

**PUBLIC JOINT STOCK
COMPANY
“STATE SAVINGS BANK
OF UKRAINE”**

**Interim Condensed Consolidated Financial
Information**

For the six months ended 30 June 2012

PUBLIC JOINT STOCK COMPANY “STATE SAVINGS BANK OF UKRAINE”

TABLE OF CONTENTS

	Page
STATEMENT OF MANAGEMENT’S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2012	1
INDEPENDENT AUDITOR’S REPORT	2-3
THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2012:	
Interim condensed consolidated statement of comprehensive income	4-5
Interim condensed consolidated statement of financial position	6
Interim condensed consolidated statement of changes in equity	7
Interim condensed consolidated statement of cash flows	8-9
Selected explanatory notes to the Interim condensed consolidated financial information	10-46

PUBLIC JOINT STOCK COMPANY “STATE SAVINGS BANK OF UKRAINE”

STATEMENT OF MANAGEMENT’S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2012

Management is responsible for the preparation of the interim condensed consolidated financial information that presents fairly the financial position of the Public Joint Stock Company “State Savings Bank of Ukraine” and its subsidiary (collectively – the “Bank”) as at 30 June 2012, and the results of its operations, cash flows and changes in equity for the six months then ended, in compliance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting”.

In preparing the interim condensed consolidated financial information, management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IAS 34 “Interim Financial Reporting” is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Bank’s financial position and financial performance; and
- Making an assessment of the Bank’s ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Bank;
- Maintaining adequate accounting records that are sufficient to show and explain the Bank’s transactions and disclose with reasonable accuracy at any time the financial position of the Bank, and which enable them to ensure that the interim condensed consolidated financial information of the Bank complies with IAS 34 “Interim Financial Reporting”;
- Maintaining statutory accounting records in compliance with legislation and accounting standards of Ukraine;
- Taking such steps as are reasonably available to them to safeguard the assets of the Bank; and
- Preventing and detecting fraud and other irregularities.

The interim condensed consolidated financial information for the six months ended 30 June 2012 was approved by the Management Board on 18 December 2012.

On behalf of the Management Board:


S.O. Podrezov
Chairman of the Management Board

3 January 2013




G. S. Kostenko
Chief Accountant

3 January 2013

INDEPENDENT AUDITOR'S REPORT

To the Shareholders and the Management Board of Public Joint Stock Company "State Savings Bank of Ukraine":

We have audited the accompanying interim condensed consolidated financial information of Public Joint Stock Company "State Savings Bank of Ukraine" and its subsidiary (collectively – the "Bank"), which comprise the interim condensed consolidated statement of financial position as at 30 June 2012, and the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six months then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Interim Condensed Consolidated Financial Information

Management is responsible for the preparation and fair presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting", and for such internal control as management determines is necessary to enable the preparation of the interim condensed consolidated financial information that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the interim condensed consolidated financial information. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the interim condensed consolidated financial information, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation and fair presentation of the interim condensed consolidated financial information 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 Bank'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 interim condensed consolidated financial information.

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

Basis for Qualified Opinion

The Bank has adopted the revaluation model for the subsequent measurement of its buildings which requires it to conduct revaluations with sufficient regularity such that the carrying amounts as at the date of the statement of financial position do not differ materially from those using fair values. Buildings were revalued as at 1 November 2008 and the Bank had not carried out a valuation till 31 December 2011. A revaluation was performed as at 31 December 2011. In view of the deterioration of property values in Ukraine as a result of the global economic crisis and in the absence of valuation as at 31 December 2010, we are unable to determine whether the carrying amount of buildings is fairly stated as at 31 December 2010 and respective impact of this matter on the amount of revaluation reserve, depreciation expenses and deferred income tax charges for the six months ended 30 June 2011. Our opinion on the current period's interim condensed consolidated financial information is modified because of the possible effect of this matter on the comparability of the current period's figures and the corresponding figures.

The Bank has not disclosed segment information as required by IAS 34 "Interim Financial Reporting".

Qualified Opinion

In our opinion, except for the effects and possible effects of the matters described in the Basis for Qualified Opinion, the interim condensed consolidated financial information present fairly, in all material respects, the financial position of the Bank as at 30 June 2012, and its financial performance and its cash flows for the six months then ended in accordance with IAS 34 "Interim Financial Reporting".

Emphasis of Matter

We draw attention to Notes 26 and 29 of this interim condensed consolidated financial information which disclose a significant concentration of operations with related parties and concentration risk management policy of the Bank. Our opinion is not qualified in respect of this matter.

Deloitte & Touche

3 January 2013

PUBLIC JOINT STOCK COMPANY “STATE SAVINGS BANK OF UKRAINE”

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2012**

(in Ukrainian Hryvnias and in thousands, except for earnings per share which are in Ukrainian Hryvnias)

	Notes	Six months ended 30 June 2012	Six months ended 30 June 2011 (unaudited)
Interest income	3, 26	4,805,469	3,934,687
Interest expense	3, 26	<u>(2,268,319)</u>	<u>(1,797,707)</u>
NET INTEREST INCOME BEFORE PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS		2,537,150	2,136,980
Provision for impairment losses on interest bearing assets	4, 26	<u>(949,444)</u>	<u>(713,866)</u>
NET INTEREST INCOME		<u>1,587,706</u>	<u>1,423,114</u>
Fee and commission income	5, 26	624,279	569,158
Fee and commission expense	5, 26	(117,133)	(100,150)
Net gain on foreign exchange operations	6	71,972	84,128
Net realised gain on investments available for sale		41,228	55,019
Provision for impairment losses on other operations	4	(73,640)	(5,378)
Other (expenses)/income, net	26	<u>(30,934)</u>	<u>11,534</u>
NET NON-INTEREST INCOME		<u>515,772</u>	<u>614,311</u>
OPERATING INCOME		2,103,478	2,037,425
OPERATING EXPENSES	7, 26	<u>(1,423,435)</u>	<u>(1,175,446)</u>
PROFIT BEFORE INCOME TAX		680,043	861,979
Income tax expense	8	<u>(40,671)</u>	<u>(184,561)</u>
NET PROFIT FOR THE PERIOD		<u>639,372</u>	<u>677,418</u>
Attributable to:			
Owners of the Bank	9	639,557	677,418
Non-controlling interest		(185)	-
EARNINGS PER SHARE			
Basic and diluted (Ukrainian Hryvnias)	9	<u>44,120</u>	<u>48,519</u>

PUBLIC JOINT STOCK COMPANY “STATE SAVINGS BANK OF UKRAINE”

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2012 (CONTINUED)**

(in Ukrainian Hryvnias and in thousands, except for earnings per share which are in Ukrainian Hryvnias)

	Notes	Six months ended 30 June 2012	Six months ended 30 June 2011 (unaudited)
NET PROFIT FOR THE PERIOD		639,372	677,418
OTHER COMPREHENSIVE (LOSS)/INCOME			
Net gain resulting on revaluation of property, net of deferred income tax effect		4,801	-
Net change in fair value of investments available for sale, net of deferred income tax effect		(113,071)	10,384
Reclassification adjustments relating to investments available for sale disposed of during the period, net of deferred income tax effect		(5,368)	9,082
OTHER COMPREHENSIVE (LOSS)/INCOME AFTER INCOME TAX		(113,638)	19,466
TOTAL COMPREHENSIVE INCOME		525,734	696,884
Attributable to:			
Owners of the Bank		525,919	696,884
Non-controlling interest		(185)	-
TOTAL COMPREHENSIVE INCOME		525,734	696,884

On behalf of the Management Board:


S.O. Podrezov
Chairman of the Management Board

3 January 2013




G.S. Kostenko
Chief Accountant

3 January 2013

The notes on pages 10-46 form an integral part of this interim condensed consolidated financial information.

PUBLIC JOINT STOCK COMPANY "STATE SAVINGS BANK OF UKRAINE"

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2012

(in Ukrainian Hryvnias and in thousands)

	Notes	30 June 2012	31 December 2011
ASSETS:			
Cash and balances with the National Bank of Ukraine	10, 26	2,773,763	2,215,990
Due from banks	11, 26	12,681,541	9,721,881
Loans to customers	12, 26	50,622,153	50,459,932
Investments available for sale	13, 26	11,573,209	8,657,367
Property, equipment and intangible assets	14	2,586,932	2,466,079
Other assets	15	485,634	335,204
TOTAL ASSETS		80,723,232	73,856,453
LIABILITIES AND EQUITY:			
LIABILITIES:			
Due to banks	16, 26	18,113,946	16,450,884
Customer accounts	17, 26	36,993,123	32,600,498
Eurobonds issued	18	5,709,181	5,705,125
Other borrowed funds	19	505,020	505,202
Debt securities issued	20, 26	204,116	204,213
Other liabilities	21, 26	572,852	149,883
Deferred income tax liabilities	8	66,137	55,685
Subordinated debt	22	816,629	827,416
Total liabilities		62,981,004	56,498,906
EQUITY:			
Equity attributable to the owners of the Bank:			
Share capital	23	14,748,140	14,748,140
Property revaluation reserve		1,333,903	1,329,145
Investments available for sale fair value reserve		(113,071)	5,368
Retained earnings		1,763,241	1,274,894
Total equity attributable to owners of the Bank		17,732,213	17,357,547
Non-controlling interest	24	10,015	-
Total equity		17,742,228	17,357,547
TOTAL LIABILITIES AND EQUITY		80,723,232	73,856,453

On behalf of the Management Board:

S.O. Podrezov
Chairman of the Management Board

3 January 2013



G. S. Kostenko
Chief Accountant

3 January 2013

The notes on pages 10-46 form an integral part of this interim condensed consolidated financial information.

PUBLIC JOINT STOCK COMPANY “STATE SAVINGS BANK OF UKRAINE”

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2012 (in Ukrainian Hryvnias and in thousands)

	Notes	Share capital	Property revaluation reserve	Investments available for sale fair value reserve	Retained earnings	Total equity attributable to owners of the Bank	Non-controlling interest	Total equity
31 December 2010		14,144,140	1,528,584	(9,082)	320,846	15,984,488	-	15,984,488
Issue of ordinary shares	23	604,000	-	-	-	604,000	-	604,000
Dividends declared and paid	23	-	-	-	(138,182)	(138,182)	-	(138,182)
Other comprehensive income for the period, net of income tax		-	(124)	19,466	124	19,466	-	19,466
Profit for the period		-	-	-	677,418	677,418	-	677,418
30 June 2011 (unaudited)		14,748,140	1,528,460	10,384	860,206	17,147,190	-	17,147,190
31 December 2011		14,748,140	1,329,145	5,368	1,274,894	17,357,547	-	17,357,547
Non-controlling interest arising on the acquisition of subsidiary		-	-	-	-	-	10,200	10,200
Dividends declared and paid	23	-	-	-	(151,253)	(151,253)	-	(151,253)
Other comprehensive income for the period, net of income tax		-	4,758	(118,439)	43	(113,638)	-	(113,638)
Profit for the period		-	-	-	639,557	639,557	(185)	639,372
30 June 2012		14,748,140	1,333,903	(113,071)	1,763,241	17,732,213	10,015	17,742,228

On behalf of the Management Board:


S.O. Podrezov
Chairman of the Management Board

3 January 2013




G. S. Kostenko
Chief Accountant

3 January 2013

The notes on pages 10-46 form an integral part of this interim condensed consolidated financial information.

PUBLIC JOINT STOCK COMPANY “STATE SAVINGS BANK OF UKRAINE”

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2012

(in Ukrainian Hryvnias and in thousands)

	Notes	Six months ended 30 June 2012	Six months ended 30 June 2011 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Interest received		4,415,197	3,607,121
Interest paid		(2,132,735)	(1,637,547)
Fees and commissions received		624,279	569,158
Fees and commissions paid		(117,133)	(100,150)
Operations with foreign currency		83,741	68,641
Other operating (expenses paid)/income received		(31,487)	7,544
Staff costs paid		(987,236)	(823,470)
Operating expenses paid		(314,562)	(245,194)
		1,540,064	1,446,103
Cash flows from operating activities before changes in operating assets and liabilities			
Changes in operating assets and liabilities			
(Increase)/decrease in operating assets:			
Balances with the National Bank of Ukraine under restriction	10	(394,842)	-
Due from banks		(2,461,832)	(3,134,041)
Loans to customers		(953,581)	(4,090,289)
Other assets		(57,224)	33,025
Increase/(decrease) in operating liabilities:			
Due to banks		1,666,711	(902,152)
Customer accounts		4,289,764	4,314,727
Customer accounts transferred from PJSC “Rodovid Bank”		-	3,835,867
Payables related to compensation payments from State budget of Ukraine to citizens due to impairment of savings		327,621	-
Other liabilities		66,254	1,620
		4,022,935	1,504,860
Net cash inflow from operating activities before taxation			
Income tax paid		(77,424)	(38,407)
		3,945,511	1,466,453
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of investments available for sale		(17,934,102)	(65,653,159)
Proceeds on sale of investments available for sale		14,963,227	60,513,480
Purchase of property, equipment and intangible assets		(257,613)	(172,388)
Proceeds on sale of property and equipment		1,574	549
		(3,226,914)	(5,311,518)
Net cash outflow from investing activities			
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issue of ordinary shares	23	-	604,000
Dividends paid	23	(151,253)	(138,182)
Proceeds from Eurobonds issued		-	3,986,150
Proceeds from other borrowed funds attracted	19	-	500,000
Debt securities redeemed		-	(300,000)
		(151,253)	4,651,968
Net cash (outflow)/inflow from financing activities			

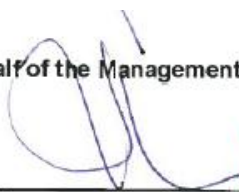
PUBLIC JOINT STOCK COMPANY “STATE SAVINGS BANK OF UKRAINE”

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2012 (CONTINUED) (in Ukrainian Hryvnias and in thousands)

	Notes	Six months ended 30 June 2012	Six months ended 30 June 2011 (unaudited)
Effect of change in foreign exchange rate fluctuations on cash and cash equivalents		(5,177)	10,116
NET INCREASE IN CASH AND CASH EQUIVALENTS		562,167	817,019
CASH AND CASH EQUIVALENTS, at the beginning of the period	10	<u>4,790,674</u>	<u>4,755,363</u>
CASH AND CASH EQUIVALENTS, at the end of the period	10	<u><u>5,352,841</u></u>	<u><u>5,572,382</u></u>

During the six months ended 30 June 2011 the increase of customer accounts and investments available for sale in the amount equivalent to UAH 3,835,867 thousand was performed without cash movement, in accordance with Regulation of Cabinet of Ministers of Ukraine and the National Bank of Ukraine dated 30 March 2011 № 323 “About cooperation of Ministry of Finance of Ukraine and the National Bank of Ukraine concerning transfer of liabilities of PJSC “Rodovid Bank” in relation to deposits of creditors-individuals and assets to JSC “State Savings Bank of Ukraine” (Note 17). During the six months ended 30 June 2011 the Bank sold with a gain Ukrainian Government debt securities obtained as result of this transaction and disclosed it as cash inflow from operating activities as Customer accounts transferred from PJSC “Rodovid Bank” due to the substance of the operation.

On behalf of the Management Board


S.O. Podrezov
Chairman of the Management Board

3 January 2013




G. S. Kostenko
Chief Accountant

3 January 2013

The notes on pages 10-46 form an integral part of this interim condensed consolidated financial information.

PUBLIC JOINT STOCK COMPANY “STATE SAVINGS BANK OF UKRAINE”

SELECTED EXPLANATORY NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2012

1. ORGANISATION

The Bank was established in accordance with the Decree of the President of Ukraine № 106 dated 20 May 1999 and the Resolution of the Government of Ukraine № 876 dated 21 May 1999, by converting the State Specialized Commercial Savings Bank of Ukraine into the Joint Stock Company “State Savings Bank of Ukraine” in the form of an open joint stock company. The Joint Stock Company “State Savings Bank of Ukraine” was registered by the National Bank of Ukraine (the “NBU”) on 26 May 1999, registration number 4 and change of its name into Joint Stock Company “State Savings Bank of Ukraine” was registered by the NBU on 28 December 1999. In 2011 the Bank changed its name to Public Joint Stock Company “State Saving Bank of Ukraine” according to the Resolution of the Government of Ukraine № 502 dated 6 April 2011.

The Bank has operated under a banking license, issued by the NBU, starting from 16 January 2002. The Bank has a general license, issued by the NBU for the accomplishment of foreign exchange transactions and license, issued by the Securities and Stock Market National Commission for trading with securities.

The Bank’s primary business consists of processing banking accounts and attracting deposits from legal entities and individuals, placement of funds attracted, transferring payments, trading with securities and foreign currencies.

As at 30 June 2012 and 31 December 2011 100% of Bank’s share capital is state-owned.

The registered office of the Bank is located at 12G Hospitalna str., Kyiv, Ukraine.

As at 30 June 2012 and 31 December 2011 the Bank had 23 regional branches, Main branch in Kyiv and Kyiv region, Crimean republican branch; 15 and 99 sub-branches, respectively; 5,799 and 5,736 operational outlets within Ukraine, respectively.

The number of employees of the Bank as at 30 June 2012 and 31 December 2011 was 37,686 and 37,980, respectively.

The principal subsidiary included in the interim condensed consolidated financial information, was as follows:

Name	Country of operation	Type of operation	Proportion of ownership interest/voting rights (%) as at 30 June 2012	Proportion of ownership interest/voting rights (%) as at 31 December 2011
PJSC “Home loans refinancing agency”	Ukraine	Loans refinancing	70.86%	-

PJSC “Home loans refinancing agency” was formed as public joint stock company under the laws of Ukraine at 7 February 2012. The company’s principal activity is refinancing of mortgage loans through issuance of mortgage-backed securities.

This interim condensed consolidated financial information was authorized for issue by the Management Board of the Bank on 18 December 2012.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The interim condensed consolidated financial information has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"), accordingly, it does not include all of the information required by International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). This interim condensed consolidated financial information should be read in conjunction with the Bank's annual financial statements as at 31 December 2011 and for the year then ended.

Other basis of presentation criteria

This interim condensed consolidated financial information has been prepared on the assumption that the Bank is a going concern and will continue in operation for the foreseeable future. Management and the shareholder have the intention to further develop the business of the Bank in Ukraine. Management believes that the going concern assumption is appropriate for the Bank due to its sufficient capital adequacy ratio, the commitment of the shareholder to support the Bank, and, based on historical experience, that short-term obligations will be refinanced in the normal course of business.

This interim condensed consolidated financial information is presented in thousands of Ukrainian Hryvnias, unless otherwise indicated. The interim condensed consolidated financial information has been prepared under the historical cost convention, except for the revaluation of property in accordance with IAS 16 "Property, Plant and Equipment", which is recorded at revalued amounts and measurement of certain financial instruments in accordance with IAS 39 "Financial Instruments: Recognition and Measurement", which are recorded at fair value.

The Bank and its subsidiary maintains its accounting records in accordance with Ukrainian law. This interim condensed consolidated financial information has been prepared from Ukrainian statutory accounting records and have been adjusted to conform with IAS 34. Entered adjustments include certain reclassifications to reflect the economic substance of underlying transactions including reclassifications of certain assets and liabilities, income and expenses to appropriate financial statement captions.

Since the results of the Bank's operations closely relate to and depend on changing market conditions, the results of the Bank's operations for the interim period are not necessarily indicative of the results for the year.

The same accounting policies, presentations and methods of computations have been followed in this interim condensed consolidated financial information as were applied in the preparation of the Bank's financial statements for the year ended 31 December 2011 and the policies are amended as following.

Basis of consolidation

The interim condensed consolidated financial information incorporates the interim condensed consolidated financial information of the Bank and entity controlled by the Bank (its subsidiary). Control is achieved where the Bank has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiary acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Bank and to the non-controlling interest even if this results in the non-controlling interest having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Bank.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interest

Non-controlling interest represents the portion of profit or loss and net assets of subsidiary not owned, directly or indirectly, by the Bank.

Non-controlling interest is presented separately in the interim condensed consolidated statement of comprehensive income and within equity in the interim condensed consolidated statement of financial position, separately from parent shareholders' equity.

Functional currency – Items included in the interim condensed consolidated financial information of the Bank are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the Bank (the “functional currency”). The functional currency of this condensed interim financial information is the Ukrainian Hryvnia (“UAH”).

Rates of exchange – The official exchange rates at period-end used by the Bank in the preparation of the interim condensed consolidated financial information are as follows:

	30 June 2012	31 December 2011
UAH/1 US Dollar	7.9925	7.9898
UAH/1 Euro	9.9706	10.2981

Critical accounting judgements and key sources of estimation uncertainty –

The preparation of interim condensed consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The Bank reviews the estimated useful lives of property and equipment at the end of each annual reporting period. Last revaluation of buildings and assessment of remaining useful lives was performed by external independent appraisers as at 31 December 2011. Based on results of this assessment management of the Bank changed estimated useful lives of buildings from 2% - 3% to 1.4% - 3%.

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the accounting policies and the key sources of estimation uncertainty, except for useful lives for buildings, were the same as those applied to the financial statements for the year ended 31 December 2011.

New and revised IFRSs in issue but not yet effective

At the date of authorization of this interim condensed consolidated financial information, the following new standards were in issue, but not yet effective, and which the Bank has not early adopted:

- IFRS 9 Financial Instruments³;
- IFRS 10 Consolidated Financial Statements²;
- IFRS 11 Joint Arrangements²;
- IFRS 12 Disclosure of Interest in Other Entities²;
- IFRS 13 Fair Value Measurement¹;
- Amendments to IFRS 7 Financial Instruments: Disclosures – “Disclosures – Offsetting Financial Assets and Financial Liabilities”¹;
- Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures – “Mandatory Effective Date of IFRS 9 and Transition Disclosures”³;

- Amendments to IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interest in Other Entities – “Consolidated Financial statements, Joint Arrangements and Disclosure of Interest in Other Entities: Transition Guidance”¹;
- IAS 27 (as revised in 2011) Separate Financial Statements²;
- IAS 28 (as revised in 2011) Investments in Associates and Joint Ventures²;
- Amendments to IAS 32 Financial Instruments: Presentation – “Offsetting Financial Assets and Financial Liabilities”⁴.

¹ Effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

² Each of the five standards becomes effective for annual periods beginning on or after 1 January 2013, with earlier application permitted if all the other standards in the ‘package of five’ are also early applied (except for IFRS 12 that can be applied earlier on its own).

³ Effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

⁴ Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.

The Bank is currently assessing the impact of the amended standards on its interim condensed consolidated financial information.

3. NET INTEREST INCOME

Net interest income comprises:

	Six months ended 30 June 2012	Six months ended 30 June 2011 (unaudited)
Interest income comprises:		
Interest income on financial assets recorded at amortized cost:		
Interest on loans to customers	3,625,675	3,339,773
Interest on due from banks	579,180	61,049
Other interest income	865	-
Total interest income on financial assets recorded at amortized cost	4,205,720	3,400,822
Interest income on financial assets at fair value:		
Interest on investments available for sale	599,749	533,865
Total interest income on financial assets at fair value	599,749	533,865
Total interest income	4,805,469	3,934,687
Interest expense comprises:		
Interest expenses on financial liabilities recorded at amortized cost:		
Interest on customer accounts	(1,244,805)	(912,626)
Interest on due to banks	(719,922)	(713,625)
Interest on Eurobonds issued	(232,831)	(102,930)
Interest on other borrowed funds	(30,458)	(12,250)
Interest on subordinated debt	(26,440)	(37,272)
Interest on debt securities issued	(13,863)	(19,004)
Total interest expense	(2,268,319)	(1,797,707)
Net interest income	2,537,150	2,136,980

4. ALLOWANCE FOR IMPAIRMENT LOSSES AND OTHER PROVISIONS

The movements in allowance for impairment losses on interest bearing assets were as follows:

	Due from banks	Loans to customers	Investments available for sale	Total
31 December 2010	<u>86,199</u>	<u>6,524,709</u>	<u>57,853</u>	<u>6,668,761</u>
(Recovery of provision)/provision	(24,505)	737,218	1,153	713,866
Write-off of assets	-	(5,222)	-	(5,222)
30 June 2011 (unaudited)	<u>61,694</u>	<u>7,256,705</u>	<u>59,006</u>	<u>7,377,405</u>
31 December 2011	<u>79,611</u>	<u>8,377,285</u>	<u>57,488</u>	<u>8,514,384</u>
(Recovery of provision)/provision	(5,113)	955,156	(599)	949,444
Write-off of assets	-	(38)	-	(38)
30 June 2012	<u>74,498</u>	<u>9,332,403</u>	<u>56,889</u>	<u>9,463,790</u>

The movements in allowances for impairment losses on other operations were as follows:

	Other assets	Guarantees and other commitments	Total
31 December 2010	<u>17,909</u>	<u>1,677</u>	<u>19,586</u>
Provision	2,431	2,947	5,378
30 June 2011 (unaudited)	<u>20,340</u>	<u>4,624</u>	<u>24,964</u>
31 December 2011	<u>26,193</u>	<u>7,875</u>	<u>34,068</u>
Provision	4,637	69,003	73,640
30 June 2012	<u>30,830</u>	<u>76,878</u>	<u>107,708</u>

5. FEE AND COMMISSION INCOME AND EXPENSE

Fee and commission income and expense comprise:

	Six months ended 30 June 2012	Six months ended 30 June 2011 (unaudited)
Fee and commission income:		
Settlements and cash operations	578,282	544,233
Off-balance sheet operations	20,312	3,128
Foreign exchange operations	15,475	15,395
Plastic cards operations	5,362	2,989
Securities operations	874	750
Other	3,974	2,663
Total fee and commission income	<u>624,279</u>	<u>569,158</u>
Fee and commission expense:		
Settlements and cash operations	(98,616)	(83,061)
Plastic cards operations	(8,955)	(6,381)
Foreign exchange operations	(4,028)	(8,446)
Securities operations	(1,714)	(1,312)
Other	(3,820)	(950)
Total fee and commission expense	<u>(117,133)</u>	<u>(100,150)</u>

6. NET GAIN ON FOREIGN EXCHANGE OPERATIONS

Net gain on foreign exchange operations comprises:

	Six months ended 30 June 2012	Six months ended 30 June 2011 (unaudited)
Dealing, net	83,741	59,372
Translation differences, net	<u>(11,769)</u>	<u>24,756</u>
Total net gain on foreign exchange operations	<u>71,972</u>	<u>84,128</u>

7. OPERATING EXPENSES

Operating expenses comprise:

	Six months ended 30 June 2012	Six months ended 30 June 2011 (unaudited)
Staff costs	1,008,322	857,976
Depreciation and amortization	101,151	72,254
Property and equipment maintenance	83,575	52,136
Operating leases	60,500	55,290
Utilities	58,035	45,263
Office maintenance	31,070	19,862
Communications	19,666	16,435
Security expenses	13,325	10,901
Professional services	8,142	7,663
Business trip expenses	4,991	4,490
Taxes, other than income tax	4,171	11,087
Insurance expense	2,620	2,517
Advertising costs	860	598
Other expenses	<u>27,007</u>	<u>18,974</u>
Total operating expenses	<u>1,423,435</u>	<u>1,175,446</u>

8. INCOME TAXES

The Bank provides for taxes based on the tax accounts maintained and prepared in accordance with the tax regulations of Ukraine and which may differ from International Financial Reporting Standards.

The Bank is subject to certain permanent tax differences due to non-tax deductibility of certain expenses and a tax free regime for certain income.

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes.

Temporary differences as at 30 June 2012 and 31 December 2011 relate mostly to different methods of income and expense recognition as well as to recorded values of certain assets.

Temporary differences as at 30 June 2012 and 31 December 2011 comprise:

	30 June 2012	31 December 2011
Deductible temporary differences:		
Property, equipment and intangible assets	277,373	299,977
Loans to customers	230,169	626,147
Other liabilities	206,981	114,820
Customer accounts	100,623	112,207
Other assets	5,872	26,525
Debt securities issued	4,116	4,213
Due to banks	414	278
Due from banks	-	74,901
Total deductible temporary differences	825,548	1,259,068
Taxable temporary differences:		
Investments available for sale	(1,270,503)	(1,051,037)
Due from banks	(48,384)	-
Eurobonds issued	(18,491)	(22,176)
Subordinated debt	(4,868)	(5,377)
Total taxable temporary differences	(1,342,246)	(1,078,590)
Net (taxable)/ deductible temporary differences	(516,698)	180,478
Net deferred tax (liability)/asset (16% - 25%)	(94,801)	48,027
Deferred tax asset on tax loss carried forward	52,227	24,242
Deferred tax asset not recognised	(23,563)	(127,954)
Net deferred tax liability	(66,137)	(55,685)

During the first quarter ended 31 March 2011 and year ended 31 December 2011, the Bank which has the status of the Corporate Income Tax (the "CIT") payer in Ukraine was subject to income tax at a 25% rate (before 31 March 2011) and 23% rate (starting from 1 April 2011). The Tax Code of Ukraine introduced gradual decreases in income tax rates: from 23% effective 1 April 2011 to 16% effective 1 January 2014, as well as certain changes to the rules of income tax assessment starting from 1 April 2011. The deferred income tax assets and liabilities as at 30 June 2012 and 31 December 2011 were measured based on the tax rates expected to be applied to the period when the temporary differences are expected to reverse.

Relationships between tax expenses and accounting profit for the six months ended 30 June 2012 and 2011 are explained as follows:

	Six months ended 30 June 2012	Six months ended 30 June 2011 (unaudited)
Profit before income tax	680,043	861,979
Statutory tax rate	21%	25%-23%
Tax at the statutory tax rate	142,809	206,875
Effect of non-deductible expenses and non-taxable income	12,282	(14,725)
Change in tax rates	(10,029)	(15,863)
Change of deferred tax asset not recognised	(104,391)	8,274
Income tax expense	40,671	184,561
Current income tax expense	-	53,960
Deferred income tax expense	40,671	130,601
Income tax expense	40,671	184,561

Movement in deferred tax asset/(liability) for the six months ended 30 June 2012 and 30 June 2011 was as follows:

	Six months ended 30 June 2012	Six months ended 30 June 2011 (unaudited)
At the beginning of the period	(55,685)	174,823
Change in deferred income tax balances recognized in profit or loss	(40,671)	(130,601)
Tax effect of disposal of property revaluation reserve	(1,265)	37
Tax effect of change of investments available for sale fair value reserve	31,484	(6,129)
	<u> </u>	<u> </u>
At the end of the period	<u>(66,137)</u>	<u>38,130</u>

9. EARNINGS PER SHARE

	Six months ended 30 June 2012	Six months ended 30 June 2011 (unaudited)
Net profit for the period attributable to owners of the Bank	<u>639,557</u>	<u>677,418</u>
Weighted average number of ordinary shares for purposes of basic and diluted earnings per share (in units)	<u>14,496</u>	<u>13,962</u>
Earnings per share – basic and diluted (UAH)	<u>44,120</u>	<u>48,519</u>

10. CASH AND BALANCES WITH THE NATIONAL BANK OF UKRAINE

	30 June 2012	31 December 2011
Cash	1,754,544	1,603,129
Balances with the National Bank of Ukraine	<u>1,019,219</u>	<u>612,861</u>
Total cash and balances with the National Bank of Ukraine	<u>2,773,763</u>	<u>2,215,990</u>

Cash and cash equivalents for the purposes of the interim condensed consolidated statement of cash flows comprise the following:

	30 June 2012	31 December 2011
Cash and balances with the National Bank of Ukraine	2,773,763	2,215,990
Balances with banks	<u>3,498,646</u>	<u>3,100,664</u>
	6,272,409	5,316,654
Less guarantee deposits (Note 11)	(13,798)	(15,052)
Less minimum reserve deposit with the National Bank of Ukraine	(153,149)	(85,928)
Less balances reserved for compensation payments from State budget of Ukraine to citizens due to impairment of savings (Note 21)	(327,621)	-
Less balances with the National Bank of Ukraine under restrictions	<u>(425,000)</u>	<u>(425,000)</u>
Total cash and cash equivalents	<u>5,352,841</u>	<u>4,790,674</u>

As at 30 June 2012 and 31 December 2011 the obligatory minimum reserve deposits with the NBU included in the balances with the NBU in amount of UAH 153,149 thousand and UAH 85,928 thousand, respectively. The Bank's ability to withdraw these deposits is significantly restricted by the statutory legislation.

Starting from the June 2011 the obligatory minimum reserve with the NBU is a subject to decrease on 50% of the nominal value of the securities issued by the Ukrainian Government or by state-owned entities to finance activities related to preparation and holding of Euro-2012 that the Bank holds in its portfolio.

As at 30 June 2012 cash received for the distribution of State Budget funds to compensate customer deposits of former USSR State Saving Bank in amount UAH 327,621 thousand is restricted to use by the Bank for other payments (Note 21).

As at 30 June 2012 and 31 December 2011 balances with the National Bank of Ukraine, with carrying value of UAH 425,000 thousand and UAH 425,000 thousand, respectively, were pledged as security for loans received from the National Bank of Ukraine (Note 16).

11. DUE FROM BANKS

Due from banks comprise:

	30 June 2012	31 December 2011
Loans under reverse repurchase agreements	8,929,688	6,064,146
Correspondent accounts	2,033,564	2,234,903
Loans and time deposits	<u>1,792,787</u>	<u>1,502,443</u>
	12,756,039	9,801,492
Less allowance for impairment losses	<u>(74,498)</u>	<u>(79,611)</u>
Total due from banks	<u>12,681,541</u>	<u>9,721,881</u>

Movements in allowance for impairment losses on balances due from banks for the six months ended 30 June 2012 and 2011 are disclosed in Note 4.

As at 30 June 2012 and 31 December 2011, due from banks included accrued interest income in the amount of UAH 319,391 thousand and UAH 190,487 thousand, respectively.

As at 30 June 2012 and 31 December 2011 loans under reverse repurchase agreements at total amount of UAH 8,929,688 thousand and UAH 6,064,146 thousand were effectively collateralized by securities – Ukrainian Government debt securities, with fair value amounted to UAH 8,932,575 thousand and UAH 6,254,594 thousand, respectively.

As at 30 June 2012 and 31 December 2011 loans under reverse repurchase agreements had contractual maturities in July 2012 and January 2012, respectively.

As at 30 June 2012 and 31 December 2011 loans to other banks in amounts of UAH 110,000 thousand and UAH 170,000 thousand, respectively, were collateralized by pledge of real estate.

As at 30 June 2012 and 31 December 2011 the maximum credit risk exposure on due from banks amounted to UAH 12,681,541 thousand and UAH 9,721,881 thousand, respectively.

As at 30 June 2012 and 31 December 2011 due from banks included guarantee deposits placed by the Bank for its operations with plastic cards and letters of credit in the amount of UAH 13,798 thousand and UAH 15,052 thousand, respectively (Note 10).

As at 30 June 2012 and 31 December 2011 the Bank had placements with ten banks in the amount of UAH 12,271,453 thousand (96%) and UAH 9,362,053 thousand (96%), respectively, which represent a significant concentration.

12. LOANS TO CUSTOMERS

Loans to customers comprise:

	30 June 2012	31 December 2011
Loans to customers	59,954,556	58,837,217
Less allowance for impairment losses	<u>(9,332,403)</u>	<u>(8,377,285)</u>
Total loans to customers	<u>50,622,153</u>	<u>50,459,932</u>

Movements in allowances for impairment losses for the six months ended 30 June 2012 and 31 December 2011 are disclosed in Note 4.

As at 30 June 2012 and 31 December 2011 loans to customers included accrued interest income in the amount of UAH 1,590,612 thousand and UAH 1,383,689 thousand, respectively.

The table below summarizes the amount of loans secured by respective collateral, rather than the fair value of the collateral itself:

	30 June 2012	31 December 2011
Loans collateralized by equipment, other movables and rights thereon and guarantees of state authorities	38,737,883	40,749,628
Loans collateralized by pledge of real estate and rights thereon	17,422,094	15,398,437
Unsecured loans	3,446,905	2,637,849
Loans collateralized by cash deposits	<u>347,674</u>	<u>51,303</u>
	59,954,556	58,837,217
Less allowance for impairment losses	<u>(9,332,403)</u>	<u>(8,377,285)</u>
Total loans to customers	<u>50,622,153</u>	<u>50,459,932</u>

As at 30 June 2012 and 31 December 2011 unsecured loans comprised loans collateralized by warranties and promissory notes. As at 30 June 2012 and 31 December 2011 loans collateralized by promissory notes comprised UAH 1,202,290 thousand and UAH 1,190,507 thousand, respectively.

As at 30 June 2012 and 31 December 2011 unsecured loans also comprised card loans UAH 395,189 thousand, UAH 319,850 thousand, respectively, repayments of which are supported by salary proceeds on these card accounts.

The table below represents the borrowers' sector structure as at 30 June 2012 and 31 December 2011:

	30 June 2012	31 December 2011
Analysis by sector:		
Oil, gas and chemical production	21,138,070	21,146,681
Energy	8,971,983	8,256,497
Construction and real estate	8,674,914	7,413,705
Trade	5,154,481	6,643,738
Agriculture and food processing	4,768,383	4,039,101
Individuals	4,398,865	4,468,603
Construction and road maintenance	2,533,429	2,720,929
Mining and metallurgy	1,645,069	1,626,757
Municipal authority	1,214,439	1,207,798
Machinery construction	764,352	728,519
Transport	309,054	219,886
Manufacturing	219,931	201,876
Hotel and restaurant business	49,189	41,142
Services	14,237	11,321
Other	98,160	110,664
	<u>59,954,556</u>	<u>58,837,217</u>
Less allowance for impairment losses	<u>(9,332,403)</u>	<u>(8,377,285)</u>
Total loans to customers	<u>50,622,153</u>	<u>50,459,932</u>

The Bank received real estate property and other assets by taking possession of collateral it held as security. As at 30 June 2012 and 31 December 2011 such assets in amount of UAH 8,896 thousand and UAH 110,223 thousand, respectively, are included in other assets (Note 15).

Loans to individuals comprise the following products:

	30 June 2012	31 December 2011
Consumer loans, collateralized by real estate and guarantees	1,889,052	1,969,312
Mortgage loans	1,132,159	1,105,732
Car loans	568,850	628,790
Other consumer loans	413,667	444,919
Other loans	395,137	319,850
	<u>4,398,865</u>	<u>4,468,603</u>
Less allowance for impairment losses	<u>(2,243,846)</u>	<u>(2,155,163)</u>
Total loans to individuals	<u>2,155,019</u>	<u>2,313,440</u>

As at 30 June 2012 and 31 December 2011 a maximum credit risk exposure on loans to customers amounted to UAH 50,622,153 thousand and UAH 50,459,932 thousand, respectively.

As at 30 June 2012 and 31 December 2011 a maximum credit risk exposure on contingent liabilities and loan commitments extended by the Bank to its customers amounted to UAH 1,947,073 thousand and UAH 832,570 thousand, respectively (Note 25).

As at 30 June 2012 and 31 December 2011 loans to customers of UAH 39,282,378 thousand (66%) and UAH 39,861,971 thousand (68%), respectively, were granted to ten borrowers or group of borrowers, which represents a significant concentration.

As at 30 June 2012 and 31 December 2011 the above stated amounts include loans issued to the state-owned company National Joint Stock Company Naftogaz of Ukraine in the total gross amount of UAH 20,322,477 thousand (34%) and UAH 20,334,165 thousand (35%), which represents a significant concentration (Note 29).

As at 30 June 2012 and 31 December 2011 the following loans were provided to the state-owned company National Joint Stock Company Naftogaz of Ukraine:

Name	Interest rate, %	Maturity	30 June 2012	Interest rate, %	Maturity	31 December 2011
National Joint Stock Company Naftogaz of Ukraine	13.50	31 March 2015	11,733,982	13.75	31 March 2015	11,741,090
National Joint Stock Company Naftogaz of Ukraine	11.00	31 March 2015	5,337,697	11.25	31 March 2015	5,340,545
National Joint Stock Company Naftogaz of Ukraine	11.00	31 March 2015	<u>3,250,798</u>	11.25	31 March 2015	<u>3,252,530</u>
			20,322,477			20,334,165
Less allowance for impairment losses			<u>(3,201,516)</u>			<u>(3,210,513)</u>
Total			<u>17,120,961</u>			<u>17,123,652</u>

As at 30 June 2012 and 31 December 2011 loans to National Joint Stock Company Naftogaz of Ukraine with carrying value of UAH 17,120,961 thousand and UAH 17,123,652 thousand, respectively, were pledged as security for loans received from the National Bank of Ukraine (Note 16).

As at 30 June 2012 and 31 December 2011 loans to other borrowers with carrying value of UAH 1,558,880 thousand and UAH 1,615,929 thousand, respectively, were pledged as security for loans received from the National Bank of Ukraine (Note 16).

13. INVESTMENTS AVAILABLE FOR SALE

Investments available for sale comprise:

	30 June 2012	31 December 2011
Ukrainian Government debt securities:		
Long-term Ukrainian Government debt securities, including securities with early redemption feature	3,450,745	219,583
Medium-term Ukrainian Government debt securities, including securities with early redemption feature	2,650,568	1,227,922
Short-term Ukrainian Government debt securities	1,304,101	2,620,034
Ukrainian Government debt securities for settlement of budget indebtedness on value added tax	456	525
	<hr/>	<hr/>
	7,405,870	4,068,064
Other:		
Bonds issued by corporate entities	3,633,874	3,467,663
Bonds issued by State Mortgage Institution	438,364	505,138
Bonds issued by Ukrainian local authorities	102,170	46,187
Bonds issued by banks	1,153	4,850
Deposit certificates of the National Bank of Ukraine	-	600,066
	<hr/>	<hr/>
	4,175,561	4,623,904
Less allowance for impairment losses	<hr/> (41,792)	<hr/> (42,391)
Total debt securities available for sale	<hr/> 11,539,639	<hr/> 8,649,577
Equity securities:		
Corporate shares	48,667	22,887
Less allowance for impairment losses	<hr/> (15,097)	<hr/> (15,097)
Total equity securities available for sale	<hr/> 33,570	<hr/> 7,790
Total investments available for sale	<hr/> 11,573,209	<hr/> 8,657,367

Movements in allowances for impairment losses for the six months ended 30 June 2012 and 2011 are disclosed in Note 4.

As at 30 June 2012 and 31 December 2011, investments available for sale included accrued interest income in the amount of UAH 283,759 thousand and UAH 248,685 thousand, respectively.

As at 30 June 2012 and 31 December 2011 debt securities with fair value of UAH 3,377,646 thousand and UAH 1,447,668 thousand, respectively, were pledged as security for loans received from the National Bank of Ukraine (Note 16).

As at 30 June 2012 and 31 December 2011 debt securities with fair value of UAH 639,906 thousand and UAH 995,103 thousand, respectively, were pledged as collateral under repurchase agreements from banks (Note 16).

14. PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

Property, equipment and intangible assets comprise:

	Buildings	Leasehold improvements	Furniture, office equipment and motor vehicles	Construction in progress	Intangible assets	Total
At historical/revalued cost						
31 December 2011	1,444,367	90,561	1,171,942	271,576	60,058	3,038,504
Additions	8,379	17	107,510	1,491	303	117,700
Transfers from other assets (Note 15)	-	-	-	105,220	-	105,220
Transfers	11,527	1,916	-	(15,450)	2,007	-
Disposals	(495)	(4,620)	(7,570)	-	(32)	(12,717)
30 June 2012	1,463,778	87,874	1,271,882	362,837	62,336	3,248,707
Accumulated depreciation						
31 December 2011	699	66,272	477,693	-	27,761	572,425
Charge for the period	15,089	8,961	70,418	-	6,683	101,151
Eliminated on disposals	(12)	(4,611)	(7,146)	-	(32)	(11,801)
30 June 2012	15,776	70,622	540,965	-	34,412	661,775
Net book value						
30 June 2012	1,448,002	17,252	730,917	362,837	27,924	2,586,932
31 December 2011	1,443,668	24,289	694,249	271,576	32,297	2,466,079

	Buildings	Leasehold improvements	Furniture, office equipment and motor vehicles	Construction in progress	Intangible assets	Total
At historical/revalued cost						
31 December 2010	1,837,380	75,803	865,940	144,518	35,212	2,958,853
Additions	10,250	26,911	457,260	170,861	25,108	690,390
Revaluation	(581,995)	-	-	-	-	(581,995)
Transfers	178,886	-	(135,226)	(43,660)	-	-
Disposals	(154)	(12,153)	(16,032)	(143)	(262)	(28,744)
31 December 2011	1,444,367	90,561	1,171,942	271,576	60,058	3,038,504
Accumulated depreciation						
31 December 2010	50,908	53,912	557,156	-	23,217	685,193
Charge for the period	16,980	24,507	71,718	-	4,804	118,009
Eliminated on revaluation	(202,399)	-	-	-	-	(202,399)
Transfers	135,226	-	(135,226)	-	-	-
Eliminated on disposals	(16)	(12,147)	(15,955)	-	(260)	(28,378)
31 December 2011	699	66,272	477,693	-	27,761	572,425
Net book value						
31 December 2011	1,443,668	24,289	694,249	271,576	32,297	2,466,079
31 December 2010	1,786,472	21,891	308,784	144,518	11,995	2,273,660

As at 31 December 2011 the buildings owned by the Bank were revalued to market prices by independent appraisers. Sales comparison method was used for estimation of fair value of buildings and office premises. For items for which there were no market analogues, income capitalisation method was used. No revaluations were performed for the period from November 2008 up to 31 December 2011. No revaluation was performed as at 30 June 2012.

15. OTHER ASSETS

Other assets comprise:

	30 June 2012	31 December 2011
Other financial assets:		
Other accounts receivable	28,481	23,584
Accrued income	20,655	20,793
Financial assets through profit and loss	11,730	-
	<u>60,866</u>	<u>44,377</u>
Less allowance for impairment losses	<u>(30,830)</u>	<u>(26,193)</u>
	30,036	18,184
Other non-financial assets:		
Prepayments for purchase of assets	187,560	41,581
Prepayment for current income tax	136,023	58,599
Inventory	28,588	25,714
Prepaid expenses	27,890	17,122
Precious metals	26,762	57,633
Prepayment for precious metals	20,679	-
Collateral received by the Bank	8,896	110,223
Receivables on taxes and obligatory payments	2,105	2,855
Other	17,095	3,293
	<u>455,598</u>	<u>317,020</u>
Total other assets	<u>485,634</u>	<u>335,204</u>

Movements in allowances for impairment losses for the six months ended 30 June 2012 and 2011 are disclosed in Note 4.

Precious metals represent gold and silver in vault.

During the six months ended 30 June 2012 the Bank has transferred from other assets to property and equipment a building with carrying value UAH 105,220 thousand (Note 14), which was accounted for as at 31 December 2011 as collateral received by the Bank.

16. DUE TO BANKS

Due to banks comprise:

	30 June 2012	31 December 2011
Loans from the National Bank of Ukraine	14,774,528	13,774,120
Loans under repurchase agreements from the National Bank of Ukraine	1,639,029	1,200,000
Loans from banks	1,055,729	464,214
Loans under repurchase agreements from banks	639,400	1,000,001
Correspondent accounts of other banks	5,260	12,549
	<u>18,113,946</u>	<u>16,450,884</u>
Total due to banks	<u>18,113,946</u>	<u>16,450,884</u>

As at 30 June 2012 and 31 December 2011 due to banks included accrued interest expenses in the amount of UAH 13,076 thousand and UAH 6,504 thousand, respectively.

As at 30 June 2012 and 31 December 2011 due to banks included loans from the NBU in the amount of UAH 16,413,557 thousand (91%) and UAH 14,974,120 thousand (91%), respectively, which represents a significant concentration.

As at 30 June 2012 and 31 December 2011 due to banks included loans from the NBU in the amount of UAH 16,413,557 thousand and UAH 14,974,120 thousand with interest rates varying from 7.5% to 11.0% per annum and from 9.3% to 11.0% per annum, maturity dates varying from July 2012 to March 2015 and from January 2012 to March 2015, respectively.

As at 30 June 2012 loans from the NBU in the amount of UAH 16,413,557 thousand were secured by debt securities available for sale with carrying value of UAH 3,377,646 thousand, loans to National Joint Stock Company Naftogaz of Ukraine with carrying value UAH 17,120,961 thousand, loans to other borrowers with carrying value UAH 1,558,880 thousand and balances with the National Bank of Ukraine, with carrying value of UAH 425,000 thousand (Notes 13, 12, 10).

As at 31 December 2011 loans from the National Bank of Ukraine in the amount of UAH 14,974,120 thousand were secured by debt securities available for sale with carrying value of UAH 1,447,668 thousand, loans to National Joint Stock Company Naftogaz of Ukraine with carrying value UAH 17,123,652 thousand, loans to other borrowers with carrying value UAH 1,615,929 thousand and balances with the National Bank of Ukraine, with carrying value of UAH 425,000 thousand (Notes 13, 12, 10).

As at 30 June 2012 and 31 December 2011 loans under repurchase agreements from banks in the amount of UAH 639,400 thousand and UAH 1,000,001 thousand were collateralized by securities – Ukrainian Government debt securities, with fair value in the amount of UAH 639,906 thousand and UAH 995,103 thousand, respectively (Note 13).

As at 30 June 2012 and 31 December 2011 loans under repurchase agreements had contractual maturities in July 2012 and January 2012, respectively

17. CUSTOMER ACCOUNTS

Customer accounts comprise:

	30 June 2012	31 December 2011
Term deposits	21,598,427	18,858,783
Repayable on demand	<u>15,394,696</u>	<u>13,741,715</u>
Total customer accounts	<u>36,993,123</u>	<u>32,600,498</u>

As at 30 June 2012 and 31 December 2011 customer accounts included accrued interest expenses in the amount of UAH 787,100 thousand and UAH 648,388 thousand, respectively.

As at 30 June 2012 and 31 December 2011 the aggregate balances of top ten customers amounted to UAH 3,499,615 thousand and UAH 2,868,888 thousand, which comprise 9% and 9% from total customer accounts, respectively.

The table below represents customer accounts' sector structure as at 30 June 2012 and 31 December 2011:

	30 June 2012	31 December 2011
Analysis by sector:		
Individuals	29,384,891	25,283,411
Energy	2,307,858	1,195,691
Local budgets and other state authorities	942,520	6,361
Agriculture and food processing	809,463	433,535
Lawyers, notaries and other	745,582	748,275
Services	740,247	626,318
Construction and real estate	423,840	354,090
Media and communications	409,545	1,228,074
Non-profit organizations	271,373	188,006
Trade	258,730	420,212
Healthcare	66,574	53,009
Transport	62,783	311,370
Manufacturing	53,462	31,517
Machinery construction	38,067	25,022
Hotel and restaurant business	26,752	32,740
Education	26,218	15,045
Press and publishing	14,181	11,229
Mining and metallurgy	13,373	48,706
Oil, gas and chemical production	9,209	328,240
Other	388,455	1,259,647
	<hr/>	<hr/>
Total customer accounts	<u>36,993,123</u>	<u>32,600,498</u>

In 2011 according to Regulation of Cabinet of Ministers of Ukraine and the National Bank of Ukraine dated 30 March 2011 № 323 "About cooperation of Ministry of Finance of Ukraine and the National Bank of Ukraine concerning transfer of liabilities of PJSC "Rodovid Bank" in relation to deposits of creditors-individuals and assets to JSC "State Savings Bank of Ukraine", the Bank repays the deposits to individuals on their demand on the basis of the Register of deposits provided by PJSC "Rodovid Bank". Together with the obligations to repay the deposits PJSC "Rodovid Bank" transferred assets to the Bank – Ukrainian government debt securities with total nominal value that is equal to the amount of obligations, according to the Register of deposits.

The Bank received equivalent approximately UAH 3,835,867 thousand of PJSC "Rodovid Bank" retail deposits and commenced making compensatory payments. Part of PJSC "Rodovid Bank" depositors chose to retain their compensation funds in deposit accounts with the Bank.

18. EUROBONDS ISSUED

In March 2011 the Bank, through SSB No.1 Plc issued Eurobonds in the form of 5 year loan participation notes with a par value of USD 500 million and fixed coupon rate of 8.25%. In July 2011 the Bank, through SSB no.1 Plc made an additional issue of Eurobonds with a par value of USD 200 million that was consolidated and form a single series with USD 500 million loan participation notes due 2016. The Eurobonds are listed on the Irish Stock Exchange.

Interest on the loan participation notes is to be paid semi-annually in arrears in equal installments on 10 September and 10 March in each year commencing on 10 September 2011.

The Bank is obligated to comply with covenants stated in the loan agreement with SSB No.1 Plc in relation to loan participation notes issued. These covenants include requirement to submit financial statements according to the schedule stated below, restriction to declare or pay any dividend or make other distribution in respect of the Bank's share capital if default of payments on loan participation notes may occur or if such payments aggregated exceeds 30% of the Bank's net profit of the relevant period (calculated in accordance with Ukrainian Accounting Standards), certain limitations on transactions with related parties, and others.

In accordance with terms of the loan agreement, the Bank is required to submit the following financial statements:

- Audited annual financial statements prepared in accordance with IFRS within 180 days from the reporting date;
- Unaudited interim financial statements for the six months ending 30 June prepared in accordance with IFRS within 120 days from the reporting date.

SSB no.1 Plc has the right to enforce obligations of the Bank regarding compliance with the covenants. No specific action is prescribed by the agreement in case of the Bank's non-compliance with the covenants.

If an event of default has occurred, including such events as failure to pay in accordance with the terms of the agreement or loss of the banking license, the Bank may be required to accelerate the loan participation notes together with the accrued interest.

As at 30 June 2012 and 31 December 2011 the carrying value of Eurobonds issued was amounted to UAH 5,709,181 thousand and UAH 5,705,125 thousand, respectively.

As at 30 June 2012 and 31 December 2011 Eurobonds issued included accrued interest expenses in the amount of UAH 141,731 thousand and UAH 143,240 thousand, respectively.

19. OTHER BORROWED FUNDS

In April 2011 the Bank obtained deposit from a foreign investor in the amount of UAH 500,000 thousand with interest rate of 12.25% paid on monthly basis and with maturity in April 2013.

As at 30 June 2012 and 31 December 2011 the carrying value of this deposit included accrued interest expense in the amount of UAH 5,020 thousand and UAH 5,202 thousand, respectively.

20. DEBT SECURITIES ISSUED

In 2008 the Bank issued the following debt securities, outstanding as at reporting date:

Maturity of principal	Annual coupon rate, %	Carrying value, 30 June 2012	Annual coupon rate, %	Carrying value, 31 December 2011
------------------------------	------------------------------	-------------------------------------	------------------------------	---

21. OTHER LIABILITIES

Other liabilities comprise:

	30 June 2012	31 December 2011
Other financial liabilities:		
Payables related to compensation payments from State budget of Ukraine to citizens due to impairment of savings	327,621	-
Accrued bonuses and salary	39,035	45,575
Financial liabilities through profit and loss	20,920	17,429
Expenses accrued	3,519	2,886
Other payables	2,512	3,036
Other	4,114	2,999
	<u>397,721</u>	<u>71,925</u>
Other non-financial liabilities:		
Unused vacation reserve	86,071	58,445
Provision for guarantees and other commitments	76,878	7,875
Taxes payable, other than income tax	10,941	8,046
Advances received	1,241	3,592
	<u>175,131</u>	<u>77,958</u>
Total other liabilities	<u>572,852</u>	<u>149,883</u>

Movements in provision for guarantees and other commitments for the six months ended 30 June 2012 and 2011 are disclosed in Note 4.

During six months ended 30 June 2012 the Bank performed distribution of State Budget of Ukraine funds to compensate customer deposits to former USSR State Saving Bank customers. As at 30 June 2012 other liabilities included related payables in the amount of UAH 327,621 thousand. The cash received for this distribution is restricted to use by the Bank for other payments (Note 10).

22. SUBORDINATED DEBT

Subordinated debt comprises:

	Currency	Maturity of principal	Interest rate, %	30 June 2012	Interest rate, %	31 December 2011
The Royal Bank of Scotland N.V.	USD	19 January 2017	6%	<u>816,629</u>	9%	<u>827,416</u>
Total subordinated debt				<u>816,629</u>		<u>827,416</u>

As at 30 June 2012 and 31 December 2011 subordinated debt included accrued interest expense in the amount of UAH 22,247 thousand and UAH 33,834 thousand, respectively.

In 2010, the Royal Bank of Scotland N.V. became the successor of the bank ABN AMRO N.V. The changes in the loan agreement were registered by the NBU on 9 February 2011.

Starting 19 January 2012 the interest rate set at LIBOR + 5%. According to the loan agreement Bank has the right to prepay the loan at any interest payment date by providing creditor with notice not later than 30 days prior such date. The next interest payment date is 22 January 2013. The Bank has no plans to exercise the early redemption option.

In the event of bankruptcy or liquidation of the Bank, repayment of this debt is subordinate to the repayments of the Bank's liabilities to all other creditors.

In accordance with terms of loan agreement, the Bank should comply, among others, with the following covenants:

- The Bank is required to submit its audited annual financial statements prepared in accordance with IFRS within 180 days from the reporting date;
- The Bank is required to submit its unaudited interim financial statements for the six months ending 30 June prepared in accordance with IFRS within 90 days from the reporting date.

The Royal Bank of Scotland N.V. has the right to enforce obligations of the Bank regarding compliance with the covenants. No specific action is prescribed by the agreement in case of the Bank's non-compliance with the covenants.

23. EQUITY

Share capital comprises:

	Number of shares, in units	Nominal amount, UAH thousand	Restated cost, UAH thousand
31 December 2010	13,892	13,892,000	14,144,140
Shares issued and fully paid but not registered	<u>604</u>	<u>604,000</u>	<u>604,000</u>
31 December 2011	<u>14,496</u>	<u>14,496,000</u>	<u>14,748,140</u>
Shares issued	<u>-</u>	<u>-</u>	<u>-</u>
30 June 2012	<u>14,496</u>	<u>14,496,000</u>	<u>14,748,140</u>

All ordinary shares have a nominal value of UAH 1 million per share, rank equally and carry one vote.

This interim condensed consolidated financial information reflects the amount of share capital stated at cost, which is restated for the effect of hyperinflation for the contributions made before 31 December 2000.

On 30 March 2011 the Government of Ukraine decided to increase the share capital of the Bank by issue of 604 new shares with the nominal value of UAH 1 million. It was financed by special issue of state bonds with right to be sold to NBU in the amount of UAH 604,000 thousand. The Bank exercised the right in full amount on 9 June 2011. Share capital increase was approved by the National Bank of Ukraine as at 31 December 2011. As at 30 June 2012 share capital increase is registered in Securities and Stock Market National Commission.

On 20 October 2011 the Government of Ukraine decided to increase the share capital of the Bank for amount of UAH 1,041,900 thousand by capitalizing the retained earnings of the Bank increasing nominal value of shares. Respective changes were not registered in Securities and Stock Market National Commission as at 30 June 2012.

In 2012 and 2011 the Bank paid as distribution of profit based on the financial results of 2011 and 2010, to the general fund of State budget of Ukraine as in accordance with the requirements of art. 11 Law of Ukraine dated 21 September 2006 №185-V "On State Property Management" in the amount UAH 151,253 thousand and UAH 138,182 thousand, respectively.

Property revaluation reserve

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

Investments available for sale fair value reserve

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

24. NON-CONTROLLING INTEREST

As at 30 June 2012 the Bank's non-controlling interest in PJSC "Home loans refinancing agency" was 29.14% with carrying value UAH 10,015 thousand.

The non-controlling interest as of 30 June 2012 is calculated by reference to the net assets and net profit of the subsidiary.

25. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Bank is a party to financial instruments with off-balance sheet risk in order to meet the needs of its customers. These instruments, involving varying degrees of credit risk, are not reflected in the interim condensed consolidated statement of financial position.

The Bank's maximum exposure to credit loss under contingent liabilities and commitments to extend credit, in the event of non-performance by the other party where all counterclaims, collateral or security prove valueless, is represented by the contractual amounts of those instruments.

The Bank uses the same credit control and management policies in undertaking off-balance sheet commitments as it does for on-balance operations.

As at 30 June 2012 and 31 December 2011 the nominal or contract amounts were:

	30 June 2012	31 December 2011
Contingent liabilities and credit commitments		
Guarantees issued and similar commitments	1,569,635	324,909
Irrevocable commitments on loans and unused credit lines	454,316	443,902
Letters of credit and other transaction related contingent obligations	-	71,634
Total contingent liabilities and irrevocable credit commitments	<u>2,023,951</u>	<u>840,445</u>

As at 30 June 2012 and 31 December 2011 provision for impairment losses on guaranties and other commitments amounted to UAH 76,878 thousand and UAH 7,875 thousand, respectively (Notes 4, 21).

Extension of loans to customers within loans and credit line limits is approved by the Bank on a case-by-case basis and depends on borrowers' financial performance, debt service and other conditions. As at 30 June 2012 and 31 December 2011 total amount of such commitments amounted to UAH 5,684,521 thousand and UAH 5,647,788 thousand, respectively.

Capital commitments – As at 30 June 2012 and 31 December 2011 the Bank had no capital commitments.

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

	30 June 2012	31 December 2011
Less than 1 year	10,057	23,682
Later than 1 year and not later than 5 years	23,059	28,950
Later than 5 years	75,540	44,547
Total operating lease commitments	108,656	97,179

Legal proceedings – From time to time and in the normal course of business, claims against the Bank are received from customers and counterparties. Management is of the opinion that no material unaccrued losses will be incurred and accordingly no provision has been made in this interim condensed consolidated financial information.

Taxation – Due to presence in the Ukrainian commercial legislation, and tax legislation in particular, of provisions allowing more than one interpretation, and also due to the practice developed in a generally unstable environment by the tax authorities of making arbitrary judgment of business activities, if a particular treatment based on management's judgment of the Bank's business activities was to be challenged by the tax authorities, the Bank may be assessed additional taxes, penalties and interest. Such uncertainty may relate to the valuation of financial instruments, loss and impairment provisions and the market level for the pricing of deals. The Bank believes that it has already made all tax payments, and therefore no allowance has been made in the interim condensed consolidated financial information. Tax records remain open to review by the tax authorities for three years.

During the tax review conducted in 2006, additional tax liabilities and financial sanctions in amount UAH 11,070 thousand were assessed. The tax authorities challenged the tax deductibility of the provision for doubtful receivables. The Bank did not agree with the tax authorities and on 9 June 2006 filed a court case. On 20 September 2006 the court requested an independent legal expert to assess the appropriateness of deductibility of the provision. On 5 March 2007 the Kyiv Research Institute of Legal Expertise partly agreed with the Bank's approach. On 31 October 2007 the court made decision in favour of the Bank. The tax authorities appealed the decision under appeal procedure. This decision was confirmed by the Kyiv Administrative Court of Appeal, thus it has come into effect. Tax authorities appealed court decisions in cassation to the Higher Administrative Court of Ukraine. According to the Decision of Supreme Administrative Court of Ukraine, decisions of 1st and appellate courts reversed, and case directed to a new trial to the Kyiv District Administrative Court. Kyiv District Administrative Court denied claim in full. On 16 June 2011 Bank appealed against the decision of Kyiv District Administrative Court dated 6 June 2011. No provisions for this additional tax assessment are made in this interim condensed consolidated financial information.

Pensions and retirement plans – Employees receive pension benefits in accordance with the laws and regulations of Ukraine, which requires current contributions by the employer calculated as a percentage of current gross salary payments; such expense is charged in the period the related salaries are earned. Employees have the right to receive pension in the amount of such accumulated payments from state pension fund. As at 30 June 2012 and 31 December 2011 the Bank was not liable for any supplementary pensions, post-retirement health care, insurance benefits, or retirement indemnities to its current or former employees.

Operating environment – The principal business activities of the Bank are within Ukraine. Emerging markets such as Ukraine are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. As has happened in the past, actual or perceived financial problems or an increase in the perceived risks associated with investing in emerging economies could adversely affect the investment climate in Ukraine and the Ukraine's economy in general.

Laws and regulations affecting businesses in Ukraine continue to change rapidly. Tax, currency and customs legislation within Ukraine is subject to varying interpretations, and other legal and fiscal impediments contribute to the challenges faced by entities currently operating in Ukraine. The future economic direction of Ukraine is heavily influenced by the economic, fiscal and monetary policies adopted by the Government, together with developments in the legal, regulatory, and political environment.

The global financial system continues to exhibit signs of deep stress and many economies around the world are experiencing lesser or no growth than in prior years. Additionally there is increased uncertainty about the creditworthiness of some sovereign states in the Eurozone and financial institutions with exposure to the sovereign debt of such states. These conditions could slow or disrupt the Ukraine's economy, adversely affect the Bank's access to capital and cost of capital for the Bank and, more generally, its business, results of operations, financial condition and prospects.

26. TRANSACTIONS WITH RELATED PARTIES

Related parties of the Bank, as defined by IAS 24 "Related Party Disclosures" (revised 2009), represent:

1. A person or a close member of that person's family is related to the Bank if that person:
 - (a) Has control or joint control over the Bank;
 - (b) Has significant influence over the Bank; or
 - (c) Is a member of the key management personnel of the Bank or of a parent of the Bank.
2. An entity is related to the Bank if any of the following conditions applies:
 - (a) The entity and the Bank are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - (b) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
 - (c) Both entities are joint ventures of the same third party;
 - (d) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (e) The entity is a post-employment benefit plan for the benefit of employees of either the Bank or an entity related to the Bank. If the Bank is itself such a plan, the sponsoring employers are also related to the Bank;
 - (f) The entity is controlled or jointly controlled by a person identified in 1;
 - (g) A person identified in 1(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

As at 30 June 2012 and 31 December 2011 the Bank was a 100% state-owned bank through Government of Ukraine.

Transactions and balances with related parties comprise transactions with government, government-related entities (both directly and indirectly), key management personnel and entities, if any, that are controlled, jointly controlled or significantly influenced by them.

Government-related entity is an entity that is controlled, jointly controlled or significantly influenced by the government.

Government refers to Government of Ukraine, government agencies and similar bodies whether local, national or international.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

The Bank had the following transactions outstanding as at 30 June 2012 and 31 December 2011 with related parties:

	30 June 2012		31 December 2011	
	Related party balances	Total category as per interim condensed consolidated financial information caption	Related party balances	Total category as per interim condensed consolidated financial information caption
Balances with the NBU	1,019,219	1,019,219	612,861	612,861
- other related parties	1,019,219		612,861	
Due from banks:	656,141	12,681,541	1,196,935	9,721,881
- other related parties	656,141		1,196,935	
Loans to customers, gross:	30,466,855	59,954,556	29,770,653	58,837,217
- key management personnel of the Bank	2,598		2,292	
- other related parties	30,464,257		29,768,361	
Allowance for impairment of loans to customers:	(4,156,592)	(9,332,403)	(3,758,928)	(8,377,285)
- other related parties	(4,156,592)		(3,758,928)	
Investments available for sale:	9,147,748	11,573,209	6,243,560	8,657,367
- other related parties	9,147,748		6,243,560	
Due to banks:	17,014,114	18,113,946	14,977,906	16,450,884
- other related parties	17,014,114		14,977,906	
Customer accounts:	3,289,030	36,993,123	4,004,107	32,600,498
- key management personnel of the Bank	78,908		69,950	
- other related parties	3,210,122		3,934,157	
Debt securities issued:	114,720	204,116	114,720	204,213
- other related parties	114,720		114,720	
Other liabilities:	332,050	572,852	4,269	149,883
- key management personnel of the Bank	4,429		4,269	
- other related parties	327,621		-	
Contingent liabilities and credit commitments (irrevocable and revocable):	1,632,439	7,708,472	2,607,083	6,488,233
- key management personnel of the Bank	245		361	
- other related parties	1,632,194		2,606,722	

Included in the interim condensed consolidated statement of comprehensive income for the periods ended 30 June 2012 and 2011 are the following amounts which arose due to transactions with related parties:

	Six months ended 30 June 2012		Six months ended 30 June 2011 (unaudited)	
	Related party transactions	Total category as per interim condensed consolidated financial information caption	Related party transactions	Total category as per interim condensed consolidated financial information caption
Interest income	2,547,950	4,805,469	2,944,276	3,934,687
- key management personnel of the Bank	1,443		3	
- other related parties:	2,546,507		2,944,273	
- due from banks	26,756		21,482	
- loans to customers	1,900,867		2,207,156	
- investments available for sale	618,884		715,635	
Interest expense	(819,941)	(2,268,319)	(793,851)	(1,797,707)
- key management personnel of the Bank	(4,318)		(1,788)	
- other related parties:	(815,623)		(792,063)	
- due to banks	(707,177)		(713,120)	
- customer accounts	(100,494)		(68,047)	
- debt securities issued	(7,952)		(10,896)	
(Provision)/ Recovery of provision on impairment losses on interest bearing assets	(378,885)	(949,444)	74,312	(713,866)
Fee and commission income	63,425	624,279	108,287	569,158
- other related parties	63,425		108,287	
Fee and commission expense	(41,824)	(117,133)	(52,804)	(100,150)
- other related parties	(41,824)		(52,804)	
Operating expenses	(34,353)	(1,423,435)	(30,682)	(1,175,446)
- key management personnel of the Bank	(34,353)		(22,518)	
- other related parties	-		(8,164)	
Other (expenses)/income, net:	(8,451)	(30,934)	-	11,534
- other related parties	(8,451)		-	
Key management personnel compensation:	(31,379)	(1,008,322)	(19,356)	(857,976)
- short-term employee benefits	(29,924)		(18,249)	
- social taxes	(1,455)		(1,107)	

27. CAPITAL MANAGEMENT

The Bank manages its capital to ensure that the Bank will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Bank consists of equity, comprising issued capital, reserves and retained earnings as disclosed in interim condensed consolidated statement of changes in equity, and debt, which includes subordinated debt disclosed in Note 22.

The Management Board reviews the capital structure on a regular basis. As part of this review, the Board considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the Management Board, the Bank balances its overall capital structure through new share issues as well as the issue of new debt or the redemption of existing debt.

28. REGULATORY MATTERS

The adequacy of the Bank's capital is monitored using, among other measures, the ratios established by the Basel Capital Accord 1988 and the ratios established by the NBU in supervising the Bank.

During the six months ended 30 June 2012, the Bank had complied in full with all its externally imposed capital requirements.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios of total and Tier 1 capital to risk-weighted assets.

The following table analyzes the Bank's regulatory capital resources for capital adequacy purposes in accordance with the principles employed above:

	30 June 2012	31 December 2011
Regulatory capital:		
Tier 1 capital		
Share capital	14,748,140	14,748,140
Retained earnings	<u>1,763,241</u>	<u>1,274,894</u>
Total Tier 1 qualified capital	<u>16,511,381</u>	<u>16,023,034</u>
Tier 2 capital		
Revaluation reserves	1,220,832	1,334,513
Subordinated debt	<u>799,250</u>	<u>798,980</u>
Total Tier 2 qualified capital up to a limit 100% of total Tier 1 capital	<u>2,020,082</u>	<u>2,133,493</u>
Total regulatory capital	<u>18,531,463</u>	<u>18,156,527</u>
Capital ratios:		
Total regulatory capital expressed as a percentage of total risk-weighted assets	<u>29.06%</u>	<u>30.26%</u>
Total Tier 1 capital expressed as a percentage of total risk-weighted assets	<u>25.90%</u>	<u>26.17%</u>

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios of total (8%) and Tier 1 capital (4%) to risk-weighted assets.

As at 30 June 2012 and 31 December 2011 the Bank included in the computation of Total capital for Capital adequacy purposes the subordinated debt received, limited to 50% of Tier 1 capital. In the event of bankruptcy or liquidation of the Bank, repayment of this debt is subordinate to the repayments of the Bank's liabilities to all other creditors.

29. RISK MANAGEMENT POLICIES

Management of risk is fundamental to the Bank's business and is an essential element of the Bank's operations. The main risks inherent to the Bank's operations are those related to credit exposures, liquidity and market movements in interest rates and foreign exchange rates. A description of the Bank's risk management policies in relation to those risks follows.

Risk management framework – The risk management policies aim to identify, analyse and manage the risks faced by the Bank, to set appropriate risk limits and controls and to continuously monitor risk levels and adherence to limits.

Detailed description of risk management policies of the Bank is stated in the Bank's financial statements for the year ended 31 December 2011.

The Bank manages the following risks:

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

Credit risk – Credit risk is the risk of a financial loss if a customer or counterparty fails to meet its contractual obligations, and arises principally from loans and advances and investment securities. For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure (such as individual customer and counterparty default risk, country and industry risk).

Management uses the same procedures and methodologies, as defined in the policy for approving and procedures of consideration, approval and accompaniment of credit related commitments (unused loan commitments, letter of credit and guarantees) as it does for on statement of financial position credit obligations (loans). The maximum exposure to off balance sheet credit risk is reflected in Note 25.

Credit quality of loans to customers and due from banks as at 30 June 2012 and 31 December 2011 are summarised as follows:

	30 June 2012		31 December 2011	
	Loans to customers	Due from banks	Loans to Customers	Due from banks
National Joint Stock Company Naftogaz of Ukraine	20,322,477	-	20,334,165	-
Neither past due nor impaired	32,696,834	12,608,939	32,008,464	9,644,278
Past due but not impaired:				
Past due up to 1 month	147,065	-	119,507	-
Past due 1-2 months	41,512	-	29,245	-
Impaired loans	6,746,668	147,100	6,345,836	157,214
Total loans to customers and due from banks	59,954,556	12,756,039	58,837,217	9,801,492
Less:				
Allowance for impairment losses on loans to National Joint Stock Company Naftogaz of Ukraine	(3,201,516)	-	(3,210,513)	-
Portfolio allowance for impairment losses	(4,675,628)	-	(3,998,234)	-
Allowance for impairment losses on individually impaired loans	(1,455,259)	(74,498)	(1,168,538)	(79,611)
Total	50,622,153	12,681,541	50,459,932	9,721,881

As at 30 June 2012 and 31 December 2011 the Bank had loans issued to National Joint Stock Company Naftogaz of Ukraine. The Bank applies tailored methodology for assessment of the mentioned borrower which was elaborated with the view to consider risks relevant to this borrower, in particular: high concentration of the borrowed funds, specific character of its activity, ability to generate cash flows and profits, sensitivity to general economic and market conditions. The Bank is of the opinion that there is no evidence of impairment of the mentioned borrower; however, provision was assessed considering inherent risks of the borrower.

As at 30 June 2012 and 31 December 2011 impaired loans included loans overdue more than three months in the amount UAH 4,237,518 thousand and UAH 4,185,340 thousand, which constitute 7.1% and 7.1% of loan portfolio before allowance for impairment losses, respectively.

The Bank expects that significant part of loans, which are overdue more than three months, will be repaid either for account of borrowers' own earnings, or proceeds from sale of collateral. Such expectations are based on the fact, that considerable part of overdue corporate loans are secured by marketable collateral, and granted to entities, which have potential ability to restore own solvency due to improved economic conditions in Ukraine. Bank's ability to receive the payments on overdue loans to individuals is explained by the fact that these loans are mostly secured by real estate and vehicles. Moreover, even if the value of collateral is not enough to repay the loan, the Bank retains the right to demand payments from the borrowers until loan is repaid in full amount.

As at 30 June 2012 and 31 December 2011 accrued interest on loans to customers included accrued interest on impaired loans to customers in amount of UAH 1,106,761 thousand and UAH 953,066 thousand, respectively.

The banking industry is generally exposed to credit risk through its financial assets and contingent liabilities. Credit risk exposure of the Bank is concentrated within Ukraine. The exposure is monitored on a regular basis to ensure that the credit limits and credit worthiness guidelines established by the Bank's risk management policy are not breached.

Concentration risk – Concentration risk is determined by the Bank as the risk of possible losses due to concentration of risk in specific instruments, operations and industries.

Public Joint Stock Company "State Savings Bank of Ukraine" is the largest state-owned bank of Ukraine and specific character of its activities is related to significant scale of operations with state-owned companies, including according to state programs, resulting in significant concentration of credit and investment risks in relation to certain counterparties and groups of related counterparties and industries.

As at 30 June 2012 46% of the assets and 33% of the liabilities were concentrated in operations with state-owned companies, the NBU, state banks and state authorities. The Bank obtains loans from the NBU to finance lending to the state-owned companies, which comprise 26% of the liabilities.

As at 31 December 2011 46% of the assets and 34% of the liabilities were concentrated in operations with state-owned companies, the NBU, state banks and state authorities. The Bank obtains loans from the NBU to finance lending to the state-owned companies, which comprise 27% of the liabilities.

The Bank manages concentration risk in the loan and investment portfolios by setting limits for certain counterparties and group of counterparties. Detailed description of this process is stated in the Bank's financial statements for the year ended 31 December 2011, in the section about the credit risk.

The Management Board of the NBU set individual limit of maximum exposure to credit risk (N7) for operations with National Joint Stock Company Naftogaz of Ukraine by individual regulation. Concentration for this counterparty is disclosed in Note 12.

The Bank did not violate limits on management of credit risk set by the NBU as at 30 June 2012 and 31 December 2011.

An analysis of concentration of the assets and the liabilities by currencies, maturity and geography is disclosed in respective sections of the risk management policy.

Liquidity risk – Liquidity risk refers to the availability of sufficient funds to meet deposit withdrawals and other financial commitments associated with financial instruments as they actually fall due.

The analysis of liquidity risk based on carrying value of financial assets and liabilities is presented in the following table:

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	30 June 2012 Total
FINANCIAL ASSETS							
Due from banks	11,034,995	1,475,000	-	-	-	-	12,509,995
Loans to customers	3,067,548	2,652,939	9,688,161	27,752,442	7,461,063	-	50,622,153
Investments available for sale	661,967	682,548	4,079,930	6,113,987	1,207	-	11,539,639
Total interest bearing assets	14,764,510	4,810,487	13,768,091	33,866,429	7,462,270	-	74,671,787
Cash and balances with the National Bank of Ukraine	2,195,614	-	-	-	-	578,149	2,773,763
Due from banks	171,546	-	-	-	-	-	171,546
Investments available for sale	-	-	-	-	-	33,570	33,570
Other financial assets	16,978	11,831	48	1,179	-	-	30,036
TOTAL FINANCIAL ASSETS	17,148,648	4,822,318	13,768,139	33,867,608	7,462,270	611,719	77,680,702
FINANCIAL LIABILITIES							
Due to banks	2,141,171	3,354,175	631,354	11,981,757	-	-	18,108,457
Customer accounts	19,187,189	3,592,385	10,177,816	3,978,722	57,011	-	36,993,123
Eurobonds issued	-	141,731	-	5,567,450	-	-	5,709,181
Other borrowed funds	5,020	-	500,000	-	-	-	505,020
Debt securities issued	-	3,989	200,127	-	-	-	204,116
Subordinated debt	-	-	22,247	794,382	-	-	816,629
Total interest bearing liabilities	21,333,380	7,092,280	11,531,544	22,322,311	57,011	-	62,336,526
Due to banks	5,489	-	-	-	-	-	5,489
Other financial liabilities	346,180	13,345	38,112	8	76	-	397,721
TOTAL FINANCIAL LIABILITIES	21,685,049	7,105,625	11,569,656	22,322,319	57,087	-	62,739,736
Liquidity gap	(4,536,401)	(2,283,307)	2,198,483	11,545,289	7,405,183	611,719	
Interest sensitivity gap	(6,568,870)	(2,281,793)	2,236,547	11,544,118	7,405,259		
Cumulative interest sensitivity gap	(6,568,870)	(8,850,663)	(6,614,116)	4,930,002	12,335,261		
Cumulative interest sensitivity gap as a percentage of total assets	(8%)	(11%)	(8%)	6%	15%		

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2011 Total
FINANCIAL ASSETS							
Due from banks	9,653,262	-	-	-	-	-	9,653,262
Loans to customers	1,253,357	4,842,919	10,546,406	29,303,090	4,514,160	-	50,459,932
Investments available for sale	1,677,566	474,233	3,728,215	2,768,356	1,207	-	8,649,577
Total interest bearing assets	12,584,185	5,317,152	14,274,621	32,071,446	4,515,367	-	68,762,771
Cash and balances with the National Bank of Ukraine	1,790,990	-	-	-	-	425,000	2,215,990
Due from banks	68,619	-	-	-	-	-	68,619
Investments available for sale	-	-	-	-	-	7,790	7,790
Other financial assets	17,636	35	58	455	-	-	18,184
TOTAL FINANCIAL ASSETS	14,461,430	5,317,187	14,274,679	32,071,901	4,515,367	432,790	71,073,354
FINANCIAL LIABILITIES							
Due to banks	2,566,673	187,500	1,703,726	11,981,757	-	-	16,439,656
Customer accounts	16,857,233	3,391,032	7,489,504	4,782,424	80,305	-	32,600,498
Eurobonds issued	-	143,240	-	5,561,885	-	-	5,705,125
Other borrowed funds	5,202	-	-	500,000	-	-	505,202
Debt securities issued	-	3,989	-	200,224	-	-	204,213
Subordinated debt	33,834	-	-	-	793,582	-	827,416
Total interest bearing liabilities	19,462,942	3,725,761	9,193,230	23,026,290	873,887	-	56,282,110
Due to banks	11,228	-	-	-	-	-	11,228
Other financial liabilities	8,129	3,732	59,929	10	125	-	71,925
TOTAL FINANCIAL LIABILITIES	19,482,299	3,729,493	9,253,159	23,026,300	874,012	-	56,365,263
Liquidity gap	(5,020,869)	1,587,694	5,021,520	9,045,601	3,641,355	432,790	
Interest sensitivity gap	(6,878,757)	1,591,391	5,081,391	9,045,156	3,641,480		
Cumulative interest sensitivity gap	(6,878,757)	(5,287,366)	(205,975)	8,839,181	12,480,661		
Cumulative interest sensitivity gap as a percentage of total assets	(9%)	(7%)	0%	12%	17%		

The Bank's liquidity risk management includes estimation of core current accounts, i.e. funds associated with stable customer relationships, with statistical methods applied to historic information on fluctuations of customer accounts balances. As at 30 June 2012 and 31 December 2011 core current accounts amounted to UAH 8,408,476 thousand and UAH 7,921,181 thousand, respectively. Based on going concern assumption effective maturity of core current accounts is considered to be undefined. Information as to the expected periods of repayment of customer accounts and effective liquidity gaps as at 30 June 2012 and 31 December 2011 is as follows:

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	30 June 2012 Total
TOTAL FINANCIAL ASSETS	17,148,648	4,822,318	13,768,139	33,867,608	7,462,270	611,719	77,680,702
TOTAL FINANCIAL LIABILITIES	21,685,049	7,105,625	11,569,656	22,322,319	57,087	-	62,739,736
Liquidity gap	(4,536,401)	(2,283,307)	2,198,483	11,545,289	7,405,183	611,719	
Current customer accounts analysed based on expected withdrawal dates	10,778,713	3,592,385	10,177,816	3,978,722	57,011	8,408,476	
Liquidity gap based on expected withdrawal dates for current customer accounts	3,872,075	(2,283,307)	2,198,483	11,545,289	7,405,183	(7,796,757)	
	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2011 Total
TOTAL FINANCIAL ASSETS	14,461,430	5,317,187	14,274,679	32,071,901	4,515,367	432,790	71,073,354
TOTAL FINANCIAL LIABILITIES	19,482,299	3,729,493	9,253,159	23,026,300	874,012	-	56,365,263
Liquidity gap	(5,020,869)	1,587,694	5,021,520	9,045,601	3,641,355	432,790	
Current customer accounts analysed based on expected withdrawal dates	8,936,052	3,391,032	7,489,504	4,782,424	80,305	7,921,181	
Liquidity gap based on expected withdrawal dates for current customer accounts	2,900,312	1,587,694	5,021,520	9,045,601	3,641,355	(7,488,391)	

A further analysis of the liquidity risk is presented in the following tables in accordance with IFRS 7. The amounts disclosed in these tables do not correspond to the amounts recorded on the statement of financial position as the presentation below includes a maturity analysis for financial liabilities that indicates the total remaining undiscounted contractual payments (including future interest payments), which are not recognized in the statement of financial position under the effective interest rate method.

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	30 June 2012 Total
FINANCIAL LIABILITIES						
Due to banks	2,278,320	3,577,972	1,493,033	13,276,222	-	20,625,547
Customer accounts	19,396,017	3,933,840	10,966,945	4,169,309	98,365	38,564,476
Eurobonds issued	-	230,783	230,783	6,979,451	-	7,441,017
Other borrowed funds	5,020	10,068	538,092	-	-	553,180
Debt securities issued	-	6,981	213,962	-	-	220,943
Subordinated debt	-	-	49,785	997,440	-	1,047,225
Total interest bearing financial liabilities	21,679,357	7,759,644	13,492,600	25,422,422	98,365	68,452,388
Other financial liabilities Contingent liabilities and irrevocable loan commitments	346,180	13,345	38,112	8	76	397,721
Non-derivative financial liabilities	390,968	1,426	117,286	1,508,682	5,589	2,023,951
Gross settled currency swap agreements	22,416,505	7,774,415	13,647,998	26,931,112	104,030	70,874,060
Gross settled currency forward agreements	1,134,924	404,196	-	-	-	1,539,120
Gross settled currency forward agreements	-	798,598	-	-	-	798,598
TOTAL FINANCIAL LIABILITIES	23,551,429	8,977,209	13,647,998	26,931,112	104,030	73,211,778

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	31 December 2011 Total
FINANCIAL LIABILITIES						
Due to banks	2,702,796	414,723	2,669,198	13,892,797	-	19,679,514
Customer accounts	17,026,553	3,673,383	8,242,423	4,972,661	134,400	34,049,420
Eurobonds issued	-	230,705	230,705	7,207,798	-	7,669,208
Other borrowed funds	5,202	10,068	46,147	517,788	-	579,205
Debt securities issued	-	6,981	20,942	206,981	-	234,904
Subordinated debt	37,629	-	-	198,123	848,613	1,084,365
Total interest bearing financial liabilities	19,772,180	4,335,860	11,209,415	26,996,148	983,013	63,296,616
Other financial liabilities Contingent liabilities and irrevocable loan commitments	8,129	3,732	59,929	10	125	71,925
Non-derivative financial liabilities	284,409	175,127	127,880	251,420	1,609	840,445
Gross settled currency swap agreements	20,064,718	4,514,719	11,397,224	27,247,578	984,747	64,208,986
Gross settled currency forward agreements	2,442	4,727	413,593	-	-	420,762
Gross settled currency forward agreements	505,999	161,878	840,000	-	-	1,507,877
TOTAL FINANCIAL LIABILITIES	20,573,159	4,681,324	12,650,817	27,247,578	984,747	66,137,625

Interest rate risk – The Bank manages fair value interest rate risk through periodic estimation of potential losses that could arise from adverse changes in market conditions.

The Assets and Liabilities Management Committee manages interest rate and market risks by matching its interest rate position, which provides the Bank with a positive interest margin. The Assets and Liabilities Management Committee conducts monitoring of the Bank's current financial performance, estimates the Bank's sensitivity to changes in interest rates and its influence on the Bank's profitability.

The following table presents an analysis of interest rate risk and thus the potential of the Bank for gain or loss. Effective interest rates are presented by categories of financial assets and liabilities to determine interest rate exposure and effectiveness of the interest rate policy used by the Bank.

	30 June 2012				31 December 2011			
	UAH %	USD %	EUR %	Other %	UAH %	USD %	EUR %	Other %
ASSETS								
Due from banks	10%	2%	0.1%	4%	14%	3%	0.1%	0.4%
Loans to customers	13%	10%	10%	-	14%	11%	11%	14%
Investments available for sale:								
Ukrainian Government debt securities	13%	5%	-	-	13%	-	-	-
Other securities	16%	-	-	-	16%	-	-	-
LIABILITIES								
Due to banks	9%	3%	4%	-	10%	6%	4%	-
Customer accounts:								
Current accounts	1%	0.7%	0.2%	-	1%	0.5%	0.3%	0.1%
Deposits	15%	7%	6%	-	13%	6%	5%	2%
Eurobonds issued	-	8%	-	-	-	8%	-	-
Other borrowed funds	12%	-	-	-	12%	-	-	-
Debt securities issued	14%	-	-	-	14%	-	-	-
Subordinated debt	-	6%	-	-	-	9%	-	-

The majority of the Bank's loan contracts and other financial assets and liabilities contain clauses enabling the interest rate to be changed at the option of the lender. The Bank monitors its interest rate margin and consequently does not consider itself exposed to significant interest rate risk or consequential cash flow risk.

The following table presents a sensitivity analysis of interest rate risk, which has been determined based on "reasonably possible changes in the risk variable". The level of these changes is determined by management and is contained within the risk reports provided to key management personnel.

Impact on profit and equity:

	As at 30 June 2012		As at 31 December 2011	
	Interest rate +1%	Interest rate -1%	Interest rate +1%	Interest rate -1%
Assets:				
Due from banks	98,829	(98,829)	74,330	(74,330)
Loans to customers	399,915	(399,915)	388,541	(388,541)
Investments available for sale	91,163	(91,163)	66,602	(66,602)
Liabilities:				
Due to banks	(143,057)	143,057	(126,585)	126,585
Customer accounts	(292,246)	292,246	(251,024)	251,024
Eurobonds issued	(45,103)	45,103	(43,929)	43,929
Other borrowed funds	(3,990)	3,990	(3,890)	3,890
Debt securities issued	(1,613)	1,613	(1,572)	1,572
Subordinated debt	(6,451)	6,451	(6,371)	6,371
Net impact on profit before tax	97,447	(97,447)	96,102	(96,102)

Price risk – Price risk is the risk that the value of a financial instrument will fluctuate as a result of unfavourable fluctuation in securities prices in the portfolio of the Bank, in the prices of derivative or other instruments and commodities, other than those caused by the changes in foreign exchange rates or interest rates.

Currency risk – Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Bank is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

Foreign currency exchange rate risk – The Bank's exposure to foreign currency exchange rate risk is presented in the table below:

	UAH	USD USD 1 = UAH 7.9925	EUR EUR 1 = UAH 9.9706	Other currencies	30 June 2012 Total
FINANCIAL ASSETS					
Cash and balances with the National Bank of Ukraine	2,052,520	598,586	66,564	56,093	2,773,763
Due from banks	10,705,985	1,833,735	18,727	123,094	12,681,541
Loans to customers	39,752,813	10,028,503	840,837	-	50,622,153
Investments available for sale	11,374,840	198,369	-	-	11,573,209
Other financial assets	16,902	12,785	17	332	30,036
TOTAL FINANCIAL ASSETS	63,903,060	12,671,978	926,145	179,519	77,680,702
FINANCIAL LIABILITIES					
Due to banks	17,458,258	503,632	151,823	233	18,113,946
Customer accounts	30,374,860	5,789,187	788,331	40,745	36,993,123
Eurobonds issued	-	5,709,181	-	-	5,709,181
Other borrowed funds	505,020	-	-	-	505,020
Debt securities issued	204,116	-	-	-	204,116
Other financial liabilities	377,370	18,502	1,496	353	397,721
Subordinated debt	-	816,629	-	-	816,629
TOTAL FINANCIAL LIABILITIES	48,919,624	12,837,131	941,650	41,331	62,739,736
OPEN BALANCE SHEET POSITION	14,983,436	(165,153)	(15,505)	138,188	
	UAH	USD USD 1 = UAH 7.9925	EUR EUR 1 = UAH 9.9706	Other currencies	30 June 2012 Total
Accounts receivable on derivative contracts	2,318,190	9,638	-	-	2,327,828
Accounts payable on derivative contracts	-	2,321,474	-	9,635	2,331,109
OPEN POSITION	17,301,626	(2,476,989)	(15,505)	128,553	

	UAH	USD USD 1 = UAH 7.9898	EUR EUR 1 = UAH 10.2981	Other currencies	31 December 2011 Total
FINANCIAL ASSETS					
Cash and balances with the National Bank of Ukraine	1,726,219	365,627	81,578	42,566	2,215,990
Due from banks	8,116,662	1,528,184	26,424	50,611	9,721,881
Loans to customers	38,290,367	11,334,118	834,922	525	50,459,932
Investments available for sale	8,657,367	-	-	-	8,657,367
Other financial assets	16,540	1,618	2	24	18,184
TOTAL FINANCIAL ASSETS	56,807,155	13,229,547	942,926	93,726	71,073,354
FINANCIAL LIABILITIES					
Due to banks	15,979,429	361,968	101,821	7,666	16,450,884
Customer accounts	26,304,752	5,435,493	809,283	50,970	32,600,498
Eurobonds issued	-	5,705,125	-	-	5,705,125
Other borrowed funds	505,202	-	-	-	505,202
Debt securities issued	204,213	-	-	-	204,213
Other financial liabilities	70,335	1,449	103	38	71,925
Subordinated debt	-	827,416	-	-	827,416
TOTAL FINANCIAL LIABILITIES	43,063,931	12,331,451	911,207	58,674	56,365,263
OPEN BALANCE SHEET POSITION	13,743,224	898,096	31,719	35,052	
	UAH	USD USD 1 = UAH 7.9898	EUR EUR 1 = UAH 10.2981	Other currencies	31 December 2011 Total
Accounts receivable on derivative contracts	1,795,271	-	-	-	1,795,271
Accounts payable on derivative contracts	-	(1,812,700)	-	-	(1,812,700)
OPEN POSITION	15,538,495	(914,604)	31,719	35,052	

Currency risk sensitivity – The following table details the Bank’s sensitivity to an increase and decrease in the USD and EUR against the UAH, in result of possible changes in currency rates. Sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management’s assessment of the possible change in foreign currency exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the period for the appropriate change in foreign currency rates. The sensitivity analysis includes external loans within the Bank where the denomination of the loan is in a currency other than the currency of the lender or the borrower.

	As at 30 June 2012		As at 31 December 2011	
	UAH/USD +10%	UAH/USD -10%	UAH/USD +10%	UAH/USD -10%
Impact on profit and equity	(195,682)	195,682	(70,425)	70,425

	As at 30 June 2012		As at 31 December 2011	
	UAH/EUR +10%	UAH/EUR -10%	UAH/EUR +10%	UAH/EUR -10%
Impact on profit and equity	(1,225)	1,225	2,442	(2,442)

Limitations of sensitivity analysis – The above tables demonstrate the effect of a change in a key assumption while other assumptions remain unchanged. In reality there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results.

The sensitivity analyses do not take into consideration that the Bank's assets and liabilities are actively managed. Additionally, the financial position of the Bank may vary at the time that any actual market movement occurs. For example, the Bank's financial risk management strategy aims to optimize the exposure to market fluctuations on the Bank activities. As investment markets move past various trigger levels, management actions could include selling investments, changing investment portfolio allocation and taking other protective action. Consequently, the actual impact of a change in the assumptions may not have any impact on the liabilities, whereas assets are held at market value on the statement of financial position. In these circumstances, the different measurement bases for liabilities and assets may lead to volatility in shareholder equity.

Other limitations in the above sensitivity analyses include the use of hypothetical market movements to demonstrate potential risk that only represent the Bank's view of possible near-term market changes that cannot be predicted with any certainty; and the assumption that all interest rates move in an identical fashion.

Geographical concentration – The geographical concentration of assets and liabilities is set out below:

	Ukraine	Other non-OECD countries	OECD countries	30 June 2012 Total
FINANCIAL ASSETS				
Cash and balances with the National Bank of Ukraine	2,773,763	-	-	2,773,763
Due from banks	11,468,397	22,995	1,190,149	12,681,541
Loans to customers	50,622,153	-	-	50,622,153
Investments available for sale	11,573,209	-	-	11,573,209
Other financial assets	30,036	-	-	30,036
TOTAL FINANCIAL ASSETS	76,467,558	22,995	1,190,149	77,680,702
FINANCIAL LIABILITIES				
Due to banks	17,738,602	223,601	151,743	18,113,946
Customer accounts	36,794,033	196,043	3,047	36,993,123
Eurobonds issued	-	-	5,709,181	5,709,181
Other borrowed funds	-	-	505,020	505,020
Debt securities issued	204,116	-	-	204,116
Other financial liabilities	397,721	-	-	397,721
Subordinated debt	-	-	816,629	816,629
TOTAL FINANCIAL LIABILITIES	55,134,472	419,644	7,185,620	62,739,736
NET POSITION	21,333,086	(396,649)	(5,995,471)	
	Ukraine	Other non-OECD countries	OECD countries	31 December 2011 Total
FINANCIAL ASSETS				
Cash and balances with the National Bank of Ukraine	2,215,990	-	-	2,215,990
Due from banks	8,754,077	20,347	947,457	9,721,881
Loans to customers	50,459,932	-	-	50,459,932
Investments available for sale	8,657,367	-	-	8,657,367
Other financial assets	18,184	-	-	18,184
TOTAL FINANCIAL ASSETS	70,105,550	20,347	947,457	71,073,354
FINANCIAL LIABILITIES				
Due to banks	16,346,395	2,809	101,680	16,450,884
Customer accounts	32,401,855	195,876	2,767	32,600,498
Eurobonds issued	-	-	5,705,125	5,705,125
Other borrowed funds	-	-	505,202	505,202
Debt securities issued	204,213	-	-	204,213
Other financial liabilities	71,925	-	-	71,925
Subordinated debt	-	-	827,416	827,416
TOTAL FINANCIAL LIABILITIES	49,024,388	198,685	7,142,190	56,365,263
NET POSITION	21,081,162	(178,338)	(6,194,733)	