OJSC Commercial Bank Khreschatyk

International Financial Reporting Standards 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 Open Joint Stock Company Commercial Bank Khreschatyk:

1 We have audited the accompanying financial statements of Open Joint Stock Company Commercial Bank Khreschatyk (the "Bank") which comprise the statement of financial position as of 31 December 2009 and the statements of comprehensive income, changes in equity and 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 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 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 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)"

18 May 2010
Kyiv, Ukraine

In thousands of US dollars	Note	31 December 2009	31 December 2008
ASSETS			
Cash and cash equivalents	7	130,322	102,711
Due from other banks	8	7,342	1,825
Derivative financial assets	32	-	6,837
Loans and advances to customers	9	489,015	433,582
Investment securities available for sale	10	27,866	39,365
Other investment securities	11	14,879	-
Deferred income tax asset	26	1,638	86
Current income tax asset		707	-
Intangible assets	13	1,196	778
Premises and equipment	12	30,956	32,948
Other financial and non-financial assets	14	2,376	2,265
TOTAL ASSETS		**706,297**	**620,397**
LIABILITIES			
Amounts due to the National Bank of Ukraine	16	126,465	48,682
Due to other banks	15	71,612	83,847
Derivative financial liabilities	32	162	-
Customer accounts	17	419,730	392,026
Debt securities in issue	18	472	3,579
Current income tax liability		-	246
Subordinated debt	20	13,013	-
Other financial and non-financial liabilities	19	2,206	2,646
TOTAL LIABILITIES		**633,660**	**531,026**
EQUITY			
Share capital	21	119,067	108,968
Retained earnings		679	21,945
Currency translation reserve		(47,823)	(44,963)
Other reserves	22	714	3,421
TOTAL EQUITY		**72,637**	**89,371**
TOTAL LIABILITIES AND EQUITY		**706,297**	**620,397**

Approved for issue and signed on behalf of the Board of Directors on 18 May 2010.

Dmytro Grydzhuk
Chairman of the Board of Directors

Valentyna Yur
Chief Accountant

КОМЕРЦІЙНИЙ БАНК «ХРЕЩАТИК»
Ідентифікаційний код 19364259

In thousands of US dollars	**Note**	**2009**	**2008**
Interest income	23	105,353	140,881
Interest expense	23	(73,721)	(81,999)
Net interest income		**31,632**	**58,882**
Provision for loan impairment		(11,375)	(9,942)
Net interest income after provision for loan impairment		**20,257**	**48,940**
Fee and commission income	24	10,490	15,630
Fee and commission expense	24	(1,804)	(1,222)
Loss on initial recognition of other investment securities at rates below market		(6,149)	-
Gains less losses from trading in foreign currencies		7,501	732
Foreign exchange translation gains less losses		(849)	318
Gains less losses from disposals of investment securities available for sale		107	63
Other operating income		235	316
Administrative and other operating expenses	25	(40,971)	(57,521)
Gains less losses from financial derivatives		(738)	4,115
(Loss)/profit before tax		**(11,921)**	**11,371**
Income tax credit /(expense)	26	709	(4,960)
(LOSS)/PROFIT FOR THE YEAR		**(11,212)**	**6,411**
Other comprehensive income:			
Available-for-sale investments:			
- Gains less losses arising during the year	22	(3,549)	(1,073)
Income tax recorded directly in other comprehensive income	22	887	268
Exchange differences on translation to presentation currency		(2,860)	(46,585)
Other comprehensive loss for the year		**(5,522)**	**(47,390)**
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(16,734)**	**(40,979)**

In thousands of USD	**Note**	**Share capital**	**Other reserves (Note 22)**	**Currency translation reserve**	**Retained Earnings/**	**Total equity**
At 1 January 2008		**108,968**	**4,353**	**1,622**	**15,407**	**130,350**
Total comprehensive loss for 2008		-	(805)	(46,585)	6,411	(40,979)
Transfer of revaluation surplus on premises to retained earnings	22	-	(127)	-	127	-
Balance at 31 December 2008		**108,968**	**3,421**	**(44,963)**	**21,945**	**89,371**
Total comprehensive loss for 2009		-	(2,662)	(2,860)	(11,212)	(16,734)
Dividends capitalised during the year	21	10,099	-	-	(10,099)	-
Transfer of revaluation surplus on premises to retained earnings	22	-	(45)	-	45	-
Balance at 31 December 2009		**119,067**	**714**	**(47,823)**	**679**	**72,637**

In thousands of USD	Note	2009	2008
Cash flows from operating activities			
Interest received		91,422	141,103
Interest paid		(73,258)	(85,484)
Fees and commissions received		10,030	15,877
Fees and commissions paid		(3,259)	(1,930)
Income received from trading in available for sale securities		107	63
Income received from trading in foreign currencies		6,652	6,994
Other operating income received		235	316
Staff costs paid		(19,974)	(31,772)
Administrative and other operating expenses paid		(18,411)	(22,981)
Income tax paid		(244)	(5,451)
Cash flows (used in)/from operating activities before changes in operating assets and liabilities		**(6,700)**	**16,735**
Net increase in mandatory reserves		(3,236)	-
Net decrease in due from other banks		1,802	32,220
Net (increase)/decrease in loans and advances to customers		(91,477)	239,768
Net (increase)/decrease in other assets		(2,297)	365
Net (decrease)/increase in due to other banks		(9,302)	5,634
Net increase in due to National Bank of Ukraine		81,469	74,971
Net increase/(decrease) in customer accounts		42,712	(432,684)
Net decrease in other financial liabilities		(262)	(3,387)
Net cash from/(used in) operating activities		**12,709**	**(66,378)**
Cash flows from investing activities			
Acquisition of investment securities available for sale	10	-	(60,728)
Proceeds from disposal and redemption of investment securities available for sale	10	7,680	89,541
Acquisition of premises and equipment	12	(1,840)	(8,424)
Proceeds from disposal of premises and equipment	12	-	13
Acquisition of intangible assets	13	(264)	(1,147)
Net cash from investing activities		**5,576**	**19,255**
Cash flows from financing activities			
Proceeds from bonds issued		-	28,709
Repayment of bonds issued		(3,053)	(51,016)
Proceeds from subordinated debt	20	13,332	-
Net cash from/(used in) financing activities		**10,279**	**(22,307)**
Effect of exchange rate changes on cash and cash equivalents		**(4,112)**	**(18,616)**
Net increase/(decrease) in cash and cash equivalents		**24,452**	**(88,046)**
Cash and cash equivalents at the beginning of the year	7	102,711	190,757
Cash and cash equivalents at the end of the year	7	**127,163**	**102,711**

1 Introduction

These financial statements have been prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2009 for Open Joint Stock Company Commercial Bank Khreschatyk (the "Bank").

The Bank was incorporated and is domiciled in Ukraine. The Bank was initially registered on 19 May 1993 with the National Bank of Ukraine (the "NBU") as a limited liability company – Bank Khreschatyk. On 8 August 2000, the Bank was renamed Commercial Bank Khreschatyk. On 26 December 2001, the Bank was re-registered with the NBU as an open joint stock company Commercial Bank Khreschatyk.

Principal activity. The Bank principal business activity is corporate and retail banking operations within Ukraine. The Bank has operated under a full banking licence issued by the National Bank of Ukraine ("NBU") since May 19, 1993. The Bank participates in the state deposit insurance scheme (registration #19 dated 03 June 2002), which operates according to the Law №2740-III "On Individuals Deposits Guarantee Fund" dated 20 September 2001 (as amended). Individuals Deposits Guarantee Fund guarantees repayment of individual deposits up to USD 150 thousand (2008: USD 150 thousand) per individual in case bank liquidation procedure is started.

As at 31 December 2009 the Bank had 169 business units including the head-office, 25 branches and 143 operating outlets (2008: the head-office, 27 branches, 133 operating outlets, and 3 exchange points) within Ukraine. The Bank had 2,116 employees on average during the year ended 31 December 2009 (2008: 2,177 employees)

As at 31 December 2009, 99.69% of the share capital was owned by legal entities and 0.31% by individuals. Details of the Bank's shareholders are presented in Note 21.

As of 31 December 2009 composition of the Supervisory Board was as follows:

Chairman of the Supervisory Board:	Mr A.L. Gerasymenko
First Deputy Chairman of the Supervisory Board:	Mr A. V. Laznya
Deputy Chairman of the Supervisory Board:	Mrs O. G. Fursenko
Members of the Supervisory Board:	Mr A. T. Abdinov
	Mr R. G. Gamzatov
	Mr I. V. Dvoretskiy
	Mr V. I. Lavrenenko
	Mrs N.S. Prudka
	Mr E. V. Voitko

As of 31 December 2009 the composition of the Management Board was as follows:

Chairman of the Management Board:	Mr D.M. Grydzhuk
Members of the Management Board:	
First Deputy Chairmen of the Management Board:	Mrs Y.L. Tur
	Mr A.V. Semenov
Deputy Chairmen of the Management Board:	Mr A.Y. Lisnyak
	Mrs. O.Y. Ratushniuk
	Mr. O.M. Khodachuk
	Mr. A.V. Ostapenko
	Mrs. I.I. Skyrchuk
Deputy Chairman of the Management Board – Head of the Financial Monitoring Department:	Mr. V.M. Gorodetskyi
Chief Financial Officer	Mrs. L. O. Karpenko
Chief Accountant:	Mrs. V.M.Yur

Registered address and place of business. The Bank's registered address is: 8a, Khreschatyk St., Kyiv, Ukraine.

Presentation currency. These financial statements are presented in thousands of US dollars ("USD"), unless otherwise stated.

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 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 hryvnia 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 7.9259 at date of issuance of these 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.
- 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.

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 forth 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, IMF was not satisfied with the measures taken by the Ukrainian government in order to overcome the negative consequences of the financial crisis. Therefore IMF delayed granting the 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.

2 Operating Environment of the Bank (Continued)

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. In some cases the Bank has also experienced unforeseeable delays in recovering collateral. 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 2008. 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 corporate debt securities and, as such, in the opinion of management such debt securities are no longer being quoted on an active market. Hence fair value as at 31 December 2009 of such debt securities 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 discounting of expected cash flows at market interest rate for similar type instruments.

The market in Ukraine for many types of real estate has been severely affected by the volatile global financial markets.

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 believes it is taking all the necessary measures to support the sustainability and development of the Bank’s business in the current circumstances.

3 Summary of Significant Accounting Policies

Basis of preparation. These 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 at fair value, and by the revaluation of available for sale and derivative financial instruments and premises.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

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 or 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 financial statements if changing any such assumptions to a reasonably possible alternative would result in significantly different profit, income, total assets or total liabilities.

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.

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 balance sheet items.

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 paid or received between parties to the contract that are an integral part of the effective interest rate.

Initial recognition of financial instruments. Derivatives and other financial instruments at fair value through profit or loss 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 assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at settlement date, which is the date that the Bank actually delivers a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

3 Summary of Significant Accounting Policies (Continued)

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 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 insignificant risk of changes in value. Cash and cash equivalents include cash on hand, unrestricted balances on correspondent and time deposit accounts with the National Bank of Ukraine, balances on correspondent accounts with other banks and overnight deposits with other banks except for margin deposits for operations with plastic cards. Cash and cash equivalents are carried at amortised cost.

Mandatory cash balances with the NBU. Mandatory cash balances with the NBU are carried at amortised cost and represent interest bearing mandatory reserve deposits 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 statement of cash flows.

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 in determining whether a financial asset is impaired are its overdue status and realisability of related collateral, if any.

The following other principal criteria are also used to determine whether 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 the borrower's financial information that the Bank obtains;
- the borrower considers bankruptcy or a financial reorganisation;
- there is an 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.

3 Summary of Significant Accounting Policies (Continued)

Impairment losses are always 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 original 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 the impairment loss account in profit or loss for the year.

Credit related commitments. The Bank enters into credit related commitments, including letters of credit and financial guarantees. 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.

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 for the year. Dividends on available-for-sale equity instruments are recognised in profit or loss for the year 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 recognised in other comprehensive income 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 for the year 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 recognised 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.

Other investment securities. This classification includes unquoted non-derivative financial assets with fixed or determinable payments and fixed maturities. For measurement purposes management classifies these securities as loans and receivables and they are carried at amortised cost.

Premises and equipment. Equipment is stated at cost less accumulated depreciation and provision for impairment, where required.

Premises are subject to revaluation with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Increases in the carrying amount arising on revaluation are credited to other comprehensive income and increase the revaluation surplus in equity. Decreases that offset previous increases of the same asset are recognised in other comprehensive income and decrease the previously recognised revaluation surplus in equity; all other decreases are charged to profit or loss for the year. The revaluation reserve for premises included in equity is transferred directly to retained earnings when the revaluation surplus is realised on the retirement or disposal of the asset, or as the asset is used by the Bank; in the latter case, the amount of the surplus realised is the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost.

3 Summary of Significant Accounting Policies (Continued)

Construction in progress is carried at cost, less provision for impairment when required. Upon completion, assets are transferred to buildings 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. Costs of replacing major parts or components of premises and equipment items are capitalised and the replaced part is retired.

At the end of each reporting period 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 to the extent that it exceeds any credit balance existing in the revaluation surplus in equity in respect of that asset. 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. Construction in progress is not depreciated. Depreciation on other items of premises and equipment is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives:

	Useful lives in years
Premises	50
Furniture and fixtures	8-15
Computers and office equipment	5-10
Motor vehicles	5

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 the end of each reporting period.

Intangible assets. 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 them to use. Development costs that are directly associated with identifiable and unique software controlled by the Bank are recorded as intangible assets if an 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 5 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 are charged to profit or loss for the year on a straight-line basis over the period of the lease.

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 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 balance outstanding. The corresponding rental obligations, net of future finance charges, are included in other borrowed funds. The interest cost is charged to 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, the liability is removed from the 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 early retirement of debt.

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

3 Summary of Significant Accounting Policies (Continued)

Debt securities in issue. Debt securities in issue include bonds, issued by the Bank. Debt securities are stated at amortised cost. If the Bank purchases its own debt securities in issue, they are removed from the statement of the 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.

Derivative financial instruments. Derivative financial instruments, including foreign exchange contracts and currency swaps 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. The Bank does not apply hedge accounting.

Income taxes. Income taxes have been provided for in the financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The income tax charge/credit comprises current tax and deferred tax and is recognised in profit or loss for the year except if it is recognised 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 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 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 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 utilized.

Uncertain tax positions. The Bank's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

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 has 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. The nominal amount of the share capital was adjusted to account for the effect of the hyperinflation on the capital contributions made before 1 January 2003. The respective amount was reclassified from retained earnings to share capital.

Dividends. Dividends are recorded in equity in the period in which they are declared. Any dividends declared after the end of the reporting period and before the financial statements are authorised for issue are disclosed in the subsequent events note. The statutory accounting reports of the Bank 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.

3 Summary of Significant Accounting Policies (Continued)

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 the 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, 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 retains no part of the loan package for itself or retains a part at the same effective interest rate as for the other participants.

Foreign currency translation. The functional currency of the Bank is the currency of the primary economic environment in which the entity operates. The functional currency of the Bank is the national currency of Ukraine, Ukrainian Hryvnia (UAH). The presentation currency is US dollars. Management uses US dollars as the presentation currency for a better understanding of the financial position and the results of the Bank in terms of a currency used for international settlements and to enable the Bank's foreign counterparties to better assess the financial information included in the financial statements.

Monetary assets and liabilities denominated in foreign currencies are translated into functional currency at the official exchange rate of the NBU at the end of the respective reporting period. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation of monetary assets and liabilities into functional currency at year-end official exchange rates of the NBU are recognised in profit or loss for the year (as gains less losses from trading in foreign currencies and foreign exchange translation gains less losses, respectively). Translation at year-end rates does not apply to non-monetary items that are measured at historical cost. Non-monetary items measured at fair value in a foreign currency, including equity investments, are translated using the exchange rates at the date when the fair value was determined. Effects of exchange rate changes on non-monetary items measured at fair value in a foreign currency are recorded as part of the fair value gain or loss.

The results and financial position of the Bank are translated into the presentation currency as follows:

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

(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.

At 31 December 2009 the principal rates of exchange used for translating foreign currency balances were as follows:

	31 December 2009, UAH	31 December 2008, UAH
1 US dollar (USD)	7.985000	7.70000
1 Euro (EUR)	11.448893	10.85546
1 Russian Rouble (RUR)	0. 264020	0.26208

The principal average rate of exchange used for translating income and expenses was USD 1 = UAH 7.7940 (2008: for the first nine month and the last three month periods of the year 2008 the average exchange rate was USD 1 = UAH 4.9531 and USD 1 = UAH 6.2095 respectively.)

Offsetting. Financial assets and liabilities are offset and the net amount reported in the 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.

Staff costs and related contributions. Wages, salaries, contributions to 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.

3 Summary of Significant Accounting Policies (Continued)

***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.

Changes in presentation. Where necessary, corresponding figures have been adjusted to conform to the presentation of the current year amounts. Changes in presentation were made to enhance the understandability of the financial statements.

The effect of reclassifications for presentation purposes was as follows:

In thousands of US dollars	**Reference**	**As originally presented**	**Reclassification**	**As reclassified**
Statement of financial position				
Increase in				
Share capital	(iv)	72,533	36,435	108,968
Decrease in				
Retained earnings	(iv)	58,380	(36,435)	21,945
Statement of comprehensive income				
Increase in				
Gains less losses from financial derivatives	(i)	-	4,115	4,115
Decrease in				
Interest income	(i), (ii)	141,999	(1,118)	140,881
Interest expense	(i), (iii)	(86,837)	4,838	(81,999)
Gains less losses from trading in foreign currencies	(i)	6,994	(6,262)	732
Fee and commission income	(ii)	17,750	(2,120)	15,630
Fee and commission expense	(iii)	(1,769)	547	(1,222)

(i) Presentation of net gains from operations with derivatives;
(ii) Presentation of commission income from servicing of loan accounts in interest income;
(iii) Presentation of commission expense on attracting customer accounts as interest expense;
(iv) Presentation of translation differences attributable to the share capital and retained earnings.

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 and changes in revalued amount of premises in the statement of comprehensive income rather than in the statement of changes in equity. 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.]

3 Summary of Significant Accounting Policies (Continued)

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 implementing, which accompanies the revised IAS 1, but is not a mandatory part of that standard.

Amendments of the financial statements after issue. The Bank's management has the power to amend the financial statements after issue.

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 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 losses on loans and advances. The Bank regularly reviews its loan portfolios to assess impairment. In determining whether an impairment loss should be recorded in profit or loss for the year, the Bank makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the Bank. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. A 2% increase or decrease in actual loss experience compared to the loss estimates used would result in an increase in loan impairment losses of USD 8,246 thousand (2008: USD 7,477 thousand) or decrease in loan impairment losses of USD 5,426 thousand (2008: USD 6,312 thousand), respectively. Impairment losses for individually significant loans are based on estimates of discounted future cash flows of the individual loans, taking into account repayments and realization of any assets held as collateral against the loans. A 10% increase or decrease in the actual loss experience compared to the estimated future discounted cash flows from individually significant loans, which could arise from differences in amounts and timing of the cash flows, would result in an increase in loan impairment losses of USD 1,844 thousand (2008: USD 560 thousand) or decrease in loan impairment losses of USD 2,157 thousand (2008: USD 760 thousand), respectively.

Deferred income tax asset recognition. The recognised deferred tax asset represents income taxes recoverable through future deductions from taxable profits and is recorded in the statement of financial position. Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. The future taxable profits and the amount of tax benefits that are probable in the future are based on a 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 are the improvement of the quality of the loan portfolio, resulting in a decrease in the amount of the provision for impairment charged to the income statement, decrease of interest expenses on borrowed funds. The business plan is also grounded on market long-term forecast in respect of the devaluation of Ukrainian Hryvnia, increase of GDP, enhancement of consumer capacity in Ukraine. According to Ukrainian legislation tax losses can be carried forward for unlimited period of time until fully used.

Initial recognition of related party transactions. In the normal course of business the Bank enters into transactions with its related parties. IAS 39 requires initial recognition of financial instruments based on their fair values. Judgement is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties and effective interest rate analysis. Terms and conditions of related party balances are disclosed in Note 35.

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

***Valuation of own use premises**.* Premises of the Bank are stated at fair value based on reports prepared by an independent valuation company. The bases for their work are sales comparison and income approach. At the date of revaluation accumulated depreciation was eliminated against the gross carrying amount of the asset and the net amount compared to the revalued amount of the asset. As a result of revaluation the carrying amount of premises were not restated since the difference was not material. When performing revaluation certain judgements and estimates are applied by the valuers in determination of the comparison of premises to be used in sales comparison approach. The judgements include the appropriateness of using the sales value of comparable premises as benchmarks for valuation including the judgements on whether the comparable sales represent arm-length transactions. Changes in assumptions about these factors could affect reported fair values. The valuation was based on comparative sales of premises with the price per square meter varying from USD 470 to USD 2,180, depending upon the location of premises. To the extent that the price per square meter differs by +/-5 percent, the fair value of premises would be USD 813 thousand higher or lower.

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 a change in segment assets, liabilities, revenue, and results due to differences between accounting for internal reporting purposes and reporting under IFRS.

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 is not carried at fair value and 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 an impact on these financial statements.

***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 presented 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, 41 and to IFRS 7 represent terminology or editorial changes only, which the IASB believes have no or minimal effect on accounting. These amendments did not have significant impact on these financial statements.

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 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 financial statements.

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

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 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 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 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 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 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 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.

6 New Accounting Pronouncements (Continued)

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 financial statements.

IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments (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. IFRIC 18 is not expected to have any impact on the Bank's financial statements.

Prepayments of a Minimum Funding Requirement – Amendment to IFRIC 14 (effective for annual periods beginning on or after 1 January 2011). This amendment will have a limited impact as it applies only to companies that are required to make minimum funding contributions to a defined benefit pension plan. It removes an unintended consequence of IFRIC 14 related to voluntary pension prepayments when there is a minimum funding requirement. The amended interpretation is not expected to have any impact on the Bank's financial statements.

Limited exemption from comparative IFRS 7 disclosures for first-time adopters - Amendment to IFRS 1 (effective for annual periods beginning on or after 1 July 2010). Existing IFRS preparers were granted relief from presenting comparative information for the new disclosures required by the March 2009 amendments to IFRS 7 'Financial Instruments: Disclosures'. This amendment to IFRS 1 provides first-time adopters with the same transition provisions as included in the amendment to IFRS 7. The amendment is not expected to have any impact on the Bank's 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.

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 does not expect the amended standard to have a material effect on its 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. IFRS 3 is not relevant to the Bank as it does not expect a business combination to occur.

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 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 financial statements.

6 New Accounting Pronouncements (Continued)

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 financial statements.

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 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 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 fair value, and those to be measured subsequently at amortised cost. 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)

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

7 Cash and Cash Equivalents and Mandatory Reserves

In thousands of US dollars	2009	2008
Cash on hand	16,194	17,602
Cash balances with the NBU (other than mandatory reserve deposits)	20,245	2,176
Mandatory cash balances with NBU	3,159	6,882
Correspondent accounts and overnight placements with other banks	90,724	76,051
Total cash and cash equivalents and mandatory reserves	**130,322**	**102,711**

The balances with the National Bank of Ukraine as at 31 December 2009 include USD 3,159 thousand (2008: USD 6,882 thousand) which represent the obligatory minimum reserve deposits with the NBU. As at 31 December 2009 the mandatory reserve deposit with the NBU is calculated on the basis of a simple average over a monthly period (2008: monthly period) and should be maintained at the level of 0 to 7 per cent (2008: 0 to 5 per cent) of certain obligations of the Bank. As such, the balance can vary from day-to-day. The Bank may satisfy its mandatory deposit requirement by balance on account with the National Bank of Ukraine (2008: balance on account with the National Bank of Ukraine). As at 31 December 2009 the Bank has to deposit on separate account with the NBU the amount of 50% of mandatory reserve balance for the preceding month. This deposit carries a rate of 30% of discount rate established by the NBU which was 10.25% (2008: there was no such requirement).

As at 31 December 2009, in accordance with the NBU regulations the Bank was required to maintain the daily balance on account with the NBU at the level not less than 90% of the mandatory reserve deposit for the preceding month (2008: not less than 90% of the mandatory reserve balance for the preceding month).

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

As of 31 December 2009 the Bank's cash and cash equivalents for the purposes of statement of cash flows were as follows:

In thousands of US dollars	2009	2008
Total cash and cash equivalents and mandatory reserves	130,322	102,711
Less mandatory reserves balances	(3,159)	-
Total cash and cash equivalents	**127,163**	**102,711**

7 Cash and Cash Equivalents and Mandatory Reserves (Continued)

Interest rate analysis of cash and cash equivalents is disclosed in Note 29. Information on related party balances is disclosed in Note 35.

The credit quality of cash and cash equivalents and mandatory reserves balances may be summarised based on Moody's ratings as follows at 31 December 2009:

In thousands of US dollars	**Cash balances with the NBU, including mandatory reserves**	**Correspondent accounts and overnight placements**	**Total**
Neither past due nor impaired			
- National Bank of Ukraine	23,404	-	23,404
- Aa3 to Aa1 rated	-	58,194	58,194
- A3 to A1 rated	-	4,385	4,385
- Lower than A3 rated	-	28,020	28,020
- Unrated	-	125	125
Total cash and cash equivalents and mandatory reserves, excluding cash on hand	**23,404**	**90,724**	**114,128**

The credit quality of cash and cash equivalents and mandatory reserves balances may be summarised based on Moody's ratings as follows at 31 December 2008:

In thousands of US dollars	**Cash balances with the NBU, including mandatory reserves**	**Correspondent accounts and overnight placements**	**Total**
Neither past due nor impaired			
- National Bank of Ukraine	9,058	-	9,058
- Aa3 to Aa1 rated	-	55,104	55,104
- A3 to A1 rated	-	1,634	1,634
- Lower than A3 rated	-	1,215	1,215
- Unrated	-	18,098	18,098
Total cash and cash equivalents and mandatory reserves, excluding cash on hand	**9,058**	**76,051**	**85,109**

8 Due from Other Banks

In thousands of US dollars	2009	2008
Guarantee deposits	1,585	855
Term deposits and loans	5,757	970
Total due from other banks	**7,342**	**1,825**

Term deposits and loans are collateralised for the full amount by ownership rights to cash deposits, named cash certificates and loan agreements. Guarantee deposits are not collateralised. Analysis by credit quality of amounts due from other banks outstanding at 31 December 2009 is as follows:

In thousands of US dollars	2009	2008
Neither past due nor impaired		
- Aa3 to Aa1 rated	855	1,825
- Unrated	6,487	-
Total neither past due nor impaired	**7,342**	**1,825**

The credit ratings are based on Moody's ratings where available or Standard & Poor's rating converted to the nearest equivalent on the Moody's rating scale.

At 31 December 2009 the Bank had balances with one counterparty bank in Ukraine (2008: one bank) with aggregated amount above USD 1,500 thousand. The total aggregate amount of these deposits was USD 5,757 thousand (2008: USD 1,710 thousand) or 78% of the total amount due from other banks (2008: 94%).

Refer to Note 33 for the estimated fair value of each class of amounts due from other banks. Interest rate analysis of due from other banks is disclosed in Note 29. Information on related party balances is disclosed in Note 35.

9 Loans and Advances to Customers

In thousands of US dollars	2009	2008
Corporate loans	311,877	260,052
Loans to individuals - consumer loans	57,169	69,326
Loans to individuals - entrepreneurs	1,492	4,702
Mortgage loans to individuals	39,487	41,820
State and municipal organisations	100,984	68,911
Less: Provision for loan impairment	(21,994)	(11,229)
Total loans and advances to customers	**489,015**	**433,582**

9 Loans and Advances to Customers (Continued)

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

In thousands of US dollars	Corporate loans	Consumer loans to individuals	Indivi-duals – entrepre-neurs	Mortgage loans to individuals	State and munici-pal organi-sations	Total
Provision for loan impairment at 1 January 2009	**6,493**	**2,715**	**145**	**1,170**	**706**	**11,229**
Provision for impairment during the year	6,222	3,928	115	2,123	1,034	13,422
Recovery of provision for impairment during the year	(1,034)	(766)	-	(247)	-	(2,047)
Translation differences	591	(251)	14	(166)	(798)	(610)
Provision for loan impairment at 31 December 2009	**12,272**	**5,626**	**274**	**2,880**	**942**	**21,994**

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

In thousands of US dollars	Corporate loans	Consumer loans to individuals	Indivi-duals – entrepre-neurs	Mortgage loans to individuals	State and munici-pal organi-sations	Total
Provision for loan impairment at 1 January 2008	**4,199**	**1,200**	**140**	**620**	**1,150**	**7,309**
Provision for impairment during the year	6,592	2,451	68	974	977	11,062
Recovery of provision for impairment during the year	(691)	(299)	-	(130)	-	(1,120)
Amount written off	(140)	-	-	-	-	(140)
Translation differences	(3,467)	(637)	(63)	(294)	(1,421)	(5,882)
Provision for loan impairment at 31 December 2008	**6,493**	**2,715**	**145**	**1,170**	**706**	**11,229**

9 Loans and Advances to Customers (Continued)

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

In thousands of US dollars	2009 Amount	2009 %	2008 Amount	2008 %
Individuals	96,656	19%	111,146	25%
Manufacturing	89,547	18%	54,907	12%
Cities and municipalities	88,514	17%	27,221	6%
Trade	64,342	13%	51,790	12%
Finance sector	62,384	12%	47,898	11%
Service	40,450	8%	32,111	7%
Construction	39,836	8%	40,420	9%
State and public organisations	12,470	2%	41,690	9%
Other	16,810	3%	37,628	9%
Total loans and advances to customers (before impairment)	**511,009**	**100%**	**444,811**	**100%**

State and public organisations exclude government owned profit orientated businesses.

At 31 December 2009 the Bank had ten borrowers (2008: ten borrowers) with aggregated loan amounts above USD 9,000 thousand. The total aggregate amount of these loans was USD 183,940 thousand (2008: USD 132,608 thousand) or 37% of the gross loan portfolio (2008: 29.8%).

Information about collateral at 31 December 2009 is as follows:

In thousands of US dollars	Corporate loans	Consumer loans to individuals	Indivi-duals – entrepre-neurs	Mortgage loans to individuals	State and municipal organisations	Total
Unsecured loans	200	939	78	-	-	1,217
Loans collateralised by:						
- residential real estate	4,097	10,334	46	28,747	-	43,224
- other real estate	173,788	13,311	503	1,939	45,560	235,101
- tradeable securities	14,510	-	-	-	42,397	56,907
- cash deposits	58,253	3,428	248	-	89	62,018
- other assets	61,029	29,157	617	8,801	12,938	112,542
Total loans and advances to customers	**311,877**	**57,169**	**1,492**	**39,487**	**100,984**	**511,009**

9 Loans and Advances to Customers (Continued)

Information about collateral at 31 December 2008 is as follows:

In thousands of US dollars	**Corporate loans**	**Consumer loans to individuals**	**Indivi-duals – entrepre-neurs**	**Mortgage loans to individuals**	**State and municipal organisations**	**Total**
Unsecured loans	304	941	108	-	-	1,353
Loans collateralised by:						
- residential real estate	3,178	11,932	2,464	24,694	-	42,268
- other real estate	134,292	24,003	1,094	2,042	21,620	183,051
- tradeable securities	1,398	-	-	-	-	1,398
- cash deposits	9,206	15,589	-	47	7	24,849
- other assets	111,674	16,861	1,036	15,037	47,284	191,892
Total loans and advances to customers	**260,052**	**69,326**	**4,702**	**41,820**	**68,911**	**444,811**

Other assets mainly include equipment, receivables, motor vehicles and other moveable property. The disclosure above represents the lower of the carrying value of the loan or collateral taken; the remaining part is disclosed within the unsecured exposures. The carrying value of loans was allocated based on liquidity of the assets taken as collateral.

9 Loans and Advances to Customers (Continued)

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

In thousands of US dollars	Corporate loans	Consumer loans to individuals	Individuals – entrepre-neurs	Mortgage loans to individuals	State and municipal organisa-tions	Total
Neither past due nor impaired						
- standard grade	6,653	10,785	30	31,032	57,385	105,885
- ” under control” grade	75,198	2,118	297	3,275	7,255	88,143
- sub-standard grade	70,394	7,703	105	2,113	152	80,467
- Loans renegotiated in 2009	131,252	20,697	292	551	36,192	188,984
Total neither past due nor impaired	**283,497**	**41,303**	**724**	**36,971**	**100,984**	**463,479**
Past due but not impaired						
- less than 30 days overdue	2,849	510	-	185	-	3,544
- 30 to 90 days overdue	1,652	880	-	77	-	2,609
- 91 to 180 days overdue	-	11	-	-	-	11
- 181 to 360 days overdue	-	41	-	-	-	41
Total past due but not impaired	**4,501**	**1,442**	**-**	**262**	**-**	**6,205**
Loans individually determined to be impaired (gross)						
- current or less than 30 days overdue	10,150	4,130	40	-	-	14,320
- 30 to 90 days overdue	6,221	2,115	21	-	-	8,357
- 91 to 180 days overdue	7,508	1,780	707	528	-	10,523
- 181 to 360 days overdue	-	4,033	-	856	-	4,889
- over 360 days overdue	-	2,366	-	870	-	3,236
Total individually impaired loans (gross)	**23,879**	**14,424**	**768**	**2,254**	**-**	**41,325**
Less impairment provisions	(12,272)	(5,626)	(274)	(2,880)	(942)	(21,994)
Total loans and advances to customers	**299,605**	**51,543**	**1,218**	**36,607**	**100,042**	**489,015**

The Bank classifies loans and advances to customers by credit quality in accordance with classification prescribed by the NBU regulations. Neither past due nor impaired loans are split by the Bank into the following credit risk categories:

Standard grade. This category represents loans classified under NBU regulations as standard grade. This category includes exposures with insignificant credit risk which is characterised by strong financial position of the borrower and good loan servicing.

“Under control” grade. This category represents loans classified under NBU regulations as loans under control. This category includes exposures with insignificant credit risk which however may increase as a result of unfavourable conditions; these are exposures to borrowers with good financial standing and good repayment history or borrowers with strong financial position and payment history with delays not exceeding 90 days.

Sub-standard grade. This category represents loans classified under NBU regulations as sub-standard loans. This category includes exposures with significant credit risk which is characterised by weak financial position of the borrower and good loan servicing or good financial position of the borrower and poor loan servicing.

9 Loans and Advances to Customers (Continued)

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

In thousands of US dollars	Corporate loans	Consumer loans to individuals	Individuals – entrepre-neurs	Mortgage loans to individuals	State and municipal organisa-tions	Total
Neither past due nor impaired						
- standard grade	124,725	25,258	3,271	6,884	-	160,138
- "under control" grade	38,854	1,465	374	57	9,577	50,327
- sub-standard grade	2,015	20	10	8	129	2,182
- Loans renegotiated in 2008	57,697	21,832	899	33,024	59,018	172,470
Total neither past due nor impaired	**223,291**	**48,575**	**4,554**	**39,973**	**68,724**	**385,117**
Past due but not impaired						
- less than 30 days overdue	1,224	320	40	240	-	1,824
- 30 to 90 days overdue	453	560	102	708	-	1,823
- 91 to 180 days overdue	80	163	-	125	187	555
Total past due but not impaired	**1,757**	**1,043**	**142**	**1,073**	**187**	**4,202**
Loans individually determined to be impaired (gross)						
- current or less than 30 days overdue	34,178	17,062	2	296	-	51,538
- 30 to 90 days overdue	-	25	-	-	-	25
- 91 to 180 days overdue	808	2,621	4	478	-	3,911
- 181 to 360 days overdue	18	-	-	-	-	18
Total individually impaired loans (gross)	**35,004**	**19,708**	**6**	**774**	**-**	**55,492**
Less impairment provisions	(6,493)	(2,715)	(145)	(1,170)	(706)	(11,229)
Total loans and advances to customers	**253,559**	**66,611**	**4,557**	**40,650**	**68,205**	**433,582**

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 end of the reporting period. 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.

9 Loans and Advances to Customers (Continued)

The primary factors that the Bank considers in determining whether a loan is impaired are its overdue status and realisability of related collateral, if any. As a result, the Bank presents above an ageing analysis of loans that are individually determined to be impaired.

The 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 US dollars	Corporate loans	Consumer loans to individuals	Individuals – entrepreneurs	Mortgage loans to individuals	Total
Fair value of collateral - loans past due but not impaired					
- residential real estate	39	1,600	-	77	1,716
- other real estate	2,537	81	-	-	2,618
- cash deposits	-	94	-	-	94
- other assets (property rights on future property)	2,588	-	-	-	2,588
- other assets	734	240	-	84	1,058
Fair value of collateral - individually impaired loans					
- residential real estate	563	2,422	8	854	3,847
- other real estate	33,760	7,084	482	1,367	42,693
- cash deposits	-	85	-	-	85
- other assets (property rights for future property)	7,194	2,509	149	-	9,852
- other assets	5,850	18,597	383	419	25,249
Total	**53,265**	**32,712**	**1,022**	**2,801**	**89,800**

The 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 US dollars	Corporate loans	Consumer loans to individuals	Indivi-duals – entrepre-neurs	Mortgage loans to individuals	State and munici-pal organi-sations	Total
Fair value of collateral - loans past due but not impaired						
- residential real estate	55	348	55	532	-	990
- other real estate	11,917	724	-	589	93	13,323
- cash deposits	106	-	-	-	-	106
- other assets (property rights on future property)	10,735	-	-	-	148	10,883
- other assets	2,727	574	11	-	62	3,374
Fair value of collateral - individually impaired loans						
- residential real estate	2,501	1,143	24	421	-	4,089
- other real estate	72,773	8,640	-	214	-	81,627
- cash deposits	601	11,448	-	-	-	12,049
- other assets (property rights for future property)	2,190	-	-	-	-	2,190
- other assets	519	688	-	99	-	1,306
Total	**104,124**	**23,565**	**90**	**1,855**	**303**	**129,937**

9 Loans and Advances to Customers (Continued)

Fair value of collateral disclosed represents the estimated amount, which can be received by the legal owners of these assets. Management considers the loans secured by collateral as impaired, since actual realisation cost of collateral in respect of loans to corporate customers and individuals may significantly differ from the value disclosed above.

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 include collateralised 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 instalments that are past due.

The fair value of real estate accepted as mortgage was determined based on valuation performed by qualified appraisers. During the term of the loan agreements the Bank reviews the fair value of the respective real estate on an annual basis and adjusts their fair value, if necessary. As at 31 December 2009 the Bank performed an extraordinary revaluation of property accepted as collateral with the assistance of independent appraisers. The fair value of other assets was determined by the Bank based on the consideration of the valuations performed by the independent appraisers, written recommendations of the risk management (or any other responsible function within the Bank), market information (upon confirmation of the source of such information), the Bank's internal guidelines with consideration of the potential expenses related to foreclosure procedures.

Refer to Note 33 for the estimated fair value of each class of loans and advances to customers. Interest rate analysis of loans and advances to customers is disclosed in Note 29. Information on related party balances is disclosed in Note 35.

10 Investment Securities Available for Sale

In thousands of US dollars	2009	2008
State mortgage institution bonds	16,053	19,481
Ukrainian government bonds	5,937	7,459
Municipal bonds	2,791	4,778
Corporate bonds	3,044	7,644
Total debt securities	27,825	39,362
Corporate shares	41	3
Total investment securities available for sale	**27,866**	**39,365**

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

In thousands of US dollars	Ukrainian government bonds	Municipal bonds	Corporate bonds	State mortgage institution bonds	Total
Neither past due nor impaired					
- Lower than A3 rated	5,937	592	-	-	6,529
- Unrated	-	2,199	3,044	16,053	21,296
Total neither past due nor impaired	**5,937**	**2,791**	**3,044**	**16,053**	**27,825**
Total debt securities available for sale	**5,937**	**2,791**	**3,044**	**16,053**	**27,825**

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

In thousands of US dollars	Ukrainian government bonds	Municipal bonds	Corporate bonds	State mortgage institution bonds	Total
Neither past due nor impaired					
- Lower than A3 rated	7,459	606	-	-	8,065
- Unrated	-	4,172	7,644	19,481	31,297
Total neither past due nor impaired	**7,459**	**4,778**	**7,644**	**19,481**	**39,362**
Total debt securities available for sale	**7,459**	**4,778**	**7,644**	**19,481**	**39,362**

The credit ratings are based on Moody's ratings where available or Standard & Poor's rating converted to the nearest equivalent on the Moody's rating scale.

10 Investment Securities Available for Sale (Continued)

At 31 December 2009 investment securities available for sale with a fair value of USD 20,752 thousand (2008: none) have been pledged to the National Bank of Ukraine as collateral with respect to funds provided under refinancing. Refer to Notes 16 and 31.

Interest rate analysis of investment securities available for sale is disclosed in Note 29. Information on related party debt investment securities available for sale is disclosed in Note 35.

11 Other Investment Securities

Other investment securities as at 31 December 2009 in the amount of USD 14,879 thousand represent securities originated upon conversion of a loan to the Bank's customer into a debt security as part of the debt restructuring process with decrease of the contractual interest rate below market rate. The related loss of origination of the security in the amount of USD 6,149 thousand was recognised in the statement of comprehensive income.

12 Premises and Equipment

In thousands of US dollars	Note	Premises	Office and computer equipment	Motor vehicles	Construc-tion in progress	Total premises and equip-ment
Cost or valuation at 1 January 2008		23,764	13,345	3,330	12,118	52,557
Accumulated depreciation		(1,037)	(5,888)	(1,751)	-	(8,676)
Carrying amount at 1 January 2008		**22,727**	**7,457**	**1,579**	**12,118**	**43,881**
Additions		3	725	-	7,696	8,424
Transfers		4,641	4,911	691	(10,243)	-
Disposals		-	(87)	(32)	(8)	(127)
Depreciation charge	25	(844)	(2,287)	(705)	-	(3,836)
Effect of translation to presentation currency		(9,832)	(3,016)	(519)	(2,027)	(15,394)
Carrying amount at 31 December 2008		**16,695**	**7,703**	**1,014**	**7,536**	**32,948**
Cost or valuation at 31 December 2008		17,686	13,087	2,482	7,536	40,791
Accumulated depreciation		(991)	(5,384)	(1,468)	-	(7,843)
Carrying amount at 31 December 2008		**16,695**	**7,703**	**1,014**	**7,536**	**32,948**
Additions		15	728	220	823	1,786
Transfers		623	-	-	(623)	-
Disposals		(2)	(14)	(324)	-	(340)
Depreciation charge	25	(458)	(1,426)	(398)	-	(2,282)
Effect of translation to presentation currency		(600)	(258)	(24)	(274)	(1,156)
Carrying amount at 31 December 2009		**16,273**	**6,733**	**488**	**7,462**	**30,956**
Cost or valuation at 31 December 2009		17,654	13,196	1,933	7,462	40,245
Accumulated depreciation		(1,381)	(6,463)	(1,445)	-	(9,289)
Carrying amount at 31 December 2009		**16,273**	**6,733**	**488**	**7,462**	**30,956**

12 Premises, Equipment and Intangible Assets (Continued)

Construction in progress consists mainly of construction and refurbishment of branch premises. Upon completion, assets are transferred to premises and equipment.

Management has not updated the carrying value of premises measured in accordance with the revaluation model as at 31 December 2009 since market based evidence provided by independent appraisers indicated that their carrying amount is not materially different from their fair values.

Included in the above carrying amount is USD 4,833 thousand (2008: USD 4,893 thousand) representing revaluation surplus relating to premises of the Bank. At 31 December 2009 the carrying amount of premises would have been USD 26,123 thousand (2008: USD 28,055 thousand) had the assets been carried at cost less depreciation.

13 Intangible Assets

The movement of intangible assets, which comprise software licenses, were as follows:

In thousands of US dollars	Note	Computer software
Cost at 1 January 2008		834
Accumulated amortisation		(413)
Carrying amount at 1 January 2008		**421**
Additions		1,147
Disposals		(7)
Amortisation charge	25	(370)
Effect of translation to presentation currency		(413)
Carrying amount at 31 December 2008		**778**
Cost or valuation at 31 December 2008		1,258
Accumulated amortisation		(480)
Carrying amount at 31 December 2008		**778**
Additions		658
Amortisation charge	25	(201)
Effect of translation to presentation currency		(39)
Carrying amount at 31 December 2009		**1,196**
Cost or valuation at 31 December 2009		1,755
Accumulated amortisation		(559)
Carrying amount at 31 December 2009		**1,196**

14 Other Financial and Non-Financial assets

In thousands of US dollars	**2009**	**2008**
Accrued income	463	65
Other settlements with the clients	246	151
Card settlements	-	104
Total other financial assets	**709**	**320**
Prepayments	1,299	1,655
Prepayments for construction in progress	105	74
Repossessed collateral	98	-
Office supplies	9	25
Other	156	191
Total other assets	**1,667**	**1,945**
Total financial and non-financial other assets	**2,376**	**2,265**

All of the above assets are expected to be recovered within twelve months after the year-end.

Information on related party balances is disclosed in Note 35.

15 Due to Other Banks

In thousands of US dollars	**2009**	**2008**
Correspondent accounts and overnight placements of other banks	63,244	41,244
Term deposits and loans	8,368	34,729
Term deposits and loans with international organisations	-	7,874
Total due to other banks	**71,612**	**83,847**

Refer to Note 33 for the disclosure of the fair value of each class of amounts due to other banks. Interest rate analysis of due to other banks is disclosed in Note 29.

16 Amounts due to the National Bank of Ukraine

Amounts due to the National Bank of Ukraine include UAH denominated loans with the interest rate ranging from 16.5% to 17%. During the subsequent period the amount of USD 18,750 thousand was repaid by the Bank and USD 21,290 thousand was rescheduled to extend the maturity for one year.

Refer to Note 31 for the disclosure of the assets pledged against the amounts due to the National Bank of Ukraine.

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

17 Customer Accounts

In thousands of US dollars	**2009**	**2008**
State, municipal and public organisations		
- Current/settlement accounts	193	14,529
- Term deposits	565	5,465
Other legal entities		
- Current/settlement accounts	47,496	51,035
- Term deposits	89,076	60,407
Individuals		
- Current/demand accounts	51,832	24,119
- Term deposits	230,561	236,445
Due to fund under the Bank's management		
- Current/settlement accounts	7	26
Total customer accounts	**419,730**	**392,026**

State and public organisations exclude government owned profit orientated businesses.

As at 31 December 2009 and 31 December 2008 customer accounts amounting to USD 3,434 thousand and USD 3,315 thousand, respectively, were held as security against guarantees issued. Refer to Note 31.

17 Customer accounts (Continued)

As at 31 December 2009 and 31 December 2008 customer accounts of USD 74,413 thousand (18%) and USD 40,668 thousand (10%), respectively, were due to ten customers.

Economic sector concentrations within customer accounts are as follows:

	2009		2008	
In thousands of US dollars	**Amount**	**%**	**Amount**	**%**
Individuals	283,393	67%	260,564	67%
Agriculture and food processing	40,342	10%	3,709	1%
Finance sector	31,572	8%	28,773	7%
Manufacturing	12,562	3%	9,208	2%
Services	12,060	3%	20,275	5%
Construction	8,559	2%	16,637	4%
State and public organisations	758	-	19,994	5%
Other	30,484	7%	32,866	9%
Total customer accounts	**419,730**	**100%**	**392,026**	**100%**

At 31 December 2009 time deposits included deposits in the amount of USD 67,066 thousand (2008: USD 33,183 thousand) pledged as collateral for loans to customers in the amount of USD 126,241 thousand (2008: USD 32,033 thousand). Refer to Note 9.

Refer to Note 33 for the disclosure of the fair value of each class of customer accounts. Interest rate analysis of customer accounts is disclosed in Note 29. Information on related party balances is disclosed in Note 35.

18 Debt Securities in Issue

In thousands of US dollars	**2009**	**2008**
Bonds issued on domestic market	472	3,579
Total debt securities in issue	**472**	**3,579**

Debt securities in issue of USD 472 thousand denominated in Ukrainian Hryvnya. The interest rates on these bonds range between 18-20% (2008: 11.5%-14.5%) per annum. USD 273 thousand of the bonds mature in May 2010 and USD 273 thousand mature in September 2012.

Refer to Note 33 for the disclosure of the fair value of each class of debt securities in issue. Interest rate analyses of debt securities in issue are disclosed in Note 29.

19 Other Financial and Non-Financial Liabilities

Other liabilities comprise the following:

In thousands of US dollars	2009	2008
Accrued expenses	16	145
Transit account	-	370
Finance lease liabilities	-	37
Other financial liabilities	**16**	**552**
Provision for unused vacations	1,524	1,413
Payables to the guarantee fund for individuals deposits	287	271
Taxes payable other than on income	74	55
Deferred income	61	51
Payables for utilities	30	35
Other	214	269
Other non-financial liabilities	**2,190**	**2,094**
Total other financial and non financial liabilities	**2,206**	**2,646**

All of the above liabilities are expected to be settled within twelve months after the year-end.

20 Subordinated Debt

Subordinated debt of USD 13,013 thousand (2008: None) carries a fixed interest rate of 12.75 % p.a. and matures in October 2014. The debt ranks after all other creditors in case of liquidation.

Refer to Note 33 for the disclosure of the fair value of subordinated debt. Interest rate analysis of subordinated debt is disclosed in Note 29. Information on related party balances is disclosed in Note 35.

21 Share Capital

In thousands of US dollars except for number of shares	Number of outstanding ordinary shares	Nominal amount, UAH thousands	Adjustment for hyperinflation, UAH thousands	Carrying value, UAH thousands	Carrying value, USD thousands
At 1 January 2008	**540,000**	**540,000**	**18,506**	**558,506**	**108,968**
At 31 December 2008	**540,000**	**540,000**	**18,506**	**558,506**	**108,968**
New shares issued	-	-	-		
Dividends capitalised during the year	-	77,760	-	77,760	10,099
At 31 December 2009	**540,000**	**617,760**	**18,506**	**636,266**	**119,067**

The total authorised number of ordinary shares is 540 thousand shares (2008: 540 thousand shares) with a par value of UAH 1,144 per share (2008: UAH 1,000 per share). All issued ordinary shares are fully paid.

Each ordinary share carries one vote.

21 Share Capital (Continued)

As at 31 December 2009 the shareholders structure was represented as follow:

	2009		2008	
	Number of outstanding ordinary shares	**% of share capital**	**Number of outstanding ordinary shares**	**% of share capital**
Legal entities:	**538,340**	**99.69%**	**538,340**	**99.69%**
Limited liability company KF "Ukrfincom"	203,461	37.68%	203,461	37.68%
Financial department of Kyiv City State Administration	128,000	23.70%	128,000	23.70%
Limited liability company "Market Invest Group"	53,946	9.99%	53,946	9.99%
Sammermar Investments Limited	49,466	9.16%	49,466	9.16%
Limited liability company "Southlank-Zaporizhzhya"	34,809	6.45%	34,809	6.45%
Public Limited Company "Bydivelno-Montazhne Upravlinnja Zaporizhstalbyd-1"	28,750	5.32%	28,750	5.32%
Municipal companies	2,412	0.45%	2,412	0.45%
Other legal entities	37,496	6.94%	37,496	6.94%
Individuals:	**1,660**	**0.31%**	**1,660**	**0.31%**
Management of the Bank	1,001	0.19%	1,000	0.19%
Members Supervisory Board	10	0.00%	11	0.00%
Other individuals	649	0.12%	649	0.12%
At 31 December 2009	**540,000**	**100.00%**	**540,000**	**100.00%**

As at 31 December 2009 the ultimate shareholders of the Bank with percent of shares greater than 5% were as follows:

(i) Khmelnitskiy V.I., citizen of Ukraine, 21.8184% of share capital.
(ii) Ivanov A.A., citizen of Ukraine, 10.8915% of share capital.
(iii) Pampina Votsi, citizen of Cyprus, 9.1604% of share capital.
(iv) Soldatenko M., citizen of Austria, 8.8194% of share capital.
(v) Tunon Barrios Manuel Antonio, citizen of Panama, 5.3889% of share capital.

As at 31 December 2008 the ultimate shareholders of the Bank with percent of shares greater than 5% were as follows:

(i) Gryvkovkiy V.O., citizen of Ukraine, 22.8091% of share capital.
(ii) Dr. Wilfried Goll, citizen of Austria, 9.3639% of share capital.
(iii) Pampina Votsi, citizen of Cyprus, 9.1604% of share capital.
(iv) Stella Georgiou, citizen of Cyprus, 9.1090% of share capital.
(v) Tunon Barrios Manuel Antonio, citizen of Panama, 5.3889% of share capital.

22 Other Reserves

In thousands of US dollars	Revaluation reserve for: Available-for-sale securities	Revaluation reserve for: Premises and equipment	Total other reserves
At 1 January 2008	**556**	**3,797**	**4,353**
Revaluation	(1,073)	-	(1,073)
Depreciation of revaluation reserve	-	(169)	(169)
Income tax effects	268	42	310
At 31 December 2008	**(249)**	**3,670**	**3,421**
Revaluation	(3,549)	-	(3,549)
Depreciation of revaluation reserve	-	(60)	(60)
Income tax effects	887	15	902
At 31 December 2009	**(2,911)**	**3,625**	**714**

Revaluation reserve for available-for-sale securities, including those classified as held for sale (or disposal groups), is transferred to profit or loss when realised through sale or impairment. Revaluation reserve for premises and equipment is transferred to retained earnings when realised through depreciation, sale or other disposal.

23 Interest Income and Expense

In thousands of US dollars	2009	2008
Interest income		
Loans and advances to customers	99,012	122,681
Debt investment securities available for sale	3,762	6,978
Due from other banks	2,579	11,222
Total interest income	**105,353**	**140,881**
Interest expense		
Term deposits of individuals	37,245	39,354
Borrowings from the NBU	16,322	5,076
Term deposits of legal entities	9,290	14,558
Current/settlement accounts	8,165	11,930
Correspondent accounts of other banks	829	1,374
Overnight placements of other banks	806	1,010
Debt securities in issue	440	2,315
Subordinated debt	362	-
Term placements of other banks	191	5,774
Other borrowed funds	69	570
Finance lease liabilities	2	38
Total interest expense	**73,721**	**81,999**
Net interest income	**31,632**	**58,882**

Interest income on impaired loans amounted to USD 9,125 thousand (2008: USD 3,454 thousand).

24 Fee and Commission Income and Expense

In thousands of US dollars	2009	2008
Fee and commission income		
- Settlement transactions	8,786	12,661
- Currency conversion	1,094	1,835
- Transactions with securities	101	274
- Other	509	860
Total fee and commission income	**10,490**	**15,630**
Fee and commission expense		
- Settlement transactions	1,251	1,081
- Currency conversion	517	85
- Other	36	56
Total fee and commission expense	**1,804**	**1,222**
Net fee and commission income	**8,686**	**14,408**

25 Administrative and Other Operating Expenses

In thousands of US dollars	Note	2009	2008
Staff costs		20,139	31,261
Operating lease expense for premises		4,838	6,697
Insurance of loans		3,442	721
Depreciation of premises and equipment	12	2,282	3,836
Taxes other than on income		1,481	2,661
Other costs of premises and equipment		1,630	1,994
Communications		1,361	1,872
Guarantee fund for individuals deposits		1,223	1,382
Security services		1,188	1,451
Advertising and marketing services		548	1,432
Professional services		550	557
Amortisation of software and other intangible assets	13	201	370
Other		2,088	3,287
Total administrative and other operating expenses		**40,971**	**57,521**

Included in staff costs are statutory social security and pension contributions of USD 4,398 thousand (2008: USD 7,412 thousand). Pension contributions are made into State pension fund which is a defined contribution plan and amounted to USD 3,970 thousand in 2009 (2008: USD 6,690 thousand).

26 Income Taxes

(a) Components of income tax expense / (benefit)

Income tax expense/(credit) recorded in profit or loss for the year comprises the following:

In thousands of US dollars	2009	2008
Current tax	7	5,356
Deferred tax	(716)	(396)
Income tax expense/(credit) for the year	**(709)**	**4,960**

(b) Reconciliation between the tax expense and profit or loss multiplied by applicable tax rate

The income tax rate applicable to the majority of the Bank's income is 25% (2008: 25%). A reconciliation between the expected and the actual taxation charge is provided below.

In thousands of US dollars	2009	2008
Profit/(loss) before tax	**(11,921)**	**11,371**
Theoretical tax charge/credit at statutory rate (2009: 25%; 2008: 25%)	(2,980)	2,843
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Non-deductible expenses	2,271	2,117
Income tax expense/(credit) for the year	**(709)**	**4,960**

26 Income Taxes (Continued)

(c) Deferred taxes analysed by type of temporary difference

Differences between IFRS and statutory taxation regulations in Ukraine 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%).

In thousands of US dollars	**31 December 2008**	**Credited/ (charged) to profit or loss**	**Credited/ (charged) directly to equity**	**31 December 2009**
Tax effect of deductible/(taxable) temporary differences				
Premises and equipment	(1,184)	(215)	-	(1,399)
Loan impairment provision	1,621	(431)	-	1,190
Fair valuation of investment securities available for sale	(1,051)	182	887	18
Accruals	539	(59)	-	480
Amounts due from/to credit institutions	145	(86)	-	59
Debt securities issued	16	10	-	26
Other investments (loss on initial recognition)	-	1,264	-	1,264
Net deferred tax asset/(liability)	**86**	**665**	**887**	**1,638**
Recognised deferred tax asset	2,345	(195)	887	3,037
Recognised deferred tax liability	(2,259)	860	-	(1,399)
Net deferred tax asset/(liability)	**86**	**665**	**887**	**1,638**

In thousands of US dollars	**31 December 2007**	**Credited/ (charged) to profit or loss**	**Credited/ (charged) directly to equity**	**31 December 2008**
Tax effect of deductible/(taxable) temporary differences				
Premises and equipment:	(1,335)	109	42	(1,184)
Loan impairment provision	786	835	-	1,621
Fair valuation of investment securities available for sale	(898)	(421)	268	(1,051)
Accruals	449	90	-	539
Amounts due from/to credit institutions	(10)	155	-	145
Debt securities issued	388	(372)	-	16
Net deferred tax asset/(liability)	**(620)**	**396**	**310**	**86**
Recognised deferred tax asset	1,156	1,189		2,345
Recognised deferred tax liability	(1,776)	(793)	310	(2,259)
Net deferred tax asset/(liability)	**(620)**	**396**	**310**	**86**

26 Income Taxes (Continued)

(c) Current and deferred tax effects relating to each component of other comprehensive income

Current and deferred tax effects relating to each component of other comprehensive income are as follows:

	2009			2008		
In thousands of US dollars	**Before-tax amount**	**Income tax (expense) / benefit**	**Net-of-tax amount**	**Before-tax amount**	**Income tax (expense) / benefit**	**Net-of-tax amount**
Available-for-sale investments:						
- Gains/(losses) arising during the year	(3,549)	887	(2,662)	(1,073)	268	(805)
Other comprehensive income	**(3,549)**	**887**	**(2,662)**	**(1,073)**	**268**	**(805)**

27 Dividends

All dividends are declared and paid in Ukrainian hryvnias.

In May 2008, the General Shareholder's meeting declared dividends in the amount of UAH 43,200 thousand (USD 5,610 thousand) for the year 2007 and authorised the increase of the share capital of the Bank by capitalising the full amount of the dividends for 2007. As at 31 December 2008, approval from the NBU for increase of the share capital had not been received.

In March 2009, the General Shareholder's meeting declared dividends in the amount of UAH 34,560 thousand (USD 4,488 thousand) for the year 2008 and authorised the increase of the share capital of the Bank by capitalising the full amount of the dividends for the year 2008. As at 31 December 2009, approval from the NBU in respect of increase in the share capital by way of capitalisation of dividends for 2008 and 2007 had been received.

Dividends per share declared for the year 2009 amounted to UAH 64 (USD 8.3) and for the year 2008 amounted to UAH 80 (USD 10.4).

In accordance with Ukrainian legislation, the Bank distributes profits as dividends or transfers them to reserves on the basis of financial statements prepared in accordance with the National Regulations (Standards) of Accounting in Ukraine and the relevant regulations of the National Bank of Ukraine (Ukrainian Accounting Rules). The Bank's reserves under Ukrainian Accounting Rules at 31 December 2009 amount to USD 401 thousand (2008: USD 2,127 thousand).

28 Segment Analysis

Starting from 1 January 2009, the Bank prepares its segment analysis in accordance with IFRS 8, *Operating segments*, which replaced IAS 14, *Segment reporting*. Comparatives were adjusted to conform to the presentation of current period amounts.

Operating segments 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 management board of the Bank.

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

The Bank is organised on the basis of five main business segments:

- Retail banking – representing banking services to individuals, including: opening and servicing current and savings (deposit) accounts, investment savings products, issuing and servicing plastic cards, consumer loans and mortgages and other banking services to individuals.
- Corporate banking – representing opening and servicing current and deposit accounts, overdrafts, loan and other credit facilities, foreign currency and derivative products, operations with plastic cards, fiduciary activities, investment savings products, and other banking services to corporate entities operating in various economic sectors.
- Investment banking – representing operations with investment securities (including securities refinanced by the NBU) and other investments, issue and placement of own securities, and depository services.
- Interbank operations – representing opening and servicing correspondent accounts (loro/nostro), placing and receiving interbank deposits, issuing and obtaining interbank loans and other operations related to interbank activities.
- Other – representing operations with precious metals.

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

The Bank's segments are strategic business units that focus on different customers. They are managed separately because each business unit requires different marketing strategies and service level.

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

Segment revenue includes revenue directly generated from the activities of the reportable segment.

Segment expenses include expenses related to the main activities of the reportable segment and other expenses which can be reasonably allocated to the reportable segment. Segment expenses do not include income tax expense.

Segment result equals segment revenue less segment expense.

Segment assets include assets used in the ordinary activities of the reportable segment and which are directly related to the segment. If segment revenue includes interest or dividend income, segment assets include underlying receivable, loans, investments or other assets which generate that income. Segment assets are reported net of provisions used for measurement of respective assets. Segment assets do not include income tax assets.

Premises and equipment and intangible assets are allocated to each segment based on the number of employees at each reportable segment at the respective reporting date.

28 Segment Analysis (Continued)

Segment liabilities include liabilities arising from the ordinary activities of the reportable segment which are directly related to the segment or allocated to the segment on a proportionate basis. Segment liabilities do not include income tax liabilities. If segment revenue includes interest expense, segment liabilities include underlying interest bearing liabilities.

The CODM reviews financial information prepared based on Ukrainian accounting standards adjusted to meet the requirements of internal reporting. Such financial information differs in certain aspects from International Financial Reporting Standards. The most significant differences have been described below:

(i) the settlement amounts and results of operations with foreign currency swap contracts are presented gross in segment assets, liabilities, revenues and expenses;

(ii) certain financial assets and liabilities originated at above/below market rates are not re-measured at fair value at initial recognition;

(iii) loan provisions are recognized based on instructions and regulations of the NBU rather than based on the incurred loss model prescribed in IAS 39;

The CODM evaluates performance of each segment based on profit before tax.

28 Segment Analysis (Continued)

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

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

In thousands of US dollars	Retail banking	Corporate banking	Investment banking	Interbank operations	Other	Eliminations	Total
Reportable segment assets	528,803	122,515	66,168	207,963	71,577	(192,248)	804,778
Total reportable segment assets	**528,803**	**122,515**	**66,168**	**207,963**	**71,577**	**(192,248)**	**804,778**
Reportable segment liabilities	211,905	355,518	15	345,080	2,189	(192,248)	722,459
Total reportable segment liabilities	**211,905**	**355,518**	**15**	**345,080**	**2,189**	**(192,248)**	**722,459**
Capital expenditure	106	71	5	10	4	-	196

Capital expenditure represents additions to non-current assets other than financial instruments and deferred tax assets.

In thousands of US dollars	Retail banking	Corporate banking	Investment banking	Interbank operations	Other	Eliminations	Total
2009							
- Interest income	119,462	67,134	5,505	17,914	709	(103,939)	106,785
- Fee and commission income	9,028	5,355	195	318	2	(1,158)	13,740
- Other operating income	4,872	1,931	193	48	963	(34)	7,973
Total revenues	**133,362**	**74,420**	**5,893**	**18,280**	**1,674**	**(105,131)**	**128,498**
Interest expense	(104,760)	(56,957)	(4,398)	(15,720)	(484)	103,939	(78,380)
Fee and commission expense	(2,700)	(1,798)	(29)	(404)	-	1,158	(3,773)
Provision for loan impairment	(8,884)	(7,945)	(6)	41	-	-	(16,794)
Depreciation and amortisation	(1,260)	(842)	(75)	(117)	(47)	-	(2,341)
Administrative and other operating expenses	(20,649)	(13,804)	(1,228)	(1,919)	(809)	34	(38,375)
Tax expenses	-	-	-	-	-	-	110
Segment result	**(4,891)**	**(6,926)**	**157**	**161**	**334**	**-**	**(11,055)**

28 Segment Analysis (Continued)

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

In thousands of US dollars	Retail banking	Corporate banking	Investment banking	Interbank operations	Other	Eliminations	Total
Reportable segment assets	459,412	161,288	53,928	175,839	29,956	(202,436)	677,987
Total reportable segment assets	**459,412**	**161,288**	**53,928**	**175,839**	**29,956**	**(202,436)**	**677,987**
Reportable segment liabilities	253,874	355,176	4,896	166,207	2,001	(202,436)	579,718
Total reportable segment liabilities	**253,874**	**355,176**	**4,896**	**166,207**	**2,001**	**(202,436)**	**579,718**
Capital expenditure	9,719	6,606	602	616	115	-	17,658

In thousands of US dollars	Retail banking	Corporate banking	Investment banking	Interbank operations	Other	Eliminations	Total
2008							
- Interest income	122,328	71,723	10,373	35,691	-	(100,170)	139,945
- Fee and commission income	13,286	7,992	309	256	194	(2,145)	19,892
- Other operating income	2,903	3,507	64	1	1,900	(123)	8,252
Total revenues	**138,517**	**83,222**	**10,746**	**35,948**	**2,094**	**(102,438)**	**168,089**
Interest expense	(95,242)	(55,090)	(8,565)	(28,909)	-	100,170	(87,636)
Provision for loan impairment	(1,330)	(1,294)	(5)	(14)	(6)	-	(2,649)
Depreciation and amortisation	(1,857)	(1,262)	(115)	(118)	(21)	-	(3,373)
Fee and commission expense	(1,007)	(2,470)	(48)	(529)	(20)	2,145	(1,929)
Administrative and other operating expenses	(26,019)	(21,199)	(1,901)	(3,028)	(1,342)	123	(53,366)
Tax expenses	-	-	-	-	-	-	(5,226)
Segment result	**13,062**	**1,907**	**112**	**3,350**	**705**	**-**	**13,910**

28 Segment Analysis (Continued)

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

In thousands of US dollars	2009	2008
Total revenues for reportable segments	**128,498**	**168,089**
(a) Presentation of gain less losses from financial derivatives	(5,196)	(5,385)
(b) Other IFRS adjustments	(465)	(649)
Total revenues	**122,837**	**162,055**

Total revenues comprise interest income, fee and commission income and other operating income.

In thousands of US dollars	2009	2008
Total reportable segment result before tax	**(11,165)**	**19,136**
(a) Fair valuation of other investment securities at initial recognition	(6,149)	-
(b) Impairment allowance	5,419	(7,409)
(c) Other IFRS adjustments	(26)	(356)
Profit or loss before tax	**(11,921)**	**11,371**

In thousands of US dollars	2009	2008
Total reportable segment assets	**804,778**	**677,987**
(a) Presentation of financial derivatives at fair value	(86,764)	(48,059)
(b) Fair valuation of other investment securities at initial recognition	(6,002)	-
(c) Investment securities available for sale	(1,865)	(271)
(d) Impairment allowance	49	(5,487)
(e) Depreciation of premises and equipment	(1,939)	(1,889)
(f) Other IFRS adjustments	(1,960)	(1,884)
Total assets	**706,297**	**620,397**

In thousands of US dollars	2009	2008
Total reportable segment liabilities	**722,459**	**579,718**
(a) Presentation of financial derivatives at fair value	(86,764)	(48,059)
(b) Accrual for unused vacation	1,511	1,410
(c) Other accruals	(624)	(91)
(d) Other IFRS adjustments	(2,922)	(1,952)
Total liabilities	**633,660**	**531,026**

28 Segment Analysis (Continued)

Reconciliation of other material items of income or expenses for the year ended 31 December 2009 is as follows:

In thousands of US dollars	Total amount for all reportable segment	Fair valuation of other investment securities at initial recognition	Presentation of gain less losses from financial derivatives	Impairment allowance	Reclassification between categories	Other IFRS adjust-ments	As reported under IFRS
Material income or expenses for year ended 31 December 2009							
External revenues:							
- Interest income	106,785	-	(5,196)	-	3,250	514	105,353
- Fee and commission income	13,740	-		-	(3,250)	-	10,490
- Other operating income	7,973	-	(673)	-	(6,845)	(220)	235
Interest expense	(78,380)	-	6,606	-	(1,969)	22	(73,721)
Provision for loan impairment	(16,794)	-	-	5,419	-	-	(11,375)
Depreciation and amortisation	(2,341)	-	-	-	2,341	-	-
Fee and commission expense	(3,773)	-	-	-	1,969	-	(1,804)
Gains less losses from trading in foreign currencies	-	-	-	-	(849)	-	(849)
Foreign exchange translation gains less losses	-	-	-	-	7,501	-	7,501
Administrative and other operating expenses	(38,375)	-	-	-	(2,341)	(255)	(40,971)
Loss on origination	-	(6,149)	-	-	-		(6,149)

The reconciling items are attributable to the following:

(i) The Bank recognized loss on origination of other investment securities;

(ii) The Bank presented gain less losses from financial derivatives on a net basis in IFRS financial statements;

(iii) The Bank analyses in Segment reporting impairment provisions created in accordance with the National Bank of Ukraine requirements;

Reconciliation of material assets and liabilities at 31 December 2009 and of capital expenditure for 2009 is as follows:

In thousands of US dollars	Total amount for all reportable segment	Fair valuation of other investment securities at initial recognition	Presentation of financial derivatives at fair value	Depreciation of premises and equipment	Other IFRS adjustments and effect of currency translation	As reported under IFRS
Assets at 31 December 2009						
Reportable segment assets	804,878	(6,002)	(86,764)	(1,939)	(3,876)	706,297
Liabilities at 31 December 2009						
Reportable segment liabilities	722,459	-	(86,764)	-	(2,035)	633,660

28 Segment Analysis (Continued)

The reconciling items are attributable to the following:

(i) The Bank recognized loss of origination of other investment securities;

(ii) The Bank presented financial derivatives on a net basis in IFRS financial statements;

Reconciliation of material assets and liabilities at 31 December 2008 and of capital expenditure for 2008 is as follows:

In thousands of US dollars	Total amount for all reportable segment	Impairment allowance	Presentation of financial derivatives at fair value	Depreciation of premises and equipment	Other IFRS adjustments and effect of currency translation	As reported under IFRS
Assets at 31 December 2008						
Reportable segment assets	677,987	(5,487)	(48,059)	(1,889)	(2,155)	620,397
Liabilities at 31 December 2008						
Reportable segment liabilities	579,718	-	(48,059)	-	(633)	531,026

The reconciling items are attributable to the following:

(i) The Bank analyses in Segment reporting provision for impairment created in accordance with the National Bank of Ukraine requirements;

(ii) The Bank presented foreign currency swap contracts on a net basis in IFRS financial statements;

Reconciliation of other material items of income or expenses for the year ended 31 December 2008 is as follows:

In thousands of US dollars	Total amount for all reportable segment	Presentation of gain less losses from financial derivatives	Impairment allowance	Reclassification between categories	Other IFRS adjust-ments	As reported under IFRS
Material income or expenses for year ended 31 December 2008						
External revenues:						
- Interest income	139,945	(3,238)	-	2,142	(393)	138,456
- Fee and commission income	19,892	-	-	(2,142)	-	17,750
- Other operating income	8,252	(6,262)	-	(1,050)	(319)	621
Interest expense	(87,636)	5,385	-	(547)	799	(81,999)
Provision for loan impairment	(2,649)	-	(7,409)	-	116	(9,942)
Depreciation and amortisation	(3,373)	-	-	3,373	-	-
Fee and commission expense	(1,929)	-	-	547	160	(1,222)
Gains less losses from disposals of investment securities available for sale	-	-	-	-	63	63
Gains less losses from financial derivatives	-	4,115	-	-	-	4,115
Gains less losses from trading in foreign currencies	-	-	-	732	-	732
Foreign exchange translation gains less losses	-	-	-	318	-	318
Administrative and other operating expenses	(53,366)	-	-	(3,373)	(782)	(57,521)

28 Segment Analysis (Continued)

The reconciling items are attributable to the following:

(i) The Bank presented foreign currency swap contracts on a net basis in IFRS financial statements;

(ii) The Bank analyses in Segment reporting provision for impairment created in accordance with the National Bank of Ukraine requirements;

(f) Analysis of revenues by products and services

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

(f) Geographical information

Ukraine represents the only geographical segment, as majority of revenues and assets are attributable to Ukraine. The Bank has no material revenues from outside Ukraine. Please refer to Note 29 for geographical analysis of assets and liabilities

(g) Major customers

The Bank does not have customers with the revenues exceeding 10 % of the total revenue of the Bank.

29 Financial Risk Management

The risk management function within the Bank is carried out in respect of financial risks, operational risks and legal risks. Financial risk comprises market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimise operational and legal risks.

Credit risk. The Bank takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Exposure to credit risk arises as a result of the Bank's lending and other transactions with counterparties giving rise to financial assets.

The Bank's maximum exposure to credit risk is reflected in the carrying amounts of financial assets on the statement of financial position. The total amount of such exposure has been presented in the table below. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant. For guarantees and commitments to extend credit, the maximum exposure to credit risk is the amount of the commitment. Refer to Note 31. The credit risk is mitigated by collateral and other credit enhancements as disclosed in Note 9.

In thousands of US dollars	**31 December 2009**	**31 December 2008**
Cash and cash equivalents (excluding cash on hand)	114,128	102,711
Due from other banks	7,342	1,825
Derivative financial assets	-	6,837
Loans and advances to customers	489,015	433,582
Investment securities available for sale	27,825	39,362
Other investment securities	14,879	-
Other financial assets	709	320
Undrawn credit lines	5,459	22,070
Letters of credit	-	4,098
Guarantees issued	3,739	3,884
MAXIMUM EXPOSURE TO CREDIT RISK	**663,096**	**614,689**

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Limits on the level of credit risk by product and industry sector are approved regularly by management. Such risks are monitored on a revolving basis and subject to an annual or more frequent review.

29 Financial Risk Management (Continued)

The general principles of the Bank's credit policy are outlined in the formal credit policy document approved by management. The document regulates every significant aspect of the lending operations of the Bank and outlines procedures for analysing the financial position of borrowers and the valuation of any proposed collateral and specifies the requirements for loan documentation and the procedures for the monitoring of loans.

The Bank established separate credit committees for lending to corporate and individual customers which are responsible for approving individual loans. The credit committees together with the committee for managing assets and liabilities are responsible for determining the overall direction of the Bank's lending activities. The Management Board reviews and approves all of the decisions made by the credit committees and the Supervisory Board reviews and approves loans above USD 1 mln.

Loan applications accepted by the relevant loan specialists together with the accompanying documents required for issuing the loans are passed on to the relevant credit committee for approval of credit limit. The borrowers' past credit history is analysed through reviewing the records available in the bureau of credit histories. Management may decide to facilitate the process of the loan issue for customers which demonstrated satisfactory level of debt servicing in the past. The financial positions of the borrowers are assessed by performing analysis of their latest financial statements. Where loans are provided under special project financing, separate assessment of the future cash flows is performed to determine the optimal model of the financing.

Exposure to credit risk is also managed, to a large extent, by obtaining collateral and corporate and personal guarantees. The borrowers' legal rights over assets pledged as collateral are confirmed by obtaining ownership certificates, licences and other relevant documents. The value of the collateral is determined by internal appraisers of the Bank by using conservative valuation approaches. Property pledged as collateral is required to be insured by the borrowers. Management assesses liquidity of the proposed pledges before accepting them as collateral.

As part of credit risk management procedures, Management obtains an ability to observe the turnover on the bank accounts of the borrowers by requiring them to transfer all or part of their bank accounts to the Bank before issuing the loan.

In order to monitor credit risk exposures, regular reports are produced by the credit department's officers based on a structured analysis focusing on the customer's business and financial performance. The loan specialists perform monitoring of the existing borrowers to ensure that they comply with the conditions described in the loan agreements. Any significant exposures against customers with deteriorating creditworthiness are reported to and reviewed by the Management Board. The Bank uses internal credit ratings to monitor exposures to credit risk. Management monitors and follows up on past due balances.

The Bank's reviews ageing analysis of outstanding loans and follows up on past due balances. Management therefore considers it appropriate to provide ageing and other information about credit risk as disclosed in Notes 8, 9, 10 and 11.

Credit risk for off-balance sheet financial instruments is defined as the possibility of sustaining a loss as a result of another party to a financial instrument failing to perform in accordance with the terms of the contract. The Bank uses the same credit policies in assuming conditional obligations as it does for on-balance sheet financial instruments, through established credit approvals, risk control limits and monitoring procedures.

Market risk. The Bank takes on exposure to market risks. Market risks arise from open positions in (a) currency, (b) interest rate and (c) equity products, all of which are exposed to general and specific market movements. Management sets limits on the value of risk that may be accepted, which is monitored on a daily basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

Currency risk. In respect of currency risk, management sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily.

29 Financial Risk Management (Continued)

The table below summarises the Bank's exposure to foreign currency exchange rate risk at the end of the reporting period:

	At 31 December 2009				At 31 December 2008			
In thousands of US dollars	Monetary financial assets	Monetary financial liabilities	Derivatives	Net position	Monetary financial assets	Monetary financial liabilities	Derivatives	Net position
US Dollars	116,418	(150,235)	33,320	(497)	126,390	(132,026)	369	(5,267)
Euros	38,815	(39,419)	2,359	1,755	38,418	(38,164)	4,229	4,483
Ukrainian Hryvnia	509,855	(434,030)	(33,733)	42,092	406,479	(351,269)	1,417	56,627
Other	5,004	(7,624)	(2,108)	(4,728)	6,513	(7,227)	822	108
Total	**670,092**	**(631,308)**	**(162)**	**38,622**	**577,800**	**(528,686)**	**6,837**	**55,951**

Derivatives presented above are monetary financial assets or monetary financial liabilities, but are presented separately in order to show the Bank's gross exposure.

Amounts disclosed in respect of derivatives 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 the fair value of the currency derivatives. The above analysis includes only monetary assets and liabilities. Investments in equities and non-monetary assets are not considered to give rise to any material currency risk.

The following table presents sensitivities of profit or loss and equity to reasonably possible changes in exchange rates applied at the end of the reporting period relative to the functional currency of the Bank, with all other variables held constant:

	At 31 December 2009		At 31 December 2008	
In thousands of US dollars	Impact on profit or loss	Impact on equity	Impact on profit or loss	Impact on equity
US Dollar strengthening by 5% (2008: strengthening by 38.8%)	(1,699)	(1,699)	466	466
US Dollar weakening by 5% (2008: weakening by 38.8%)	1,699	1,699	(466)	(466)
Euro strengthening by 5% (2008: strengthening by 39.7%)	(30)	(30)	101	101
Euro weakening by 5% (2008: weakening by 39.7%)	30	30	(101)	(101)
Other strengthening by 5% (2008: strengthening by 10%)	(131)	(131)	(71)	(71)
Other weakening by 5% (2008: weakening by 10%)	131	131	71	71
Total	-	-	-	-

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 takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. Management monitors on a daily basis and sets limits on the level of mismatch of interest rate repricing that may be undertaken.

The table below summarises the Bank's exposure to interest rate risks. The table presents the aggregated amounts of the Bank's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual interest repricing or maturity dates.

29 Financial Risk Management (Continued)

In thousands of US dollars	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	More than 1 year	Total
31 December 2009					
Total monetary financial assets	147,809	22,890	311,040	188,353	670,092
Total monetary financial liabilities	(241,418)	(155,190)	(176,970)	(57,892)	(631,470)
Net interest sensitivity gap at 31 December 2009	**(93,609)**	**(132,300)**	**134,070**	**130,461**	**38,622**
31 December 2008					
Total monetary financial assets	138,994	85,101	177,501	183,041	584,637
Total monetary financial liabilities	(191,662)	(74,526)	(163,600)	(98,898)	(528,686)
Net interest sensitivity gap at 31 December 2008	**(52,668)**	**10,575**	**13,901**	**84,143**	**55,951**

All of the Bank's debt instruments reprice within 5 years (2008: all reprice within 5 years).

At 31 December 2009, if interest rates at that date had been 200 basis points lower (2008: 500 basis points lower) with all other variables held constant, loss for the year would have been USD 520 thousand (2008: USD 2,121 thousand) higher, mainly as a result of lower interest income on variable interest loans to customers. Other components of equity would have been USD 635 thousand (2008: USD 1,968 thousand) higher, mainly as a result of an increase in the fair value of fixed rate financial assets classified as available for sale.

If interest rates had been 200 basis points higher (2008: 1000 basis points higher), with all other variables held constant, loss for the year would have been USD 520 thousand (2008: USD 4,241 thousand) lower, mainly as a result of higher interest income on variable interest loans to customers. Other components of equity would have been USD 635 thousand (2008: USD 3,937 thousand) lower, mainly as a result of a decrease in the fair value of fixed rate financial assets classified as available for sale.

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								
Cash and cash equivalents and mandatory reserves	0.82%	0.63%	0.96%	2.61%	0.39%	0.07%	0%	0%
Due from other banks	18.22%	7.05%	-	-	22.64%	5.5%	4.33%	3.38%
Loans and advances to customers	23.15%	16.41%	11.26%	9.72%	21.92%	15.33%	11.95%	8.16%
Debt investment securities available for sale	12.66%	-	-	-	10.33%	-	-	-
Other investment securities	11.00%	-	-	-	-	-	-	-
Derivative financial assets (gross)	15.29%	1.14%	0.1%	-	-	4.33%	3%	4.01%
Other financial assets	0.1%	-	-	-	0%	-	-	-
Liabilities								
Amounts due to the National Bank of Ukraine	16.61%	-	-	-	15.86%	-	-	-
Due to other banks	8.39%	3.48%	1.83%	4.90%	15.87%	4.4%	4.03%	10.28%
Customer accounts	16.61%	12.14%	9.61%	5.23%	14.54%	8.83%	9.11%	4.45%
Debt securities in issue	18.83%	-	-	-	13.62%	-	-	-
Derivative financial liability (gross)	20%	1.37%	-	3.34%	16.96%	3.95%	-	5%
Other financial liabilities	0%	-	-	-	0.01%	-	-	-
Subordinated debt	12.75%	-	-	-	-	-	-	-

29 Financial Risk Management (Continued)

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

Other price risk. The Bank is exposed to prepayment risk through providing fixed rate loans, including mortgages, which give the borrower the right to early repay the loans. The Bank's current year loss and equity at the end of the current reporting period would not have been significantly impacted by changes in prepayment rates because such loans are carried at amortised cost and the prepayment right is at or close to the amortised cost of the loans and advances to customers (2008: no material impact).

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

In thousands of US dollars	**Ukraine**	**OECD**	**Non-OECD**	**Total**
Financial assets				
Cash and cash equivalents and mandatory reserves	63,950	64,875	1,497	130,322
Due from other banks	5,757	855	730	7,342
Loans and advances to customers	489,015	-	-	489,015
Investment securities available for sale	27,866	-	-	27,866
Other investment securities	14,879	-	-	14,879
Other financial assets	709	-	-	709
Total financial assets	**602,176**	**65,730**	**2,227**	**670,133**
Financial liabilities				
Amounts due to the National Bank of Ukraine	126,465	-	-	126,465
Due to other banks	59,704	9,730	2,178	71,612
Customer accounts	419,547	28	155	419,730
Debt securities in issue	472	-	-	472
Other financial liabilities	16	-	-	16
Derivative financial liability	162	-	-	162
Subordinated debt	13,013	-	-	13,013
Total financial liabilities	**619,379**	**9,758**	**2,333**	**631,470**
Net position in on-balance sheet financial instruments	**(17,203)**	**55,972**	**(106)**	**38,663**
Credit related commitments	**5,764**	**-**	**-**	**5,764**

Assets, liabilities and credit related commitments have generally been based on the country in which the counterparty is located. Balances with Ukrainian counterparties actually outstanding to/from offshore companies of these Ukrainian counterparties are allocated to the caption "Ukraine". Cash on hand and premises and equipment have been allocated based on the country in which they are physically held.

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 US dollars	Ukraine	OECD	Non-OECD	Total
Financial assets				
Cash and cash equivalents	45,077	56,456	1,178	102,711
Due from other banks	970	855	-	1,825
Derivative financial assets	6,837	-	-	6,837
Loans and advances to customers	433,582	-	-	433,582
Investment securities available for sale	39,365	-	-	39,365
Other financial assets	320	-	-	320
Total financial assets	**526,151**	**57,311**	**1,178**	**584,640**
Financial liabilities				
Due to other banks	93,822	35,758	2,949	132,529
Customer accounts	391,541	410	75	392,026
Debt securities in issue	3,579	-	-	3,579
Other financial liabilities	552	-	-	552
Total financial liabilities	**489,494**	**36,168**	**3,024**	**528,686**
Net position in on-balance sheet financial instruments	**36,657**	**21,143**	**(1,846)**	**55,954**
Credit related commitments	**26,737**	**-**	**-**	**26,737**

Other risk concentrations. The Bank did not have any such significant risk concentrations at 31 December 2009 and 2008.

Liquidity risk. Liquidity risk is 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 drawdowns, guarantees and from margin. 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. Liquidity risk is managed by the Asset/Liability Committee of the Bank.

The Bank seeks to maintain a stable funding base primarily consisting of amounts due to other banks, corporate and retail customer deposits and debt securities. The Bank invests 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 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 79.98% at 31 December 2009 (2008: 77.84%), 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 66.11% at 31 December 2009 (2008: 93.26%), 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 liabilities with original maturity of up to one year. The ratio was 35.85% at 31 December 2009 (2008: 35.54%), with the required ratio being not less than 20%.

29 Financial Risk Management (Continued)

The Treasury Department receives information about the liquidity profile of the financial assets and liabilities. The Treasury Department 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 daily 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 Treasury Department.

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), gross loan commitments and financial guarantees. Such undiscounted cash flows differ from the amount included in the statement of financial position because the amount in the statement of financial position is based on discounted cash flows. Financial derivatives are included at the contractual amounts to be paid or received, unless the Bank expects to close the derivative position before its maturity date in which case the derivatives are included based on the expected cash flows. For the purposes of the maturity analysis, embedded derivatives are not separated from hybrid (combined) financial instruments.

The table below shows maturity analysis of non-derivative financial assets at their carrying amounts and based on their contractual maturities except for assets that are readily saleable in case it would be necessary to meet cash outflows on financial liabilities. Such financial assets are included in the maturity analysis based on their expected date of disposal. Impaired loans are included at their carrying amounts net of impairment provisions and based on the expected timing of cash inflows. Derivatives are presented based on their contractual maturities.

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

29 Financial Risk Management (Continued)

The maturity analysis of financial instruments at 31 December 2009 is as follows:

In thousands of US dollars	**Demand and less than 1 month**	**From 1 to 3 months**	**From 3 to 12 months**	**From 12 months to 5 years**	**Over 5 years**	**Total**
Assets						
Cash and cash equivalents and mandatory reserves	130,322	-	-	-	-	130,322
Due from other banks	855	730	5,757	-	-	7,342
Loans and advances to customers	15,964	22,160	298,350	102,730	49,811	489,015
Investment securities available for sale	-	-	6,933	20,933	-	27,866
Other investment securities	-	-	-	14,879	-	14,879
Other financial assets	709	-	-	-	-	709
Total	**147,850**	**22,890**	**311,040**	**138,542**	**49,811**	**670,133**
Liabilities						
Amounts due to the National Bank of Ukraine	10,826	43,004	78,862	-	-	132,692
Due to other banks	64,245	589	2,907	5,346	568	73,655
Customer accounts	172,462	121,119	110,100	43,422	1,201	448,304
Debt securities in issue	12	15	232	356	-	615
Subordinated debt	210	267	1,243	19,191	-	20,911
Gross settled swaps:						
- inflows	(86,602)	-	-	-	-	(86,602)
- outflows	86,764	-	-	-	-	86,764
Gross loan commitments	5,459	-	-	-	-	5,459
Financial guarantees	305	-	-	-	-	305
Other financial liabilities	16	-	-	-	-	16
Total potential future payments for financial obligations	**253,697**	**164,994**	**193,344**	**68,315**	**1,769**	**682,119**
Liquidity gap arising from financial instruments	**(105,847)**	**(142,104)**	**117,696**	**70,227**	**48,042**	**(11,986)**

Management believes that in spite of a substantial portion of customer accounts being on demand, the current level of customer relations, 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. As disclosed in Note 16 part of the amounts due to the NBU were rescheduled during the subsequent period.

29 Financial Risk Management (Continued)

Liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the amount of the commitment disclosed in the above maturity analysis because the Bank does not generally expect the third party to draw funds under the agreement. The total outstanding contractual amount of commitments to extend credit as included in the above maturity table does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

The maturity analysis of financial instruments at 31 December 2008 is as follows:

In thousands of US dollars	**Demand and less than 1 month**	**From 1 to 3 months**	**From 3 to 12 months**	**From 12 months to 5 years**	**Over 5 years**	**Total**
Assets						
Cash and cash equivalents and mandatory reserves	102,711	-		-	-	102,711
Due from other banks	705	115	1,005	-	-	1,825
Loans and advances to customers	23,226	77,171	172,039	104,154	56,992	433,582
Investment securities available for sale	-	6,206	4,426	28,733	-	39,365
Gross settled swaps:						
- inflows	42,428	12,283	-	-	-	54,711
- outflows	(37,126)	(10,748)	-	-	-	(47,874)
Other financial assets	215	74	31	-	-	320
Total	**132,159**	**85,101**	**177,501**	**132,887**	**56,992**	**584,640**
Liabilities						
Amounts due to the National Bank of Ukraine	1,730	19,481	30,265	-	-	51,476
Due to other banks	72,795	1,749	1,615	4,881	8,736	89,776
Customer accounts	61,201	122,402	151,559	103,852	2,527	441,541
Debt securities in issue	46	93	418	4,834	-	5,391
Gross loan commitments	319	639	8,765	17,014	-	26,737
Financial guarantees	3,884	-	-	-	-	3,884
Other financial liabilities	1,058	35	-	-	-	1,093
Total potential future payments for financial obligations	**141,033**	**144,399**	**192,622**	**130,581**	**11,263**	**619,898**
Liquidity gap arising from financial instruments	**(8,874)**	**(59,298)**	**(15,121)**	**2,306**	**45,729**	**(35,258)**

Payments in respect of gross settled swaps will be accompanied by related cash inflows. Customer accounts are classified in the above analysis based on contractual maturities. However, in accordance with Ukrainian Civil Code, individuals have a right to withdraw their deposits prior to maturity if they forfeit their right to accrued interest.

29 Financial Risk Management (Continued)

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.

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 regulatory capital. The amount of capital that the Bank managed as of 31 December 2009 was USD 92,207 thousand (2008: USD 106,461 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 Chief Executive Officer and Chief Accountant. Other objectives of capital management are evaluated annually.

Capital adequacy ratio under NBU requirements

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 of 10%. Regulatory capital is based on the Bank's reports prepared under Ukrainian accounting standards and comprises:

In thousands of US dollars	**2009**	**2008**
Primary capital	78,558	96,138
Additional capital	15,349	11,727
Deductions	(1,700)	(1,404)
Total regulatory capital	**92,207**	**106,461**

As at 31 December 2009 the statutory capital ratio of the Bank calculated in accordance with NBU requirements based on unadjusted and unaudited trial balance was 15.61% (2008: 17.69%). Under NBU requirements, subordinated debt is allowed to be included in calculation of the regulatory capital.

Capital adequacy ratio under Basel Capital Accord 1988

The Bank's capital adequacy ratio, computed in accordance with the Basel Capital Accord 1988, with subsequent amendments including amendment to incorporate market risk, as of December 2009 and 2008, comprised:

In thousands of US dollars	**2009**	**2008**
Tier 1 capital	73,232	87,357
Tier 2 capital	12,313	2,014
Total capital	**85,545**	**89,371**
Risk weighted assets	**416,777**	**463,691**
Tier 1 capital ratio	17.57%	18.84%
Total capital ratio	20.53%	19.27%

These ratios exceeded the minimum capital ratio of 8% as recommended by the Basel Accord.

31 Contingencies and Commitments

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

Tax legislation. Ukrainian tax 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 authorities.

The Ukrainian tax authorities may be taking a more assertive and sophisticated approach in their interpretation of the legislation and tax examinations. Combined with a possible increase in tax collection efforts to respond to budget pressures, the above may lead to an increase in the level and frequency of scrutiny by the tax authorities 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 USD 670 thousand (2008: None).

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 US dollars	**2009**	**2008**
Not later than 1 year	2,882	3,253
Later than 1 year and not later than 5 years	2,991	3,966
Later than 5 years	102	202
Total operating lease commitments	**5,975**	**7,421**

Significant lease contracts of the Bank's Head office premise were signed for the period till June 2010 and December 2012. The future lease payments under these contracts are USD 539 thousand (USD 359 thousand - Not later than 1 year) and USD 2,200 thousand (USD 746 thousand - not later than 1 year, USD 1,454 thousand not later than 5 years) respectively.

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Compliance with covenants. The Bank is subject to certain covenants related primarily to its borrowings from the National Bank of Ukraine for refinancing. Non-compliance with such covenants may result in negative consequences for the Bank including growth in the cost of borrowings and declaration of default. The Bank was in compliance with covenants as at 31 December 2009 and 31 December 2008.

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, if the unused amounts were to be drawn down. 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. 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:

31 Contingencies and Commitments (Continued)

In thousands of US dollars	**2009**	**2008**
Undrawn credit lines*	5,459	22,070
Letters of credit	-	4,098
Guarantees issued	3,739	3,884
Less: Cash held as security against letters of credit and guaranties	(3,434)	(3,315)
Total credit related commitments, net	**5,764**	**26,737**

* Represents commitments that are irrevocable or are revocable only in response to a material adverse change.

The total outstanding contractual amount of undrawn credit lines, letters of credit, and guarantees does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded. The fair value of credit related commitments was less than USD 1 thousand at 31 December 2009 (2008: less than USD 1 thousand).

Credit related commitments are denominated in currencies as follows:

In thousands of US dollars	**2009**	**2008**
Ukrainian hryvnias	5,449	20,932
US Dollars	315	4,915
EUR	-	890
Total	**5,764**	**26,737**

Assets pledged and restricted. The Bank had assets pledged as collateral with the following carrying value:

	2009		**2008**	
In thousands of US dollars	**Asset pledged**	**Related liability amount**	**Asset pledged**	**Related liability amount**
Loans to customers, carrying value	144,027	101,543	27,329	19,481
Bank's shares, carrying value	25,480	5,404	17,770	10,721
Bonds of State mortgage institution, fair value	16,052	14,609	15,124	11,169
Bonds of Ukrainian government, fair value	4,699	4,909	6,530	5,558
Corporate bonds	-	-	3,247	1,753
Total	**190,258**	**126,465**	**70,000**	**48,682**

At 31 December 2009 due from other banks balances of USD 1,585 thousand (2008: USD 855 thousand) are placed as a cover for letters of credit and international payment cards transactions.

In addition, mandatory cash balances with the NBU of USD 3,159 thousand (2008: USD 6,882 thousand) represent mandatory reserve deposits which are not available to finance the Bank's day to day operations as disclosed in Note 3.

32 Derivative Financial Instruments

The table below sets out fair values, at the end of the reporting period, of currencies receivable or payable under foreign currency 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 end of the respective reporting period. The contracts are short term in nature.

In thousands of US dollars	Notes	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 currency swaps: fair values, at the end of the reporting period, of	29				
- USD receivable on settlement (+)		41,201	14,920	25,935	1,372
- USD payable on settlement (-)		-	(22,801)	(11,500)	(15,438)
- Euros receivable on settlement (+)		5,040	-	-	-
- Euros payable on settlement (-)		(2,681)	-	4,229	-
- UAH receivable on settlement (+)		2,689	22,753	10,856	10,040
- UAH payable on settlement (-)		(46,151)	(13,024)	(19,479)	-
- Other currencies receivable on settlement (+)		-	-	-	2,279
- Other currencies payable on settlement (-)		-	(2,108)	-	(1,457)
Net fair value of foreign currency swaps		**98**	**(260)**	**10,041**	**(3,204)**

During 2009 the Bank recorded a loss from derivative financial instruments in the amount of USD 738 thousand (2008: a gain of USD 4,115 thousand). Operations with foreign currency swap contracts are not aimed at earning gains taken as separate instruments but rather viewed by management as part of the range of procedures with an objective of managing the Bank's foreign currency liquidity.

33 Fair Value of Financial Instruments

(a) Fair values of financial instruments carried at amortised cost.

Fair values of financial instruments carried at amortised cost are as follows:

	2009		2008	
In thousands of US dollars	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
FINANCIAL ASSETS				
Cash and cash equivalents and mandatory reserves				
- Cash on hand	16,194	16,194	17,602	17,602
- Cash balances with the NBU	20,245	20,245	2,176	2,176
- Mandatory cash balances with the NBU	3,159	3,159	6,882	6,882
- Correspondent accounts and overnight placements	90,724	90,724	76,051	76,051
Due from other banks				
- Guarantee deposits	1,585	1,585	855	855
- Short-term placements with other banks with original maturities of more than three months	5,757	5,757	970	970
Loans and advances to customers				
- Corporate loans	299,605	289,596	253,559	250,112
- Loans to individuals - consumer loans	51,543	49,566	66,611	59,132
- Loans to individuals - entrepreneurs	1,218	1,177	4,557	4,401
- Mortgage loans	36,607	26,762	40,650	39,271
- State and municipal organisations	100,042	100,335	68,205	65,879
Other investment securities				
- Corporate bonds	14,879	14,879	-	-
Other financial assets				
- Accrued income	463	463	65	65
- Other settlements with the clients	246	246	151	151
- Card settlements	-	-	104	104
TOTAL FINANCIAL ASSETS CARRIED AT AMORTISED COST	**642,267**	**620,688**	**538,438**	**523,651**

33 Fair Value of Financial Instruments (Continued)

In thousands of US dollars	2009 Carrying amount	2009 Fair value	2008 Carrying amount	2008 Fair value
FINANCIAL LIABILITIES				
Amounts due to the National Bank of Ukraine	126,465	126,465	48,682	48,682
Due to other banks				
- Correspondent accounts and overnight placements of other banks	63,244	63,191	41,244	41,244
- Time deposits and loans	8,368	8,368	34,729	34,729
- Time deposits and loans with international organisations	-	-	7,874	7,874
Customer accounts				
- Current/settlement accounts of state and public organisations	193	193	14,529	14,529
- Term deposits of state and public organisations	565	565	5,465	5,379
- Current/settlement accounts of other legal entities	47,496	47,496	51,035	51,035
- Term deposits of other legal entities	89,076	88,984	60,407	59,456
- Current/demand accounts of individuals	51,832	51,832	24,119	24,119
- Term deposits of individuals	230,561	229,768	236,445	232,724
- Fund under the Bank's management	7	7	26	26
Debt securities in issue				
- Bonds issued on domestic market	472	472	3,579	3,579
Other financial liabilities				
- Accrued expenses	16	16	145	145
- Transit account	-	-	370	370
- Finance lease liabilities	-	-	37	37
Subordinated debt				
- Subordinated debt	13,013	13,013	-	-
TOTAL FINANCIAL LIABILITIES CARRIED AT AMORTISED COST	**631,308**	**630,370**	**528,686**	**523,928**

33 Fair Value of Financial Instruments (Continued)

(b) Analysis by fair value hierarchy of financial instruments carried at fair value.

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 US dollars	**Valuation technique with inputs observable in markets (Level 2)**	**Quoted price in an active market (Level 1)**	**Valuation technique with inputs observable in markets (Level 2)**
FINANCIAL ASSETS			
Investment securities available for sale			
- State mortgage institution bonds	16,053	19,481	-
- Ukrainian government bonds	5,937	7,459	-
- Municipal bonds	2,791	3,149	1,629
- Corporate bonds	3,044	-	7,644
- Corporate shares	41	3	-
Derivative financial assets			
- Foreign currency swaps	-	-	6,837
TOTAL FINANCIAL ASSETS CARRIED AT FAIR VALUE	**27,866**	**30,092**	**16,110**
FINANCIAL LIABILITIES			
Derivative financial liabilities			
- Foreign currency swaps	162	-	-
TOTAL FINANCIAL LIABILITIES CARRIED AT FAIR VALUE	**162**	**-**	**-**

Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. Significance of a valuation input is assessed against the fair value measurement in its entirety.

(c) The methods and assumptions applied in determining fair values.

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. 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.

33 Fair Value of Financial Instruments (Continued)

Discount rates used depend on currency, maturity of the instrument and credit risk of the counterparty and were as follows:

	2009	2008
Loans and advances to customers		
- Corporate loans	12 % to 27 % p.a.	12 % to 48 % p.a.
- Loans to individuals - consumer loans	12 % to 30 % p.a.	10 % to 45 % p.a.
- Loans to individuals – entrepreneurs	-	10 % to 35 % p.a.
- Mortgage loans	15 % to 30 % p.a.	12 % to 24 % p.a.
- State and municipal organisations	12 % to 27 % p.a.	12 % to 24 % p.a.
Customer accounts		
- Current/settlement accounts of state and public organisations	5.13 % p.a.	6 % p.a.
- Term deposits of state and public organisations	17% p.a.	16 % p.a.
- Current/settlement accounts of other legal entities	1% to 15% p.a.	1% to 15% p.a.
- Term deposits of other legal entities	10.5% to 24% p.a.	8.2 % to 20 % p.a.
- Current/demand accounts of individuals	0.1% to 22% p.a.	0.1 % to 21.8 % p.a.
- Term deposits of individuals	11.5% to 23% p.a.	11.2 % to 10.1 % p.a.

34 Presentation of Financial Instruments by Measurement Category

For the purposes of measurement, IAS 39, *Financial Instruments: Recognition and Measurement*, classifies financial assets into the following categories: (a) loans and receivables; (b) available-for-sale financial assets; and (c) 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 financial assets with these measurement categories as of 31 December 2009:

In thousands of US dollars	Loans and receivables	Available for-sale assets	Total
ASSETS			
Cash and cash equivalents and mandatory reserves	130,322	-	130,322
Due from other banks			
- Guarantee deposits	1,585	-	1,585
- Short-term placements with other banks with original maturities of more than three months	5,757	-	5,757
Loans and advances to customers			
- Corporate loans	300,823	-	300,823
- Loans to individuals - consumer loans	51,544	-	51,544
- Mortgage loans	36,606	-	36,606
- State and municipal organisations	100,042	-	100,042
Investment securities available for sale	-	27,866	27,866
Other investment securities	14,879	-	14,879
Other financial assets:			
- Accrued income	463	-	463
- Other settlements with the clients	246	-	246
TOTAL FINANCIAL ASSETS	**642,267**	**27,866**	**670,133**

34 Presentation of Financial Instruments by Measurement Category (Continued)

As of 31 December 2009 and 31 December 2008 all of the Bank's financial liabilities except for derivatives were carried at amortised cost.

The following table provides a reconciliation of financial assets with the measurement categories defined in IAS 39, *Financial Instruments: Recognition and Measurement*, as of 31 December 2008:

In thousands of US dollars	**Loans and receivables**	**Available-for-sale assets**	**Assets designated at FVTPL**	**Total**
ASSETS				
Cash and cash equivalents and mandatory reserves	102,711	-	-	102,711
Due from other banks				
- Guarantee deposits	855	-	-	855
- Short-term placements with other banks with original maturities of more than three months	970	-	-	970
Loans and advances to customers				
- Corporate loans	253,559	-	-	253,559
- Loans to individuals - consumer loans	66,611	-	-	66,611
- Loans to individuals - entrepreneurs	4,557	-	-	4,557
- Mortgage loans	40,650	-	-	40,650
- State and municipal organisations	68,205	-	-	68,205
Investment securities available for sale	-	39,365	-	39,365
Other financial assets:				
- Accrued income	65	-	-	65
- Other settlements with the clients	151	-	-	151
- Card settlements	104	-	-	104
- Derivative financial assets	-	-	6,837	6,837
TOTAL FINANCIAL ASSETS	**538,438**	**39,365**	**6,837**	**584,640**

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

	31 December 2009			31 December 2008		
In thousands of US dollars	Shareholders with significant influence over the Bank	Entities under common control	Key management personnel	Shareholders with significant influence over the Bank	Entities under common control	Key management personnel
Gross amount of loans and advances to customers (contractual interest rate: 2 - 32 %)	57,737	512	1,289	-	86	1,168
Impairment provisions for loans and advances to customers at 31 December	-	(4)	(35)	-	-	(209)
Current accounts (contractual interest rate: 0 - 1 %)	-	338	99	14,525	32,415	2,788
Term deposits (contractual interest rate: 5 - 32 %)	-	401	1,041	14	2,066	2,049
Subordinated debt (contractual interest rate: 12.75 %)	13,013	-	-	-	-	-

The income and expense items with related parties for 2009 and 2008 were as follows:

	2009			2008		
In thousands of US dollars	Shareholders with significant influence over the Bank	Entities under common control	Key management personnel	Shareholders with significant influence over the Bank	Entities under common control	Key management personnel
Interest income	7,325	1,715	83	-	1,571	23
Interest expense	12	91	155	861	224	116
(Recovery)/provision for loan impairment	-	4	(167)	-	-	209
Losses on initial recognition of assets at rates below market	-	-	110	-	-	-
Gains less losses from trading in foreign currencies	96	(197)	-	-	-	-
Fee and commission income	43	2	-	-	-	-

35 Related Party Transactions (Continued)

Aggregate amounts lent to and repaid by related parties during 2009 and 2008 were:

	31 December 2009			31 December 2008		
In thousands of US dollars	**Shareholders with significant influence over the Bank**	**Entities under common control**	**Key manage-ment personnel**	**Shareholders with significant influence over the Bank**	**Entities under common control**	**Key manage-ment personnel**
Amounts lent to related parties during the year	56,356	6,352	496	-	429	913
Amounts repaid by related parties during the year	-	(6,066)	(311)	-	(30,768)	(2,302)

Key management compensation is presented below:

In thousands of US dollars	**2009 Expense**	**2008 Expense**
- Salaries	1,720	2,009
- State pension and social security costs	75	85
- Termination benefits	-	80
Total	**1,795**	**2,174**

Short-term bonuses fall due wholly within twelve months after the end of the period in which management rendered the related services.

36 Events After the End of the Reporting Period

During the subsequent period the amount of USD 18,750 thousand of the borrowings from the NBU was repaid by the Bank and USD 21,290 thousand was rescheduled for one year.

On 25 March 2010 the General Meeting of Shareholders approved the change of the legal title of the Bank into public joint-stock company in accordance with the amended requirements of the Law of Ukraine “On joint-stock companies”. The registration of the new legal title was finalised on 12 May 2010 and effective from this date the Bank’s official name is PUBLIC JOINT-STOCK COMPANY “COMMERCIAL BANK “KHRESCHATYK”.