	23,832	25,826,277	-	-	25,942,319

The Bank’s revenues are analysed by products and services in Note 23 (interest income) and Note 24 (fee and commissions income).

The amounts of additions to non-current assets, other than financial instruments and deferred tax assets, are not included in the measure of segment assets reviewed by the CODM neither otherwise regularly provided to the CODM.

28 Segment Analysis (Continued)

Segment information for the main reportable segments of the Bank for the year ended 31 December 2008 is set out below:

In thousands of Ukrainian hryvnias	**Corporate banking**	**Private Banking**	**Retail**	**Investment banking**	**Head office**	**Elimina-tions**	**Total**
2008							
External revenues	1,880,036	45,816	3,332,379	230,552	4,156	-	5,492,939
Revenues from other segments	-	119,077	-	1,527,009	631,858	(2,277,944)	-
Total segment revenues	**1,880,036**	**164,893**	**3,332,379**	**1,757,561**	**636,014**	**(2,277,944)**	**5,492,939**
Total segment revenues comprise:							
Interest income	1,720,531	158,103	2,989,468	1,722,082	631,858	(2,277,944)	4,944,098
Fee and commission income	159,505	6,790	342,911	35,479	4,156	-	548,841
Total segment revenues	**1,880,036**	**164,893**	**3,332,379**	**1,757,561**	**636,014**	**(2,277,944)**	**5,492,939**
Trade result	4,515	3,214	2,900	401,353	392,542	-	804,524
Allocation of non-business operating income/(loss)	126,663	16,987	250,368	241,996	(636,014)	-	-
Interest expenses	(1,047,468)	(183,505)	(2,176,005)	(1,711,696)	-	2,277,944	(2,840,730)
Fee and commission expenses	(9,309)	(8,089)	(47,869)	(8,788)	-	-	(74,055)
Other operating income/expenses	-	-	-	-	257	-	257
Operating expenses - direct and allocated	(163,984)	(26,789)	(1,518,091)	(92,000)	2,247	-	(1,798,617)
Segment gross operating income/(loss)	**790,453**	**(33,289)**	**(156,318)**	**588,426**	**395,046**	**-**	**1,584,318**
Cost of risk	(1,117,165)	(10,363)	(1,562,694)	(36)	(2,504)	-	(2,692,762)
Segment result	**(326,712)**	**(43,652)**	**(1,719,012)**	**588,390**	**392,542**	**-**	**(1,108,444)**
Total segment assets	**15,429,860**	**546,516**	**30,797,890**	**1,762,067**	**5,245,627**	**(294,910)**	**53,487,050**
of which loans to customers	16,806,791	560,813	33,057,843	-	-	-	50,425,447
of which interbank loans and securities	-	-	-	1,703,922	-	-	1,703,922
Total segment liabilities	**5,410,732**	**2,039,729**	**7,687,691**	**34,406,730**	**329,171**	**-**	**49,874,053**
of which deposits from customers	5,260,238	2,019,367	7,529,184	1,845	-	-	14,810,634
of which borrowings	104,584	-	-	33,767,120	-	-	33,871,704

28 Segment Analysis (Continued)

(e) Reconciliation of reportable segment revenues, profit or loss, assets and liabilities

Reportable segments' assets are reconciled to total assets as follows:

In thousands of Ukrainian hryvnias	31 December 2009	31 December 2008
Total segment assets	**42,971,903**	**53,487,050**
Of which loans to customers	43,255,013	50,425,447
Provisions for loan impairment	(9,085,785)	(4,045,636)
Deferred commissions	(162,910)	(219,100)
Accrued interest	1,001,889	590,486
Consolidation adjustments	19,355	169,492
Other IFRS adjustments	59,994	2,409
Loans and advances to customers	**(35,087,556)**	**(46,923,098)**
Consolidation adjustments	185,489	373,280
Other reconciling items	151,327	65,232
Total assets	**43,308,719**	**53,925,562**

Reportable segments' liabilities are reconciled to total liabilities as follows:

In thousands of Ukrainian hryvnias	31 December 2009	31 December 2008
Total segment liabilities	**41,055,954**	**49,874,053**
Of which deposits from customers	14,102,374	14,810,634
Accrued interest	117,416	207,664
Consolidation adjustments	(40,398)	(8,193)
Other IFRS adjustments	1,648	9,348
Customer accounts	**(14,181,040)**	**(15,019,453)**
Of which borrowings	25,942,319	33,871,704
Accrued interest	549,781	578,646
Post-import financing and State Mortgage Institution financing (not including accrued interest)	116,042	104,583
Consolidation adjustments	318,002	416,792
Other IFRS adjustments	(122,392)	(142,363)
Borrowings	**(26,803,752)**	**(34,829,362)**
Consolidation adjustments	258,401	429,394
Other reconciling items	(129,661)	(89,892)
Total liabilities	**41,184,694**	**50,213,555**

Reconciling items for assets and liabilities relate to the differences between segment information and consolidated financial statements because of the timing of impairment recognition and the presentation of certain balances on a gross basis in segment information (swap agreements, transit accounts).

28 Segment Analysis (Continued)

A reconciliation of segment result to total loss for the year 2009 is provided as follows:

In thousands of Ukrainian hryvnias	Total segment revenues	Trade result	Interest expenses	Fee and commis-sion expenses	Other opera-ting income/ expen-ses	Operating expenses - direct and allocated	**Segment gross operating income**	Cost of risk	**Total result**
Segment result	6,593,919	303,851	(3,768,335)	(97,470)	5,814	(1,768,167)	1,269,612	(5,051,543)	(3,781,931)
Consolidation	51,319	42,012	(29,801)	(117)	5,345	(22,769)	45,989	(48,610)	(2,621)
IDGFE	-	-	-	41,801	-	(41,801)	-	-	-
Other operating income/expenses	(14,926)	-	-	-	22,028	(7,102)	-	-	-
Other IFRS adjustments	13,193	(42,126)	3,223	-	(1,134)	54,723	27,879	(2,039)	25,840
Total	**6,643,505**	**303,737**	**(3,794,913)**	**(55,786)**	**32,053**	**(1,785,116)**	**1,343,480**	**(5,102,192)**	**(3,758,712)**
Loss under equity method	-	-	-	-	-	-	(64,623)	-	(64,623)
Loss before tax									**(3,823,335)**
Income tax credit									967,978
Loss									**(2,855,357)**

Segment income and expense items include the elements of profit and loss for the period as follows:

- ***Segment revenues*** include Interest income and fee and commission income.
- ***Trade result*** includes gains less losses from trading securities, gains less losses from disposal of investment securities available-for-sale, gains less losses from trading in foreign currencies, foreign exchange translation gains less losses and gains less losses from derivative financial instruments.
- ***Operating expenses - direct and allocated*** are reconciled to administrative and other operating expenses.
- ***Cost of risk*** includes provision for loan impairment, impairment of investment securities available-for-sale and reversal of provision/(provision) for losses on credit related commitments.

Reconciling items relates to different allocation between the elements of income and expenses in segment information and consolidated financial statements, timing of adjustments on loan loss provision, foreign exchange revaluation and income recognition at effective interest rates:

- ***IDGFE*** represents Individual Deposits Guarantee Fund expenses, allocated to fee and commission expenses in segment information, but included in administrative and other operating expenses for the reconciliation.
- ***Other IFRS adjustments*** mainly relate to the timing of impairment recognition on securities available-for-sale and foreign exchange translation gains less losses.

28 Segment Analysis (Continued)

A reconciliation of segment result to total profit for the year 2008 is provided as follows:

In thousands of Ukrainian hryvnias	Total segment revenues	Trade result	Interest expenses	Fee and commis-sion expenses	Other opera-ting income/ Expen-ses	Operating expenses - direct and allocated	**Segment gross operating income**	Cost of risk	Profit / (loss)
Segment result	5,492,939	804,524	(2,840,730)	(74,055)	257	(1,798,617)	1,584,318	(2,692,762)	(1,108,444)
Consolidation	57,579	(14,067)	(17,324)	(225)	4,968	(24,282)	6,649	(10,467)	(3,818)
IDGFE	-	-	-	34,377	-	(34,377)	-	-	-
Other operating income/expenses	(13,226)	-	-	-	20,964	(7,738)	-	-	-
Other IFRS adjustments	13,033	37,632	(15,158)	-	450	27,045	62,972	(63,469)	(497)
Total	**5,550,295**	**828,089**	**(2,873,212)**	**(39,903)**	**26,639**	**(1,837,969)**	**1,653,939**	**(2,766,698)**	**(1,112,759)**
Loss under equity method	-	-	-	-	-	-	(93,762)	-	(93,762)
Loss before tax									**(1,206,521)**
Income tax credit									291,258
Loss									**(915,263)**

(f) Geographical information

Revenues for each individual country are not reported to the CODM as they are mainly represented by revenues from Ukraine, including revenues from off-shore companies of Ukrainian customers, based on domicile of the customer. Revenues comprise interest income and fee and commission income.

Non-current assets other than financial instruments are represented by assets located in Ukraine.

(g) Major customers

The Bank has no customer for which the revenue represents 10% of more of the total revenues.

29 Financial Risk Management

Overview. Management of risk is fundamental to the business of banking and is an essential element of the Bank's operations. The Bank carries out risk management in respect of financial, operational and legal risks. The major financial risks faced by the Bank are those related to credit exposures, liquidity and movements in interest rates and foreign exchange rates. Operational and legal risk management involves ensuring that the Bank's internal procedures and policies are complied with so as to minimize exposure to such risks. The Bank's risk management systems are based on recommendations of the Basel Committee, BNP Paribas standards, although Ukrainian legislation does not yet impose obligatory compliance with such standards. The Bank's risk management policies and systems are continuously modified and enhanced to reflect changes in markets and products. The primary objective of the Bank's asset and liability management is to limit its exposure to liquidity and market risks while maximizing profitability. The Bank's policy is to maintain a structure of assets and liabilities that optimizes both long-term and short-term financial income while maintaining constant levels of income.

The basic principles of the Bank's risk management policy are to centralize risk management (i.e., risk analysis and calculation is centralized and appropriate limits are set for the Bank's business divisions); maintain a balance between the level of risk and profitability; and ensure risks are continually monitored. The Bank is continuing to conform its risk management policies and internal procedures to established BNP Paribas standards and is aiming to complete this exercise by the end of 2010.

Risk Management Bodies. Risk management policy, monitoring and control are conducted by a number of specialised divisions and units within the Risk Management Department (''RMD'') under the supervision of the Chairman of the Board who reports on risk management to Group Risk Management at BNP Paribas' head office.

Asset and Liability Management Committee (ALMC). The ALMC consists of nine of the Bank's senior managers and is chaired by the Chairman of the Bank's Management Board. The ALMC meets at least once every month. The ALMC is responsible for the control and management of the Bank's asset and liability structure. It also sets internal limits for managing liquidity, interest and foreign exchange risks.

Credit Committees. The Bank's Credit Committees comprise the Head Office Credit Committee, Credit Committee First Level, Regional Department Credit Committee and Territorial Division Credit Committee. The Head Office Credit Committee is chaired by the Chairman of the Management Board and also comprises the heads of the Corporate Banking, Legal, Security and Risks Departments. The Credit Committee First Level is chaired by the Deputy Chairman of the Board and has a similar structure to the Head Office Credit Committee. Each Regional Department Credit Committee has a similar structure to the Head Office Credit Committee. The authorities of Territorial Division Credit Committee to grant loans (in terms of the amount and terms of loans which they are authorized to grant to corporate and retail customers) is set by the Head Office Credit Committee. The authority of Head Office Credit Committee is determined by the Management Board.

The Credit Committees are responsible for approving loans and for approving and controlling the Bank's lending strategy. Credit Committee approval is required to grant loans and make provisions. The Head Office Credit Committee meets twice per week, while the Regional Department Credit Committees meet on an ad-hoc basis. Regional Department Credit Committees report directly to the Head Office Credit Committee.

In 2009 the Investment Committee was cancelled and all decisions related to the Bank's investment operations, including the approving of acceptable objects for investment, the establishment of limits for investments in debt and equity securities, the establishment of underwriting limits and the approval of real estate investments are approved by the Head Office Credit Committee.

Watch List and Doubtful Committee. The Bank established the Watch List and Doubtful Committee at the beginning of May 2009, when Order on creation of Watch List and Doubtful Committee has been approved. The main purpose of the Committee is to monitor Clients identified as Watch List and Doubtful, approve recommendations with regard to the schemes and delays of arrangements on Watch List and Doubtful clients, approve credit risk provisioning level for Doubtful Clients, approve recommendation on partial or full write-offs, approve update counterparty ratings and report to Global Risk Management of BNP Paribas Group. Watch List and Doubtful Committee is a collegiate body of the Bank, which is empowered to make decision or to recommend taking action on active operations with more than 90 days overdue for the corporate clients and clients of investment business department with more than 90 days overdue.

Composition of the Watch List and Doubtful Committee is such that the business unit that initiated the transaction and is responsible for the generation of credit risk is deprived of the right to vote in the decision-making and has only an advisory vote.

The Watch List and Doubtful Committee is chaired by the Chairman of the Management Board; the meetings are held at least once a month.

The implementation of such committee helps to increase the effectiveness of the Bank, to minimize the level of overdue debts, assets and risks arising from banking activities.

29 Financial Risk Management (Continued)

Asset Liability Management (ALM). The direct management of assets and liabilities is carried out by the ALM department and Treasury. The ALM carries out assessment and planning of the Bank's open positions on a daily basis (liquidity and currency risks) and monthly basis (interest rate risk), and also prepares suggestions on managerial actions in assets and liabilities management area for the Management of the Bank. Additionally, the ALM on a daily basis carries out planning and management of compliance with the economic norms established by the NBU (norms of regulative and statutory capital adequacy, liquidity norms, norms of open currency position). The ALM assists ALMC and other committees in discharging their functions. Treasury manages monetary liquidity position as well as short-term (up to 3 months) liquidity position of the Bank.

In the process of managing open positions, the ALM cooperates with Treasury and subdivisions of the Bank which are engaged in borrowing of medium and long-term funds (International Business and Investment business).

The managerial reports are prepared for the management of different level on the basis of results of open positions assessment carried out by the ALM.

Risk Management Department (RMD). The RMD assists the Credit Committees in discharging their functions. Its functions include evaluating and analysing financial risks, monitoring compliance with limits, and making recommendations with regard to balancing risk and profitability, based on overall levels of risk and risks associated with particular business areas and banking products.

The RMD evaluates financial risks using information on the quality of assets and liabilities (including interest rates, amounts and maturities) from the Bank's business divisions, information on exposure limits, procedures and methodologies from the ALMC and details of planned levels of assets and liabilities and investments from the Financial Analysis and Planning Department. It then provides the ALMC with the results of its risk analysis and monitoring and its recommendations on setting or changing limits, and informs the Bank's business divisions, back office and Financial Analysis and Planning Department of the normative risk levels.

The RMD submits to the Credit Committees credit risk quality ratings required for particular loan transactions and recommendations for setting and changing lending decision-making authority, and monitors the quality of all ongoing loan transactions.

Based on information concerning loan applications from the Corporate Banking Department and the Investment Business Department and information concerning customers' reliability, reputation and past payment record from the Legal Department, Security Department and back office, respectively, the RMD determines customers' creditworthiness and provides its conclusions to the Credit Committees, together with the results of its monitoring of loans, recommendations as to setting or changing limits and recommendations as to changing the Bank's internal procedures. It also determines the appropriate level of provisions.

Credit risk. Credit risk is the risk of financial loss occurring as a result of default by a borrower or counter party on their obligation to the Bank. The Bank manages its credit risk by establishing internal policies aimed at maximizing risk-adjusted income by maintaining credit risk exposure within accepted limits, by setting, monitoring and reviewing credit ratings, by setting and authorizing lending limits, by constantly monitoring the creditworthiness of its customers and fulfilment by the borrower of loan agreement conditions.

As it is described in the Note 4, the Bank rates its corporate clients based on the credit risk. The Corporate Banking Risk Sub-Department or the Retail Banking Risk Sub-Department, as appropriate, assigns a final rating for the transaction, which is subject to approval by the Credit Committee. When assigning credit ratings to a particular loan transaction, the importance of the transaction to the Bank and the prevailing market terms for similar transactions offered by other banks is taken into account. In making its credit decisions with regard to loans to banks, the Bank uses a rating scale based on the approach of international rating firms, allocating prospective borrowers to various credit rating groups, as adapted to the Ukrainian financial and economic situation. The Bank evaluates the borrower's financial statements, credit history, economic position and cash flows in order to determine the expected risk of default for such borrowers and also monitors the weighted average credit risk of borrowers on a portfolio basis and by industry sector.

29 Financial Risk Management (Continued)

Development of "Credit Structure and Function".

In March 2009 the Bank developed and implemented new General Credit Policy which was designed on the basis of overall credit policy of BNP Paribas Group, the legislation of Ukraine, legal acts of National Bank of Ukraine and Basel requirements, as well as considering the major international best practices that govern the principles of corporate governance and risk management in banks. General Credit Policy is internal banking normative document regulating the basic principles and requirements for granting loans with the aim to minimize risks arising in the lending process and provide high quality loan portfolio for the Bank. General Credit Policy is the main document which regulates the credit activity of the Bank. Although the General Credit Policy validity is unlimited, its terms have to be reviewed at least once a year.

The RMD determines levels of overall risk by reference to customers and products. Specialised units within the RMD's Corporate Banking Risk Sub-Department and Retail Banking Risk Sub-Department regularly evaluate customers' creditworthiness and business activities.

The Bank has developed and has implemented an internal credit rating system whereby each loan transaction is assigned four ratings respectively corresponding to (i) the structure of the transaction, (ii) the borrower's financial position, (iii) the borrower's credit history and (iv) the quality of the collateral. The Corporate Banking Risk Sub-Department or the Retail Banking Risk Sub-Department, as appropriate, assigns a final rating for the transaction, which is subject to approval by the Credit Committee. When assigning credit ratings to a particular loan transaction, the Corporate Banking Risk Sub-Department or the Retail Banking Risk Sub-Department takes into account the importance of the transaction to the Bank and the prevailing market terms for similar transactions offered by other banks. In making its credit decisions with regard to loans to banks, the Bank uses a rating scale based on the approach of international rating firms, allocating prospective borrowers to various credit rating groups, as adapted to the Ukrainian financial and economic situation. The Bank evaluates the borrower's financial statements, credit history, economic position and cash flows in order to determine the expected risk of default for such borrowers and also monitors the weighted average credit risk of borrowers on a portfolio basis and by industry sector.

All loan applications are subject to a detailed review procedure. Exposure to credit risk is also managed, in part, by obtaining collateral and corporate and personal guarantees.

Credit Risk Related to Retail and Corporate Lending

The Bank structures the levels of credit risk that it undertakes by placing separate limits on the amount of risk accepted in relation to each borrower and each group of borrowers within a particular industry or geographical region. Such risks are monitored and reviewed regularly. Lending limits for individual borrowers and any changes to those limits are set by the Credit Committee. Credit limits include limits on the amount and repayment schedule for each loan agreement and restrictions on the purpose of the loan and are updated on each loan approval.

When structuring loans to corporate customers, the Bank follows certain basic principles. It sets out repayment schedules and adapts them so as to take into account any seasonality in the borrower's business and, where applicable, also obtains guarantees from affiliates of the borrower, enters into collateral agreements to secure related loans, prescribes the borrower's own equity contribution at all levels of the project being financed and requires cash flows or turnover from the financed project or the borrower's counterparties to be transferred to the Bank.

In the case of loans to retail customers, the Bank typically takes collateral in the form of a mortgage or a pledge over property, depending on the type of loan.

The Bank imposes limits on the amounts which individual branches are authorized to lend without Head Office approval. Limits are set with respect to the amount of individual loans, the total amount of loans that can be granted by a branch and the maximum permitted maturity of loans. The procedure for setting such limits is contained in the Bank's internal regulations. On a regular basis, the Head Office Credit Committee approves credit limits for all branches. Branches themselves and certain Head Office departments (namely the Corporate Banking Department, Risk Management Department, Legal Department and Security Department) may apply for a review of the limits on a branch's lending authority.

As the Bank's lending policy is to give priority to the quality of the borrower over the quality of the collateral available, lending decisions are always based on risk assessment rather than on the quality of the collateral. When taking security, the Bank gives preference to the most liquid form of collateral with the highest re-sale value. It also takes into account regional variations in property prices when determining the value of collateral.

The Bank also follows a policy of diversifying its loan portfolio in order to reduce risk. For example, the Bank is increasing retail lending in order to reduce loan portfolio concentration.

29 Financial Risk Management (Continued)

Credit Risk Related to Inter-Bank Operations

Credit risk of inter-bank operations mainly arises as a result of exposures being unsecured, albeit such exposures typically have relatively short-term maturities (which generally range from several hours up to two months). Inter-bank exposure comprises a relatively small proportion (between approximately one and five per cent.) of the Bank's total assets. The Bank sets separate limits for counterparty banks based on its evaluation of the bank's financial condition and on any available non-financial information (such as the bank's shareholders, customers, quality of management, market position, concentration of activity and growth rate). The Head Office Credit Committee is responsible for approving and changing the limits for each category of counterparty banks. If the RMD determines that the financial performance of a counterparty bank has deteriorated or is likely to deteriorate, the RMD suspends the credit limit and notifies the Bank's management accordingly.

Credit Risk Related to Investment Business

Applications for investments by the Bank in corporate securities are analysed and reviewed in the same manner as loan applications. The Bank monitors the financial performance of issuers and the market for their debt and equity securities. The Bank's Investment Business Department is responsible for the Bank's investment decisions and implementing transactions. All investment decisions are taken by an Investment Risk Committee.

Monitoring Credit Risk

The Bank monitors borrowers' performance of the terms of their loan agreements, primarily repayment of principal and interest. It also monitors borrowers' financial condition on the basis of information provided by the relevant borrower on a monthly and quarterly basis; whether the loan is being used for its prescribed purposes; whether a corporate borrower is meeting the targets set out in its business plan; collateral; and non-financial information, such as any available information on actual or pending legal proceedings involving the borrower and the borrower's reputation.

According to the General Credit Policy of the Bank, the business line is responsible for day-to-day monitoring of credit risks, since it is always in active contact to the customer and can obtain the relevant information directly.

Namely, the business line has to ensure that the borrower is meeting the terms and conditions of credit agreement accurately and on time.

To ensure the efficiency and effectiveness of credit risks monitoring for corporate clients, there was developed operational system based application called "Deal conditions and covenants manager". This tool is designated for storage of loan agreement and documentary operations conditions (precedent, subsequent and permanent) and updates on their fulfilment. The CRC is responsible for maintenance of this database. The CRC exercises the inputs of credit operations conditions by indicating their deadlines, reference values, period of control, names of the responsible employees and etc. Prior to any funds disbursement or issue of bank's guarantee/letter of credit the CRC checks that all precedent conditions, as well as due subsequent conditions are fulfilled. The input of actual values for permanent conditions is exercised either by the employees of Corporate business or Collateral monitoring departments depending of the type of permanent condition. The developed application will be piloted in April 2010.

Constant monitoring of the Bank's loan portfolio enables the Bank to react to changes in the quality of particular loans and determine whether changes to their terms and conditions are necessary. The Credit Committee is notified of the results of such monitoring on a regular basis and in the event of any warning signals. Based on its analysis, the Bank either confirms the terms and conditions of outstanding loans or where necessary negotiates amendments with the borrower.

Off-Balance Sheet and Related Party Credit Risk

The Bank applies the same credit policies and procedures for evaluating and monitoring credit risk for off-balance sheet and contingent liabilities. Furthermore, the Bank applies the same approach to transactions with related parties as to arm's length transactions. If the level of risk does not fall within the parameters set by the Bank, it either declines the loan application or requires the transaction to be secured by cash.

Market risk. The Bank takes on exposure to market risks. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The Asset/ Liability Committee sets limits on the value of risk that may be accepted. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

Currency risk. The Bank takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The ALMC sets limits on the level of exposure by currency and in total for open currency positions. Open position limits are set at the level established by the NBU regulations calculated as a percentage of open currency position of regulatory capital of the Bank. Compliance with these limits is monitored by the ALM on a daily basis.

Other currencies mainly include the Russian Roubles and Swiss Francs.

29 Financial Risk Management (Continued)

Derivatives in each column represent the fair value, at the end of the reporting period, of the respective currency that the Bank agreed to buy (positive amount) or sell (negative amount) before netting of positions and payments with the counterparty. The amounts by currency are presented gross as stated in Note 32. The net total represents fair value of the currency derivatives.

As at 31 December 2009, the Bank has the following position in foreign currencies.

In thousands of Ukrainian hryvnias	**UAH**	**USD**	**Euro**	**Other currencies**	**Non-monetary items**	**Total**
Assets						
Cash and cash equivalents and mandatory reserves	2,021,852	787,164	684,385	204,268	-	3,697,669
Due from other banks	219,254	125,798	-	1	-	345,053
Loans and advances to customers	6,223,433	25,480,158	1,279,049	2,104,916	-	35,087,556
Investment securities available-for-sale	583,405	-	-	-	15,896	599,301
Other financial assets	309,990	1,288	847	68	-	312,193
Total financial assets	**9,357,934**	**26,394,408**	**1,964,281**	**2,309,253**	**15,896**	**40,041,772**
Liabilities						
Due to other banks	332,914	12,158,892	219,636	2,089,836	-	14,801,277
Customer accounts	5,863,277	6,513,933	1,753,472	50,358	-	14,181,040
Due to the National Bank of Ukraine	805,869	-	-	-	-	805,869
Domestic debt securities in issue	0	11	-	-	-	11
Eurobonds issued	-	7,698,417	-	-	-	7,698,417
Syndicated loans and other borrowed funds	23,839	401,433	-	-	-	425,272
Other financial liabilities	54,087	5,359	1,938	45	-	61,429
Subordinated debt	-	2,791,175	-	281,742	-	3,072,917
Total financial liabilities	**7,079,986**	**29,569,220**	**1,975,045**	**2,421,981**	**-**	**41,046,232**
Less fair value of currency derivatives	-	(1,598)	(1,006)	-	-	(2,604)
Net balance sheet position, excluding currency derivatives	**2,277,948**	**(3,174,812)**	**(10,764)**	**(112,728)**	**15,896**	**(1,004,460)**
Currency derivatives (Note 32)	**427,538**	**(407,244)**	**(22,898)**	**-**	**-**	**(2,604)**
Credit related commitments (Note 31)	**506,951**	**530,667**	**476,729**	**74,471**	**-**	**1,588,818**

29 Financial Risk Management (Continued)

At 31 December 2008, the Bank had the following positions in currencies:

In thousands of Ukrainian hryvnias	UAH	USD	Euro	Other currencies	Non-monetary items	Total
Assets						
Cash and cash equivalents and mandatory reserves	2,080,669	725,300	226,318	90,820	-	3,123,107
Trading securities	65,570	-	-	-	4,141	69,711
Due from other banks	115,910	155,540	-	-	-	271,450
Loans and advances to customers	7,906,748	34,771,263	1,584,543	2,660,544	-	46,923,098
Investment securities available-for-sale	889,743	-	-	-	7,371	897,114
Other financial assets	368,766	7,425	18,565	174	-	394,930
Total financial assets	**11,427,406**	**35,659,528**	**1,829,426**	**2,751,538**	**11,512**	**51,679,410**
Liabilities						
Due to other banks	268,995	18,962,853	375,145	2,577,522	-	22,184,515
Customer accounts	7,703,290	5,668,266	1,589,511	58,386	-	15,019,453
Domestic debt securities in issue	51,053	10	-	-	-	51,063
Eurobonds issued	-	7,413,876	-	-	-	7,413,876
Syndicated loans and other borrowed funds	-	2,949,525	-	-	-	2,949,525
Subordinated debt	-	2,015,838	-	265,608	-	2,281,446
Other financial liabilities	28,330	3,820	37,751	18,613	-	88,514
Total financial liabilities	**8,051,668**	**37,014,188**	**2,002,407**	**2,920,129**	**-**	**49,988,392**
Less fair value of currency derivatives	(686)	(260)	14,073	-	-	13,127
Net balance sheet position, excluding currency derivatives	3,376,424	(1,354,400)	(187,054)	(168,591)	11,512	1,677,891
Currency derivatives (Note 32)	**40,389**	**(153,612)**	**126,350**	**-**	**-**	**13,127**
Credit related commitments (Note 31)	**659,444**	**1,600,718**	**731,025**	**178,020**	**-**	**3,169,207**

29 Financial Risk Management (Continued)

The following table presents sensitivities of profit and loss and equity to reasonably possible changes in exchange rates at the balance sheet date, with all other variables held constant:

In thousands of Ukrainian hryvnias	31 December 2009 Impact on profit or loss and on equity	31 December 2008 Impact on profit or loss and on equity
US Dollars strengthening by 16.6 %	-	(230,292)
US Dollars weakening by 16.6 %	-	230,292
US Dollars strengthening by 12.7 %	(403,201)	-
US Dollars weakening by 12.7 %	403,201	-
Euro strengthening by 25.0 %	-	(43,245)
Euro weakening by 25.0 %	-	43,245
Euro strengthening by 2.2 %	(237)	-
Euro weakening by 2.2 %	237	-
Other strengthening by 2.0 %	-	(3,373)
Other weakening by 2.0 %	-	3,373
Other strengthening by 12.5 %	(14,091)	-
Other weakening by 12.5 %	14,091	-

The exposure was calculated only for monetary balances denominated in currencies other than the functional currency of the respective entity of the Bank.

Interest rate risk. The Bank is exposed to interest rate risk principally as a result of mismatches in the maturity of its interest-bearing assets and liabilities. The Bank may incur losses in the event of unfavorable movements in interest rates.

The ALMC sets limits on the level of mismatch of interest rate re-pricing that may be undertaken, which is monitored by the RMD. In the absence of any available hedging instruments, the Bank seeks to match its interest rate positions. The evaluation and analysis of interest rate risk size is performed as of the first day of each month and updated as necessary to reflect market changes, for example, a change in benchmark interest rates, market volatility or similar events. The results of such evaluation and analysis are discussed at regular ALMC meetings. In addition to applying standard calculations, the Bank uses stress-tests. These involve determining the level of loss that would apply in the event of unforeseen circumstances or contingencies arising. This approach enables the Bank to evaluate changes in net interest income for future periods and determine the priority areas for interest risk management. Standard stress-test for interest rate risk is change of interest rates by 1 percentage point. Such test is performed on a monthly basis.

The Bank assesses the level of interest rate risk based on gap analysis, which is the analysis of the imbalance between the amounts of financial assets and liabilities which mature or reprice over the same period. Limits are set at the level of loss of net interest income which Management considers acceptable in the event of adverse movements in interest rates, taking into account possible movements in interest rates for major types of interest-bearing assets and liabilities, such as corporate and retail loans, inter-bank loans, securities and corporate and retail deposits. Limits are subject to review depending on the volatility of interest rate movements. The ALM and RMD is responsible for making recommendations to review such limits, which are subject to approval by the ALMC.

The Bank continually monitors interest rate spread and net interest income and reports on these matters are provided to the Bank's senior management each week. The Bank also manages interest rate risk by setting minimum interest rates for loans and maximum interest rates for deposits. The Bank sets interest rates for major types of assets and liabilities by maturity and currency.

The Bank's Risk Management summarises the interest rate gap analysis of undiscounted financial assets and liabilities contractual maturities as at 31 December 2009 as follows:

In thousands of Ukrainian hryvnias	Up to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 3 years	From 3 to 5 years	From 5 to 10 years	From 10 to 15 years
CHF	202,951	230,917	(351,289)	(473,724)	(659,279)	(758,746)	(465,386)	(183,974)
EUR	172,895	(18,572)	(152,117)	(207,876)	(290,914)	(102,691)	(59,750)	(32,598)
UAH	444,621	(65,320)	(57,018)	443,032	1,759,032	2,574,725	2,967,283	3,094,520
USD	(759,344)	(1,517,738)	(3,591,302)	(6,581,220)	(12,546,964)	(12,568,571)	(9,040,998)	(6,790,006)
Other	28,379	26,635	27,060	22,374	12,973	5,236	751	372

29 Financial Risk Management (Continued)

The Bank's Risk Management summarises the interest rate gap analysis of undiscounted financial assets and liabilities contractual maturities as at 31 December 2008 as follows:

In thousands of Ukrainian hryvnias	Up to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 3 years	From 3 to 5 years	From 5 to 10 years	From 10 to 15 years
CHF	96,972	161,220	265,492	(681,165)	(996,897)	(441,411)	(295,518)	(53,676)
EUR	26,009	(81,932)	(342,088)	(550,378)	(439,528)	(145,986)	(25,740)	(6,441)
UAH	(437,172)	(585,387)	(461,171)	156,983	1,989,084	3,107,092	3,360,499	3,429,860
USD	(217,423)	942,411	(10,920)	(308,543)	(3,121,571)	(6,739,324)	(2,237,427)	(520,197)
Other	18,108	18,719	17,954	18,162	14,984	6,349	494	-

The table below presents the aggregated amounts of the Bank's financial assets and liabilities at carrying amounts, categorized by the earlier of contractual interest repricing or maturity dates as at 31 December 2009.

In thousands of Ukrainian hryvnias	**Demand and less than 1 month**	**From 1 to 3 months**	**From 3 to 12 months**	**More than 1 year**	**Non-interest bearing**	**Total**
Assets						
Cash and cash equivalents and mandatory reserves	3,697,669	-	-	-	-	3,697,669
Due from other banks	345,053	-	-	-	-	345,053
Loans and advances to customers	4,872,899	1,633,024	5,280,626	23,301,007	-	35,087,556
Investment securities available-for-sale	60	-	316,758	266,587	15,896	599,301
Other financial assets	312,193	-	-	-	-	312,193
Total financial assets	**9,227,874**	**1,633,024**	**5,597,384**	**23,567,594**	**15,896**	**40,041,772**
Liabilities						
Due to other banks	1,160,672	419,621	5,750,529	7,470,455	-	14,801,277
Customer accounts	9,376,996	1,502,168	2,854,105	447,771	-	14,181,040
Due to the National Bank of Ukraine	-	805,869	-	-	-	805,869
Domestic debt securities in issue	11	-	-	-	-	11
Eurobonds issued	51,692	75,401	1,597,096	5,974,228	-	7,698,417
Syndicated loans and other borrowed funds	6	-	405,676	19,590	-	425,272
Other financial liabilities	61,429	-	-	-	-	61,429
Subordinated debt	47,239	-	20,805	3,004,873	-	3,072,917
Total financial liabilities	**10,698,045**	**2,803,059**	**10,628,211**	**16,916,917**	**-**	**41,046,232**
Net sensitivity gap	**(1,470,171)**	**(1,170,035)**	**(5,030,827)**	**6,650,677**	**15,896**	**(1,004,460)**

29 Financial Risk Management (Continued)

The table below summarises the Bank's exposure to interest rate risks at 31 December 2008.

In thousands of Ukrainian hryvnias	**Demand and less than 1 month**	**From 1 to 3 months**	**From 3 to 12 months**	**More than 1 year**	**Non-interest bearing**	**Total**
Assets						
Cash and cash equivalents and mandatory reserves	3,123,107	-	-	-	-	3,123,107
Trading securities	65,570	-	-	-	4,141	69,711
Due from other banks	82,450	25,000	164,000	-	-	271,450
Loans and advances to customers	1,050,427	1,874,939	5,509,782	38,487,950	-	46,923,098
Investment securities available-for-sale	11,301	85,706	198,645	594,091	7,371	897,114
Other financial assets	394,930	-	-	-	-	394,930
Total financial assets	**4,727,785**	**1,985,645**	**5,872,427**	**39,082,041**	**11,512**	**51,679,410**
Liabilities						
Due to other banks	1,444,466	1,578,659	6,466,868	12,694,522	-	22,184,515
Customer accounts	8,512,635	2,146,741	3,902,522	457,555	-	15,019,453
Domestic debt securities in issue	12	1,100	-	49,951	-	51,063
Eurobonds issued	49,847	75,677	8,288	7,280,064	-	7,413,876
Syndicated loans and other borrowed funds	-	16,407	2,933,118	-	-	2,949,525
Other financial liabilities	88,514	-	-	-	-	88,514
Subordinated debt	-	47,646	103,950	2,129,850	-	2,281,446
Total financial liabilities	**10,095,474**	**3,866,230**	**13,414,746**	**22,611,942**	**-**	**49,988,392**
Net sensitivity gap	**(5,367,689)**	**(1,880,585)**	**(7,542,319)**	**16,470,099**	**11,512**	**1,691,018**

All of the Bank's financial assets reprice within 5 years, except for loans to customers of UAH 20,567,227 thousand (2008: UAH 28,531,994 thousand), which have maturities over 5 years. All of the Bank's financial liabilities, except for subordinated debt, reprice within 5 years.

At 31 December 2009, if interest rates on financial instruments denominated in UAH at that date had been 770 basis points higher/lower with all other variables held constant, profit for the year would not be affected. Other components of comprehensive income would have been UAH 17,856 thousand (2008: UAH 117,316 thousand on 1700 basis points) lower/higher, mainly as a result of an increase in the fair value of fixed rate financial assets classified as available-for-sale.

At 31 December 2009, if on average interest rates on financial instruments denominated in USD at that date had been 16 basis points higher/lower with all other variables held constant, profit for the year would have been UAH 29,416 thousand (2008: UAH 4,735 thousand on 100 basis points) higher/lower, mainly as a result of higher interest income on variable interest assets.

At 31 December 2009, if on average interest rates on financial instruments denominated in EUR at that date had been 12 basis points higher/lower with all other variables held constant, profit for the year would have been UAH 4,793 thousand (2008: UAH 4,000 thousand on 250 basis points) lower/higher, mainly as a result of higher interest income on variable interest liabilities.

29 Financial Risk Management (Continued)

The Bank monitors interest rates for its financial instruments. The table below summarises interest rates based on reports reviewed by key management personnel:

	2009				2008			
In % p.a.	**UAH**	**USD**	**Euro**	**Other**	**UAH**	**USD**	**Euro**	**Other**
Assets								
Overnight deposits with other banks	20	-	-	-	-	5	-	-
Term placements with other banks	20	-	-	-	17	14	-	-
Guarantee deposits with other banks	-	4	-	-	-	4	-	-
Reverse sale and repurchase agreements with other banks	-	-	-	-	-	-	-	-
Loans and advances to corporate customers	21	13	12	12	20	14	14	11
Loans and advances to individuals	15	13	12	9	18	13	11	10
Finance leases	21	-	-	-	22	-	-	-
Trading securities - bonds	-	-	-	-	13	-	-	-
Investment securities available-for-sale	18	-	-	-	14	-	-	-
Liabilities								
Term placements of other banks	16	8	2	8	24	7	6	5
Amounts payable under repurchases agreements with other banks	20	-	-	-	-	-	-	-
Current account of individuals	10	9	4	1	10	10	4	0
Current account of legal entities	6	4	3	2	8	5	3	4
Term deposits of legal entities	17	10	11	4	21	9	12	7
Term deposits of individuals	20	12	8	7	16	11	8	-
Due to the National Bank of Ukraine	17	-	-	-	-	-	-	-
Domestic bonds issued by the Bank	-	-	-	-	11	-	-	-
Syndicated loans and other borrowed funds	13	6	-	-	-	4	-	-
Eurobonds issued	-	8	-	-	-	8	-	-
Subordinated debt	-	16	-	7	-	9	-	7
Finance leases	21	-	-	-	22	-	-	-

The sign “-“ in the table above means that the Bank does not have the respective assets or liabilities in corresponding currency.

29 Financial Risk Management (Continued)

Geographical risk concentrations. The geographical concentration of the Bank's assets and liabilities at 31 December 2009 is set out below:

In thousands of Ukrainian hryvnias	Ukraine	OECD	Non-OECD	Total
Assets				
Cash and cash equivalents and mandatory reserves	2,641,188	1,020,926	35,555	3,697,669
Due from other banks	343,456	1,597	-	345,053
Loans and advances to customers	34,887,134	-	200,422	35,087,556
Investment securities available-for-sale	599,301	-	-	599,301
Other financial assets	312,193	-	-	312,193
Total financial assets	**38,783,272**	**1,022,523**	**235,977**	**40,041,772**
Intangible assets	151,840	-	-	151,840
Premises, leasehold improvements and equipment	1,521,584	-	-	1,521,584
Current income tax prepayment	1,452	-	-	1,452
Deferred tax assets	1,411,070	-	-	1,411,070
Other non-financial assets	117,696	-	-	117,696
Investments accounted for using the equity method	63,305	-	-	63,305
Non-financial assets	**3,266,947**	**-**	**-**	**3,266,947**
Total assets	**42,050,219**	**1,022,523**	**235,977**	**43,308,719**
Liabilities				
Due to other banks	663,230	14,123,387	14,660	14,801,277
Customer accounts	13,995,829	53,854	131,357	14,181,040
Due to the National Bank of Ukraine	805,869	-	-	805,869
Domestic debt securities in issue	11	-	-	11
Eurobonds issued	-	7,698,417	-	7,698,417
Syndicated loans and other borrowed funds	23,839	401,433	-	425,272
Other financial liabilities	61,429	-	-	61,429
Subordinated debt	-	3,072,917	-	3,072,917
Total financial liabilities	**15,550,207**	**25,350,008**	**146,017**	**41,046,232**
Current income tax liability	-	-	-	-
Deferred income tax liability	4,839	-	-	4,839
Other non-financial liabilities	133,623	-	-	133,623
Non-financial liabilities	**138,462**	**-**	**-**	**138,462**
Total liabilities	**15,688,669**	**25,350,008**	**146,017**	**41,184,694**
Net balance sheet position	**26,361,550**	**(24,327,485)**	**89,960**	**2,124,025**
Credit related commitments (Note 31)	**1,098,816**	**477,746**	**12,256**	**1,588,818**

29 Financial Risk Management (Continued)

The geographical concentration of the Bank's assets and liabilities at 31 December 2008 is set out below:

In thousands of Ukrainian hryvnias	Ukraine	OECD	Non-OECD	Total
Assets				
Cash and cash equivalents and mandatory reserves	2,601,749	477,261	44,097	3,123,107
Trading securities	69,711	-	-	69,711
Due from other banks	269,910	1,540	-	271,450
Loans and advances to customers	46,235,224	432,933	254,941	46,923,098
Investment securities available-for-sale	897,114	-	-	897,114
Other financial assets	394,930	-	-	394,930
Total financial assets	**50,468,638**	**911,734**	**299,038**	**51,679,410**
Intangible assets	141,048	-	-	141,048
Premises, leasehold improvements and equipment	1,491,223	-	-	1,491,223
Current income tax prepayment	3,202	-	-	3,202
Deferred tax assets	436,905	-	-	436,905
Other non-financial assets	92,608	-	-	92,608
Investments accounted for using the equity method	81,166	-	-	81,166
Non-financial assets	**2,246,152**	**-**	**-**	**2,246,152**
Total assets	**52,714,790**	**911,734**	**299,038**	**53,925,562**
Liabilities				
Due to other banks	431,017	21,704,101	49,397	22,184,515
Customer accounts	14,879,145	32,729	107,579	15,019,453
Domestic debt securities in issue	51,063	-	-	51,063
Eurobonds issued	-	7,413,876	-	7,413,876
Syndicated loans and other borrowed funds	-	2,949,525	-	2,949,525
Subordinated debt	-	2,281,446	-	2,281,446
Other financial liabilities	88,514	-	-	88,514
Total financial liabilities	**15,449,739**	**34,381,677**	**156,976**	**49,988,392**
Current income tax liability	26,072	-	-	26,072
Deferred income tax liability	1,178	-	-	1,178
Other non-financial liabilities	197,913	-	-	197,913
Non-financial liabilities	**225,163**	**-**	**-**	**225,163**
Total liabilities	**15,674,902**	**34,381,677**	**156,976**	**50,213,555**
Net balance sheet position	**37,039,888**	**(33,469,943)**	**142,062**	**3,712,007**
Credit related commitments (Note 31)	**2,476,992**	**512,515**	**179,700**	**3,169,207**

Assets, liabilities and credit related commitments have been based on the country in which the counterparty is located. Cash on hand and premises, leasehold improvements and equipment have been allocated based on the country in which they are physically held. OECD assets and liabilities mainly include balances with counterparties in France, USA, Germany, UK, and Switzerland. Non-OECD concentrations mainly represent balances with counterparties in the Russian Federation and Cyprus.

29 Financial Risk Management (Continued)

Other risk concentrations. Management monitors and discloses concentrations of credit risk by obtaining reports listing exposures to borrowers with aggregated loan balances in excess of 10% of net assets.

Liquidity risk. Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Bank is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw downs and guarantees and from margin and other calls on cash settled derivative instruments. The Bank does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The liquidity risk is managed by the Asset/Liability Committee of the Bank.

The Bank seeks to maintain a stable funding base comprising primarily amounts due to other banks, corporate and retail customer deposits and debt securities and invest the funds in diversified portfolios of liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

The liquidity management of the Bank requires considering the level of liquid assets necessary to settle obligations as they fall due; maintaining access to a range of funding sources; maintaining funding contingency plans and monitoring balance sheet liquidity ratios against regulatory requirements. The Bank calculates liquidity ratios on a daily basis in accordance with the requirement of the National Bank of Ukraine. These ratios are:

- Instant liquidity ratio (N4), which is calculated as the ratio of highly-liquid assets to liabilities payable on demand. The ratio was 47.53% at 31 December 2009 (2008: 53.66%), with the required ratio being not less than 20%;

- Current liquidity ratio (N5), which is calculated as the ratio of liquid assets to liabilities maturing within 31 calendar days. The ratio was 52.79% at 31 December 2009 (2008: 52.37%), with the required ratio being not less than 40%; and

- Short-term liquidity ratio (N6), which is calculated as the ratio of liquid assets to short-term liabilities with initial maturity up to one year. The ratio was 26.59% at 31 December 2009 (2008: 25.22%), with the required ratio being not less than 20%.

The Treasury Department receives information about the liquidity profile of the financial assets and liabilities. The Treasury then provides for an adequate portfolio of short-term liquid assets, largely made up of short-term liquid trading securities, deposits with banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Bank as a whole.

The liquidity position is monitored and regular liquidity stress testing under a variety of scenarios covering both normal and more severe market conditions is performed by the ALM.

The table below shows liabilities at 31 December 2009 by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows, including gross finance lease obligations (before deducting future finance charges), contractual amounts to be exchanged under a gross settled currency swaps, and gross loan commitments. Such undiscounted cash flows differ from the amount included in the balance sheet because the balance sheet amount is based on discounted cash flows. Net settled derivatives are included at the net amounts expected to be paid.

When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the reporting date. Foreign currency payments are translated using the spot exchange rate at the balance sheet date.

29 Financial Risk Management (Continued)

The analysis at 31 December 2009 set out below is based on discounted cash flows for financial assets and undiscounted cash flows for financial liabilities.

In thousands of Ukrainian hryvnias	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	Over 12 months	No stated maturity	Total
Assets						
Cash and cash equivalents and mandatory reserves	3,697,669	-	-	-	-	3,697,669
Due from other banks	345,053	-	-	-	-	345,053
Loans and advances to customers	4,872,914	1,632,791	5,280,588	23,301,263	-	35,087,556
Investment securities available-for-sale	60	-	316,758	266,587	15,896	599,301
Gross settled swaps:						
- inflows	11,978	-	-	-	-	11,978
- outflows	(11,960)	-	-	-	-	(11,960)
Other financial assets	312,175	-	-	-	-	312,175
Total	**9,227,889**	**1,632,791**	**5,597,346**	**23,567,850**	**15,896**	**40,041,772**
Liabilities						
Due to other banks	1,038,342	302,295	6,358,688	8,282,481	-	15,981,806
Customer accounts	9,461,007	1,567,514	3,061,549	564,425	-	14,654,495
Due to the National Bank of Ukraine	-	829,508	-	-	-	829,508
Domestic debt securities in issue	11	-	-	-	-	11
Eurobonds issued	58,563	93,352	2,056,897	6,496,213	-	8,705,025
Syndicated loans and other borrowed funds	6	-	22,976	485,118	-	508,100
Other financial liabilities	56,576	-	-	-	-	56,576
Subordinated debt	47,239	46,309	263,546	4,706,233	-	5,063,327
Gross settled swaps:						
- inflows	(439,498)	-	-	-	-	(439,498)
- outflows	442,120	-	-	-	-	442,120
Credit related commitments (Note 31)	1,600,730	-	-	-	-	1,600,730
Total potential future payments for financial obligations	**12,265,097**	**2,838,978**	**11,763,656**	**20,534,470**	**-**	**47,402,201**
Net liquidity gap	**(3,037,208)**	**(1,206,187)**	**(6,166,310)**	**3,033,380**	**15,896**	**(7,360,429)**
Cumulative liquidity gap at 31 December 2009	**(3,037,208)**	**(4,243,395)**	**(10,409,705)**	**(7,376,325)**	**(7,360,429)**	**-**

29 Financial Risk Management (Continued)

The analysis at 31 December 2008 set out below is based on discounted cash flows for financial assets and undiscounted cash flows for financial liabilities

In thousands of Ukrainian hryvnias	**Demand and less than 1 month**	**From 1 to 3 months**	**From 3 to 12 months**	**Over 12 months**	**No stated maturity**	**Total**
Assets						
Cash and cash equivalents and mandatory reserves	3,123,107	-	-	-	-	3,123,107
Trading securities	65,570	-	-	-	4,141	69,711
Due from other banks	82,450	25,000	164,000	-	-	271,450
Loans and advances to customers	1,050,427	1,874,308	5,509,443	38,488,920	-	46,923,098
Investment securities available-for-sale	11,301	85,706	198,645	594,091	7,371	897,114
Gross settled swaps:						
- inflows	376,093	-	-	-	-	376,093
- outflows	(358,550)	-	-	-	-	(358,550)
Other financial assets	377,387	-	-	-	-	377,387
Total	**4,727,785**	**1,985,014**	**5,872,088**	**39,083,011**	**11,512**	**51,679,410**
Liabilities						
Due to other banks	1,343,575	946,635	7,993,130	14,347,512	-	24,630,852
Customer accounts	8,575,141	2,229,030	4,110,817	567,251	-	15,482,239
Due to the National Bank of Ukraine	-	-	-	-	-	-
Domestic debt securities in issue	1,356	-	4,114	56,856	-	62,326
Eurobonds issued	56,787	92,494	444,194	8,381,450	-	8,974,925
Syndicated loans and other borrowed funds	-	16,101	2,622,117	458,397	-	3,096,615
Other financial liabilities	78,526	-	-	-	-	78,526
Subordinated debt	-	81,480	162,961	2,913,459	-	3,157,900
Gross settled swaps:						
- inflows	(429,830)	-	-	-	-	(429,830)
- outflows	434,246	-	-	-	-	434,246
Credit related commitments (Note 31)	3,185,412	-	-	-	-	3,185,412
Total potential future payments for financial obligations	**13,245,213**	**3,365,740**	**15,337,333**	**26,724,925**	**-**	**58,673,211**
Net liquidity gap	**(8,517,428)**	**(1,380,726)**	**(9,465,245)**	**12,358,086**	**11,512**	**(6,993,801)**
Cumulative liquidity gap at 31 December 2008	**(8,517,428)**	**(9,898,154)**	**(19,363,399)**	**(7,005,313)**	**(6,993,801)**	**-**

29 Financial Risk Management (Continued)

The Bank does not use the above undiscounted maturity analysis to manage liquidity. Instead, the Bank monitors expected maturities, which may be summarised as follows at 31 December 2009:

In thousands of Ukrainian hryvnias	**Demand and less than 1 month**	**From 1 to 3 months**	**From 3 to 12 months**	**Over 12 months**	**No stated maturity**	**Total**
Assets						
Cash and cash equivalents and mandatory reserves	3,697,669	-	-	-	-	3,697,669
Due from other banks	345,053	-	-	-	-	345,053
Loans and advances to customers	4,872,914	1,632,791	5,280,588	23,301,263	-	35,087,556
Investment securities available-for-sale	60	-	316,758	266,587	15,896	599,301
Other financial assets	312,193	-	-	-	-	312,193
Total	**9,227,889**	**1,632,791**	**5,597,346**	**23,567,850**	**15,896**	**40,041,772**
Liabilities						
Due to other banks	1,032,678	285,846	5,752,048	7,730,705	-	14,801,277
Customer accounts	9,376,996	1,502,168	2,854,105	447,771	-	14,181,040
Due to the National Bank of Ukraine	-	805,869	-	-	-	805,869
Domestic debt securities in issue	11	-	-	-	-	11
Eurobonds issued	51,692	75,400	1,597,097	5,974,228	-	7,698,417
Syndicated loans and other borrowed funds	6	-	4,243	421,023	-	425,272
Other financial liabilities	61,429	-	-	-	-	61,429
Subordinated debt	47,239	-	20,805	3,004,873	-	3,072,917
Total potential future payments for financial obligations	**10,570,051**	**2,669,283**	**10,228,298**	**17,578,600**	**-**	**41,046,232**
Net liquidity gap	**(1,342,162)**	**(1,036,492)**	**(4,630,952)**	**5,989,250**	**15,896**	**(1,004,460)**
Cumulative liquidity gap at 31 December 2009	**(1,342,162)**	**(2,378,654)**	**(7,009,606)**	**(1,020,356)**	**(1,004,460)**	**-**

29 Financial Risk Management (Continued)

The liquidity position of the Bank at 31 December 2008 is set out below.

In thousands of Ukrainian hryvnias	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	Over 12 months	No stated maturity	Total
Assets						
Cash and cash equivalents and mandatory reserves	3,123,107	-	-	-	-	3,123,107
Trading securities	65,570	-	-	-	4,141	69,711
Due from other banks	82,450	25,000	164,000	-	-	271,450
Loans and advances to customers	1,050,427	1,874,308	5,509,443	38,488,920	-	46,923,098
Investment securities available-for-sale	11,301	85,706	198,645	594,091	7,371	897,114
Other financial assets	394,930	-	-	-	-	394,930
Total financial assets	**4,727,785**	**1,985,014**	**5,872,088**	**39,083,011**	**11,512**	**51,679,410**
Liabilities						
Due to other banks	1,337,568	925,071	7,039,698	12,882,178	-	22,184,515
Customer accounts	8,512,635	2,146,741	3,902,522	457,555	-	15,019,453
Domestic debt securities in issue	12	1,100	-	49,951	-	51,063
Eurobonds issued	49,847	75,677	8,288	7,280,064	-	7,413,876
Syndicated loans and other borrowed funds	-	15,986	2,551,134	382,405	-	2,949,525
Other financial liabilities	88,514	-	-	-	-	88,514
Subordinated debt	-	47,646	103,950	2,129,850	-	2,281,446
Total financial liabilities	**9,988,576**	**3,212,221**	**13,605,592**	**23,182,003**	**-**	**49,988,392**
Net liquidity gap	**(5,260,791)**	**(1,227,207)**	**(7,733,504)**	**15,901,008**	**11,512**	**1,691,018**
Cumulative liquidity gap at 31 December 2008	**(5,260,791)**	**(6,487,998)**	**(14,221,502)**	**1,679,506**	**1,691,018**	**-**

The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Bank. It is unusual for banks ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Bank and its exposure to changes in interest and exchange rates.

Management believes that in spite of a substantial portion of customer accounts being on demand, diversification of these deposits by number and type of depositors, and the past experience of the Bank would indicate that these customer accounts provide a long-term and stable source of funding for the Bank. It is proved by statistical assessment according to which the average maturity of demand accounts of the Bank is more than 1 year. Refer to Note 4.

29 Financial Risk Management (Continued)

The Bank's Risk Management also summarises the cumulative liquidity gap analysis of undiscounted financial assets and liabilities contractual maturities 2009 as follows:

In thousands of Ukrainian hryvnias	Up to 1 month	From 1 to 2 months	From 2 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 3 years	From 3 to 5 years	From 5 to 10 years
CHF	202,951	220,578	241,256	(335,506)	(444,361)	(597,317)	(809,125)	(273,842)
EUR	234,511	112,262	28,592	(52,186)	(244,791)	(159,976)	(58,582)	(45,608)
UAH	693,585	432,845	(189,492)	(271,835)	793,263	1,619,525	2,147,219	2,270,300
USD	(797,761)	(961,402)	(868,597)	(3,546,732)	(5,674,916)	(14,451,502)	(11,396,992)	(8,147,843)
Other	28,379	25,937	27,333	25,502	20,140	8,340	2,763	372

The Bank's Risk Management summarises the liquidity gap analysis of undiscounted financial assets and liabilities contractual maturities 2008 as follows:

In thousands of Ukrainian hryvnias	Up to 1 month	From 1 to 2 months	From 2 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 3 years	From 3 to 5 years	From 5 to 10 years
CHF	70,060	113,039	155,576	274,639	(1,468,649)	(652,681)	(591,633)	(124,417)
EUR	(14,583)	(32,562)	(124,299)	(319,616)	(618,271)	(156,232)	(86,317)	(20,194)
UAH	(1,367,500)	(1,499,241)	(1,415,333)	(1,136,316)	(76,239)	2,217,686	2,602,663	2,806,711
USD	157,037	1,009,391	1,487,639	1,377,551	(236,102)	(9,030,655)	(4,341,737)	(348,362)
Other	16,865	14,667	20,452	14,736	17,283	9,923	2,822	(221)

30 Management of Capital

The Bank's objectives when managing capital are (i) to comply with the capital requirements set by the National Bank of Ukraine, and (ii) to safeguard the Bank's ability to continue as a going concern. The Bank considers total capital under management to be total regulatory capital. The amount of capital that the Bank manages is UAH 7,159,937 thousand (2008: UAH 5,847,094 thousand). Compliance with capital adequacy ratios set by the National Bank of Ukraine is monitored monthly with reports outlining their calculation reviewed and signed by the Bank's Chairman of the Board and Head of Finance. Other objectives of capital management are evaluated annually.

Under the current capital requirements set by the National Bank of Ukraine banks have to maintain a ratio of regulatory capital to risk weighted assets ("statutory capital ratio") above a prescribed minimum level. Regulatory capital is based on the Bank's reports prepared under Ukrainian accounting standards and comprises (based on unadjusted trial balance):

In thousands of Ukrainian hryvnias	2009	2008
Primary capital	4,763,910	4,290,157
Additional capital	2,641,563	1,812,656
Deduction	(245,536)	(255,719)
Total regulatory capital	**7,159,937**	**5,847,094**

The Bank has complied with the capital requirements imposed by the NBU as at 31 December 2009 and 2008.

31 Contingencies and Commitments

***Legal proceedings*.** From time to time and in the normal course of business, claims against the Bank are received. On the basis of its own estimates, internal and external professional advice, the Management is of the opinion that no material losses will be incurred in respect of claims and accordingly no provision has been made in this consolidated financial statements.

Tax legislation. Ukrainian tax, currency and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Bank may be challenged by the relevant regional and central authorities.

The Ukrainian tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged.

As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

Capital expenditure commitments. At 31 December 2009 the Bank has contractual capital expenditure commitments in respect of premises and equipment totalling UAH 15,302 thousand (31 December 2008: UAH 29,343 thousand) and in respect of SAP consulting services and web-site development of UAH 1,530 thousand (31 December 2008: UAH 1,629 thousand). In 2009, the NBU implemented restrictions on the increase of the volume of capital investments and intangible assets.

The Bank has already allocated the necessary resources in respect of these commitments. The Bank believes that future net income and funding will be sufficient to cover this and any similar such commitments.

Operating lease commitments. Where the Bank is the lessee, the future minimum lease payments under non-cancellable operating leases are as follows:

In thousands of Ukrainian hryvnias	**31 December 2009**	**31 December 2008**
Not later than 1 year	99,818	134,435
Later than 1 year and not later than 5 years	156,158	267,024
Later than 5 years	26,071	54,187
Total operating lease commitments	**282,047**	**455,646**

31 Contingences and Commitments (Continued)

Credit related commitments. The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate or cash deposits and therefore carry less risk than a direct borrowing.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards.

Promissory notes endorsements represent guarantees undertaken by the Bank in respect of promissory notes issued by the Bank's clients.

Commitments arising in respect of underwriting activity represent commitments of the Bank arising from the Bank's acting as an underwriter from the placement of corporate bonds.

The Bank monitors the term to maturity of credit related commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments. Outstanding credit related commitments are as follows:

In thousands of Ukrainian hryvnias	**31 December 2009**	**31 December 2008**
Commitments to extend credit	148,300	474,900
Import letters of credit (cash covered)	1,145	2,349
Import letters of credit (uncovered)	131,298	1,214,692
Guarantees issued (cash covered)	4,027	2,330
Guarantees issued (uncovered)	1,162,777	1,442,241
Promissory notes endorsements (cash covered)	4,509	5,954
Promissory notes endorsements (uncovered)	148,674	42,946
Less: cash covered credit related commitments (Note 15)	(9,681)	(10,633)
Less: Provision for losses on credit related commitments	(2,231)	(5,572)
Total credit related commitments	**1,588,818**	**3,169,207**

The total outstanding contractual amount of commitments to extend credit, underwriting commitments, promissory notes endorsements, letters of credit, and guarantees does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded. Fair value of credit related commitments was UAH 2,231 thousand at 31 December 2009 (2008: UAH 5,572 thousand).

Credit related commitments are denominated in currencies as follows:

In thousands of Ukrainian hryvnias	**2009**	**2008**
Ukrainian hryvnias	506,951	659,444
US Dollars	530,667	1,600,718
Euro	476,729	731,025
Other currencies	74,471	178,020
Total	**1,588,818**	**3,169,207**

31 Contingences and Commitments (Continued)

Movements in the provision for losses on credit related commitments are as follows:

In thousands of Ukrainian hryvnias	31 December 2009	31 December 2008
Provision for losses on credit related commitments as at beginning of the period	**5,572**	**1,816**
(Recovery of)/provision for losses on credit related commitments during the period	(3,341)	3,756
Provision for losses on credit related commitments at the end of the period	**2,231**	**5,572**

Compliance with covenants. The Bank is subject to certain covenants related primarily to its borrowings. Non-compliance with such covenants may result in negative consequences for the Bank including growth in the cost of borrowings and declaration of default. In particular, the Bank is required to maintain a certain level of equity, a certain capital adequacy ratio, a maximum exposure to a single party to capital ratio, a level of aggregate indebtedness as well as comply with the NBU ratios. Failure to comply with these requirements could lead to early demand of funds by the creditors at their discretion. As at 31 December 2009 the Bank was in compliance with covenants specified above.

Fiduciary assets. These assets are not included in the Bank's consolidated statement of financial position as they are not assets of the Bank. Nominal values disclosed below are normally different from the fair values of respective securities. The nominal values of fiduciary assets fall into the following categories:

In thousands of Ukrainian hryvnias	31 December 2009 Nominal value	31 December 2008 Nominal value
Shares in domestic companies held by the Bank on behalf of its customers	3,197,479	2,952,198
Domestic corporate bonds held by the Bank on behalf of its customers	725,235	679,419
Domestic municipal bonds held by the Bank on behalf of its customers	3,402	16,020
Domestic treasury bills held by the Bank on behalf of its customers	195,040	12,369
Notes of exchange held by the Bank on behalf of its customers	152,264	12,820
Investment certificates held by the Bank on behalf of its customers	167,990	163,910
Assets managed by the Bank	506,289	440,217

In 2009, the Bank recognised fee income from fiduciary activities in amount UAH 1,329 thousand (2008: UAH 1,663 thousand). Refer to Note 24.

Assets pledged and restricted. At 31 December 2009 the Bank has the following assets pledged as collateral:

In thousands of Ukrainian hryvnias	Note	31 December 2009 Asset pledged	31 December 2009 Related liability/ commitment	31 December 2008 Asset pledged	31 December 2008 Related liability/ commitment
Trading securities		-	-	12,204	12,182
Investment securities available-for-sale	10, 14, 15	11,420	10,961	13,888	13,705
Gross receivables under currency swaps		451,221	454,063	802,328	789,684
Loans and advances to customers	9, 16, 19	1,497,179	829,708	-	-
Total		**1,959,820**	**1,294,732**	**828,420**	**815,571**

In addition, as disclosed in Note 7, mandatory reserve balances in the amount of UAH 909,483 thousand (31 December 2008: UAH 1,291,809 thousand) represent mandatory reserve assets which are not available to finance the Bank's day to day operations.

As disclosed in Note 8, the Bank placed a guarantee deposit in Deutsche Bank with maturity in June 2010 totalling UAH 1,597 thousand (31 December 2008: UAH 1,540 thousand).

32 Derivative Financial Instruments

Foreign exchange derivative financial instruments entered into by the Bank are generally traded in an over-the-counter market with professional market counterparties on standardised contractual terms and conditions. Derivatives have potentially favourable (assets) or unfavourable (liabilities) conditions as a result of fluctuations in market interest rates, foreign exchange rates or other variables relative to their terms. The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

The table below sets out fair values, at the balance sheet date, of currencies receivable or payable under foreign exchange swap contracts entered into by the Bank. The table reflects gross positions before the netting of any counterparty positions (and payments) and covers the contracts with settlement dates after the respective balance sheet date. The contracts are short term in nature.

In thousands of Ukrainian hryvnias	**2009** Contracts with positive fair value	**2009** Contracts with negative fair value	**2008** Contracts with positive fair value	**2008** Contracts with negative fair value
Foreign exchange swaps: fair values, at the balance sheet date, of				
- USD receivable on settlement (+)	11,978	-	138,083	182,369
- USD payable on settlement (-)	-	(419,222)	(223,405)	(250,659)
- Euros receivable on settlement (+)	-	-	148,061	-
- Euros payable on settlement (-)	-	(22,898)	(21,711)	-
- UAH receivable on settlement (+)	-	439,498	89,949	247,461
- UAH payable on settlement (-)	(11,960)	-	(113,434)	(183,587)
- RUB receivable on settlement (+)	-	-	-	-
- RUB payable on settlement (-)	-	-	-	-
Net fair value of foreign exchange swaps (Note 20)	**18**	**(2,622)**	**17,543**	**(4,416)**

At the end of 2009 the Bank introduced a new product, which allows its clients to convert USD loans into the UAH. In case of an increase in the UAH/USD exchange rate, the Bank charges a monthly commission. The given commission is designed to compensate the USD denominated loan's foreign exchange revaluation, which the Bank does not receive due to loan conversion to UAH. The commission can not be negative, The stream of future commissions to be received is recognized separately at fair value as a derivative financial instrument. At 31 December 2009 the fair value of the derivative was UAH 6,024 thousand.

Derivative financial instruments also include financial derivatives on financial lease contracts with the fair value of UAH 204,880 thousand as at 31 December 2009 (31 December 2008: UAH 248,828 thousand). Please refer to Note 4.

During the year ended 31 December 2009 the Bank recorded a gain of UAH 18,728 thousand (2008: loss of UAH 4,320 thousand) resulting from transactions with foreign exchange swaps, a gain of UAH 73,086 thousand from change in fair value of derivatives on finance a lease contracts (2008: gain of UAH 248,828 thousand), and a profit of UAH 6,023 thousand from recognition of derivatives on converted loans introduced in 2009. Please refer also to Note 33.

Analysis by credit quality of derivative financial instruments as at 31 December 2009 is as follows:

In thousands of Ukrainian hryvnias	**Derivative on financial lease contracts**	**Derivative on converted loans**	**Fair value of swaps**	**Total**
Neither past due nor impaired				
- High Quality Derivative Financial Instruments	75,463	-	-	75,463
- Medium Quality Derivative Financial Instruments	97,730	5,228	18	102,976
- Low Quality Derivative Financial Instruments	31,687	796	-	32,483
Total neither past due nor impaired	**204,880**	**6,024**	**18**	**210,922**

32 Derivative Financial Instruments (Continued)

Analysis by credit quality of derivative financial instruments as at 31 December 2008 is as follows:

In thousands of Ukrainian hryvnias	**Derivative on financial lease contracts**	**Derivative on converted loans**	**Fair value of swaps**	**Total**
Neither past due nor impaired				
- High Quality Derivative Financial Instruments	137,595	-	16,465	154,060
- Medium Quality Derivative Financial Instruments	103,294	-	1,078	104,372
- Low Quality Derivative Financial Instruments	7,939	-	-	7,939
Total neither past due nor impaired	**248,828**	**-**	**17,543**	**266,371**

Assessment of exposures' credit quality is disclosed in Note 3.

33 Fair Value of Financial Instruments

Fair values of financial assets are as follows at 31 December 2009 and 31 December 2008:

	2009		2008	
In thousands of Ukrainian hryvnias	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
FINANCIAL ASSETS CARRIED AT AMORTISED COST				
Cash and cash equivalents				
Cash on hand	1,274,809	1,274,809	1,141,325	1,141,325
Cash balances with the National Bank of Ukraine	1,305,418	1,305,418	1,444,504	1,444,504
Correspondent accounts and overnight placements with other banks				
- Ukraine	60,962	60,962	15,920	15,920
- other countries	1,056,480	1,056,480	521,358	521,358
Due from other banks				
Term placements with other banks	343,456	343,456	269,910	269,910
Guarantee deposits with other banks	1,597	1,597	1,540	1,540
Loans and advances to customers				
Car loans	4,671,497	4,164,763	6,785,631	6,459,798
Mortgage loans	15,828,177	13,647,054	19,171,251	17,517,894
Other term loans	14,085,933	13,829,114	19,973,292	17,884,250
Overdrafts	199,082	199,082	517,091	517,091
Net investment in finance leases	302,867	297,213	460,609	348,721
Reverse sale and repurchase agreements	-	-	15,224	15,224
Other financial assets	101,271	101,271	128,559	128,559
FINANCIAL ASSETS CARRIED AT FAIR VALUE				
Trading securities	-	-	69,711	69,711
Investment securities available-for-sale	599,301	599,301	897,114	897,114
Other financial assets	210,922	210,922	266,371	266,371
TOTAL FINANCIAL ASSETS	**40,041,772**	**37,091,442**	**51,679,410**	**47,499,290**

33 Fair Value of Financial Instruments (Continued)

Fair values of financial liabilities as of 31 December 2009 and 31 December 2008 are as follows:

	2009		2008	
In thousands of Ukrainian hryvnias	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
FINANCIAL LIABILITIES CARRIED AT AMORTISED COST				
Due to other banks				
- Correspondent accounts and overnight placements of other banks	49,954	49,954	391,439	391,439
- Guarantees deposits of other banks	1,167	1,167	2,873	2,873
- Amounts payable under repurchase agreements	10,023	10,023	-	-
Loans received from other banks	14,740,133	13,999,475	21,790,203	15,958,501
Customer accounts				
Legal entities				
- Current/settlement accounts	2,651,370	2,651,370	2,775,959	2,775,959
- Term deposits	1,582,806	1,578,254	4,157,450	4,134,260
Individuals				
- Current/demand accounts	5,238,085	5,238,085	2,880,860	2,880,860
- Term deposits	4,708,779	4,700,984	5,205,184	5,183,863
Due to the National Bank of Ukraine				
Short-term loans	805,869	805,869	-	-
Debt securities in issue				
Domestic debt securities	11	11	51,063	43,601
Eurobonds issued	7,698,417	6,840,011	7,413,876	3,685,856
Syndicated loans and other borrowed funds				
Syndicated loan	-	-	2,547,043	2,230,754
Loan received from EBRD	401,433	334,233	386,497	143,736
Trade financing received from non-banking financial institution	23,839	6,349	15,985	15,256
Subordinated debt				
- Subordinated debt	3,072,917	2,675,616	2,281,446	1,022,765
Other financial liabilities	58,807	58,807	84,098	84,098
FINANCIAL LIABILITIES CARRIED AT FAIR VALUE				
Other financial liabilities	2,622	2,622	4,416	4,416
TOTAL FINANCIAL LIABILITIES	**41,046,232**	**38,952,830**	**49,988,392**	**38,558,237**

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by an active quoted market price. Where quoted market prices are not available, the Bank used valuation techniques. Certain valuation techniques required assumptions that were not supported by observable market data. Changing any such used assumptions to a reasonably possible alternative would not result in significantly different profit, total assets or total liabilities.

33 Fair Value of Financial Instruments (Continued)

For financial instruments carried at fair value, the level in the fair value hierarchy into which the fair values are categorised are as follows:

	2009			2008		
In thousands of Ukrainian hryvnias	**Quoted price in an active market (Level 1)**	**Valuation technique with inputs observa-ble in markets (Level 2)**	**Valuation technique with significant non-observa-ble inputs (Level 3)**	**Quoted price in an active market (Level 1)**	**Valuation technique with inputs observa-ble in markets (Level 2)**	**Valuation technique with significant non-observa-ble inputs (Level 3)**
Financial Assets						
Investment securities available-for-sale	342,743	256,558	-	827,972	69,142	-
Other financial assets						
Foreign exchange swaps	-	18	-	-	17,543	-
Derivatives on converted loans	-	-	6,024	-	-	-
Derivatives on finance lease receivables	-	-	204,880	-	-	248,828
Total Financial assets carried at fair value	**342,743**	**256,576**	**210,904**	**827,972**	**86,685**	**248,828**
Financial Liabilities						
Other financial liabilities						
Foreign exchange swaps	-	2,622	-	-	4,416	-
Total Financial liabilities carried at fair value	**-**	**2,622**	**-**	**-**	4,416	-

Fair value of investment securities available-for-sale in amount of UAH 256,558 thousand was estimated by valuation technique with inputs observable in markets. The securities are bonds which, in the opinion of management, are no longer being quoted on an active market. Hence the fair value as at 31 December 2009 for them has been determined using a valuation technique. The valuation techniques used by management to determine fair value in the absence of an active market include discounted cash flows and consideration of current market conditions. The change in the transaction prices by 1% would result in the opposite change in the fair value losses less gains recognised in other comprehensive income in amount of UAH 1,663 thousand (2008: UAH 1,039 thousand).

A reconciliation of movements in Level 3 of the fair value hierarchy by class of instruments for the year ended 31 December 2009 is as follows:

In thousands of Ukrainian hryvnias	Financial derivative assets
Fair value at 1 January 2009	**248,828**
Gains or losses recognised in profit or loss for the year	73,086
Issues or origination	6,024
Settlements	(117,034)
Fair value at 31 December 2009	**210,904**
Cumulative revaluation gains less losses recognised in profit or loss for the current and prior years for assets held at 31 December 2009	**210,904**

33 Fair Value of Financial Instruments (Continued)

A reconciliation of movements in Level 3 of the fair value hierarchy by class of instruments for the year ended 31 December 2008 is as follows:

In thousands of Ukrainian hryvnias	Financial derivative assets
Fair value at 1 January 2008	**9,469**
Gains or losses recognised in profit or loss for the year	248,828
Settlements	(9,469)
Fair value at 31 December 2008	**248,828**
Cumulative revaluation gains less losses recognised in profit or loss for the current and prior years for assets held at 31 December 2008	**248,828**

For the sensitivity analysis of hierarchy level 3 financial assets refer to Note 4.

The fair value of floating rate instruments that are not quoted in an active market was estimated to be equal to their carrying amount. The fair value of unquoted fixed interest rate instruments was estimated based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on currency, maturity of the instrument and credit risk of the counterparty and were as follows:

In thousands of Ukrainian hryvnias	**2009**	**2008**
Due from other banks – Note 8		
Overnights and short-term placements with other banks	16% to 28% p.a.	12% to 31% p.a.
Reverse sale and repurchase agreements with other banks	-	-
Guarantee deposits with other banks	4% p.a.	4% p.a.
Loans and advances to customers – Note 9		
Corporate loans	18% to 27% p.a.	14% to 25% p.a.
Mortgage loans	10% to 28% p.a.	13% to 26% p.a.
Other term loans	10% to 33% p.a.	15% to 30% p.a.
Due to other banks – Note 14		
Loans received from other banks	13% to 14% p.a.	32% to 35% p.a.
Customer accounts – Note 15		
Term deposits of legal entities	15% to 23% p.a.	10% to 17% p.a.
Term deposits of individuals	4% to 10% p.a.	7% to 19% p.a.
Domestic Debt securities in issue – Note 17	-	20% p.a.
Syndicated loans and other borrowed funds – Note 19		
Syndicated loan	-.	34% p.a.
Loan received from EBRD	13% p.a.	34% p.a.
Trade financing received from non-banking institution	25% p.a.	34% p.a.
Subordinated Debt – Note 21	16% p.a.	32% to 34% p.a.

34 Presentation of Financial Instruments by Measurement Categories

For the purposes of measurement, IAS 39, *Financial Instruments: Recognition of Measurement*, classifies financial assets into the following categories: (a) loans and receivables; (b) available-for-sale financial assets; (c) financial assets held to maturity and (d) financial assets at fair value through profit or loss ("FVTPL"). Financial assets at fair value through profit or loss have two subcategories: (i) assets designated as such upon initial recognition, and (ii) those classified as held for trading. The following table provides a reconciliation of classes of financial assets with these measurement categories as at 31 December 2009:

In thousands of Ukrainian hryvnias	**Loans and receivables**	**Finance leases**	**Available-for-sale assets**	**Trading assets**	**Total**
Assets					
Cash and cash equivalents	3,697,669	-	-	-	3,697,669
Trading securities	-	-	-	-	-
Due from other banks					
Term placements with other banks	343,456	-	-	-	343,456
Guarantee deposits with other banks	1,597	-	-	-	1,597
Loans and advances to customers					
Car loans	4,671,497	-	-	-	4,671,497
Mortgage loans	15,828,177	-	-	-	15,828,177
Other term loans	14,085,933	-	-	-	14,085,933
Overdrafts	199,082	-	-	-	199,082
Net investment in finance leases	-	302,867	-	-	302,867
Reverse sale and repurchase agreements	-	-	-	-	-
Investment securities available-for-sale	-	-	599,301	-	599,301
Other financial assets:					
- Other financial assets	101,271	-	-	210,922	312,193
Total FINANCIAL assets	**38,928,682**	**302,867**	**599,301**	**210,922**	**40,041,772**
Non-financial assets	**-**	**-**	**-**	**-**	**3,266,947**
Total assets	**-**	**-**	**-**	**-**	**43,308,719**

34 Presentation of Financial Instruments by Measurement Categories (Continued)

The following table provides a reconciliation of classes of financial assets with these measurement categories as at 31 December 2008:

In thousands of Ukrainian hryvnias	**Loans and receivables**	**Finance leases**	**Available-for-sale assets**	**Trading assets**	**Total**
ASSETS					
Cash and cash equivalents	3,123,107	-	-	-	3,123,107
Trading securities	-	-	-	69,711	69,711
Due from other banks					
Term placements with other banks	269,910	-	-	-	269,910
Guarantee deposits with other banks	1,540	-	-	-	1,540
Loans and advances to customers					
Car loans	6,785,631	-	-	-	6,785,631
Mortgage loans	19,171,251	-	-	-	19,171,251
Other term loans	19,973,292	-	-	-	19,973,292
Overdrafts	517,091	-	-	-	517,091
Net investment in finance leases	-	460,609	-	-	460,609
Reverse sale and repurchase agreements	15,224	-	-	-	15,224
Investment securities available-for-sale	-	-	897,114	-	897,114
Other financial assets:					
- Other financial assets	128,559	-	-	266,371	394,930
TOTAL FINANCIAL ASSETS	**49,985,605**	**460,609**	**897,114**	**336,082**	**51,679,410**
NON-FINANCIAL ASSETS	**-**	-	**-**	**-**	**2,246,152**
TOTAL ASSETS	**-**	-	**-**	**-**	**53,925,562**

As of 31 December 2009 and 31 December 2008 all of the Bank’s financial liabilities except for derivatives were carried at amortised cost. Derivatives belong to the fair value through profit or loss measurement category.

35 Related Party Transactions

Parties are generally considered to be related if the parties are under common control or one party has the ability to control the other party or can 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.

At 31 December 2009, the outstanding balances with related parties were as follows:

In thousands of Ukrainian hryvnias	**Parent company**	**Other share-holders**	**Key manage-ment personnel**	**Entities under common control**	**Other related parties**	**Joint Ventures**
Cash and cash equivalents	305,737	-	-	62,814	-	-
Loans and advances to customers						
Gross amount of loans and advances to customers in UAH (contractual interest rate: 10 – 36%)	-	-	656	-	92	-
Gross amount of loans and advances to customers in USD (contractual interest rate: 10 – 23%)	-	-	10,965	-	15,427	-
Gross amount of loans and advances to customers in EUR (contractual interest rate: 11 – 30%)	-	-	189	-	3,791	-
Impairment provisions for loans and advances to customers	-	-	-	-	(611)	-
Investments accounted for using the equity method	-	-	-	-	-	63,305
Other assets	-	-	1	59	-	4,368
Due to other banks						
Due to other banks in USD (contractual interest rate: 2-10%)	11,398,584	-	-	11,778	-	-
Due to other banks in EUR (contractual interest rate: 2.5-4.5%)	26,285	-	-	40,460	-	-
Due to other banks in CHF (contractual interest rate: 6-10%)	2,079,115	-	-	-	-	-
Due to other banks in UAH	-	-	-	22	-	-
Due to other banks in GBP	-	-	-	13	-	-
Eurobonds issued	403,093	-	-	-	-	-
Customer accounts						
Current accounts	-	2,494	3,230	-	11,833	16,934
Term deposits in UAH (contractual interest rate: 5-21%)	-	-	345	-	53,275	64,428
Term deposits in USD (contractual interest rate: 8-15%)	-	93,398	1,914	-	2,743	4,533
Term deposits in EUR (contractual interest rate: 6-9%)	-	-	663	-	12	-
Subordinated debt (contractual interest rate: 7-9%)	2,262,104	-	-	-	-	-
Minority interest	-	-	-	(19)	-	-

Other related parties are represented by close family members of key management personnel and the entities for which significant voting power resides with other shareholders of the Bank.

35 Related Party Transactions (Continued)

The income and expense items with related parties for the year 2009 were as follows:

In thousands of Ukrainian hryvnias	**Parent company**	**Other share-holders**	**Key mana-gement person-nel**	**Entities under common control**	**Other related parties**	**Joint Ventures**
Interest income on loans and advances to customers	-	-	476	-	1,442	-
Interest expense on customer accounts	-	(12,656)	(184)	-	(5,743)	(25,061)
Interest expense on subordinated debt	(183,338)	-	-	-	-	-
Interest expense on due to other banks	(1,121,094)	-	-	(1,611)	-	-
Reversal of provision / (provision) for loan impairment	-	-	241	-	34,854	-
Losses less gains from trading in foreign currencies	-	-	(114)	-	(223)	-
Fee and commission income	-	-	7	950	431	44,194
Other operating expenses	-	-	-	(95)	-	(3,762)
Other operating income	-	298	75	223	-	825
Interest expense on Eurobonds issued	(36,568)	-	-	-	-	-
Interest expense on other borrowed funds	-	-	-	(5,393)	-	-

At 31 December 2009, other rights and obligations with related parties were as follows:

In thousands of Ukrainian hryvnias	**Parent company**	**Other share-holders**	**Key manage-ment person-nel**	**Entities under common control**	**Other related parties**	**Joint Ventures**
Commitments to extend credit	-	1,723	3,154	5,049	215	-
Commitments to extend credit received from other banks	10,987,399	-	-	950	-	-

Aggregate amounts lent to and repaid by related parties during 2009 were:

In thousands of Ukrainian hryvnias	**Parent company**	**Other share-holders**	**Key manage-ment person-nel**	**Entities under common control**	**Other related parties**	**Joint Ventures**
Amounts lent to related parties during the period	-	-	335	-	-	-
Amounts repaid by related parties during the period	-	339	19,925	-	412,666	-

35 Related Party Transactions (Continued)

At 31 December 2008, the outstanding balances with related parties were as follows:

In thousands of Ukrainian hryvnias	**Parent company**	**Other share-holders**	**Key manage-ment personnel**	**Entities under common control**	**Other related parties**	**Joint Ventures**
Cash and cash equivalents	489	-	-	171,215	-	-
Loans and advances to customers						
Gross amount of loans and advances to customers in UAH (contractual interest rate: 14.8 – 33.6%)		-	320	-	514	-
Gross amount of loans and advances to customers in USD (contractual interest rate: 9.5 - 30%)		-	30,305	-	138,128	-
Gross amount of loans and advances to customers in EUR (contractual interest rate: 8.5 – 14%)		339	774	-	261,794	-
Gross amount of loans and advances to customers in CHF (contractual interest rate: 8%)		-	-	-	31,540	-
Impairment provisions for loans and advances to customers		-	(241)	-	(35,465)	-
Investments accounted for using the equity method		-	-	-	-	81,166
Other assets		-	74	-	4,703	7,945
Due to other banks						
Due to other banks in USD (contractual interest rate: 6-9%)	16,841,848	-	-	16,488	-	-
Due to other banks in EUR (contractual interest rate: 6-8%)	31,028	-	-	28,557	-	-
Due to other banks in CHF (contractual interest rate: 4-7%)	2,563,552	-	-	-	-	-
Due to other banks in GBP (contractual interest rate: 6%)		-	-	12	-	-
Due to other banks in UAH		-	-	22	-	-
Customer accounts						
Current accounts	-	11,850	2,752	-	18,186	106,893
Term deposits in UAH (contractual interest rate: 11-28%)	-	-	1,353	-	1,067	51,256
Term deposits in USD (contractual interest rate: 8-15%)	-	89,478	967	-	14,317	618
Term deposits in EUR (contractual interest rate: 7-9%)	-	-	234	-	61	-
Subordinated debt (contractual interest rate: 7-9%)	2,281,446	-	-	-	-	-
Other liabilities	275	-	13	16,735	-	2
Other borrowed funds	-	-	-	338,800	-	-
Minority interest	-	-	43	801	-	-

35 Related Party Transactions (Continued)

The income and expense items with related parties for the year 2008 were as follows:

In thousands of Ukrainian hryvnias	**Parent company**	**Other share-holders**	**Key mana-gement person-nel**	**Entities under common control**	**Other related parties**	**Joint Ventures**
Interest income due from other banks	189	-	-	93	-	-
Interest income on loans and advances to customers	-	-	2,142	-	40,524	1
Interest expense on customer accounts	-	(13,092)	(632)	-	(5,332)	(6,121)
Interest expense on subordinated debt	(128,788)	-	-	-	-	-
Interest expense on due to other banks	(884,371)	-	-	(2,311)	-	-
Interest expense on other borrowed funds	-	-	-	(13,593)	-	-
Provision for loan impairment	-	-	(241)	-	(12,413)	-
Gains less losses from trading in foreign currencies	-	(192)	124	-	24,258	(32)
Gains less losses from trading securities	-	-	-	-	(56)	-
Fee and commission income	475	42	157	-	2,934	47,817
Other operating expenses	(30,527)	-	(444)	(132)	(3,313)	(3,214)
Other operating income	191	1,048	21	-	9	5,633

At 31 December 2008, other rights and obligations with related parties were as follows:

In thousands of Ukrainian hryvnias	**Parent company**	**Other share-holders**	**Key manage-ment personnel**	**Entities under common control**	**Other related parties**	**Joint Ventures**
Commitments to extend credit	-	-	2,205	97,430	-	-
Commitments to extend credit received from other banks	4,940,287	-	-	36,538	-	-

Aggregate amounts lent to and repaid by related parties during 2008 were as follows:

In thousands of Ukrainian hryvnias	**Parent company**	**Other share-holders**	**Key manage-ment personnel**	**Entities under common control**	**Other related parties**	**Joint Ventures**
Amounts lent to related parties during the period	-	753	9,486	-	548,740	-
Amounts repaid by related parties during the period	-	414	85	-	492,313	-

As at 31 December 2009 and 31 December 2008 the parent company and the ultimate controlling party of the Bank was BNP Paribas S.A.

During the year ended 31 December 2009, the remuneration of members of the Board of Directors comprised salaries, discretionary bonuses and other short-term benefits totaling UAH 22,350 thousand (2008: UAH 16,241 thousand).

36 Principal Subsidiaries and Special Purpose Entities

As at 31 December 2009 the Bank consolidated the following subsidiaries:

Name	Nature of business	Country of registration	Percentage of legal ownership 31 December 2009	Percentage of legal ownership 31 December 2008
Limited Liability Company “Ukrainian Leasing Company”	Leasing	Ukraine	100.00%	100.00%
Closed Joint-Stock Company “Asset Management Company “Ukrsib Asset Management”	Asset management	Ukraine	99.94%	99.94%
“Closed Non-diversified Investment Fund UkrSib Stabilnii Investicii”	Asset management	Ukraine	99.88%	99.88%
Closed Joint-Stock Company “UkrSib Real Estate”	Rent and sale estate	Ukraine	99.74%	99.74%
Open Joint-Stock Company “ UkrSib Fond Neruhomosty	Asset management	Ukraine	52.58%	52.58%

The following special purpose entities have been consolidated in these consolidated financial statements:

Name	Nature of business	Country of registration	Percentage of ownership directly held by the Bank 31 December 2009	Percentage of ownership directly held by the Bank 31 December 2008
Limited Liability Company “UkrSib-Finance”	Finance	Ukraine	9.90%	9.90%
Limited Liability Company “Universal Leasing Company”	Leasing	Ukraine	9.09%	9.09%
MTN Finance plc	Finance	Great Britain	-	-

Limited Liability Company “UkrSib-Finance” and Limited Liability Company “Universal Leasing Company”, were created in 2003 and 2002 to serve as an integral part of the Bank’s business. The Bank finances and controls the operations of these Companies.

MTN Finance plc was established for the purpose of setting up the Programme for the Issuance of Loan Participation Notes. This SPE acted as an issuer and issued loan participation notes on a limited recourse basis for the sole purpose of financing loans to UkrSibbank. Ukrainian MTN Finance Plc is incorporated in England and Wales as a public company with limited liability under the Companies Act 1985.

Judgement is required to determine whether the substance of the relationship between the Bank and a special purpose entity indicates that the special purpose entity is controlled by the Bank.

The Bank does not consolidate SPEs that it does not control. As it can sometimes be difficult to determine whether the Bank does control an SPE, Management makes judgements about its exposure to the risks and rewards, as well as about its ability to make operational decisions for the SPE in question. In many instances, elements are present that, considered in isolation, indicate control or lack of control over an SPE, but when considered together make it difficult to reach a clear conclusion. In cases where more arguments are in place towards existence of control, the SPE is consolidated.

Were the Bank not to consolidate the assets, liabilities and the results of these consolidated SPEs, the net effect on the statement of financial position would be a decrease in net assets by UAH 37,016 thousand (31 December 2008: decrease in net assets by UAH 12,065 thousand) and decrease in results by UAH 24,951 thousand (2008: decrease in results by UAH 1,353 thousand).

37 Subsequent Events

In March 2010 the Bank repaid the refinancing due to the National Bank of Ukraine with par value of UAH 1 billion.

During January – March 2010 the Bank purchased Ukrainian government bonds with par value of UAH 466,684 million.

The Bank repaid a part of BNPP credit line in amount of UAH 477,345 million since the beginning of the year

In March 2010, Ukraine's long-term foreign currency rating was increased by Standard & Poor's from CCC+ to B-/C, national currency rating was increased from B-/C to B/B and national-scale sovereign rating was increased from uaBBB to uaA. Fitch Ratings has revised Ukraine's sovereign debt outlook from negative to stable.

In March 2010, Fitch Ratings revised the outlooks for the Bank to stable from negative and affirmed all of the ratings.